

**May 21, 2013**

**Regular Meeting Pension Plan B**

The Board of Trustees, Pension Plan B, met on the above date.

President Klein called the meeting to order at 6:33 p.m.

Present: President Klein, Trustees J. Meszoros, M. Lee, W. Marshall, J. Buck and T. Herlihy  
Ann Kelly-Lenz, Finance Director (City of Bridgeport)  
Tom Dawidowicz, The Segal Company  
Attorney John Galiette, Reid and Riege  
Timothy Ryor, Hooker & Holcomb  
David Reiser, Morgan Stanley, Smith Barney  
Mark T. Anastasi, City Attorney (City of Bridgeport)  
John Mitola, City Attorney's Office (City of Bridgeport)  
Attorney Cynthia Christy, Robinson & Cole (City's Pension Legal Advisor)  
David Dunn, Civil Services (City of Bridgeport)

Absent: D. Garcia

Trustee Meszoros entertained a motion to dispense with reading of the minutes of the previous meeting; seconded by Trustee Herlihy and the Board passed it unanimously.

**Treasurer's Report:**

Treasurer Buck read the Treasurer's report. Ending balance as of close today is: \$56,815,010.00.

Trustee Herlihy motioned to accept the Treasurer's as submitted; Trustee Meszoros seconded and the Board passed it unanimously.

**Old Business:**

1. None

**New Business:**

- 1) Presentation by Tim Ryor of Hooker & Holcomb, Inc., Attorney John Galiette of Reid and Riege, P.C., and David Reiser of Morgan Stanley regarding the City of Bridgeport's request for the transfer of additional funds from Pension Plan B to MERS, a decision whether to transfer additional funds, and if so, the amount.

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Trustee Klein stated that this is Part II carryover from May 2013 meeting. Handouts from Tim Ryor and John Galiette given (Attorney Anastasia asked for copies).

Pension agreement and City Council's resolution from the previous night handed out by Mark Anastasia.

Jonathon Klein asked that Tim Ryor, John Galiette and David Reiser come forward to present their findings.

**Tim Ryor**

- The question is: what is the correct investment return to use (4.5%, 5%, 5.5%)?
- Range of reasonableness: 4.5-5.5% meets standards
- COLA – 3% long term assumption (no lower than 2.5 and no higher than 3.5) – goal is to get as close as possible – 50% of the dollar on increase for pension.
- Right investment return / right COLA / right funded level
- Asked if an ARC for 13-14 has been estimated
- It is considered a “closed” plan – not open to more members

**David Reiser**

- Take a conservative approach
- Pleased with the return; but still in an unusual environment
- Interest rates are at a lower rate but will go up (can loose principal)
- Look closely at duration and yield
- Use a 7 year projection period
- A lot of changes in Europe and China
- US Bonds: 1.1-1.2%; global bonds: 2%; treasury is going out 30 years at 3.15; ten year treasury at 1.05; ten year corporate bond average 2.75
- Change asset allocation accordingly
- In reference to the May 1<sup>st</sup> Segal letter; 73% stocks and 27% bonds is inaccurate and the rate has never been 7%
- Employed London Equity Income – doing very well
- 60/40 mix – aggressive
- Actual average rate is 4.38% per year
- Not a “closed” plan
- Will submit strategic estimate in writing

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**Jim Buck**

- Compare COLA % to match history of raises (50% of raise approved in contract); nowhere near 6%; 2.7% (including the first big raise)
- There are 270 active firefighters moved to State (MERS)
- Believe that saw information informally
- Last year, acted without any other option.
- Need to keep solid safety net
- 5.5% seems high

**John Galiette**

- Fiduciary duty to Plan B as well as actives
- State can bring suit to collect to MERS
- Trustees should consider a more equitable split
- City would actually have to pay more
- If Pension Plan B is 100% funded, MERS would have the right to bring suit against the City
- Three decision points: what interest rate, COLA and what %

**Mark Anastasia**

- Fire and Police Pension Plan B mirror one another
- Liability for actives disappears
- The City met its financial goal in 2000 and 2008
- Commissioners have a fiduciary responsibility to all employees
- 30 year history
- Annual cost will be significant to transfer each year
- Historically the plan has been in the 75-80% range
- It didn't bother the Trustees before when the Plan wasn't 100% funded
- If the City supplements shortfall, the burden will be put on the taxpayers

**Tom Dawidowicz**

- Actuary for the City since 1994
- Have done actuary studies annually
- Expected return on assets is approximately 5.5%
- Reasonable funded level is 80%; 100% would have surplus
- Assets are sufficient until 2032
- City has made ARC every year
- Two downsides to transfers annually: every time there is a new board, they'll need to be re-educated; and not convinced that the State would accept transfers annually and what would they charge.

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- With transfer of total funds requested: MERS would be 77% funded and Plan B 78% funded

**Jonathan Klein**

- Investment advisor states that 4.38% is more realistic
- Been on the Board for 9 years
- 7/1/12 payment still hasn't been paid
- Pension Plan B currently have 64 retirees and 15 not yet retired
- Possibly evaluate annually and excess funds can be transferred
- When did the City find out that there was suppose to be a \$45 million transfer
- The City didn't give information to Trustees when making the decision last year
- Is the State looking for "all" or "nothing"?
- \$13 million is appropriate, still prudent and would help
- Fact remains that there is no more contributions coming in
- 70 people who spent their lives protecting us
- Asked that a motion be made

**David Dunn**

- The City has never missed a payment

**Ann Kelly-Lenz**

- The amount that should have been paid last year was \$45 million
- This amount was amended at a regular meeting last year that the City was never informed about
- If Pension Plan B runs out of funds; it is the City's responsibility to pay
- Every time money transferred a new actuary study will need to be done
- The City is looking out for both groups; they need to be funded equally
- There was a vote last year without the City being notified of it
- Throwing out 30 years of history to protect 70 people

**John Mitola**

- If this was done last year, it would have been done equally and we wouldn't be here right now.

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**Mary Lee**

- It seems that there is no room for compromise. Need to protect the firemen. Would like to look at a compromise.
- We have an obligation to all firefighters, retired and active

**William Marshall**

- Both parties need to be treated fairly.
- What's in place has worked
- Asked if he could hear from a retiree; and Jonathan Klein stated that he was asked not to do that since this was done last month

Trustee Lee made a motion to transfer \$13 million; no one seconded. Trustee Herlihy motioned to transfer \$22,490,181; Trustee Meszoros seconded; Trustee Lee stated concern that it's a bad idea and will resign if this goes through. Trustee Klein has concern that we are breaching fiduciary duty. Trustee Herlihy questions why we're stepping over the line. Trustee Marshall asked if this was illegal.

Trustee Klein noted that comments being made are not appropriate.

Trustee Marshall stated that he has served on a commission before and that he is interested in everyone's opinion. Need to determine what's best for all (retired and not). Everyone should act like adults and not attack.

Trustee Klein mentioned that not permitted to do the wrong thing; Robert's Rules – conflict bylaws and pension plan agreement.

Attorney Gaiette stated need fiduciary decision and rational on how to how to split – what is basis. Pick parameters (i.e. fund at 80%; 5.5% rate, and 3% COLA).

Trustee Buck motioned for an amendment; use from Matrix 5%; 2.75% COLA and 80% funding; retain \$35.31 million and transfer \$21.49 million; Trustee Meszoros seconded; Trustee Marshall and Trustee Herlihy in favor; Trustee Lee against.

Trustee Buck motioned that excess funds of \$35.31 million be transferred to CMERS on or before June 30, 2013; Trustee Meszoros seconded; Trustee Marshall and Trustee Herlihy in favor; Trustee Lee against.

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- 2) Entertain a motion to ratify the designation of James Buck as a signatory for Pension Plan B in addition to Jonathan Klein, with both of their signatures required.

President Klein mentioned that Jim Buck and himself will be signatories (Credit Union and Morgan Stanley) and both signatures will be needed.

Trustee Herlihy motioned to approve this; Trustee Meszoros seconded and the Board passed it unanimously.

- 3) Entertain a motion to set the compensation to be paid to the new treasurer, James Buck.

Trustee Herlihy motioned to compensate Jim Buck at a 20% reduction for a stipend of \$240.00/week; Trustee Meszoros seconded and the Board passed it unanimously (Trustee Buck abstained).

Treasurer Buck requests permission to pay bill to Reid and Reige in the amount of \$2,356.55; Trustee Herlihy motioned to pay this bill; Trustee Meszoros seconded; all in favor.

Treasurer Buck mentioned since they are moving to a payroll system; checks might be early this month.

There being nothing further to come before the Board; Trustee Meszoros motioned to adjourn the meeting; Trustee Buck seconded; and the Board passed it unanimously.

Meeting adjourned at 10:45 p.m.

**Next Meeting:        Wednesday June 19, 2013**

**NOTE – a CD of the meeting is available upon request (CT K. Gardiner)  
Minutes are just a summary**