

Minutes of the Special Meeting of the Region 9 Board of Education Pension Committee

November 11, 2014

Filed subject to approval

Attendees: Vance Hancock, Walter King, Eric Lawton, Jim Sanders, Peggy Sullivan and Jeff Mondt (arrived 5:50 pm) (members of the Pension Committee), Alba Tedone (Investment Advisor with USI Consulting Group) and Lisa Larsen (Actuary with USI).

1. Mr. Hancock called the meeting to order at 5:34 p.m. in the Career Center at Joel Barlow High School.
2. **MOTION** to approve minutes of the July 28, 2014 meeting was made by Mr. King, seconded by Mr. Lawton, and approved 2-0 with Mr. Lawton and Mr. Sanders abstaining.
3. Public Comment: None.
4. Ms. Tedone reviewed highlights of the third quarter ended September 30, 2014 as detailed in USI Advisors, Inc.'s Investment Review September 30, 2014 for Easton-Redding Regional School District #9 Retirement Plan which had previously been distributed to the committee. She noted that the quarterly report will now utilize the following classifications for the fund's investments: Hold, Watch or No Action, as detailed in the front of the investment report.
5. Ms. Tedone highlighted various economic information from page 6 of the report. Overall, the market was volatile, as a result of overseas weakness, in particular Germany's growth slowing down. GDP grew at a 3.5% in the third quarter of 2014, following a > 4% revised increase in the second quarter. The overall growth for the year is expected to be in the 2.3% - 2.5% range. Both consumer sentiment and consumer confidence reflect primarily current conditions the expectation component is not as positive. The unemployment rate dropped to the current rate of 5.8%, which is close to the full employment rate of 5.4%. US companies seem to be lagging in fixed asset capital investments, no new technologies and the labor market is contracting. Investors appear to be focusing more on fundamentals rather than taking on higher risks.
6. Ms. Tedone then reviewed the status and reconciliations of plan assets at September 30, 2014 (Section II) noting the strategic allocation is in line with the strategic allocation of the plan. Ms. Tedone distributed a report showing the current value of the portfolio as of Nov. 10, 2014, with a market value of \$4.9 million.
7. Ms. Tedone note in Section III that the PIMCO Total Return A Fund has been placed on Watch by USI because of the uncertainty as a result of the departure of Bill Gross, the CIO and the SEC investigation. This follows the committee's previously voiced concerns over the fund. Two intermediate term bond funds were presented to the committee as alternative investments. Mr. Lawton also asked Ms. Tedone to consider the JP Morgan Strategic Opps Fund, Ms. Tedone will send information on this fund to the committee members.

MOTION: The Pension Committee authorizes USI to sell the fund's total investment in PIMCO Total Return A (PTTAX) Fund and replace it with the JP Morgan Core Bond A Fund, approximately \$180,000. King Sanders. Vote: All in Favor.

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8. Mr. Lawton & Mr. Sanders asked why the fund appears on page 48 to be underperforming when compared to the identified benchmarks and as compared to the June 30, 2014 analysis. Part of the reason is the annual contribution made to the fund during the 3rd quarter which still remains in cash. Ms. Tedone agreed to research further and respond to the committee.
9. Ms. Larsen presented a draft of the actuarial valuation of the retirement plan as of July 1, 2014. She noted that the report reflects the aggregate funding method and smooths the aggregate investment gains and losses over a five year period. She noted that the funding ratio, the market value of assets as a percentage of present value of accumulated investments is **107.23%**.

The committee discussed the interest rate for plan liabilities of 7.25% and how it compares to other plans and to the actual investment rate of return. Ms. Larsen agreed to send comparative rate information to the committee and some rough calculations of the impact of an interest rate change.

Ms. Larsen also discussed the GASB 67 report which was prepared for the first time for Region 9 for the year ended June 30, 2014. GASB 67 requires the use of the entry age normal funding method and requires the calculation of the net pension liability. This results in a funding percentage of 83.63%. Ms. Larsen stated that the Region 9 plan is a very well-funded plan.

10. The committee deferred the discussion of the investment policy statement until the next meeting.

The committee decided to hold an additional meeting, on November 17 to discuss the investment policy statement, and current actuarial assumptions, particularly the interest rate.

11. Public Comment: None.
12. Committee Member Comment: None.
13. Motion to adjourn at 7:40 p.m. was made by Mr. King, seconded by Mr. Mondy, and approved unanimously.

Respectfully submitted,

Peggy Sullivan
Director of Finance & Operations