

**TOWN OF STONINGTON  
RETIREMENT BOARD  
May 23, 2013**

The Stonington Retirement Board held a special meeting on this date at 9:00 a.m., at the Stonington Police Station. Board members present were: Maryanna Stevens, Chairman; Judy Samokar and Frank Todisco. John O'Brien arrived at 9:15 a.m. Also in attendance were Christopher Rowllins and Devon Francis representing Fiduciary Investment Advisors (FIA); Mr. Vincent Pacileo III, Director of Administrative Services; and Bill King, BOE Operations Manager.

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

Since Mr. Rowllins and Ms. Francis had not yet arrived, Ms. Stevens suggested that the Board move Agenda Items #4 & #5 to Items #2 & #3. Mr. Todisco made a motion to move the Approval of the Minutes up to #2 and the Defined Contribution Plan Design to Item #3. Ms. Samokar seconded and it was unanimously voted.

**Approval of Minutes of 12/4/2012, 02/5/2013, & 02/19/2013 Meetings:**

Ms. Samokar stated that one typographical error was made in the 12/4/2012 Minutes. The error will be corrected prior to filing the approved Minutes with the Town Clerk's Office.

Mr. Todisco made a motion to approve the Minutes of the 12/4/2012 meeting, the 02/5/2013 meeting and the 02/19/2013 meeting. Ms. Samokar seconded and it was unanimously voted.

**Defined Contribution Plan Design:**

Ms. Stevens stated that she and Mr. Pacileo are working with two vendors on the proposed Defined Contribution Plan. FIA has offered to help review the plan documents for no fee. Ms. Stevens stated that the plan could be ready so that the Town Meeting could be scheduled by June 30, 2013. She continued that Mr. Pacileo and Mr. King currently have no information to provide to Unions during negotiations regarding the proposed DC Plan. The Board needs to make a formal motion to capture the main provisions of the DC Plan. The Board discussed the DC vesting schedule. Two options are, to mirror the vesting schedule in the Town's Defined Benefit (DB) plan, or to make the vesting consistent with DC plans adopted by other Towns. Mr. Pacileo questioned if Mr. Woollacott's Income Replacement Analysis, which was presented to the Board in February, used a vesting schedule for his calculations. If so, would there be a negative impact to the Town if the Board adopted a 5 year cliff vesting (100% after 5 years) rather than keeping the same vesting schedule as the current DB Plan? Ms. Stevens contacted Mr. Woollacott by telephone to answer Mr. Pacileo's question. Mr. Woollacott is the Town's Actuary. He indicated that vesting was not used for calculations in the analysis and that there would not be a significant financial impact to the Town to use the 5 year cliff vesting for the DC Plan.

Ms. Samokar moved that for the Defined Contribution Plan, the Town contribution will be 5%; employee contribution 3%; a 5 year cliff vesting, vested after 5 years 100%; no loan provisions; and no conversions from the defined benefit plan. Mr. O'Brien seconded and it was unanimously voted.

**Discussion With FIA Regarding Fund Portfolio:**

Mr. Rowllins distributed the Stonington Plan Diagnostic Report Originally Presented February 2012 Revisited May 2013. FIA is now the Town's investment advisor and Bank of America has remained as Trust Custodian. Ms. Francis reviewed page 30 of the Report (attached). The Portfolio originally

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recommended by FIA has remained relatively intact; however, there have been some revisions to the Fixed Income and International Equity Asset Classes. The changes are highlighted in gray on the report. The Proposed Portfolio Asset Classes and Target Allocations are: Fixed Income 30%; Domestic Equity 32%; International Equity 22%; Inflation Protection 6%; and Blackrock Global Asset Allocation Institutional 10%. A copy of FIA's report is on file in the Dept. of Administrative Services.

Mr. Rowllins stated that if the Retirement Board goes forward with FIA's Proposed Portfolio, FIA will partner with the Town to transition from Bank of America, which will be a fairly smooth transition. Bank of America will continue to provide benefit payments so that there will be no disruption of payment services. FIA will produce brief monthly reports and quarterly investment reports. FIA has drafted an Investment Policy Statement (IPS) which reflects their recommendations. The IPS will be rolled out in the second quarter.

Mr. O'Brien made a motion for FIA to start transitioning to the proposed portfolio. Mr. Todisco seconded and it was unanimously voted.

Mr. Rowllins stated that the Retirement Board Members can access FIA's portal, using a password, to view the IPS, Minutes, and Investment reviews, etc. The Town can also save files to the portal, such as the Minutes.

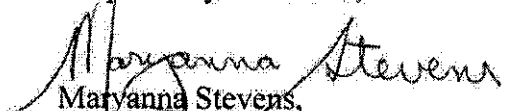
Mr. O'Brien questioned, given the global economy, if the Town's 7.50% rate of return assumption will succeed. Mr. Rowllins indicated that many Town's are gravitating toward 7% over time. If the assumption is lowered, the Town's cash contribution will increase, although there are other assumptions that factor into the Town's contribution, such as salary assumptions and colas. The Actuary can work with the assumptions to minimize the Town's risk. Mr. Rowllins indicated that the 7.50% assumption will be a challenge going forward because there are not outsized returns in the market.

**Review of 1<sup>st</sup> Qtr. Fund Performance:**

There was no discussion of the 1<sup>st</sup> Quarter Fund Performance.

There being no further business to come before the Board, Mr. Todisco made a motion to adjourn. Ms. Samokar seconded and it was unanimously voted. The meeting adjourned at 9:45 a.m.

Respectfully submitted,

  
Maryanna Stevens,  
Chairman

Sak

attachment

# Proposed Investment Portfolio: Revised



Fund/Manager	Asset Class	Target Allocation	Approximate Assets*	Expense Ratio
Metropolitan West Total Return Bond	Fixed Income	10.0%	\$2,400,000	0.39%
PIMCO Total Return Inst'l	Fixed Income	10.0%	\$2,400,000	0.46%
PIMCO Unconstrained Inst'l	Unconstrained Fixed Income	5.0%	\$1,200,000	0.90%
Legg Mason Brandywine Global Opportunities Bond	Global Fixed Income	5.0%	\$1,200,000	0.64%
	<b>Fixed Income Subtotal</b>	<b>30.0%</b>	<b>\$7,200,000</b>	
Vanguard 500 Index Signal	Large Cap Blend	22.0%	\$5,280,000	0.05%
Diamond Hill Small-Mid Cap Fund Y	Small/Mid Cap Value	5.0%	\$1,200,000	0.86%
Eaton Vance/Atlanta Capital SMID Cap I	Small/Mid Cap Growth	5.0%	\$1,200,000	1.00%
	<b>Domestic Equity Subtotal</b>	<b>32.0%</b>	<b>\$7,680,000</b>	
Thornburg International Value R6	International Large Blend	7.5%	\$1,800,000	0.89%
Vanguard Total International Stock Index Signal	International Large Blend	7.5%	\$1,800,000	0.16%
Templeton Inst'l Foreign Smaller Companies	International Small Cap	4.0%	\$960,000	0.95%
Harding Loevner Institutional Emerging Markets	Emerging Markets	3.0%	\$720,000	1.30%
	<b>International Equity Subtotal</b>	<b>22.0%</b>	<b>\$5,280,000</b>	
Vanguard Inflation Protected Securities Adm**	Inflation Protection (TIPS)	3.0%	\$720,000	0.11%
Van Eck Global Hard Assets I	Inflation Protection (Commodities)	1.5%	\$360,000	1.01%
PIMCO Commodity Real Return Inst'l	Inflation Protection (Commodities/TIPS)	1.5%	\$360,000	0.74%
	<b>Inflation Protection Subtotal</b>	<b>6.0%</b>	<b>\$1,440,000</b>	
Blackrock Global Asset Allocation Inst'l	Asset Allocation	10.0%	\$2,400,000	0.88%
	<b>Total Portfolio / Weighted Average Fee</b>	<b>100.0%</b>	<b>\$24,000,000</b>	<b>0.54%</b>

\* Based on \$24MM portfolio.

\*\* Vanguard recently introduced a short duration TIPS strategy. However, the fund currently has a 25 bps entry fee. We would advocate investing in the Vanguard TIPS product initially and then switching to the short duration strategy once the entry fee has been waived.

Newly Proposed Fund

New Page