



FINANCE DEPARTMENT

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TOWN HALL

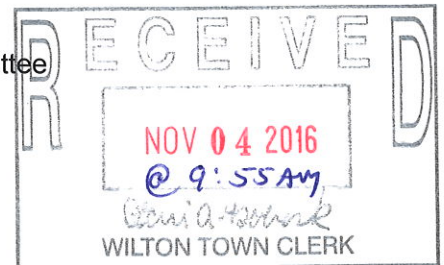
238 Danbury Road

Wilton, Connecticut 06897

### Minutes

Wilton Retirement Trust  
Wilton Employees Retirement Plan Investment Committee  
Other Post-Employment Benefits Trustees

Regular Meeting – May 4, 2016  
Meeting Room B - 7:30 PM



### Present:

**Investment Committee:** Robert Schultz, Richard E. Wehrmann, Paul Burnham, Jeffrey G. Rutishauser

**Retirement Trust:** Lynne Vanderslice, Michael Kaelin, Richard J. Dubow, Lori Bufano, Chris Stroup, John Kalamarides, David Clune (non-voting), Anne Kelly-Lenz (non-voting)

**OPEB:** Warren Serenbetz, Chris Stroup, Lori Bufano, Anne Kelly-Lenz (non-voting)

**Others:** Christopher Rowllins and Kevin O'Brien (FIA), Sarah L. Taffel, Richard McArdle

**Absent:** Robert H. Kelso, Ken Post

### Call to Order

Ms. Vanderslice called the Meeting to order at 7:30 p.m.

### Minutes:

The minutes were inadvertently not sent prior to this meeting, so Ms. Vanderslice commented these would be put on the Agenda for the next quarterly meeting in August.

### Capital Markets Overview – Fiduciary Investment Advisors

Chris Rowllins went over the Defined Benefit Fiduciary Governance Calendar for the 1<sup>st</sup> quarter that has a Fee Focus with an Investment review, Administrative Fee review and a Portfolio expense analysis. The average weight investment management fee is at 0.56%, or approximately \$560,000; Wells Fargo's Custodial Fee is approximately \$33,000, and FIA's Consulting Fees are flat at \$50,000. Fees are netted out of investment returns for the managers.

First Quarter Market Review highlights were reviewed. Mr. Rowllins also mentioned:

- Good deal of volatility especially in the first six weeks of the quarter
- Negative sentiments carried over from year-end because of concerns about slowing global growth rates, as well as China and the collapse in commodity prices – specifically oil
- March was a strong investor month with positive results for Domestic Equity but mixed for International

- Emerging Markets were up sharply, while the US dollar weakened
- Negative returns in core International markets due to weakness in Europe and Japan
- Treasury yields fell as a result of the Fed not raising rates
- TIPS produced strong results due to both CPI data and the decline in interest rates
- High yield bonds were up due to the change in investor attitude, correlating to changes in economic activity, not interest rates
- Commodities moved slightly higher as a result of rising oil prices and mining shares

### **Asset Allocation and Investment Performance**

Chris reviewed the Asset Allocation which ended the quarter at about \$99.4 million, and discussed specifics therein including the importance of managers who are tactile in their approach.

Plan Performance – The benchmark was down 1.1% for 2015.

Manager Performance Overview – For the quarter there were mixed results but there is no real concern with any of the managers at this time. There are also no recommendations at this time.

Equity – Mr. Rowlins commented in the International sector Aberdeen had strong results for the quarter, but the Templeton manager is being watched more closely.

Inflation Protection – Overall results were positive except for Blackrock which was underweight for U.S. equities and overweight to Japan.

An asset liability study was next discussed. Mr. Rowlins commented on how the Investment Policy had been amended to gradually lower the return and spoke of models that could be run to project investment return assumptions with possibly higher equity risk. The last study was done some time ago by a third party (Mercer). Discussion ensued and Ms. Vanderslice suggested the old report be located, while Mr. Rowlins will contact Mercer for a sample for comparison.

Discussion of authorization for transactions and rebalancing – Chris Stroup said his recommendation would be to have some mechanism to permit the town, in between meetings, to rebalance when there is substantial volatility in the market and there is an opportunity to buy low and sell high within constraints, making certain the Investment Committee is consulted to confirm rebalancing. Lengthy discussion followed and Mr. Rowlins said if cash is needed to be raised to make benefit payments or if contributions come in, then this would be the time to review the present allocations. Chris reminded all that FIA works with their clients to suggest rebalancing strategies, and said that there is language in the investment policy regarding rebalancing.

Sarah Taffel added that there is an Administrative section in the Plan that speaks to the various powers of the Board of Selectmen, as well as a Trust document that speaks to the powers of the Board of Trustees. There is also certain delegation power to the Investment Committee and Ms. Taffel referenced a resolution passed in 2012, which details the composition of the committee, responsibilities, managing the Plan investments in accordance with such policy, evaluation of investment performance, and other investment related responsibilities as may be assigned by the Trustees. After further discussion, Chris Rowlins was asked to review the existing document and start drafting a proposed policy statement for review by all prior to the next quarterly meeting.

**OPEB Plan First Quarter Results - FIA**

Market Review – The handout depicts a summary similar to that of the Pension Trust.

Asset Allocation – There is roughly \$5.5 million in the Plan, with 45% in Fixed Income and 55% in Equity, which is fairly conservative and generates only modest returns. Chris suggested if OPEB wants to keep the discounted rate of 5<sup>3/4</sup>%, they may wish to consider possible “tweaking” to remove more of non-fixed income-related risk. For the last couple years OPEB has been making contributions of \$500,000-\$800,000, which is positive cash flow in terms of benefits payments coming out. Chris mentioned that some changes have been made to the portfolio since inception within Fixed Income as well as International and the adding of Europac a short while ago.

Account Reconciliation – The quarter had a \$60,000 investment gain. A 10% allocation to International detracted from performance as Europac lagged a bit, with mixed results in Fixed Income. The Plan ended the quarter down \$2,920.

Manager Performance – All managers are presently on maintain. OPEB’s portfolio has a similar theme as the Pension portfolio, with emphasis on a variety of return streams. Chris said they are looking forward to doing a deeper dive on the portfolio and being made aware of any liability structures being evaluated.

Warren Serenbetz asked if there any recommendations at this time, to which Mr. Rowlins replied not until an asset liability study is done. The Plan was rebalanced at the end of February which was a modest reallocation. The average weighted expense, currently at 29 bps, would increase if more active managers or other disciplines were introduced. In response to a question, Chris told Richard Dubow that the Actuarial Report from Ron Schlee will be coming out soon. Chris commented that the Plan has a 20-year amortization of unfunded liability but does not have smoothing. He suggested that the committee may want to discuss with Ron possible smoothing due to the Plan size and the 54% funded status vs. just market value of assets, which would also suggest taking a more aggressive posture.

Discussion followed about additional contributions that should have been budgeted for FY17.

**Other Business** – There was no other business for OPEB. However Dick Dubow brought up a concern about quorums for the next meeting in August. Ms. Vanderslice said that she would ask the transcriber of these minutes to send out an email soon to determine if there will be quorum in all three committees.

Ms. Vanderslice then asked for a motion to adjourn. Warren Serenbetz so moved, Lori Bufano seconded and the motion carried unanimously, with the meeting being adjourned at 8:36 PM.

Respectfully submitted,

Kris Fager  
(from audio recording)