

RIDGEFIELD PENSION COMMISSION

Minutes of Meeting of November 23, 2009

MEMBERS PRESENT:

Aaronson, Campbell, Christiansen, Seibert, Stoveken, Whelan

GUESTS: Dave Leonard of T.R. Paul, Actuary to the Plans

First Selectman Marconi; Human Resources Director Scholl;

Director of Finance Redmond, Board of Finance members Gomez and Ulmer.

The meeting commenced at 8:00 p.m.

ANNUAL PLAN REPORT. As the actuary to the Plans, Dave Leonard presented the Annual Valuation and Consulting Report for the fiscal year ending June 30, 2009. Highlights of his review, discussion by Commissioners and guests, and subsequent analysis follow:

1) RECOMMENDED CONTRIBUTION. During FY 2008-09 the actuary recommended an estimated contribution of \$1,600,000 for the **Town** and \$1,600,000 was funded. The actual valuation calculation resulted in a minimum contribution level of \$1,669,009. For the 2009-10 budget, the contribution recommended is \$1,700,000, reflecting the total of estimated minimum contributions from the Plans plus an anticipated 4% salary increase (a practice consistent with previous years) and an estimated 15% gain in investment returns (assumes current return of 15% is at least maintained through next June).

During the FY 2008-09 the actuary recommended an estimated contribution of \$930,000 for the **Board of Education**, and \$900,000 was funded. The actual valuation calculation resulted in a minimum contribution level of \$928,788. For the 2009-10 budget, the contribution recommended is \$940,000.

In view of the market decline, Commissioners were concerned about a greater increase in the recommended contributions, but the Plans were helped by: the assumption that the 15% investment return already gained since June would be maintained; favorable variances in headcount and salary trends; and several demises which reduced liabilities.

2) PAYROLL. Total applicable compensation rose from \$17.96 million to \$18.22 million, a 1.4% increase. The average compensation per active employee rose from \$39,224 to \$40,038, or up 2.1%.

3) INVESTMENTS. The Trust assets declined 16.3% on a market basis and this return was applied to the accounts of the participants in the Money Purchase Plan. Comparable index benchmarks for the year ending June 30, 2008 were -26.2% for the S&P500, -25.0% for the Russell 2000, -30.9% for the EAFE International, 5.3% for the Lehman Govt/Corp, 3.1% for the Citigroup World Govt., and 0.6% for Treasury Bills. On an actuarially five-year smoothed book market basis, the investment return was -3.0%.

As of June 30, 2009, the asset allocation within the trust assets was 51% in domestic equities, 15% in international equities, 21% in domestic fixed income, 8% in international fixed income and 5% in cash equivalents. The bulk of the assets are invested in no-load mutual funds at Vanguard Group.

4) PLAN HEALTH. The financial markets of the last two years have not only erased the asset surpluses that had existed but also have turned the surpluses to deficits, which can only be reversed by above average investment experience, a continuation of favorable salary increases, and adequate funding.

5) EXPENSES. Plan actuarial, administrative and investment expenses totaled \$91,831 or approximately 21 basis points of the Trust's ending market value.

6) BENEFITS. Total annual monthly retirement benefits in the amount of \$1,709,747 were distributed to 172 retirees and beneficiaries, as well as supplemental benefits of \$57 to one retiree. Combined employer and employee yearly contributions approximate \$2.62 million while benefit payments are currently running at a \$1.72 million rate. Thirty-six employees are still working beyond normal retirement age and represent a yearly liability of \$955,000; 50 employees who will be able to retire in the next five years approximate an additional liability of \$1.2 million per year. These continue to be metrics of a maturing plan.

7) PLAN ASSUMPTIONS. No changes: 2008 Mortality tables, 4% salary, and 7% interest.

8) FUTURE DEVELOPMENTS. The impact of the possibility of a reversal in the financial markets will assuredly drive up yearly contributions; a 7% yearly gain will increase contributions by \$70,000, and a 0% return, an additional \$270,000. However, should the Town decide to utilize any excess reserves, these liabilities would be reduced.

Commissioners and guests briefly discussed the issues surrounding the initiation of a municipal defined contribution program for new hires, and the impact on the Plans of early retirements and employees working beyond normal retirement age.

****Mr. Christiansen made the motion, seconded by Mr. Stoveken, of accepting the Annual Pension Report, which passed unanimously.

OTHER BUSINESS

DISTRIBUTION OF ANNUAL REPORTS. The Chairman will forward copies of the Annual Report to the various agencies concerned.

OPEB ACCOUNT. As of November 18, 2009, the market value of the OPEB (Other Post Employment Benefits) account was \$155,000 of which 74% was allocated to investment grade corporate bonds, and 26% to a Russell 3000 stock index fund. The trust agreement is being reviewed by legal counsel.

INVESTMENTS. As of November 18, 2009, the market value of the Trust assets approximated \$55.7 million, up about 15% for the fiscal year beginning July 1 (\$45.2 million plus the \$2.4 million contribution). 42% is in domestic equity, 16% in international equity, 20% in domestic bonds, 7% in international bonds, 12% in alternate

investments (a new category including investments in inflation-protection securities) and 3% in cash equivalents.

Commissioners reviewed the current portfolio, discussing the allocation to gold and international exposure. As a result,

**Mr. Seibert made the motion, seconded by Mr. Whelan and unanimously passed, to

- 1) Sell the XLI ETF and sufficient funds from the Vanguard Prime Money Market to fund an additional \$550,000 to each of the following Vanguard Funds currently in the portfolio: Int'l Growth (3 active int'l managers) and Emerging Markets Stock Index (EEM).

VANGUARD VISIT. Messrs. Campbell and Stoveken traveled to Malvern, Pa. on November 19, 2009 to visit the Vanguard campus to conduct a routine due diligence meeting of the Commission's investment asset allocation consultant and investment manager to the mutual funds utilized by the Town. Commissioners met with bond and equity portfolio managers, head of manager selection and oversight, and heads of bond and equity trading desks. Commissioners also provided the Annual Actuarial Report for Vanguard's review to make its asset recommendations at a January meeting.

MIKE HAGAN. Commissioner Mike Hagan died on November 14, and the funeral was held at St. Mary's Church on Friday, November 19. Mike contributed his time in Ridgefield to many civic organizations and projects, but in the pension area, he wrote the original plan and served on and off the Commission with distinction for many years.

The next Commission meeting will be held at 8:00 p.m. on Monday, December 14, 2009 in the Small Conference Room in Town Hall.

Respectfully,

Dave Campbell, Chairman