

FINANCE DEPARTMENT
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TOWN HALL
238 Danbury Road
Wilton, Connecticut 06897

Investment Committee Meeting
January 20, 2010
Meeting Room B

Present: Paul Burnham, Robert Kelso, Robert Schultz, Warren Serenbetz , Chris Frankenhoff

Others: Paul Connors (Vanguard), Carol Misus(on phone from Vanguard) Sandy Dennies, Rich McArdle, Sarah Taffel

Procedural: The Committee decided to remove money from the Money Market Fund then the Short Term Bond Fund, to fund benefit payments.

Vanguard's Role

Mr. Connors discussed Vanguard's role by indicating that Vanguard is a "non-discretionary advisor." They evaluate the investments and offer suggestions based on their methodologies but the ultimate decision is made by the Investment Committee.

Plan Investment Policies are:

Asset allocation, Diversification, and Rebalancing and referenced a table in the booklet provided to the Committee which included greater detail.

Vanguard Fees:

Mr. Connors reviewed Vanguard's costs for investments. The annual expense ratio (in basis points) is 14.27. The advisory fee is 10.42 (in basis points). Total fees basis points are 24.69. Certain portion is invoiced to the Town the remainder comes out of the funds before the net asset value is calculated.

For pension payments, Vanguard issues the checks at a cost of \$12,000 per year independent of the other fees. It is paid from the Trust. The Administrative fees are included in the \$12,000.

In total, the cost of Vanguard for the Town of Wilton's \$56 million pension is approximately \$150,000.

Holdings Report:

Ms. Misus then discussed Wilton's International holdings. The Total International Stock Index Fund is a market cap weighted fund with exposure to European, Pacific and Emerging Markets. In addition to this fund Wilton has ownership of both a Pacific Stock Index Fund and an Emerging Market Stock Index Fund so it is heavily weighted in the area of Pacific and Emerging Market Funds. Vanguard's recommendation is a market proportional approach or the approach used in a broad based index fund. Vanguard recommends the elimination of Pacific and Emerging Markets to the individual holdings. In looking at International exposure Vanguard recommends Vanguard FTSE All World ex-US Index Fund this would provide exposure to Canada. Vanguard recommended moving all of the investment out of the Total International Stock Index Fund and investing it in the FTSE Fund. In addition it was indicated that there use to be a fee to get into the FTSE Fund but there isn't one at this time which makes it more attractive for investment. Another benefit is a low expense ratio with this fund. Ms. Misus reviewed the portfolio's performance with the members of the Investment committee that was illustrated in the booklet provided.

Within fixed income piece Vanguard recommends transitioning out of short-term bond index either through sale of bonds into short-term investment grade or continued usage of the holdings to make payouts. Fixed income short-time bond index fund is also being used to fund disbursements.

In addition, Vanguard recommended having at least two meetings a year and then conference calls as needed.

Next steps

The members of the Investment Committee discussed the recommendations and unanimously voted on the following actions:

1. Move Total International Stock Index Fund into FTSE All World ex-US Index fund.
2. Retain ownership of Emerging Markets Fund and roll the proceeds from the Pacific Index fund into FTSE All World ex-US Index Fund.
3. Regarding Fixed income, do nothing. Leave short term bonds alone to pay for benefits.
4. The committee agreed to have two actual meetings a year with Vanguard and have conference call meetings with them in addition to the actual meetings.

The Committee suggested that Vanguard provide a recommendation on International bond funds.

New Business

Chris Frankenhoff reported he is stepping down as Chairman of the Investment Committee and the Committee unanimously voted to have Bob Kelso replace him as Chairman.

Paul Burnham is retiring from the Investment Committee and suggested Richard Werman, a democrat, possibly replace him. Brian McDonald was another recommendation.

The next meeting will be held on April 14th and at that time Vanguard will provide an allocation analysis for the fixed income side (as it relates to expected returns and the pension liability) and data for an international bond fund.

Mr. Frankenhoff reviewed the next steps for Vanguard that had been voted on by the Investment Committee.

The meeting adjourned.

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