



MINUTES

TOWN OF VERNON **PENSION BOARD**

Town of Vernon, Connecticut Pension Board Special Meeting Minutes – DRAFT I
July 27, 2011

The special meeting was called to order by Gary P. Ruchin at 7:11 p.m.

In attendance

Gary P. Ruchin, Chairman
Patricia Q. Neal, Board Member

Town Liaison – Peter Graczykowski, Assistant Town Administrator
James Luddecke, Finance Officer and Treasurer
Marion D. Griffin, Prudential Retirement Services
Sally Margagnoni, Prudential Retirement Services
David V. Pappalardo, Prudential Retirement Services

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Absent

John J. Lillis, Board Member
BOE Liaison – Stanley Karasinski – BOE Director of Business and Finance

Public Comment

There were no members of the public in attendance.

Approval of Minutes

Draft Minutes from the regular meeting of March 2, 2011 were reviewed, but could not be approved at this time due to absence of Mr. Lillis. A motion to approve these Minutes has been tabled until the next regular meeting at which both Mr. Lillis and Ms. Neal will be in attendance.

New Business

- Prudential Retirement had asked the Town to provide Administrative Directive for handling Missed / Delayed Payments and Alternate Payee Benefits. As of April 29, 2011, default elections were implemented for the Town of Vernon and Police Pension Plans. Under the default election for Missed / Delayed Payments, Prudential Retirement pays interest from Plan Assets based upon the rate defined in the Plan Document to determine lump sum payments. Under the default election for determining the amount of benefits to be assigned an Alternate Payee, Prudential Retirement uses the Plan's actuarial equivalent definition to determine a lump sum.



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The Board discussed the merits of the default elections for this Administrative Directive. Ms. Neal made a motion, Mr. Ruchin seconded, and the Board voted unanimously to elect another method of paying interest from the Plan Assets when handling Missed / Delayed Payments and determining the amount of benefits to be assigned an Alternate Payee, by using the effective Internal Revenue Service rate, codified in IRC 417(e), effective every twelve (12) months, and reset at each anniversary, such Directive to be implemented by Prudential Retirement prospectively starting on September 1, 2011.

- The Board discussed the clarifying Amendment to the Police Pension Plan, related to the benefit calculation. The Amendment, for Plan compliance purposes, clarifies that an eligible Participant's monthly normal retirement benefit includes the multiplier of whole years and full months of Credited Service, not in excess of twenty (20) years, plus whole years and full months of Credited Service in excess of twenty (20) years, subject to a maximum addition of twenty percent (20%) of average annual earnings. The Amendment had been reviewed with the Vernon Police Association Counsel, executed by the Town on May 19, 2011, and transmitted to Prudential Retirement for incorporation into the Police Pension Plan, January 1, 2008 Restatement, as Amendment One.
- The Board discussed the investment strategy modification regarding International Value / LSV Fund within Prudential Retirement's Manager-of-Managers program. Effective July 27, 2011, the International Value / LSV Fund will follow a portfolio construction process that is based on the MSCI All Country World Index ex-US, allowing the Fund to invest in emerging markets; whereas previously the Fund's country allocations were mapped against the MSCI EAFE Value Index, limiting investments to companies domiciled within developed economies. No additional action was required by the Board.
- Ms. Griffin presented the Asset Allocation Review for the Town and Police Pension Plans with performance results as of June 30, 2011.
- Mr. Pappalardo reviewed with the Board the results of the 2011 Actuarial Valuation for the Town and Police Pension Plans. Recommended assumption changes include reflection of mortality improvements and increase in liabilities.
- Mr. Pappalardo reviewed with the Board the Governmental Accounting Standards Board exposure. The discussion involved measuring Total Pension Liability and immediate recognition of amounts previously deferred, as well as greater disclosure in notes to financial statements and required supplementary information.



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Old Business

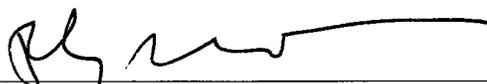
- The Board received requested research from Prudential Retirement regarding Plan Participants who made a transition from one Plan Division to another during the Credited Service years. The Board discussed the Pension Plan Amendment related to the determination of benefit for Participants who have transferred between Plan Divisions. Ms. Neal made a motion, Mr. Ruchin seconded, and the Board voted unanimously to allocate benefit accrual to each Plan Division in which the Participant served over the entire length of Credited Service period, such allocation to be implemented by Prudential Retirement prospectively starting on September 1, 2011 for Plan Participants who transfer from one Plan Division to another after such effective date.
- The Board reviewed the July 1, 2010 valuation of the Town of Vernon Other Post-Employment Benefits Program.
- Mr. Luddecke discussed with the Board the proposed creation of the Other Post-Employment Benefits ("OPEB") Trust, pursuant to Connecticut General Statutes § 7-450(b). An ordinance to create such Trust was introduced by the Town on June 21, 2011. The Trust would be used to fund certain retiree benefits constituting OPEB's, and the Town would secure a discount rate by managing the liability for these benefits. Under the ordinance, the Town of Vernon Pension Board would constitute the OPEB Trust. Any further discussion was tabled until the next regular meeting so that the Board members can verify their eligibility to serve as the OPEB Trust members.
- The Board followed up on its request for a quotation for potential provision of full package of employee communication and benefit processing services. Prudential Retirement had previously provided such quotation; however, Ms. Margagnoni would like to verify the figure before any further consideration.

Next Meeting

The next regular meeting is scheduled at 7:00 p.m. on September 21, 2011 at the Town Hall, 14 Park Place, 3rd Floor, Vernon, Connecticut, unless announced and posted differently.

Motion to adjourn was made by Ms. Neal at 9:45 p.m., seconded by Mr. Ruchin, and passed unanimously.

Prepared by


Peter Graczykowski, Assistant Town Administrator