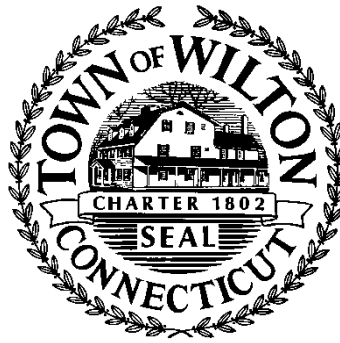


FINANCE DEPARTMENT
Tel (203) 563-0114
Fax (203) 563-0299



TOWN HALL
238 Danbury Road
Wilton, Connecticut 06897

INVESTMENT COMMITTEE, OPEB COMMITTEE
AND RETIREMENT TRUST
SPECIAL MEETING

JULY 21, 2011

Investment and Members Present: Robert Kelso, Hal Clark, Robert Shultz, (on the phone), Paul Burnham, Richard Wehrmann, Jeffrey Rutishauser, Warren Serenbetz,

OPEB Committee: Warren Serenbetz, Gil Bray, Hal Clark, Ken Post, Sandy Dennies

Retirement Trust: Ted Hoffstatter, Richard Creeth, Hal Clark

Absent: Bill Brennan, Richard Dubow, James Meinhold

Others: Richard McArdle, Sarah Taffel, Paul Connors (Relationship Manager from Vanguard), Carol Misus (Investment Consultant Vanguard), Fiduciary Investment Advisors

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

Review Portfolio Performance

Paul Connors and Carol Misus from Vanguard were present. Mr. Connors referred to a presentation booklet that had been passed out to the Committee members. He gave an overview of Vanguard's organizational objectives indicating that they focus on keeping costs low; they don't have owners so they pass the savings on to their clients as share holders. Their organizational objective hasn't changed. Their competitors are about 1.15% on expenses while Vanguard is .21% on their expenses.

Outlook

Ms. Misus said that with respect to market and economic overview, Vanguard is classifying itself as "cautiously optimistic" in terms of the market place. There are more headwinds in the market place. She added that what use to be more cyclical trends have become more permanent. The growth numbers for the last quarter were reduced due to various events internationally and nationally.

When asked what the effect of the current situation in Washington (regarding the debt ceiling) would have on Vanguard and their recommendations for making changes to the portfolio, Ms. Misus replied that they wouldn't be making any recommendations to change the portfolio or to make any tactical moves trying to anticipate the potential issues stemming from the looming federal debt question. Their investment advice is for the long term. She was asked if US Treasuries are downgraded does she have a sense of what asset classes are going to perform better. She said that they don't think it's going to be a long term issue and that there wouldn't be a need to restructure the portfolio.

The GDP estimates for the Emerging Markets looks good but their performance hasn't been that great (as of May).

No suggested changes to the allocation at this time but they do have recommendations to tweak the portfolio based on the current allocations.

Portfolio Performance Review

She reviewed the portfolio starting out with the Pension plan (which the OPEB plan mirrors).

The Total Stock Market Index, which is the domestic index holding, was totally flat for the quarter. On the international front the FTSE All World as well as the Emerging Markets Index fund creates an overweight in the portfolio in terms of market cap to emerging markets. For the quarter, developed markets did better than emerging markets. When she was asked by Mr. Kelso if Vanguard senses that this is going to continue or is it a short term phenomena Ms. Misus replied that because many of the emerging markets have a large concentration in commodities they do take a hit when there are problems with oil and other commodities. Vanguard maintains that they are overweighting in the Emerging Markets since they have exposure through the FTSE. Over the last three years numbers show great performance for Emerging Markets relative to the International market but it has hurt the portfolio lately. In general for the four year total, International holdings are up for the quarter but Emerging Markets weighed them down.

In terms of the Fixed Income portfolio, the bulk of funds are in the Intermediate Term Investment Grade Fund which did relatively well for the quarter. Inflation protected securities also did well. The underperformance was in the Short Term Investment Grade and Short Term Bond Index.

The REIT index had some trouble for the month relative to the other investments but for the quarter did well and is up 3.52%.

She said there was some underperformance in the portfolio for the quarter vs. the composite benchmark. The reason for this, she said, was that there was some overweight with the Domestic Equities and with International Equities relative to the targets because equities didn't do as well as bonds. OPEB performed similarly.

Mr. Kelso asked what the recommendations were.

Ms. Misus said that when they have a client with a targeted allocation they like to be within 5% tolerance level of that allocation. Her recommendation is to move some of the equity into the fixed income of the portfolio.

Mr. Schulz asked Ms. Misus where the 5% would come from and she said it should probably be taken proportionately, the bulk coming from domestic and they would recommend reducing emerging markets. She added, repositioning any funds that they have into an “intermediate focus” within fixed income; get out of some of the Short Term Investment grade and TIPS. She suggests moving the Short Term Investment Grade into Intermediate Term Investment Grade. She was asked about QE 3 coming? Ms. Misus doesn’t think that it’s going to happen.

Mr. Kelso asked if they have floating rates or adjustable rate funds and would it help the portfolio and if they had them would they fit into the portfolio in a positive way. She replied that she wouldn’t have any problem with them and asked if he had something in particular in mind and he replied he didn’t.

Mr. Schultz asked if they can use the brokerage area to buy outside of Vanguard. Ms. Misus replied that they could but Vanguard would not monitor it but it would show up under the brokerage umbrella.

Mr. Kelso and Ms. Misus recapped Vanguard’s recommendations:
Reduce the exposure to Emerging Markets and take money out of that Fund or Total Stock Market and put it into Fixed Income.

The Members of the Investment Committee thanked Mr. Connors and Ms. Misus for their presentation and they departed. The Members of OPEB and the Retirement Trust Committee left the meeting.