

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

November 28, 2012

7:30 PM

Meeting Room "B"

**Present:**

**Investment Committee:** Robert H. Kelso (Chair), Warren Serenbetz, Richard E. Wehrmann  
Absent: Jeffrey G. Rutishauser, Robert Schultz, Paul Burnham

**Retirement Trust:** William Brennan (Chair), Harold E. Clark, Adrian Gilmore Bray, Sandra L. Dennies, Ted Hoffstatter. James F. Meinhold, Richard J. Dubow, Absent: James Saxe, Jr.

**OPEB:** Adrian Gilmore Bray, Harold E. Clark, Warren Serenbetz (Chair), Sandra L. Dennies, Kenneth Post

Others: Chris Rowllins, Fiduciary Investment; Ron Schlee, Hooker and Holcombe; Rich McArdle, Sarah Taffel

7:30pm –the meeting was called to order by Mr. Brennan.

**Meeting Minutes of August 1, 2012 Regular Meeting (Retirement Trust, Investment Committee and OPEB)** – Motion made by Bill Brennan to approve the Meeting Minutes. Motion seconded and carried by the Trust, Investment Committee and OPEB.

**Capital Markets Overview – Fiduciary Investment Advisors**

Chris Rowllins of Fiduciary Investment Advisors said that the Third Quarter had been strong.

He talked about the market performance for the Third Quarter. He said that they had been pleased with the portfolio saying that it had been advancing and that in down markets like October, it was still up against the benchmark and when markets were up it was performing better than the benchmark.

He said that the strong third quarter benefited the total assets in the portfolio. He also said that they did get some signs that there was some stability and improving conditions with the economy, whether in the manufacturing sector or housing market but added that we still have

“stubbornly high” unemployment numbers. Corporate earnings are fairly robust, but the market is still a little spooked over the “fiscal cliff issue”.

Equity markets were sharply higher in the third quarter but a little bit more volatile more recently. The S&P was up 6 ½ % year-to-date, January through September up about 16 ½ %. He said that the International markets are also experiencing positive results on European Central Bank activity. Year-to-date numbers remain robust. Fixed Income market is at historic lows. Mr. Rowlin reviewed the International Equities Market, Fixed Income and Alternatives, (refer to details shown on Page 4, 5 and 6 of the Handout on file).

He said that a lot of the money managers seem to be bullish on U.S. equities. Ms. Dennies asked what type of real estate was trending positively and Mr. Rowlin replied commercial.

Mr. Brennan asked if anything was mentioned about the “fiscal cliff” having an impact and how his firm handled this particular issue. Mr. Rowlin indicated that if nothing was done by the end of the year it could send the markets into a tailspin as a result. Mr. Kelso went on to ask that with all the uncertainty should they be doing something different with the portfolio, in terms of allocation of assets. Mr. Rowlin replied that because the portfolio is broadly diversified, that wouldn't be necessary.

He reviewed and referred to the charts (pages 8-17) in the handout, pointing out along the way that on a 15-20 year average, stocks are still pretty attractively valued, more than fixed income.

### **Portfolio Review – Pension and OPEB – Fiduciary Investment Advisors**

Mr. Rowlin then went on to discuss the Pension Portfolio (on Page 21 of the handout) and reviewed the asset allocation with those present. He talked about raising cash to meet benefit payments. He said that Fiduciary advocates that when there is a need to raise cash they look at the overall asset allocation relative to the target and they adjust accordingly, raising the money that way. If the Town is making a contribution, they can use a portion of that money to put in reserve and reinvest the remaining portion. It's not static; it's typically driven by the asset allocation. They recommend having at least 3 months of benefit payments in reserve. A discussion ensued.

Mr. Kelso said that it seemed as though they weren't contemplating any changes in the investment structure and Mr. Rowlin confirmed that was true.

### **OPEB Portfolio**

Mr. Rowlin discussed the OPEB Portfolio with the Members referring to the handout. He pointed out that the total assets of the portfolio is \$2.7 Million as of Sept. 30<sup>th</sup>; allocated accordingly, about 13 ½ % cash for this portfolio to be anticipated cash flow needs and then 30% dedicated to the fixed income market, 30% to domestic equity, 20% to International and 5% allocation to REITS. He said that the Portfolio is up 4.4% for the period 10.4% year-to-date, and on the one year basis – roughly 17.4%. The portfolio is up 4.4% for the period.

Mr. Rowlin then directed those present to the fee analysis pages for the Pension Plan and the OPEB plan, (Pages 104 and 105 of the handout) and reviewed the fees and structures with the Members of the committees. A discussion ensued and Mr. Rowlin answered questions from

the Members. When asked about rising interest rates he said that it looks like they will remain low for at least 18 to 24 months.

Mr. Rowlin was thanked for making his presentation and departed.

### **Hooker and Holcombe presentation by Ron Schlee**

Mr. Schlee of Hooker & Holcombe presented the valuations on the Pension and OPEB. He said that once a year they do valuations for the Pension Plan as of July 1<sup>st</sup> - the beginning of the Town's fiscal year. The purpose is to determine how well funded the plan is as of that moment in time. He added that things change from year to year. They also determine the cash contribution that is made the following fiscal year.

Because it is a defined contribution, no one knows what it's going to cost in the long run. The purpose of the valuation is to bring some of the ultimate costs into this fiscal year. He added that depending on what methods and assumptions you use, you get different required contributions.

He referred to a handout (on file) and walked the Members through the handout. He said that most of the information in the handout has been broken into Plan 1 (which is the Police), Plan 3 (which is a number of different units) and Plan 4 (which is the Fire Dept.). He said that it shows the number of active participants, (that means they are actively employed) earning a benefit. Terminated, vested participants, are those who have terminated and there is a benefit due them and then the retired participants, who are actually receiving a monthly benefit. The plan he said paid about \$2.2 million in benefits last year. He added that if you look quickly at the Police there isn't much movement and the same thing is true for Fire. In Plan 3 there has been a decline in the active participants from year to year because there are no new participants going into the plan.

He reviewed what had happened with the assets over the last year from the last valuation in 2011 into 2012. It started with \$68 million market value last year, the Town put in \$4 million dollars the employees put in a little over a million and there were interest and dividends of about \$1.8 million. Therefore, the income was about \$7 million and the Town paid out \$2 million in benefit payments and about \$80,000 in expenses for \$2.3 million. There was market depreciation of \$1.46 million so they ended the year with \$71.7 million. He added this is fairly typical for a 12 month period.

He then reviewed the actuarial values and the rates of return. He said that because of '08 it's been rough the past 5 years. If you look at 18 years they are right at about 7%. He said that when they met last March he had suggested changing the number of the assumptions that they use for the Pension valuation and making the same changes in the OPEB valuation. Mr. Kelso confirmed that they had adopted Mr. Schlee's recommendations. Mr. Schlee referred to pages 7 that showed a brief summary of the changes and went over subsequent parts of the presentation handout.

A discussion ensued.

Mr. Schlee then reviewed the OPEB Plan. A discussion ensued and after questions were answered by Mr. Schlee he departed.

**OPEB Committee:** MOTION by Mr. Serenbetz to accept the OPEB valuation as presented, Mr. Bray seconded and it carried unanimously.

**Retirement Trustees** (Pension Portfolio): Mr. Clark MOVED that they accept the valuation and such contributions as recommended by Hooker & Holcombe, Mr. Hoffstatter seconded the Motion and it carried unanimously.

There being no further business the meeting was adjourned at 9:20 PM.