SPECIAL
PENSION BOARD MEETING
Shelton, Connecticut
WEDNESDAY, MARCH 23, 2016

Call to Order / Pledge of Allegiance

Chairman Kosowsky called the Special Meeting of the Pension Board to order at approximately 5:30 PM. All those present stood and pledged allegiance to the flag.

Roll Call

Mark A. Lauretti, Mayor – present
Paul Hiller, Finance Director- present
Christopher A. Gallo- present
J. Allen Kosowsky- present
Anthony Minopoli- present

Also in Attendance:

John DiMatteo, Pension Advisor
Thomas Garabedian, Prudential
Yin Kon, Intergenerational Capital Management

Agenda Items

PUBLIC PORTION- None.

APPROVAL OF MEETING MINUTES

A. 1/21/16 Special Meeting

Christopher Gallo MOVED to approve the 1/21/16 Special Pension Board Meeting Minutes.

SECONDED by **Paul Hiller**. A voice vote was taken and motion passed.

REPORTS FROM:

- **PENSION BOARD CHAIRMAN**

Chairman Kosowsky: Just to recap several of the things that has occurred within the last several months, with the transition from Voya to Prudential, with everyone's work with the team here we are able to iron out some of the issues that have come up. I understand that some of the issues that are still outstanding is the 457 Plan; we are using our plan at the present time. Prudential has suggested a plan that might replace that; that plan might have some changes that would be viewed as design changes. If so, any design changes are outside of the purview of the Pension Board so we would have to identify them and if as wise to adopt some or all of them; those would have to be presented to the Board of Aldermen for approval before we could go forward with adoption of that plan.

Paul Hiller: For the 401(a), there are probably a lot of little changes; I would consider three major changes: the enrollment period. Right now the enrollment is done on a semi-annual basis, and the Prudential plan would be moving to a monthly basis that has some minimal financial impact to the City. The second change is obviously the tax status of the plan. No one can show me another plan that does not take advantage of the 414H, of this being post-tax.

Another major thing is that I had several employees come to me about the institution of loan provisions, which would be permissible. There would also be Roth provisions, etc. I had specific requests from people on when they could take out loans.

Chairman Kosowsky: Paul, I think that the 401(a) issues that you have mentioned, to restate them for the Mayor: the enrollment period going from semi-annual to monthly; if that is something that the City wants to do. Also, the idea of flipping it and making it into a pre-tax versus post-tax; I think that is something that Tony has discussed all along and I have had that point of view and others, you would multiply money faster in pre-tax. If I recall Paul, our position on that was that we wanted to get Prudential up and running; we wanted to get some ground under our feet and address these issues during the course of this year going. We must also remember that we are in the process of getting the 401(a) IRS-ized if you will.

Paul Hiller: In talking with Prudential, I think you saw the email today from Sharon; they have not heard anything from the IRS yet. Until we hear that from the 401(a), nothing can happen I think? However, at the same we could be running a dual track situation.

Chairman Kosowsky: I think we should move in parallel, if and when we get that clearance we could be ready with adopting those changes.

Paul Hiller: I guess not hearing anything from the IRS is good news because there are no red flags.

Chairman Kosowsky: You just do not know if it has been submitted and if it's sitting in an envelope at the IRS.

Christopher Gallo: When we had our meeting in January, we had several questions that we had left with the representative from the Firemen's pension. I have not seen any follow up on that.

Chairman Kosowsky: I intend on covering that. So, we are at a point that we believe that there may be some plan changes, which would be quite desirable to propose for the participants. We can move in parallel to see what we could do to be ready for changes, if that is what the City wants to do. I had mentioned before you came, Mark, that the design changes have to go back to the Board of Aldermen. Once we are ready, you and Paul would take that up and run it through because it is clearly for the benefit of everyone.

The next item: I was not here for the meeting on the Fire Department Pension, but my view is that I am going to talk to Mike Maglione, and I am going to follow up with the woman to find out where the answers are to the questions asked; we need to get that back because that's timely because now we are in the middle of the Board of Apportionment and Taxation budget season. If there are any changes to the budget, now is a time to bring that up and see if we could get those suggested and can be adopted for July 1st.

Mayor Lauretti: Allen, I think it is going to take a little longer than that. I only say that because this budget season is going to move fast; we will adopt a budget by May but we can make an additional appropriation at some point in time in the future, if it is required.

Chairman Kosowsky: Hopefully we would be able to use the money more effectively and reduce the cost.

Mayor Lauretti: I guess the goal for us is to see if there is a better mouse trap out there.

Anthony Minopoli: That was the question that I was trying to get at because it is wrapped in this annuity wrapper; taking your original concept at self-funding it? If the number relatively speaking to the entirety of the budget of the City is a relatively small number and we could get an understanding of what that projection is supposed to be, why use a more expensive mouse trap, such as an annuity? It pays a lot of fees and commissions that we are not necessarily benefiting for the participants. I have still yet to be shown something that illustrates why the annuity structure is better than using any number of other things that we could do.

Chairman Kosowsky: I am going to pick up that responsibility and chase it down. So we will hopefully have something come up in April.

The other item that I thought it was worth spending some time on is that I looked at the report from December 31, 2015. I realized that was the first quarter that we have the results of operations included, by the number of plan participants, age breakdown, etc. On the report, it shows that nearly $27 million out of $32 million is in the Stable Value Fund, representing 83% of the plan whereas, the national average is 27%. If you look at a couple of the balanced funds, you see the balanced fund is $4.7 million, which is roughly 15%, whereas national averages tend to be 7%. At least in a balanced fund setting the individuals are getting some equity exposure, so they are having a chance of making some more money.

Anthony Minopoli: That is the only option that they are using. I think that we also have to look at this, in the respect of our demographics. We have an older population.

Chairman Kosowsky: In the Guaranteed Income Fund (Stable Value Fund), we have 415 participants with 96 participants using that as their sole investment option. That means to me that we really need to look at education. We are going to have to discuss that with Prudential because we really to think about that and be able to communicate to the individuals.

Anthony Minopoli: When I was looking at the demographics, we have $26 million roughly out of the $32 million that is held by participants that are greater than 55 years of age. In the context of that distribution it may not be so surprising to see so much in stable.

Thomas Garabedian: If you look at page 10 of the report, you see the number of participants invested in only one fund. One of the things that stood out to me as I reviewed the plan was that you have 105 participants that are only using one fund. Of that number, 96 participants are using the stable value as their sole investment. 105 participants is not a problem because you are using a target date series, and the majority of those participants utilize one fund in the target date series, that is fine. They are using the target date funds appropriately. The stable value raises an eyebrow, but then as you look deeper into that, of the 105 people that are in one fund, 63 of them are 63 years of age and older. It is really hard for me to tell someone who is age 63 or over to move their money out of the Stable Value Fund. I worry about the folks who are 25, 35 and 45 years old that may be in that 100% Stable Value option. It is a great fund to be in; it is a great piece of your portfolio but it should not be representing 100% of your portfolio.

Chairman Kosowsky: After looking at this, it screams for education. One would hope as we were in a tumultuous period in the market over the last year or so, now that the Federal Reserve is on the road of increasing their rates, I look back at that Aetna decision and am happy that we did that. Especially how those high yield BBB's were acting recently; we would have been underwater if we had waited. This was the first report of the first quarter of the transition so you have to also take that in mind. I would be interested to see what the March quarter looks like.

Christopher Gallo: My wife is a participant in the plan; it is not a huge amount of money but she has something there. I purposely held off doing anything for a while because I was worried about the market. We have since changed that now.

Anthony Minopoli: We should always expect, given the distribution of the ages in the plan that our numbers are not going to look like any national average. As a sponsor if we supplied the education and we had given all of the tools; this is where people decide as a fiduciary standpoint that we have fulfilled our responsibility, and that is what we need to do.

Christopher Gallo: It would be interesting to have a breakdown of the demographics of where the money is because that would be more telling whether the younger people are listening to what is shown. It is hard to tell people that are over 65 years old to move their money long term.

Chairman Kosowsky: One of the other things that I had discussed this morning with Mayor Lauretti Paul Hiller is the idea to look and see if there is a way to take the information that we get from Prudential, and post it on the City's website. Paul was talking about the City's website is being re-done. We could then send out a periodic notice with the payroll, with the link for the Prudential information so the participants would be able to go in and see the data.

Paul Hiller: The people do have access to the Prudential website, and their site is very expansive. It is going to take some time because there is a lot of information.

Chairman Kosowsky: It is a policy decision that we could make.

Mayor Lauretti: Do we have email addresses for all of our employees? You could send an email blast out to all of the employees, a message from the Pension Board type of thing.

Anthony Minopoli: We could ask people to sign up.

Mayor Lauretti: I was just thinking of that. We can communicate with all of our employees, and ask if they are in the pension plan and whether they would like to sign up for regular communications from the Pension Board; updates.

Anthony Minopoli: You would also want to engage them, too.

Thomas Garabedian: I can talk a little bit more on the participant engagement pieces we have and how we reach out to folks. Sometimes it is overwhelming because there is so much information; it is better to give the information out in sound bytes. It will give them some information; give them a link about that specific subject so the participants would be able to digest it.

Paul Hiller: We have been attending the Prudential Pathways program now. This is the third week; the final week will be next Wednesday. Three people from the Shelton Prudential office have been at the Shelton Intermediate School, and we have had around two dozen people consistently. I think it has been helpful to those people; I wish there were more people who attended.

Chairman Kosowsky: Once more, that is an education thing.

Christopher Gallo: There was an interesting thing that I had found in the report: it shows contributions into the plan this quarter by participants: $434,000. Only 3.7% of that went to the Guaranteed Income Fund. They also used the target date funds. Maybe we are going to see some movement in the next report.

Paul Hiller: You are going to see it because the City's contribution if they did not make a selection, are defaulting in the target date funds. If you also look at the six more investment options, I am one of the six. I am also in the 65+ category too.

Chairman Kosowsky: One of the other things that we need to do is sign the Investment Policy Statements for both, the 401(a) and the 457(b) plans, even though this is under Old Business. This is something that we had approved some time ago, and it was pointed out to me that they were not signed.

- **PENSION ADVISOR**

John DiMatteo: There are a bunch of things that to be voted on; none of them are heavy duty. So, we could go over the plan provision adjustments and the board just decide whether they make sense and vote on them. We are going to look at the investment monitoring reports and there are some fund changes that we want to make, that would require a board vote. There is also an issue of the plan expense for the 457(b) plan, and what to use for that which would require a vote.

You all started talking about the 401(a) plan provisions. We will talk about that first: Prudential uses the PAAG (Plans at a glance) exhibit, to try to isolate and focus on the open items. The first item is the 12 month waiting period for rehired participants. There is a tracking of vesting issue that needs to be adjusted in order for Prudential to properly track the vesting; it is actually a benefit to the participant. It only applies to people who leave the City for at least two years, and then comes back. It is something that Prudential would like to see us adjust, and it is a positive for an employee who comes back.

Mayor Lauretti: I think we did something with this a couple of months back, if I recall correctly?

John DiMatteo: Nothing was done with this provision; nothing has to be done but it is just a house keeping issue that will take burden from Robin and Paul of tracking vesting for someone who left the City for two years, then came back and was not fully vested to begin with. It is so remote, and the change that would actually allow the participant to be vested.

Anthony Minopoli: If it relieves an administrative burden, then I do not see a reason not to do it.

Chairman Kosowsky: If it is not a plan change, per se then I do not think that we do not have to take it to the Board of Aldermen.

Anthony Minopoli: Does this provision fall into a plan design change?

John DiMatteo: The wording of the document would have to change.

Anthony Minopoli: No, one thing is document wording. Another is under the broad heading of plan design if we have to get the lawyers involved?

John DiMatteo: I believe that they already reviewed this, and they do not have an issue with it.

Mayor Lauretti: I cannot recall in my 25 years that, that has happened.

Paul Hiller: I think there was a Board of Education employee that this had applied to.

John DiMatteo: I do not know if you are going to approve these changes, but I would like to run through them with you to get it on the table. The next open item is a change to the plan to allow employee money to go in pre-tax; it is called a 414H election provision so this is a big change. It means that when an employee is eligible if you made this change, to enter into the plan. Today, they can decline to participate and then they would not get the match. However, in one year they can change their mind. If you add this 414H election the employee would get one chance to enroll, and if they do not want to enroll they would not be able to join back into the plan. With that change, it would allow employee contributions to go in pre-tax.

Anthony Minopoli: I want to make sure that I heard that correctly, so for example I am hired by the City and I elect not to join the plan. I may never be eligible to join the plan anytime in the future?

John DiMatteo: Yes with the 414H election. You are given one opportunity to join the plan, put in your 3% contribution and receive a 6% City match. Right now, 99% people have been enrolled but this is what everyone is doing. This is the change that is needed to allow employee money to enter pre-tax.

Anthony Minopoli: Allen, I think I want to know about this more. It seems severe.

Chairman Kosowsky: I agree. It means they would stay in the 401(a) plan? Do they have a choice between either?

John DiMatteo: The 457(b) is voluntary; that is an option. However, they lose the match.

Anthony Minopoli: There is a reason that they should definitely do it, but I am thinking of the instance that you hire a 22-year-old. They are not necessarily going to make the right decision and you penalize them. Suppose they end up being a long term employee of the City?

Chairman Kosowsky: That does not make sense. Let's look at this more.

Anthony Minopoli: Maybe if it is a one or two-year waiting period, I can live with.

Paul Hiller: I thought it was for the part time employees who were already grandfathered, went through the Board of Aldermen last fall. Any new part time employee hired on or after September 1st of 2015 is not eligible to enter the 401(a) plan. I thought that solved the problem?

Chairman Kosowsky: Paul, I think the difference is what we did for the old plans were to solve that problem for part timers. What we are talking about is a wholesale change to say to every participant that we are going to give you the benefit of a 401(a), so why wouldn't you want to do that pre-tax and then get the match on top of it. The next question is why should you be forever foreclosed from coming back into the plan?

John DiMatteo: We will look at that further. The next open item is just adding a loan provision. If you were to make the change that we just talked about, that would be a great additional change because now people can now have access to their money.

Chairman Kosowsky: They would have access to their money under the normal 401(k) rules: there are certain limits that you can borrow, you need to repay it under a certain amount of time with interest or else it becomes taxable, etc but it is a good thing.

Christopher Gallo: Is there an administrative cost for doing that?

John DiMatteo: The participants pay a fee; the City chooses who pays.

Chairman Kosowsky: We can take that in context with the 414H because if we have the situation stabilized for the 401(a) and the 457(b), and we are moving forward. If we could look at the 414H as a real way to make the major change make sense, and to look at the provisions that are most beneficial for the city employees.

John DiMatteo: One of the reasons why the employees like how it is now is because they are able to withdraw that 3% without any penalty, at any time.

Paul Hiller: They are able to withdraw their voluntary contribution.

John DiMatteo: Right, not the City money. So having the loan is a good way for the participants to have access to their money.

So there are three changes; there is one that is connected to the vesting issue. There is a change to go from semi-annual to monthly entry; it appears here that it was done.

Paul Hiller: It has certainly not been in effect; we still have the twice per year: February and September open enrollment periods.

Anthony Minopoli: I do not know what the pace of hiring is for the City? How much churn do you have?

Mayor Lauretti: Very little.

Anthony Minopoli: It looks like by the age of the population that people come here to stay.

Mayor Lauretti: If we hire 5 to 10 people per year that is a lot.

Anthony Minopoli: So I do not see a reason to change the frequency of the enrollment period on a monthly basis.

John DiMatteo: I am now passing out to you the investment monitoring report, for the 401(a). On page 6, under Intermediate Term Bond Fund, there are two funds listed: John Hancock and Loomis Sayles. Loomis Sayles is presently in the plan, and John Hancock is not; they are both considered intermediate term bond funds. Back when we started this plan, Loomis Sayles was passing and it is a very highly regarded fund. The last few quarters dropped have dropped from 10 out of 11 in the second quarter of 2015; to 8 out of 11 and now 7 out of 11 of the criteria, and the Investment Policy Statement is 8 out of the 11 for passing. We talked about whether we should remove this fund now, or put it on watch? The consensus was to keep it in there, but to add an alternative that is managed a little more differently than the Loomis Sayles Fund.

Anthony Minopoli: One thing with the Loomis Sayles Bond Fund, in which I am very familiar with the fund and its manager quite well. The guy who manages this fund, Dan Fust, does a lot of split rated bonds so he has the ability to buy bonds that are triple B rated by one agency, so they are investment grade and double B by another. He also tends to buy other things, so busted converts- a convertible bond allows you to convert bonds into stock at a certain price. If the stock is trading so low that it cannot convert, then the option trades at no price. He loves buying those because if it is a turnaround and the company starts performing well, it really revs up. It is a bit more volatile, and the other thing is that he also tends to buy longer dated securities. If you look at Loomis over full market cycles at 3, 5 7 and 10 years what you will find is that the performance will be extraordinary. The problem is that when he is out of favor, he does not go out of favor a little but goes out of favor a lot. Those short dislocations could be pretty violent. When Paul, John and I were talking, I would not want to scrap it because it is a very good fund and he has been a great manager for a long period of time. However, given this case with the interim volatility that is for the ability for that to occur, it is probably not a bad idea for us to add an additional option.

Chairman Kosowsky: There are three participants in that fund, and one person has their sole investment in that option. It would seem prudent if Prudential could reach out to that person just so they understand the risk.

John DiMatteo: A letter would go out to those mentioning changes to that fund.

Chairman Kosowsky: From what I am hearing, Tony said that we should watch it.

Anthony Minopoli: I think we want to watch it, and also want to add.

John DiMatteo: The other thing that we did not talk about is under the non-traditional bond: PIMCO Unconstrained Bond. I think there is one person in that fund because there is around $300 in there.

Chairman Kosowsky: Let that one be.

Anthony Minopoli: The unconstrained bond is a more volatile strategy.

Chairman Kosowsky: So you have to have that in there to allow people to take that risk, if that is what they choose to do.

Anthony Minopoli: John, do you want to put another one next to it?

John DiMatteo: I do not think that we need it. I think the Pioneer Strategic Income has some ability to stray.

Anthony Minopoli: The unconstrained bond funds could go anywhere, so they can buy junk, busted converts, non-dollar, emerging market debt, etc.

John DiMatteo: Our goal is to put out there the platform with the best funds available, without too much risk to the participants. Now may be the best time before people are in there and not upset the apple cart. I would suggest mapping the money over to the Pioneer Strategic Income Fund for that one person, so they do not have to do anything.

Anthony Minopoli: And eliminate the category?

John DiMatteo: Yes.

Anthony Minopoli MOVED to add the John Hancock Fund, ticker JHBSX, to the Intermediate Term Bond Segment. Additionally, to eliminate the PIMCO Unconstrained Bond Fund, and to map the participants into the Pioneer Strategic Income Fund.

Seconded by Christopher Gallo. A voice vote was taken and the motion passed.

John DiMatteo: I will then draft the letter of instruction for the Mayor to sign within the next few days.

Chairman Kosowsky: Then the participant should be notified.

Thomas Garabedian: We will take care of that. Actually the requirements are to communicate that change to all eligible employees.

John DiMatteo: Regarding the 457(b), I do not know if you want to talk about plan expenses here, but there is a fee that is needed to be paid. It applies to both plans; we have not built in any expense to the 457(b) to essentially pay for its fair share. Prudential needs the board to approve something or it is not going to happen. I have suggested 10 basis points, which would generate more than enough which is around $2,600 or so per year, in expense to cover its share of any pension advisor or legal fees.

Chairman Kosowsky: That presently does not have an expense allocation to it?

John DiMatteo: The 401(a) doesn't either at this point, but the 401(a) has a large forfeiture account that can be used for the foreseeable future.

Mayor Lauretti: What is the balance of the forfeiture account?

John DiMatteo: It was around $100,000 but I am not sure.

Paul Hiller: We took some of the last payment and the one that is due now, was taken out of this account.

Mayor Lauretti: Paul, for the 457, we will ask the aldermen to create a line item: 457 Administrative line and put $3,000 in it. That is how we will handle that.

John DiMatteo: The two other things are the investment monitoring report for the 457(b).

Mayor Lauretti: If you wanted to transfer money out of your 401(a) to the 457(b), can that be done?

John DiMatteo: I doubt that you can do that.

Mayor Lauretti: So you would just have to withdraw it then?

Anthony Minopoli: Yes. You cannot go from plan to plan.

John DiMatteo: To summarize what is in the investment monitoring report for the 457(b), not much has changed since we have started it. There is no deterioration from where we have started. This does not look as pretty from the other report because we are looking at separate accounts, rather than institutional share, mutual funds that are traded in the open market. The information is not as easy to gather, and these funds are very new so many of the criteria do not apply because they do not have 5 year records. In this report, it tells how the trends are and there has been some improvement because they are actually meeting their timelines to qualify for some of the scoring. We have no suggestions for changes on this plan. There is nothing to vote on for this plan.

The last thing that I have is the plan provisions for the 457(b) plan. This plan is strictly employee funded, and if you look on the bottom of page 1, under the definition of compensation, that is an administrative issue. On the bottom of page 2, under the consideration of an addition of a Roth provision; we talked about that before. There is nothing but a benefit for that.

Chairman Kosowsky: If we went back to the 414H, you would put a Roth in that too?

John DiMatteo: Not allowed in that.

Chairman Kosowsky: So we would have to look at the 457(b) plan separately.

John DiMatteo: The next one is considering to adding a voluntary in-service distribution provision. It makes it a little more open or liberal; this provision would permit active participants who have stopped contributions for two years and have a balance of $5,000 or less to close out their account.

Anthony Minopoli: Does that mean that the participant is not allowed to come back in the plan?

John DiMatteo: No, they can come back in at any time as long as they are employed.

The next item is to consider an addition for an age 70 ½ in-service withdrawal provision. This would add flexibility for active participants who attain age 70 ½.

Next, is the language regarding daily investment valuation. I think that was reviewed by Counsel. I am not sure where that stands; that should be in there regardless.

Anthony Minopoli: So are all of these pending reviews with Nancy right now?

John DiMatteo: No, these are open items that we did not respond on, that Prudential feels that these changes could be made for the better. This is just making it easier for participants to have access to their money.

Chairman Kosowsky: John, would this make sense to sift this down between the items that are administrative, that we have the ability to approve and those that are plan design changes, i.e Roth, loan provisions, to see if we could get that information summarized so the Mayor and Paul could put that information for the Board of Aldermen approval. Some of these things require Board of Aldermen approval, so the sense of the board is that these are sensible things to do. Come back next month with the two lists, of the information that we could vote on and the second, which would be more plan oriented that require Board of Aldermen action.

Mayor Lauretti: The Board of Aldermen will not take an action, unless the Pension Board has recommended it.

Chairman Kosowsky: We are suggesting that John goes back to sift this out between the administrative piece and the changed plan piece; we put the plan piece together and we approve that at our next meeting and then put it for the Board of Aldermen approval.

John DiMatteo: The last thing is this report that I would like to add for the record. It is a report on FI360 on American Century Target Date funds. You did not have anything formally submitted; we all talked about it so this is for the record.

Mayor Lauretti: John, if a participant has money in both plans what are their options in terms of investment? The 457(b) is a little more flexible, in terms of investment.

Chairman Kosowsky: It has a better track record and you are multiplying pre-tax money in the 457(b).

Mayor Lauretti: I had money in both accounts; I am inactive with the 401(a) for a lot of years. There is probably around a $19,000 balance, and my thought was to move it over to the 457(b) plan. So I would have to withdraw and close out the 401(a)?

John DiMatteo: I do not think so, but I could look into that for you.

Chairman Kosowsky: What you could do is to mirror what you are doing in your 457(b) in the 401(a). It would be the same lineup; just some funds are Prudential plan-specifically versus a mix of other fund advisors.

Mayor Lauretti: Historically, hasn't the 457(b) done better?
Chairman Kosowsky: Yes, but you can mimic that. You would be going into the same kind of funds.

Paul Hiller: There is no basis historically because we changed all of the funds as of October 1st.

John DiMatteo: I do not agree with that. That plan was very expensive before we changed it over; this 457(b) plan now is very low expense. It is getting the benefit of the 401(a) volume. For a $3 million plan, it is like having your money in a $40 million plan expense-wise. It is a group annuity, which may not be the best option but you do not have a choice. The investment options are solid.

- **PRUDENTIAL**

Thomas Garabedian: I have prepared the Executive Summary Report; I believe this is the first time you have seen this staff report. This is a very standard report that I helped Da'Rel prepare. We do this annually, and what you may have seen previously is a plan health score card. The plan health score card is a wonderful reporting tool, but is best when it is done interactively on the website. There is a discussion on how that breaks down demographically, i.e. on this particular fund, how many people are aged 25-34? You can do that online with the plan health score card. This is designed to give a snapshot in time. What I wanted to do is give you an overview of the commentary page. Before I do that, did you see the summary of the transition? It is on the next page in the commentary section. I thought I would quickly go through it; this is what we did through the transition: the kick-off call in June through the full transition at 10/1/15. I got this information from your transition manager, and he gave me some of the statistics. On 10/1/15, we have transitioned 465 participant accounts and 58 accounts in the 457(b). It shows the participants who are actually contributing, and those are the assets that we transferred over at the time. We communicated to the City of Shelton employees/participants; that went out and then we did some on-site education. I have also been told that there has been a number of education meetings allocated to you every year, and we have an entire array of educational subjects that we can deliver to you. We can customize the education for you as well; maybe one time we can talk about participation and encouraging those people who are not contributing or to encourage contributing more to their account.

There is a whole series on asset allocation, and how to properly utilize the fund lineup that you worked so hard to put together. It is a good fund lineup; let's make sure you are using it properly and help them to understand how a target series works. I can point out a couple of the issues that I have with the way that they are currently being utilized: as we look at the page with the number of people in each of the funds, there were 7 people in the target date series using them as their sole investment option. Those are the people that are using the target date series properly. The idea behind the target date fund as a one stop shop; the manager is managing that investment and that person is balancing it with stocks and bonds, large, mid and small cap funds and international. What participants do the mistake of putting 25% in the 2010 fund, 25% in the 2020 fund and so, and they think they are diversifying. However, in actuality those funds are invested in the same underlying assets. So they are not diversifying at all; they are actually skewing their portfolio and distorting it in ways that they do not understand. We have a whole series that talks about that one subject. I wanted to point out that you do have meeting dates; those meetings dates are available to you and they are already built into the cost of the plan. We also have retirement education specialists that are all designed to help deliver those messages. There are a lot of other ways that we can communicate to your participants. If we have email addresses, it is a great way to because we will do a happy birthday message if we have the birth dates. We will send participants a happy birthday reminder, with a tickler on how to contribute more and now is the time to think about that. There is diversification, there is women in investing, the millennial- there are a lot of different educational programs and they are designed to be by size. Given to them by sound bytes they could digest the information easier.

A lot of the participation engagement tools that are available, and do drive them to the website. We have redesigned the website to make it easier to use; there are two different types of people who go online: the looker and the doer. Most people go online, and you could see the statistics such as 67 people who went online 300 times over the period but they are just checking their balance. For those who want to do something, there is a toolbar that is off to the left and it makes it easier for them to navigate for any changes that they may want to do. One of the subjects in the executive commentary bounce around the retirement planning piece. We also have something called the retirement income calculator. If we find a participant who will take the time to go through the retirement income calculator, they have on average higher contribution rates, higher average account balances. Then you could also see the number of people who have taken action, because at the end of that calculation it shows where they are in comparison to what their goal is. They also have a slide bar where they can make a couple of adjustments to make it closer to their goals, and from there they could make those contribution changes but we allocate their investments. The retirement income calculator is a nice tool; we only have 3 people who completed the retirement income calculator from 10/1/15 to 12/31/15 but that is another piece that we could communicate out to the participants, to email them to encourage to use that tool.

On the executive commentary, on March 21, 2015 the total plan asset was $31.818 million. The cash flow is negative for this time period; at one point it was $3 million. The contributions less distributions were net cash flow were -$1.3 million, but that is not necessarily a problem. As I looked at this, the majority of the distributions were in people who were rolling their dollars out of the plan. About $1.4 million out of the $1.7 million that left the plan were in rollovers.

Paul Hiller: Some of the rollovers stayed with Prudential products and some went to rollover their money elsewhere; they have the right to go elsewhere. Our largest balance transferred out of the plan.

Chairman Kosowsky: Given the time this took place and everything else, which does not shock me. The people that are here are going to be seasoned, per se, and stay. It is hard to pick which one is more important: is asset allocation more important than sitting down with someone saying that you really should take the long look at your retirement. To me, I think the asset allocation for the money that is there is critical. Certainly the retirement income calculator is right up next to it, in terms of the financial planning aspect.

Thomas Garabedian: We can certainly jump right to asset allocation. Even though we have negative net flows in this plan, looking at where these dollars went, how they went; it is not unusual. Asset allocation is an area where I think we can do a bit better. The average number of funds is only 1.9 because the large number of people that we have in one fund; across our book of business the average is around 5.7. Also, of the 431 participants, 105 of them are invested in one fund. The point I wanted to make about that is of that 105 in one fund, 63 participants are over the age of 65. It is not a cause for concern for those participants.

Chairman Kosowsky: It may not initially be a cause for concern; it may to the point of reaching out to them to say you have elected to take this very low yielding investment. If you were to think about it, the fixed income spectrum you might be able to get a better rate of return. I think that is the key piece where it is too easy to leave it where it is.

Anthony Minopoli: If someone here is an employee and they are the second income in their family; the first income has a defined benefit plan or a very well-funded 401(k) plan or other assets and they have decided to use this piece of their overall wealth to be safe, which is not a problem. It is getting into the retirement calculator and asking what do I actually have and what am I doing because my concern from the first time we sat at this table was a bunch of people sticking money in a fund that is never going to earn enough money to create a retirement relative to the rate of inflation.

Chairman Kosowsky: Even for the people that are retired are barely keeping pace.

John DiMatteo: Keep in mind that the retirees are not contributing, so maybe a lot of those 60 people are in one fund because they haven't done anything. How many people that are active, are now putting their money into the fixed account? Secondly, how many since October 1st, 2015, has done an exchange out of the fixed account?

Anthony Minopoli: Or are they redirecting new money?

Thomas Garabedian: That is a great segway into where I thought was a good trend. I am going to point you into contributions by fund, and inter-fund transfers. The largest shares of your contributions are going into the target date series; it is a very good trend.

Christopher Gallo: That is also our default option.

Anthony Minopoli: Good, then we did our job.

Thomas Garabedian: The next piece with the inter-fund transfers is where they proactively took action. You can see the largest amount of falling out is the Guaranteed Income Fund. The largest amounts were going into the large cap funds, so it is a good trend where there is a high percentage of 83%+. People are moving in the right direction, contributions are flowing in the right direction and you made the right decision as the target date funds as the default option.

The amount of distributions in the 401(a) was $1.5 million; 17 of the 53 people representing $1.5 million were terminations. These people were in a terminated status and did not necessarily terminate during that time period. They were in a terminated status and took a distribution.

John DiMatteo: A lot of these retirements were probably looking at their account; were getting 3.9%. Now it is being moved and they are going to get around 1% and wanted to take it all out.

Thomas Garabedian: Also, our initiatives with Prudential Pathways; it is a great program. It is not a sales program, but it is designed to educate. I actually participated in it as a Prudential employee; we record keep our own 401(k) plan. I am a Series 7 person, so I used to sit in someone's kitchen, to advise them on how to invest their money. I still found it helpful to sit with them. Prudential Pathways is well underway. The 2016 participant engagement campaign, not only do we have onsite educational meetings available to you.

Chairman Kosowsky: The real key is to get in the weeds with the people that need it.

Thomas Garabedian: Part of the onsite education meetings; that education specialist will take time after to do one-on-one to help participants in they need it. I made a note to myself to send the participant engagement materials to you.

John DiMatteo: Before we wrap up on the subject, in reference to the education that we are talking about on the different topics, I do not know if you have already scheduled dates that they are allowing us to use? The Pathways program has nothing to do with the plan. This board has a fiduciary responsibility, as I do as a co-fiduciary, to make sure there is an education policy that is moving.

Anthony Minpoli: How many dates do we have, John?

John DiMatteo: 4 per year.

Anthony Minopoli: We should definitely hit general retirement planning and asset allocation again. I have a graph that I worked on, and it shows the market from January 1st, 1988, right after the 1987 market crash, until the end of last year. If you tried to play market timer and took out the 30 best trading days, you have eliminated almost 65% of your return.

John DiMatteo: If you want me involved in the Prudential education planning, just let me know. To date, I believe that you wanted me to stay on. I am more than willing to help but I am out of it because the Pension Board has not engaged me to do that.

Anthony Minopoli: Allen, we probably need to put on the agenda for an upcoming meeting, a discussion on the education piece and how we are going to handle it.

Chairman Kosowsky: The education is a City-oriented thing, too. It is telling the Mayor and his team what is available.

Mayor Lauretti: I would like the board to establish the protocol for education and then we will carry it out.

Anthony Minopoli: If we have 4 dates per year, then 2 of those dates should be held for plan options and asset allocation, and general retirement planning. We can use the other two dates for a variety of other things. We should probably talk about it when Da'Rel is here because he would probably give us some good advice of what he is doing with other clients.

Thomas Garabedian: One other thing that I will point out about those educational meetings is that you have up to 4 educational meetings per year, but you can do up to 4 meetings in one day. So if you have an educational specialist come down; if you have multiple locations you could do two meetings here (City Hall), and two meetings at the Board of Education.

Anthony Minopoli: As the Mayor had suggested, let's come up with a calendar of what it would look like, provided that they could figure out the implementation will work.

Chairman Kosowsky: I would prefer to get all of the education done before June 30th.

Thomas Garabedian: I will have Da'Rel get back to you on participant engagement strategy that he can deliver to you and customize it. Also, let me know on those fund changes when you have actually formally done it. Typically, we are looking at 60 days from the time when you give me the formal go-ahead.

OLD BUSINESS-

- **Review of Advisor RFP Submissions**

Chairman Kosowsky: We had an RFP, and we had received submissions on a number of participants for the financial advisor's role. John, I was not sure if you wanted to participate in this since you were one of the submissions.

This list was prepared by Chris Gallo, and I would like to thank him for going through it. This is just summarizing the key facts of the proposals. What I would suggest is that we all have to go through them. During the course of the next month, perhaps, we had already spoken to Fiduciary Investment Advisors, already spoken to John so I do not think they need to come back for an interview. If we wanted to invite one or two more in, what I was going to suggest is do that at the April meeting and discuss that in a week or two.

Let's tentatively schedule a special meeting on April 20th at 9:15 AM. If everyone can look at the list and we can decide who else to invite in. You cannot do that until you have looked at some of the proposals because there is a lot of information.

Anthony Minopoli: One thing that jumps out at me is Segals Rogers Casey. This is a giant institutional firm; I can promise you that we are not getting the A-team for $35,000. When I was at EAI, I used to compete against them; I left ten years ago and my minimum retainer was $80,000. So you are getting a 27-year-old trainee. I can tell you that I do not want them here because you are absolutely getting the JV squad.

Chairman Kosowsky: I think one of the other aspects of this process is that the statement of work that they are willing to do is important is because with what we have been wrestling with and with what the proposals indicate, there are things that are broader than what we need on issues and other things. So one of the things that I want us to decide between now and the next meeting is deciding what it is that we really need. I think if you look at these proposals it will help us to crystallize in our own mind what do we need as a Pension Board. Then, the Mayor can also decide in what the City may need.

Anthony Minopoli: On my point of Segals Rogers Casey, they use small accounts like this as a training ground.

Chairman Kosowsky: We need to come back with exactly what we need, and then we invite one or two more. I do not think that we need more than that, and then we should make a decision.

John, I think our agreement with you goes through the end of March, so you will need to make an adjustment to have that continued until the decision is made. We should put that on for April.

NEW BUSINESS- NONE

ADJOURNMENT

A motion was made by Mayor Lauretti to adjourn the Special Meeting of the Pension Board.

SECONDED by Christopher Gallo. A voice vote was taken and the meeting adjourned.

The meeting adjourned at approximately 7:00 P.M.

Respectfully submitted,

Brittany Gannon

Brittany Gannon,
Clerk