South Central Connecticut Regional Water Authority
Pension & Benefit Committee
April 15, 2021
Meeting Transcription

[START AT 12:31 P.M.]

Suzanne: Thank you. So we have a number of things to cover this morning and we'll try to move as swiftly as appropriate through our agenda here. First off, are the pension minutes. Do I have a motion to approve the minutes?

Kevin: Moved.

Suzanne: And a second? I saw a note about a change to the minutes. Does that need to be done in the meeting or was that done prior to the meeting?

Jennifer: It was the authority minutes and it was done prior to the meeting.

Suzanne: Okay. Wasn't the pension, great. Very good. Any discussion on the pension minutes? All right. All those in favor to approve, please say aye.

All: Aye.

Suzanne: All those opposed, abstain? Okay. Unanimous vote to approve the minutes. We'll move on to the actuarial reports for the pension and VBA and the related contribution amounts, and we have the Angel Pension Group with us. Who do we have? Do we have Jeff? Do we have-

Jeff: Yep, it's Jeff and Albert?

Suzanne: Okay, great.

Albert: Hello everyone.

Suzanne: First thing we're going to do is look at the actuarial reports for all three, union, salary and VBA. So Jeff and Albert, if you're ready, we'll turn the meeting over to you, does that sound good?

Jeff: Sounds great.

Albert: Yeah, that sounds good, this is Albert speaking. And what we've done this year to streamline the discussion and help you better navigate to the key salient points in our valuation report, we've prepared executive summary that summarizes the key points that are critical, coming from the valuation report. So if we could concentrate everyone's attention on the executive summaries for each of the plan, that will be best in our view. So we can start with any plan you can think of, union plan.

Suzanne: Sure. Go ahead and start with the union plan.

Albert: Perfect. Thank you.

Suzanne: And before you begin, I know we have it on the screen. Does anybody need to know where it is on the agenda because we've jumped over a couple of documents? You all set? Okay. Very good. Go ahead, Albert. Thank you.

Albert: Yeah. Thank you so much Suzanne, on this. So as you know, we complete annual evaluation for your pension plans, union plan in particular right now. Your plan year is 1/1 to 12/31 calendar, and your fiscal year is 6/1 to 5/31, so I just want to remind everyone. So if we look at the summary, we summarized the accounts of participants covered under the union plan, as of 1/1/2021 valuation result, you had 78 actively employed participants covered in the union plan, who are benefiting. You have 38 terminated vested participants, those who left employment with the agency, but still have the benefit to commence. And then you have 110 participants are currently collecting monthly benefit from the plans for the total of 226. Last year, the total was 231, so you had a slight reduction in the participant count from last year to this year.

The average age of your participants, so from active population, you have 57.7 is the average age. And the average years of service is just under 30 years, 29.6. So you can see that you have, I would say, above average active population, in terms of both years of service and active age of the participants. Average age of participants who are no longer employed, 68.9 for the age and 19.5 years of expected life expectancy of the participants who are not employed. So again, what it tells us, that you have a slightly older than average population of the plan. It's nothing bad, it's just a summarization of what your population looks like.

From the market value, in actual value standpoint, you guys had a great [inaudible] last year. Your rate of return on investment was 10.2%. So that's great news. Last year, the return was also double digit, 17.7. So you had two straight years of out-performance of what your benchmark is for the year. Last year your assumption for the rate of return was 7%, this year, based on some capital market forecast and the analysis done by Joe and Steven and their group, the decision was to reduce the rate of return assumption from 7% to 6.75%. And that's the best representation of the performance of what the future may bring.

So if you will look at the exhibit, the contribution levels that were put in the plan last year, right at the top of the screen we see right now, actually, if we could just go back for one sec. Perfect. Yeah, that's fine. So the prior year contribution on the plan where 1.2 million, the distributions from the plan 2020 cycle, were 1,656,000 and the plan expenses that were born by the plan, were 115,000. So was in the same ballpark, that was the place of those activities.

So as I mentioned, the rate of return assumption was reduced from seven to 6.75. But the good news is that the funded status of the plan continued to hold steady. As we can see on the market value of the plan assets, the funded status last year was 86.4%. The funded status of the plan assets to benefit as of 1/1/2021 is 89.4%. So given the favorable asset returns in 2020, coupled with the contributions made into the plan, you were able, even though despite the interest rate was dropping, as we know as the rate goes down, the liability slightly goes up. So you were able to hold a very healthy funded status of the plan at 89%.

For your valuation measures, we're using actuarial value of assets. And that allows you to smooth any bumps in the road in terms of any losses on the investments that have happened in the past. So you can see that on the actuarial value of assets, the plan funded status also continued to stay are in a good position. It was 84% last year, almost 85.5% for the current measure. So I think all in all, you had a very good year last year, your funded status continued to stay flat or improved slightly and that's what we want to see from the [inaudible] plan.

Suzanne: Excuse me, Albert, for one second. Rochelle, could you just remind me, how much was our excess contribution last year? And if you don't know off hand, you can give it to me later.

Rochelle: Yeah, I will have to check. Well, actually at the end of fiscal [inaudible] money, yeah, we didn't make end of year above and beyond, but our overall, and I'll get you the exact number, was over the arc because what was approved, but I'll let you know the exact amount.

Suzanne: Okay. Thank you. It's not urgent. Go ahead, Albert. Thank you.

Albert: Sure. From a contribution standpoint, so what we see on the screen right now is actuarial determined contribution. So for the 2021 plan year cycle, we determined that what would be recommended contribution without taking into consideration any excess of contributions you guys made over the past several years, you would want to make at least 1,077,926 in the plan. And that is based on what's our calculation of cost of accrual or benefit for active participant is going to look like for 2021 plan year. So that is almost identical number to what was the contribution for the prior year, was 1,820,000.

Now as you know, each year we calculate, what does the contribution in the plan would look like if you would want to fully fund the plan, either on a seven year or this year, we had discussion with the management and the thought process was what would be the level of contribution doing to the plan, if we would want to be in a fully funded accrued benefit position by May 31st of 2025. So we completed that calculation and our derived result was that contribution of 1,151,000 in the plan over the next three, four years, would put the plan in 100% funded status on the level of benefits accrued to that point. So if the environment will stay constant and the return on investments will be 6.75% as expected, contribution of 1,151,000 per fiscal year through 5/31/2025 would fully fund all of the accrued benefits that the participant have accrued at that point.

Suzanne: I'm just going to interrupt again. Rochelle and Larry, so in '23 is our seven-year target from back when, correct?

Larry: Correct.

Rochelle: Correct. Go ahead.

Suzanne: And then '25, you were looking at '25 because?

Rochelle: We were looking at '25 because actually the last two, 10-year model updates we looked at, we did not believe getting to 2023 was viable. And just to share, if we stayed with the 5/31/2023 view, our contribution would be like 7.7 million across the two plans. So we thought that was too much pressure on rates, so consistent with our last couple of models, we asked the actuaries to look at ending on 5/31/2025.

Suzanne: Okay. And if we did that, are there any implications, downstream implications, credit rating agencies, anything else in terms of putting off fully funding the plan?

Rochelle: I think given that we're demonstrating that we're making significant contributions and staying on our plan, I don't expect there'll be any adverse reaction to going from 5/31/2023 to 5/31/2025.

Suzanne: Okay. Thanks very much. Go ahead, Albert.

Albert: Thank you. And as Rochelle just mentioned, the level of contribution for that plan, if you were to fully fund it by 5/31/23 was about $2.3 million, that was just on the screen a second ago, so 2.1 million.

From an assumption standpoint, this is just a summary page documenting that we are using that 6.75% discount rate, which is the same rate as the long term rate of return assumption on the investment, and we are using the most currently available mortality table when measuring plan liabilities. It was a slight improvement from last year. Last year, we used scale MP 2019, this year we are using MP 2020 and that migration of the mortality table was a reduction in the plan liabilities of about 0.2%. So this further improvement in the mortality scale as recommended by the Society of Actuaries, allowed you to slightly reduce the plan liabilities, because that's their best outcome of future mortality of the participants.

Are there any questions on anything that we just went over as it relates to the union plan? I think in summary, the plan is in good standing, continued contribution on the plan with a goal to fully fund accrued benefits through 5/31/2025, certainly would be a great idea. And certainly we'll illustrate to your banking institution providers, that you are continuing to do positive moves in terms of improve the funded status of the plan on its total value.

Suzanne: And is the philosophy to change it out to '25? Because I mean, our investment performance has been good, our contributions have been in excess [inaudible] and I know that the contribution is big and it's a stretch, but it was always going to end up being this way and all things have been working positively for us. So was it unanticipated, the seven million, Rochelle? What changed?

Rochelle: So various things changed. So especially as you get closer to the end point, you get a lot of volatility. So way back the levelized contribution might've been a much more lower level because we have had some years of under-performance. So that's why with only two years to go, it would be like the 7.7 million across both plans and we thought that put just too much pressure on the rates.

Suzanne: Okay. So we're in a boat and we're using GPS, when we're a hundred miles out, it's steady going and we get really close to that GPS item, all of a sudden you have to be turning 90 degrees, and so it's kind of the same thing. Yeah, got it. Okay. All right. Very good. Anything else on the union plan from anybody? All right-

Steve: Can I ask-

Suzanne: Yes, go ahead.

Steve: Albert, while we have him on behalf of the group. So Albert, as the plan approaches 90% and 95% and 100 as we get closer to shore, to use Suzanne's analogy, I like that, and the surf gets rougher, what would be recommended or a typical from a portfolio perspective? I saw the normal cost was about 4.3% per year, I'm talking from a de-risking. Is this plan or the next plan, is there any sense in de-risking them as you get closer to shore?

Jeff: Yeah, Steve, this is Jeff. Not typically with an actively accruing client.

Steve: Right, that's why I asked.

Jeff: So you might want to take some steps around the edges, but any significant de-risking, there still is a long-term rate of return assumption of six and three quarters. So from that point of view, if you had a frozen population or frozen benefit, then I'd say yes to preserve the funded status, but any real sense of an LDI strategy or de-risking strategy with an actively accruing, you'd run the chance of liability starting to really outpace asset growth.

Steve: Right. So second half of the question then based on that is, how many years, Albert referred to smoothing, how many years of smoothing is being used in these plans? Because I want the committee to you understand that as we get closer, it is going to be volatile up and down around 100 even. So you use smoothing in these calculations?

Albert: Yeah, we're usually smoothing, it's a four year smoothing, Stephen.

Steve: Okay. So that's important for everyone to know, that you get to 100%, you get to use an average rate of return over four years, you get 10% a year for four years, it's obviously simple math, it's 40, but you don't usually get there that simply, or at 6.75% a year. So what could happen is we could go to 104% and I'll be elated, and a few years later we came back at 96. I just want to set the stage to make sure everyone understands how this works.

Jeff: Yeah. The 100% is a target goal for sufficiency to pay benefits long term, but it was not the unusual [inaudible] Steve, to send for you to go over the limit, back under the threshold and so forth. So because you are fairly significantly underfunded, this sort of [inaudible] like amortization you've come up with, gets you to full health, but it's not uncommon that health would go above and below the threshold year over year.

Rochelle: I just want to also add that when you say fully funded, but as people are still accruing, [inaudible] annual service costs.

Jeff: Exactly.

Albert: Absolutely. The funded status we've been talking about, is on the level of benefit accrued to date. So as you, Rochelle mentioned, and Jeff mentioned in his earlier remarks, you have an actively accruing plan, where participants benefit will continue to grow. So it is important to have a heavy equity exposure and have a rate of return that's commensurate with the level of accrual in the plan.

Steve: I just want to make sure everyone understood these waves come into the shore and go back out and it gets a little more steeper as you get closer, to the earlier point. But thank you.

Jeff: Yeah, think of it in phases, your first phase is to get the plan fully funded on an accrued benefit basis, the next phase is you start looking, as Rochelle said, towards your future service cost as well. So this is sort of the goal of phase one.

Suzanne: Very good, guys. Thanks for that explanation.

Jeff: Sure.

Suzanne: All right. Let's move on to, do you want to go to salary plan? Great.

Albert: Sure, that'd be great. So this summary is an exact same layout, just for ease of following. So this plan covered 314 participants as of 1/1/2021, 74 actively employed, 70 participants who left employment and not yet in receipt of the benefit and 170 participants who are already commenced and receiving their monthly checks. So 314 in total, versus 317 the prior year. So again, you have a fairly steady group of participants covered under the plan. The average age of these participants are slightly younger. So you can see average age of active participants is 55, with about 22.3 years of service. The years of service is also slightly lower, about five, seven years for this plan, then for your union plan. The average population and age of inactive participants, those who left employment, 68.3 and average life expectancy of those participants, about 20.6 years.

Similarly, to the union plan, we are using smoothing method here for asset valuation purposes. Again, it's smoothed over four years. On the market value of assets, when we compare year over year, your plan funded status had a also favorable performance. You guys were 83% funded for the current year, versus 82.6 the year before. Similarly, the rate of return for this plan was 10.2% this year, 17.7 last year. So again, two good years in a row. For purposes of contribution, so this plan, we know it has a larger liability and the level of contribution in this plan has been significantly higher because the plan is less funded than the other plan, and you want to concentrate any access to the extent possible towards this plan to meet your goal of fully funding this plan by 2025. The level of benefit payments also has been increasing as participants are retiring and receiving their benefits. So level of payouts for 2020 plan year was 3.4 million, the year before it was 2.8 million.

So certainly there's going to be additional call for liquid assets because of higher distributions that are being processed from the plan. Similarly, this plan also had a reduction in the interest rate assumption, so we're using 6.75. And again, given the favorable performance of the assets, coupled with continued contribution, you're able to keep the rate of funded status to be pretty flat year over year, which is a good thing. On the actuarial basis, you had a slight drop on the funded status, and the reason for that is because you had a couple of good years of return and since we're using four year averaging, your actuarial assets are slightly lower than what your market value of assets. So as we can see, the smoothing methodology helps you in a year's where you have losses and it slightly puts you back in the years when you have favorable returns, but overall, we can conclude that you had a really good year and the funded status stayed about flat.

On the actual determined contribution, so again, the level of cost of the benefit accrual per year for this plan, is approximately 2,142,00 and that's what you want to make as a contribution at the very minimum into the plan. It's very similar to what it last year in terms of recommended contribution 2,890,000. Now as we fast forward and we'll look at the calculation we've done, what would it take to fully fund the plan on the accrued basis as of 5/31/2025, and we came up with a number of about 3,164,000. On a prior basis of seven-year funding, that number you can see 5.6 million. So certainly it's a pretty high mark to take with a fully funding goal of 2023. So in our view, if the goal and intention is made to fully fund the plan by 5/31/2025, I think from our perspective, at least from an actuarial side of things, we think it's a certainly well set and well positioned game plan.

In terms of assumptions, so we are using a salary scale here of 4%, so that's expected growth of compensation over the life of the plan. And that includes both promotional, merit and salary increases year over year. And also the mortality tables similar to the union plan, it was updated this year, and again, it produced a slight reduction in the plan liability, just under 0.2%. So it was a positive move in keeping the plan in the most current line of the mortality table scheme

Suzanne: And Albert, how do you determine the salary scale?

Albert: So it's a very good question, Suzanne. So we'll look at the historical increases over the life of the plan and then we have discussions with the management in terms of what the future expectation is, and that's how there's a salary scale. So it tended to be not just the one-year increase in compensation, but it's over the life of the plan and what's a good approximation of that roll-up of the salaries.

Suzanne: So each year, we look at that?

Albert: We look at it every five years. So you have to build a good experience from the prior five years and then we have a dialogue with the management of the expectation of the future. But the key here, it's not just regular increases year over year, it's promotional, as well as merit increases also have to be factored in here from an actuarial standard of practice.

Suzanne: Sure. I would also expect there's some downside that goes into it when someone retires at the high end and you hire at the low end, right?

Albert: Correct.

Suzanne: Okay. All right. I'm sorry. Keep going.

Albert: Yeah, no, I think that's a good question. And certainly recruitment of personnel where the higher paid people retire and lower people started working in the position, that's certainly taken in consideration as well.

Rochelle: Just keep in mind that our plan is closed, so the new hires are not part of the plan.

Albert: True.

Jeanine: Yeah, I was just going to-

Suzanne: Oh, that's right. That's right. Okay. Thank you.

Albert: I think that's all we had on this plan. Was there any questions?

Suzanne: Any other questions on this plan and if not, we'll move on to VBA.

Albert: So similarly out on VBA plan again, the participant demographics, so here we split out active participants between those who are eligible for medical, as well as those who are active participants who are only eligible for the death benefit. And the split is 136 for eligible for medical actives and 120 for death benefit. And then you have retirees and spouses covered under the plan of 253 for the total of 509. So you have a reduction of 14 participants from 523 participant covered last year. The average age of these participants covered under this plan is 50.4 with 17 years of service, and then the average age of inactive participants, the retiree re-group only, measured here at 72.7 and their life expectancy's 16.2.

Now, similarly here, the rate of return was very in line with the other two plans, 10.2 and 17.6 last year. In terms of the plans funded status and the contribution, so contribution in this plan, as we know, are not taking consideration excess because the idea to our knowledge was, let's concentrate as much resources as possible on improving the funded status of the salary than union plan. And as those two plans becomes better funded, we will shift gears in terms of putting more resources in funding this VBA plan. So level of contribution for 2020 was 1.9 million, the year before it was 2.145 million. The benefit payments processed from the plan was about 1.7 million last year, and the year before, 1.9 million.

The funded status of this plan, again, it's continued to improve at about 30% last year, 32.7% this year. So this plan covers a lot less of a liability and benefit levels. So the normal cost and the level of actually determined contribution for this plan, it's 2.102. And I think that's the intent, Rochelle, correct me if I'm wrong, of what the expected contribution would be going into this plan. There's no-

Rochelle: Actually we would use the recommended cash contribution, which is lower.

Albert: Okay. So all in all, this plan is slowly improving in its funded status as well, going from 30 to 32%. And the idea is, as data plans are better funded, then this plan will get more attention and more benefits and dollars will go into this plan to continue to improve its funded status. And the same with the mortality tables, we're using the most current mortality tables and that did have a slight reduction in the plan liability, similar to the other two plans.

Suzanne: So thank you for acknowledging that it's improving. That's good. So I know that we have some action from some of our work here, but I see it looks like it's going back into general session, right David, we're not doing that inside the committee?

David: To take action, yes. The committee can recommend something and then when we come out of the committee, we'll do it as a full board.

Suzanne: And do you need the committee to vote, to make the recommendation, would you like us to do that?

David: That's tradition, yes.

Suzanne: Okay. Very good. All right. And would you like to do that now, before we go to investment return, or would you like me to come back to that?

David: It's up to you. If that concludes this topic, then you may want to do it now.

Suzanne: Okay. All right. Well, Albert, since you went through the executive summaries, I know there was additional reports for the board to read. Was there anything else that you needed to go through?

Albert: No, unless there are any specific questions, I think that was the summary that we thought was important to share with the committee. And certainly to the extent there are detailed questions, we can refer to the evaluation reports. But I think the things that we covered right now, covers the salient points of what we wanted to discuss.

Suzanne: Yeah. And I think the executive summaries are a big plus, they're very easy to follow. So thank you very much for that. Appreciate that.

Albert: Thank you.

Suzanne: Any questions from any members on the board? Sorry, I've got a phone ringing in the back. Can you excuse me for one second? I'm sorry to pause here.

David: I actually will ask a question then if I may. Just what was budgeted for in the budgets that we just reviewed a couple of weeks ago? Which number, was it the 2025 fully funded number?

Rochelle: Actually what we did David, in the fiscal '22 budget, we have the arc however, one of the resolutions is to do an additional contribution this year, actually get to that fiscal 2025 number, but spread it between an additional contribution in '21 and arc in '22, but we'll still have an opportunity, if we do well in '22, to do and another additional contribution.

David: Okay. So you're pre doing it a little bit earlier, but it is on the 2025 timeline?

Rochelle: Correct.

David: Okay. Very good. Thank you.

Suzanne: I'm back. My apologies.

David: I filled the time with a question.

Suzanne: I'm in my father-in-law's office, he's got five phones and one coming from him and I just dropped him off and left him there, so I didn't know if he was stranded or something. Thank you for letting me interrupt for a sec. And this other call will go away at some point. All right. So if you go to section C on the agenda, you'll see what the pension contribution resolutions and such are, so that the committee can review them because I don't see them inside the committee documents. Am I correct? And we can take a look at those. So first we have the proposed resolution for the additional pension contribution, full year 2021.

Suzanne: And the additional pension contribution for full year 2021. And it's resolved that based on the recommendation of the pension and benefit committee that the South Central Regional Water Authority authorized an increase of $1,094,561 as a combined contribution to the South Central Connecticut Retirement Plan and the South Central Connecticut Regional Water Authority salaried employees' retiring plan during fiscal year 2021. And Jennifer, I think we have a little bit on the recommendation of the... We have a little bit of a typo in there. If we can just get that fixed in the resolution.

Jennifer: Okay.

Suzanne: So, but with the rest of the board, are there any questions about this additional pension contribution? Rochelle, do you want to say anything more about it?

Rochelle: What I had just shared is this is based on in effects or pre-funding to get to that level view of getting fully funded by fiscal 2025. So this was calculated based on the difference between that fully funded level in the arc for fiscal '22, because we only have the arc in the '22 budget. But we'll have an opportunity at the end of next fiscal year to make an additional contribution if we're able to do so.

Suzanne: Okay. Thank you, Rochelle. Any other comments or questions? I'm sorry, Kevin?

Kevin: I move this resolution, make a motion to recommend this resolution to the full board when we come out of committee.

Suzanne: Thank you, Kevin. Is there a second?

Joe: Second.

Suzanne: Thank you, Joe. Any other-

Kevin: Yeah, that motion was as amended. And do you mind if I make one quick comment, Suzanne?

Suzanne: Sure. Go ahead.

Kevin: So just Jen, this goes not just for this resolution, but also I appreciate all of the consultants' and professionals' recommendation and input and guidance. I appreciate the input and guidance from Rochelle. And I think I understand the concerns and I think what's important is that we have a plan, that we've explained the plan, that when we changed the plan we also have reasons for it and go through the due diligence process. So I think that's all important and that's why I'm in favor of doing this, making these motions, both for approving these resolutions with this and the next couple that we're going to do. So I really think that as long as we should be able to satisfy anybody's concerns or questions if it shifts a year or two here or there, and we have valid reasons and all of this work will support that shift. So I'm in support of it and I appreciate all the effort. Thank you.

Suzanne: Thank you, Kevin. And that's why I asked the questions, I just wanted it on the record. So I appreciate you making those comments on the record as well. Okay. So with no other discussion, can we go ahead and move the resolution?

Kevin: Aye.

David: Aye.

Joe: Aye.

Suzanne: Joe?

Joe: Aye.

Suzanne: Thank you. And I'll say unanimous that the resolution gets moved. Okay. Next item up are the proposed pension resolutions. All right. So I'm not going to read this-

Kevin: I'm going leave this resolution as proposed.

Suzanne: Thank you, Kevin. And is there a second?

Joe: Second. Joe.

Suzanne: Thank you, Joe. Is there any other further discussion by the board? Okay. Seeing none, all those in favor, say aye.

Members: Aye.

Suzanne: All those opposed? All those abstaining? Let the record show that the committee recommends unanimously to the board to make this resolution. And the last one is the VEBA. Do I have a motion to approve the plan contribution?

Joe: Joe, moved.

Suzanne: Thank you, Joe. And second, Kevin, thank you. Any discussion? Very good. I think all of Kevin's comments are still relevant here. So all those in favor, say aye.

Members: Aye.

Suzanne: Thank you. Any opposed? All right. And any abstentions? Let the record show that unanimous recommendation by the committee to the board. Okay. Next up we have, unless there's anything else on anybody's mind related to contributions, actuarial reports or anything of that nature? We're going to move on to our investment presentation. Okay. Very good. So Morgan Stanley. Steve, are you there?

Steve: I am here. Can you hear me okay?

Suzanne: I can hear you and I can actually see you too. So the screen is yours. Jennifer's and control the screen. Just let her know as you'd like her to move it along.

Steve: All right. Very good. Thank you, Suzanne. And thank you everyone. Happy to be here. We are relatively condensed on time today. So I did promise that I would do this quickly. So I'm going to try and report to you the information that you need to know, give you a little bit of color as to what's been going on in the markets and what we anticipate and take it from there. So we may not move around a little bit in this presentation more than usual, if that's okay? And if I'm going too fast, please object and chime in, as I know you will do. I'm going to start with page 7 of 37, Jennifer, in the PDF. I'm going to skip over the routine parts unless anyone objects and just show you what's quite a bit different than last time we spoke. And what you have here is I think it's important to know what's been going on in the equity markets domestically in particular because it's quite different than what we experienced last year.

And it's positive, no doubt, the far left is the S&P was up just over 6% for the first quarter. And I think one of the more amazing things that has not shocking, but amazing is go to the fourth part of the right, the growth index was up just over 1%, a massive divergence. So tech stocks and biotechs or all of the talk or in more of a stay at home environment that has changed. You see the average stock in the S&P up about 11.5 and the value stocks up almost 12. So quite a difference from what we've experienced in the last calendar year. If you jump two slides ahead, please, to number nine, Jennifer. I say it's somewhat expected. We saw this happening in the fourth quarter last year, too. The light blue is last year's fourth quarter in the average stock of 18.46, the value 17.21 and smaller caps up 32%.

You saw this trend continue in the first quarter, but to a lesser degree where the average stock was up 11, average value up about 11.12, and the smaller cap up 12. So what we thought would happen when the market broadened a bit is you see the average stock do better than the index. You see the average value upper from the average growth and you see the average smaller or mid cap stock outperform. But one thing that's not in this deck today, that I think is very important to you is the interest rates did climb rather dramatically during the quarter, and I skipped over that, but we started at a very low level and it's gone up. So when interest rates climb, the stock market has, has gone up despite rates going up, it had some bumps along the way. The theory is that that's been the drag on the technology names thus the only 1% return for that space.

It's also been a substantial drag on bonds for the quarter as you'll see. And obviously we have a component in bonds, so it's been a bit of a drag on there, but overall the portfolio has done well. Does that make sense? That was my very brief market commentary today. We want to jump to page 12 one moment and not to look at the investment policy statement. But I'll just bring it up when the investment policy statement was put in place, we all agreed that we would review it by annually and we're there between now and the next meeting. So one agenda item for the next meeting, we'll work behind the scenes with Rochelle and Suzanne, whoever needs to be a part of that between now and the next meeting, but it's important that we stick to this policy and that we do that semi every two year review, if you will. So that's an item that I want to make sure that we have on the agenda for the next meeting, because we will be hitting the deadline date at that point.

Suzanne: Sure. And, Jennifer, if you would just add it to the work plan, I know it's not in the work plan, but let's specifically call it out in the work plan so that we don't miss it.

Jennifer: Okay.

Suzanne: Thank you.

Steve: We don't anticipate anything dramatic there because obviously we've had a lot of discussion about asset allocation the last few meetings. And when we were talking about the rates of return going from 7.0 to 6.75. One other thing I wanted to share with you while we're on that is Morgan Stanley, in the meantime from when we last met did come out with their new forward-looking forecasts and those continue to support a trend towards lower expected rates of return. It did surprisingly to be there's a slight, we dropped our expected rate of return for fixed income by 10 basis points. We actually increased for global equities our expected rate of return for 10 basis points relap. The rest remained are the same.

And when you put in the blend and the investment policy, that takes the expected rate of return at a base level from 6.06 to 6.09. So it did move, entirely it moved, but it moved three basis points in our favor, if you will, but it still supports the 6.75. There's no question, ultimately it supports 6.09 at the moment, but the trend I guess, is in the right direction, which was good to see. Two pages for other in page 14 of 37. And again, I'm giving you a lot quickly here, so please pause me if you need to. The salary and union plans, there were $680000145636 [inaudible] upper center at the end of the quarter, they were invested per the pie chart. I always like looking at the upper right-hand corner, you're basically almost 58% equities. About three quarters of that equity is domestic with the remaining international. The international is primarily developed markets with about 20% of that number of being in international markets.

The same is going to be true for VBA is very similarly, but VBA has a little bit less than the alternative space. If we look on the next page, I think the question is always, are we over or underweighted and where are we over or underweighted? In a few, please scroll to the bottom of that page so we can read the lower left. You'll see that the Russell 3000, the broad U.S. benchmark is large, mid and small cap stocks were about 2% overweight in domestic equities, that's been somewhat organic we've allowed to run a little bit. We're a slightly underweight just below that, the 0.81 in non U.S. equities. So in overall equities were just over 1% overweight, it's very slight. The remesed is about as it's been. It looks like we're overweight U.S. bonds, but it's because we're underweight cash in non U.S. bonds. So the fixed income exposure is right where you would expect it to be if you take in cash in non U.S. bonds into account, the 1% Delta there comes from where we're light in global real estate.

Suzanne: Right. And, Steve, just as a reminder, when we are doing the allocation, according to the investment plan, cash is considered fixed income?

Steve: Let me go to that, Suzanne, to answer this correctly, Alan can chime in if he knows off the top. Cash is under fixed income, correct.

Suzanne: Okay. It is, sometimes it doesn't get included, so that's fine. Great. Thank you.

Steve: [inaudible] say something different, I just look really quickly there. Thank you. We can jump to the VBA, which should be the pie chart on the next page. I won't read all to you because we have allocated relatively similarly, except for the pensions do have a hedge fund in them, the VBA does not, that's the main difference. The VBA is all liquid investments. And you see the bottom of the next page, the over and underweights are virtually identical. You saw earlier, the last two year’s rates of return are pretty identical. We basically have almost the same investment policy statement with the exception of the ability to own liquid versus illiquid investments meaning the pensions have the ability to own illiquid investments. The VBA does not have that ability and that's primarily driven by the funded status obviously.

Suzanne: And you're looking at the next slide right there, right?

Steve: I jumped to the next.

Suzanne: Here we go. Okay. All right.

Steve: What I'll do is I'll continue to jump just slide 19 of 37, please, which is few further in. Sorry. Jennifer is typing away in some room somewhere, right? Okay. So here's the first quarter. So this is what we're really here to look at today and we'll show you. We also, for the first time have six-year results, so I'll share that with you today too. We crossed the six-year anniversary, happy anniversary, everybody. What happened during the quarter, the combined monies, both at Morgan Stanley and at Matrix Trust, which again, as the paying entity began the quarter at $76000026 in the upper left, if you see that. There were withdrawals net of deposits during the quarter of $940,000, those were partially funded by the Morgan Stanley accounts, that's the transfers out of Morgan Stanley and into Matrix Trust. The union fund went in the other direction, but the salary and VBA took money in it looks like. I might've just said that backwards.

Your net invested in a rated $75000286. You ended the quarter at $77,000,065. So it was a strong start to the year, very stable and strong that I would call it, $10000778 or 2.36% net. We're still running this at 7% as of now. When we produced this, we weren't aware that the 6.75 was in place yet. So we're still comparing that to the 7% divided by four quarters, requires us if you will, to have a goal of 1.75% per quarter. So we're still nicely ahead of the actual or rate of return. We're also head of the main benchmarks, which is the 125 to 329. We're a little behind not surprisingly the equal-weighted benchmarks because that sorts of much.

We do own that to some degree, we're not all market cap weighted, but it's not surprising that we're ahead of the market cap weighted and behind the equal weight, which is the exact reverse of what you saw last year. We're still running these other benchmarks with you see almost dead center of the page. It says with reserve cash, we would have expected 2% for the quarter. That is we've almost burned through that reserve cash now. If you recall, the plans have been funding the benefits without the benefit of contributions for some time, but we understand that that is changing. I believe it changes Rochelle in the new fiscal year, if I'm correct?

Rochelle: So we're going to be making that additional contribution that we just talked about in fiscal '22. We'll go back to the arc and then we'll, again, revisit if we're able to do an additional contribution.

Steve: Thank you. We just saw the actuaries on a calendar-year basis when the report is finished on a fiscal-year basis, Rochelle and I spoke separately and we will go look at that again. We will look at the liabilities streams that they produce in that report out 5 years, out 10 years, out 10 years and beyond, and sanity check that the investment portfolio matches those short-term cash needs. In the meantime, we do not intend on, if we recall when COVID first began, we raised that cash reserve. We do not at the moment, from what we're knowledge we have of your contributions resuming, we do not anticipate raising additional cash reserves in the funds at any point in the future at the moment, if that just made sense. If you jump to the next page and we'll show you on a fiscal year basis.

Suzanne: And, Steve, is my quick math right that totally at 6.75, it's a 1.68% return, is that right?

Steve: Yeah, it would just be that divided by four. I can't do it as quick as you just did it, but that's exactly what it would be.

Suzanne: Okay.

Steve: We obviously the trying to out earn that sure with prudence that we said. That comment of getting closer to the shiver is good one to always keep in mind. The more we strive for that, the closer you get to fully funded, the more volatile the actuary reports can be. So we're not there yet, but when I started to see 89% and getting closer to that shiver, which is nice. Fiscal year. I won't read you all the numbers, but it's interesting. Since last the beginning of the fiscal year, so from June 1st, I'm looking at the middle of right on the spreadsheet. Well, let me read these through you had $66,0000,452, June 1st, $1,000,00755 has been withdrawn.

Your net invested as a 6497 ended with the same number on March 31st. So again, the fiscal year is going fantastically well. We sometimes joke that we wish that fiscal year was the calendar year, because it seems like it's been that way some of these years, but so far so good. You're up almost 19% on a fiscal year basis at this point with a few more months yet to go, that being said. While I'm talking to that, I'll let you know that April, the combined plans have already made an additional 2.1% or 1,000,006. They're now up 4.5% or almost $3.4 million on a calendar year basis. So April has been an extraordinarily strong month, it's almost been as strong as the entire first quarter, partly because the bond market is doing a little bit better for us.

Let's look at the last 12 months, these numbers get almost silly in a good way, right? Because now we're looking, if we jump to the next slide, Jennifer, sorry. Now we're looking at really the bottom right. March 23rd was the bottom of the COVID crisis from a stock market perspective last year. This runs only eight days after that, really. And again, I won't read you all the numbers this time I'll stop, but the ending numbers is the same $77 million. The gain for the last 12 months has been $180000433, a whopping 31% over the last 12 months from the bottom. So I call that the fund slide at the moment, but it was equally opposite if you recall, one year ago, we were not having much fun at all looking at the current numbers. You got two to three years.

Suzanne: And Steve, just as a question. So we have probably went through a pretty significant drawdown, right? With the COVID decline. And so we're back out of that and then some just so everybody understands?

Steve: Yes. As a matter of fact, you can see that, it's a great question, Suzanne. There was the $60,0000,357 is not quite your bottom number, but again, the bottom was only eight days prior to March 31st, last year, it was March 23rd. So that your bottom number for all practical purposes was the $60,0000,357. So you think about this, there've been withdrawals of $1,000,007 since then. And this value is $77 million, so that shows you how far you would down as low as $60 million. Actually, it's a good time to ask that too, because now we're going to see longer term numbers so you'll see where that relates three years ago. On this next slide, please. You were actually at the value from two years earlier, right? I think we talked about this a year ago. There was $59,000,00119 three years ago, which would have been two years ago, a year ago, right?

So at the bottom of COVID, we'd really given back two years and now to your point, we've more than regained. So you have three to return, I won't read number, but it's all of them. But it's almost $17,0000,967 are upper middle right or annualized 8.57% net over three years. If we jump to the next page for five years, that number is actually exceptional at the moment. To give you some perspective too. There was $43,0000,165, five, five years ago. There had been net cash of $7,0000,449 put in. So the invested amount on the plan from five years ago is the $50, 0000, 614, it's worth that same $77 million. So there's a five-year dollar gain now is becoming substantial $26450 or an annualized rate of return of 903. So it's actually been a very good five years at this point in time.

Again, and we finally add, this is kind of fun to have added on the next page. We have a six-year return for the first time. And you'll see the gain over six years is almost the same number of the $26 million, roughly it's 7.22% net. So what's interesting about that at this moment in time is we set out six years ago to make 7% or more. And we use a lot of forecasts and a lot of jumbling of numbers to try and get this to at seven or above. And it's just uncanny, frankly, that the six-year return is 7.22% net. So interesting because there were a couple of rough years in the beginning there on and off, but there were a few in 18 was a rough number if you recall.

So overall, I'll echo Albert, the plans a very healthy that the trend is your friend as we say, in our business, the trend is in a favorable manner towards funded status. The long-term returns are in place, I'm happy to say. And we're not recommending any changes at the moment, the only really thing on my agenda was that we make sure that we do review that IPS between now and the next meeting so that we can present it if there are any changes at that next meeting. I'm looking at my notes here just one second because I want to make sure I covered everything.

Suzanne: Take your time.

Steve: I don't know about you? But when I'm on a short window, I have to make a few notes for it. I think that's everything. Does anyone have any questions, comments, concerns for us at all?

Suzanne: Any questions from the other board members?

David: Thanks.

Suzanne: No. Well, I'll say happy anniversary to you and us also, and thank you for your fine work. Clearly we're staying on target for what the portfolio is constructed to do. Certainly if six years is a measure and we appreciate your work.

Steve: Very much. We appreciate very much working with you and frankly. And Jeff and Albert, I want to include in that as well for sure.

Albert: Appreciated, though. Thank you.

Steve: Very professional.

Suzanne: Yep. I agree. All right. I think I have a work plan, Jennifer?

Jennifer: You do. I'll bring it back up.

Suzanne: Okay. So you'll see, essentially for the next three quarters we're going to be doing simply the quarterly investment performance review, although we'll add to July the investment state policy investment statement and the investment policy statement. And the rest of the year will be devoted to investment performance review, and then we'll be back at the same time in April doing all this work again. So unless there's any questions from the board related to the work plan, that's what it looks like.

David: And just to clarify if I could so I'm sure that I understand this. Next may would be when we normally distribute the year end pension, if there is extra money available, but we just did it in the committee and maybe doing it in a few moments as a full board in April for this year. Am I correct in understanding that?

Charles: It's correct.

David: Thank you.

Rochelle: We were comfortable doing it in April, so I know to the work plan actually allowed it to be, if it was available in April, we would do it in April, but if not, we would hold off until May.

David: Okay. Just wanted to be clear because some years we do wait until May and just I'm glad you're sure enough of the numbers. Thank you.

Suzanne: All right. Unless there's anything else for the pension committee, I think we can adjourn us pension committee and go back to the regular RWA board. [inaudible]?

David: All right, I'll move that motion.

Suzanne: [inaudible] second.

Steve: Second.

Suzanne: All those in favor. Aye. So moved.

[PENSION & BENEFIT COMMITTEE ENDS AT 1:26 P.M.]