



STAMFORD FIREFIGHTERS PENSION FUND

City of Stamford, CT

Chairman Robert Berlingo
Richard Lyons
James Hricay
Gerald Kutz
Brendan Keatley

Meeting purpose: Review of 2012 Actuarial Report

June 13, 2013

A regular meeting of the Stamford Firefighters Pension Fund was held on Thursday June 13, 2013 at 1:00pm at Stamford Fire Headquarters.

Present at the meeting were: Trustee Chairman Robert Berlingo, Trustee Mr. Richard Lyons, Trustee Mr. James Hricay, Trustee Firefighter Gerald Kutz and Trustee Firefighter Brendan Keatley (Trustee Keatley replaces Chief William Smith. Absent: None Guests were Fire Captain Victor Rella and Attorney John Creane. Mr. Evan W. (Bill) Woollacott and Yelena Pelletier were present from Hooker and Holcombe.

The meeting was called to order at 1:13pm by Chairman Berlingo.

Public Comment

No public comment.

Review of the minutes of the previous meeting

Firefighter Gerald Kutz read the minutes from the May 22, 2013 meeting.

A **MOTION** was made by Trustee Lyons and seconded by Trustee Hricay at 3:16pm to accept the minutes. Motion **PASSED** unanimously.

Trustee Change

Mr. Brendan Keatley, President of the Firefighters Union presented Chairman Berlingo with a letter stating that the Union's appointees to the Pension Board are Gerald Kutz and Brendan Keatley. Victor Rella was present as a Union guest learning the processes.

Introduction

Chairman Berlingo stated that the purpose of the meeting was to review the 2012 Annual Report with Hooker and Holcombe. He commented that he would like to listen to the entire presentation of Hooker and Holcombe and would like the board to understand the purpose for each of the assumption changes made by the actuary.

Trustee Keatley objected to the presentation, stating that the report should be rejected. He based his objection on the changes that the Actuary made to the Interest assumption, the fact that the report was given to the city and adopted as final without a vote of the Pension Board, and that one of the changes was a clear violation of the current Collective Bargaining Agreement between Stamford Professional Firefighters and the city.

The trustees discussed the objection and determined that they would listen to Mr. Woollacott's presentation before determining action on the report.

Actuary Hooker and Holcombe Inc.

Mr. Woollacott presented his Annual Report prepared for the Pension Board and the purpose of the full evaluation. He stated that the City's Ultimate Cost equals the Benefits Paid plus the Expenses Incurred less the Investment Return less the Employee's Contributions.

He explained the Annual Required Contribution (ARC) and how it was calculated. Then he explained, that in 2015 the ARC would be obsolete due to the GASB adoption of the 67 and 68 standards. It would be replaced by a new "Term": Actuarially Determined Contribution (ADC). It will be up to the Pension Board in partnership with the City and the Union to determine a "Funding Plan".

It is possible to use the same Annual Required Contribution (ARC) calculation to determine the city's funding of the pension. He also strongly recommended that we require the city to contribute the "Future Service Cost" portion of the ARC, even if the fund rises above the 100% funding level. He indicated that it is good fiscal policy.

Mr. Woollacott discussed the smoothing of the Actuarially Determined Value of the assets. He also discussed the Accrued Liability.

Trustee Hricay asked Mr. Woollacott to estimate what he felt the funding level will be for the 2012-2013 evaluation. Mr. Woollacott was reluctant to put a number on it, but felt that it would go down and could end up in the high 80's.

Trustee Kutz asked if the Annual Reports could be produced earlier. It is almost 2013 fiscal year end and we are just receiving the report for 2012. Mr. Woollacott indicated that the report takes approximately 90 days to produce. He said that we needed an audited value of the fund, which is usually available in the October timeframe. The data from Human Resources has not been provided till the end of January in recent years. Thus, if Human Resources provided the salary, hire date and age data sooner, we could have the report in the December-January timeframe. Mr. Woollacott commented that he would much rather do the report in the fall timeframe, as his other clients that operate on a calendar year all give him data in January.

A discussion followed regarding the inclusion of the Medicare Part B in the pension as a cost. This has been a cost for some time, but Hooker and Holcombe just discovered the omission and has included it in the 2012 evaluation.

Trustee Keatley informed Mr. Woollacott that the cost of the Life Insurance provided to retirees by the city was not an expense of our pension fund. It is a part of the police pension, which potentially was the source of the error. Mr. Woollacott agreed to remove the Life Insurance from the calculations and republish the report.

Mr. Woollacott asked about “Administrative Expense” other than investment expenses. These expenses include actuarial and audit expenses as well as other expenses necessary to operate the fund. He would like to create an assumption for such expenses in the next evaluation.

Trustee Kutz asked about the justification of the “Fixed Income” portion of the investment assumption. He quoted Fund investment advisor John Beirne, who said that 5.5% for High Quality Bonds is an impossible number to make over the next 10 years. Mr. Woollacott commented that at least one other of his clients use a “Short Term” Investment assumption and a “Long Term” investment assumption. This allows the Pension Board to be more accurate with the current market trends and yet use the long term history for long future returns. He recommends this solution for the Stamford Firefighters Pension Fund.

Mr. Woollacott presented the assumption changes that he included in the report:

New Mortality table, changed from a 1983 table to the RP-2000 Mortality Table

Mortality Improvement, due to the pending GASB changes requiring the actuary to report whether or not the evaluation uses “Mortality Improvement”. Hooker and Holcombe decided to do mortality improvement up to the assumed retirement age for each pensioner.

Reduction of the Investment Assumption from 8% to 7.75%.: Mr. Woollacott indicated that the Board of Finance requested that this investment assumption of all the city’s pension funds.

Salary assumption was changed from a flat 4.5% to a table of increases based on age.

Trustee’s Kutz and Keatley strongly objected to the use of age as the basis for the table. Trustee Keatley also stated that as many as 10% to 12% of the population have their salaries frozen. Mr. Woollacott admitted that this assumption was changed to minimize the impact of reducing the investment assumption and choosing a new mortality table.

Payroll Growth Assumption was changed from 0% to 3%.

Medicare Part B Reimbursements were included in this evaluation with a 3% increase assumption each year.

Attorney Creane pointed out that if this was an federal ERISA pension plan, the inclusion of healthcare reimbursements would be illegal. Mr. Woollacott agreed, but indicated that if it was written in the pension trust as a disbursement to the pensioner, and that the pensioner purchased Part B directly, then it could be ERISA compliant.

Chairman Berlingo commented that we are supposed to be an ERISA compliant plan.

Mr. Woollacott strongly recommended that the pension have a valid updated Pension Trust Agreement which spelled out these benefits and included a funding plan.

Mr. Woollacott asked for any questions and ended his presentation.

Chairman Berlingo recommended that we accept the report with changes noted below and write a letter to Hooker and Holcombe expressing our disagreement with the changes to the salary assumption and the use of Age as the basis for the table.

Trustee Kutz expressed a desire to accept the report with all assumption changes removed until the Pension Board commissioned a proper experience study with the intent to improve the assumptions.

Each trustee gave their opinion regarding how we should proceed.

A **MOTION** was made by Trustee Lyons and seconded by Trustee Keatley at 3:25pm to direct Hooker and Holcombe to make the following changes to the report:

1. On page 9, second paragraph, last line: change "Police Pension Trust" to "Stamford Firefighters Pension Fund"
2. On page 9, third paragraph, second line: change "we will work with you to ..." to "we will work with the Stamford Fire Fighters Pension Fund to ..."
3. On page 9, last paragraph, first line: change "If the city wants ..." to "If directed by the trustees of the Stamford Fire Fighters Pension Fund ..."
4. Remove the Life Insurance liability from the calculations and the report, as it is in conflict with the current collective bargaining agreement.

To accept the report with the above changes and express our reservations to the methodology used to arrive at the change to the salary assumption.

To request "Request for Proposals" (RFP's) for an experience study to properly revise and update our actuarial assumptions and actuarial services for the 2013 valuation.

Motion **PASSED** unanimously.

A discussion of Fund investment fees followed. Trustee Hricay will provide a comparison of fee's from the city's CAFR reports. Chairman Berlingo asked that we include this discussion on the agenda for the next meeting.

Trustee Kutz asked that we have the auditors, in the next audit, include an audit of the city's contributions matched to the actuary's required contribution (ARC) over the previous 10 years. Chairman Berlingo said that he would ask the auditor to include this in their report.

The next meeting was scheduled for Tuesday July 15, 2013 at Noon.

A **MOTION** was made by Trustee Lyons and seconded by Trustee Hricay at 4:15pm to adjourn the meeting. Motion **PASSED** unanimously.