Old Saybrook Pension and Benefits Board Meeting
Thursday, November 30, 2023
8:30 a.m.
First-floor Conference Room, Town Hall – Hybrid Meeting
To access the audio from this meeting, please use the following link:
https://youtu.be/4Pmx3QuwCEo

Meeting Minutes

Attendees

Members Present:	**Others Present:**
Darrell Pataska	Lee Ann Palladino, Finance Director & Pension Plan Administrator
Carl Fortuna, First Selectman	Janet Vinciguerra, Pension Board Liaison
Susan Quish	Kevin Nichols, Morgan Stanley Investment Advisor
Rowena Moffett	Rebecca Lilly, Morgan Stanley Investment Advisor
Paul Tracey	Andrea Brundrett, Administrator
Loraine Cortese-Costa	JT Dunn, Fire Department
David Sparrow	

Absent:

Barbara Labriola, Town Treasur**er**

Welcome and Public Comment

The meeting was called to order at 8:30 a.m. by Mr. Pataska. No members of the public were present.

Plan Administrator's Report

Ms. Palladino discussed increasing the officer stipends for the Fire Department pension plan by 50%. The current monthly payment for the officer incentives is $544, or $6,248.00 per year. With the proposed increase, the payments would be $816 per month or $9,792.00 per year. Mr. Tracey made a motion to approve this proposal, Mr. Pataska seconded the motion. The motion to approve the officer incentive adjustment for the Old Saybrook Fire Department Pension Plan, effective July 1st, 2024, passed unanimously.

Approval of the Minutes

The minutes of the October 26th, 2023, meeting of the board was reviewed. A motion was made by Mr. Pataska and seconded by Ms. Cortese-Costa to approve the minutes. The motion passed unanimously.

Pension Liaison Report

Ms. Vinciguerra reported the town has 97 retirees with a gross monthly payroll of $155,615.23. This includes Larry Bonin, Director of Public Works and Jeffrey Deperry, Police Captain, both retiring with 25 years of service. The Fire Department has 37 retirees for a gross monthly payroll of $14,241.06. Timothy Sheehan was added for early retirement with 15 years of service. Upcoming retirements include Larry Smith, former Police Officer who will be retiring January 2024, James Therrian of the Transfer Station will retire December 1st, James Vanoli with the WPCA will retire on December 1st, and Clark Maxson of the Old Saybrook Fire Department will retire December 1st with 27 years of service.

As of November 24th payroll, the defined benefit plan has 46 contributing town employees, 22 contributing BOE employees. The defined contribution plan has 43 town employees and 19 BOE employees. 89% of DC participants elected the optional town match.

Investment Advisor Report – Morgan Stanley

Mr. Nichols started by reviewing the Wealth Management Perspectives, saying the NASDAQ and "Magnificent 7" stocks have done very well this month compared to last month. Mr. Pataska commented that he was pleased to see in the Global Investment Committee recommendations, "We reduced our overweight to Emerging Markets, believing the US dollar strength and slow China recovery are headwinds". Mr. Nichols said since this report was generated the US dollar has come back down unfortunately and over a longer period of time the allocation in Emerging Markets will be sound. Mr. Nichols went on to show that the "Magnificent 7" is up 62% for the year, explaining that the market cap for these 7 stocks is larger than all of the Russell 2000 Index; this creates problems for the overall yield market and shows that indexes in the US have more risk at this time.

Mr. Nichols then discussed earnings in regards to GDP, which were higher than expected; US Headline Inflation, which were lower than expected; US Core Inflation, which were slightly higher than expected; S&P 500, which were higher than expected; and S&P 500 Multiples, which were also higher than expected. Overall, earnings for 2023 were not as bad as the consensus expected. With the debt maturity wall coming at the end of 2024-2025, S&P 500 companies will be refinancing at higher rates which will have an impact on their interest expense and earnings.

When referring to stocks vs. bonds, Mr. Nichols explained they are moving in tandem which means the stock market is going up and yields are going down; so, bond prices are going up. Bond volatility continues to be much higher than stock volatility. He then referenced the Equity Risk Premium which showed a 450-basis point premium in stocks outside the tech index, which means there's still a lot of opportunity in US stocks. Although they have moved quite a bit of funds into bonds to reduce the volatility of the portfolio, it still holds over 60% in stocks. Mr. Tracey asked, since there is only 20% allocation in Large Cap Stocks, which has a target allocation of 31%, at what point do we start moving funds from bonds back into stocks. Mr. Nichols explained valuations in Large Cap Stocks don't make a lot of sense at this time. When looking at the dispersion between United States to International, it's at a two-sigma value right now. He continues that there are global companies outside the US that can make great profits that investors in the US have overlooked. Mr. Nichols said he would feel more comfortable transferring funds into Large Cap Stocks once the S&P 500 is closer to 4,000 and suggested possibly allocating cash for when that happens. He then referenced the Investment Summary, showing that over the last 3 years the portfolio had a total income of $1,904,520, while net contributions/withdrawals totaled $1,717,868. With all of the pension payments being covered solely by income, that allowed the portfolio to handle the volatility without having to sell stocks at market bottom, which will help the portfolio in the long run.

When reviewing the asset allocation, Mr. Nichols went over the change since last month which included larger inflows to the intermediate maturity bonds. They reduced International Equity and US Small Cap so that they are under the thresholds for maximums. Short-term bonds are still overweight since they are paying more, but they are moving more to duration. As a result, the average yield to maturity on bonds has increased from 5.65 as of 1 year ago to 6.29 as of October 2023. Mr. Nichols added that they are happy with the managers at this time and suggest no changes.

Plan Administrator's Report

Ms. Palladino reported that the actuaries are working on the annual valuation and they will be coming in February or March to review, depending on their schedule.

Old Business

No old business

New Business

Mr. Pataska reminded everyone that the dates for the 2024 meetings were included in the package.

Mr. Pataska made a **motion** to adjourn seconded by Ms. Moffett. All were in favor and the meeting adjourned at 9:05 a.m.

Respectfully submitted,

Andrea Brundrett, Recording Secretary

The next meeting will be Thursday, January 25, 2024, at 8:30 a.m. by hybrid meeting format in the Town Hall, first-floor conference room.