

**Pension Board  
Minutes  
May 10, 2011**

**CALL TO ORDER**

Chairman Michael Charland called the Pension Board meeting to order at 7:30 p.m. at the Town Hall, Trumbull, Connecticut.

Members present and absent were as follows:

**PRESENT**

Chairman Michael Charland  
Maria Pires  
John Ponzio  
William Schietinger  
Michael Knight  
James Lavin

**ABSENT**

Donna Pellitteri

**Also Present:**

Chris Kachmar, F.I.A. and Ed Walsh, Esq., First Selectman Tim Herbst

**PUBLIC COMMENT**

There was no public comment.

Chairman Michael Charland called the meeting to order at 7:30 p.m.

First Selectman Tim Herbst administered the oath of office to James Levin, as a member of the Pension Board until December 3, 2012 and to Michael Knight, as a member of the Pension Board until December 2, 2013. First Selectman Tim Herbst left the meeting.

**INVESTMENT UPDATE (Chris Kachmar)**

Mr. Kachmar gave a brief overview of Fiduciary Investment Advisors, LLC (FIA) and the services provided to the Town since 2009.

He reviewed the Executive Summary report with the board:

The basic backdrop is a constructive one. We have pockets of weakness in the housing and sticky labor markets, fluctuating jobless rates and nonfarm payrolls, but otherwise the numbers have been good. The DDP results and leading indicators continue to advance through the spring. Consumer confidence fell off a bit; however, there have also been solid corporate profits, and the Feds have been very accommodating, keeping the short rates low, and staying in the markets with the QE 2 program that is expiring in June.

You can see the results in terms of the general markets on page 2 with some healthy numbers. In reviewing the Domestic Equity Markets, which we will talk about later, you can see that regardless of capitalization and regardless of style, the numbers have been solid and we see the same type of outcome in the International Equity Markets. Fixed Income is grinding along. The broad markets are up okay and you can see for the quarter a very modest increase of .50%, but advancing nonetheless.

If you look at page 3, you get a little more detail on the domestic equity markets. Corporate profits and earnings have been very strong and we have this modicum of stability in the economic activity. Small caps did a little bit better than the large and mid-caps. From a sector standpoint, three outperformed the

broad market. Energy did very well; industrials were up almost 9% for the quarter and healthcare was up .2%. In terms of the international equity markets, the largest change occurred in the emerging segments of markets in India, China, and Brazil, where they have started to slow down due to concern about inflation and growth rates. The developed markets actually did better in the quarter than the international markets. Overseas, large cap did better than their small cap counterparts. Value did better overseas than did growth and emerging markets were somewhat mixed. Among the developed markets, Japan led the declines due to the unfortunate circumstances there.

The treasury yields moved slightly higher. There was a continuation of this general theme within the fixed income markets where there was incremental return for taking more risk, i.e. commercial mortgages, other securitized sectors, corporate bonds, etc. Overseas, sovereign bonds did better than US Treasury counterparts did.

At the end of March, the portfolio was roughly aligned with target, with a little bit of an underweight to fixed income and concurrent overweight to international equity and inflation protections. Since March, the value has gone up to around \$19.5 million. There is a small cash liquidity cushion and when we need to source funds, we will source it from the overweight positions. As discussed in our last meeting, we added Diamond Hill and Mainstay large cap growth, both complements to the Montag strategy.

In terms of performance, the portfolio was roughly aligned with the benchmark for the quarter, up by +/- 3/8%. For the one-year period that ended in March, it was up 14.1%. The general trend is a constructive one.

Mr. Knight indicated that there appeared to be a \$10,000 discrepancy in the market value. Discussion followed concerning the change of trustees and having the funds in two places for quite awhile.

Mr. Kachmar indicated that they are proponents of diversification; we do not want to have too much with a singular firm. This way, if something should go wrong it can be addressed without too much disruption, which is what we did with Montag. Montag has been lagging and since they are very conservative, we added Mainstay and Diamond Hill last quarter to offset this.

Mr. Lavin asked how we rebalance the portfolio. Mr. Kachmar indicated that when we need liquidity, we will source it from the overweight positions. We watch the natural movement in the market without trying to rebalance continuously i.e., micromanage the portfolio; willing to let markets move a little. We have conversations with the board each quarter; sometimes we take action, sometimes we don't; we have no system in place for handling this.

Mr. Knight indicated that our 73.7% equity over fixed ratio is pretty aggressive. Is this due to being underfunded? If we were better balanced, would we have a more conservative allocation? Mr. Kachmar noted that we are slightly more aggressive but in line with that of our municipal peers.

Discussion followed.

It was noted that the town approved a \$400,000 increase to the pension fund. Mr. Ponzio indicated that since there was an insurance savings of \$267,000, it was decided to add it to the pension contribution of \$400,000 to the pension plan.

He went on to add that the town asked the actuaries to suggest ways that we could bring the pension funding where it needs to be. One recommendation was to contribute an additional \$400,000 annually.

Discussion followed.

Mr. Ponzio indicated that many assumptions are made when they prepare the actuarial report. One of those assumptions is that employees will continue to retire, and be replaced with employees who will retire and draw on the pension plan. We are currently looking into a 457 Plan.

Mrs. Pires noted that as the contracts come due the 457 Plan is being introduced to all new employees where the town will contribute 5%. In addition, we are currently paying 5% interest annually on contributions when withdrawn. In order to reduce that 5% interest rate, we will have to negotiate with the unions. Mr. Knight asked what the current employee contribution rate. Mrs. Pires indicated that it ranges from 3.5% – 5.0%. He then asked what we could propose going forward in the next bargaining session. Mr. Charland indicated that the town was looking at the corporate rates, etc., and suggestions would be made as a part of the next bargaining session.

Mr. Charland noted that the Pension Board's Charter provides for us to administer the portfolio and make recommendations, but to make changes we need to go to the Town Council.

Mr. Lavin asked how management fees are calculated. Mr. Kachmar indicated that it is roughly 50 basis points based upon the existing balance for the quarter.

Discussion followed.

#### **WILMINGTON TRUST UPDATE (Ed Walsh, Esq.)**

Mr. Walsh spoke regarding the discovery in 2009 of pension benefit overpayments of \$250,000 by Wilmington Trust. These included overpayments to pensioners and beneficiaries. One individual alone received beneficiary benefits of \$93,000 in error from 2001 to 2009. Once the error was discovered, payments were stopped; now it remained how to get the funds back.

The attorneys discussed and evaluated whether or not they had a claim against Wilmington Trust, who took over UBS Fiduciary Trust Co. in 2008. Prior to that time, UBS Fiduciary Trust Co. had a trust agreement with the town from 2004-2008.

We sent a letter Wilmington Trust providing them with the detailed documentation requested. On April 14, we received a letter from them indicating they were not responsible, it was our error. In addition, they only addressed the errors from 2009; they did not go back to what transpired from the time of the UBS acquisition, for which they are liable. They indicated that we did not supply them with the accurate information, since there was an interaction with the town in terms of providing information.

Discussion followed.

We could go back to them and ask them to account for what took place from 2004; ask what they did for the town, during that time period; and how did they account for these claims of overpayment with respect to the beneficiaries. We will most likely receive a response indicating that we did not supply them with the correct information.

We have two options:

- Quickest way is to go against the actual beneficiaries; should have known they were receiving checks that they should not be receiving. Could become political issue if we have to put a lien on the house of an individual.
- Bring a pension claim against Wilmington Trust in Federal court for negligence, breach of contract, breach of fiduciary duty, etc. This is a complicated case.

The lawyers recommend if we proceed we need to see an arbitration agreement with UBS, if available. We have the trust agreement and if there is an arbitration provision in that agreement with UBS Fiduciary it would be easier than going to court.

Discussion followed.

Mr. Charland indicated an Action Plan that included the following:

- Mr. Walsh is going to check for an arbitration clause and send another letter with a copy of the letter sent to Mrs. Chmura.
- Mrs. Pires is going to look into our Errors and Omissions Policy to see what options we have available.
- We might need a special meeting prior to the next Pension Board meeting

Discussion followed.

**APPROVAL OF MINUTES - March 8, 2011**

The chair moved to approve the minutes of the March 8, 2011 meeting. It was noted that the name **Charlan** be changed to **Charland**. Mr. Ponzio moved, seconded by Ms. Pires to approve the minutes as amended. The motion carried 4-0-2 (abstentions: Knight - Lavin) (absent: Pellitteri).

**APPROVAL OF PENSION BENEFITS AND WITHDRAWAL OF FUNDS**

Mr. Ponzio moved, seconded by Mr. Lavin to approve the Pension Benefits and Withdrawal of Funds as follows:

**Pension Benefits:**

Cavaliere, Anthony	eff. April 1, 2011	\$ 1,699.61
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**Withdrawal of Funds:**

Lewis, Ryan	terminated 3/21/2011	\$ 1,569.33
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Mr. Knight requested that going forward the H&H calculation sheet be included in the file for the withdrawal of funds.

The motion carried (6-0) (Absent: Pellitteri)

**OTHER BUSINESS - Election of Officers**

Mr. Ponzio moved, seconded by Mr. Schietinger to nominate Mr. Charland as Chairman of the Board. The motion carried (6-0) (Absent: Pellitteri)

Mr. Ponzio moved, seconded by Mr. Charland to nominate Mr. Schietinger as Vice Chairman of the Board. The motion carried (6-0) (Absent: Pellitteri)

**ADJOURNMENT**

There being no further business to discuss, Mr. Charland moved to adjourn, seconded by Mr. Ponzio. The Pension Board adjourned by unanimous consent at 9:07 p.m.

Respectfully Submitted,

Phyllis Collier  
Clerk, Pension Board