

AMENDED MINUTES



**Cheshire Retirement Board
Meeting Minutes
March 1, 2017
Cheshire Town Hall
84 South Main Street
Cheshire, Connecticut 06410
Room 210; 6:00 p.m.**

In attendance were Chairman Michael Evans, and members Mark Izzo, Paul Shay and Jeremy Beitel. Police Department representatives Kevin Costa and Fred Jortner; Fire Department representative Bob Shalagan; Finance Director James Jaskot; Deputy Finance Director Gina DeFilio; Ross Charkatz and Amanda Thome of Graystone Consulting (by phone).

Absent: Dennis Flagg

1. Call to Order

Chairman Michael Evans called the meeting to order at 6:10 p.m.

2. Roll Call and Determination of a Quorum.

Chairman Michael Evans called the roll and a quorum was determined. He thanked Michael Caron for his term of service on the Retirement Board.

Chairman Evans introduced Jeremy Beitel, CFP, as a new member of the Board. Mr. Beitel resides in Cheshire and is President of Tradewinds Wealth Management, LLC. He has assisted clients in managing wealth for over 18 years. He began his own firm to provide better client experiences than that of larger Wall Street firms.

CHESHIRE RETIREMENT BOARD Meeting Minutes

3. Pledge of Allegiance.

All present recited the Pledge of Allegiance.

4. Approval of Minutes for November 16, 2016 meeting.

MOTION: Mr. Evans made a motion to approve the minutes from the meeting on November 16, 2016.

Motion was seconded by Mr. Shay and unanimously accepted by members present.

5. Old Business

a. November 16, 2016 – Miscellaneous Questions

Mr. Jaskot responded to questions that were asked at the meeting on November 16, 2017.

Mr. Shalagan asked if there was a three year wait before firefighters are eligible for a COLA. Although this was explicit in the Police contract, he did not think it applied to the volunteers.

Mr. Jaskot stated that firefighters were eligible for a COLA one year after retirement, three years for police officers. The COLA is then prorated to the end of the fiscal year at which point COLAs are calculated on an annual basis.

Mr. Evans asked that if an officer marries after retirement if the spouse is eligible for the 50% survivor benefit.

Jim Jaskot said that police post-retirement medical benefits are available to spouses and are generally capped at ten years, except for spouses of officers who were employed when the VEBA was initiated. Either way, spousal benefits are terminated once Medicare eligible, marital dissolution, or remarriage after the death of the participant. Mr. Jaskot suggested that officers refer to the post-retirement medical benefits language in the original VEBA Trust document for details.

Mr. Evans said that the question was about the police pension, not the post-retirement medical benefits. Later in the meeting Mr. Jaskot commented that the police plan's standard benefit provides for a spousal benefit if the participant is married on his or her retirement date, otherwise the benefit is a single annuity

benefit. There is no provision for a spousal benefit if a marriage occurs after retirement.

6. New Business:

a. Investment Update and Market Comments

Market Comments

Following the election, there has been swift market reaction resulting in higher infrastructure spending, relaxed regulations, and lower taxes fueling growth and higher inflation. Rising rates brought large increases in U.S. small caps and banks and losses in government bonds. The rising U.S. dollar led to a challenging non-US equity environment, particularly in emerging markets. Global equities returned an average of 8.5% despite one of the steepest declines to start any year. High bond yields +15.6% delivered one of the best years on record. Emerging market equities +11.6%, and commodities +11.8%, rebounded from negative results. In the second half of the year, event driven, credit, and discretionary macro strategies were benefits to hedge funds. Long/short equity delivered its first year of negative risk-adjusted performance since the recession.

Reflation may continue through 1Q17 but don't get carried away. By 2Q17, the market will be confronted by a challenging Fed, a USD that continues to strengthen and renewed growth in China. Politics will play a role as expectations for action to be taken by the new administration become hard to meet.

Investment Considerations

Mr. Charkatz did not make any investment recommendations at tonight's meeting, however, in the presentation, were comments for forward thinking. To summarize, low interest rates along with higher than average equity valuations mean that there are modest long-term return prospects for many asset classes. Bonds provided cover during recession periods and an anchor against uncertainty. Favorable valuation comparisons present opportunities in emerging markets. Credit risk is in the hands of investors (mutual funds) and less on balance sheets which presents market liquidity challenges in irregular markets.

Mr. Shay commented that flexible managers can do anything based on circumstances and that they will eventually run into volatility. Lack of volatility brings risk.

CHESHIRE RETIREMENT BOARD Meeting Minutes

Mr. Evans asked if \$.5M is on track to be liquidated from Abbey Capital. Mr. Charkatz said that \$.5M will be taken from Abbey Capital and \$.4M from Berens Capital to fund Pointer. Mr. Charkatz said that Abbey Capital's performance is often uncorrelated to equity markets and has historically performed best when equity markets are trending downward sharply. Mr. Charkatz said that Graham Absolute Return was recently added to the portfolio as a compliment to Abbey, and the two together are intended to earn good long term returns although typically those returns will run countercyclical to the rest of the portfolio which is diversification.

Mr. Izzo asked whether the recent discussion about 50 or 100 year bond issuance had a broader implication. Mr. Charkatz commented that the customer base for very long term bonds could be certain corporate pension plans or insurance companies, but the broader implications are difficult to project, other than the US Treasury seeking to lock in generationally low interest rates.

Ms. DeFilio left the meeting at 7:30 p.m.

b. Actuarial Valuations for July 1, 2016

Jim Jaskot provided an overview of the July 1, 2016 actuarial valuations for the Town, Police and Fire plans. He said that, over all, asset values dipped around the July 1, 2016 valuation date due to a temporary market decline, and that this did not help any of the plans funding status. However, market gains and losses are smoothed out for actuarial purposes over five years and therefore the impact from market fluctuations is not as dramatic.

Two of the plans, Town and Firefighter, had favorable actuarial experience overall since the last biennial valuation and this had a favorable impact on actuarial determined contributions for the fiscal year ending June 30, 2018. Examples of favorable actuarial experience are lower wage increases, higher ages at retirement, and shorter retiree lives than used for actuarial assumptions. The Police plan generally had unfavorable plan experience, mostly due to recent retirements at a relatively young age, and some higher wages. As a result, the Firefighter plan had a slight decrease in the actuarial determined contribution for the fiscal year ended June 30, 2018 than was projected in the last valuation on July 1, 2015. The actuarial determined contributions for the Town and Police plans increased from the last valuation, albeit it was a relatively small increase for the Town plan.

Mr. Jaskot mentioned that the funded ratio for the Town plan increased from 82.8% to 83.4%, year over year, and the Town was making 100% actuarial contributions in Fiscal Year 2017. The Police plan funded ratio decreased from 63.8% to 60.9% and the Town is still phasing in the contribution increase, hoping to get to 100% in the

next few years, or sooner. Now that the Town and Firefighter contribution levels are up to speed, the focus will be on this plan. The Firefighter funded ration increased from 41.9% to 42.0% and the Town was making 100% actuarial contributions as of Fiscal Year 2016. The lower funded ratio for the Firefighter plan compared to the other plans was explained by it being a relatively new plan compared to the other plans, and funding contributions have not compounded for as long.

The Town has had full valuations done every other year, with interim valuations performed in intervening years. This was helpful in realizing current asset valuations sooner and thereby smoothing actuarial determined contributions from year to year. This July 1, 2017 would be slated for an interim valuation, although the Town is only required to have a full valuation performed on a biennial basis. Interim valuations are not as extensive and therefore cost less. It was suggested that a decision to have an interim valuation be tabled to the next meeting or even after July 1 to see what the market values were. Jim Jaskot would report back to the Board with relative costs, interim verses full valuation, at the next meeting.

c. Pension Disbursements - For Information Only

There was no discussion.

d. Summary of Bills - For Information Only

There was no discussion.

7. Public Comment

There was no public comment.

Other

The next meeting, scheduled on May 3rd, will include election of officers.

8. Adjournment

Mr. Evans made a motion to adjourn the meeting at 8:00 p.m. Motion was seconded by Mr. Shay. All members present were in favor of the motion.

Respectfully submitted,



Dawn Guite, Recording Secretary