

TOWN OF

# Trumbull CONNECTICUT

Date: November 20, 2012

To: Mr. Timothy Herbst, First Selectman  
Town Council

Re: **Pension Board Update**

Below is a brief update of our performance, activities and initiatives since our last update in March of 2011.

## **Pension Investments**

**Our investments continued to perform at our targeted benchmarks.** 2011 was a very tough year but 2012 is looking like a reasonable year and will be above our targeted return of 7.5%. This is our 4<sup>th</sup> full year with Fiduciary Investment Advisors and we are very satisfied with their service and performance.

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Sep. YTD</u> <u>2012</u>
Investment Performance	21.9%	14.0%	-0.9%	11.4%
Plan Assets (millions)	\$ 16.8	\$ 18.3	\$ 17.8	\$ 20.1
Net Cash Flows (thousands) (Excluding Investment Income)	\$ (571)	\$ (781)	\$ (292)	\$ 104

**Our Assets are growing again and for the first time in recent history our Net Cash Flows are POSITIVE.** Due to the towns continued commitment to increase contributions, our net cash flows have turned positive and we are starting to solve the longer term funding problem.

## **Process Improvements / Operations**

The conversion to a new trustee (Wells Fargo), which was started in 2010, is fully completed and all recommendations from the RSM McGladrey audit have been fully implemented by the town Finance Department. The collections of overpayments, discovered in the audit, are still in process and as of this letter we have collected XX% of the accounts and have several payment plans in place to complete this in the coming months.

The town has completed the RFQ process for a new actuarial firm, which was planned since the last review in 2010. The new firm is BPS&N, a division of Wells Fargo. This choice will result in lower fees, improved synergies with our Trustee (Wells Fargo) and give the Board a fresh look at the current funding status. The bi-annual review has started and we should have the results by mid year in 2013.

The town completed a review of all terminated employees in the plan, but who have not vested and are in the process of returning their contributions, with the required 5% per annum interest. A new process

has been implemented to complete this process promptly after termination. This will save the town the 5% interest payment and reduce the administrative burden of having non-vested, terminated employees in the plan.

### **Long Term Improvement Plan**

The Board fully supported the initiative to move to a 401a plan and believe this is an excellent long term solution. We remain committed to encourage and help the town convert as many employees as possible during future union negotiations.

We also recommend that the Town consider the following changes in the current plan, as negotiations continue:

- The interest rate used for the non-vesting period of employee contributions is 5%. We feel this is too high, in this recent environment and should be changed to a benchmark that will change with the times. Such a benchmark could be the 10 year Treasury rate (1.6%) or similar benchmark.
- Limit eligibility to only full-time workers (1,200 to 1,400 annual hours), especially on the Board of Education side.
- Increase participant contributions, currently at 3% to 5%, which is very low compared to similar plans around the state.
- Continue to annually fund the pension plan at a rate that keeps the Net Cash Flows positive. After several years and several administrations of increasing the funding, we are finally on the positive side and starting to solve the problem. Let's continue this progress!

Your Board has a talented, diverse and engaged team that is very satisfied with the progress we have been able to make, with you and our town staff, in putting in place a long term solution to our unfunded liability. We believe that we are heading in the right direction and look forward to supporting you on our continued progress.

Respectfully the Pension Board,

Michael Charland

John Ponzio

Maria Pires

Donna Pellitteri

James Lavin

Michael Knight

William Schietinger