

PENSION BOARD AGENDA

Special Meeting

THURSDAY, OCTOBER 30, 2008

4:00PM

LAW LIBRARY CONFERENCE ROOM, TOWN HALL

1. Approval of Minutes and Actions of the Regular Meeting of September 25, 2008.
2. Acceptance of Pension Fund Status Report for the month of September 2008.
3. **CORRESPONDENCE/REPORTS**
 - A. Notice of Name Change for Julius Baer Funds
 - B. Pine Grove Memo
 - C. Wachovia Bank News from FIA and Wachovia
 - D. ING Morningstar Advice Product Overview
 - E. Capital Markets Note from Fiduciary Investment Advisors
 - F. Letter from Meridian
4. **ADVISORS REPORTS**
 - A. ***Plan Actuary Reports***
 - *NONE*
 - B. ***Investment Advisors Reports***
 - A. Watch Status of ING's Oppenheimer Global Equities
 - C. ***Plan Attorney Reports***
 - *NONE*
5. **OLD BUSINESS**
 - *NONE*
6. **NEW BUSINESS**
 - A. GMO Conference Call (4:15PM)
 - B. Approval of Schedule for 2009 Pension Meetings
7. **RETIREMENTS**
 - ***Robert Scarchuk***, Police Department, Normal Retirement, \$3,660.54 a month, with no dependent option, effective October 1, 2008.
8. **ADJOURNMENT**

Special Meeting

TOWN OF MANCHESTER, CONNECTICUT PENSION BOARD

MINUTES OF OCTOBER 30, 2008

ATTENDEES: Tom Crockett, Bette Copeland, Evelyn Livingston, Craig Lappen, Rob Huestis, Alan Desmarais, Dede Moore, Barbara Wengrzynek, Mike Goss representing Fiduciary Investment Advisors LLC (FIA), and Gary Gowdy and Pam Thompson representing UBS Realty.

CALL TO ORDER: The meeting was called to order at 4:02PM by Rob Huestis, Chairman.

1. **APPROVAL OF MINUTES AND ACTIONS:** The minutes and actions of the Regular Meeting of September 25, 2008 were approved (Copeland/Moore) 6-0.

2. **ACCEPTANCE OF THE ACCOUNT REPORT:** The Pension Fund Status Report for the month of September 2008 was approved (Moore/Copeland) 6-0.

3. **CORRESPONDENCE/REPORTS**

- A. **Notice of Name Change for Julius Baer Funds** — For informational purpose.
- B. **Pine Grove Memo** — For informational purpose.
- C. **Wachovia Bank News from FIA and Wachovia** — For informational purpose.
- D. **ING Morningstar Advice Product Overview** — For informational purpose.
- E. **Capital Markets Note from Fiduciary Investment Advisors** — For informational purpose.
- F. **Letter from Meridian** — For informational purpose.

Alan reported that all items of correspondence were for informational purpose only and required no action. During his reports, Alan also indicated that the statements of benefits reports for Town employee DB plan participants were in the final stages of preparation by the Plan actuary, but that the Board of Education was unable to provide historical payroll data required to complete similar reports for its employees. The Board authorized Alan to proceed with the distribution of reports to Town employees and asked that he report back to the Pension Board on the progress toward completion of reports for Board of Education employees.

4. **ADVISORS REPORTS**

- A. ***Plan Actuary Reports***
- *NONE*

- B. ***Investment Advisors Reports -***

- a. **Watch Status of ING's Oppenheimer Global Equities** — The discussion of whether to place the ING Global Equities Fund in the DC Plan on formal watch was postponed to the December meeting, at which time the third fiscal quarter performance of all DC fund options will be presented as a part of the normal quarterly DC review. Mike then proceeded to distribute a package of information summarizing the extremely negative performance of all investment markets during calendar 2008 to date and an estimate of the impact of this performance on DB Plan assets. Incorporated in this discussion was the review of both the September 30, 2008 status report and the extent to which the asset allocation has drifted from the planned target allocations due to equities underperformance. Mike reported that he had rescheduled the conference call interview with GMO to the November 20th regular meeting and

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that his investment summary for that meeting would include both the traditional quarterly review for July 1 – September 30 period and also for the same period extended through October 31st to get full impact of the dramatic markets' decline in October. Two additional discussion points evolved during his presentation as follows:

1. Mike indicated that many fixed income funds were having difficulty honoring immediate redemption requests due to the lack of liquidity in the financial markets, and that it might be difficult to rebalance the asset allocation plan if sale of fixed income funds were a part of the plan. The Board did have the option, however, of having dividends from fixed income funds' investments, currently at relatively high return levels due to the pricing difficulty of bonds, distributed to the Plan rather than reinvested, as a way of generating cash flow for pension distributions or rebalancing asset allocations without actually selling fixed income mutual fund shares. After discussion, the Board approved a motion to redirect dividends from fixed income mutual fund investments Plan income rather than reinvested as shares purchase (Lappen/Crockett) 6-0.
2. At the conclusion of Mike's presentation, Tom Crockett and Craig Lappen expressed concern for what the recent market difficulties impact on future Town contributions to the Pension Fund would need to be, and whether the Board of Directors was fully aware of potential contribution level impact. Alan Desmarais reported that he had recently briefed the Board of Directors on such issues and would be doing so again both in the near future and as a part of the 2009-2010 budget setting process. In that regard, Alan also informed the Pension Board that the contribution for 2009-2010 has already been set by the Plan actuary based on Plan assets as of June 30, 2008, and that the requirement of the actuary report was for a Town contribution increase of slightly more than 1% of participant salary. The most severe investment difficulties occurred after June 30, 2008, and will be accounted for as a part of the next actuarial evaluation for the full year investment performance of the Plan for the period July 1, 2008 – June 30, 2009. This valuation will determine the recommended level of employer contributions for the July 1, 2010 – June 30, 2011 budget. Alan also reminded the Pension Board that whatever the investment performance is for the current fiscal year, or for any year, only a portion of the gains or losses are recognized by the actuary in any one year's report, so that employer contributions are "smoothed", and not as subject to extreme variations from one year to the next.

- C. ***Plan Attorney Reports***
- *NONE*

5. **OLD BUSINESS**
- *NONE*

6. **NEW BUSINESS**

A. **UBS Realty** — Gary Gowdy and Pam Thompson presented an update of the performance and current holding of the 3 real estate investments with UBS. A copy of the complete report is attached to the minutes of record, but the summary sections of the report indicate that the investments have met or exceeded the anticipated return with low correlation to equity markets to this point.

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6. **NEW BUSINESS (continued....)**

B. **Approval of Schedule for 2009 Pension Meetings** — The schedule for the 2009 pension meetings was unanimously approved (Lappen/Livingston) 6-0.

C. **Approval of DRO for Barry Baskerville** – This DRO was not initially on the pension agenda but was received before the scheduled meeting. It was unanimously approved to add this DRO to the agenda. This DRO was unanimously qualified (Crockett/Moore) 6-0.

7. **RETIREMENTS**

- **Robert Scarchuk**, Police Department, Normal Retirement, \$3,660.54 a month, with no dependent option, effective October 1, 2008.

This retirement was unanimously approved (Lappen/Crockett) 6-0.

8. **ADJOURNMENT:** The meeting was adjourned by consensus at 5:50PM (Lappen/Crockett) 6-0.

**TOWN OF MANCHESTER, CONNECTICUT
PENSION BOARD**

Actions of October 30, 2008 Pension Board Meeting

- 08-30** Unanimously approved a Normal Retirement for *Robert Scarchuk*, Police Department, for \$3,660.54 a month, with no dependent option, effective October 1, 2008.
- 08-31** Unanimously approved the 2009 Pension Meeting Schedule.
- 08-32** Unanimously qualified the DRO for Barry Baskerville.
- 08-33** Unanimously approved a motion to direct income stream from fixed income investments to the Pension Fund.