

**GLASTONBURY BOARD OF FINANCE
REGULAR MEETING MINUTES
WEDNESDAY, OCTOBER 18, 2023**

The Glastonbury Board of Finance, along with Finance Director, Keri Rowley, and Town Manager, Jonathan Luiz, held a regular meeting at 4:00 p.m. in the Council Chambers of Town Hall at 2155 Main Street with an option for Zoom video conferencing. The video was broadcast in real time and via a live video stream.

Roll Call

Members

Mr. Constantine “Gus” Constantine, Chairman
Mr. Jared Soper, Vice Chairman
Mr. Kevin Graff
Ms. Susan Karp
Mr. Robert Lynn
Mr. James Zeller

1. Public Comment Session: Comments pertaining to the call

A written comment from Ms. Sarah Dzialo in South Glastonbury was read out. Ms. Dzialo asked the Board to advance efforts to cut the budget as much as possible to lower the property tax burden on Glastonbury citizens.

2. Communication:

- a. Minutes of September 13, 2023 Special Meeting-** Accepted as presented.
- b. Minutes of September 20, 2023 Regular Meeting-** Accepted as presented.

3. Communication:

a. Flash Report - September 2023 (Chris Kachmar, Fiducient Advisors)

Mr. Kachmar directed the Board to page 2 of the report. He stated that, from start to finish, it was a positive year for equities. Mr. Kachmar noted that the pension trust held up pretty well. He directed the Board to turn to the pension dashboard section of the report. Mr. Kachmar noted that the calendar year to date portfolio is up about 5 percent ahead of the benchmark. Mr. Kachmar noted that the allocations are in good working order. He stated that there are no action items for the Board. Mr. Kachmar directed the Board to the portfolio dashboard new hires plan section. He explained that they have started to implement a plan to change 60 percent fixed income and 40 percent equity to 65 percent equity and 35 percent fixed income. Mr. Kachmar stated that the next change is scheduled for November 1 and added that it is up by 8.3 percent. He offered to answer any questions on the schematic break down of the report. There were no questions.

b. Pension Report - August 2023 – (none)

3. Presentation, Discussion and Possible Action on Pension Plan Experience Study with Milliman– Scott Lindberg and Becky Sielman

Ms. Becky Sielman, FSA, introduced herself and Mr. Lindberg for the record. The slide presentation on Experience Study was put up on the screen. Ms. Sielman noted that it is her recommendation that this study is done every five years. She explained that the liability will be assessed and adjustments can be made. The first slide detailed the objectives- bring actuarial assumptions in line with recent experience that reflect emerging long-term trends. The Experience study will focus on the economic assumptions: inflation, interest rate, pay increases, administrative expenses. The study also details demographic assumptions: mortality, turnover, retirement, disability, sick/vacation day exchange, OPEB election rates. The study also looks into funding method: cost method, amortization method, asset smoothing method. Ms. Sielman put up a slide on the sources of data: Census data from 2018-2022 valuations, Social Security Administration annual trustees report and Milliman's Capital Market assumptions.

Ms. Sielman went over a slide on Economic Assumption and inflation. A graph detailing historical CPI-U through 2022 was put up on the screen. Current assumption: 2.75 percent- Social Security Administration studies long-term inflation trends and projection on an annual basis. In the 2023 Trustees report, the projected annual inflation for 2024 and thereafter under the immediate cost assumptions was 2.40 percent. Ms. Sielman stated that they propose an assumption of 2.50 percent. The next slide was on Economic Assumptions- Interest rate- Non-Hybrid plan- current assumption 6.25 percent. Ms. Sielman noted that they propose no change. She directed the Board to review the side by side long term analysis shown. Using Milliman's June 30, 2021 capital market assumptions and the current 2.75 percent inflation rate, the expected long-term return for the target asset allocation (without margin for manager alpha) is 6.30 percent. The expected long-term return using Milliman's June 30, 2022 capital market assumption is 6.84 percent. With the proposed 2.50 percent inflation rate, the results would be 6.05 percent and 6.59 percent, respectively.

Ms. Sielman continued to go through the presentation that was included in the submitted packet. The next slide was the Economic Assumptions Pay Increases. She explained that they looked into whether age is the best predictor or length of service. Ms. Sielman explained that there is a clear difference with the Police and other departments. She noted that the Town and BOE are lumped together and the criteria is service based rather than aged based. A slide on the current assumption was read out: graded by age from 6.50 percent to 3.00 percent for Police and 6.25 percent to 3.00 percent for all others. The proposed assumption: graded by service from 15 percent to 2.75 percent for police and 5.50 percent to 2.75 percent for all others. An additional inflationary increase is assumed in the first year. Mr. Zeller noted that the BOE is disproportionately on the legacy plan. Ms. Sielman explained that how much someone is paid does not depend on which pension plan they are on. Mr. Zeller wanted to confirm that it is not a factor. Ms. Sielman replied yes and added that they are presenting the conclusion of their number crunching. She added that they can explain the process in more detail if the Board prefers. The next slide was on the Economic Assumption Administrative expenses with no

change proposed. Ms. Sielman continued to go through the slides. There was no change in the mortality section. Ms. Sielman explained that turnover is very town specific. The current assumption: decreasing rates based on age. None for police. Proposed assumption: change to group specific, service based rates with gender-specific rates for other Town and BOE employees. Ms. Sielman directed the Board to several pages of graphs and went over the analysis process.

The next slide Demographic Assumptions retirement. Current assumption: Town and BOE employees: rates based on age with low rates prior to age 65, 50 percent at age 65, and 30 percent after that. 100 percent are assumed to retire by age 70. Police: rates based on service with 100 percent assumed to retire by 30 years of service or age 60. Police hired after January 1, 2013 have different rates based on their eligibility provisions. Proposed assumption: increase rates at younger ages for CILU, AFSCME and Police. For all others, decrease rates from age 65 to 70 and extend rates beyond age 70. Ms. Sielman directed the Board to several pages of graphs and went over the analysis process. The Next slides provided an overview on the Demographic Assumptions for Disability and Sick/Vacation Day Exchange. Ms. Sielman explained that they overestimated the current OPEB Election Rates. New assumption: 10 percent of Teachers and Administrators, 5 percent of other BOE employees, 45 percent of police, and 50 percent of all other Town employees are assumed to elect coverage in retirement. Ms. Sielman stated that there are no changes in funding method. She moved on to the Current Amortization Method-level percent over a closed period of 14 years starting July 1, 2019 with an amortization growth rate of 3.50 percent. She explained that the Town can switch over to a layered amortization basis once 10 years is met. Ms. Sielman stated that she will go over this at the next presentation. Ms. Sielman noted that the proposed method is to lower amortization rate to 0.00 percent. There are no changes proposed in Asset Smoothing Method section. Ms. Sielman moved on to Impact of proposed changes on valuation results. Mr. Soaper asked about the current mortality assumptions. Ms. Sielman directed the Board to family of tables PUB 2010, went over data and fields. She also directed the Board to MP2021 Ultimate Scale, which is the most recent.

Ms. Sielman directed the Board to the total pension numbers section of the report. She went over the columns and the data analysis that was included in packet. Mr. Lynn remarked that, based on actuarial information, the Town is in a hole. Ms. Sielman noted that they have been asking the Town to agree to an Experience Study. Mr. Lynn noted that the Town is only 74 percent funded and in a hole due to the advice given by the actuaries. He remarked that it is just his observation. Ms. Sielman explained that additional assets going in reduces unfunded accrued liability. She noted that the impact on the contribution depends on whether the amortizing rate selected is 3.5 percent or 0.00 percent. Ms. Sielman noted that Mr. Lindberg provided Ms. Rowley with the analysis of both scenarios. Mr. Lynn wanted to confirm that the proposed amortization plans would get the Town out of the hole. Ms. Sielman stated that, if the future unfolds according to the assumptions, the Town will be fully funded at the end of 11 years. Mr. Soper noted that he thought an Experience Study was done 10 to 15 years ago. Ms. Sielman explained that they were the Town's actuary since 2007 and added that they have tried to convince the Town to do an Experience Study. Chairman Constantine asked Ms. Rowley to briefly detail the different options for the amortization rate. Ms. Rowley noted that an amortization rate of 3.5 percent with a million-dollar contribution would be \$120,000. An amortization rate of 0.00 percent would be \$137,000. There was discussion on proceeding with

the entire plan as presented. Mr. Soper made a motion to accept the adopted plan. Mr. Zeller stated that he would second the motion for the sake of discussion.

Motion by: Mr. Soper

Seconded by: Mr. Zeller

BE IT RESOLVED that the Glastonbury Board of Finance adopts the Pension Plan Experience Study with Milliman-Scott Lindberg and Becky Sielman.

Discussion:

Ms. Karp stated that she trusts the analysis and noted that she is trying to understand the Asset Smoothing method vs 3.5 percent. She remarked that she would welcome a discussion on that. Ms. Sielman explained that paying off unfunded accrued liability is just like paying off a mortgage. She noted that mortgage level payments are typically the same amount every year. Ms. Sielman stated that a pension plan is different with one option to have payments go up 3.5 percent each year. She explained that a conservative approach is to pay a higher amount earlier which is easier on the budget. Ms. Sielman provided scenarios of communities with a declining tax base which would benefit with level payments versus a Sun Belt community that doubles in size every 5 years and would benefit from increased payments. Ms. Sielman noted that Glastonbury is none of these and suggested meeting in the middle if the Board is not comfortable with 3.5 percent or 0.00 percent. The Board discussed the amortization rate options. Ms. Sielman offered the Board to adopt the majority of the plan and leave the last column for a later date. Mr. Lynn reiterated his points that, with the advice of their actuaries, the Town is in the hole and only 74 percent funded. Mr. Luiz wanted to note that the Town did not steer the actuaries in any direction and added that they came up with the assumptions on their own. Mr. Soper asked if any other towns do 5-year Experience Studies. Ms. Sielman remarked that the studies cost money and added that they have had a hard time talking clients into it. She noted that the Town of Bristol does an Experience Study every 5 years like clockwork. She remarked that the experience studies are not as common as they would like them to be. The Board continued to discuss the proposal. Chairman Constantine asked for the Board to vote for the motion as presented. The Board voted unanimously to adopt the plan as presented.

Result: Motion passed unanimously (6-0-0).

5. Communication: Month End Investments – August 2023

Ms. Rowley briefed the Board on the Month End Investments. She noted that the end of August investment balance is \$145.7 million, the General Fund portion is \$110 million. Ms. Rowley summed up that for 2 months of the fiscal year the Town had realized investment earnings of \$266,000. Ms. Rowley briefed the Board on Town activity from August to the present resulting in issuing a CB for 7 million at 5.62 percent. She noted that the STIF rate is currently at 5.41 percent. Mr. Zeller noted that the rates are good and added that it looks like the Town is on shorter terms. He asked Ms. Rowley if it makes sense to go with a longer-term plan. Ms. Rowley noted that Mr. Luiz instructed them to look into longer terms because the interest rates are good. She explained that they have an investment policy and do have laddered CDs that go out every 3-5 years and will look into longer term options. Mr. Lynn asked about Liberty and

TD Bank, the rate showing 2.99 percent and asked if it was a checking account. He suggested the Town look into higher earning interest accounts. Ms. Rowley noted that, per policy, the Town cannot have everything in one type of account. She noted that it is a good idea and they will look into reducing the amounts and transferring funds to higher interest accounts.

6. Communication: Financial Summary (Expenditures) for 3 months - September 2023

Ms. Rowley provided a summary of the Expenditures. She noted that the month of September is looking pretty good, the Town collecting \$97 million in revenue in the first quarter. Ms. Rowley noted that it is a \$3.3 million increase from last year. She explained that this increase is due to intergovernmental revenues that were \$603K higher due to ST/CT Motor Vehicle Grant increase from \$1.79 million to \$2.40 million. Tax revenues collected were approximately \$1.99 million higher than the prior year. Ms. Rowley explained that this increase was largely driven by the Current Levy. She noted that licenses and permits were \$0.2 million lower due to lower Building Inspection fees for FY23. She noted that other revenues were \$722K higher than the prior year, driven by a large settlement that was payment of prior year expenditures (FY 2022 and prior) and an increase on investment income. Ms. Rowley noted that the Town is trending on point.

7. Communication: Capital Projects – September 2023

Ms. Rowley briefed the Board on the Capital Projects. She noted that, through September, \$120.3 million was appropriated. Ms. Rowley reported that \$4.87 million was expended in the current fiscal year. She explained that the increase of \$688,000 is due to some large payments, which include the underground fuel storage tank, road overlay, Gateway Corp Park, bike pedestrian project, fire code renovations, and code compliant upgrades. Ms. Rowley reported \$7.3 million in encumbrances, driven mostly by Naubuc School, the Gideon Welles boiler, and Fire Department fire rescue project.

8. Communication: Self Insurance Reserve Fund – September 2023

Ms. Rowley summed up that the Self Insurance Reserve Fund for the end of September is \$12.3 million. In August, it was \$11.93 million- \$7.02 million of that is for the BOE, \$5.28 million for the Town. Ms. Rowley explained that there is a loss of \$2.69 million due to the BOE not getting July and August contributions from staff. She explained that this loss will level out further into the year. Ms. Rowley noted that there are no large lost claims.

9. Discussion and Possible Action on Unassigned Fund Balance

There was discussion on whether or not the Board should take action. Mr. Soper put a motion on the floor to move from the Unassigned Fund Balance \$750,000 to the Capital Reserve fund. \$910,000 to pay off the 2012 bond that matures in May of 2025, and \$2.140 million to the Pension for a total of \$3.8 million. Mr. Zeller seconded the motion. Ms. Karp brought up procedural considerations and suggested making a recommendation instead of a transfer. Mr. Soper noted that he is not making a recommendation and the motion is to approve. He explained that the Town Council will vote to approve this. Mr. Soper noted that he feels that they have

discussed this a number of times, it is a reasonable approach, he knows about the short-term interest rates and how they change and added that Ms. Rowley provided an excellent analysis report. Ms. Karp remarked that the Town is in an incredibly fortunate position to have these funds and suggested an incremental approach, passing a recommendation along to the Town Council. She explained that in the past there have been disagreements with larger numbers to start with and suggested a compromise. Mr. Soper noted that, when he suggested a smaller amount, there was no agreement and the item was tabled. He asked the Board members to provide alternative numbers. Ms. Karp explained that the Town cannot lose with added money in Capital and suggested to move from Unassigned Fund Balance \$600,000 to Capital Reserve Fund, \$900,000 to pay off 2012 bond that matures in May of 2025, and \$1 million to Pension for a total of \$2.5 million. Mr. Zeller noted that not enough is going into Pension and suggested increasing the amount to \$1.5 million. Ms. Karp suggested meeting in the middle at \$1.25 million.

Mr. Graff asked if the Council is obligated to approve all three amounts or vote separately for each. Mr. Luiz noted that he does not have the answer. Ms. Karp noted that the Council might make three separate motions. Mr. Zeller asked if the Board is making a recommendation or a transfer. Ms. Karp noted that she is in favor of a recommendation. Mr. Luiz explained that the goal is to have the Capital Reserve in excess of what the Town needs. He noted that, in case grant money does not come through or any deficit happens, it is good to have Capital funds in excess. Ms. Rowley explained that FY23 ended in a deficit of \$3.4 million. She noted that they have already received grant payments and are on track to receive the next ones. Mr. Luiz asked Ms. Rowley how much is needed to have a million in reserve. Ms. Rowley noted that currently there is \$650,000 and \$350,000 would be needed. Mr. Soper suggested going over the minimum. Board members agreed with the suggestion. Mr. Soper withdrew the motion that was on the floor. Mr. Zeller withdrew seconding the earlier motion. After further discussion, the Board agreed to proceed with the newly agreed numbers.

Motion by: Mr. Soper

Seconded by: Mr. Lynn

BE IT RESOLVED, that the Glastonbury Board of Finance approves to move from the Unassigned fund balance: \$600,000 to Capital Reserve Fund, \$910,000 to pay off 2012 bond that matures in May of 2025, and \$1,240,000 to Pension for a total of \$2,750,000 from Unassigned Fund Balance.

Result: Motion passed unanimously (6-0-0).

10. Consideration and action on reallocating \$40,000 of American Rescue Plan Act (ARPA) grant funding and allocation \$180,000 of ARPA funding for a proposed Farm Assistance Program

Mr. Luiz provided an overview of the proposed Farm Assistance Program. He noted that the majority of the Town Council wants to help farmers and explained that the Agricultural Advisory Committee, along with the Assessor's office, projected the cost to be \$220,000. Mr. Luiz

explained that they did an analysis on the farms that would qualify and the grant amount each farm could receive is up to \$10,000. The Board discussed the wording in the motion that was provided in the packet. Mr. Zeller noted that he wants to get the money to the farmers and pointed out that there is some concern about the wording. He explained that there are is another legal opinion and he does not want to accidentally abrogate the authority of the BOF as written in the charter. The Board discussed the wording and agreed to proceed with a new motion.

Motion by: Mr. Soper

Seconded by: Mr. Zeller

BE IT RESOLVED, that the Glastonbury Board of Finance approves the Town Council's proposed appropriations of \$220,000 in the American Rescue Plan Act (ARPA) funds for a Farm Assistance Program consistent with the U.S. Treasury guidelines and the Town of Glastonbury Charter.

Result: Motion passed unanimously (6-0-0).

11. Discussion and Possible Action on adding to Board of Finance Meeting Procedures a minimum four vote requirement for an affirmative vote (Tabled)

Mr. Soper directed the Board to Section 2-47 of the Town's Code of Ordinance, which is part of the Town Charter. He also directed them to passages of the ordinance and read off procedures. Ms. Karp suggested to table the item until the Board reviews this and asked for copies of the documentation to be distributed. She also noted that members of the public might be interested in viewing this. Mr. Graff noted that this might be in conflict with State law. Mr. Luiz noted that he had discussions with the Town Attorney and explained that it can be argued both ways. Mr. Luiz suggested staying with the current language. The Board discussed the matter and agreed to table the agenda item.

12. Board of Finance Committee Reports, comments and remarks (no action to be taken) (None)

13. Adjournment

Motion by: Ms. Karp

Seconded by: Mr. Graff

BE IT RESOLVED, that the Glastonbury Board of Finance hereby adjourns at 5:56 p.m.

Result: Motion passed unanimously (6-0-0).

Respectfully submitted,

Nadya Yuskaev
Recording Secretary