



# **TOWN OF MIDDLEBURY**

## *Retirement Plan Commission*

### **MINUTES**

#### **SPECIAL MEETING OF THE RETIREMENT BOARD**

**Thursday, February 26, 2015 – 1:00 p.m.**  
**TOWN HALL CONFERENCE ROOM**

**Present:** Edward B. Asselin, Chairman  
Joann Cappelletti  
Bill Stowell

**Also Present:** Michael McCormack, Jr., First Vice President  
Wealth Management - UBS  
Daniel A. Webb, Vice President  
Wealth Management, UBS  
Larry Hutvagner, Chief Financial Officer  
Barbara Whitaker, Recording Clerk

#### **Call to Order**

The meeting was called to order at 1:15 p.m. by the Chairman.

#### **Approval of Minutes of December 14, 2014**

Mr. Stowell MOTIONED to approve the minutes of December 14, 2014, SECONDED by Mrs. Cappelletti.

#### **Correspondence**

Mr. Hutvagner stated that there was a Middlebury Police officer with questions on his pension plan. Mr. Hutvagner requested that the officer give him the questions to be sent to Segal. Segal answered the questions and submitted a response. Mr. Hutvagner said he has been informed by Attorney Smith that the police officers have multiple questions on their pensions.

Mr. Stowell added that Chief Viadero believes the questions are not specific; but are general questions. Mr. Hutvagner suggested that they have a meeting sooner rather than later. Mr. Asselin asked if the Segal Company would have to be present. Mr. Hutvagner said no, and they do not charge him when he calls for questions. Mr. Asselin asked if there were specific questions. Mr. Hutvagner did not know what the questions were, but suggested that the officers bring their questions with them to the meeting, perhaps putting them in writing beforehand.

Mr. Stowell will review this issue with Attorney Smith. Chief Viadero indicated that whenever Mr. Stowell wanted to have the meeting to let him know and he would inform the officers.

#### **Chairman's Comments**

Mr. Asselin asked if Mr. Hutvagner heard anything from Michael Belden and he has not.

### **Public Comments**

None.

### **Old Business**

None.

### **Review of Current Year 2014-2015 Fiscal Year Results on Investment**

At this time Michael McCormack, Jr., First Vice President – Wealth Management and Daniel A. Webb, Senior Vice President – Wealth Management of UBS presented the Commission with a market overview of the Town of Middlebury's Pension Plan.

Mr. McCormack explained that markets go through 15 and 20 bad and good market cycles; the last market cycle from the late 90's through the last few years was a bear market cycle. They have had a run off the bottom from 2009. But they are at the early stages of a good market cycle. They are cautiously optimistic about the next 10 to 12 years in equity markets. Mr. McCormack discussed the trend changes that have become more pronounced in the currency, bond and commodity markets. The average annualized return has been 6% and the Town is slightly above the comparative index.

Mr. McCormack and Mr. Webb explained that UBS makes the following recommendations:

- Reduce exposure to mid-cap portfolio by 4% (currently 20%) in dollar terms that would be reduced by \$592,000.00. part of this money would be used to increase international exposure by 3%.
- Increase international portfolio by 3%
- Increase emerging market portfolio by 1% (China, India, Brazil, Indonesia, etc.)
- Initiate a 6% allocation in S&P index fund by selling:
  - Large Company Domestic Growth – total position
  - Large Company Value – total position
  - Fundamental Value – 2.1% of position

Mr. McCormack and Mr. Webb recommend putting money into the S&P index, because you'll get the performance of the index, the fees are lower and when you're dealing with large companies it's hard for other companies to compete and perform.

Mr. McCormack and Mr. Webb explained that they want to reduce midcap exposure in the United States and put it into more international (which was under performing but is now starting to move); add a little bit into emerging markets and some into the S&P.

In the future they suggest on depending of the liabilities, maybe looking to reduce the fixed income bucket which is 29% to 25% because the returns are going to be limited

because the interest rates are so low. Not right now, but they are thinking about this. It might bring more volatility to the account.

Mr. Asselin said that maybe an index fund might be a good idea for a pension fund, because they are not trying to be risky. Mr. Webb stated that they took plan over four years ago and have tweaked it; they do not have a crystal ball but they are trying to anticipate things, find value where they think there is value.

What percentage currently is the pension funded. Mr. McCormack said that he believes it was 72 or 73% funded two or three years ago. This information has to come from Segal. Mr. Hutvagner explained that this reporting does not come from Segal until August.

Mrs. Cappelletti MOTIONED to accept the above-mentioned recommendations to reduce exposure, SECONDED by Mr. Stowell. Unanimous approval.

There was some continued discussion on Michael Belden's previous request. Mr. Hutvagner said that there would be a state actuarial fee of \$475.00 and Segal's fee of \$1,000.

Mr. Hutvagner said the plan comes with a COLA adjustment every July.

**Adjournment**

Mrs. Cappelletti MOTIONED to adjourn, SECONDED by Mr. Stowell. Unanimous approval.

These minutes are submitted subject to approval.

Respectfully submitted,

*Barbara J. Whitaker*

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Recording Clerk