



FINANCE DEPARTMENT

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TOWN HALL

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Minutes

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

Regular Meeting – November 4, 2015
Meeting Room B - 7:30 PM

Present:

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

Retirement Trust: William Brennan, Richard J. Dubow, Michael Kaelin, Deborah McFadden, Sandra Dennies, John Kalamarides, Chris Stroup

OPEB: Warren Serenbetz, Chris Stroup, Sandra Dennies, Ken Post

Others: Kevin O'Brien (FIA), Ron Schlee (H & H), Richard McArdle, Sarah L. Taffel, Kenneth Dartley

Absent: Christopher Rowllins (FIA)

Call to Order

Mr. Brennan called the Meeting to order at 7:30 p.m.

Minutes

Mr. Brennan asked for a motion to approve the minutes of the August 12th Special Meeting. Robert Kelso made the motion to approve, John Kalamarides seconded and the motion carried unanimously.

Third Quarter Investment Review – Fiduciary Investment Advisors

Kevin O'Brien first discussed the Defined Benefit Fiduciary Governance Calendar, where the 3rd quarter has an Asset/Liability Focus including an annual actuarial review and investment and asset allocation reviews. He stated that FIA's Investment Committee reviews Return Assumptions annually, both as a 7-10 year view and a 20 year view. FIA checks these against industry specs and he noted that the general trend is that these assumptions are coming down. There is a good amount of active

management in the Portfolio. He indicated that the Indices provided have no fees built in. The current mix, long term is consistent with what they are seeing in the public space around 7 to 7-1/4%, so there is no Allocation change recommended right now.

Third quarter highlights include:

- The third quarter was volatile, with August seeing a spike in Equity Markets
- Slowdown in growth in China caused a great amount of anxiety in emerging markets
- The U.S. seems to be improving, creating jobs and has an improved housing market
- Europe is starting to show signs of improvement, as is Japan
- China's economy is transitioning to a service consumption type economy; its impact created great volatility in the quarter
- Index results across the quarter saw the S & P 500 down 6.4%
- Meaningful turn through October into November so YTD is now actually positive
- Domestic Indices negative in the third quarter are now positive
- International Equity also posted negative results
- Fixed Income did relatively well; Aggregate Bonds up 1.2% and Long Term Bonds up 2.2%
- Commodity Index was down 14.5% with energy being down a contributing factor
- Equity & Fixed Income Review shows growth is better, but the S & P sector returns are a mixed bag – with energy the big detractor from earnings estimates, down 17.4%
- Recent Real Asset Environment illustrates commodity prices have sold off sharply during the last four quarters
- FIA continues to favor a strategic allocation to inflation sensitive asset classes, especially for those investors with long term investment horizons and ability to weather short term volatility

A question was asked if the Town's Pension Benefits COLA reflect what is happening with inflation. Mr. Brennan replied there is a discretionary cost increase; some years had no adjustment during the recession period. He further stated the Town has an obligation to look at the COLA once every four year, although it's currently reviewed annually.

To conclude this section, Mr. O'Brien stated there has been a big turn at the beginning of the fourth quarter that has an impact on improving S & P numbers, which hopefully will continue.

Actuarial Valuation – Presentation by Ron Schlee

Ron Schlee, of H & H gave a review of the July 1, 2015 *Estimated* Actuarial Valuation for the July 1, 2016-17 Fiscal Year. Background chart depicts what is estimated vs. final information for Assets, Participant Data, Benefit provisions (Police and Fire negotiated agreements), and Assumptions. He commented that although H&H had estimated COLA at about 2.5%, which he noted was higher than the Town's estimate, overall he felt the estimates were close.

Mr. Schlee reviewed the comparison of participant counts at July 1 2014 vs. 2015, stating Plan 3 had no new entrants. Page 4 Asset Values, Contributions: Close to what the Town puts in goes out in pension payments. The Return on Assets for 2014-15 was +2.1%. The Market vs. Actuarial Value at 7/1/15 is close to the Market Value, with assets doing well.

Mr. Schlee reviewed the Interest Rate Return Assumption for the 2015 Valuation, which is at 6.875% per year. Mr. Schlee said 7.5% was most common with muni clients, although some are decreasing as Wilton.

Actuarial Liabilities – Liabilities are almost evenly split between Active Participants and Retirees. Mr. Schlee pointed out the Police Plan went up the most in the last year, due in part to the number of early retirees and the contract increased the service. The Funded Status is improved, with a 20-year payment of \$368,000 and the funded percent is 96%. He explained that liability increases as each year's actives complete another year of service that earns them another year of benefits and liability increases accordingly. The Town put in 10% extra last year that helps reduce the Unfunded. Chart on page 11 depicts the formula resulting in a \$4.2 million Unfunded Accrued Liability. Mr. Schlee explained this is what is owed on past benefits allocated to prior years. Benefits to be earned this coming year are \$1.9 million (normal cost). So part of the Unfunded Liability has to be paid off plus the contribution has to cover the \$1.9 million. This is just the Town's piece; employees' contributions are in addition to this, as they are covering their portion every year.

Contribution Summary – Mr. Schlee reviewed the table for 2016-17 vs. 2015-16. The total contribution without the multiplier would be \$2,389,000, which is down. He pointed out this is still an estimated valuation; he won't have final numbers until mid-December. In response to a question, Mr. Schlee replied COLA payments and payee increases might help this number. Even though the Town is over 95% funded, for budgeting purposes he recommends keeping the 10% multiplier until final numbers come in.

Mortality Projections – two new tables just issued last month reflects increased mortality. If the MP-2015 table would be adopted, the liability would be \$880,000 higher, with the contribution up \$110,000, not enough to drop under 95%. He is not making any recommendation for assumption change. No action items; not final, only for planning.

Asset Allocation and Investment Performance

Mr. O'Brien reviewed the Asset Allocation which ended the quarter at \$97,021,258. Fixed Income allocation was at 31.3%. There are no major deviations. There is no rebalancing, nor cash flow action recommended.

Plan Performance – This was the worst quarter since Q3 2011, resulting in the loss down to \$97 million. The summary performance was down 5.1% but was in line with the Benchmark.

Manager Performance Overview – Mr. O'Brien stated there were no concerns on the manager front; all managers remain on maintain. In Fixed Income Mr. O'Brien pointed out that MetWest Total Return Fund was up .7%; up less than Benchmark but more than its peers. Templeton Global Bond Fund had a difficult quarter, down 6.1%, but is starting to rebound.

Domestic Equity - Although down for the quarter, Diamond Hill did well, being in the top 1% of its peers and down less than the Benchmark. International Equity was also down; Europacific Growth down 9.8% but less than Benchmark. Smaller allocations make up a total of 5% of the Portfolio. He commented on two: Van Eck down 27.2% (has since come back up almost 18% since September) and Credit Suisse down 14.5%.

Sandra Dennies made a recommendation to Mr. O'Brien that FIA look at both Van Eck and Credit Suisse at the next meeting due to their non-performance. FIA agreed to do so.

Fee Analysis – Mr. O'Brien briefly discussed the fee schedules, saying the average weighted fee is 0.56%.

Final discussion included December looks like a "go" for a Fed rate increase. Mr. O'Brien said this will be good not only for the economy but for banks.

OPEB Minutes

Warren Serenbetz opened the meeting by asking for a motion to approve the minutes from the May 14th Regular Meeting. Mr. Stroup so moved, Mr. Serenbetz seconded and the motion carried unanimously. Mr. Serenbetz commented that, since there was no quorum at the August 12th Special Meeting, there are no minutes to approve.

OPEB Plan 3rd Qtr. Results - FIA

Asset Allocation – this is similar to Pension Trust with the same market return with a different allocation more focused on short duration income. There is no change in allocation from the last quarter.

Fixed Income

Per page 51, the following changes to the fixed income allocation were discussed:

- Remove the Vanguard Intermediate Term Investment Grade Fund in favor of a more flexible core plus offering; i.e., Prudential Total Return, with a duration of 5.5 years.
- Remove the Vanguard Short Term Investment Grade Fund, replaced with BlackRock Strategic Income Opportunities, a more tactical approach, with a duration of 2.6 years.
- The Cash Flow Worksheet on page 52 depicts these changes and how they would be implemented.

Warren Serenbetz moved and Chris Stroup seconded to accept the recommendations and the motion carried unanimously.

Valuation

Mr. Serenbetz made a motion to apply a 5.75% rate of return to the OPEB valuation. Mr. Stroup seconded and the motion carried unanimously.

Proposed Meeting Dates for 2016 - OPEB

Mr. Stroup made the motion to approve these, Warren Serenbetz seconded and the motion carried unanimously.

Ms. Dennies once again made a recommendation that OPEB consider expanding the voting group to include more people so action can be taken at the quarterly meetings, especially since the OPEB Fund is growing. Mr. Serenbetz agreed with her that OPEB needs another Selectman representative and then later would work on adding another individual.

Proposed Meeting Dates for 2016 – Investment Committee

Paul Burnham moved to approve, Bob Kelso seconded and the motion carried unanimously.

Proposed Meeting Dates for 2016 – Retirement Trust

Chris Stroup so moved, Deborah McFadden seconded and the motion carried unanimously.

Ms. McFadden had a final comment, saying it had been a pleasure serving with all and wished them the best going forward.

There being no further business, the meeting adjourned at 8:40 PM.

Respectfully submitted,

Kris Fager
(from audio recording)