

The Regional School District 13 Board of Education Educational Resources Committee met on Wednesday, February 14, 2018 at 6:00 PM in the Library at Coginchaug Regional High School, 135 Pickett Lane, Durham, Connecticut.

Committee members present: Mr. Augur, Mrs. Boyle, Mrs. Geraci, Mr. Moore, and Mr. Yamartino

Committee members absent: None

Other board members present: Dr. Taylor

Administration present: Dr. Veronesi, Superintendent of Schools and Mrs. Neubig, Business Manager

Guest: Mr. Forma of Morgan Stanley

Pledge of Allegiance

The Pledge of Allegiance was recited.

Public Comment

None.

Approval of Agenda

Mr. Augur made a motion, seconded by Mr. Moore, to approve the agenda.

In favor of adjourning the meeting: Mr. Augur, Mrs. Boyle, Mrs. Geraci, Mr. Moore, Dr. Taylor and Mr. Yamartino. Motion passed unanimously.

Approval of Minutes - January 3, 2018

Mr. Augur made a motion, seconded by Mrs. Geraci, to approve the agenda.

In favor of adjourning the meeting: Mr. Augur, Mrs. Boyle, Mrs. Geraci, Mr. Moore, Dr. Taylor and Mr. Yamartino. Motion passed unanimously.

Pension Plan - Morgan Stanley

Mrs. Neubig introduced Tom Forma from Morgan Stanley, the financial advisors for the pension plan who is here to provide a performance update and potential suggestions for a fund manager change.

Mr. Forma reported that it's been a pretty wild last couple of weeks though it has been a very positive period since the BREXIT vote in the middle of 2016. Things with lots of risk and maybe even not much earnings did the best. The money put into the riskier stocks came from the more conservative stocks which caused a complete flip of what was doing well. This went on from early July, 2016 until the end of this January. People got nervous in February and the market dropped and has now come back a little.

Mr. Forma provided booklets that he had printed on Friday but had an update as of last night. The pension plan is down 1.73 percent year-to-date and the index is 60 percent stocks, with three-quarters US and one-quarter foreign, and 40 percent high-quality bonds was down 1.07. He summarized that it is about two-thirds of a percent more down than the index, even though it is in lower risk.

The next column shows that 3.73 percent was made in this fiscal year net after fees. They would like to be another 4 percent higher than that by the end of June. The information from the prior fiscal years followed after that and he reviewed that information for the Committee. In the past, they had surveyed all of the municipal pensions in the State of Connecticut though it is not complete for FY 2017 yet. Mr. Forma reviewed the information and will provide it via email.

Summarizing the spreadsheet, District 13 is ranked 11th in cumulative gains for the three years ending June 30, 2016. The District is 7 percent ahead of the average at that point. For the last fiscal year, the District is just below 8 percent and that is approximately 4 percent below what the state average will be, but that should keep the District 3.5 percent cumulative above average.

Mr. Forma explained that this is the “milder roller coaster” approach and means that it should go down less when the market drops. He feels that this has done a good job for the last five years. He does feel that everybody is behind the indices at this point. The District is inside the top 10 percent in performance for towns in Connecticut and also inside the top 10 percent of all colleges and universities in the US.

Mr. Forma went on to review who is managing everybody’s money. He explained that the indexers believe in diversification. The Town of Durham actually came out a hair above the average for the state. Durham wanted to have more risk to try to catch up and they are now taking less risk.

Mr. Yamartino asked why the District wouldn’t just go with “plain vanilla” and Mr. Forma explained that it doesn’t look very diversified and there’s a lot of opportunity in foreign markets now. He agreed that there is inherently more risk in the foreign markets and they are normally more volatile. With the US, the focus has been on the part of the stock market that is less volatile than the market as a whole. The goal is to fall less when the market drops, but that means not getting the gains when the market is great. He commented that the District’s pension fund is funded in the upper 80s percentage level. The question is what is the District trying to accomplish with the money. If the funded ratio falls a lot, the District would need to put more money in to catch up. The choice has traditionally been to grow faster than the actuaries are assuming the money is growing to catch up to 100 percent funded, but not have the falls be severe.

Mr. Forma described looking at the pension fund in a silo and not considering the entire budget process. In bad downswings, you may have to call for more contributions and that would affect the budget. They try to avoid that by riding the “milder roller coaster.” The actuaries have information about each of the District’s employees so they can make their best guess about when each person will retire and how much money will be needed.

Mr. Yamartino asked if the District is able to buy into the options market and Mr. Forma explained that the District certainly could, but they have not been doing options. They have found that most municipalities prohibit the use of options and futures. Mr. Forma explained that they could certainly do that if the District chooses to.

Mr. Augur asked about the inception to date fees that have been paid and Mr. Forma will provide whatever information he can and discussed how the calculations are done. Mr. Forma believes it is around 85 basis points per year which translates to .85 percent a year for all fees. He explained that he was with Merrill Lynch from 1997 to 2014 when they were bought by Bank of America. Because Bank of America would not allow municipal clients, they left there and went to Morgan Stanley. Information would not be available from Merrill Lynch. As the money grew, the rate was lowered.

Mr. Forma then reviewed the comparisons of colleges and universities which is sorted by cumulative gain for three years.

Mr. Moore then asked about Mr. Forma's recommendation for a change in managers. Mr. Forma reviewed the actual managers and their performance. He recommended that the District go with Congress Mid Cap and drop The London Company VA for small cap. He feels that The London has been the most conservative of the managers.

Mr. Yamartino wanted to understand that rationale for dropping one manager and holding the others. Mr. Moore suggested that the discussion be tabled and that Mr. Forma returns for another meeting.

Fraud Tip Line

Dr. Veronesi will send the Board a link to the page on the website to get this information. This was based on a recommendation from the auditors and will go live tomorrow. Mrs. Boyle asked if the Policy Committee has reviewed this and Dr. Veronesi explained that they have not. Dr. Veronesi worked with the attorney on this and they did not recommend that. Mrs. Boyle felt it should be reviewed by the Policy Committee so there is some form of dealing with anything that comes from the fraud tip line.

Infrastructure and Capital Planning

Mrs. Neubig handed out the proposed capital improvement contribution for this year's budget of \$400,000. This was taken directly from the capital plan and is all of the items in red. Mill and pave north side driveway has been pushed out another year.

Mrs. Neubig also handed out options of how to fund debt service at a lower level. The two options were \$2.8 million or \$6.7 million. The last handout was the paperwork from IBIC with all of the details as to how that was computed.

Finance Committee

Mr. Moore reported that the Town of Durham has appointed Chuck Stengel and Teresa Opalacz and Middle field has appointed Jim Irish and Marie Benedetto. Mr. Moore sought out volunteers and two people from the Board volunteered, Phil Augur and Christine Geraci. He also got two members from the public, David Booth and Nima Patel. Mr. Moore will bring the names forward at the Board meeting tonight for a vote.

Public Comment

None.

Adjournment

Mrs. Boyle made a motion, seconded by Mrs. Geraci, to adjourn the meeting.

In favor of adjourning the meeting: Mr. Augur, Mrs. Boyle, Mrs. Geraci, Mr. Moore, Dr. Taylor and Mr. Yamartino. Motion passed unanimously.

The meeting was adjourned at 6:50 PM.

Respectfully submitted,

Debi Waz

Debi Waz
Alwaz First