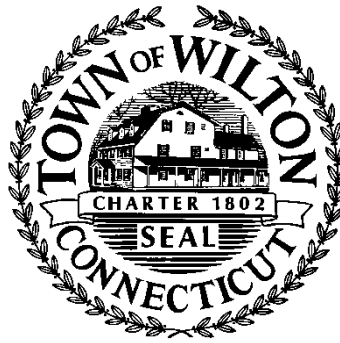


FINANCE DEPARTMENT
Tel (203) 563-0114
Fax (203) 563-0299



TOWN HALL
238 Danbury Road
Wilton, Connecticut 06897

INVESTMENT COMMITTEE AND OPEB COMMITTEE
REGULAR MEETING
APRIL 13, 2011

Investment and OPEB Committee Members Present: Robert Kelso, Hal Clark, Robert Shultz, Paul Burnham, Richard Wehrmann, Warren Serenbetz, Ken Post, Gil Bray, Sandy Dennies, Hal Clark

Others: Richard McArdle, Sarah Taffel, Carol Misus (Vanguard, on telephone)

The Meeting was called to order at 6:30 PM.

MOTIONS were made to approve the Minutes of the January 19th regular meeting and the February 15th Special Meeting. The Motions were seconded and carried.

Review Portfolio Performance

Paul Connors and Carol Misus from Vanguard were on the phone. Ms. Misus reviewed the Vanguard outlook referring to the handout provided. She said that overall there is cautious optimism. They aren't looking at a double dip recession but there are several negative factors that could impact the recovery such as oil prices, particularly if they go to \$150/barrel. The housing market hasn't bottomed out yet but should over the next year or two. Other factors include fiscal balance sheets for state and local governments. She said that the Federal Reserve needs to reduce their balance sheet and then early in 2012 the Fed is anticipated to begin to raise rates.

In terms of inflation they see signs of inflationary pressures both domestically and internationally. Emerging markets want to look more like the United States. In looking at the bond market, rates will rise gradually over the next 5-10 years. They aren't recommending getting out of bonds because they feel they are a great diversifier and a way to reduce volatility in a portfolio, but cautioned that the returns on the bond market will remain what they are today.

In terms of the stock market outlook, "it's a mixed bag" but on the positive side cash looks very good and corporations are sitting on a lot of cash so when they start reinvesting the

economy will improve as will job growth.

Some of the issues that could be risks to the economic recovery are:

2011: European debt crisis, state and local budgets, home prices

2012: Inflation spike; oil and food, Fed's exit strategy, debt restructuring

2013: U.S. AAA rating, Tax/regulatory reform, Global imbalances (China's growth rate)

Vanguard recommends diversifying to reduce portfolio risk.

Recommends rebalancing of the portfolio, sell high buy low. They recommend the following: taking 5-10% of the equity holdings in Total Stock Market Index and Emerging Markets Stock Index and moving it to Vanguard Intermediate-Term Investment-Grade Fund.

Mr. Kelso asked if that was that consistent with an outlook that suggests that interest rates may be going up. She replied that this is very much in keeping with Vanguard's discipline regarding rebalancing and not letting your portfolio get too far out of alignment.

This is a way to take some profits and move them into bonds to create stability in the portfolio and it coincides with their feeling there will be a bear flattening and if interest rates rise you won't get hit as much.

Their recommendation is to take some equity money off the table and reposition it back into the Fixed Income.

As far as OPEB is concerned it's the same basic allocation. The same suggestion applies here, move domestic and emerging markets into fixed (intermediate-term). She was asked by some of the members why the intermediate and replied that they feel intermediate will not be impacted as much as interest rates rise.

Mr. Wehrmann asked if they had any floating rate notes or strategies that would prevent impact when interest rates rose. Ms. Misus answered no they did not. Most of their funds target very specific maturity levels or areas of the bond market.

Mr. Kelso thanked Ms. Misus and Mr. Connors and said that they would discuss the recommendations.

A discussion ensued regarding Vanguard's recommendations. Questions were asked whether the Town is tied to using only Vanguard product. Ms. Dennies said that no they are not.

A MOTION was made seconded and passed unanimously to move \$2.5 million from Equities: two million (\$2,000,000) out of Domestic and one-half million (\$500,000) from International (Emerging Markets) and move it to Investment Grade Intermediate-Term Investment-Grade Fund Admiral Shares.

A MOTION was made seconded and passed unanimously to do the same percentages with the OPEB account.

Sandy Dennies then reported that with their concurrence, in March 2011 the Town of Wilton had invested in \$3,050,599.05 of mortgaged backed securities and agency funds for three to four years with an estimated annual income of \$86,262. She indicated that the 2.8% return is significantly better than what we are doing currently with our banking relationships being between .25 and .50.

The meeting adjourned at 7:25 PM.