

A Special Meeting of the Clarence Town Board was held on June 18, 2009 at Clarence Town Hall, One Town Place, Clarence, NY.

Supervisor Scott Bylewski called the meeting to order at 1:00 P.M. Members of the Town Board present were Council members Joseph Weiss and Bernard Kolber. Councilman Casilio and Councilman DiCostanzo were absent. Director of Administration and Finance Pam Smith.

Motion by Supervisor Bylewski, seconded by Councilman Kolber to enter into Executive Session pursuant to § 105(1) H of the Open Meetings Law to discuss the proposed acquisition of real property but only when publicity would substantially affect the value thereof. Upon roll call – Ayes: Supervisor Bylewski, Councilman Kolber, Councilman Weiss; Noes: None. Absent: Councilman Casilio and Councilman DiCostanzo. Motion carried.

Motion by Supervisor Bylewski, seconded by Councilman Kolber to adjourn the Executive Session at 1:34 PM. Upon roll call - Ayes: Supervisor Bylewski, Councilman Kolber, Councilman Weiss; Noes: None. Absent: Councilman Casilio and Councilman DiCostanzo. Motion carried. No action taken.

The meeting resumed at 1:35PM.

David Rogers – RBC Wealth Management

David Rogers is a Senior Portfolio Manager at Royal Bank of Canada Wealth Management and has been in the business for 26 years and has been managing LOSAP's for 20 years. Mr. Rogers has some recommendations on investment products and services that fit our LOSAP portfolio goals. They have many accounts in the Buffalo area (Snyder Fire District, Town of Pendleton, Village of Williamsville, most fire districts in Cheektowaga, Town of Amherst, Town of Evans, Town of Elma and most of the towns and area fire districts).

Councilman Kolber asked why fire districts switch over to RBC Wealth Management. Mr. Rogers felt that it was because of their process. When a client delves into what they currently have, they realize there are more cost effective ways of funding these. Dave Rogers also has a background as a CPA in fiduciary issues. What he does better addresses what the Town Board should be doing as trustees of the LOSAP plan. More times than not, people have no idea as to where their money is or what they are earning or what their actuarial assumptions are relative to what those earnings are.

RBC Wealth Management will delve into where the Town is and where it has been. If you look at all the money that has been contributed over the last several years and look at what you have in assets today, where are you – usually alarm bells start going off – and questions come up as to where did all the money go. When you do an accounting of where your money has been and where it is today, most of these plans are less than well funded because of that.

Supervisor Bylewski asked what an appropriate level of funding would be. There is no mandated level of funding required by the state. Mr. Rogers stated that you want to get 100% funded as soon as you can. Unless the town has added benefits in the last couple of years, the plan should be fully funded today. When most plans were established, you bought back five years of prior service that typically gets amortized over a 10 year period. The way RBC Wealth Management sets up their plan, most of their liabilities are paid off in 7 – 10 years. Their plans are pretty much fully funded, mainly because of the way they invest money.

Know what your actuary using for an assumption to calculate your annual funding costs, how your investments match up with that. Mr. Rogers has all his customers adopt a Investment Policy Statement and basically what it says is their actuary is going to use this percentage rate of return to calculate your annual funding costs and then we are going to invest your money accordingly to earn that rate of return. Most of Mr. Rogers's customers use a 6% rate of return and they are allowed to invest in certain asset classes to achieve that rate of return over time. It blends out to be 30% equity, 70% fixed income. The investment policy Mr. Rogers brought for the town is more conservative – it has a

5% assumption. There is a rate of return that you want to achieve over time; you will blend your assets together in a way that will enable you to earn that rate of return over a period of time. You will review the investment policy periodically to make sure the assumption is appropriate, the asset allocation is appropriate. Monthly investment statements as well as quarterly performance reports are provided. The Town would rely on RBC Wealth Management to make changes from time to time.

RBC Wealth Management provides other services that no one else has such as providing pension payment services – they are licensed in New York State. They allow income tax withholding for firefighters, they do the 1099's as well.

Councilman Kolber stated that the town would make a contribution to this, and asked if this would be an annuity type purchase. Mr. Rogers stated that he would have an account under the name of the Town of Clarence and they invest in various securities in that account – it is town owned.

Pam Smith stated that our firemen all have life insurance policies; she questioned what would happen to those policies if the Town cancelled with VFIS. Mr. Rogers stated that it would depend on the funded status of the town's plan. Mr. Rogers stated that he typically self-insures it. If someone passes away, they write a check out of the account or if your funded status is low and they want to ensure that nothing catastrophic happens, they will just purchase some inexpensive term insurance. The firemen would not have to go through physicals again, they would just transfer over. Mr. Rogers stated that they self-insure, they keep cash in their account. This is what they do for 95% of their customers. If they have a take-over, they get quotes and see what the numbers look like. Inexpensive term insurance quotes will be 70% cheaper than Universal Life Insurance the VFIS uses. There is a lot of turn over in fire service, why would someone own permanent life insurance (Universal Life Insurance) which is expensive and takes many years for the cash value to build up. It has been acknowledged in the business that half of all fire fighters leave in the first five years and another half leave again in the next five years. When you have that kind of turn over and you are setting everyone up with Universal Life Insurance policies and terminating every time they leave, you will experience losses. It is up front commissions and you have to pay for the cost of the insurance.

A death benefit is a minimum of \$10,000 and in some cases \$20,000. Typically VFIS has a minimum \$10,000 death benefit, it is not life insurance, it is a death benefit. These benefits are paid for through whole life insurance, Universal Life Insurance is expensive. If we want to cover the fund (not the fire fighters), we would purchase some inexpensive term insurance and then you can change the roster once a year you add or delete members. It is the least expensive way to loose money.

Councilman Kolber stated that in transferring this over, you are not going to find inexpensive term insurance for fire fighters that are 60 -65 years old. Mr. Rogers stated that it is not inexpensive when you are doing Universal Life either, they take the insurance away when you turn 65 and use whatever cash value that may be in there to help fund the monthly benefits – so when you need the insurance, they take it away. RBC Wealth Management pays out very few fire fighters death benefits under age 65. When you look at the entire package, the relative expense of having the Universal Life Insurance relative to the benefit you get out of it, you don't get any benefit out of it. That is why they try to minimize that expense – getting the benefit paid for the least expensive way.

Councilman Weiss stated that if a fire fighter took out the insurance as age 34, the premium remains the same so he is not paying the higher rate. Mr. Rogers stated that they will tell you that term insurance gets more expensive as you get older which is true for an individual but when you have a group of people such as the fire fighters what you need to be concerned about is the average age remaining relatively stable. Mr. Rogers suggested the town get a term insurance quote and take a look at that expense.

Pam Smith stated that she thought that if a fireman had five years of service and left the company, they could take the policy with them as long as they continued

making premiums. It is not a lost policy nor is it a loss to the firemen. Mr. Rogers stated that the firemen can buy the policy from the town but he questioned how many actually do that – his experience has been that very few firemen pay the money to buy the policy out for themselves. Policy lapses complicate things. If the Town had been working with RBC Wealth Management from day one and the insurance issue came up, Mr. Rogers would advise the town to get all the term insurance you want but do it outside the LOSAP. You don't have the complication of the point system and everything else. You probably have insurances outside of LOSAP; you don't need that inside LOSAP. There are other ways of doing it more cost effective than the way the town is doing it now. From his general experience, Mr. Rogers stated that Universal Life Insurance does not make sense and he does not do it in any of his plans. The guarantee might feel wonderful but the guarantee doesn't work and the reason why is because the yields have never met the assumptions they use when they are calculating the annual funding costs. Mr. Rogers asked the Board to consider aligning their investments with the actuarial assumption and then meet with your actuary on a regular basis to make sure it is appropriate and you don't need or want to make any changes to the policy or the investments.

VFIS typically buy annuities to pay their firefighters a monthly benefit. RBC Wealth Management does not do this, they just write checks out of an account. They would have an investment pool under the name of the Town of Clarence in which checks would be written out of it. The Town maintains ownership of the investment pool funds.

Councilman Kolber stated that the difference is currently the town has more insurance based products vs. RBC Wealth Management has investment type products. Mr. Rogers stated that he has been dealing with municipalities for 20+ years, his accounts are very conservative. They get an emerging liability schedule so he knows how much cash is needed every year for the payouts for the firefighters – that money stays in cash. Then he buys CD's and apply an amount that match that liability for that particular year is so he knows he has cash flow coming in from government guaranteed securities to cover the payoffs. Then he blends in the other stuff and what ever percentages the town would need to meet the actuarial assumptions over time. Mr. Rogers has never had a down year until 2008; the average account was down 10% – 12%. Amherst is one of their more aggressive account and they are using a 6% assumption.

Mr. Rogers is a fee based portfolio manager. He charges usually three quarters of a percent, which could be less. If you want nothing but bank CD's, he will not charge a fee for that. There are no other commissions, loads, penalties, fees. This gives him the legal discretion to manage the town's portfolio in accordance with the policies that are set together. The town can fire him at any time; there is nothing that keeps the town locked into The Rogers Group. A monthly statement will be provided along with quarterly reports. The accounts that Mr. Rogers manages are not guaranteed but they are conservative. It gives you a probability over time of meet your actuarial assumption which in turn keeps your cost down.

The investment policy that was shown to the Board uses 5% assumption and it is all Bonds. The Morningstar analysis is 60% – 70% government guaranteed bonds, 30% is in Bond Mutual Funds and has netted fees earned more than 5% for the last 10 years.

The Board was of the opinion to do a side by side comparison. Pam Smith stated she would like to see a comparison as well.

The meeting adjourned at 2:10 PM.

Darcy A. Snyder
Deputy Town Clerk