

**PENSION COMMITTEE  
MEETING #291 MINUTES  
THURSDAY, JULY 21, 2011  
8:00 A.M. GUILFORD TOWN HALL**

Present: Robert Hartmann (Chair), Alex Sommers, Wayne Staschke and George Curry

Town Officials: Joseph Mazza, Selectman  
Sheila Villano, Finance Director/Plan Administrator  
Mitch Goldblatt, Human Resources Director

Others: Joseph Bivona, Investment Advisor  
Andrew Potochney, BOE Plan Administrator  
Doris Berger, Clerk

Chairman Robert Hartmann called the meeting to order at 8:09 A.M.

**1. Public Forum**

None

**2. Approve minutes of:**

**2.1 May 19, 2011 Regular Meeting**

Mr. Hartmann asked members to change wording in the minutes of May 19, 2011, on page three paragraph two. Change, Mr. Hartmann (related) that negotiations were cordial To Mr. Hartmann (heard) that negotiations were cordial. Upon a motion made by Mr. Hartmann and seconded by Mr. Staschke, minutes of meeting on May 19, 2011 were unanimously approved with the change in wording.

**3. Town of BOE new additions, deletions, requests for pension benefits:**

None

#### **4. Finance Director's Report:**

##### **4.1 Monthly Investment Report from the Finance Director (May and June).**

Ms. Villano presented both the May, 2011 and June, 2011 investment reports. The investment return was 15.99% for the fiscal year ending June 30, 2011. Joe Bivona distributed the Wells Fargo Advisors Performance Evaluation for the second quarter of 2011 which reported an investment return for the fiscal year as 15.46%. Ms. Villano stated that her results differed from Wells Fargo's results. Mr. Bivona asked if her results were net of fees, which they are. It was noted by Ms. Villano that some of the balances are different which may be a result of accrued interest. Ms. Villano asked the Committee if it was okay to omit the portfolio detail from her report package in the future. The Committee agreed that they don't need the portfolio detail. Ms. Villano told the Committee that she reported the year-end investment return to the Board of Finance and that they commended the Pension Committee for their hard work.

#### **5. Old Business:**

##### **5.1 Update on Defined Contribution Plan for new GSA employees.**

Mr. Goldblatt spoke on the Defined Contribution Plan. He thought the Defined Contribution Plan (DC Plan) would be in place by July 1, 2011 since the Board of Selectmen voted to approve the resolution accepting a DC Plan with ICMA-RC on June 20, 2011. However a Town ordinance was discovered which established a Town pension plan, and after review by In-House Counsel Pam Milliman, it was determined that the ordinance must be amended to allow for a defined contribution plan. Once the ordinance is amended following a public hearing, a new resolution will go back to the Board of Selectmen for approval, and then paperwork can be executed with ICMA. Ms. Millman will draft the amendment. This process will take a few months. Mr. Mazza reminded the Committee that the defined contribution plan is for new hires only, and is currently only included in the GSA (Guilford Supervisors' Association) contract.

Mr. Hartmann asked if a DC Plan is considered a pension Plan. Mr. Goldblatt stated that he discussed this issue with Ms. Millman and Mr. Mazza, and it was agreed that we would not want to take the chance that we would be in violation of the ordinance. Mr. Mazza stated that if the ordinance said "retirement plan" we may have been okay.

Mr. Hartman asked if any employees were making contributions to the DC Plan, and Mr. Goldblatt said no.

Mr. Sommers asked if there is opposition to the DC Plan. Mr. Goldblatt answered no, but that someone could come forward at the public hearing.

Mr. Goldblatt stated that he will keep the Pension Committee informed.

## **5.2 Adoption of Asset Allocation Model-Consultant**

Mr. Bivona distributed the July 18, 2011 Portfolio Report which included asset allocation reports. He explained that before changes our made to our asset allocation model, a decision must be made by the Committee as to whether they want to hire an emerging market manager and which manager they would chose. The discussion continued regarding an emerging markets manager.

## **5.3 Possible addition of Emerging Markets Manager(s)**

Mr. Sommers asked Mr. Bivona what is happening in emerging markets. Mr. Bivona stated that he spoke with Anders Ekernas, from Hillswick, and asked him how the European debt crisis would affect the global and emerging markets. Mr. Ekernas believed that there could be problems which could lock-up or freeze the markets, such as debt defaults. The Euro's are in trouble. However on the positive side, 85% of the world population is in an emerging market, which presents tremendous growth opportunities. An investment in the emerging markets would be for the long-term – it will grow but be volatile – and will bring real value over the next 3-5 years. Mr. Bivona suggested a small allocation.

Mr. Bivona reminded the Committee that Brandes is a bottom-up manger and Glovista is a top down manager. They compliment each other. Having both managers mitigates volatility because they manage from different perspectives.

Mr. Curry asked if we should increase our total international exposure. Mr. Bivona answered that we could go to 30% - which is excessive. We should only increase our allocation 3-5%. We are at 9% now; 10%-15% is good.

Mr. Sommers expressed his concern that there is a growing sense of volatility which may continue and could prohibit growth in the emerging markets. He asked if it is prudent to go into that area. He asked why we should choose Glovista.

Mr. Bivona replied that volatility is good.

Mr. Staschke added that Glovista did well in 2008.

Mr. Bivona responded that they are a very active and aggressive manager which helps to mitigate volatility, as opposed to Brandes who sticks with their stock picks and are less active traders. They have had bad luck in the past when they didn't get out of the market, or didn't have stop losses, etc. They are hardcore value managers.

Mr. Bivona stated we should probably get into the emerging markets now.

Mr. Staschke suggested that we put some money in Glovista now, and some in three months.

Mr. Bivona stated that the Glovista minimum may be \$500,000. He suggested taking 2%-3% of our total portfolio to start and add as we go.

Ms. Villano stated that she was making the fiscal year 2011-12 pension contribution of over \$2.2 million which can be used towards funding Glovista rather than raising cash from other managers. Pension benefit payments are costing about \$100,000 per month and there are no lump sum payments that she is aware of.

Mr. Curry was concerned about Brandes because they have been underperforming their benchmarks for their international investment portfolio. He also remarked that we are at the top of our equity allocation percentage.

Mr. Bivona said that we are heavily weighted in fixed income investments which are conservative and cost us a little in return.

Mr. Curry replied that from a strategic point of view, are we comfortable with our equity allocation at these levels. He disagrees with Mr. Bivona who thinks that 60% fixed income is conservative.

Mr. Bivona replied that the indications are that rates will not go up due to uncertainties with real estate and global debt. We should come out of the bond market and go into equities. Also, we should reposture Hillswick from short to long duration.

Mr. Staschke made a motion to add the minimum to Glovista (\$500,000 - \$600,000 or 2%). Mr. Curry seconded. All in favor.

Mr. Curry asked if we should allocate more to corporate bonds – perhaps move some cash to Hillswick for longer-term investments.

Ms. Villano suggesting using the funds from the pension contribution to invest in one of the fixed income accounts, which are generally very liquid. This could be an alternative to keeping it in the money market account where there is virtually no return.

The Committee agreed that Ms. Villano can manage the available cash to maximize interest income. Ms. Villano said she would work with Mr. Bivona on this.

Mr. Bivona stated that Anchor Capital had always out-performed the market, but has not done so for the last three years. They have invested in REITs to try to boost their return, and in dividend paying equities for which they have sacrificed growth. They have not found superior stocks as they have in the past, and have underperformed.

Mr. Sommers stated that Anchor used to be our "star".

Mr. Bivona stated that he was just pointing this out.

Mr. Curry remarked that there is not a clear picture as to where the markets are going. Maybe that is the reason why Anchor has a more defensive and conservative approach. Maybe we should be paying attention to them.

Upon a motion made by Mr. Staschke and seconded by Mr. Curry, the Committee Voted unanimously to add the minimum to Glovista (\$500,000 - \$600,000 or 2%).

#### **5.4 Discuss Annual Meeting date (Noon Meeting) – September 15, 2011**

Upon a motion made by Mr. Staschke and seconded by Mr. Curry, the Committee voted unanimously to hold September 15, 2011 regular meeting at noon. Wentworth, Hillswick and Anchor will be invited to make a twenty-minute presentation beginning at 1:00 PM.

#### **6. New Business:**

Ms. Villano stated that she received a letter from police retiree Linda Bouchard asking for a cost of living increase (COLA). Ms. Villano told the Committee she would respond to Ms. Bouchard and explain to her the COLA process.

Upon a motion made by Mr. Sommers and seconded by Mr. Curry, the Committee voted unanimously to adjourn the meeting at 9:06 A.M.

Respectfully submitted,

A handwritten signature in cursive script that reads "Sheila Villano". The signature is written in dark ink and includes a circular flourish at the end of the name.

Sheila Villano  
Finance Director/Plan Administrator