



FINANCE DEPARTMENT

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TOWN HALL

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Minutes
Wilton Retirement Trust
Wilton Employees Retirement Plan Investment Committee
Other Post-Employment Benefits Trustees
May 1, 2013

7:30 PM
Meeting Room "B"

Present:

Investment Committee: Warren Serenbetz, Jeffrey G. Rutishauser, Paul Burnham Robert H. Kelso (Chair), Richard E. Wehrmann, **Absent:** Robert Schultz,

Retirement Trust: William Brennan (Chair), Harold E. Clark, Adrian Gilmore Bray, Sandra L. Dennies, Richard J. Dubow, **Absent:** Ted Hoffstatter. James F. Meinhold, James Saxe, Jr.

OPEB: Adrian Gilmore Bray, Warren Serenbetz (Chair), Sandra L. Dennies, Harold E. Clark, Kenneth Post

Others: Kevin O'Brien, Fiduciary Investment; Rich McArdle, Sarah Taffel

Call to Order

7:30pm –the meeting was called to order by Mr. Brennan.

Meeting Minutes of January 30, 2013 Regular Meeting (Retirement Trust, Investment Committee and OPEB)

Mr. Serenbetz asked that the fourth paragraph under **OPEB Portfolio** in the Minutes be deleted. Motion made seconded and carried to approve the Minutes with Mr. Serenbetz correction to omit the last sentence under **OPEB Portfolio** that reads: "Mr. Rowllins recommended moving Thornburg International Value I to Thornburg International Value R6 to save basis points."

Mr. O'Brian from Fiduciary reminded everyone of the Client Conference at the Water's Edge Resort in Westbrook on June 6, 2013 and encouraged them to attend. He then reviewed the Portfolio with the Members.

Capital Market Overview

- It was a strong Quarter due to the stimulus and improving economy
- Gross Domestic Product (GDP) posted slight increase in fourth quarter of 2012 to 0.4%
- Manufacturing declined slightly but index is still over 50
- Unemployment seems to be improving but still at 7.6%
- The big driver is housing which is improving considerably – 8% year-over-year
- Energy is volatile but inflation is under control
- The S&P is up 10 points
- Domestic market is up 6% and had a very strong quarter
- International Market is up but not as much
- Emerging market is down 1.6% because of slow down in China and continuing concerns in emerging markets

Fixed Income

- Aggregate Bond Index was essentially flat
- Treasuries didn't do well in the quarter especially long treasuries they were down 2% for the quarter
- High yield was the place to be - it was up 2.9%
- Hedge funds had a decent quarter up 3.1%
- Commodities are down because of the slowdown in China and Europe. On the 1 year they are down 3% and on the 5 year they are down 7%.

Domestic Review

- All ten sectors within the Russell 3,000 have had a nice return for the quarter.
- Technology lagged because of Apple.
- Across the board the sectors had a nice return.

The International Review

- Smaller Cap stocks did better than large Caps
- Japan focused on stimulus and was up 11.6% in dollars
- China, India, Brazil and Russia are down

Fixed Income

- Treasuries didn't do well
- Corporate Bonds outpaced government backed issues (bonds) a little but not as much as they did in the 4th quarter
- Mortgages were the place to be in fixed income. The yield curve shows that over 10 year period at the end of the quarter it was at 1.87.

Alternatives

- Hedge funds that had equity exposure on the long side did well
- Commercial Real Estate continued to improve – higher quality properties that have high occupancy rate did well. Distressed real estate is improving. REITS are up 8.2% on the back of the public market. Private real estate is up 2.5% for the quarter.
- Hard asset commodities are still struggling, metals sold off and copper is down 5%. Energy did okay but gold and silver had a tough quarter.
- For the quarter, domestic equities were the place to be.
- Outlook indicates there's a general improvement even with international.
- Outlook: interest rates will remain low through 2015.

Overview

- Town is in a broadly diversified portfolio which is the way to go
- Most portfolio managers are cautiously optimistic that improvement will continue
- Down the road may wish to reallocate to emerging markets.
- Some valuations have done better than others there is room for expansion for growth
- Referring to page 9 of the handout showing where the growth is across the globe – showing the emerging markets, illustrating the trends there as well as in the developed countries
- Emerging markets growing 4-5% - big growth in China projected. Developed countries at 0-2% growth.

Discussion on Pension Return Rate and Impact of Further Reductions

- Mr. Brennan referred to a handout on Moody's new rating rules for municipalities and school districts.
- Moody's is revamping the way it analyzes pension liabilities

- Ron Schlee of Hooker and Holcombe will be making a presentation at the August meeting to review the valuations (currently at 7.25) which may need to be tweaked down as this could affect the Town's bond rating.

Discussion of Pension Return Rate and Impact of further Reductions

- Total value of the Pension at the end of March was \$84.5 million
- It is in line no need to rebalance it's in line with targets
- Portfolio Plan is up for quarter 5.1 vs 4.6 benchmark
- For the 1 year time period it's up 9.8 vs 9.2
- Detailed review of Pension Plan Performance on pages 16 & 17 of handout (on file)
- Mr. O'Brian asked if there were any questions on the Pension Managers and was asked if they had any concerns and he replied no concerns they are all being maintained.
- A brief discussion ensued
- Deflation is not as much as a concern as inflation
- Mr. McArdle said a cash transfer would be needed shortly to cover distributions.

OPEB Portfolio

- Review of the handout with Committee (Pages 30-36 of handout)
- Wells Fargo Cash under target underweight -4.6%
- This is an all index strategy
- Plan is up \$123,000 for the quarter