

FINANCE DEPARTMENT

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TOWN HALL
238 Danbury Road
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Pension Trustee Meeting
April 14, 2010
Wilton Town Hall
7:30 PM – Meeting Room B

Present:

Trust Members: Bill Brennan, Hal Clark, Richard Creeth, Jim Meinhold, Ted Hoffstatter, Dick Dubow

Others: Carol Misus (Vanguard), Sandy Dennies, Sarah Taffel, Ken Post, Gil Bray and Warren Serenbetz from OPEB Trust, Bob Kelso, and Members of the Investment Committee

The meeting was called to order at 7:30 PM.

Meeting Minutes were approved unanimously.

Investment Committee Review of Portfolio Actions of the Investment Committee

Carol Misus introduced herself to the members of the committee. She reviewed the portfolio's last quarter by referring to a presentation booklet from Vanguard. She said that the Town's portfolio performance was tracking very closely to the benchmarks. The Town's Total Equity Domestic Investments were tracking close to the benchmarks. There are two International Funds listed the largest is the FTSE which is a new fund for the Town of Wilton and that change was made on 2/1/2010. Vanguard believes this is an appropriate fund and gives the Town exposure to international markets and Canadian markets at lower cost than we previously had with our investments.

Bill requested information on what a “Spliced Total Stock Market Index” was, to which Carol indicated that is a benchmark against which our investment is measured. It is actually that a spliced fund might actually be two benchmarks together which match more closely our investment.

She continued that on Wilton’s Fixed Income Investments, there is a small allocation to Extended Duration which is down this quarter but that was in line with the benchmark. TIPS (Treasury Inflation Protected Securities) are actively managed and performing in line with benchmark. The performance in this area for the quarter is up 1.72% vs the benchmark for Barclay’s US Aggregate which is up 1.8% and Ms. Misus said that this can be attributed to the Extended Duration ownership which was in the negative for this time period. Wilton also has an exposure to Short Term Reserves which reflects no real earnings which is close to the benchmark. The total portfolio performance is 3.6% return for three months vs 3.16% for the benchmark.

Mr. Brennan asked about the trending of interest rates. Ms. Misus said that Vanguard doesn’t see a lot of inflation coming into the picture but they feel the Town should get out of Short Term Fixed Income and into Intermediate (which is 5-10 years). They feel that Wilton will have a higher return in the Intermediate Funds.

Vanguard recommends going forward that given the goal of a 7.8% return they use the “B Portfolio” investment allocation in the handout material. Additionally there is a reduction to risk with this [portfolio] by incorporating more diversification primarily through REITS (Real Estate Investment Trusts). She indicated she believes there is room for improvement through the Portfolio B investments. Ms. Misus suggested that they could not guarantee a 7.8% return, but their recommendation is based upon a historical correlation projecting forward 10 years. Vanguard indicated that their projections have been found to track close to true earnings over the long term. She indicated they do not guarantee a return, but they do think it is obtainable with less risk.

REITS have gotten beaten up lately and there is allot of volatility out there relative to banks not having written down their commercial exposure. But, banks are taking care of them. Mr. Creeth indicated that was true. Ms. Misus said she would be sending Sandy Dennies the Vanguard REIT index fund that they recommend. Their recommendation would be to move into that fund over two years. Sandy will forward that information to the Trustees.

Mr. Brennan asked what the Investment Committee is saying about these recommendations. Mr. Kelso said that they are going to look into the REITS and they will also consider moving the Emerging Market Funds into REITS. However, no actions were taken at the meeting pending review of additional information. All REITS recommended were domestic market REITS. Regarding the move from Emerging Markets, Vanguard feels that with FTSE account there is enough exposure to Emerging Markets without the risk. Currently we are over weighted in this area adding risk.

Ms. Dennies said that Hooker & Holcombe would be doing an evaluation July 1, 2010 on employee salaries and increases and that the 7.8% goal of return might not be the return that the Trustees wished to include. Ms. Dennies reminded the Trustees that he had presented changes in the salary and the return, basing the first variable on the 4.5% salary increase which he then dropped it to 4.0%. He changed the base from 7.8% to 7.5% and then to 7.0%. Those were the three variables that were requested. She then followed up with the reminder that when the return of investment diminished, that the contribution needed to increase. Following the last meeting, at the request of the Trustees, Mr. Schlee had gone back to do a calculation using actual salaries and steps as opposed to the projection of 4.5% previously applied. He found that a savings of over \$362,000 could be obtained without any change to the return on investment.

Mr. Clark asked several questions with regard to the steps calculations. Mr. Creeth indicated that he was encouraged by the use of the actual salaries but was not comfortable with the use of 7.8%. Mr. Brennan asked if there was any consensus that they should be changing the 7.8% and what they should tell Mr. Schlee to bring in the way of numbers for the next meeting. Mr. Brennan indicated that when Ron Schlee was here, he was not uncomfortable using the 7.8% return. Mr. Clark indicated that change in the actual date of retirement was also a question which would have an impact on the calculations. Mr. Clark said that the Trustees should not make changes on the long term based upon what we see right now, but that he would feel more comfortable waiting a year before changing the assumptions. Mr. Brennan said that he had seen that the average rate of return on pension funds used for both municipal and corporate at 8%. Mr. Kelso said that he had seen that too and some of the rates were higher. The Trust unanimously agreed that they should not alter the parameters for the actuarial calculation at this time.

Mr. Brennan said that it has also been a positive and important factor for our rating agency that the Town has a policy to fund the pensions and when it is underfunded that they bump up the contribution to protect the pensions.

Upon an inquiry as to final business with Vanguard, Ms. Misus indicated that we have yet to address the issues of Emerging Markets, REIT, and Intermediate as opposed to Short Term investment. Again, the REITS are publically traded. Bill Brennan indicated that currently the rates are low and folks that have money are buying now.

Dick Dubow asked about our investment in FTSE to which Carol Misus indicated it was about 20% of the investments.

Bob Kelso indicated that the Investment Committee agreed to take on the OPEB Trust in the same mix of assets that the pension is now, but that it may be more aggressive. Also, that the Committee needed to review the Board off Selectman resolutions for the Investment Committee to make certain that it is empowered to work on OPEB. Hal Clark indicated that he thought that it was discussed but the Board of Selectman may need to pass a resolution to allow the Investment Committee to do that.

Bob Kelso also indicated that he may be submitting a person to add to the Investment Committee.

The meeting adjourned.