REGULAR
PENSION BOARD
Shelton, Connecticut
MEETING MINUTES
Wednesday, MAY 18, 2016

Call to Order / Pledge of Allegiance

Chairman Kosowsky called the Regular Meeting of the Pension Board to order at approximately 5:30 p.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
Anthony Minopoli- present

Also in Attendance:

John DiMatteo, Pension Advisor
**PUBLIC PORTION**

*Robert Kulacz, City Engineer*

I asked a question at the last Pension Board meeting, in regards to the compensation of the future pension advisory services. Whether the City is going to pay for it, it would be basis points taken from our investments or if there is going to be an increase to our quarterly fees. I did not get an answer on that, so I would like to get an answer for myself and the participants.

Chairman Kosowsky: Actually that is something that we are going be discussing because we trying to figure out what the pricing is going to be from the candidates that have given us proposals. It is going to be a fixed fee, and at least at this level it would be charged to the plan, whatever that dollar amount turns out to be.

Robert Kulacz: When you say, “charged to the plan”, does that mean quarterly fees, basis points?

Chairman Kosowsky: It is going to be a quarterly, fixed fee.

Robert Kulacz: To each participant?

Chairman Kosowsky: No not to each participant. Effectively, it would be charged to the plan.

Anthony Minopoli: It would be deducted from the balance.

Chairman Kosowsky: It would be deducted from the balance; it will be allocated based upon the percentage.

Anthony Minopoli: Just to put this into perspective, if you take the highest fee of $30,000, divide it by the asset balance of $30 million it is .01%. If you apply that towards a balance of $300,000, that is $300 per year to have advice. If the cost is $300 on a $300,000 balance to have professional advice, or to have $300 more and not have the advice I would make the strong case that the participants would be better off having an advisor in place to make sure the plan is functioning properly. It is certainly ordinary and customary that fee would be charged to the plan, and not borne by the sponsor. Whether it is a municipality or whether it is a corporation, typically all of those are borne by the participants in the plan because it is the case of them largely reaping the benefit of having the advisor in place. So that is the entirety of the rationale behind it.

Robert Kulacz: Just to confirm if someone has a $300,000 balance, they are roughly going to be charged $300 per year?

Chairman Kosowsky: Correct.
Anthony Minopoli: By the way that is also a fixed balance. Let’s say the market went up 10%, the portfolio values up 10%, it is $30,000 divided by $30 million. Your charge on a percentage basis is going to decline; it is fixed so as far as the assets go that number does not change.

Robert Kulacz: I just want to go on record and say that I spend a lot of time, and a lot of other people do too, reviewing the submissions for the RFPs that were from October 2013, and the recent one for pension advisory services. I am speaking for myself and for a number of other people; we feel that the three remaining candidates that have been interviewed, the City should select Fiduciary & Associates based on their experiences, their two submissions that they had submitted to us, and due to the fact they have complete in-house services. We are not paying a third party like we are doing now, or if we had Smith Brothers. Since we are going to be charged for the pension advisory services, I feel that we should have a say on who is going to be selected and I feel strongly about that.

Chairman Kosowsky: Thank you.

Agenda Items

APPROVAL OF MEETING MINUTES

4/20/16 Special Meeting

Christopher Gallo MOVED to approve the 4/20/16 Special Pension Board Meeting Minutes.

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

REPORTS FROM:

PENSION BOARD- CHAIRMAN

Chairman Kosowsky: I really do not have anything to report. We will be taking up Old Business, the Pension Advisor matter.

PENSION ADVISOR

Chairman Kosowsky: John, you had circulated some information on the 457 plan. I think these were things that we had discussed a couple of meetings ago. Correct me if I am wrong, a number of these items require plan changes and these plan changes would need to be presented to the Board of Aldermen and the Mayor for approval.
John DiMatteo: The directive that I was given was to simplify the document, so you could simply look at provisions that are of the benefit to the participants, and to remove the administrative items that the Pension Board did not really need to look at. I did not move forward on the 401(a) because there was some discussion after the meeting, whether the directive has changed. So that is why I chose to do the 457 plan.

You have seen this in one form or another within the past year. In this document, there are six items to look at: an addition of a Roth provision is number one. Does anyone have questions on that?

Mayor Lauretti: You say no action to add Roth. Is this just a decision for the board to say we want to add a Roth to it?

John DiMatteo: That is my understanding, and then it goes to wherever it needs to go.

Anthony Minopoli: If I remember correctly, we held off on doing it because there were so many moving parts at the time of conversion. We did not want to add another layer of complexity to the mix so that is why we held off. We said, lets get this plan converted and then we would revisit, adding a Roth at a future date.

John DiMatteo: As of the last meeting I was asked to simplify the document so we could focus on the basic items; I do not know if there are any additional authorizations or approvals that are needed. These are all items that can be done at the time when you convert to the Prudential document.

Chairman Kosowsky: To put it on a Roth would be a plan change, wouldn't it? That is beyond an administrative thing from our point of view.

John DiMatteo: It is an administrative change to the plan; a plan provision change.

Chairman Kosowsky: It is not administrative in the sense of fixing something that needs to be fixed; it is a new benefit. That would need to go to the Board of Aldermen for any plan/design changes.

Mayor Lauretti: I am a little confused because of how I understand is if this is another option, and by a way of a benefit that is not a plan change.

Chairman Kosowsky: I would be if it is not in the plan now.

Anthony Minopoli: If you are altering the document then legally, it is considered a plan change. It has no dollar impact but this is a provision change.
John DiMatteo: The conversation that we had was regardless of where it needs to go after this board if the board looks at it and is okay with it, then it moves it along. It could then go to the Board of Aldermen/Mayor.

Mayor Lauretti: So this is another provision to the plan?

Chairman Kosowsky: Yes this is an amendment to the plan simply stated.

Mayor Lauretti: Then the board would have to approve this.

Chairman Kosowsky: I took a good look at these items and there is no reason for them not to be adopted because they are only to the benefit of the participants. It gives them more flexibility down the road. In the 401(a) plan they wanted the potential of borrowing money once in a while.

John DiMatteo: That is tied to the other item: the unforeseeable emergency distribution. Right now the plan only allows for unforeseeable emergency distributions that Robin and/or Paul need to get involved to determine if it is really an emergency. My suggestion was to remove that platoon, and add in a loan provision so they could access their money if they need to.

Paul Hiller: We had one incident last fall during the conversion, when an employee wanted a withdrawal but it was denied. I thought that Prudential was taking that over?

Mayor Lauretti: For the 401(a).

John DiMatteo: They have the ability to take it over; I do not know if they have.

Paul Hiller: I am aware of one incident that happened when we were in limbo between Voya and Prudential. I think we wanted to get that off of our plate and give it to them, so Prudential could say yes or no.

Christopher Gallo: Sometimes the plan will have a fee built in, so if someone wants to do that then that fee is charged to the participant. There is no cost to the City for that.

Chairman Kosowsky: There is no cost for the other participants, either.

Mayor Lauretti: It is an added feature to the plan; the board would have to approve it.

Anthony Minopoli: Correct.

**ADDITIONS/DELETION OF RECOMMENDED 457(b) PLAN PROVISIONS**
Mayor Lauretti MOVED to recommend to the Full Board to modify the 457(b) Plan to add 5 and removal of one of the provisions: addition of a Roth provision, deletion of an unforeseeable emergency withdrawal, addition of a Voluntary In-Service Distribution Provision, addition of a 70 ½ In-Service Withdrawal Provision, addition of Rollover to reflect EGTRRA portability, and addition of a loan provision to plan.

SECONDED by Christopher Gallo. A voice vote was taken, and the motion passed unanimously.

John DiMatteo: I will let Prudential know.

Mayor Lauretti: I would let Prudential know when this gets approved.

John DiMatteo: The next item is what we reviewed at two meetings ago, was the investment monitoring report that you all had signed. I circulated it via email, so it is just a matter of signing that document.

Chairman Kosowsky: I think we already did that.

John DiMatteo: There are two of them; I do not know if each one has been signed by all. As far as this Prudential report, I was not prepared to go over it. I thought you were going to handle it. I can go through it if you would like?

Chairman Kosowsky: No that is okay; that is what we are paying him for.

Christopher Gallo: Can I make suggestion if we could look at the report? We can take five minutes to read it over.

Paul Hiller: One of the things that are clear from here is that clearly nothing has really changed. I think one of the concerns that I had and this is really for a six-month period, we had lost on the terminated participants; a net of $33,000 have pulled from the plan.

Anthony Minopoli: So these were terminated participants that have taken their money and left the plan?

Paul Hiller: Correct. Among that, we are aware that there have been some deaths.

Mayor Lauretti: And retirements?

Paul Hiller: That number includes retirements.

Chairman Kosowsky: So people could rollover their money if they wish.

Anthony Minopoli: Seventy percent of people that retire take their money; that number has been there forever. They take their assets out of their previous employer's plan and go somewhere else with it. I would not be alarmed.
Paul Hiller: Again there is the concentration that we see in the Stable Value. Eighty-two-and-a-half percent of the people are in the Stable Value Fund. When you see the split of the number of funds, you see people in this report, for example, that have two investment options. I am thinking they have done nothing with the original money, and the new money is going into the Target Date Fund.

Anthony Minopoli: At the end of the day, our responsibility is to make sure that we work with Prudential and the advisor, to provide a strong educational platform, a number of funds that participants can create asset allocations that meet a wide array of risk tolerances, and provide them with the tools to do that. After that, it is ultimately left to the individual of what they want to do with their own pensions. We have to provide the tools.

Christopher Gallo: We cannot force anyone to do anything.

Chairman Kosowsky: As we have heard from the last time Da’Rel was here, we had discussed the fact that we have a number of participants in the 55-60+ cohort, and you would expect that they be more fixed income oriented. For me, it is a bit of a tragedy to be invested in 2%; overtime it just has not been wise. Once again, that is an education problem; that is a historical thing that we will need to continue to work on. In terms of the performance Paul, have you seen anything in the report that looks like an outlier? John, didn’t we decide to pull one fund out? We were going to pull one fund out and replace it.

John DiMatteo: Yes.

Paul Hiller: That was done and the notifications were mailed out to participants.

Anthony Minopoli: It was for two participants; it was small.

Paul Hiller: Well, the problem with that is there were three participants but we had a requirement since we were adding a new fund, to mail to everyone. What we were attempting to do is develop a home email base. Prudential wanted $1.50 for the mailing, per participant, so that would have been not a significant amount of money but still a cost.

Mayor Lauretti: The cost, the cost, the cost, the cost. Over the course of time it does add up.

Christopher Gallo: It is going to cost every time there is an email?

Mayor Lauretti: No, every time they did a mailing to change the funds. So we had discussed creating an email bank, via the payroll system so when paychecks go out it would ask them for an email address for pension communications.

Anthony Minopoli: How did we do?
Mayor Lauretti: We haven’t done it yet.

Paul Hiller: We had to do this one because the fund was just added.

Anthony Minopoli: Except for the policemen and the guys at the Highways Department, do all City employees in this building have an email address?
Mayor Lauretti: We can only assume that the majority of them have one, with the caveat that some may not.

Anthony Minopoli: It is $600 now for the mailing, and every time you do a mailing it is going to cost around $600-$800 per mailing. Is it permissible to send these notifications to their work email addresses? This way we would knock down a lot of the hard mailings, if the vast preponderance of people has a City email address.

Christopher Gallo: What would we do with all of the retirees?

Anthony Minopoli: Those you would need to mail to.

Mayor Lauretti: A lot of retirees do have email addresses, so there can be one mailing sent to them to ask for their email. You are not going to be 100%.

Chairman Kosowsky: If you cut the cost down, then you cut the cost down.

Mayor Lauretti: Yes and over the course of time that will mean something.

Chairman Kosowsky: Page 18 of the report shows the distribution statistics. You look at it and you see $2,001,000 went out of the plan by means of termination between October 1st and March 31st so I would suspect those folks decided after everything, that they wanted to move elsewhere.

Paul Hiller: That is what Tony was saying about 70% who normally in any fund, move their money out.

Chairman Kosowsky: How many of those do we know that retired? There were 17 accounts in the December 31st-

Mayor Lauretti: There was a couple of big ones in there.

Chairman Kosowsky: If they have retired and decided to have their own advisor, they met with their own advisor and for whatever reason their advisor might meet with John DiMatteo. He would then say this is the asset allocation I would suggest. Although it might not be within our pie, at least they are and hopefully making a good decision.

Anthony Minopoli: There is a group called LIMRA that does marketing research for life insurance companies. They come in every year, and perform a study to us in the retirement trends. The big thing that they talk about for the opportunity for advisors
and insurance companies is there still is this persistency of better than two-thirds, and it is typically at the 70% number. People just take their money and go elsewhere to another qualified plan.

PRUDENTIAL

During the regular session of the meeting, Paul Hiller had contacted Da’Rel Eastling, Prudential to advise the Pension Board reviewed the Prudential report that was emailed from his colleague, Tom Garabedian. Paul Hiller, in agreement with the rest of the Pension Board, advised that Da’Rel was not required to attend due to traveling delays.

While on speaker phone, Chairman Kosowsky asked Da’Rel if there were other points that he would like to make to the quarterly report furnished by Prudential. Da’Rel noted there was not much change from the last report. There was some movement, of roughly $45,000 that had moved out of the Stable Value Fund over the last quarter.

OLD BUSINESS

DISCUSSION AND SELECTION OF PENSION ADVISOR

Chairman Kosowsky: The next issue is something that we have been debating for a long time, and it has been giving us a lot of angst personally, otherwise is to review the pension advisor and selection.

For the record, we did go through the RFP process with RFQ #36-60. We did receive around a dozen of proposals, sifted them down and Chris did some work on that too. The idea was to invite, and we had invited Fiduciary to make a presentation which they did. We had also invited Smith Brothers to make a presentation at the meeting, in which they did also. As well, John has made his presentation. As we have struggled with this and looked at it, taking it into account Mr. Kulacz’s comments on what some of the participants want. We have a tall task to go through because I think we have been well served by John DiMatteo; he has been thrown into a cauldron of boiling oil over the last couple of years; I think he has performed very well. With that being said we are in a new world. The Department of Labor produced in March, new fiduciary standards that are pushing down on the fiduciary liability. It argues in favor of making sure that the right advisors can be on top of all of the changes that are occurring, that are maybe coming from the regulatory environment out of Washington D.C. With that in mind I had looked at this as well, in addition to what Chris had done. I put together a very short, simple table to summarize what Chris has done and what I have done in our own thinking to try to decide what to do. I think this is very clear after listening to Da’Rel, that the missing ingredient from the City’s point of view and more than the Pension Board’s point of view is the absolute need for more education.
Whether Prudential is chipping away at it over time is going to get our participants educated to the point that could really provide for their long term needs; that is a mission and goal that we have. I almost see the need for two advisors, frankly. I think we need an advisor at the Pension Board level, in reviewing the various results of the investments that we have selected and the lineup, the investment policy statement, to be in a position that we are on top of many changes that take place within the management of these funds. That is one dimension to look at. The other dimension is the need for the City to have that one-on-one work that John has been doing. He has been doing that work with Robin, working with Paul and Mark; I think there is a lot of value there.

Anthony Minopoli: I want to make sure that I am hearing you. Are you stating a case for someone like John to work for the City, and for another advisor to work for the plan?

Chairman Kosowsky: Yes and I think that we have to because that is a financial issue from the City’s point of view.

Anthony Minopoli: We can provide that recommendation and it will then be up to the Mayor.

Chairman Kosowsky: I think there is a lot of merit to that, I really do. I think it almost becomes cost prohibitive for Fiduciary to fulfill the fiduciary role, as well as the education role just based on their pricing schedule.

Christopher Gallo: I just do not understand why the advisor would be looked at as an organization to provide education.

Anthony Minopoli: It would be additional education.

Christopher Gallo: Then what is Prudential doing?

Anthony Minopoli: Prudential is going to provide educational days. They are going to come in and do large-type scale seminars.

Mayor Lauretti: They are giving us four days per year.

Anthony Minopoli: I want to hit on one of the things that Allen pointed out that is of concern, that within the last three months there has been a lot of increased scrutiny by the Department of Labor on committees like this to ensure that you have, the liabilities are not only being pushed down but when you sit down and look at the RFPs that we have received: the number of people involved, the number of municipalities, the people under management, the assets under management, etc. I haven’t even thought of or even discussed that bimodal kind of structure, but my angst with going through this whole process and saying that DiMatteo was the best solution for the pension plan that we were going to charge to the plan, when you have someone like Fiduciary that has 60 people dedicated with 95 municipalities, is
that we are making a giant leap when what is glaring in black and white is that you have a firm that has a greater capability. I do agree that John did yeoman’s work, and John took crap from a lot of people.

Mayor Lauretti: He has been unjustly criticized.

Anthony Minopoli: I could not agree more. We all took a lot of bullets, but John he took extra bullets. He did a lot of stuff and put in a lot of hours, that if you wanted to do on a billing basis he wasn’t really paid for. He did a lot of herding the cats and had everyone going in the right direction, and your hallmark of your time as being mayor has been keeping a very sharp pencil and keeping an eye on the bottom line, but if we could figure out a way if the plan is being justly charged. Lets say that we brought Fiduciary on at the $30,000 level, gave us two meetings per year of a soup to nuts review of Prudential, and we could craft a way that John maybe at a $20,000 level is taking care of documentation, is really focused on blocking and tackling of things. It could be a benefit of the city. If you engage Fiduciary to do all of this, you bill would be higher. I think their oversight at the manager level you cannot even compare; you cannot even get close.

Christopher Gallo: So what are you suggesting?

Anthony Minopoli: At the plan level and Allen just brought it up tonight, but at the plan level that we would have Fiduciary – forget Smith Brothers. Fiduciary do better things at the plan level, than Smith Brothers and Smith Brothers is not going to do what John is going to do. There is around 20ish people at Fiduciary dedicated to fund level research; it has more people than John has in his company. When we want to go through that fund level detail, that we satisfy our fiduciary responsibility that we have done the very best due diligence at the fund level. So that $30,000 would be a fixed charge against the plan; the 10 basis points charge in the math for what I did for Mr. Kulacz earlier. John separate and distinct would be an advisor to this committee that is focused on plan structure, regulatory; frankly a lot of the work that he has done as a go between this board and Prudential, and also the attorneys.

Chairman Kosowsky: Right and we just do not seem to have the person here in the city. Typically, you would have an HR person who would be sitting here in a meeting, and following up to say they are going to do that, and be the liaison.

Mayor Lauretti: I would just like to make two comments: number one is that I would have to put more thought into that. If that is what Fiduciary’s role is going to be, then I think $30,000 is too high. The second thing that I want to do is understand the Department of Labor’s role. We deal with the Department of Labor on a regular basis, but not with pension stuff. If there is something that is complicated then I want to understand that, because I cannot imagine other than making sure that people are doing what they are supposed to do on behalf of employees. That is the role of the Department of Labor.
Chairman Kosowsky: It is getting worse; it came about sometime in March. This was all within the last 90 days. The problem is that you do not know what you do not know, and even with talking with Nancy Lapera Sharon they are trying to stay on top of this and who only knows we do not want to pay them for that. I cannot imagine that John can, I just can’t. I love that he would, but I just can’t.

Mayor Lauretti: Allen, the Department of Labor is legal; this is in the legal category now.

Chairman Kosowsky: It is Mark, but when you go two years down the road and you have a couple of participants that are unhappy for whatever reason and they make a complaint.

Anthony Minopoli: You hired an advisor and you have hired a local guy that is a small shop to advise us on the options, when you have looked at another advisor that has 60 people and has worked with 95 municipalities-

Mayor Lauretti: Tony that would only matter if he was wrong; if there was gross negligence.

Christopher Gallo: And the advisor that we hire commits gross negligence, is that our problem?

Chairman Kosowsky: Yes.

Anthony Minopoli: We have at least a hand in it.

Christopher Gallo: So what you are saying is that the standard of practice now, is that we have to hire the best? If that is the standard of practice-

Mayor Lauretti: Then no one will have any work.

Christopher Gallo: I guess I do not understand that.

Chairman Kosowsky: I see this in my own practice. It is forcing everything to go to the bigger, larger organizations.

Anthony Minopoli: Chris, I have as many people working on compliance for our mutual funds as I have managing the assets.

Christopher Gallo: So then you are proposing we hire two advisors then? One to do the evaluation of the funds twice per year, and another to monitor the rules and regulations under Department of Labor, plan design. What makes John the right guy for that, then? Is he the best? You are telling me that the best is over here; I guess I am confused.
Chairman Kosowsky: Chris, I think that you have two levels over there: one is a strict, one to one fiduciary relationship between whomever is the Pension Advisor, Fiduciary at the moment, so we hold them liable for them advising us in saying that we had hired you to make sure that this was done correctly; that we gave the participants everything possible to make those judgments right. So if something goes wrong there, that is a one to one there. I am suggesting something different with John; I am suggesting more of a super consulting administrative role because I see there are gaps between what the City could do with its own HR process, processing people.

Anthony Minopoli: John would be more with the City than the plan. I like John, and I think that he has done yeoman’s work but I cannot in good conscience say that if we are picking an advisor to evaluate all of the funds, with everything that is going on here that, that is a better selection than Fiduciary. I just can’t.

Chairman Kosowsky: To your point Mayor, in terms of that cost when you are taking on that liability there is an insurance policy cost that is built right into that. Whether we could find someone that will do it cheaper than $30,000; not based upon what we have seen so far.

Mayor Lauretti: We are going to ask them to evaluate the funds twice per year.

Christopher Gallo: There are ten other organizations that came in, that we did not talk to. How do you know one of them is better than the three that you are talking about?

Anthony Minopoli: We went through the process of going through the evaluations.

Christopher Gallo: Well I was not involved in that.

Anthony Minopoli: Chris, every one of us received those RFPs.

Christopher Gallo: However it was setup that these were the three that we were talking to.

Anthony Minopoli: No, I do not agree with that at all.

Chairman Kosowsky: We were looking for a list and Mayor Lauretti had suggested to add Smith Brothers to the list because we were looking at who else we could add. We had a presentation from someone in Boston that came down.

Mayor Lauretti: I think we were trying to take the practical approach, understanding that some of these firms were so in depth, that we were small potatoes to them.

Anthony Minopoli: I told Allen right off the bat that Segal Roger Casey would have been the wrong one because we would have received a kid; we would be a plan too small for the realm of their business. You want to be in the core of the business. If
you asked Fiduciary to do some of the things that Allen is bringing up, i.e. working with the HR function here, the number would go up tremendously.

Mayor Lauretti: I gather that, based on what they had said at the last meeting about every time that the show up for a different type of service, it was $1500 per day.

Christopher Gallo: We have to go back to Fiduciary and say this is what we want, and tell us the price.

Anthony Minopoli: We would tell them the price.

Chairman Kosowsky: I think we have already done that; the RFP said that. Fiduciary is covering governance, investment policy statement and committee charter, plan diagnostic review, which includes a comprehensive review of your current vendor, Prudential, investment menu fee structure, investment menu design, investment performance monitoring and reporting which would be done a quarterly basis.

Anthony Minopoli: We do not need them here more than twice per year. For the issues that we were talking about earlier, we should not be swapping funds out at the drop of a hat.

Mayor Lauretti: Right. How often are we going to change funds?

Anthony Minopoli: My 401(k) has not swapped any funds in six years.

Chairman Kosowsky: If you go to Exhibit A, there is the list of the seven services.

Paul Hiller: I was surprised when they submitted because two years ago when John was selected, we also had the 403(b) in the RFP that the Board of Ed has. We pulled that back; at the time Fiduciary said if you pull the 403(b) back because there are a lot of compliance issues with the 403(b). There are a lot of more federal requirements, such as the reportings, and they said that they pulled that back. I think there is some room in their $30,000 number.

Chairman Kosowsky: There is somewhat another important factor: both Smith Brothers and Fiduciary are SCC Investment Advisors, and they are subject to the oversight of the Connecticut Banking Commissioner, as well as the SCC. John is not an Investment Advisor.

Christopher Gallo: We knew that.

Anthony Minopoli: Chris that is why I am saying that in good conscience I can't have John.

Christopher Gallo: Then why did we let him do a proposal?
Paul Hiller: He came to us before the RFP went out, and we had it down that it had to be a Registered Investment Advisor. He does not meet that requirement, so we added language in the RFP which made it inclusive. Frankly I thought until I saw your response about the SCC that Smith Brothers was the same role because Smith Brothers is operating under another umbrella, such as John DiMatteo operating under Commonwealth Financial.

Mayor Lauretti: Smith Brothers has a relationship with Fiduciary.

Paul Hiller: Fiduciary does their reports.

Anthony Minopoli: If you buy Smith Brothers, you are ultimately looking at Fiduciary’s research.

Chairman Kosowsky: Chris I need to be perfectly frank: I felt like it was a real responsibility to accommodate John given everything that he had done, and I thought we owed him the courtesy of a last look. I think there is still a role for him; whether that could be worked out is an open question.

Mayor Lauretti: I want to understand this Department of Labor issue before we move forward.

Anthony Minopoli: We can call Nancy.

Mayor Lauretti: I think I will call our labor attorney.

Chairman Kosowsky: I doubt that he knows it because it is a financial thing; it is possible though.

Anthony Minopoli: Mayor, what I could do is ask our compliance guy and find out if there is something that I could have, that I could disseminate to this committee.

Mayor Lauretti: That would be a good start and that would be helpful. Anything that affects employee relations ends up with them anyway.

Chairman Kosowsky: It has some insurance implications that we also need to look at, too. It is changing the whole playing field.

Mayor Lauretti: It is getting far too complicated.

Anthony Minopoli: I know; it is getting worse.

Mayor Lauretti: Complicated becomes costly.

Anthony Minopoli: This is for another conversation but, the current administration does not want defined pension plans anymore. They want to drive them out of business; it is really driven down to defined benefit versus defined contribution.
Christopher Gallo: We do not have a defined benefit plan.

Anthony Minopoli: I have that Chris but the problem is Chris is that the rules apply to both; there is a fiduciary standard and for me to sit here and say a two-man shop outperforms a fifty-eight man shop, and a guy with no municipal experience or two municipalities outweighs ninety-five- it is incredulous. I am not making the rules but a lot of people have not made final decisions because this stuff just came out in March; no one knows where the tail of it is. If you want to jump on that bandwagon, that is great but this has nothing to do with liking or not liking John. It has zero to do with that. It is due to the fact that I have a fiduciary responsibility, and that is the way that it gets satisfied. Until Allen had said something, I have not even thought about that but there a lot of things that John did that the Mayor may find as a valuable add to assisting him, assisting the HR function here which is not entirely deep and it is not like they have legions of people here to help navigate a lot of this stuff because it is a local guy that is three minutes away. John can be here, and that may be a value to that. That value is to provide to the City level and it is not us placing that in the pension fund. I cannot do it and that is my position. Those are the facts behind that position. I will get you as much as I can, Mayor, to help you understand. Our job is to provide advice; I am guessing that at the end of the day it is your decision but our responsibility to you is to tell you what we think is the best to. Then it is your decision to decide what to do and the ramifications that come from it.

Chairman Kosowsky: If we could put this on automatic pilot so to speak, do a good job for our people and give them a chance to fund their retirement. Be diligent at this and saying, look we are going to throw this fund out because it is not doing it. If there are ten people in that fund you say, sorry you should not be there. That is a bit of a tough thing, but that is our job.

Mayor Lauretti: It is a lot of intensive, educational effort that needs to be made with the employee. The role of the Pension Board is to put the funds in place to increase the yield for the employee.

Chairman Kosowsky: Risk, balance, asset allocation, all of that stuff which directly flows right into Fiduciary duty. If the Department of Labor came in for some reason and asked why do we have 82% of the people in stable?

Anthony Minopoli: That is more defensible because that is not our choice.

Mayor Lauretti: I am not necessarily concerned about that; I am more concerned about making available the right funds for increased yield.

Christopher Gallo: We cannot understand.

Chairman Kosowsky: That is a combination of Prudential because that is their primary responsibility, their recommendations back to us and then our monitoring of that, of that level of diligence.
Anthony Minopoli: Diligence, monitoring and research.

Chairman Kosowsky: We still have the education hole to help people.

Anthony Minopoli: We are going to get education days from Prudential. The $30,000 plan with Fiduciary does not include education.

Christopher Gallo: I am trying to figure out where they say state-

Chairman Kosowsky: Exhibit A, Tab 10. Anthony Minopoli: Education was the extra piece; that the was $1,500 per day that the Mayor had mentioned.

Mayor Lauretti: Just get me any facts that you can on this Department of Labor issue. Let’s try to reconvene in a couple of weeks for a Special Meeting to talk about this.

Chairman Kosowsky: Would you think about this bifurcated approach?

Mayor Lauretti: I will; quite honestly I have not looked at it that way but I will.

Chairman Kosowsky: Maybe you, I and John could sit down and talk about it? He has the day to day to what he has done. We know it to some degree.

Paul Hiller: I think that needs to be defined because the concern that I have is the role that he plays. I understand what you are saying, but it is not defined.

Anthony Minopoli: There is institutional knowledge that John has because he was much deeper in the weeds. There was a couple of times where he had to kick us back in point because we did not necessarily have stuff straight, and Prudential.

Chairman Kosowsky: Nancy and Sharon are monitoring that; it has been a yeoman’s job. Given to what we think are the decision points, lets get you what you need. I feel like I am on top of it based on what I read up on all of the time.

Anthony Minopoli: I will dig up as much stuff as I can.

Chairman Kosowsky: Let’s reconvene in two weeks to see if we can solve it so it makes it happy for everybody, and cost effective. Mayor, we still have some Forfeiture money that is left that could fund a liaison payment to John.

Mayor Lauretti: Is it eligible?

Anthony Minopoli: Yes that is a permissible plan expense. He would not be doing anything else for the City; what we would be doing for the City is helping out with the plan.
Mayor Lauretti: It would be nice to put some of that money back into the plan. I do not know if we will?

Chairman Kosowsky: I think we will because once we get through the transitional period, we are really there.

Paul Hiller: One thing I need to check is that you need to be aware with Forfeiture money. They have started to split that money to the old and the new money, and the Board of Ed money. That is going to the Board of Ed sub plans. That is really City money.

Chairman Kosowsky: That really is, and that is your call.

Mayor Lauretti: What gives Prudential the authority to do that? That is for someone on the day to day to be able to report something like that.

Chairman Kosowsky: I think that was Nancy and Sharon who said this is how to deal with the Forfeitures because you had to start putting them into different buckets and tracking them.

Paul Hiller: If you want to keep doing that then the Board of Ed has to have some ownership of these expenses, too.

Mayor Lauretti: That is right. That is having the value of someone on the ground everyday to track that, or else it gets lost in the shuffle and it goes for years on automatic pilot and you do not know what is happening.

Christopher Gallo: I am just trying to understand, and I am trying to get my hands wrapped up in what had transpired because it is surprising.

Anthony Minopoli: Chris, I have talked to Allen about other things, not on this committee; we had not talked about nor have I thought about that idea until he had mentioned it tonight. I think to the extent that we could define the roles and responsibilities, there is a potential value add for the City and the plan in having that extra input.

Mayor Lauretti: In consideration that we get the right number for it. We are not just paying people to pay people.

Chairman Kosowsky: No we need to get value for the service. I still see us in a year or two in transition.

Christopher Gallo: What that would mean is that whatever services that Fiduciary provides, whatever the number it is will get charged to the plan?

Anthony Minopoli: Correct.
Christopher Gallo: Whatever services the City engages John; we do not have any say in that?

Anthony Minopoli: The City can use the Forfeiture because it is a plan activity. You could use that Forfeiture account to pay plan lawyers, plan advisors, anything as long as the work that is being done is for the plan that Forfeiture money can be used.

Mayor Lauretti: I want to slow down on the lawyers.

Chairman Kosowsky: Forfeitures can be used by the City to reduce their contribution each year.
Anthony Minopoli: Forfeitures really do not belong to the plan. The plan can decide to make the magnanimous gesture.

Mayor Lauretti: Two separate sources.

Anthony Minopoli: Exactly.

Mayor Lauretti: Before we adjourn, I have one closing comment about our attorneys: unlike what went on in the last one year and a half and I understand to a good extent that people pick up the phone to ask them questions. There was no monitoring of anything; that really has to stop and we have to monitor that.

Chairman Kosowsky: I had very little contact with them.

Anthony Minopoli: I have had none in about six months.

Paul Hiller: The last bill that we saw from them was in January; it was very minimal.

Chairman Kosowsky: It should be minimal to zero.

Anthony Minopoli: Let’s do the roles and responsibilities, Allen, and I will get some of the stuff on the DOL.

Chairman Kosowsky: So hopefully within the next two weeks we can resolve this matter; Fiduciary does seem like the most logical choice.

Anthony Minopoli: I think so.

**ADJOURNMENT**

Mayor Lauretti MOVED to adjourn the Regular Meeting of the Pension Board.

SECONDED by Anthony Minopoli. A voice vote was taken and the meeting adjourned.
The meeting adjourned at approximately 6:30 P.M.

Respectfully submitted,

*Brittany Gannon*

Brittany Gannon, Clerk of the Pension Board