

FINANCE DEPARTMENT

Tel (203) 563-0114

Fax (203) 563-0299



TOWN HALL  
238 Danbury Road  
Wilton, Connecticut 06897

Pension Trustee Meeting  
January 20, 2010  
7:30 PM  
Meeting Room B

Present:

Trust Members: Bill Brennan, Hal Clark, Richard Creeth, Jim Meinhold

Others: Chris Frankenhoff, Paul Connors (Vanguard), Ron Schlee, (Hooker & Holcombe), Sandy Dennies, Sarah Taffel, Rich McArdle

The meeting was called to order at 7:35 PM.

Mr. Frankenhoff reviewed the current portfolio dated December 31, 2009 totaling \$56.2million. He reported that we are doing about 1.55% better than the one year benchmark with the current mix of investments which are within the allocations included in the investment policy. Mr. Frankenhoff then reviewed Vanguard's recommendations indicating that the Investment Committee did not accept all of the recommendations. According to Vanguard, the Total International Stock Index Fund is a market cap weighted fund with exposure to European, Pacific and Emerging Markets. In addition to this fund, Wilton also owns both a Pacific Stock Index Fund and an Emerging Market Stock Index Fund; so that we are heavily weighted in that area of the world. Vanguard recommended a market proportional approach such as used in a broad based index fund: that we eliminate the Pacific and Emerging Markets investments and that we transfer those funds to the Vanguard FTSE All World ex-US Index Fund. They also recommended that we transfer all funds out of the Total International Stock Index Fund and into the FTSE Fund. This fund performs similar to the Total International Stock Index Fund and it has a lower expense ratio. The Investment Committee heard the recommendations and determined to invest in accordance with that recommendation; however, it would maintain its investment in the Emerging Markets Fund.

Bill Brennan inquired as to the outlook for the market. Paul Connors of Vanguard indicated that based upon his observations, we should be able to project 10 - 12% earnings; however, it would be very volatile over the next 5 – 10 years. He suggested that we maintain our diversification between our domestic and international funds and suggested that our Emerging Markets Funds would be quite volatile during that period.

Bill Brennan followed up with an inquiry about China to which a articles have lately been observed indicating that that bubble might burst. Paul responded indicating that he thought that the market with China would be exceptionally volatile, but that it looks very positive in the long run. However, he indicated that Vanguard does not recommend clients to an overweight in China. In FTSE that is a balance with diversification, so that there is no disastrous exposure.

Hal Clark inquired as to the exposure that we have if China no longer is interested in buying American bonds. Paul responded that that question needs to be responded to within the framework of matching your liabilities to your assets more closely: it implies you want to go longer with your bonds – ie. Your actuary looks at a 30 year period in addressing the town's valuations. He indicated that most popular bond investments are 4 – 5 years.

Richard Creeth indicated that the Trustees are liable to pay pensions and that the Pension Trust has a fiduciary responsibility. Bill responded that the organizational structure that has been put in place in Wilton responds to our best efforts to invest wisely. Mr. Frankenhoff indicated that the Investment Committee agreed to meet with the Vanguard reps at least twice a year and to conference call at least twice per year so that there is open communications about the town's investments.

Ron Schlee of Holcombe and Hooker then walked the Pension Trust through a booklet (attached) describing the value of the fund and how it is treated actuarially indicating the impact of the various assumptions on the contribution to the fund. The trust determined to leave the parameters at the current level which are 7.8% return on investment and annual individual pay increases of 4.5%, but to ask Mr. Schlee to look at the use of data based upon the individual as opposed to the application of actuarial assumptions to see if there is any difference in the amount required to be contributed.

Questions were asked about the Town's intended funding and if it was 100% or was it 98 – 95% funding? Both of those assumptions on funding will be very difficult to meet as we are currently at an actuarial value of 85.6% however our market value is closer to 66%.

Bill Brennan then reviewed the status of the inquiry made by the Town of Southington indicating that there is no new activity to report.

The Meeting adjourned.