

Minutes of the Region 9 Special Pension Committee Meeting
July 26, 2010

Filed subject to approval

Attendees: Leon Karvelis, Thomas Logie, David Boczar, Jeanne Wendschuh, Bob Manley, Peggy Sullivan, Michael Welz of USI Advisors, Inc.

1. Call to order at 5:32 pm in the Main Office Conference Room at Joel Barlow High School.
2. Item 7. d. should reflect that Mr. Karvelis recommended the investment in Eaton Vance Build America Bonds. Motion to approve minutes of January 25, 2010 meeting as amended was made by Mr. Boczar, seconded by Mr. Logie; and unanimously approved.
3. Public comment: None.
4. Mr. Welz thoroughly reviewed financial markets and the economy overall, noting trends during the second quarter of 2010 and expectations for 2010, particularly the uncertainty in both the market and the economy. He also reviewed the Plan's investment portfolio at June 30, 2010 and its performance for the quarter ended June 30, 2010. This review was supplemented by references to USI Advisors' June 2010 Investment Review (IR). Mr. Welz noted that Pension Return Assumptions of S & P companies of 7.8% (IR page 27) are probably unachievable in the current economy with portfolios invested 60% in equities and 40% in fixed income instruments. He observed that the Plan's losses in the second quarter of 2010 (IR page 33) are consistent with the investments in the portfolio.
5. In discussing the Plan's Portfolio Return in comparison with the various benchmarks (IR page 41), Mr. Welz pointed out the challenges of determining a benchmark index for this portfolio, particularly in light of changes in the Investment Policy over time. After some discussion, it was the sense of the Committee that Mr. Welz should choose a standard, off-the-shelf, consistent, broad, general asset allocation benchmark rather than a customized one to be changed to fit the portfolio investments. ***Mr. Welz agreed to identify a broad general asset allocation benchmark and test it against our portfolio's historical returns.***
6. A brief discussion followed about possible exit strategies for transitioning from the current defined benefit plan to a defined contribution plan. Later in the meeting it was noted that Mrs. Sullivan would be meeting on July 27, 2010, with a consultant about conversion to a defined contribution plan.
7. In reviewing the performance of individual investments, Mr. Welz reiterated the specific observations noted on IR pages 2 and 3, in particular, the unfavorable manager change for Invesco Van Kampen Mid Cap Growth analyzed in more detail on IR page 42.
8. The discussion moved to consideration of investment recommendations proposed by USI (IR pages 88-92) and 2 alternatives offered by Mrs. Wendschuh (PRIMECAP Odyssey Aggressive Growth (Odyssey) and Intrepid Small Cap (Intrepid)). Mr. Welz noted that less than 50% of the Odyssey fund's investments were consistent with a mid cap growth style compared with 72% of IVY Mid Cap Growth's investments. He also noted that Intrepid did not fit the small cap value class. Although both of these alternatives might be attractive to individual investors, Mr. Welz did not recommend them for an institutional investor, such as the Plan. Mr. Welz explained USI's thorough investment screening process in some detail, noting that analysts sift investments through multiple benchmarks. For investments that meet or exceed the benchmarks, USI obtains the investment managers' written answers to its questionnaires and interviews the managers directly. Only after investments have successfully survived this very thorough screening process does USI recommend them to its clients. Mr. Welz noted that Ivy Mid Cap Growth A was less

volatile than Columbia Acorn Select A. All members of the Committee accepted USI's recommendations to replace the Plan's current investment in Invesco Van Kampen Mid Cap Gr A with Ivy Mid Cap Growth A and its current investment in ING Small Company A with Invesco Van Kampen SmallCapValue A.

9. The discussion moved to the question of how to invest Region 9's July 2010 \$370,000 contribution to the Plan. It was the consensus of the Committee to:
 - a. Keep in cash amounts to meet nine months' of benefit payments (approximately \$13,000/month) since three month's amount had recently been transferred for benefit payments;
 - b. Invest the remainder to yield a portfolio invested 60% in equities and 40% in fixed income and to match the center of the Investment Policy ranges as closely as possible.
- 10. Mr. Welz agreed to prepare a spreadsheet reflecting this allocation.**
- 10. Mr. Boczar requested that a representative of DFA attend the January 2011 meeting to update the Committee and report on DFA's performance.**
11. Mrs. Sullivan noted that Linda Loud was the only June 30/July 1, 2010 retirement.
12. Mr. Karvelis asked *what interest rates are being used by other public entities in their actuarial valuations*. Mrs. Sullivan noted that the Plan used 7.25% for the July 1, 2009 valuation and that USI would charge additional fees for multiple actuarial valuations.
13. The July 1, 2010 actuarial report will be discussed at the Committee meeting scheduled for Monday, October 25, 2010
14. Motion to adjourn was made by Mr. Boczar, seconded by Mr. Logie; and unanimously approved. (7:02 pm)

Respectfully submitted,
Jeanne Wendschuh, Secretary