~ *Draft* ~ **M I N U T E S**
Guilford Pension Committee
Regular Meeting # 290 – May 19, 2011
Guilford Town Hall, 31 Park Street
Selectmen's Conference Room, 8:00 AM

***Note**: These are strictly Draft Minutes and are not final until approved at a subsequent Pension Committee meeting.*

Members Present:	Robert Hartmann *(chair)*, George Curry (8:14) and David O'Connor (3 of 5)
Members Absent:	Alex Sommers, Wayne Staschke.
Town Official(s): Present	Joseph Mazza *(First Selectman),* Sheila Villano *(Finance Director)*, Mitch Goldblatt *(Human Resources Director).*
Others/Guests: Present	Joe Bivona *(Consultant, Wells Fargo Advisors),* Bruce Nelson and Al Townsend *(Brandes Investment Partners),* Darshan Bhatt and Dennis Tracy *(Glovista Investments)*, Kristen Elliott *(New Administrative Assistant Purchasing)*, Sue Gomez *(Recording Secretary – last meeting due to retirement).*

(8:15 AM – 10:15 AM) - [2:00]

Chairman Hartmann called the meeting to order at 8:15 AM.

1. Public Forum

None.

2. Approve minutes of:

2.1 March 17, 2011 (April meeting was cancelled)

Upon a motion made by Mr. Curry and seconded by Mr. O'Connor it was unanimously voted to approve the minutes of 3.17.2011 as submitted.

3. Approve Request for Pension Benefits for Town employee(s), as follows:

3.1 REQUEST FOR PENSION BENEFITS:
Susan Gomez – Administrative Assistant, Selectmen's Office
Date of Retirement: 06-01-11 Lump Sum Vested

Upon a motion made by Mr. O'Connor and seconded by Mr. Curry it was unanimously voted to approve item 3.1 as submitted.

4. Finance Director's Report:

4.1 Monthly Investment Report from the Finance Director (March and April)

Performance Evaluation Report – First Quarter 2011 was distributed tot the committee.

Ms. Villano reported that assets had been transferred from Wachovia Bank to Wells Fargo Advisors. Page 2 shows $10,000 left at the Trust. The 18.01% return for April does not reflect the $10,000 at the bank. The statement from Wells Fargo needs to be adjusted; when the assets were transferred they were valued out 3/31/11 and in on 4/01/11. The unrealized gains are not accurate. Mr. Bivona and Ms. Villano will correct. Mr. Bivona said that the reprice of 4/1/11 reflects 3/31 and that everything is un-realized (gains and losses). The cost value of stocks is incomplete on the advisors statement. The numbers at the end of the report are correct. $2million was moved from Anchor to fund Oak Ridge Small Cap. Dividends will filter through the Trust Co. Bank to Wells-Fargo. The process will take about 3 months to get all the dividends. Everything transferred beautifully. Ms. Villano's numbers are correct on the "Combined Snapshot" report that she distributed. (March returns were 15+%)

Mr. Bivona will also fix the $300,000 periodic payments: IPI is a separate account. The $300,000 is the amount that Ms. Villano sent to fund the pension payments account. Ms. Villano will figure out how to give the committee a pension spending report. Mr. Bivona said that she had taken enough for the quarter because interest rates are very low versus transferring money monthly.

Mr. Bivona said they had one problem yesterday on retro payments on taxes. Mr. Goldblatt said IPI is wonderful and he is very happy working with them. Once Ms. Villano works it out she will give copies of the 3 pages from Wells-Fargo. Mr. Bivona's statement should save Ms. Villano a lot of work. Ms. Villano said she would give the consolidated statement to the committee when it was accurate.

Mr. Bivona said that NWQ re-papered during the asset transfer and lowered their fee 15% – they came into the Wells-Fargo Masters Program.

5. Old Business:

5.1 Consider acceptance of 2011 Actuarial Experience Study: Police Retirement Fund, Public School Employees' (Non-Certified) Pension Plan and Employees' Pension Plan prepared by Milliman.

Ms. Villano said there was one change that Ken Friedman recommended. She was disappointed that there were not more changes (like the salary scale) that would have impact on reducing the liability and Town contribution.

On page 7, Mr. Friedman calculated a range of 7.33% and 5.62% for the investment return assumption. He believes the current 7% is reasonable and recommended that it continue to be used. The one assumption change recommended was the retirement rates for the Police and School Plans. The impact for the 7.01.10 for the contribution for the school plan would be a reduction of $239,383 and $5,074 for the Police Plan. There was no change on the Town Plan.

Upon a motion made by Mr. Curry and seconded by Mr. O'Connor it was unanimously voted to adopt the recommendations made by Milliman for adjustments to the actuarial study.

6. New Business:

6.1 Discuss results of GSA Contract – (see attachment) contract was distributed with agenda

Mr. Goldblatt thanked the members of the sub-committee for their work and that it had been very helpful with the contract negotiations for the GSA (Guilford Supervisors Association). He then reviewed several points: Article 15 is the Retirement Plan.

- 15-1-A – early retirement – only can retire at age 55 after 25 years of service and hired before 1992. Otherwise retirement is 60 years of age and 10 years of service.
- 15-1-B Lump Sum. As of 1-1-2013, no further lump sums.
- 15-1-C Credited Services. The maximum amount is 35 years. (One person will go to 40 years). At 40 years the person will retire with 100% of salary.
- D-E & F 3% to pension. 1st year – 3%. 3-1/4 % in 2nd yr. 3-1/2% in 3rd yr.
- 15.2 Any new employee as of 1-1-11 from outside will go on Defined Pension Plan. Mandatory 3% up to 8% will be matched dollar for dollar by the Town. Vesting is 20%/year for the first 5 years. Fully vested after 5 years.
- 15.3 When amendments are done to the plan, that language will prevail.

There were major changes in this group. No other contracts are up this year.

First Selectman Mazza thanked George Curry for heading up the Defined Benefits Subcommittee. This new contract (GSA) sets a template going forward. He also thanked Mr. Goldblatt, Ms. Villano and the committee. They will now prepare for the next contract negotiation in January.

Mr. Curry commented on Section "C", he felt that on % of match that the present wording leaves it open. Mr. Goldblatt said that the intent was 100% match (15.3). In the adoption agreement it will define the percentage of contribution. Mr. Goldblatt was surprised that Attorney Dorney did not pick up on this. It will be changed to "We (Town) will match 100%."

Mr. Hartmann related that negotiations were cordial, there wasn't an attorney in the room and only used to clarify language. There were trade-offs and negotiations took a little longer than they had hoped. Mr. Mazza said that one overriding concern was that they were leery of setting the stage for other unions. Mr. Hartmann felt that since this union sets the budgets they were a good one to start with. Mr. Mazza said they will have 4 contracts to renegotiated in 2012. He felt that they learned a lot with this one. Mr. O'Connor added that people are meeting in the middle across the country – it wasn't a surprise to people.

Mr. Goldblatt said that this is a very fine defined benefits plan – 8% is fairly high and we want to be able to attract high caliber people to the town. We want "one" plan for every group.

6.2 Consider and act on recommendation to Board of Selectmen concerning establishment of Defined Contribution Plan.

Mr. Goldblatt asked the committee to consider a motion to recommend to the Board of Selectmen to engage ICMA in the establishment of a Defined Contribution Plan. They are probably the best company for us. If the committee is Ok with the concept then they can begin negotiations and the documents.

Mr. Curry believed that the Town has taken the right first step and ICMA is Ok with the arrangement knowing they will do the document and will be Ok with no assets to manage until we have new hires. They are a non-profit organization. They will assign a representative to the Town for one-on-one consultations and enrollments.

Upon a motion made by Mr. Curry and seconded by Mr. O'Connor it was unanimously voted that the Pension Committee make a recommendation to the BOS to enter into contract agreements with ICMA to provide administration and investment platform for the Defined Contribution Plan.

Mr. Curry said he would be at the BOS meeting when this item comes on the agenda.

6.3 ***Executive Session***:
Request for Disability Pension from Town Employee Pension Plan

Upon a motion by Mr. Curry and seconded by Mr. O'Connor it was unanimously voted to enter into executive session at approximately 8:45 AM. Mr. Goldblatt, Ms. Villano and Mr. Mazza were asked to remain.

Upon a motion by Mr. O'Connor and seconded by Mr. Curry it was unanimously voted to end the executive session and go back to the regular meeting at approximately 8:55 AM.

Motion from executive session:
Upon a motion by Mr. O'Connor and seconded by Mr. Curry it was unanimously voted to approve disability pension for Kathy Witte effective 4.01.2011.

June Meeting – 6.19.2011

It was decided not have annual meeting speakers at the June meeting which is usually held at Noon.
The June meeting will be a regular meeting held at 8:00 AM. The manager's meeting will be in August or September at Noon. On the June meeting agenda there will be an item to discuss the Annual Meeting date.

6.4 Presentation: Emerging Markets Managers: Brandes and Glovista. [8:58 AM]

Brandes Investment Partners, L.P.
Bruce Nelson, Regional Manager, New York Metro and Al Townsend were present representing Brandes.

A booklet on Brandes was distributed to all the members.

Bruce Nelson gave the presentation. At Brandes the focus is on a few pieces, they use the same process working emerging markets for the last 14 years. They have a different style investment committee who have been a minimum of 12 years in the business and a few partners on this committee (pp. 4-6).

Valuation is the most important; they focus on discrepancies in the e-markets. Even though they are investing in the fastest growing parts of the world it is still a value portfolio because e-markets allow them to go after smaller businesses. It makes them stand out. Some investors are going after the largest companies in these countries.

Page 2 – Charles Brandes founded the company 36 years ago (1974) and is still there. $45.9 billion in assets under management. In the last 7 years they have had 500 employees and no layoffs – they are currently at 470 employees. The company is 100% employee owned. Emerging markets is one of the larger portfolios for Brandes.

Page 4 – He went over the members of the committee saying there was no real leader; they all contribute. The 'key" about Brandes is they do the same every time – 29 analysts and support staff.

Page 7 – Goal: *"Seek to outperform the product benchmark over the long-term by building portfolios with high overall average margin of safety which we believe offer attractive long-term appreciation potential."*

Page 8 – Graph of Buying and Selling Concept using margin of safety. They also sell if things approach the intrinsic value if they see another attractive buy (p. 11). Reasons to sell: (1) They buy it; it goes up; reaches intrinsic value; sell it ***or*** (2) if they made a mistake and it goes down they drop it. These days they have a 25% pick up. (3) It appreciates above the 5% target and becomes overweight.

Page 15 – Equity Performance numbers. On the down side they were rewarded by discipline and focus. It comes down to identifying the best opportunities on a daily basis.

Page 18 – Where they are allocated: contrary to the percentage numbers on the chart, Asia is 2nd and Latin America is 1st with Brazil very attractive. They are big believers in Brazil's growing middle class. More interested in what consumer will do rather than energy focused. They are underweighted on energy. In Brazil people now have opportunity to finance a mortgage or buy a car. Mr. Bivona commented that he was surprised at the percentage allocated to Middle East. Mr. Nelson said they are focused on telecoms – wireless dominated. Portfolio managers travel to the e-markets to find investing opportunities.

Page 19 – Overview of Equity Sector Exposure: Mr. Curry observed that they are overweighted in telecoms yet underweighted in information technology. Mr. Nelson said that many of the telecoms are primary providers there and that the IT are more computer oriented. IT is not a key component of telecom. There is some exposure to energy, underweighted, this has helped as oil has come down in price. Brandes does not find energy super attractive. Mid-East is more telecom – not oil. This has protected them. They have "0" exposure to financials in China. These are new banks, they are building cities that are empty and Brandes is staying away from that.

Page 20 – Weightings by Country: 1) Brazil (concerns over their inflation), 2) China, 3) So. Korea. They are slightly underweight in China; Israel, no weight; Panama, Austria, also some frontier markets.

Page 22 – Client Benefits: Brandes uses a consistent application of a Graham & Dodd value approach to global investing. They feel they are different from what other managers do. They are able to ID businesses and purchase at a low price. The team has not changed significantly over the past 12 years. They have around 55 positions some of which overlap with large cap equities. The overlap helps in telecom and steel purchases. [9:27 AM]

Mr. Bivona commented: Brandes has a 3% yield deep value approach v. Glovista's top-down mentality.

Glovista Investments, LLC
Dennis Tracy, Marketing and client relations in New England. Darshan Bhatt, co-founder and co-portfolio manager.

A booklet on Glovista was distributed to all the members.
Mr. Tracy answered some questions generated from Glovista's previous presentation to the committee. They have had positive developments in size. Glovista was founded in 2007 by Darshan Bhatt and Dr. Carlos Asilis. In December 2010 they had 190M under management, 60M to emerging markets. Since December, they have 300M under management and about 135M to e-markets in the next 30 days. The biggest catalyst is the Credit Suisse discussions. They started in early February after a year of research and this will create opportunity for Glovista, 40M in business in the last few weeks. They were also hired by a large state retirement service which should grow to 75M. Very robust – they have four public school clients in CT and a lot of interest in CT. Mr. Bhatt is located in New Jersey and they have staffed up and want to be able to service the business so Mr. Bhatt can work on the money. They have had growth in the firm: assets, clients and staff. Mr. Bhatt made a very big investment in technology which will allow infrastructure to be more efficient. It is a state-of-the-art system. Glovista is the #1 ranked manager for the last 3, 5, 7 and 10 years previous. Performance is strong.

Darshan Bhatt then gave his presentation.
Glovista has a "discretionary global macro approach to emerging markets with a deep value tilt." This is a top-down approach to emerging markets. They choose the right countries, the right currencies and the right sectors.

Page 4 – they invest in 21 countries with 13 countries occupying 85% of the capital. Latin America – Brazil and Mexico; emerging markets – So. Africa, Russia, Turkey; Asia – China, Korea, Taiwan, Indonesia, Malaysia, Thailand, India. The currency they use plays a very important role. 1) they use a global macro approach; 2) deep value "doubt," value from micro perspective; Bias) markets or currencies that are "deeply" valued. They use an actively managed strategy; markets are moving very quickly – sometime discounted in days. They have a higher amount of turnover in the portfolio. They have a bias toward large liquid countries. Page – 8. Summary of Investment Process: Dr. Asilis looks at the macro; the G4 countries (USA, continental Europe, UK, Japan) and China. They look at where we are in the business cycle. What is the view in macro dynamics and what effect on market variables (interest rates, currencies) and what effect on the risk profile of the market. They do an analysis day in and day out and look across asset classes and see what is discounted and look for disconnects. Example: the Bernanke speech was a fiscal stimulus. From the macro views they ID markets and find what is discounted and then look at emerging markets in that region. Initially they have a country preference then they break down into sectors. Not all sectors are macro; telecom depends on policy in the individual country. Next they have all the macro views and all the sectors; at the end of the day they have a basket of ETF stocks and they use models to synthesize the information on a micro level and search for disconnects and this allows them to make valuation comparisons. They then break it down into individual countries. Petrobras did not perform. There was a change in government, so the stock didn't perform. Even though they were bullish on oil and the country, it did not work. So, they use risk management filters. They could have up to 20% in cash at any time – they use this as a tactic. It is an active decision to have cash because they do not like the market. Concerning the countries allocations; of the 13 large countries they could have up to 35% allocation to one country. Stop-loss policy: they do not use a hard stop-loss in the market. They use a relative stop-loss – they track closely and when underperforms by 6-7% it triggers them to go back to their thesis and reconsider. ETFs are very liquid assets, complete transparency to clients. All are US listed instruments and are easy to track. The 12-13 country ETFs break down to 200-250 stocks. No more than (1) stock is 2-3% of the portfolio. In 90-95 country ETFs there are no sector ETFs so they use 5 -10 very liquid ADRs. [10:02 AM]

The committee thanked both managers for excellent presentations.

Comments and discussion:
Mr. Bivona was impressed by the brilliance of Mr. Bhatt; the portfolio turnover is high and they watch the markets very intently.

Asset Allocation booklet, page 7 – Risk. Based on study we are currently using portfolio "D"; Less risk and slightly better rates of return. We added small cap and we are evaluating adding e-markets. Do we want to change allocations to reflect these changes? It is the committee's decision. Mr. Bivona feels that we should

have e-markets. Brandes and Glovista represent two different styles: top-down and bottom up. Glovista will outperform Brandes at any given time.
Page 15 – Ms. Villano pointed out that Glovista outperformed Brandes every year from 2007 forward and even when they back tested 2004 and 2005.

	Brandes	Glovista
2007	19.77	40.6
2008	-40	-30
2009	112	118
2010	19	22

11.22 this past quarter and Brandes is up. Glovista went to cash in the 1st Quarter of 2011.

Ms. Villano asked is high turnover more advantageous than 10 times per year. Mr. Bivona said that Glovista traded a lot more and this should yield excess returns. Brandes is more conservative and Glovista is more aggressive with the ETFs. Brandes has no Taiwan or India. One of the differences is that Brandes has to buy and create an ADR and a lot of small and intermediate countries don't have ADRs yet. Much will be large or middle cap. Glovista does not have a lot of small caps in those ETFs. Totally different – you could put both companies in the same portfolio because they are so different. Mr. Bivona found Brandes before they had 25M. Brandes got so big they shut down international, global, e-markets and USA in the 90's.

The committee will wait until the June meeting for a full committee to make the choice of which manager(s) they should add to the portfolio. They will also wait to change the policy index to reflect what managers we have now. [Dave O'Connor leaves at 10:12 AM – no quorum]

Mr. Bivona said using Portfolio "D" they have 5 as target in asset allocation. Rebalancing shows 28% to large cap now. This will go down to 24 and we will go into e-markets with that money. Hillswick is 1.1M overweight – he asked whether to move now or wait until the next meeting.

Mr. Bivona will come to the June meeting and they will adopt the asset allocation model and which emerging market manager or use both.

Adjourn

There being no further business and upon a motion made by Mr. Curry and seconded by Mr. O'Connor it was then unanimously voted to adjourn the meeting at approximately 10:15 AM – [2:00].

Respectfully submitted,

Susan Gomez
May 23, 2011

THE NEXT REGULAR MEETING IS SCHEDULED FOR THURSDAY, June 16, 2011, 8:00 AM

The Defined Benefits Plan Sub-Committee Meeting will not meet regularly until further notice.

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~ *Draft* ~ MINUTES

Guilford Pension Committee – Defined Benefits Plan Sub-Committee
Regular Meeting # 12 – May 19, 2011
Guilford Town Hall, 31 Park Street
Selectmen's Conference Room, following Pension Committee Meeting

Note*: These are strictly Draft Minutes and are not final until approved at a subsequent Pension Committee meeting.*

Members Present:
Excused:
Town Official(s):
Others Present:

No Meeting was scheduled for May