

# Cromwell Fire District

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FIRE DISTRICT OFFICE  
WATER DIVISION

FIRE DEPARTMENT  
FIRE MARSHAL'S OFFICE

## BOARD OF COMMISSIONERS

### Pension Committee Meeting

Wednesday, March 17, 2021

5:30 PM

Coles Road Firehouse

105 Coles Road

Cromwell, CT

Present: Commissioners David Colligan (Chairman), Charles Epstein and Robert McIntyre. Also attending (dialed in) was accountant Michael Alibrio, Acting Fire Chief Jason Brade and Executive Director Julius Neto. Dan Jock also dialed into the meeting.

Per Executive Order No. 7B, Governor Lamont has ordered and directed that in-person open meeting requirements be suspended. Therefore, the Pension Committee meeting will be held via conference call. Members of the public may send questions or comments to [meetings@cromwellfd.com](mailto:meetings@cromwellfd.com) on any agenda items.

- I. Call to Order. The meeting was called to order at 5:30 PM, by Chairman Colligan.
- II. Approval of Agenda. A motion was made by Commissioner Epstein, seconded by Commissioner McIntyre and unanimously approved to accept the Agenda as submitted.
- III. Public Comment. There were no public comments to report. The Executive Director did not receive any emails for public comment.
- IV. New Business
  - A. Discussion on Standard Termination of the Cromwell Volunteer Pension Plan. Chairman Colligan began by stating the Committee is exploring all their options in terms of the pension plan. The plan ended last July. The Committee is trying to decide what they need to do. They are aware they are working with a tight budget, and there is a maintenance cost associated with the pension funds. Anyone that is vested in the plan is still vested in the plan. The Committee invited the analyst that works for the District, Dan Jock, to come in and explain the options for future planning of pension funds. He manages where the pension resides. The Executive Director asked Dan to give an overview of the pension options.

He began by introducing himself. Dan is an Actuary and is a member of the American Academy of Actuaries. He has been working with the Fire District for a few years now. He works with David Scriptor who also works with the District's Pension Plan. David does the day-to-day work such as calculations for people who are retiring and reconciling

assets. Dan reviews his work and signs off on it. Dan also does Government Accounting Standard Reports and holds the necessary credentials for those types of things. He does consulting as needed.

Recently Julius called Dan to ask what it would look like to wrap things up with the pension. Benefits were frozen June 30, 2019. Before that it was an active accruing plan. People earned pension benefits based on years of service (not compensation). There are a number of retirees and a couple of terminated employees who have a vested benefit. There are a lot of actively serving people who have benefits due them. However, benefits are no longer accruing. Commissioner Epstein asked for the total number of people in the plan. Mr. Jock explained there are 23 retirees currently receiving a pension. There are 8 people that are entitled to a pension but haven't started collecting it. There are 85 that are actively employed and will have a pension due them some day. However, with the pension being frozen it is a set liability. Because of funding over the years, presumably there is enough money to pay everyone. If the plan sits as it is, it is presumed to earn 6 ½ % or 50% in equities. The rest is in fixed income with bond-type things. Over the long term of the plan, 6 ½ % is a reasonable assumption. There is enough money in the trust to pay them.

Option 1 is to do nothing. Let the investment returns do what they do. Payout retirees as they come due. This is something that the District would manage. There are administrative things to do that always babysit the funds.

Option 2 is to be rid of the plan, the traditional thing to do is engage an insurance company and advise them of how many retirees there are and identify the 93 others who are eligible to receive a pension in the future. A person can either get a life annuity or an annuity that survives them to their spouse. Those are the two options for payout. The insurance company can pay everyone out based on receiving the money from the District. They will then take all the retirees and figure the money they need at conservative insurance company rates. They will say the District doesn't have enough money to pay out even though the actuary tells you that you have enough money or close to it. The District's pension is pretty close to being fully funded. The shortfall is \$50,000 so every year the pension will earn 6 ½ % over the life of the plan. If the District hands over the pension funds to an insurance company, the insurance company will most likely be super conservative and ask for a big number.

Commissioner Colligan asked what the retirement age is and when people can start collecting. Dan noted it is age 62, and 5 yrs. of service. If you are hired at age 60, you would have to wait until 65 when you have 5 yrs. of service. People need to stay for 10 years to be vested. Commissioner Colligan stated that they have been vesting people after 8 years. The Executive Director clarified that statement to mean that there was an option when the pension was frozen. Anyone who was not vested when the pension was frozen became vested with whatever amount of years they had even if it was not 10 because they didn't want those people to lose out because the pension fund was being frozen. That is where 85 people were determined to be eligible. Not all 85 have served 5 or 10 years. Some will be vested with a small number of years of service. Payouts will be determined by years of service.

Commissioner Colligan asked if you are still a volunteer and you are eligible at the age of 62 can you start collecting and still remain a volunteer. Dan stated the plan doesn't have a specific in-service distribution or retirement. A person must be classified as a Life

Member. Commissioner McIntyre explained that there was a cut off when the staffing model was implemented. If someone was still a volunteer after the cutoff they would not receive retirement credit for it. Mr. Jock was going to look into that further. As the plan reads you have to separate from service. It penalizes the person if they do not take the pension if they are 62. Mike Alibrio explained the pension freeze keeps the benefit amount the same. If a person had a year of service, and the benefit was \$10 that is what is was frozen at, but they need to continue to serve in some capacity for at least 10 years in order to receive that benefit. That is the 10 year vesting provision that Dan was explaining. Regarding the freeze, if the Committee is saying to waive the 10 years, Dan does not have that in his notes. If it is documented in the minutes from a year and a half ago that the 10 years is being waived, he will include that in his notes and adjust the plan documents accordingly. Mr. Alibrio stated that even though the benefit amount may be frozen, a person must put in at least 10 years of service in order to receive a benefit.

Commissioner Colligan asked about someone that is 63, wants to collect their pension and has 35 years of service. Can the person collect and still be a volunteer. Dan needed to follow up on that. He was not entirely sure. There is supposed to be a severance from service. He did not have the information in front of him because he was not dialing into the meeting from his office. He will check when he returns to his office and follow up with the Executive Director.

Commissioner Epstein asked what the cost would be if they do nothing at this point. He asked what the cost would be to leave it the way it is going forward for a year. The most recent cost Dan came up with was \$17,485. Before the freeze it was \$40,000 - \$50,000 a year. Since the freeze it is \$17,000. The plan is a little underfunded. That figure is a payment with a little underfunding, and plan expenses that are not covered by asset returns. The asset return is what is left for the District to fund. Asset return was not great last year. When asset return is good, the cost goes to 0. There are expenses for administering retirement payments, Government Accounting Standard reports, actuarial reports, etc. All things being equal, that is an estimated cost going forward. If asset returns do well, the asset return will pay some of those costs. If it is poor, it will cost the District more money.

Commissioner Epstein asked how much money was in the pot now to pay out for the 93 people. Right now there is approximately \$1.7 million in the plan now. Dan reported that is the right amount of money. It is an accumulation over the years of benefits being accrued. It was more like \$40,000 - \$50,000 back in the day when the District was paying for benefit accrual and expenses.

Commissioner Epstein asked if you are speaking to a person in the plan, what would be the figure to explain to people what their dollar amount will be for every year of service. Mr. Jock explained this is a pension benefit, not a 401K. Commissioner Colligan explained that pension statements are distributed to everyone that is participating and includes when the person would be eligible and what their benefit would be. Commissioner Colligan thought that not everyone understands the plan. He thinks everyone needs a session to better understand the plan. He was confused about what he thought his understanding of the plan was after all these years. He thinks the Committee would like to find out what each individual should be receiving so they can make some decisions. Mr. Jock explained that the pension statements that are sent out states exactly what the person's benefit is and when they are eligible. He added that it is approximately 5% - 6% annually of their payroll that is put into the account to make sure they can pay

everyone's benefit. It was clarified that anyone receiving a monthly benefit will receive that benefit for life. If the person dies, the spouse would get half of that benefit for life. There is no cash out. The plan would need to be amended to allow a cash out.

Option 3 is to close the plan and liquidate it. A communication would need to be sent out to all participants in the plan informing them that the District is liquidating the plan. They will calculate the values of everyone, and people can choose including current pensioners and retirees. He suggested offering cash to active participants and not all the retirees. Retirees will select against the plan if they are offered cash. If they are dying they will want the cash. If they are healthy, they will take the pension. You will cash out all the people who the plan could have a gain on. The plan will lose money. What will be left are the healthy, long living people. You can't force the cash on them. If they keep their pensions, you can go to Option 2, which is giving the remaining pensioners to an insurance company, but the insurance company is going to charge more to keep those people because they already know they are living longer and are healthier. What happens all the time is the insurance company is very aware of offering cash to retirees, and they will increase the premium for a buyout.

Acting Chief Brade asked if you can force cash on everyone. Mr. Jock is going to research that question. In a Private pension there are laws against it. You have to offer annuity and cash. Municipal plan rules are different. Certain rules on minimum cash value do not apply. Cash is offered to active people. Most people take it. There will be people who want to hold out for the pension. You take those people and the retirees, whatever is left will pay the other retirees. Active people cashed out. Money left pays retirees. The District would need to solicit quotes from insurance company to see who will take it. This is how a plan termination goes. Offer cash first, whatever is leftover is sold to the insurance company. The insurance company will send them a letter and pay them until death.

The Executive Director stated he thought that this committee is only at the information gathering stages. He did not think the Committee was ready to make any decisions. He thought the purpose of this meeting was to get Dan's perspective and ask what other information they need to research for a follow up meeting to get a clearer picture. At that point a financial analysis would need to be done. Mr. Neto suggested having a workshop for the next meeting to dissect the plan and understand it.

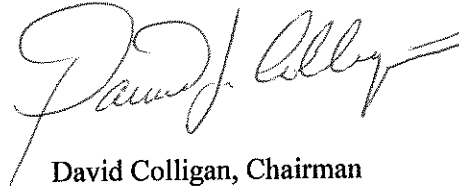
The Chairman is going to schedule another committee meeting for next month. At that point Mr. Jock will have researched the questions he was asked at this meeting. They will arrange a date with Mr. Neto and get back to Dan with the date and time for the meeting.

If anyone has any questions, Mr. Alibrio reminded everyone that he has the plan document and would be happy to send a copy to anyone that would like to review it. It explains the plan pretty clearly and how it works. He has sent the document to people before. It is not a confidential, top secret document. The way it is written now is that you have to sever your service in order to receive benefits. Dan kept referring back to a situation he encountered last year with one of the volunteers who wanted to start collecting but could not because he was still volunteering. He will research that situation to figure out what arrangements were made for that person. The Committee does have the ability to amend the plan. Chairman Colligan asked Mike to make copies of the pension plan for each Commissioner to be placed in their mailboxes in the District

Office. The Committee had asked for copies, but ultimately all the Commissioners will need the information to make decisions based on what the Pension Committee recommends.

- V. Commissioners' Comments. Commissioner Epstein thinks that we are doing the right thing by reviewing the plan and understanding the options. The Executive Director noted that the provisions stipulated in the plan can change. The Commissioners have the ability to change the provisions which were written 20 years ago before the new staffing model. They agreed that the workshop will be a good opportunity to review and discuss the options and what is best for the District.
- VI. Adjournment. There being no further business, a motion was made by Commissioner Epstein, seconded by Commissioner McIntyre and unanimously approved to adjourn the meeting at 6:33 PM.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "David Colligan", with a horizontal line extending from the end of the signature.

David Colligan, Chairman

Nancy Deegan  
Recording Secretary  
4-5-21