

**TOWN OF STONINGTON
RETIREMENT BOARD
December 14, 2010**

The Stonington Retirement Board held their regular meeting on this date at 9:00 a.m., at the Stonington Public Schools Administration Building. Board members present were: Maryanna Steven, Chairman; John O'Brien; Judy Samokar; and June Strunk. Absent was Robert Cary, Jr. Also present were Cheryl Morgan, Richard Dahlberg, and Martha Childs representing Columbia Management, a division of Bank of America; Han Yik, Senior Portfolio Strategist, Bank of America Institutional Advisory Solutions – Investments; and Evan Woollacott, Jr., Hooker & Holcombe, Inc.

The meeting was called to order at 9:05 a.m.

Review of Fund Performance:

The Board members received a copy of the Town of Stonington Pension Report for Period Ending September 30, 2010. The report includes Investment Guidelines, an Economic and Market Outlook, Equity Review, Fixed Income Review, and Disclosures. The report is on file in the Department of Administrative Services for review.

Fixed Income: Ms. Morgan introduced Martha Childs and stated that she was taking over for Brian Waldner for the Fixed Income portion of the portfolio. She also stated that Dick Dahlberg and Scott Davis are the Equity Portfolio Managers and that Han Yik oversees the entire portfolio, adhering to the Investment Policy Statement (I.P.S.). The new I.P.S. will be inserted into the Pension reports beginning the new plan year, once she receives the signed document from the Board.

Mr. Yik reviewed the Fund Performance for Period Ending September 30, 2010. The Total Fund was up 3rd Qtr 2010, Fiscal YTD, 1Year, 3 Year, 5 Year, 10 Year and Since Inception. The summary is attached. He noted that Commodities and Real Estate Investments will no longer be part of the portfolio per the new Investment Policy Statement recently approved by the Retirement Board.

Ms. Childs gave an overview of the Fixed Income portion of the Portfolio. The Fixed Income portion outperformed its benchmark for most of the periods, except 3 Year, as shown on the attachment. The benchmark is the Barclays Aggregate Bond Index, not Barclays 1-3 Year Government Index as indicated in the report. The Fund made up more than it lost in 2007 & 2008.

Ms. Strunk asked the following questions.

- What is the turnover percentage? Ms. Childs stated 100%, but that she would verify this number.
- What is the average coupon yield? Ms. Childs will provide this information will be provided to the Board.
- What is the number of holdings?

- The Triple B rated holdings and below, were they bought as Triple Bs or did they slip to this rating? Ms. Childs stated that Triple Bs are investment grade.
- The total fund net of fees paid by the trust includes all fees, not just Bank of America's fees. Would Bank of America break out both fees?

Ms. Stevens stated that the Town receives an analysis of fees at the end of each fiscal year.

Mr. Woollacott stated that the Actuarial Valuation includes some administrative fees as part of the evaluation.

Equities: Mr. Dahlberg gave an overview of the Equities portion of the Portfolio, with a brief review of the economic & market outlook and its effects on Equities. Equities outperformed the benchmark for most periods, except 3 Year, as indicated on the attachment. The Portfolio is transitioning from the S&P 500 Index to the Russell 1000 Index. Mr. Dahlberg provided the Board with a revision to Page 30, which shows the portfolio's Equity Holdings as of September 30, 2010. It was noted that Page 29 shows the top ten as a percent of all Equity holdings and Page 30 shows the percentage based on Large Cap Equity holdings.

Ms. Strunk asked what percentage gets turned over on an annual basis? Mr. Dahlberg stated approximately 17%, but that the turnover was approximately 30 – 50 % on average in FY2007-2008.

Review of Draft Valuation Report 06/30/2010:

Mr. Woollacott reviewed the draft Actuarial Valuation as of 06/30/2010. He stated that George Sylvestre commented on the funding policy recently established, which he included in the report updated as of 11/22/2010. The Funding Policy appears on page 2 of the Valuation Report. The 7.5% rate of return assumption was used and appropriate given the 65% stocks & 35% bonds target in the Portfolio. The report reflects the 2000 mortality table, updated from the 1994 table. The life expectancy in the 2000 table is not as long as the life expectancy in the 1994 table. Mr. Woollacott stated that there is approximately \$20,000 in expenses coming out of the Fund. There is a separate assumption for administrative expenses. These expenses could be paid outside the Plan to eliminate those assumptions. The Town's Annual Required Contribution (ARC) will decrease from 13.2% of payroll for FY2010-2011 to 12.5% of payroll for FY2011-12.

Ms. Strunk questioned if the accrued liability is overfunded, does the Town's contribution drop. It was noted that a five year smoothing period is used to maintain level funding and reduce the impact of market volatility on the fund.

New Business:

The Board discussed finding a company to perform a Due Diligence or advertising an RFP for an evaluation of the fees that the Town is being charged by Bank of America as the Town's Portfolio Manager. After a brief discussion, it was the consensus of the Board to meet on Tuesday, March 1, 2010, to review the December 30, 2010 ending Pension Report and to further

discuss the need for a Due Diligence Study or a fee review. Ms. Stevens will find out when the last one was done.

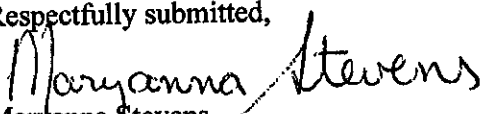
Old Business: None conducted.

Approval of Minutes from 09/01/2010 Meeting:

Mr. O'Brien made a motion to accept the Minutes of the 09/01/2010 meeting. Ms. Stevens seconded and it was so voted.

There being no further business to come before the Board, the meeting was adjourned at 10:30 a.m.

Respectfully submitted,


Maryanna Stevens,
Chairman

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attachmment

Town of Stonington Pension Portfolio Performance as of September 30, 2010

Fiscal Year End: June

	Q310(%)	Fiscal YTD (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception(%)
Total Fund	7.63	6.35	10.45	0.51	3.90	4.09	9.26
Total Fund Net of Fees	7.50	5.96	9.93	-	3.38	3.57	-
Equities	11.96	5.42	11.91	-5.33	2.03	1.58	10.47
Standard & Poor's 500 Index	11.29	3.89	10.16	-7.16	0.64	-0.43	11.13
Fixed Income	2.71	8.85	9.57	7.85	6.19	6.53	8.40
Barclays Aggregate Bond Index	2.48	7.94	8.16	7.42	6.20	6.41	-
Conservative High Yield Fund	6.89	10.63	15.14	-	-	-	-
Barclays Capital High Yield Index	6.71	11.52	18.44	-	-	-	-
Cash Equivalents	0.04	0.09	0.13	1.51	2.87	2.65	-
Citigroup (Salomon) 90 Day T-Bill Index	0.04	0.09	0.12	1.01	2.48	2.41	-

Performance data quoted represents past performance and current performance may be lower or higher. Past performance is no guarantee of future results. The investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than the original cost. Please visit www.columbiamanagement.com for daily and most recent month-end performance updates.

All results shown assume reinvestment of distributions and do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

Performance may reflect any voluntary waiver and reimbursement of fund expenses by the advisor or affiliates. Absent these waivers, or reimbursement, performance results may be lower.

Returns for less than one year are not annualized. Returns for Columbia Funds are shown net of fees, all other returns represent gross performance and assume reinvestment of distributions and do not reflect the deduction of investment advisory fees. Advisory fees and other expenses incurred in the management of an account will reduce a client's investment returns.

Source: Columbia Management Investment Advisers as of 6/30/10

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Town of Stonington Pension Portfolio Performance as of September 30, 2010

Fiscal Year End: June

	Q310(%)	Fiscal YTD (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception(%)
Common Stock (Large Cap)	11.54	4.26	10.99	-5.27	2.14	1.63	10.67
Russell 1000	11.55	4.41	10.75	-6.80	0.86	-0.21	-
Columbia Small Cap Fund	11.39	10.49	15.33	-	-	-	-
Vanguard Extended Market ETF	12.30	10.45	15.98	-	-	-	-
Russell 2000	11.29	9.12	13.35	-	-	-	-
Columbia Real Estate Equity Fund	12.36	18.19	29.51	-	-	-	-
Vanguard REIT ETF	13.02	19.51	30.46	-	-	-	-
NAREIT Equity	12.82	19.08	30.27	-	-	-	-
Columbia International Stock Fund	18.30	0.62	1.18	-	-	-	-
iShares MSCI EAFE Index Fund	18.08	1.13	3.16	-	-	-	-
EAFE	16.48	1.07	3.27	-	-	-	-

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Source: Columbia Management Investment Advisers as of 6/30/10

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Cheryl L. Morgan
Senior Vice President, Senior Retirement Relationship Manager
Retirement and Philanthropic Services

January 3, 2011

Ms. Maryanna Stevens, CPA
Finance Director
Town of Stonington
P.O. Box 352
Stonington, CT 06378

REFERENCE: Town of Stonington Pension Plan

Dear Maryanna:

Martha (Marty) Childs, Richard (Dick) Dahlberg, and I appreciated the opportunity to meet with the Town of Stonington Pension Board last month to review our investments results, strategy, and outlook. The following is a recap our major points of discussion.

- Dick Dahlberg and Scott Davis jointly manage several Columbia Management equity portfolios including the Town of Stonington Pension core equity component and will alternate their attendance at Board meetings going forward;
- Marty Childs has been a member of the Columbia fixed income team for several years and will be overseeing the Town of Stonington fixed income component and attending Board meetings going forward;
- Han Yik continues as the Portfolio Strategist on the Town of Stonington Pension relationship. Han's main focus will be to continuously review the overall portfolio to ensure adherence to established investment guidelines outlined in the Investment Policy Statement;
- We were pleased to report a total return of +10.45% (+9.93% net of fees) for the 12 months ended 9/30/10.

With respect to questions raised at the meeting regarding the fixed income portfolio, below are the answers provide by Marty and the fixed income team:

- At 9/30/10 there were 178 holdings in the fixed income portfolio.
- The average coupon was 4.24% and the current yield was 3.88%.
- There were no bonds rated below Baa/BBB by both major rating agencies, but there were 4 split rated - 2 were rated higher by Moody's and 2 were rated higher by S&P. Marty and her team will try to break this out in the future.
- Annual turnover was 134%, and Marty explained that in a somewhat volatile interest rate environment, she and her team use Treasuries to adjust duration a few times a month. They also implemented a number of yield curve strategies during the year.
- Lastly, in their portfolio with large MBS weightings (those benched against the Aggregate Bond Index), they made a number of coupon swaps this year. These types of trades increased turnover.

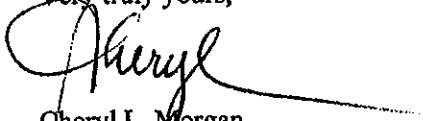
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157 Church Street, New Haven, CT 06510

Ms. Maryanna Stevens, CPA
January 3, 2011
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I hope this information is helpful. Should you have any further questions or concerns, please do not hesitate to contact me. With respect to the timing of quarterly Investment Reviews, generally the earliest they can be available is last week of the month following a quarter end. It would be helpful if Board meetings can be set for either the last week of the month following a quarter end or the first week of the second month following a quarter end. We look forward to meeting with you in 2011. Happy New Year.

Very truly yours,



Cheryl L. Morgan
Senior Vice President

cc: R. Carey, Jr., S. Krynick, J. O'Brien, J. Samokar, J. Strunk, and E. Woolacott, FCA, EA, MAAA
Service Team: M. Childs, D. Dahlberg, S. Davis, and H. Yik