

**MINUTES OF THE
MIDDLESEX COUNTY RETIREMENT BOARD MEETING
June 7, 2018**

1. A Meeting of the Middlesex County Retirement Board was held on Thursday, June 7, 2018
2. Members present: Thomas F. Gibson, Esq., Chairman
John Brown, Elected Member
Brian P. Curtin, Elected Member
Joseph W. Kearns, Elected Member

The meeting of the Middlesex County Retirement Board convened at 10:00 A.M. Chairman Thomas Gibson and Board members John Brown and Joseph Kearns were present. Lisa Maloney, Chief Administrative Officer, and Nancy O'Neil, Board Secretary, were also present. Robert Healy was not present

Brian P. Curtin arrived at 10:02 A.M.

Mr. Gibson reviewed today's meeting agenda. The Board will be discussing lease negotiations with Valley Collaborative and Kathy Riley of The Segal Company is expected at 10:15 A.M. to discuss the January 1, 2018 System Valuation.

At 10:05 A.M.,

The Chairman declaring that an open meeting may have a detrimental effect on the negotiating position of the Board, on motion duly made by Mr. Brown, seconded by Mr. Kearns, it was moved to go into Executive Session under Purpose 6 of the Open Meeting Law: to consider the purchase, exchange, lease or value of real property.

Roll Call Vote

John Brown	YES
Brian P. Curtin	YES
Thomas F. Gibson	YES
Joseph W. Kearns	YES

The motion passed.

At 10:20 A.M.,

On motion duly made by Mr. Brown, seconded by Mr. Kearns, it was moved to come out of executive session.

Roll Call Vote

John Brown	YES
Brian P. Curtin	YES
Thomas F. Gibson	YES
Joseph W. Kearns	YES

The motion passed.

At this time, the Board welcomed Kathy Riley of the Segal Company to review the preliminary results of the January 1, 2018 System Valuation.

Over the past two years there was a slight increase in the number of active participants compared to the prior January 1, 2016 valuation. In addition, total payroll has increased 7.3% and average payroll has increased 6.2%. The overall number of retirees and beneficiaries has increased 3.8%.

Ms. Riley reported that, with this valuation, the total unrecognized investment gain was \$39.3 million, which will be recognized over the next few years. Ms. Riley explained the valuation's "smoothing method," and its goal to level volatility over time with both gains and losses, so increases are not as impactful from year to year.

The unfunded actuarial accrued liability as of January 1, 2018, before consideration of assumption changes, is 1.361 billion. This is \$15.1 million lower than expected.

With the January 1, 2018 valuation, the Segal Company is recommending the investment rate of return assumption be decreased from 7.75% to 7.5%. Ms. Riley noted that the Advisory Council Subcommittee appeared to be in support of and amenable to accelerating the decrease. Mr. Gibson wants to ensure the Board is aware of the impact the investment return assumption has on funded ratios, which critics cite as a reason the System is not sustainable.

According to Ms. Riley, critics may also suggest a 7.5 % investment return is too high and unattainable. She opined that 7.5% is appropriate for the System at this time. This change in the investment return assumption would increase the unfunded liability by \$71.2 million. Segal is also recommending that the System update mortality tables for both non-disabled and disabled participants, and decrease the long-term salary increase assumption by 0.25%.

Segal prepared a preliminary funding schedule for the Board's review. Under the proposed funding schedule, the System will be fully funded by FY 2035, the same as the prior funding schedule. In FY 2020 through FY 2027, the appropriation is the prior's year's budgeted amount increased by 6.5%. Thereafter, the amortization payments on the unfunded liability will increase 4.0% per year. According to Ms. Riley, with this schedule, the 6.5% increases are extended out three years compared to the prior valuation.

Next, Ms. Riley reviewed the individual unit results. She reminded the Board that increases and decreases in the assessments are driven by each unit's individual data experience and demographics. As anticipated, the smaller unit's experience will be more impactful with respect to the increase. Those member units that opt to make additional payments toward their appropriation are tracked and will be credited appropriately.

Finally, the Segal Company will prepare the GASB 67 & 68 reports for audit by Powers & Sullivan. Once finalized, the 2018 System Valuation will be prepared and distributed to the member units. As discussed previously, following distribution to the members units, the Subcommittee will convene a meeting in September to

discuss the costs associated with increasing the retiree Cost of Living Adjustment (COLA) base.


After review,


On motion duly made by Mr. Curtin, seconded by Mr. Kearns, it was moved to adopt the recommended assumption changes in The Segal Company's June 7, 2018 report, including the reduction of the investment rate of return assumption from 7.75% to 7.5%, and adopt the funding schedule attached as Exhibit A.


The motion passed.

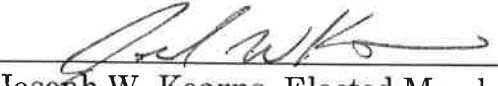
The Board thanked Ms. Riley and the Segal staff for the efforts associated with the January 1, 2018 System Valuation.

There being no further business to come before the Board, on motion duly made by Mr. Curtin, seconded by Mr. Brown, it was moved to adjourn at 11:55 A.M.


Thomas F. Gibson, Chairman


Brian P. Curtin, Vice Chairman


John Brown, Elected Member


Joseph W. Kearns, Elected Member


Robert W. Healy, Appointed Member

Regular Session Documents

1. Meeting Agenda
2. Summary of Preliminary Results of January 1, 2018 Actuarial Valuation prepared by The Segal Company and dated June 7, 2018
3. January 1 2018 Actuarial Valuation Results Appropriations by Unit prepared by the Segal Company