TOWN OF STONINGTON
RETIREMENT BOARD MINUTES
DECEMBER 8, 2009

The Stonington Retirement Board held a special meeting on this date at 9:00 a.m., at the Stonington Public Schools Administration Building. Board members present were: George Sylvestre, Judy Samokar, Russel Burgess, John O'Brien, Robert Cary, Jr. Also present were Cheryl Morgan, Richard Dahlberg, and Scott Davis representing Columbia Management, a division of Bank of America; Han Yik, Senior Portfolio Strategist, Bank of America Institutional Advisory Solutions – Investments; Evan Woollacott, Jr., Hooker & Holcombe, Inc.; and Maryanna Stevens, Town of Stonington Finance Director.

Mr. Sylvestre called the meeting to order at 9:00 a.m.

Ms. Morgan stated that Columbia Management is being sold to Ameriprise, however, fees will remain the same for 5 years and that she will remain as the Town's Relationship Manager. Messrs. Waldner, Dahlberg and Davis will still oversee the Town's pension portfolio.

Review of Fund Performance:
Messrs. Waldner, Dalberg, and Davis reviewed investment results of the Town of Stonington Pension Plan for period ending September 30, 2009. The investment mix is in accordance with the Investment Guidelines.

The total Fund performance as of September 30, 2009 is as follows: The total Fund is up as of November 2009, Fiscal year to date, and 1 year; down 3 years; and up 5 years, 10 years and since inception (359 months). The total Fund performance and breakdown is attached.

Review of Draft Valuation Report:
Mr. Woollacott distributed the draft Actuarial Valuation as of 06/30/2009. He presented several scenarios using different assumptions and compared the current assumptions of 7.50% rate of return, & 4.50% salary increases (includes steps & COLAS), to new draft assumptions of 7.25% rate of return & 4.25% salary increases. The scenarios calculated the funding level percentage. Mr. Sylvestre recommended that the Retirement Board establish a target goal for a minimum funding level benchmark for the plan. Based on that benchmark, fiscal policy then can be considered by the Board of Finance.

Review/Act on Impacts of Alternate Assumptions/Investment Strategies and Recommend Funding Policy:
Mr. Yik presented his Asset/Liability Analysis to the Board. The purpose of the study was to evaluate the impact of asset allocation changes to:

- "Consider the impact of asset mix changes that could potentially better manage the linkage between assets and liabilities."
- "The study evaluates alternative investments, increased fixed income portfolios, and extended duration portfolios to determine if these investment changes can result in better management of pension plan risk."

Mr. Yik reviewed two investment alternatives as follows:

- Alternative 1: "Make cash contributions to fund to desired funded status, and switch to a full Liability Duration Investment (LDI) strategy", which will "reduce volatility in the funded status going forward", but will "require large contributions upfront".

- Alternative 2: "Adopt a phased-in approach – maintain equity exposure and make contributions until funded status reaches benchmarks, and then phase away from equities to fixed income. In the meantime, fixed income investments will be duration-matched with the liability. Not as much upfront cash is required and the alternative "introduces interest-rate hedging to a portion of the assets", however, there will still be "market volatility while equity exposure is maintained".

Mr. Yik recommended Alternative 2 to the Retirement Board.

Mr. Woollacott gave an overview of how he calculates the rate of return used in assumptions. After some discussion regarding Mr. Wollacott's comparison of the current and draft assumptions, Mr. O'Brien recommended to keep the current assumptions at 7.50% rate of return and 4.50% salary increases. Mr. Sylvestre seconded and it was unanimously voted. Mr. Sylvestre stated that the Board should review the assumptions in May.

Mr. Sylvestre asked for the Board's recommendation to switch to the Asset/ Liability Model, Alternative 2, which Mr. Yik proposed. If the model is implemented, Columbia Management Group and Mr. Yik would work together to establish a strategy to tailor the portfolio to the model. The Retirement Board was assured that there would be no conflict between Bank of America and Messrs. Waldner, Dahlberg and Davis after Columbia Management Group is sold to Ameriprise. Their working relationship will not change. After consideration of the proposal, it was the consensus of the Board to maintain the current model and review Mr. Yik's Alternative proposal in 2010.

Mr. Woollacott stated that he will provide 3 scenarios, to reach the 80% funding level, using a onetime contribution, or 3 year or 5 year amortization. After receiving that information, Mr. Sylvestre will communicate the Retirement Board's recommendation, to the Board of Finance, to maintain a minimum funding level of 80%, with the alternative strategies to fund the short fall. Mr. Wollacott will provide the scenarios to Mr. Sylvestre within the next two weeks.

Approve Minutes of the May 5, 2009 and June 16, 2009 Minutes:
Mr. Burgess made a motion to approve the Minutes of the two meetings. Mr. O'Brien seconded and it was unanimously voted.

Adjourn:
There being no further business to come before the Retirement Board, the meeting was adjourned at 11:05 a.m.

Respectfully submitted,
George R. Sylvestre
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Secretary

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Town of Stonington Pension
Total Performance as of November 30, 2009

Fiscal Year End: June

	Nov 09 (%)	FISCAL YEAR-TO-DATE (%)	1 YEAR (%)	3 YEARS (%)	5 YEARS (%)	10 YEARS (%)	SINCE INCEPTION (359 MOS) (%)
Total Fund	3.57	13.67	19.94	0.47	3.60	4.04	9.28
Total Fund Net of Fees	3.52	13.46	19.42	-0.06	3.08	3.52	8.76
Equities	5.48	19.76	22.88	-3.76	2.19	1.61	10.55
Standard & Poor's 500 Index	6.00	20.25	25.38	-5.78	0.71	-0.57	-
Fixed Income	1.10	6.64	15.68	5.99	5.25	6.39	8.38
Barclays Aggregate Bond Index	1.29	5.60	11.62	6.39	5.49	6.44	-
Conservative High Yield Fund	0.63	11.75	31.32	-	-	-	-
Barclays Capital High Yield Index	1.01	17.45	64.96	-	-	-	-
Cash Equivalents	0.01	0.07	0.55	2.94	3.32	3.17	-
Citigroup (Salomon) 90 Day T-Bill Index	0.01	0.06	0.20	2.36	2.91	2.88	-

Past performance is no guarantee of future results.
Source: GIM
Returns shown are gross of fees.
Effective November 3, 2008, the Lehman Brothers indices were renamed Barclays Capital indices.

Bank of America