

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY

PENSION & BENEFIT COMMITTEE

OCTOBER 26, 2023

MEETING TRANSCRIPTION

[PENSION & BENEFIT COMMITTEE MEETING BEGINS AT 12:31 P.M.]

Catherine:

The first item on the agenda is the approval of the minutes from the July 27th meeting.

David:

So moved.

Mario:

Second.

Catherine:

All right. It has been seconded, any discussion? Okay. All in favor?

Committee:

Aye.

Catherine:

It is unanimous. All right, moving on. We have our quarterly investment performance report. Stephen Kelliher, I will pass it on to you.

Stephen:

Yes, thank you very much and good afternoon everyone. Alan Kantapin should be here. Do we see him?

Alan:

Yes, I am here too.

Stephen:

Okay, good. And Joe McLaughlin is here as well. And we have a few different items on today's agenda. I want to make sure that you all agree with it.

So we have market commentary. As is typical, a lot going on there. But it's also time to take a look at the investment policy statement and do a review of that and take any comments if you think you are going to make any changes on that or not. Review the asset allocation and Alan will do the investment policy statement review. We will review the current asset allocation versus targets.

A second, less routine order of business is to... We have an updated liability analysis for you. So we are streaming those liabilities from years one, all the way out into the future. Year by year, and looking at

how the portfolio then maps to those liabilities. And then Alan will also lead us on that. And I will come back for the investment results. Does that sound agreeable? It's a lot to fit in in now 57 minutes, but I think we can do it.

Catherine:

That's fine with me and that's fine with everybody? Okay.

Stephen:

So I'll try to go through the market commentary pretty quickly. Still a lot going on out there. Still inflation leading the day in a way, even though it's vastly improved. And that is still creating a correction, albeit a far less one in the bond markets. If the year were to end September 30th, which thankfully it did not, this would be... In the far right you can see this on this Bloomberg aggregate bond index slide. The gray bars are each calendar year since the index was created.

And again, for those of you that don't know or maybe don't recall, we think of this as the S and P 500 of bonds. So what have bonds done each year? The red dots is simply, I'm not going to cover those, but that's simply the biggest down drop in that particular year. And obviously markets go up and down. Entry year, that's all that is. The gray bars were at end of the year. So as you can see to the far right, if the year had ended on September 30th, this would be the third down year for bonds in a row. Albeit much more paced. That's at market value if you don't liquidate.

Down 1% after being down 13% last year and down 2% the year before. Not only is three years unprecedented, two years was unprecedented. Not only was 13% unprecedented, but the prior record was down 3. So this is what happens when you have a pandemic, when you print lots of money, when you bring interest rates to 0. This is the, quote, "hangover" of all of that activity that we really had to do for the most part to get us through COVID in one piece. We knew there'd be repercussions later on and we are living through them on the bond side of things. And really, it equates to the inflation side of things as we speak.

We do believe, and Alan will likely talk to this when he's talking about the investment policy too, or the liability analysis. We have to believe, and we know that it's true, that yields in the bond market are vastly better than they were just a few years ago. And that, from a perspective of reaching the long-term actuarial return on the funds, is a huge benefit moving forward. It's been a little bit of a detriment going backwards, obviously the last few years, but it's now an enormous tailwind. It has flipped, I would say, from a headwind to a tailwind. And we'll talk about that when we get to the portfolio itself. I hope that makes sense.

Catherine:

I think you may have answered this question already, but so you think there are opportunities that are available because of the market?

Stephen:

Yes. And as a matter of fact, Catherine, we've added, over the last month or two, quite a bit more in the space of individual bonds to defease the shorter term liabilities. So we've been adding individual bonds out to five years and plan on going even beyond that. Because if you think about it, if we have a known liability, just pick five years out, and we know we can buy a security that's just say yielding 5.5 or 6%, five years out, we can lock that in. And thus the market fluctuations will occur but they won't be enormous on something that's considered relatively short. But they'll be there if rates keep going up.

But we'll have a known known, that we know that that liability, that near-term liability in relative terms, is defeased completely by the equal and opposite sized individual fixed income holdings. So that's a luxury that, we could do it a few years ago, but we wouldn't have been getting 5.5, 6%, we would've been getting 2, or something in that range. So massive difference. Did that answer your question? Maybe I answered both than you asked.

Catherine:

No, you confirmed what I was thinking. So, great.

Stephen:

Yes, so we likely would like to extend that out further. We're going to 5 as we speak, we'll add on 6, 7 and so on. And then basically those yields are locked in as long as we hold that paper until it matures. And that will create less volatility for sure.

What has the bond market done this year? So the line at the very bottom is the yield curve as it was almost two years ago now, a year and three quarters ago, with a short end with 0, the 10-year was 1.5%. And all the way up to 30 years, you're at 1.9%. By January of this year you were on the green line. And you've seen that one at the last meeting. 10-year went from 1.5 to 3.9. Even the 30-year went from 1.9 to 4.

Now what's happened this year, it's still moving, albeit at a slower pace. Thus, you're not having 13% losses in the bond market anymore. And that would be highly unlikely. I'll never say impossible, but I'm close to saying it. Highly unlikely to ever repeat itself because you've got a starting point now where the yields of 5, 6, 7%, as opposed to a starting point where the yields were so low. And when they're that low, there's no cushion if the price of the bonds move.

But if you have a bond paying 6% and the capital value of the bond drops 6% in a given year, and this is more like this year, well, you actually broke even for that calendar year on those bonds. As opposed to if you have a starting yield of 2% and the capital value falls 6%, you have a negative 4% loss. So we're in a much better place from a bond perspective. And if you can't tell, I'm very optimistic on the yields that we can now earn from this portion of the portfolio. Was there a question? I'm sorry.

Catherine:

Nope.

Stephen:

So now you've seen the curve move up yet again and it's doing it at a slower pace. The 30-year's interesting, up to 4.7, the 20-year up to 4.9. And the short end at 5.5. Now what's happened since this has been published, so in October, it's really flattened out. The short end is still 5.5. But once you get to two years, and I'm ad-libbing a little here, it's not completely true. If I say 5, it might be 4.90, it might be 5.05. But basically from two years to 30 years is virtually flattened out.

So it's changing shape quite a bit, which usually indicates that the market believes that the Fed's going to slow down or stop raising rates. But as I'm sure you've read recently, and we are definitely in this camp, we believe the Fed is going to have to stay higher for longer. That's the term that's out there. And that actually would help the investment side of things, as well on a fixed income side, albeit it has been causing a revaluation in the equity market. Because if interest rates are higher, everything else is theoretically less expensive because your discount rate is a higher rate. So I hope that makes sense as well.

The Fed could raise one more time, maybe. We think they'll pause because at the moment the market is doing the job for them because the market itself has lifted those longer term rates now closer to 5. And we are still inverted from the short end from 0 days, basically, out to about two years. But we're no longer inverted, really, to speak of any longer than two years. We saw a big GDP number today, and the bond market barely moved on that. So that tells you a lot. You'd think a big GDP number would result in a higher rates and it didn't. It actually barely moved, last I looked at least.

Equity market. What are we looking at here? The peak of the equity market, as you can see in the upper right, was January 3rd of last year. So again, it's been a year and three quarters since we got to that higher value. And we're still down. At the end of September, I believe, don't quote my math here, but I believe we were down 10.6% on this graph from that record high. And I think if you look through today, we're probably down more like 13 or 14% from that record high.

What that's done is a few things. Obviously the value of the market's gone down, but the valuation of the equities in the market have also gone down, meaning it's a bit more attractive. We're down to 17.8 times earnings now. You can see that in the very upper right. Down from, I'd say, a knowingly high 21.4 times. We were somewhat uncomfortable with that number. And today what's interesting, there's a new term out there called "the magnificent seven." Remember this used to be the FANG stocks and now it's seven tech stocks and they are the entire market right now. And I'll show you what I mean by that in a minute.

But under the surface, the other 493 stocks, if you look at those, they're closer to something in the 16 times earnings range. So becoming rational and reasonable in our viewpoint. Don't know that we're there yet, but becoming there. On our way. If we could run forward again, please. Here's the magnificent seven. This is a very odd stock market. If you go back, in '21, almost everyone made money, including us. In '22 almost no one made money. I don't want to say no one because there's exceptions, including us.

In '23, the year's ending up being, oh, everyone's making a little bit, maybe losing a little bit, but there's no dramatic up or down in either direction in the current calendar year. So we've gone from everyone making money virtually, everyone losing money virtually, to kind of everyone making a little bit for the most part. And the odd thing about it, and the reason I go back to '21 is because in '21 it was also an extremely narrow market. Driven by just a few tech names, and we're back in that same place again. And how did it end then? And frankly, how has it ended every other time? It's ended with these hotter stocks, these more performance-up stocks, correcting. That's typically how this ends. And that's what happened in '22.

So here we've got Nvidia, Meta or Facebook, Tesla, Amazon, Google, Microsoft, and Apple on the left. You can see in green that's what they did last year. Even Nvidia, that's the market darling of the year, was down 50% last year. Kind of interesting to note. And as a basket, just to the right of the horizontal line, that basket was down 46% last year. So if folks look at this year alone, they say, "Wow, this basket's up 88%." Well that's true. However, and I think you all know the math, if one loses 50% of their money, what do they need to earn to get back to a dollar? They need to earn 100%. And interesting enough, if one loses 46% of their money, and I'm rounding here, it takes about 88% to get back to even. So if you've actually held these more aggressive names for 24 months, you break even. And you've been on quite the neck breaking ride.

So it's an interesting thing, it's a phenomenon that we don't love and most market participants don't love because, again, it helps the indexes where they're market cap weighted, but it's a very odd market and you're not getting the broad participation of the other industries. You're not getting broad participation from industrials, from pharmaceuticals, from healthcare, from financials, from insurance, et cetera. So it's a strange market. It's reminiscent in an odd way of '21, but it is what it is. It's a one-

sector market at the moment. And not only that, it's a seven-stock market that we're in. As a matter of fact, if you look to the right, you can see if you take out those seven stocks, the S and P at this point was up 1 point. The type is very small. I think it's 1.63, you could correct me. It might be 1.83, I'm close enough.

So I hope that makes sense. Narrow market, oddly narrow. Again, we've been here before. The names have changed in a way, but there's a lot of overlap there from what they were. Let's jump ahead again, please. The good news in all of this is, at the moment at least, and GDP speaks to this today, consensus earnings forecast in blue on the left side of the page are up next year. As a matter of fact, the consensus Wall Street says we're going to have almost a 12% in the box, [inaudible 00:15:57], almost a 12% gain in earnings next year. And that's after a long-term average of 8.4. And that's after an earnings recession that we've had this year. The odd thing about this chart on the left is green is an earnings recession. I don't know who created that. I always use red when it's something down, but they use green.

In the box in the upper right, the one thing that I would caution us on, on that massive earnings growth that's forecasted for next year, it's forecasting very high margins. Historically, margins have been closer to 4%. It's forecasting 9-plus%, because we've been running higher. That may or may not come true. It's forecasting lower revenue growth, not surprising. We are starting to see remote signs of a slowdown out there. You've had both JP Morgan and Citigroup recently said that they're seeing some beginning rumblings of problems in their auto loan portfolios, and in their credit card portfolios, mostly towards the consumers who are lower credit rating.

But it's beginning to happen a little bit. I know that's bad news, but it's good news if you're the Fed or if you're an investor because we need to see some slowdown in this economy because the Fed wants inflation back at 2%. They're very clearly stated that and they're sticking to it. So if we jump ahead another one. Let's jump ahead another one because we've covered this one before. This is an inflation slide. How's the Fed doing on inflation? The blue line is the headline inflation, the CPI that we all see. And the black line is what the Fed looks at, which is the core PCE deflator. It's just a different measure, but it's their favorite one because it removes some of the volatile components.

So CPI in the box in the upper right, you can see we're running at 3.7 right now in the last reading, when this was published. That is still not 2. And 2 is the goal. We've come down enormously from 9. So we're making wonderful progress, but we haven't hit the goal yet. And what the Fed is afraid of, and they've stated this, if you looked to the far left, and some of us were young but alive at the time. If you look at the '70s, you see inflation first hit 12% there in roughly 1974. The blue line, I'm just using the CPI. And then the Fed was fighting inflation with higher rates and it dropped, and the Fed surrendered and said, "We won, inflation's going back to normal." And then we got the highest inflation of all US history at 15%.

So there was a double, I don't want to call it a dip, a double spike in inflation. And that's when we had Paul Volcker in office in the Fed and he had to bring rates up to like 17 or 18%, whatever the number was. Some of you may remember having mortgages that were double digits back then. Well, this Fed is very aware that the only other time we've had inflation in modern history at this level is now. And then. They look somewhat similar. This Fed is aware that they don't want to give up too early and allow rates to run higher or begin cutting rates too soon because they did not want to create a double spike like we've seen in history. I hope that makes sense.

And the very bottom right of the box, I'll do one more number. The core PCE deflator, the Fed's number is at 3.9%. It only peaked at a little over 6, like around 7. So it has made progress, but it's frankly making progress more slowly than the headline CPI number. So it's a little bit stubborn and I'm going to suggest that the last mile, getting to 2%, it might be harder than the first couple miles that we've already gone. Meaning it may take longer.

And again, so we think this slide also speaks to higher rates for longer. And if you're a pension plan, that's actually a good thing. Let's jump ahead, please. Does that make sense? I think I'm done with that part. Yes. That's the fact that inflation is still ruling the markets I will say. I'm going to turn it to Alan for a few minutes and I'll be here obviously to take a look at the investment policy review. And this is something Rochelle, who helped me, we try to look at this every 24 months.

Rochelle:

Yes, every two years. Yes.

Alan:

So the next section here is a review of the investment policy statement for the three plans. So, as Steve and Rochelle just stated, one of the provisions written in the IPS is that the committee review the document at least every two years. So now we're due to review it again, as the last review was just about two years ago. So just as a reminder for everyone, the purpose of the document is really to establish an understanding of the investment goals, objectives, and management policies applicable to the plan.

It's really meant to be a roadmap for the overall strategies, and it clarifies roles and responsibilities, it details monitoring and review criteria and provides a framework for investment decision making, asset allocation targets, et cetera. So we won't go through the entire document now, but I'll touch on the high points and we certainly encourage everyone to take a read through the entire document and come back to us with any questions or concerns. So if we move ahead, maybe two pages.

Stephen:

And Alan, can I just interrupt for one minute? I want to remind everyone that this is your document, not our document. So this is the Authority coming to us, saying "This is our policy and this is the roadmap and instructions for you as our investment advisor to follow." So we're here to guide you, but frankly just technically, legally, it's not our actual policy. We're reviewing it with you, but you give this to us to then execute upon. I just wanted to be clear on that. I don't mean to sound so strict, but it's a serious matter where these are your instructions. So I'm going to double encourage everyone on the committee to look through this and come back with any changes or comments.

Alan:

Great point, Steve. So let's start here. The executive summary. So these are really the primary provisions of the policy. I'll start at the top. We list out the plan names. So we have the salaried plan, the union plan, and the VEBA. The plan trustee is Broadridge of Matrix Trust. Investment custodian primary is Morgan Stanley. Pension payroll custodian is again, Broadridge Matrix Trust. Plan Administrator, that's you, Regional Water Authority Board. The plan actuary is Angel Pension Group, and then the advisor is us, the Kelliher Corporate Group at Morgan Stanley.

So the primary objective of these plans. So the first objective is the goal of being fully funded for the pension plans by the end of fiscal year 2025. Excluding ongoing plan service costs, subject to prevailing market conditions. And then we have a secondary objective here, to achieve a long-term rate of return that meets the assumed actuarial rate of return. The target rate of return is the actuarial target rate of return, which is currently 6.75%. The time horizon is aligned with the actuarial liabilities of the pension plans and the VEBA.

For the asset allocation here on the far right, our preferred allocation is 55% equity, 30% fixed income, and then 15% in alternative hedged balance. So we have some ranges around the preferred target

allocation that allows us to be tactical and it allows for the organic growth of certain asset classes without constantly having to rebalance back to target. Unless it's decided that we'd like to do that. So for equities, the minimum asset allocation is 45%, with a maximum of 60%. For fixed income, it's a 20% minimum with a maximum of 45%. And for alternative hedged and balance, there's a minimum of 5%, maximum of 20%.

So the maximum allowable allocation to liquid securities just below there is 10% for the salaried and union plans. Currently, that allocation is 0% for both plans. All the investments in both plans are 100% daily liquid. And then when investing in alternative investments, the VEBA plan permits the use of liquid investments only. So illiquid investments are permissible in the salaried and union, VEBA is liquid only.

So for cash limits, the investor wishes to maintain sufficient liquidity to fund benefit obligations. We have some restrictions here with regard to the investments. Average bond quality rated investment grade or better. So that's for the entire aggregate fixed income portion of the portfolio. And it excludes individual mutual funds or ETFs because some mutual funds or ETFs might have a specific mandate of being high yield or less an investment grade. But this mostly refers to the entire aggregate bond portfolio within the plan. Maximum average bond maturity, 20 years, maximum individual bond maturity, 30 years. Maximum portion of a portfolio in a single diversified fund, 20%.

So currently we're not anywhere near that upper threshold. Our largest position, I believe, is US Equity Index Fund at about 9%. And then maximum portion of a portfolio in a single security or individual company, 3%, excluding US government securities. So again, well below the max threshold within the portfolio. Currently, our largest position is a US government security that's less than 1% of the entire portfolio. And then meeting frequency, quarterly. So those are the high level provisions of the plan. We won't go through the entire document. But are there any questions on any of those?

Mario:

I have... Go ahead.

Catherine:

So what I [inaudible 00:26:33] is the piece that says that it's excluding service costs for performance. What are the service costs that we're referring to there? Just remind us.

Rochelle:

Do you want me to answer that?

Stephen:

Sure.

Rochelle:

Because the individuals that are active in the plan are still earning credits. It's that ongoing piece. It's relatively low. As of the last actuarial study, the combined plans is just a little over 600,000 a year.

Catherine:

For service?

Rochelle:

For service costs.

Catherine:

And what are the service costs?

Rochelle:

It's their ongoing credit that they're earning towards the plan. So the active employees are still earning their credit to the pension.

Catherine:

They're still...

Rochelle:

Yes, their salaries are still going up.

Catherine:

Thank you.

Rochelle:

What he's basically saying is that the goal is excluding the fact that new obligations are getting put into the plan as we go along.

Rochelle:

Okay.

Stephen:

Just because what I want to point out to you, and it's going to be more clear I think when Alan does his next section. But you say, where did we get this asset allocation from? Which is obviously a very important component of this policy. And again, it is, as we've spoken to many times over the year, it's not out of thin air. Because the second off cycle item that we're going to talk about today, Alan's going to also cover, is the liability analysis and matching that closely to the duration of the assets.

So this asset allocation comes from that exercise. And it is overlaid with return expectations for the markets, which your actuaries want from us each year. What's our expectation for equities, fixed income, alternatives, both short and long term? So I just wanted to point out to the fact to you that this isn't random out of thin air. 55, 30, 15, this is looking at the liabilities and saying equities typically are for liabilities that are beyond 10-years. Fixed is typically for liabilities on the shorter end, you could say 5 years or less, 7 years or less. Somewhere in that range, 5 to 10 years, 7 to 10 years is where the alternatives fit in. Something that's kind of a hybrid between a stock and a bond perhaps. I hope that makes sense.

Catherine:

Thank you. I think Kevin had a question.

Kevin, are you there?

Kevin:

No, I'm all set, thanks.

I'm all set. Thank you.

Catherine:

Okay.

I did want to raise one thing under the primary objectives, the milestone goal of being fully funded by 2025, which mind you, I think is horrible, but I really think we ought to add to the exclusion, subject to market conditions, and the overall financial needs of the RWA. We need to balance all of the financial obligations. For example, if we take money to put into pension fund in order to reach that goal by 2025, probably, I'm anticipating that because we have these capital needs, that we'll have to borrow more money. And so I think we need to balance the different needs and I would add that language. I'm happy to talk about it across the group. I'm seeing a lot of nods here, so-

Suzanne:

I think we should talk about it. When you want to do that.

Catherine:

Yes.

I did have a couple of other questions. On page four, there's a reference, under steps to take to establish an investment policy statement, item five makes reference to objectives at the lowest level of risk. Do we really mean lowest level of risk?

Stephen:

Can we scroll to that page please, on the screen?

Catherine:

It's page four.

Suzanne:

Okay.

Stephen:

Right there.

Where is it again? I'm sorry.

Catherine:

It's under steps to establish an investment policy statement, and then item five.

Stephen:

Item five. Determine the asset classes and appropriate mix to maximize the likelihood of achieving the investment objectives. It's just saying... Do you have to say that? No, but it was saying maximize the likelihood of getting to the actuarial rate of return and do so at the lowest risk. Basically, I read that as

trying to get the best risk return mix to reach the goal. Maybe that would be better wording, what I just said, but you're looking to maximize the likelihood of achieving the investment objectives at the... I guess technically it's at the lowest risk to achieve that goal.

Joe:

How about, Steve, we could suggest while balancing the level of risk required?

Stephen:

I think that's a better word than lowest level.

Catherine:

That gets to what you're saying as opposed to... because lowest level of risk really almost means that you're trying to have no risk, and that's unrealistic.

Stephen:

Right. I think what's missing in the way it's written a little bit is... I read it, I think like we mean it, but I'm reading it as saying we want to get to this rate of return, 6.75, taking the lowest volatility route possible to reach the goal as opposed to the lowest level of risk. If you want to... Again, I hate to do this, but it has to be your policy. The idea of that is to say, don't take us on a really volatile road to get to 6.75, take us on a balanced risk adjusted route.

Catherine:

There you go. That's what I'm looking for, risk adjusted. Okay.

Stephen:

Risk adjusted. Taking into account proper risk adjusted allocation or, proper might be the wrong word, prudent. If you want to draft it, we could give you feedback back.

Catherine:

Yes-

Stephen:

I don't disagree, it's a little bit interpretive the way it's written.

Catherine:

I'd be happy to do that. I did have a question. We currently have investments in private equity, correct?

Stephen:

You do not have private equity investments.

Catherine:

Okay. All right. That is... Well, we don't have benchmarks of private equity, so I was just wondering what that would be. And it's usually S&P plus something, but I'm just trying-

Stephen:

It could be. You could use a hedge fund research universe benchmark, you could use an equity benchmark plus, as you say, a Delta S&P 500 plus two or whatever makes sense, and that's probably about the sensible number more or less right there. We don't have any right now, we could. Part of that is the liquidity issue. We did have a hedge fund at one point, but currently everything in the portfolio is liquid. There is a 10% allowable in this policy up to that point, but we have not gone in place with that.

Catherine:

Okay. Well those are all of my questions or issues. Did anybody else have any other questions?

Okay, I guess we can move on.

Stephen:

All right, thank you. We'll look forward to getting any amendments to that sent to us.

And actually-

Catherine:

Excuse me just a second. I'm happy to do some markup and circulate it, and maybe we can talk about it at the next meeting.

Suzanne:

Okay, that sounds good.

Catherine:

The next committee meeting.

Suzanne:

Right, okay.

Mario:

If you want to have a special committee meeting next month instead, that's fine, if you don't want to delay it.

Mario:

-It matters, it's up to you.

Catherine:

I don't think it's critical at this point, I just want to tweak it a little bit.

Mario:

Okay, all right.

Catherine:

Thanks.

Sorry, Stephen.

Stephen:

Why don't we jump now to this section on the asset liability? I'm just watching the clock, are we hard, hard stop here in 25 minutes?

Mario:

No.

Stephen:

Okay. Thank you for that answer, because it's going to be tough. Because these are obviously important, but they're somewhat time-consuming.

Catherine:

I do have one quick question on the asset allocation. I'm assuming that, I think I'm correct in saying that, the US equities plus developed international, plus emerging, that would encompass all of the equities?

Stephen:

Correct.

Catherine:

And so my quick math has us over 60%. Are you rebalancing?

Stephen:

Well, it's interesting, if we look at the chart right here that happened to pop up just now, our calculation says you're at 57.5%.

Catherine:

Yes, [inaudible 00:36:08] the wrong math.

Stephen:

Well, it's also, some of the vehicles you may have to look inside in order to see what they own. This is done... Alan, is this done on our asset scan or a Morningstar asset scan? Do you know?

Alan:

This is done on Morgan Stanley's asset scan.

Catherine:

Again, that's all together.

Alan:

There are also securities that fall in the alternatives bucket that another methodology might be counting them as equities, which would put that over 60%, but we classify those as alternatives.

Catherine:

My real question is how often do you rebalance? That's my real question.

Stephen:

Alan can answer that to rebalance frequently because we... Alan, do you want to answer that on the cash flows?

Alan:

Yes, so we mostly... When there are cash flows in or cash flows out of the plan, we take those opportunities to rebalance if we think that that's appropriate to do so. And we also review... We're constantly reviewing the asset allocations. Steve and I, along with our investment committee, we meet on a weekly basis, we review asset allocation and we make adjustments constantly throughout the year. There's no set schedule for rebalancing, it's generally if market conditions would warrant after a review of our investment committee.

Stephen:

All that being said, it ends up being far more frequently than quarterly, which would be-

Catherine:

Okay, [inaudible 00:37:51] I'll stop doing it while I'm drinking wine.

Stephen:

Because we're on this, let's jump to the next section for a minute because I think logically, we put this in this order, but I think it makes sense to let Alan talk about the asset liability matching and then come back to the asset allocation. It seems like a more logical order unless anyone objects to that. So we could move forward again right into the next tab.

Here we go. This is a lot of data on the screen obviously, but Alan, go right ahead.

Alan:

Yep, there's a lot of data here. I'll try to keep it high level, and what we really want to focus on is the box on the bottom. So I'll just start with walking through the different pieces of information here. If we start on the far left, so basically... I'll step back for a second. Angell reviews the projected liability stream, Angell Pension, the actuary, reviews the projected liability stream once a year. They provide that data to us, so we run the data through this framework that helps us to tailor the asset allocation of the plans to ensure that there are sufficient cash flows to meet the future projected liability.

What we have here, on the far left, valuation year, these are years from current out to 2053 plus, 30 plus years, duration. And then after that, gross benefit payments, so these are the actual dollar amounts that are projected to be paid out in each of these years. The present value of benefit payments, so we discount that back to current value based on the discount rate. Pension contribution, so these are provided by Angell as well, these are the actuarial recommended contribution amounts for each year that we plug in here, and then that gives us a net benefit payment. The net benefit payment is basically the gross payment minus the recommended contribution. And then we take that net benefit payment [inaudible 00:40:17] we bring it back to present value, which gives us one framework for analyzing the asset allocation.

And then at the next column over is a hybrid LDI model that we use. It's a little bit more conservative than using just the present value of the projected liabilities, it actually takes the net benefit payments for the first 10 years and then the present value of the benefit payments for all the years after 10 years. It's a little bit more conservative and it allows us to at least make sure that we're fully provisioned for the 10 years of benefit payments. And then the last column here, investment products, each of these cash flows are matched to the duration of an asset. So we have cash, basically cash for the first year, core fixed income, which is high quality fixed income for years one through four, plus fixed income for years five through seven, so these are non-core fixed income items. High yield, preferred, non-US fixed income, things of that sort. Then we have alternative and balanced for years eight and nine, and then everything after year 10 and later get matched to equity. This gives us a framework for an asset allocation that matches these liability streams.

If we look at the box in the bottom, we can see there are two sections here: hybrid LDI derived asset allocation and present value LDI derived asset allocation. As I said, the hybrid LDI is a little bit more conservative. The asset allocation that's derived from hybrid LDI is 43% cash and fixed income, 44% equity and 13% alternative and balanced. The present value derived asset allocation, a little bit more equity risk here, 40% cash and fixed, 51% equity, 9% alternative and balanced. And then to the immediate right of that, you see the IPS targets: 30% cash and fixed, 55% equity, 15% alternative and balanced. And then the actual portfolio allocation is to the immediate right of that: 36% cash and fixed, 52% equity, and 12% alternative and balanced.

When we look at it on this level, and we do have another look at it on the next slide, but if we look at it on this level, it looks like we're a little bit underweight cash and fixed, a little bit overweight equity, about right in line with alternative and balanced, based on where our targets are. A little bit closer to these asset allocations based on where the actual portfolio is. If we move to the next slide, we take another look at it. What this does is you can see the blue on the far right column, so we actually pulled in some of the fixed income and we used equities to match all the liabilities from eight years and out. This is a little bit more equity-centric look at the asset allocation and how that would be derived from this framework.

If we take a look at the bottom... Can we go back one slide?

Perfect.

So here, looking at the bottom, the asset allocation that's derived from these frameworks, you can see a little bit more equity here. Equity at 57% with a hybrid LDI, 60% with a present value LDI, a little bit less cash and fix at 31% each, and alternative balanced stays about the same at 12% and 9%. For the salaried plan, if you take all four of those derived asset allocations, they're pretty much in line with the targets and where the portfolio is actually allocated. I think the average of all four of those comes out to about 36% fixed income, 53% equity, and 11% alternative. It seems pretty appropriate how the salaried plan is allocated based on this framework and based on looking at where the liabilities are.

Stephen:

And I would add this, and I think you all know this, if you can hear me Alan, why would you pull in the equities from eight to 10? Why is 10 the target for where it goes all equities? It's because history tells us that in order to get through a market cycle, particularly a down one, that it is important to have equities as a 10 year or more asset class, right? That you don't want to own equities to [inaudible 00:45:58] fees, for example, a three or a five-year liability. There's a little bit of gray area in people's judgment, I'm going to say between seven and 10 years, but I think we tend to err a little conservatively in our group and we look at history and say, well, there have been 10-year periods where equities have earned nothing in the United States, but there have not been 11-year ones.

So we tend to use that history to guide us here and say, with the first example, it created a little bit more conservative mix, and this example creates a mix that's much closer to how we actually have the current investment policy statement target. It's for that reason. Could you pull it in? Could you use eight years? Is that rational? Reasonable? Yes. It's taking a little higher risk on the balance sheet of the entity, where using 10 years obviously creates a little more fixed income, a little less equity, and takes a little bit of the balance sheet risk of making these benefit payments off the entity's balance sheet, if that just made sense. So it's kind of in between. But to Alan's point, your IPS, the results of these studies have not changed dramatically from an asset allocation perspective and the conclusion is what you see in the bottom box.

Is there another one too? That was just the salaried plan.

Alan:

That was just the salaried plan. The union plan are the next two slides. The takeaway is pretty much the same here, so I won't go through all the detail, but with the union plan, the liabilities have slightly longer duration. So the average equity allocation, if you take a look at the four frameworks that we use, the four iterations that we use, comes out to about 57% equity versus I think it was 53 or 54% for the salaried. So again, for the most part, the union plan's asset allocation is mostly in line or seems appropriate with this asset allocation framework that we use.

One point to speak about, and Steve spoke about it a little bit earlier on, is that just given where fixed income yields are, you could potentially make a case to increase the asset equity allocation of the union plan slightly, but just given where fixed income yields are five, six, even 7% for some fixed income asset classes, we do think that the actuarial required rate of return of 6.75 is achievable without really needing to increase the equity risk and potential volatility of the plan.

The main takeaway is that the asset allocation targets still seem appropriate given this updated data that we received from Angell.

Stephen:

I'll add one thing, today you have a single investment policy for all three pools of money. That is by no means a requirement. And if you saw further dispersion between these two plans at least then we're currently seeing, which is relatively tight with slightly longer liabilities here, that would be a reason to say, well perhaps tweak the union plan with a few more points towards equity and perhaps tweak the salaried plan with a few less points in equity. You could draw that conclusion from this data. But our view is they're still close enough and there's enough range in the investment policy that you've given us that we can work within that framework. We think it makes more sense now than it has even, not that it didn't make sense, but we think achieving the goal is easier than it's been because of these new higher fixed income yields. Does anyone have questions on this? There's a lot of data on single pages, we understand.

Catherine:

I have a couple questions. One is, on the salaried plan, is this saying that our liability for 2023 is estimated at \$2.3 million?

Stephen:

Can we go backwards one please?

Catherine:

And then on the union plan is 1 million plus change.

Stephen:

I'm saying that it says your liability is actually the gross benefit payments, 4.3 million, upper left.

Catherine:

Okay, so that's what the liability is?

Stephen:

Yes, the liability would be... Those are the assumed, or actuarially calculated, benefit payments for those calendar years. It says, for instance, between now and 2027, as an entity you will likely pay out \$21 million from this plan.

Catherine:

Okay. And is that our experience that we're paying out approximately \$4 million a year in benefits on this plan?

Stephen:

It's been increasing, I believe. We'll see that when we go through the investment results. I'll make sure to note that when we go through them, we can actually see those numbers there.

Catherine:

Okay, so it's the gross benefit payment that we look at when we want to understand cash going out for payments.

Stephen:

Those are real dollars that will be paid out. When they're paid out in the future, that's why we use the present value column next to it to say, well, what would it take today to fund that in the future?

Catherine:

Right.

Stephen:

That's why the Delta becomes greater as you go out... Pick the 10 to 14 years, the 23 million really theoretically only requires 10.6 million today, where the 21 million currently, the first four years, requires 18 a half million because you don't have as much time to get there.

Catherine:

So with the two plans together, we have a little over 6.2 million [inaudible 00:51:51].

Stephen:

Jump forward one slide please. Yes, you've got about 2 million coming out of this plan, and that's relatively even in this plan for the next five years. You've got almost, on average, two and a half million a year roughly.

Catherine:

Okay. And our risk is not to be able to pay those.

Stephen:

Correct.

For instance, if you had all of this in equity, just for an extreme example, if everything were in equity, that risk would increase dramatically. Because if you got into a prolonged bear equity market and you had to pay out, in this case over 10 years, \$22 million, and if you go back one slide again please, and in the other case, another 43 million, what are you at? You're at 65 million would have to be paid. That's why shorter term liabilities typically are not in equities because you get an equity market that's down to 50%, we have to pay out 65 million, we actually have nothing.

Catherine:

Right, so if the market stays down, [inaudible 00:23:5]. If the market stays down for 50% for 10 years, you would have nothing.

Stephen:

Well, it would be sooner. I use 10 years as an example, but I think you'd get there a lot faster than that. There's 21 million in five year payments... Plus 10. So there's 31 million there. I'd have to look at the corpus, but you'd be getting... We all would be up at night. That's most certain. You don't have to agree with this principle that we use here, but this is broadly accepted way of looking at defined benefit plans that have to make benefit payments and are trying to make them primarily from the corpus of the trust and not from the entity's balance sheet or income statement.

I think the only real debate is do you pull equities into year eight, do you push them out to year 10? It is basically that. You're not going to pull equities all the way into year five, I wouldn't think. You could, you could tell us, well, the entity's balance sheet and income statement are robust, we are willing to take some risks to do that. This is relatively small in the... We have clients that say, you know what, this pension plan is small in the realm of our balance sheet. We have this exact situation in Connecticut, another entity, it's not a municipal or public entity, but they're saying our balance sheet can endure this, withstand this. Excuse me, that was quite the hybrid word. So they say, take risk here because we will accept that risk on our balance sheet.

Catherine:

And is it your impression that our balance sheet isn't? Is that fair?

Stephen:

It's my impression that you wouldn't want to suddenly have to fund this plan 10 or \$20 million.

Catherine:

Say that again?

Stephen:

It's our impression, right or wrong, and you can correct this, that you wouldn't want to suddenly have to make these benefit payments out of corporate funds. Entity funds.

Catherine:

Okay. Yes, so then our balance sheet isn't strong enough.

Suzanne:

And I would also just add, I don't know, Steve, if you're going to get this, the net liability is truly part of our audited financial statement that our credit rated agencies look at. So they definitely look at... We record the net liability, so it's the forecasted liability less than the market value.

Catherine:

Okay. And the last question is, how much have we been contributing above the recommended contribution in the last two, three years?

Suzanne:

So this past year for fiscal 23, we contributed 2.2 million because we had a good year in the year before, we only contributed 1.1 million above, and our current budget for fiscal 24 is 1.[inaudible 00:55:45].

Catherine:

Okay. So Steve, can you... For the 2 million that we're putting in out of the balance sheet to make... So we're making these supplemental contributions, how does that factor in to this schedule?

Stephen:

Well, this schedule is entirely current as of anything you've put in is already reflected here. Anything you're going to put in above, I believe... Alan, the pension contributions is just the arc on this sheet, is that correct?

Alan:

That's true.

Stephen:

Right, so anything you put in above the pension contribution, the middle column there, would fund... So when we rerun this every year, it's reflecting what's already been done. If you tell us that you're going to make an additional, just for example, \$1 million a year for the next decade, we could rerun this with that in there, and it would have an impact.

Catherine:

Okay. But we're essentially... Of the 6 million that we are obligated to pay each year, have been paying 2 million of that off the balance sheet, essentially.

Stephen:

And we show that here. So we show that the pension contribution... So pick 2025, you have benefit payments of 2,172,000. There's a present value of those, whereas this assumption is the arc will pay 1,100,000 of that, so your net payment's the 1,059,000. If you put in an extra million that year then net, nothing would come out of the trust that year.

Catherine:

All right, very good. Thank you very much.

Stephen:

But if we had the visibility of that, we would account for that, no doubt.

Catherine:

Sure, thank you.

Stephen:

If you came to us and said, we are going to put an extra million over the arc every year for the next five years that might change the outcome of this.

Suzanne:

Right, can I just add in from the actuarial perspective, it would need to be a commitment that we're actually going to do that every year for it to actually be reflected.

Catherine:

Understood. Thank you.

Mario, you had a question?

Mario:

Yes, I'm sorry. So both plans are closed [inaudible 00:57:56] employees, and we have a certain amount of funds that are in the corpus. Is this laid out from the actuarial side that at some point, the corpus will be zero?

Catherine:

Yes, they actually do. This actually comes from what's required for our CASPER reporting, and they look at the crossover and they actually go all the way down to zero.

Mario:

Okay, thank you.

Catherine:

David, do you have a question?

David:

Well, just so that I'm sure that I'm understanding this, as we've reviewed this several times over the years, the first chart per salary plan versus the second chart per salary plan is slightly different.

Stephen:

Correct.

David:

In terms of moving some of the fixed income up and all that, does that mean that you're going to be suggesting we make a change in our policy or is the amount it's moving still within the leeway within the policy?

Stephen:

The latter. The amount it's moving is still within the leeway. Based on this study and sharing it with you, we don't see any compelling reason that you would direct us that you change the policy that you give to us. How's that for... It is within the appropriate range and it's actually, we still have the VEBA, too. Alan, is there anything substantially different on the VEBA that would make us think that the Authority would have a different policy or we didn't do the VEBA?

Alan:

We didn't receive the VEBA data from Angel, but I can request that and we can follow up with it, if necessary, but we didn't receive that data yet.

Stephen:

And we have run all three pools again with the same policy and the same holdings even, parallel?

Catherine:

Are there any other questions on this section?

Stephen:

Let me finish that. I don't know if that was David or Mario that asked that question, but it was, just to be clear on it, these studies are not indicating to us that the policy is off from a liability matching perspective. And again, this is inexact matching, right?

You'll read about plans that are frozen, fully funded and going to be terminated and those plans often go a hundred percent to fixed income, right? They go to where they fully defease the liabilities with guaranteed fixed income and don't take any risk, knowing that the plan is... that the hope there is, they're not going to put any more funding in and it's just going to pay out its benefits and perhaps even, be terminated at some point. But your plan is living and accruing and so, because of that, we think this strategy makes sense. We call it a hybrid LDI strategy. It's not exactly matching the liabilities. Meaning, we don't have, only in the short term to be exactly matching it, but we have securities maturing on those short-term dates.

2038 liabilities don't have securities maturing on those dates. They have equities.

David:

Right.

Stephen:

I think that was clear but I just wanted to double check.

Catherine:

That was actually helpful. Thank you. Are there any other questions? Kevin, did you have any questions?

Kevin:

No, thank you. I thought it was a good discussion looking at everything and determining that the policy is still valid, or at least, that would be my assessment.

Stephen:

And please, as you're also studying the investment policy statement, please take time to each, individually, look at this too and come back to us with any questions or comments you may have and if they get beyond us, we would bring Angel into that conversation as well.

Catherine:

Thank you. Do you want to look at the investment performance?

Stephen:

Yes, let's jump to that. You know, unless you want me to, I'll skip the pie charts. I think we spent a lot of time on asset allocation and I'll jump right to the performance in the interest of time.

Catherine:

Great. Thank you.

Stephen:

So here's the third quarter. It was a difficult quarter. The plans in aggregate, you see the three plans listed here at the top left, Salaried, Union, VEBA, and then each of them also has a matrix trust account where money flows into and out of and benefit payments are made from those matrix trust accounts, just as a reminder. When you add all of that up on June 30th, there was 78,000,736, as you can see. There were withdrawals, net of deposits during this period of 176,381. That's benefit payments going out of Matrix.

There were some intra account transfers. Basically, one big one was us sending \$600,000 to Matrix to fund the salaried plan payments. Thus, when you do that simple math left to right, the corpus at that time is 78,000,560. The ending value was 76,000,254. So there's a \$2.3 million dollar capital loss during the quarter, which equates to 2.98% net and 2.89%, that's not a mistake, actually. It's interesting. 2.89% gross and obviously, in a down quarter or period, it does not meet the actual rate of return for that 90 days. You can see the benchmarks, more risk, less risk, whatever they may be. From a market perspective, the plans outperformed all of the benchmarks for the down quarter.

You can see in the bottom right, there was very little up in the quarter, whether it was a domestic equity index, whether it was an international equity index, whether it was a bond index, et cetera. Like, there's

virtually, there's one or two items up. T bills were up and hedge funds were up, ever so slightly, but it was a difficult quarter as the Fed continued to raise interest rates as it became clear that we weren't at 2% inflation or anywhere near it yet, and as employment remains strong, that's a good thing for those of us working, but it's a bad thing from an inflation perspective. So, tough quarter, but I'm happy that we're at least above the market benchmarks for that timeframe.

If we jump a little longer term, calendar year to date is still a positive returns. This is January 1st till September 30th. I won't read you every number unless you want me to, but basically, the funds in aggregate have made 2,000,522 for the nine months now 3.47% net, 3.75 gross. The actuary return over a nine-month period would be 506, so not quite at that still. And no surprise here, given the magnificent seven, if you use the market cap weighted indices, the midpoint is 5.67, so a little bit below that, and if you use the indices using the equal weighted, which is the average stock, it's 1,21 and so, not surprising, we're almost dead center there because we do have aspects of both in the portfolio.

So kind of between the two sets of benchmarks, we're not completely over weighted in just those seven names, as you know. If you look at the bottom right, you see the difference here. You've got the Russell 3000, the broad US stock market, up 12,39 for that period, but the S&P equally weighted is up 1,79. It's quite dramatic. The other thing that's happening, it is again, a rehash of '21 again, you've got the value stock, so your dividend yielding names of which we do own a weighting to, up only 1,79 and the tech-centric growth names up 25% again. They're great companies, but it's a very unusual market, to say the least.

If we could jump to the next one for one minute please. Let me just pause for one second 'cause I've got cleaning people here. I want to stop them.

Sorry. Fiscal year, pretty flat, frankly. So this is running just from June 1st till now, and that's when the market started to roll over a bit. Net, the plans are up 123,000 so far for the fiscal year. The actuaries need two and a quarter for that timeframe. The benchmarks, obviously, the midpoints of 0.34 and minus 0.05, so right where you would expect, a very flat timeframe, mostly from the bond side of things.

We jump further out. Last 12 months, it does get better when you look under this framework. So 12 months ago, there's a pretty substantial difference because 12 months ago, think about it, we're at the bottom of this current market cycle or the market cycle we were in, through the end of September, at least. Unclear whether we're in a new one or not, since October has started. But for the last 12 months, the combination of the three plans have made 7,000,124, 10 and a half percent net, 10,89 gross, and here, again, you've got the market cap weighted seven names doing a lot of that lifting, but the equal weighted did some of that lifting also, and value did some of that lifting as well. Value is up 14 plus percent during that timeframe.

So things were firing more on all cylinders during that timeframe, when you include from the bottom to the top if you will. The top was really in June. The benchmarks there, the midpoints are 12,23 and 9,37. So again, right between those and where you'd expect the performance to be. We go out further and actually, today, we're going to have eight years for the first time ever because we've completed a full eight years and even after the portfolio was initially ingested, so three years. Three years takes into account, we're now getting all of '21, which was a good year, all of '22, which was last year, a bad year, and nine months of '23, which is not sideways. It's a slightly up year.

So it's interesting to see, when you take all three into account, the funds are up, albeit a relatively modest amount. Less than they are, all of this in the last 12 months if you go back. Don't go back, you don't have to, but if you think back. A six and a half million dollar gain in the third column from the right, just over 3% net, about 3,40 gross. And here, things flip a little bit, because here, because the average stock has done a little bit better over this timeframe than the market cap weighted index from an

indexing perspective, the market cap weighted center point is at 2,82. So above that, the equal weighted benchmark is at 3,69.

So, above that gross, a little bit below it net, but that's a flip flop of what you were seeing, because when you look at the whole three years, those seven names or just the FANG stocks, were not the dominant players. It smooths out over time, if that makes sense. This phenomenon that we've been living through.

You go to five years, I think. Yip, five years, it's similar, actually. Five years, we've got all of Covid in here. We've got a little bit of a volatile market. The dollar gains just over 13 million. It is 3,94 net, 4,32 gross. And again, it's benchmarking on a gross basis, almost exactly at the midpoint of the market cap weighted and above the equal weighted. And I'll go out further just to show you what happens with time. Eight years, we had seven years, so now that we have eight, we put the eight in here. Over the last eight years, I will read through these numbers a little bit more detail because this is a pretty long timeframe. You started with 39 million and change. Don't mind me, my eyes on the screen are tough. If I'm coming close, I'm trying to read it.

39.4 million, I'm getting closer and closer, net deposits. So this is to someone's question earlier, what are you putting in or what have you been putting in net of withdrawals? Almost \$10 million over that timeframe. Transfers, funding money into Morgan Stanley on a net basis and out to Matrix trust if you're the union plan. Thus, you have net invested 49,000,296. That's your corpus, if you will. So that's your deposit base on a net basis, since we met, basically. And then you've got a current value as the same value we've been seeing the 76 and a quarter million.

So, dollar gain over that timeframe of almost 27 million, almost 6% net, 6,31 gross. It benchmarks above both sets of midpoints, which are the points we're trying to be at or better than. It does not give us the 6,75 that we need from the actuaries. It's pretty close, right? It's closer than one would think, looking at the last few years since Covid and inflation and everything else. But I think it's good perspective saying, what if you take these same numbers and go forward? The bond side alone, to Alan's earlier point, would get us to 6,75 and then some.

So we're more optimistic than we've been and we're pretty serious people at times, and I hate to say stern, but rational, and not buying into hype at all. I'm now saying to you, look it, we know we can get, I'll just pick 6% out of bonds. We know if you look in the very bottom right of this chart that the Bloomberg Ag Index has earned 0.55% a year since we met. I will, I can't guarantee anything in life, but I'll [inaudible 01:11:15]-

We can't exchange anything of value, so I'll bet you a glass of water. I'm sorry, that's of high value. I'll bet you a glass of Connecticut water, Southern Connecticut water that the bond side will do a lot better than 0.55% if we look back eight years from now, and it's very likely to be more between five and a half and six and a half percent. So that alone, if you think about that going into the mix, it solves the actuarial problem, as long as equities still perform in a relatively typical manner, meaning, they have up, down sideways, but over an eight year period.

So you may look at it and say, "We're not making 6,75." True. I look at it and say, "Why are we not making 6,75?" Well, how can you get to that number when you've got a bond market that's earning a half a percent a year for eight years? Could you get to the number if the bond market was making 5% a year? Of course you could. Could you get to it even at 4%? I'd have to do the math. But we're looking at a bond market now that's offering us 5, 6, 7% yields. So I'm relatively, I'm never going to be happy until we get to the number or above and you're probably not either, but I'm content that we're almost at six over a period of time where the bonds have made literally nothing. So I think, that's my conclusion. Is there any more after this one? I don't think so.

No. So over by 11 minutes, not too bad, considering all the subjects we had to cover today, any questions, comments, concerns, feedback?

Catherine:

Thank you very much, Stephen. I appreciate the comprehensive report. Thanks for putting up with my questions.

Stephen:

No, we love questions. The last thing we want is just for us to just be sitting here giving you a speech, right? It should be interactive and I very much appreciate that it was today. So we'll wait to hear back from you on the investment policy statement. If there are any amendments to be made to that, and we'll wait to hear back from you if you want to explore. As you look at those charts that Alan did on the liability study, if there are any questions, things you don't understand, things you need clarification on, please just reach out to us. I think you all have our information and Rochelle certainly knows how to reach us.

Catherine:

We do. Thank you very much.

Stephen:

We appreciate you all and working with your organization. Have a great rest of the day.

Catherine:

Thank you.

Stephen:

Thank you. Bye.

Catherine:

As I discussed earlier with David, I propose that we recess this Committee meeting for now and reconvene a later meeting when we have an executive session. Is that okay with everybody?

David:

I'm perfectly fine with that. Mark, I saw Mark on here, so welcome, Mark. He came in in the middle of it. We had already started, so.

Mark:

I'm here.

David:

Good. Thank you. So I agree with that.

Catherine:

Okay. Do we need to vote on it?

David:

Well, we probably want a motion that says we recess the Pension & Benefit Committee to later and reconvene as the Authority. Does that make sense?

Catherine:

Is that a motion?

David:

Sure.

Catherine:

Do I have a second?

Mario:

Second.

Catherine:

Right. All in favor of recessing and reconvening later.

Committee:

Aye.

Catherine:

As this Committee?

David:

As this Committee, correct. Okay.

Catherine:

Did I hear Kevin?

Kevin:

Yes.

Catherine:

Okay. All right, everyone agrees.

[PENSION & BENEFIT COMMITTEE RECESSES AT 1:43 P.M.]

[PENSION & BENEFIT COMMITTEE RECONVENES AT 4:51 P.M.]

David:

You're on your last item on the agenda.

Catherine:

Thank you.

David:

Are you going to move into executive session?

Catherine:

I am going to ask that we move into executive session.

David:

Pursuant to C.G.S. 1-200(6)(E) to discuss matters covered by Section 1-210(b)(5)(a) pertaining to trade secrets? Inviting the executive team.

[PENSION & BENEFIT COMMITTEE MEETS IN EXECUTIVE SESSION FROM 4:51 P.M. TO 5:15 P.M.]

[PENSION & BENEFIT COMMITTEE MEETING ADJOURNS AT 5:15 P.M.]