SPECIAL

PENSION BOARD

Shelton, Connecticut

Meeting minutes

Wednesday, April 20, 2016

Call to Order / Pledge of Allegiance

Vice Chairman, Christopher Gallo called the Special Meeting of the Pension Board to order at approximately 9:15 a.m. 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 (via teleconference)
Anthony Minopoli- present

Also in Attendance:

Steven Michaels, Smith Brothers Financial & Associates
Tyler Polk, Fiduciary Investment Advisors
Christian Coleman, Fiduciary Investment Advisors

Agenda Items

PUBLIC PORTION

Robert Kulacz, City Engineer

Good morning. I just have two quick questions: If the board could provide us with the names of the firms that were short listed, to be considered for Pension Advisor? We appreciate the names of those firms. Second question, has any decision been made in regards to the conversation of the financial advisor? Whether it is going to be paid by the City, fees to the participants or basis points on the investments? Those are the two quick questions that I have this morning.

Mayor Lauretti: We do not answer questions from the public portion. The questions are on the record, and the information will be sent.

Christopher Gallo: We have a lot to do today in a short period of time, because of some scheduled issues. Allen Kosowsky is on the phone with us this morning.

1. APPROVAL OF MEETING MINUTES

3/23/16 Special Meeting

Paul Hiller MOVED to approve the 3/23/16 Special Pension Board Meeting Minutes.

SECONDED by Anthony Minopoli. A voice vote was made, and the motion passed unanimously.

Before the Smith Brothers presentation, Chairman Kosowsky advised the Pension Board to schedule a follow up special meeting to review all of the information that was presented at the April 20th Special Pension Board meeting.

Paul Hiller: Allen, the Mayor and I had spoken and I have had several inquiries from other firms. Since you and I have spoke, Fiduciary Investment Advisors, who we saw back early summer or fall of last year, asked if they could come in to make a very brief presentation. They are also here this morning, along with Smith Brothers. As well, John DiMatteo is here along with Da'Rel Eastling, from Prudential.

Anthony Minopoli: We have worked with John closely; we have not seen Smith Brothers yet. Let's allow FIA to spend at least ten minutes to give us this update. Then I think we need to come together after this to talk about the pros/cons, fees, and to figure out who will be the right group for us.

2. PRESENTATION BY SMITH BROTHERS

Stephen Micheals: I wasn't sure how much time that we have today, so the first slide is an executive summary of the whole presentation.

We are an investment advisory services firm; we are with a broker dealer called Woodbury Financial Services. We operate as an IAR, under the RA contract through Woodbury Financial. Woodbury is an independent broker dealer that is owned by AIG, that is soon to be owned by Lightyear Capital, so we will be truly separate from any other insurance company in about seven weeks from now. We are based out of Glastonbury, Connecticut. Sam, Gene and I handle most of the face-to-face interaction with plan sponsors and plan participants in whatever capacity that needs to be handled by the plan.

We currently work with the Board of Education on the 403(b), through Metlife. Pretty much all of the teachers use that plan because they are not eligible for this plan that we are talking about today.

Mayor Lauretti: How long have you been with the Board of Education?

Stephen Micheals: It is probably eight or nine years that we are with the Board of Education. So we do have a relationship with Metlife, as well. Just a quick summary of what I understand about you, the current 401(a) and 457(b) plans was transitioned from the Voya/Aetna relationship over to Prudential last year, or the year before?

Paul Hiller: This past October was the transition.

Stephen Michaels: In whatever decision that you are going to make on criteria that you are going to have, we try to keep it consistent. Typically, whenever we to do a transition to a new investment vehicle, we always try to keep that consistent or to document the change from what you did originally. Our guide proposition to this group here, is that we are not investment management shop with a bunch of CFAs on staff that give you investment management research. View us more as an access point to the institution of Fiduciary that did not reply to this RFQ; we have access to those investment access points, such as Morningstar, because this is a small plan. Our fee quote of $30,000 is encompassing of using any one of those services. So we will come in to evaluate all of those different providers, and allow you to choose the one that you feel is the best for this group, based on what you are trying to accomplish going forward. Whether you want to use them as a 3 (21), which would be giving advice on your decisions, or to use them as a 3 (38) fiduciary, where you are giving them discretionary control.

Anthony Minopoli: The structure of the plan now that the options have been selected were with Prudential. I think we want, since there is other things that we are going to do during the day, is someone that is going to provide semi-annually for us, is an independent review of the funds that we have, relative to their appropriate benchmarks and peer groups so that we could have an independent look on a publicly created database away from the provider. If we choose or we feel, based on the recommendation of the advisor that an option it is not doing what it is/ is not doing what it's supposed to do, there is a portfolio manager change, other things that we would want to know that we would to do but just do not have the time to do to help fill in that data. Then, to select options to eliminate an option where we need to create a new manager for that, so we could map the assets over and that kind of thing. We just hired Prudential so I think we are pretty happy with them. If we got to a point where both participants and the City were not happy with Prudential, we might want to engage the advisor to help us select another provider.

Chairman Kosowsky: Another thing that I would add is that we have an investment policy in which we have adopted, and I think it is wise to have that reviewed on no less than on an annual basis to make sure that we are in the right place in the investment policy.

Anthony Minopoli: So it is helping us on a high level to conduct appropriate oversight of the plan, so the administration and the participants could say we are getting a good plan with good options, which covers all of the different risk parameters from a 25-year-old to a 65-year-old, so that we have good solid options performing well. If we do that, then we have completed our responsibility to the City, and the City has completed their responsibility on providing a good plan to the employees.

Stephen Michaels: That is part of our process here. Our service model includes the annual fee benchmarking; provide negotiation, working with Prudential. We do quarterly meetings, but semiannual is fine to us; whatever you want to do. Our fee also encompasses all future RFPs and all RFIs with no additional fees for that; it is part of our service package. We review all fiduciary liability insurance, and provide fiduciary education to plan committee. We are here to provide the education as well as walking you through that process. We are a fiduciary to the plan, as a 3(21) fiduciary to the plan, by contract and to the agreement so we would give you advice as what to do. Typically, the investment research that you would be getting, we use the larger fiduciaries that would not reply to this directly.

Paul Hiller: As you are aware, we currently have a relationship with DiMatteo & Associates, who are working through another broker dealer. You have a relationship with Woodbury Financial and you had disclosed that, obviously. When the City pays for the services for the fee that you have quoted here, do we pay Smith Brothers or do we pay Woodbury Financial?

Stephen Michaels: Woodbury Financial.

Chairman Kosowsky: Is it my understanding that Smith Brothers is acting in this sort of capacity for the Board of Education?

Stephen Michaels: Yes.

Christopher Gallo: They have been doing that for over eight or nine years.

Chairman Kosowsky: Who do you report to Steve? The Board of Education?

Stephen Michaels: They have an investment committee made up of their union representatives.

Chairman Kosowkksy: So they are, in fact the fiduciary for the City, in that respect. They are the responsible party, and you report to them?

Stephen Michaels: Yes sir.

Chairman Kosowsky: It would be helpful to see a sample report that you have given to the Board of Education, to see the approach that you use over there. Some of the people that are in our plans are also maybe apart of the Board of Education plan.

Christopher Gallo: Allen, just so you know in the proposal binder in one of the appendices, included a typical investment research report.

Chairman Kosowsky: I understand. I was just looking for something a little more granularly as to the terms of the City.

Stephen Michaels: I am happy to provide those reports to you because I do have them. I am happy to go through a little more in this presentation, as to whatever you would like to hear more about.

Anthony Minopoli: I think for me; I think we laid out what it is that we are trying to do. Just talk to us on how you would envision on providing that, and what is the appropriate frequency in your minds in terms of review? What we do not want to do unlike a defined benefit plan where the end user does not see what is going on under the hood, the end user immediately sees the changes in funds so we do not want to sit and not change a fund if it needs to be changed. By the same token, we do not want to be knee jerking, and to be constantly changing options because it is not going to provide confidence to the employees, that what we have provided them is a good program so if you could help us understand that then it I think it will go along.

Stephen Michaels: It kind of comes down to what system you want to put in place. We are very flexible in terms of which system you want to use; if you want one that gives you a lot of wiggle room, in terms of letting an options recover over time. If so, you would not want to use the same one that the current Board of Education is using. That one is very sensitive to different manager changes, performance numbers and expenses; it makes a recommendation pretty quickly.

Christopher Gallo: How often do you meet?

Stephen Michaels: Quarterly. We sit with them every quarter and we go through the QDIA for the target date funds, the fixed account through Metlife. Each quarter has a different theme, based on what they want to do. They replace investment options once per year, in January because they have a system set up for them to do that. They do not do any interim investment replacements for that group. For the third quarter review, we go through the plan options and they recommend different changes and they decide to do those changes in January of every year. What it comes down to the system that you want installed, so if you do not want one that is going to have fund changes over time, you want to have a support system like Envestnet, Mesirow or Morningstar; that does not have a very sensitive evaluation system. If a manager changes, it does not mean that you give it six months to get it back on track; you would give them one year or two to get back on track so the performance lacks for a few months. You are not going to need immediate action to take them out right away.

Anthony Minopoli: I think we are more concerned about three-year performances.

Stephen Michaels: So you want to make sure that you install a system that has those capabilities in them, so you would install a system with Prudential. We would evaluate them, and show you all of the options that are available and to allow you to choose the one you like.

Christopher Gallo: You also understand the transition to Prudential? This plan totally changed in terms of the kinds of things that participants have available to them, in terms of the investment options: target date funds, where matches go, how they are initially invested, the information that they have. They have a lot of new things on the Prudential website, in which the participants never that available to them through the City's plan. We have been together for two years and for almost that whole time getting us where we are today. This is another big step for us but from our point of view, from what we need as a committee.

Anthony Minopoli: From your perspective, what is the right interval? When do you think it is appropriate for us to be changing? We are going to be looking for some advice from your size to say this fund is underperforming; now is the time to pull the trigger. We are clearly going to be getting some information from Prudential on that, but help us understand what role you are going to take for a fund that has been lagging for 18 months, for example.

Stephen Michaels: Absolutely. So you have an investment policy statement that you have today? Does it have some things about investment monitoring in it?

Anthony Minopoli: As I recall, I know that we have something in there for investment monitoring but we did not want to box ourselves in, that underperformance relative to a benchmark or a peer group for a one-year period connoted that we had to get rid of them because as you know, sometimes the absolute worst possible time to do it is at that moment so we want to make sure that we are looking at the numbers. However, qualitatively we want to understand what is going on. On the same token, if the major portfolio manager of a fund leaves, I do not care if it has been in the top quartile, and that may be the reason to get out; that is what I am trying to get at. What active role are you going to take in those instances?

Stephen Michaels: That is what we are doing; we are talking about those same exact issues. The reason I ask about the IPS is that you are going to need an addendum to the IPS that defines the criteria that you are using to evaluate the investments. So you are going to have the three-year setup, investment manager changer; whatever we put in place is flexible and every client is different.

Anthony Minopoli: Do you think a pure quantitative standpoint, a fund manager underperformed, its Morningstar, its peer group and its benchmark trailing for a three-year period? In your minds, should that be out? Under review?

Stephen Michaels: Under review, and then you go into more risk adjusted, volatility and that kind of stuff. That kind of stuff is on a face of a watch list and when you maintain a watch list, typically you are going to have a watch list for four quarters before you have the conversation on replacing a fund. The IPS that we normally put in place for clients does not have a required replacement date. Typically, you have a watch list that let you go for four quarters, and after four quarters you would have a conversation about a certain fund.

Anthony Minopoli: Is your approach quantitative predicated on returns, or are you doing portfolio level analysis where you can help us understand what is going on under the hood?

Stephen Michaels: We are not doing the analysis ourselves.

Anthony Minopoli: Is someone providing some sort of analysis?

Stephen Michaels: Yes they are providing that portfolio level base. They are not necessarily looking at why they chose Apple over Intel, if you know what I mean. They are looking at Apple versus a Philip Morris, which is a totally different type of style drift so it is not going to be granular on the individual side.

Anthony Minopoli: I do not think that we are necessarily concerned about that. Let's say that we had a value fund that is a little more relative value, and deep values been in favor and are underperforming. That is a reason to me that we would not terminate somebody because there is no style that is always in favor.

Stephen Michaels: It is always going to be relative to the peer group that they are going to be forming in anyway; it is always going to be inside the peer group space and it is always going to be the benchmark for that peer group, and it is always going to be inside for what is available there. There is always going to be a relative performance. It gets to the ability of using an index in those spaces, versus active management because that has a rotation as well on a regular basis.

Anthony Minopoli: John, do we have passive options in a number of places? Correct?

John DiMatteo: Yes.

Stephen Michaels: Part of my question for this group is 90% of your money is sitting in a fixed account, and that fixed account is tied to the record keeper because it is how that works.

Anthony Minopoli: We are aggressively trying to use the education programs that Prudential provides, to help people understand. The fixed account is like nothing that I ever seen before.

Christopher Gallo: When things have been a certain way for a long time-

Anthony Minopoli: This population is different; there is not a normal distribution of 20s, 30s, 40s.. Etc. This is very populated in the 50s and 60s. We are trying to educate within that population cohort and our responsibility and obligation is to provide the education but ultimately it is their decision as to what they are going to do.

Stephen Michaels: Whatever investment analytics that are being provided want customized research on that fixed account.

Chairman Kosowsky: You need to understand that we did an extensive amount of work on the prior Aetna value fund, and we did a lot of work looking at the funds from the various providers, as to what their stable value funds look like. As a matter of fact, John DiMatteo did a lot of work on that so we could really understand yield duration, fees, etc. as well as credit quality. We are in a rising interest rate environment, so who knows what the economy is going to do. We need to watch that in particular, to be able to tell the participants some other fund is a better option. I think we are going to be dealing on the margins to probably 5 to 20 basis points; that is not going to pay someone to retire.

Stephen Michaels: If you choose an investment manager that says this fixed account does not fit our screens any more, you are in a different situation.

Chairman Kosowsky: I have one thing, if you refresh my recollection on what your proposed compensation was?

Stephen Michaels: At $30,000 flat with no fee.

Chairman Kosowsky: Did you have a 3% inflation rider in there?

Stephen Michaels: No.

Chairman Kosowsky: That $30,000 charged by you is chargeable to the funds as an administration cost?

Stephen Michaels: It could be charged to whomever you want to charge it to.

Anthony Minopoli: So we could pay it outside the program, or inside the program.

Christopher Gallo: Any other questions?

Chairman Kosowsky: I do not have anything else, but I would appreciate the strength of the proposal and also the candor of this morning with all of the questions from the committee. It was very helpful.

Christopher Gallo: My only question would be, and it is something that I would like to find out on your perspective as to why Smith Brothers? What sets you apart from any organization that you think we should hire?

Stephen Michaels: That is a good question. Basically what I said first off is, we are not going to stick you in our custom investment management profile. If you do not like with what we are doing, then you do not have to go back out to RFQ and hire somebody else. We are here to say look; we are going to install Morningstar based on the one you want. You then say you do not want to use Morningstar, so in six months I want to use Mesirow. That is fine because we will fire Morningstar and bring in Mesirow. There is no impact to the town on the cost and fees, or the participants. It is on the back end of the investment manager research that you are getting from that provider, so it provides flexibility to the town on what could use and what you do not have to use. Secondly, we provide a lot of non-fiduciary services that is part of what our service packages, for things such as quarterly meetings, give you education as a committee and go through the investments. There is annual benchmarking of the fees, both independent as well as informal RFPs in the marketplace to see what is out there. We will help you work with Prudential as much as you want, and we actually work down to participant level if you need us to, for education services in addition to what Prudential is already doing, if you want us to do that or not. That was not in here, but there is no additional fee for that.

Paul Hiller: Can you expand on that, Steve?

Stephen Michaels: Yes. So if you want to provide education to the participants up and above what Da'Rel is doing. We are happy to come in to talk about social security or any other off 401(a) or 457(b) topic that you think is important for them to hear about. You mentioned that the bell curve of your population is 55 and over; well they are all staring social security in the face asking a lot of questions on how to claim it, what to do, etc. We are happy to do those educational seminars on a formalized basis for you to help educate your employees about other topics and to focus on whatever you feel is appropriate.

Mayor Lauretti: Steve, you do this with the employee?

Stephen Michaels: Correct.

Christopher Gallo: You worked with Prudential so you are familiar with them.

Stephen Michaels: Prudential has a fantastic education program. So that is our proposition to you.

3. OLD BUSINESS

Approval of Pension Advisor Consulting Agreement

Anthony Minopoli MOVED to extend the contract with John DiMatteo and his firm through June 30, 2016, to supply services to the Pension Board at the same fee and structure that we have right now.

SECONDED by Paul Hiller. A voice vote was made, and motion passed unanimously.

PRESENTATION BY FIDUCIARY INVESTMENT ADVISORS

Chris Coleman: I run the Sales and Marketing effort at Fiduciary Investment Advisors. It is great to be here; thank you for having us.

Tyler Polk: I am the Senior Consultant; I primarily focus on the defined contribution space. More specifically I do a lot of municipal work, so I work with the Town of Berlin, Glastonbury, West Hartford, Simsbury, Greenwich, Wallingford, Avon and Bloomfield.

Chris Coleman: So anything in particular that you would like us to touch upon?

Anthony Minopoli: You know we hired Prudential and we have a set of options that are in place. What we are looking for, whether it is on a quarterly or on a semi-annual basis, we are going to want to to review all of the options. We want to make sure that we understand qualitatively and quantitatively why the options are performing as they are, and we are looking for confirmation to stay with what we have, or recommendations that we should have a shift. Also, because it is a fund contribution plan, what we want to do is to make sure we have the best options that we could have. If a fund has been performing great and a portfolio manager leaves, it would probably a good reason to change. If a fund has been lagging for two or three quarters, I do not think we want to be at the level of knee jerking. What we want to understand is how you would propose to help us ensure that we keeping excellent options, a good lineup and we are confident that Prudential is doing the job that we asked them to do, on behalf of the participants.

Chris Coleman: We can give you an overview of the firm, and then we will delve into manager research to your point. Then, Tyler will give you a better take on how we take clients on, typically on a quarterly basis. If you look at page 6, Who We Are, we are a fee-based registered investment advisory firm. We are completely independent; no broker dealer or affiliation. We do not sell product, so it is a very pure and transparent model. Clients pay us a fee, we give them advice and we sit on the same side of the table and we serve as a co-fiduciary and investment advisor to your organization and to your plan. There is $45 billion in fiduciary assets under advisement; roughly $32-$33 billion of that is defined contribution money; that is certainly the largest facet of our practice. Tyler has mentioned that he has worked with a number of municipals, non-profits, corporate, defined contribution sponsors. I currently have roughly 250 or so defined contribution clients that cuts across a number of different record keepers, including Prudential. We have 15 or so Prudential clients that we certainly know; their record keeping platform, pricing structures, etc. There is 58 people at the firm and this is all we do; we do not have ancillary lines of business, we do not sell insurance, we do not sell product so all 58 people are dedicated to supporting fiduciary groups just like yours.

Anthony Minopoli: Employee ownership, is that concentrated in a few hands? Is it well spread?

Chris Coleman: It is across 10 individuals.

Tyler Polk: Apart of the 58 staff, the big focus of that is investment research, which all of that is done in-house. We have one individual who primarily focuses on fixed income, one individual who primarily focuses on target date funds and large cap growth. So there is more information in this book about our research team but it is all done in-house.

Chris Coleman: We have zero conflicts of interest. Flipping to page 8, CT Public Fund Experience, this will give you a flavor for some of the cities and towns in the State of Connecticut that we work with. As Tyler has mentioned, a number of them are defined contribution relationships. We are certainly familiar with the municipal space and municipal defined contribution plans.

Anthony Minopoli: If you guys were selected, would you both be responsible for the account?

Chris Coleman: Tyler would lead the relationship on a regular basis. Some of our defined contribution clients are Pullman & Comley, Blum & Shapiro, Griffin Hospital is not on the list but I know they are a client.

If you look at page 10, Dedicated Service Team, this is the service structure. We assign a team of 5 to each client, regardless of the size. It includes a lead consultant and a supporting consultant, as well as some other support individuals. Then, the umbrella logo is designed to deliver the oversight structure so we have an in-house investment committee. The in-house investment committee is tasked with making decisions in regards to the individual investments that our clients have exposure to. So any investment within your defined contribution plan menu will get put in front of that committee, and a watch list status will be attached to each of those funds. The second committee designation that you see here is a defined contribution oversight committee. That committee is more directly associated with defined contribution plans. For example, if the investment committee were to make a determination at some future points that one of the funds from your menu is no longer appropriate, then that committee would assign a terminate status to that particular fund which would trigger Tyler having a conversation with you and saying –

Anthony Minopoli: You would proactively, if your research department determined that large cap growth fund, for example, we have in our lineup is your list and you would proactively reach out to us and tell.

Tyler Polk: Yes, and I will give you an example of the Town of Greenwich had an investment manager in the fixed income space, where the individual left overnight. A memo went out that day, calls were made and we scheduled an inter-quarter discussion because it was a unique situation. Sometimes if it is a longer term underperformance, over that time we will move from maintaining that fund to watch it a little more closely. From there, we would provide you that status and replacements for that fund.

Anthony Minopoli: Let's say that was one of our bond funds. Let's say that we have this fund, and you guys recommend termination. We say this makes a lot of sense because the guy who just ran it is now gone. Would you work with Da'Rel, in terms of who they have signed agreements with? It could be a replacement, and then would there be a similar recommendation to say from where you are to this fund? Would you say here is a list of three funds to look at?

Tyler Polk: We would give you a list of three funds, from a due diligence standpoint. I will have a recommendation to give you.

Anthony Minopoli: So you will say these are the three best options, and we think that Option B is the best for these reasons.

Tyler Polk: From a trail standpoint, I think it is better to have multiple options and we will come in to give you a recommendation. That was behind the scenes, so when there is a termination we have already contacted Da'Rel and figured out which funds that we like, and which share classes what we could use that would not impact pricing for participants. I would then come in with a recommendation.

Chairman Kosowsky: I would have imagined that Prudential would have been looking at these them, as well, so might be a simultaneous thing that Prudential would say this one has popped up and deserves comment/review. For you guys, that would be the same way. Would that be a fair way to look at this?

Tyler Polk: It depends on the relationship. From what I understand, Prudential is not a fiduciary on this plan so they would not be able to give you recommendations on a replacement investment option. Maybe some of the sub advice funds, if you offer some of those funds they might have replaced a sub advisor based on performance. Typically, they are not coming out like that proactively.

Chairman Kosowsky: Tony that is why we need someone to be looking at these and evaluating them in a real time why.

Tyler Polk: We definitely want to be aware of participant impact and how the communication goes out to the participants. It is very important of the messaging but that oversight has to be independent of other resources.

Paul Hiller: Just a quick question: you mentioned Greenwich. You are advising them on the 401(a)?

Chris Coleman: Correct.

Paul Hiller: You are not advising them on the defined benefit?

Chris Coleman: Correct.

Tyler Polk: They actually have a 401(k).

Chairman Kosowsky exited the meeting around 9:50 A.M.

Chris Coleman: The investment committee assigns a status to each of those funds that all of our clients have exposure to. If as an example to you that we would come out to you in a future time and say you have 25 funds in your menu. We think you should have a thought process of slimming that list down. I have not seen the menu so I am using 25 as an example. That defined contribution oversight committee can get involved on how you would like to slim that down, funds that you design, and how you would map some of the assets in some of the funds that you are eliminating from the lineup. So that is the distinction. The investment committee sets up a watch list status for each of the funds, hearing from our analyst team as what funds qualitatively/quantitatively are performing well, which funds are not performing well. The defined contribution committee is involved with things such as funding design, mapping from one fund to another, etc. Those are leading Tyler, who is leading your five-person team.

So Tyler will give you a sense for on an ongoing basis, some of the things that we are bringing out to you, addressing to make you stay on top.

Tyler Polk: On page 12, FIA Consulting Services, these are all the consulting services that we provide and these are the services that we think a successful program should offer. We would help to create and draft an investment policy statement and/or committee charter if you do not have one in place. If you have one, we will help review the current one and give you some suggestions. We like to keep it specific enough for process, but broad enough so we don't put you in the corner. We would also work with you on menu design. You just put in place a menu; we would not want to come in based on that fact that it would disrupt the participant base and revamping that whole menu. So, we would work with what you have and for some reason you had an energy fund that would make sense for the participant base to eventually move away from that. We would then evaluate all investments; all of it is done internal. We negotiate fees with Prudential. I think our defined contribution book calls for us to have a good idea for the benchmark, a good idea of what record keepers are charging from a municipal standpoint, and what Prudential is charging their other clients that we have with them, as well. We work with pure benchmarking and plan design, so we will also look at success measurements and assist you and evaluating those success measurements. Prudential will have a lot of data that will show how your participants are doing, from a retirement income planning standpoint. We will evaluate and figure out ways to improve upon that, and then assist with communication and education.

So how we bring that to practice is on page 13, Beyond Day 1, and this is part of our governance calendar. We will provide you with four quarter of investment reviews, so you will get a status of all of the investments each quarter. A detailed qualitative and quantitative analysis is done internally on each individual fund, and status of all of those funds. As you could see, each quarter has a different focus. You are not an ERISA plan, but we like to follow ERISA best practices. Right now, we are in the middle of presenting our first quarter so evaluate fees. We negotiate those fees with the record keeper, and we also bring different ideas of assessing record keeper fees.

Practice and police is when we evaluate the investment policy statement, and we bring to you all of the regulatory updates that may have happened throughout the year. Fiduciary wants to make sure that the committee is fully aware of those changes.

Participant focus is when we look at the demographic data. We bring in Prudential and we look at all of the information that they have. We want to make sure the education/communication program that they are doing is effective because if we keep doing the same things over and over and maybe people are not transferring assets out of the stable value or increasing their deferral rates. We actually want to make sure we have success measurements, and you could look at it year over year.

The last quarter is looking at the fund menu again and reevaluating if you have target date funds; how that glide path works and does it make sense for the demographics. Every year, there is four reports and we provide this all for you. I present all of the information so if you checked all of these boxes; we hope that you are comfortable with the FIA oversight.

Chris Coleman: So the overwhelming majority of our defined contribution clients are utilizing this process. If you take a look at the appendix, there is a tab with a sample report, so you will get a visual of the governance calendar. This particular quarter is the fourth quarter, so you will see much of the information is tied into the investment menu, the target date funds that the client is utilizing and to your point we will take you through this each and every year. Obviously the plan is not a static thing, so we want to be revisiting all of those things on a very uniform and consistent basis.

Mayor Lauretti: Could you just touch up on your fee structure?

Chris Coleman: Sure, the third tab is wrapping it all up, Consulting Services Proposal. This is verbatim in what was in our most recent RFP response. That is your choice whether or not you want us here four times per year/ twice per year. We thought we would give you that option. Either way, you would be getting all of the things that we have discussed so quarterly reporting, that governance calendar structure. If you prefer to keep the pricing down to the $30,000 level, then I think Tyler would be more than happy to get on the phone for those other two quarters. We would certainly love to work with you.

Anthony Minopoli: What is the access portal?

Tyler Polk: We upload all of our reports, and I actually do minutes on our end. All of those things get uploaded onto the portal. It is secure and the committee members are able to go on there and utilize the portal.

Chris Coleman: It is part of a secure section on our website; you all get a username and password for whomever you want to have access. You could also upload things on your end, as well. You could upload your plan document, and various other plan related information.

Paul Hiller: In the appendix, under tab C: Participant Education Services, you talked about participant education services. Could you expand on that please? I think that is something that this committee is concerned about.

Chris Coleman: So at a very high level, most of our clients are engaging us on the participant educational front in one of two ways: one is to serve as the point person to make sure you are getting everything that you should be getting out of Prudential. As well as overseeing the delivery of participant educational services that Prudential provides. There is no additional cost for that, and we do that for a large number of our clients. Some of our clients want us to be the delivery mechanism; the face to our plan participants and we do that as well. We call it Retirement Success; it is a financial wellness service that we make available so it touches upon your defined contribution plan. It also has some curricular items that expand beyond the plan such as, planning for retirement, estate planning, budgeting; etc.

Tyler Polk: We have also done projects that integrate the pension, as well. We do one-on-one, webinars, group meetings. Whatever you are looking for, we are able to do. The important thing to know is that we do not sell anything else; we do not sell insurance; we do not sell investment products. What we find in a lot of our clients is that they do not understand the resources that are already available to them, and if they do want additional resources then we will provide that for them. We help them assess what they have and to see what their needs are.

Mayor Lauretti: So under that separate fee, is that paid by the employee or does that come to us as a plan sponsor?

Chris Coleman: Yes, it is usually paid by the plan sponsor. Usually the way it is structured is a per diem. We come here, and have a conversation upfront as to what you are looking for. If you want to have curriculum built around age brackets, you could have one group that is targeting age 55 and older, one group that is targeting people in the middle of their careers, and one group meeting that is targeting them early in their careers. Between those group meetings and after you could have one-on-ones. For that day we would charge you for all of that built curriculum is $1,500. That fee is paid from the sponsor level; it is not a charge that is assessed to the individual. Like I said, some of our clients like and want that and others see what Prudential is willing and able to give and we will manage that process on that behalf.

Christopher Gallo: Could you tell me about the graph on page 35, Financial Education Strategy?

Tyler Polk: We have multiple different programs that we have done; we have done wellness fairs. This sort of idea of financial wellness is very important we are seeing more and more in this build out of financial wellness strategy, and measure the results. If we are doing something, and we cannot show you how many people have participated and many people made changes then you will not know if it was successful or not.

Christopher Gallo: This would be part of the one-day program that we are talking about?

Tyler Polk: Yes.

Chris Coleman: It is an upfront conversation for what you want to target. Let's prioritize on how you want to build this day.

Tyler Polk: Sometimes it can be something that clients do not want to do upfront, but after one year they say it is really to them and they want to start working on this.

Christopher Gallo: I know we need to schedule a follow-up meeting and we will figure out when Allen calls.

ADJOURNMENT

Mayor Lauretti MOVED 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 10:15 A.M.

Respectfully submitted,

Brittany Gannon

Brittany Gannon, Clerk of the Pension Board