

**Town of Middletown Pension Investment Advisory Committee
Minutes from Regular Meeting – Tuesday, October 5, 2010**

A regular meeting of the Pension Investment Advisory Committee was held at 10:00 am on Tuesday, October 5, 2010, at Middletown Town Hall, 350 East Main Road, Middletown, RI

Pension Investment Advisory Committee Members:

Barbara A. VonVillas	Town Council Representative	Present
John W. Bagwill	Resident	Present
William J. Flynn	Resident	Present
VACANT	Resident	Excused
Steve Rodrigues	Fire Department Union Representative	Present
Lynne S. Dible	Finance Director, Ex-Officio	Present

Others Present:

Shawn J. Brown	Town Administrator	Excused
Marc Tanguay	Deputy Finance Director	Present
Daniel Sherman	Buck Consultants	Present
Michael Lynch	P-Solve Asset Solutions	Present

Agenda:

Review of Investment Portfolio as of 06/30/2010:

Michael Lynch of P-Solve Asset Solutions, the Town’s investment advisors, reviewed the Quarterly Investment Report as of 06/30/2010, with the Committee. He explained how the economic improvement that had been progressing in the first quarter of the year seemed to diminish rapidly during the second quarter primarily due to worries about higher than anticipated unemployment rates and concerns over housing market performance as a result of the expiration of the Federal Housing Tax Credit, and the impact of the recent oil spill. The global equity markets declined sharply during the quarter, by 10% or more, while the fixed income markets had positive returns for the quarter. Overall, the economic progress for the quarter experienced a pause, but GDP growth, although lower than in the previous quarter, remained positive, corporate earnings were stable and rising, interest rates were favorable and inflation remained low, all signs that the economy is still recovering. Housing prices, unemployment, and consumer confidence remain quite volatile, with this volatility expected to continue through the balance of 2010, as the economy continues to recover slowly over time.

1. For the quarter ended 06/30/2010, the equity portfolio lost 8.9%, the Hancock GAC contract provided a gain of 1.4% for the quarter, with the overall portfolio reporting a - 5.1% return.

2. Total Assets as of 06/30/2010:

a. Equity	\$17,543,424	(49%)
b. Fixed Income	\$14,066,453	(39%)
c. Dynamic Asset Allocation (DAA)*	\$ 2,182,958	(6%)
d. <u>Cash</u>	<u>\$ 2,077,664</u>	<u>(6%)</u>
Total	\$38,255,797	(100%)

*The Dynamic Asset Allocation (DAA) funds are classified as domestic equity but may invest a portion of their portfolios in other asset classes.

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3. As of 06/30/2010, the Investment Policy Targets, and actual Allocations were:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Permissible Range</u>	<u>6/2010 Allocation</u>
Domestic Equity	50%	40%-60%	41.5%
International Equity	10%	0%-20%	13.5%
Domestic Fixed Income	40%	30%-60%	39.2%
Cash	0%	0%-10%	5.8%

Update on current and future market conditions:

Mike Lynch discussed the most current quarter investment activity through September 30, 2010, explaining that for this quarter the portfolio gained 7.2% overall, the equity portfolio gained 10.6%, and the fixed income portfolio gained a consistent 1.4%. The Committee also discussed investing some of the cash position in the equity markets based on market timing, in order to enhance the equity position of the portfolio. No action on this was recommended at this time. Another transfer of cash to the IPG contract will take place during the October/November timeframe in order to meet the IPG minimum funding levels.

Pension Actuarial Report Assumptions:

Dan Sherman of Buck Consultants, the Town's actuary, reviewed the most current Pension Plan Actuarial Valuation Report with the Committee. In addition, at the request of the Committee at the prior meeting he presented projected employer pension contributions using the assumed 7.5% investment return and compared this to a 6.0% return scenario. These scenarios illustrated the impact on the employer contributions and the funded ratio over a 7 year period. The Committee discussed different approaches to funding the pension with the objective of bringing it to a 100% funded level.

OPEB Trust:

The Committee discussed the status of the OPEB Trust document, which was currently under review by Citizens Bank Trust legal department.

Other Business:

There is currently a vacancy on the Committee, which has been advertised but not yet filled. The next quarterly meeting of the Committee will be scheduled in the December/January timeframe.

Respectfully submitted,

Lynne S. Dible
Finance Director