

**TOWN OF STONINGTON  
RETIREMENT BOARD  
December 6, 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; June Strunk; and John O'Brien via telephone. Also present were Cheryl Morgan, SVP, Sr. Retirement Relationship Manager Institutional & Retirement Benefit Solutions, Bank of America Merrill Lynch; Martha Childs and Richard Dahlberg, from Columbia Management, a division of Bank of America-Merrill Lynch; Han Yik, Senior Portfolio Strategist, Bank of America Institutional Advisory Solutions – Investments; and Evan Wollacott, Jr. from Hooker & Holcombe, Inc.

The meeting was called to order at 9:07 a.m.

**Review of Fund Performance:**

Ms. Morgan stated that Mr. Dahlberg co-manages the Equities portion of the portfolio with Scott Davis. Mr. Dahlberg will review the Equities portion of the portfolio. Ms. Childs will review the Fixed Income portion and Mr. Yik will review the market conditions. The Investment Portfolio Review (The Review) is on file in Administrative Services, and contains the 09/30/2011 and an updated 10/31/2011 Economic and Market Commentary and Portfolio Review.

Mr. Yik indicated that the 3<sup>rd</sup> quarter saw poor performance in the Equity Market, however, there was a good recovery in October, and all major domestic indexes posted strong positive returns. International developed and emerging markets also posted positive returns in October. The market is expected to continue to be volatile.

The Investment Portfolio Review ending for 3<sup>rd</sup> quarter ending September, 30, 2011, which also included a 10/31/2011 (attached) performance update, showed a good recovery in October. The market value of the portfolio as of 10/31/2011 was \$20,734,279. The portfolio outperformed the benchmark for 3 months, year to date, 1 year, 5 year, and since Inception Date. The portfolio underperformed the benchmark for the 3 year and 10 year period. It was noted that the Inception Date on the report is the inception of Bank of America's Performance Management System, not the inception date of the portfolio. It was noted that some of the portfolio's components were not in the plan until several years ago. The portfolio is now more diversified.

Fixed Income: Ms. Childs reviewed the Fixed Income portion of the portfolio. The portfolio remains underweight in Fixed Income as opposed to Equities. The Fixed Income portion of the portfolio underperformed the benchmark for 3 months, year to date, and since Inception Date, but outperformed the benchmark for 1 year, 3 years, 5 years and 10 years. The portfolio is overweight in some of the sectors such as Corporate Bonds and underweight in Treasuries because U.S. Treasury Yields are low and are expected to stay low. Ms. Strunk questioned if the income that is made on the investments is reinvested or used to pay the expenses? Mr. Yik indicated that he rebalances the portfolio to keep the cash balance lower.

Equities: Mr. Dahlberg reviewed the Equities portion of the portfolio, which underperformed the benchmark for 3 months, year to date, 1 year, 3 years, and since Inception Date, but outperformed the benchmark for 5 year and 10 year period. Mr. Dahlberg also reviewed the Equity Selection process, which is on page 30 of the Investment Portfolio Review.

Ms. Morgan stated that the Board can further diversify the portfolio, depending upon feedback from Financial Investment Advisors (FIA), who is performing a Due Diligence Review.

Ms. Strunk indicated that she would like to see a report showing the top 10 holdings of the portfolio's Mutual Funds similar to the Equities report.

**Review Actuarial Valuation 07/01/2011:**

Mr. Woollacott reviewed the assumptions used for the Valuation, which are on page 17 of the report, which is on file in Administrative Services. The assumptions used are: 7.5% rate of investment return; salary increases at 4.5% per year, which includes promotions, steps and COLAS; date of employment as entry date; retirement age earlier of age 62, 35 years of Credited Service or valuation date plus 1 year; 2000 Mortality Table projected to valuation date. The Board briefly discussed lowering the rate of return to 7.25%. Past losses are still being smoothed. The Market Value as of 06/30/2011 is greater than the Actuarial Value. As of the 07/01/2011 Valuation, the plan is now funded at the targeted 80%. The Board of Finance can decide if they want to make the last supplemental payment or not to bolster the funding level, however, the Market Value is down from June 30, 2011. Ms. Strunk asked for the Market Value history of the portfolio from 2000 or 2001. Ms. Stevens indicated she would get those figures to Ms. Strunk.

**Review/Discuss Analysis of Alternative Plans:**

Ms. Stevens stated that Mr. Woollacott will provide a more in-depth analysis of the Defined Benefit Plan versus an alternative plan after the Board makes a decision on what criteria he should use for the analysis. Mr. Woollacott provided some plan design considerations for the Board to review. Mr. Woollacott also indicated that some changes could be made to the Town's defined benefit plan for new entrants to produce savings, such as exclude overtime pay; increase the retirement age/years of service; and increase the number of years to 7 or 10 to determine the pension benefit. After some discussion, it was the consensus of the Board for Mr. Woollacott to submit two proposals using a 5% and 6% employer contribution percentage, a 6.5% rate of return, with the salary increase percentage at 3.5%. Mr. Woollacott will provide the proposals at the next regular Retirement Board meeting scheduled for the 1st Tuesday in February 2012. He will do a cash flow analysis after the Board decides on one proposal at that time.

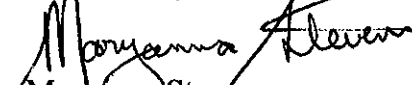
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**Approve August 9, 2011 Minutes:**

Ms. Strunk made a motion to approve the Minutes of the August 9, 2011. Ms. Samokar seconded and it was unanimously voted.

There being no further business to come before the Board, the meeting was adjourned at 10:55 a.m.

Respectfully Submitted,

  
Maryanna Stevens  
Chairman

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