

**TOWN OF STONINGTON  
RETIREMENT BOARD  
September 1, 2010**

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: Maryanna Stevens, Judy Samokar, June Strunk & John O'Brien, absent was Robert Cary, Jr.

The meeting was called to order at 9:10 a.m.

**Appoint Retirement Board Chairman:** After consensus that the chairman should be a Town staff person for continuity, Mr. O'Brien made a motion to appoint Maryanna Stevens, Town Finance Director, as the chairman. Ms. Samokar seconded and it was unanimously voted.

It was the consensus of the Board to approve the Minutes (Agenda Item #4) prior to the Board's review/action on the Draft Investment Policy Statement, for expediency.

**Approve Minutes of May 4, 2010 Meeting:** Mr. O'Brien made a motion to accept the Minutes. Ms. Samokar seconded and it was so voted. Ms. Stevens abstained because she was not a member at the time of the meeting.

**Review/Act on Draft Investment Policy Statement:** Ms. Stevens stated that the purpose of the meeting was to review the Draft Investment Policy Statement (the Draft) for the Town of Stonington Pension Plan, prepared by Han Yik, Investment Strategist for Bank of America Institutional Advisory Solutions – Investments. Ms. Stevens opened the floor for discussion. Ms. Strunk stated that she had three concerns: Asset Allocation, fees and expenses, and funding. Her concerns were as follows:

- **Asset Allocation:** Ms. Strunk expressed concern that small cap equities; emerging markets; high yield fixed income; and alternative investments of real estate and commodities are risky. There is too much risk for a public plan. If the risky investments tank, the taxpayers must pay more to ensure that the current employees' and retirees' benefits are protected. The risky investments comprise 28% of the Upper Limit of asset allocation, per the Asset Allocation Constraints in the Draft, and 18.50% of the Strategic Allocation. Ms. Strunk recommended eliminating the alternative investments and the re-allocation of those funds to domestic equities - large cap, international equities – developed, and fixed income core. The Upper Limit of the risk would then be 16% of asset allocation. Ms. Strunk stated that there should be no mutual funds for core fixed income. Ms. Stevens stated that the fund has individual bond holdings for core fixed income. Ms. Strunk also suggested that the Board keep fixed income high yield, domestic small cap equities; and international equities emerging markets, so that the fund would have some risk. After some discussion, it was the consensus of the Board to eliminate Alternative Investments from the Draft.
- **Fees:** Ms. Strunk referred to the Pension Plan Proposed Restructure and Fee Analysis provided by Bank of America at the May meeting. She stated that the Indirect Fees are mutual fund fees that are hidden and cannot easily be uncovered. If commodities are removed from the Fund's asset allocation, the \$6,656.20 fee would be eliminated.

- Ms. Strunk also referred to the Retirement Plan Services Fee Schedule of Direct Fees for Trustee, Investment Management, and Pension Payroll Services provided by Bank of America. She would like to see the total fees, not just the fee schedule. Ms. Stevens noted that Bank of America's fees total approximately \$21,000 per quarter and about \$81,000 per year.
- Funding: Ms. Stevens noted, and Mr. O'Brien concurred, that the Board of Finance has committed to fund the pension at 80%, by appropriating additional funds over the next three years. The additional funds for FY10-11 were approximately \$300,000. Next two fiscal years' funding levels will be determined in the future after valuations are done by the Town's actuary.

After discussion of the issues raised above, motion was made and so moved by Ms. Strunk, seconded by Mr. O'Brien, and unanimously voted, to adopt the Investment Policy Statement with the investment changes made.

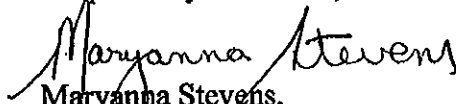
Ms. Stevens will notify Bank of America of the Board's adoption of the Investment Policy Statement, with the elimination of the alternative investments and re-allocation of those funds per the Board's recommendation. She will also request that the total fees be stated on the Fee Schedule of Direct Fees.

The Board will consider an RFP for pension services sometime in the future.

It was the consensus of the Board to meet quarterly after Bank of America issues their quarterly report, rather than twice per year. The Board will establish a schedule in the near future. The Board will meet the December 14, 2010, as currently scheduled.

There being no further business to come before the Board, Mr. O'Brien made a motion to adjourn. Ms. Samokar seconded and it was so voted.

Respectfully submitted,

  
Maryanna Stevens,  
Chairman

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