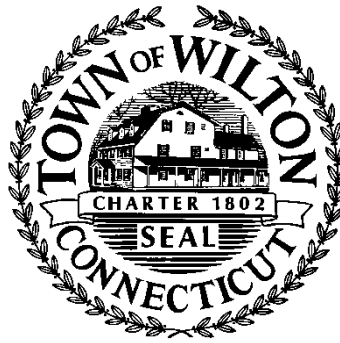


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INVESTMENT COMMITTEE AND OPEB COMMITTEE
REGULAR MEETING
JANUARY 19, 2011

Committee Members Present: Robert Shultz, Paul Burnham, Richard Wehrmann, Jeffrey Rutishauser, Warren Serenbetz, Ken Post, Gil Bray

Absent: Robert Kelso, Hal Clark

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

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

It was unanimously agreed upon to have the approval of the minutes later in the meeting since Ms. Misus was on a teleconference call.

Vanguard Update and Performance Review

Ms. Misus gave a brief update on Vanguard and the recognition they had received.

She then discussed the Account Performance. She said that it had been a good year for indexing. The year had been dominated by “macro issues” but the index fund had performed well for the year. She reviewed the performances for Equities both Domestic and International showing that both were up and Total Equities were up for the year by nearly 16%.

The fixed income side was down for the quarter but up for the year by 7.55%. Ms. Misus said that in terms of the fixed income portfolio, Vanguard would like to see a consolidation of all Fixed Income toward an Intermediate Term focus. They feel that this will reduce risk.

3% of the portfolio was allocated to REIT Index Fund and that has been performing in line with its benchmark. The Total Portfolio is up for the year 12.71%.

The OPEB account is very similar in policy targets but the difference is in cash flow. This Account was funded last summer and there hasn't been any new cash flow in or out of that account. The current allocation is slightly different from the Pension account. The

current allocation to Equity is slightly higher vs the Pension account. Since Equities did very well this year the OPEB account performed better for the month and the quarter.

Mr. Shultz thanked Ms. Misus for her presentation.

A discussion ensued regarding the Extended Duration Index Shares and whether or not to move them into something else such as Intermediate or Short-Term.

Mr. Shultz said that he would support the decision to eliminate the Extended Duration shares and put them into something else such as Short-term.

A MOTION was made by Mr. Serenbetz to move the money that is in the Extended Duration Treasury Index Fund to the Short-term Investment Grade Fund. The Motion was seconded and passed unanimously.

Mr. Shultz said that the next item to discuss was the Emerging Markets issue because Vanguard has cautioned against overweighting in that area. A brief discussion ensued.

A MOTION was made by Mr. Burnham to change the Signal Share Class in the Emerging Markets Stock Index Fund to Institutional Share Class and was seconded by Mr. Shultz and carried unanimously.

A discussion ensued around the Stock/Bond allocation. Mr. Burnham asked about the Investment Policy. Mr. Shultz looked it up and said that for Equities the range was 45-65% and for Fixed Income it was 35-55%. Since the REITs track as Equities, the equity allocation is near the top of the range.

Mr. Shultz asked if anyone had any strong views on what should be done in terms of allocations. After a brief discussion on allocating more money toward REITS, (based on Vanguard's recommendation of increasing the allocation to 5% in REITS), a discussion ensued as to where they would take the money from.

A MOTION was made by Mr. Serenbetz to increase the REITS allocation bringing it up to 5% as of the 12/31 portfolio balance by moving the money from Total Stock Market Index Fund - Domestic Equities. The Motion was seconded and carried unanimously.

Mr. McArdle asked if the same Motion would apply to OPEB and was told that it would with the understanding that it would be of Vanguard's Portfolio.

A MOTION was made by Mr. Bray to approve the Minutes of the 10/20/2010 OPEB Meeting. The Motion was seconded and carried.

A discussion ensued over the fees being charged by Janney, related to the General Fund cash proposal. Mr. Wehrmann said that he felt the fees were too high, and they should only be charging $\frac{1}{4}$ of a point or $\frac{1}{2}$ a point and that the pricing they had offered the Town on the bonds was retail pricing. The members asked that Ms. Dennies get back to them on the final decision on fees with Janney.

A MOTION was made by Mr. Burnham to approve the Investment Committee Meeting Minutes of 10/20/2010, 11/18/2010, 12/16/2010. The Motion was seconded and carried.

A MOTION was made by Mr. Serenbetz to adopt the Investment Committee recommendations as OPEB. The Motion was seconded and carried.

There being no further business the meeting adjourned at 7:15 PM

Respectively Submitted,

Mariana Corrado