Banking & Audit Committee Minutes
March 28, 2024

A special meeting of the Banking & Audit Committee of the Board of Finance was held on March 28, 2024 at 8:30 a.m. in the Mayor's Conference Room of City Hall, 111 North Main Street, Bristol.

Members Present: Dave Maikowski, Glenn Heiser, and Jon Mace
Also Present: City: Diane Waldron, Robin Manuele, Mayor Caggiano, Tom Barnes Jr,
CLA: Jeff Ziplow and Aaron Perillo

1. Call to order.

Chairman Maikowski called the meeting to order at 8:33 a.m.

2. To review the Pension Fund Operation Assessment with CLA and to take any action as necessary.

CLA reviewed the goals and objectives of the audit, and an overview of the pension plan. Aaron reviewed the findings and recommendations related to the pension plan.

The first finding was documentation to ensure fund manager fees are appropriate and correctly calculated which is not being maintained, per interviews with Beirne Wealth Consulting (BWC) and the City. BWC is reviews the fees charged by the investment managers, but documentation for each fund is not maintained. CLA is recommending a formal process to review fund manager fees.

The City should work with BWC to develop a fund manager fee reasonableness template that can be used to recalculate each fund's fees. As part of the fee reasonableness analysis, the City should work with BWC to define what a reasonable variance should be based on the way each funds calculates the fee. Additionally, the City should work with BWC to determine the timing of when fees should be reviewed. At a minimum, fees should be looked at annually. Performance/incentive fees and partnership fees should be included in the review of fee/fund performance to better understand the cost of each fund. For funds that do not provide fee information, the City should perform additional procedures around the fund including reviewing the audited financial statements and reviewing due diligence work performed by BWC on the individual fund managers.

Discussion was held as to how to approach a developing a process to review fees especially since the City does not have internal staff to do this it was suggested that the BWC contract be reviewed to clarify their responsibilities in overseeing the fees charged by the fund managers. When asked about the fee calculations, BWC stated it was the responsibility of the auditor of the fee. Dave stated this is a procedural problem.

CLA found not all Limited Partnerships Agreements and Subscription Documents were available. Both the limited partnership agreements and the subscription documents contain relevant information for the alternative investments that the City is invested in and for each of the alternative investments tested. The City had subscription documents available, but did not have the all copies of limited partnership agreements for specific investments. The limited partnership agreements contain the management fee, performance fee, and other fee (if any) definitions CLA recommends limited partnership agreements should be maintained for each fund. The City should track each fund they are invested in, and document the related terms and conditions outlined in the limited partnership agreement. This may include fee amounts, management, performance, how fees are paid, subscription requirements, and liquidation terms. However, between 11-13 of the 26-27 alternative investments limited partnership agreements were not available.

As part of this review, CLA tested the procedures for the cost/fee structure for the pension fund including the fund manager fees for the 2020, 2021 and 2022 fiscal years. For each area tested, CLA determined an overall audit rating of "Needs Improvement."

Aaron reviewed the Pension Fee Matrix for 2020, 2021 and 2022. Longford Capital III as well as Zephyr Peacock consistently had a fee that was charged higher than the contract. It was noted Zephyr Peacock is being auditing by a firm in India. However, there are a number of missing Limited Partnership Agreements so the Fee % was based on BWC.

It was noted in discussion that with regard to monitoring fees the BWC contract states the following:

(iii) Service Provider Analysis and Transition: Adviser will assist City in monitoring and selecting service providers, including evaluation of their services, reasonableness of fees and performance. Adviser will conduct due diligence on alternate providers, coordinate the transition process if a service vendor is replaced, and provide support in the management of a plan conversion.

Discussion was held on the fact that there is not a designated person on the City who is the Internal Coordinator of the fund, where in the future there can possibly be restructuring so there is someone to monitor the pension fund. If the City can possible save 10% with someone monitoring and managing the fees, the savings could essentially pay for this position.

The next step in the process is for management to respond with comments for CLA to incorporate into the report. The Banking & Audit committee will take the next week to respond with comments. BWC has not seen the draft report yet.

3. Adjournment.

Commissioner Mace made a motion seconded by Commissioner Heiser "to adjourn" at 9:37 a.m.

Jodi A. McGrane
Recording Secretary