

**GLASTONBURY BOARD OF FINANCE  
REGULAR MEETING MINUTES  
WEDNESDAY, MARCH 20, 2019**

The Glastonbury Board of Finance with Finance Director, Julie Twilley, and Town Manager, Richard J. Johnson, in attendance, held a regular meeting at 4:00 p.m. in the Meeting Room A, 2155 Main Street, Glastonbury, Connecticut. Also present were Controller Nina Cousins and Chris Kachmar, CFA.

**Roll Call**

*Members*

Mr. Constantine “Gus” Constantine, Chairman  
Mr. James McIntosh  
Mr. Walter Cusson  
Mr. James Zeller  
Mr. Jared Soper, Vice Chairman {Excused}  
Ms. Jennifer Sanford {Excused}

**1. Public Comment Session**

No one from the public was present, but Mr. Cusson noted that two previous BOE Chairmen passed away recently, Mr. Richmond Perley and Mr. William McGaw.

**2. Communication: Minutes - February 21, 2019**

Mr. McIntosh noted the following amendments to be made: on page 1, the first line under section B. “Ms. Lintereur said no, **but a payment is made in lieu of taxes.**” On page 1, on the second line under section C, the word “Tension’s” shall be changed to “**Teachers**”. On page 2, the third sentence of the final paragraph shall be changed to: “**Ms. Sanford raised the concern that the Town’s population has remained relatively level in 10 years, but a rising mill rate and aging population is not a fair ask of our taxpayers today.**”

*Accepted as amended*

**3. Communication: Memo re: FIA Material / Discussion with Chris Kachmar from FIA**

Mr. Kachmar reviewed the Glastonbury Retirement Income Plan, which is based off of data aggregated by Boston College. He noted that, on a national basis, Glastonbury’s pension plan ranks in the middle third. Mr. Constantine asked where Connecticut falls on the graph on page 6. Mr. Kachmar said that it varies by town, but the state average is probably around 72%. Mr. Kachmar commented that the Town really shines on the indicator detailing required contribution. McIntosh argued that, though the Town has been contributing 100%, they are only in the middle third. Mr. Kachmar stated that the data comparisons shown are not perfect but acknowledged that it is a question to keep in mind.

Mr. Zeller asked about the numbers on page 14, Total Fund Attribution. Mr. Kachmar clarified that the data on page 14 is reflective of the calendar year 2018, whereas the numbers on page 6 only go back to 2017. Mr. Zeller stated that the return assumptions are 4/10 of a point too high. Mr. Kachmar said that

is an active debate that can be discussed when there is more data. He did note, however, that within that 2001 to 2017 timeframe, there were two historic down graphs. Mr. Zeller noted that on page 6, assets grew but liabilities grew so much that it does not offset. He inquired if that is the Town's situation, too. Mr. Kachmar said generally, that is the case with Glastonbury, as well.

In regard to international equities, Mr. Zeller asked if the Town would have had the same return just buying treasury bonds instead. Mr. Kachmar acknowledged that this has been a recurring question, noting that 10 years ago, international equities dominated, but now, large-cap US equities have replaced them on the performance market. Mr. Zeller asked for a longer history of the international equities next time.

Mr. McIntosh asked about the value of a volatility analysis and if that should concern the Town. Mr. Kachmar responded that the Town should be aware of it because over long periods of time, equities out-earn everything else, but diversification over time is a powerful tool to mitigate risk. Mr. McIntosh stated that with an infinite horizon, smoothing out should not be a concern, as the actuaries do smooth the contribution calculation. Mr. Kachmar replied that they cannot predict what the best-performing asset class is going to be at any given time in the future, but he stressed that the current profile of the Town is best-suited for its needs. Mr. McIntosh stated that there could be a different path with a better result, but this is the path that is most comfortable for everybody.

#### **4. Communication: Pension Report – January 2019**

Ms. Twilley reviewed the report dated February 25, 2019. Mr. McIntosh stated that this ties into Mr. Zeller's remarks that assets have grown but liabilities more so. Mr. Zeller asked the Town Manager if that will likely stay that way, until the hybrid plan kicks in down the road. Mr. Johnson explained that in 2013, the Town changed every single plan and today, continues to work towards increasing employee contributions to the pension plan. Mr. McIntosh noted that in a recent study, 26 million employees in the country are in defined benefit plans, such as Glastonbury's, and the number continues to fall. Mr. Zeller asked the Town Manager if there would there be any benefit to pursue "Drop Plans." Mr. Johnson said no.

Mr. Constantine inquired whether the State has changed anything in the teacher retirement system. Mr. Johnson said that he has not heard anything definitive on it. Mr. Zeller suggested treating it like social security, with a fixed number and where liability is not an issue. Mr. Johnson replied that if one were to have a flat rate, it could take into account differences of negotiated salaries. He also noted a difficulty of the current range system, where one might be in the middle of the pack but having many tenured teachers could push up the median contribution. Mr. Constantine asked when the Council will vote on the budget. Mr. Johnson replied that the intent is to vote on it tomorrow night.

#### **5. Communication: Month End Investments – January 2019**

Ms. Cousins reviewed the document dated February 15, 2019. Mr. McIntosh remarked that the Fed has said it will not raise the rates any further for the moment. Mr. McIntosh then asked if the Town anticipates a further rate increase in the budget. Ms. Twilley replied that the Town budget has a 2.25% assumption, which is good.

## **6. Communication: Financial Summary for 8 months - February 2019**

Ms. Twilley reviewed the document dated March 12, 2019. Mr. Zeller asked if the 7.0% long-term return on investment in August 2017, as listed in the Expenditure Summary, is actually higher than where the Town was at that time. Ms. Twilley said she will look into it. Mr. Zeller also inquired about the bond refunding noted in the last sentence of the Expenditure Summary. Ms. Twilley stated that the Town refinanced them and got a better rate.

## **7. Communication: Education Reconciliation – January 2019**

Ms. Cousins reviewed the document dated March 4, 2019.

## **8. Communication: Capital Projects – February 2019**

Ms. Twilley reviewed the report dated March 12, 2019. Mr. McIntosh asked if the Metropolitan District involves state funding and if so, why. Mr. Johnson explained that it is a partnership between the state and the town, and the money goes to Metropolitan District, which is a separate, non-state entity.

## **9. Communication: Self Insurance Reserve Fund – February 2019**

Ms. Twilley reviewed the report dated March 13, 2019. Mr. McIntosh asked who CT Prime is. Mr. Johnson stated that it is a group of about a dozen towns that join together to self-insure the gap between individual stop-loss and reinsurance. The Town Manager did point out, however, that thus far, the Town's increase in stop-loss coverage will be less than it would have been with private insurance.

Mr. Zeller remarked that the BOE has realized savings that they expend every year, some of which go to operating expenses, which is concerning. Mr. Zeller asked the Town Manager whether putting a piece of that money to health care, instead of returning it to the general fund, would make more sense. Mr. Johnson explained that at the end of the year, the Town could roll over a certain amount to the SIRF, but the issue is that it would not build that into the base of the budget. Mr. Zeller stated that if some money went in, it could avoid lowering the assumption of the pension. The Town Manager said that he could circle back with some options.

Mr. Constantine asked if it makes sense to separate the SIRF between the Town and the BOE. Mr. Johnson stated that there are arguments on both sides for how to go about this issue. Mr. Zeller suggested scheduling an informal discussion in the coming months. Mr. Johnson said that he will talk to the Council about it.

## **10. Communication: Transfers Approved by Town Manager Since Last Meeting**

- a. Fire Department Laptop
- b. Police Contractual Services
- c. Water Pollution Control Failing Network Switch

**11. Action: Transfers over \$5,000**

- a. Cyber Security Audit

*Motion by:* Mr. Cusson

*Seconded by:* Mr. McIntosh

BE IT RESOLVED, that the Glastonbury Board of Finance moves to approve a \$25,000 transfer from contingency to a comprehensive independent audit of all Town IT systems, processes and protocols.

*Result:* Motion passes unanimously (4-0-0).

**12. Communication: Bank Collateralization Reports**

Ms. Twilley reviewed the Bank Collateralization Report as of December 31, 2018.

**13. Board of Finance Committee Reports – Public Building Commission / Audit Committee**

Chairman Constantine stated that the Public Building Commission has not yet met, so there is nothing to report. Ms. Twilley stated that the Audit Committee met but most of the Board was in attendance and there was nothing to report.

**14. Adjournment**

*Motion by:* Mr. Cusson

*Seconded by:* Mr. Zeller

BE IT RESOLVED, that the Glastonbury Board of Finance moves to adjourn their meeting of March 20, 2019, at 5:54 p.m.

*Result:* Motion passes unanimously (4-0-0).

**Respectfully submitted,**

**Lilly Torosyan**

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**Recording Clerk**

*For anyone seeking more information about this meeting, a video on demand is available at [www.glastonbury-ct.gov/video](http://www.glastonbury-ct.gov/video); click on Public Broadcast Video On Demand, and an audio recording is available in the Finance and Administrative Services Office.*