

**TOWN OF STONINGTON  
RETIREMENT BOARD  
August 9, 2011**

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, Chairman; Judy Samokar, and June Strunk. John O'Brien attended via telephone. Also present were Cheryl Morgan, representing Columbia Management, a division of Bank of America-Merrill Lynch; Han Yik, Senior Portfolio Strategist, Bank of America Institutional Advisory Solutions – Investments. Christopher Rowllins representing Fiduciary Investment Advisors attended later in the meeting.

Ms. Stevens called the meeting to order at 9:12 a.m.

**Review of Cash Flow Report and Fund Performance:**

Ms. Morgan reviewed the 10 Year Cash Flow Summary (attached) which shows the beginning balance for Plan Year 07/01/01 – 06/30/02, employer contributions, employee contributions pension payments, bank fees, other fees, net gain and ending balance. The Cash Flow Summary figures were taken directly from the annual accountings and shows what came into the trust and what came out. Ms. Strunk questioned the fees on the 10 year Cash Flow Report. Ms. Morgan stated that the Direct Fees are investment management and custodial fees. The Indirect Fees are underlying fees on mutual funds. She indicated that the total fees are approximately 60 basis points.

Mr. Yik reviewed the Fund performance for the Quarter Ending 06/30/2011. The Investment Performance is attached. The market value of the portfolio as of 06/30/2011 was \$21,174,378. The market downturn occurred after the last quarter; therefore, the portfolio has lost approximately 10% as of 08/09/2011. The portfolio is overweight in Equities and underweight in Fixed Income. The Investment Performance report is on file in the Dept. of Administrative Services. Yik also gave the Board an economic overview considering the global credit crisis.

**Review of Asset Allocation Presentation:**

Mr. Yik reviewed the Asset Allocation Presentation. He indicated that it is an ongoing process of assessment of Portfolio rebalance, Portfolio assessment, and performance measurement; Defining of goals and spending rate; implement of Portfolio structure, manager selection, and specialty asset management; and refining of asset allocation and Investment Policy. He reviewed the inputs and assumptions and estimated Efficient Frontier which plots the asset's risk versus the rate of return. The report showed a simulation of over 2000 scenarios. The current asset mix is 60% Equities and 40% Bonds. The Town can reduce the risk by diversifying into other asset classes. The goal is to diversify to reduce volatility. Ms. Strunk requested clarification on the percentiles used on pages 7 and 8. The percentiles indicate that the percentage shown means that the 2000 scenarios will be at that percentage or less. The Asset Allocation Presentation is on file in the Department of Administrative Services.

Ms. Strunk questioned if the Efficient Frontier is matched to the Actuarial Valuation done by Hooker & Holcombe. Mr. Yik stated that he has the ability to do so. He had presented an

Asset/Liability Investment Strategy to the Retirement Board at its December 8, 2009 meeting. At the Retirement Board Meeting on May 4, 2010, Mr. Yik recommended that the 80% funding level goal be achieved before adopting the strategy. At that time, the Board agreed not to change the investment strategy due to uncertainty of market conditions. Mr. Yik will confer with Ms. Morgan on Asset Liability modeling again.

Ms. Morgan stated that the Board can stay with the current asset allocation mix. Mr. Yik recommended moving to the Balanced Return with Alternatives. Ms. Samokar recommended that the portfolio remain as is and that the Board meet prior to the December meeting to discuss Mr. Yik's recommendation. It was the consensus of the Board to follow Ms. Samokar's recommendation.

Ms. Strunk questioned if the cash is deposited with Bank of America/Merrill Lynch. She indicated that there was word of the Bank's instability in the economic crises. Ms. Morgan stated that trust fund assets are separate from bank assets. The portfolio's cash is in money market funds.

**Amend Investment Policy Statement (IPS):**

Ms. Morgan will correct the Rate of Return (ROR) in the IPS from 7.25% to 7.50% as approved some time ago by the Retirement Board. The Actuarial Valuation ending 06/30/2011 had the correct rate of 7.50%. The Board had discussed lowering the ROR to 7.25%, but had decided to use 7.50%.

**Meet With Fiduciary Investment Advisors (FIA), Due Diligence Vendor:**

The Retirement Board voted to hire Fiduciary Investment Advisors to perform a Due Diligence Review of Bank America/Merrill Lynch, the Town's Pension Fund Investment Advisor and Trust Custodian. Mr. Rowlins briefly reviewed his June 23, 2011 presentation with the entire Board. He will consult with Hooker & Holcombe, the Town's Actuarial Service and will contact Bank of America to start the review. Ms. Strunk indicated that the Board is not doing this review because it is not satisfied with Bank of America's service over the years, but due to the Retirement Board's fiduciary responsibilities. The review will take approximately 6 – 8 weeks. The Board will be provided with a Draft for review prior to the final report. Ms. Stevens stated that the Town Attorney is reviewing FIA's contract, however, the Board has made the decision to proceed with FIA. Ms. Stevens will email Ms. Morgan and Bill Woollacott from Hooker & Holcombe to let them know that FIA has been hired to perform the Due Diligence Review and that FIA would be in contact with them in the near future.

**Discuss Possible Future Analysis of DB Versus DC Plans:**

Ms. Samokar stated that the Board of Education has been questioned about the Town's Retirement Plan versus a Defined Contribution Plan at budget meetings. She has expressed concern that the Board of Education does not have the information they need to answer questions. Ms. Stevens stated that Hooker & Holcombe prepared an analysis in 2007 on the cost of closing the current Defined Benefit Plan to new employees and establishing a Defined

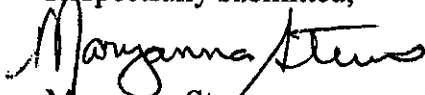
Contribution Plan for new participants. The analysis showed that there would be a slight cost increase initially and that the cost savings would not be realized for many years while the existing retirees and grandfathered employees were being paid out over the years. Ms. Stevens indicated that the Board should engage Hooker & Holcombe to do another analysis. It was the consensus of the Board that a new analysis should be done.

**Approve May 3, 2011, June 23, 2011 and July 14, 2011 Minutes:**

Ms. Strunk made a motion to accept the Minutes as presented. Mr. O'Brien seconded and it was so voted.

There being no further business to come before the Board, the meeting was adjourned at 11:00 a.m.

Respectfully submitted,



Maryanna Stevens,  
Chairman

sak

attachment

# Investment Performance - As of 06/30/2011

	Market Value	Allocation (%)	1 Month (%)	3 Months (%)	YTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	Inception Date
Total Portfolio	\$21,174,378	100.0	-1.27	0.77	5.14	19.22	6.55	5.27	01/1980
Custom Blend*	--	--	-1.17	0.99	4.71	21.11	5.15	5.28	--
Equities	\$13,201,564	62.4	-1.49	0.37	6.12	30.47	4.93	4.16	01/1980
Russell 1000 Index	--	--	-1.75	0.12	6.37	31.93	3.68	--	--
Russell 2000 Index	--	--	-2.31	-1.61	6.21	37.40	7.77	--	--
MSCI EAFE Index (Net)	--	--	-1.25	1.56	4.98	30.36	-1.77	--	--
MSCI Emerging Markets Free Index (Gross)	--	--	-1.50	-1.04	--	--	--	--	--
Fixed Income	\$6,616,756	31.3	-0.40	2.02	3.03	5.21	8.13	7.68	01/1980
Barclays Capital Aggregate Bond Index	--	--	-0.28	2.29	2.72	3.90	6.46	--	--
JP Morgan Non-US Gvt Unhedged Index	--	--	0.44	3.73	4.63	13.91	7.04	--	--
Merrill Lynch High Yield Master Index	--	--	-0.98	1.01	4.88	15.31	12.17	--	--

Past performance is no guarantee of future results. Returns for periods greater than one year are annualized.

\*Custom Blend benchmark components: 42% Russell 1000, 3.5% Russell 2000, 12% MSCI EAFE, 4% MSCI Emerging Markets, 34.5% Barclays Aggregate, 4% Merrill Lynch High Yield

# Investment Performance - As of 06/30/2011

	Market Value	Allocation (%)	1 Month (%)	3 Months (%)	YTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	Inception Date
Real Estate	\$62,398	0.3	0.14	7.43	17.31	41.74	12.55	--	12/2007
NAREIT Equity Index	--	--	-3.07	2.90	10.62	34.08	5.37	--	--
Cash/Currency	\$1,293,660	6.1	0.02	0.07	0.15	0.13	1.00	2.48	01/1989
Merrill Lynch 90 Day T-Bill	--	--	0.01	0.04	0.09	0.16	0.42	2.00	--

Past performance is no guarantee of future results. Returns for periods greater than one year are annualized.

**Town of Stonington Pension Plan  
10 Year Cash Flow Summary  
7/1/01 - 6/30/11**

Plan Year	Beginning Balance	Employer Contributions	Employee Contributions	Pension Payments	Bank Fees	Other Fees	Net Gain	Ending Balance
7/1/01 - 6/30/02	13,968,855	321,752	150,293	(607,441)	(77,276)	(10,225)	(759,030)	12,986,928
7/1/02 - 6/30/03	12,986,928	327,606	162,068	(691,360)	(72,149)	(8,550)	262,686	12,987,229
7/1/03 - 6/30/04	12,967,229	391,734	155,429	(741,243)	(77,231)	(29,945)	1,555,427	14,221,400
7/1/04 - 6/30/05	14,221,400	419,849	188,455	(752,406)	(79,438)	(25,377)	838,315	14,810,798
7/1/05 - 6/30/06	14,810,798	916,560	199,272	(796,781)	(84,741)	(19,462)	814,163	15,839,809
7/1/06 - 6/30/07	15,839,809		218,133	(847,147)	(90,894)	(25,205)	2,199,924	17,294,620
7/1/07 - 6/30/08	17,294,620	1,556,034	226,136	(896,467)	(90,056)	(12,970)	(884,391)	17,192,906
7/1/08 - 6/30/09	17,192,906	921,498	230,590	(988,587)	(76,659)	(10,796)	(1,799,229)	15,469,723
7/1/09 - 6/30/10	15,469,723	1,033,758	253,172	(993,344)	(81,214)	(22,113)	2,033,900	17,693,882
7/1/10 - 6/30/11	17,693,882	1,422,510	220,732	(1,041,033)	(94,240)	(13,435)	3,360,624	21,549,040

Beginning Balance :	13,968,855
Employer Contributions:	7,311,301
Employee Contributions:	2,004,280
Pension Payments:	(8,355,809)
Bank Fees:	(823,898)
Other Fees:	(178,078)
Net Gain:	7,622,389
<b>Ending Balance:</b>	<b>\$21,549,040</b>