LITCHFIELD PENSION COMMISSION REGULAR MEETING
TUESDAY, February 10, 2015

MINUTES

Present: M. Dunn, J. Manes, J. Morosani
Absent: P. Perusse, F. Carpentier, Alternate members: B. Barnes, D.T.Wilson
Also present: Roxanne Carroll, Administrative Assist to the First Selectman, Union Savings Bank Representatives: R. Judd, P. Cowenhoven and P. Carlson

The meeting was called to order by M. Dunn at 7:05p.m.

Approval of Minutes of October 28, 2014 Special Meeting: Motion: by M. Dunn seconded by J. Morosani to approve the minutes of the October 28, 2014 special meeting. Motion passed unanimously.

Review of Investments – Union Savings Bank: The USB representatives presented the investment review for calendar year 1/1/2014 – 12/31/2014 and fiscal year 7/1/2014 – 12/31/2014. The report is attached to the minutes. U.S. stocks recorded strong gains while international markets struggled. Long bonds performed well for the calendar year 2014 and the yield on short duration bonds remained low. Given this backdrop, the Pension portfolio is overweight equities and underweight fixed income. USB stated that they have been making steps to track closer to the benchmark and be pro-active without a lot of risk. They stated they have implemented the changes discussed at the August 2014 meeting. They also included their expectation for the deviation to the blended benchmark for an indexed portfolio based on historical net fund returns after fees and tracking error. Based on the recent 4th quarter performance, the changes they have made to the funds used in the international, REIT, and high yield areas have tightened the deviations to the benchmark. From the inception of the strategy, net of fees, the portfolio has annualized 7.3% which is consistent with the 7% actuarial investment assumption used in the pension plan evaluation. J. Morosani stated that USB is moving in the right direction towards tightening to the benchmarks.

Benefit Approvals: none

Discussion of Actuarial Report: none

Communications: none

Items for next agenda: none

Adjournment: Motion: by J. Manes to adjourn at 7:37p.m. and J. Morosani seconded. All voted aye and the motion carried.

Respectfully submitted,

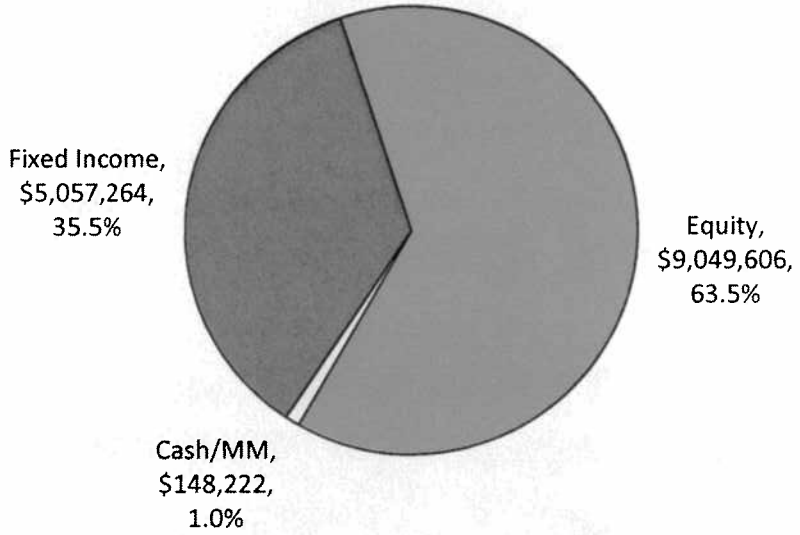
John W. Morosani
Secretary

Asset Allocation: *as of 12/31/2014*

Town of Litchfield Municipal Employees' & Merit Service Retirement Plan

Summary of Account

	Calendar YTD [1/1/2014 – 12/31/2014]	Fiscal Year [7/1/2014 – 12/31/2014]
Beginning Market Value	**$ 13,315,160.74**	**$ 14,492,593.97**
Receipts	$ 978,934.65	$ 36.25
Disbursements	$ (904,404.58)	$ (464,500.08)
Gain/Loss	$ 865,401.58	$ 226,962.25
Ending Market Value	**$ 14,255,092.39**	**$ 14,255,092.39**



Asset Allocation

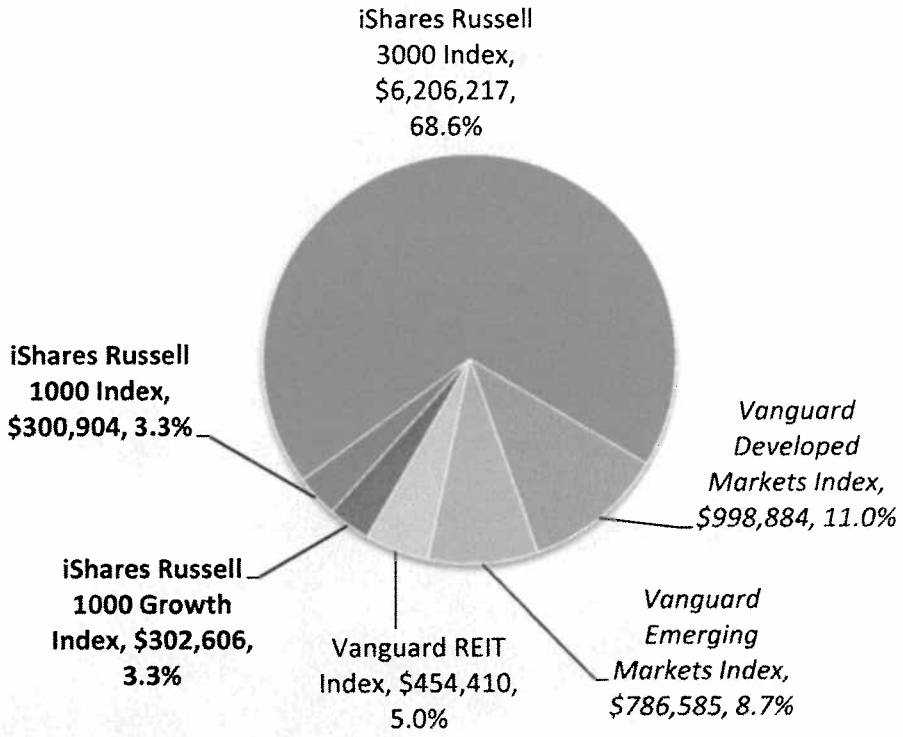
	Actual	Target
Cash/Fixed Income	36.5%	40.0%
Equity	63.5%	60.0%

Equity Allocation: *as of 12/31/2014*

Town of Litchfield Municipal Employees' & Merit Service Retirement Plan

	Portfolio Allocation	Policy Target
	(% of Portfolio)	
U.S. Equities	**47.8%**	46.0%
REIT	**3.2%**	3.0%
Developed International	**7.0%**	6.0%
Emerging Markets	**5.5%**	5.0%
Totals	***63.5%***	*60.0%*

	Portfolio Allocation (% of Class)	Policy Target (% of Class)
Large	**74.0%**	73.0%
Mid	**19.0%**	19.0%
Small	**7.0%**	8.0%



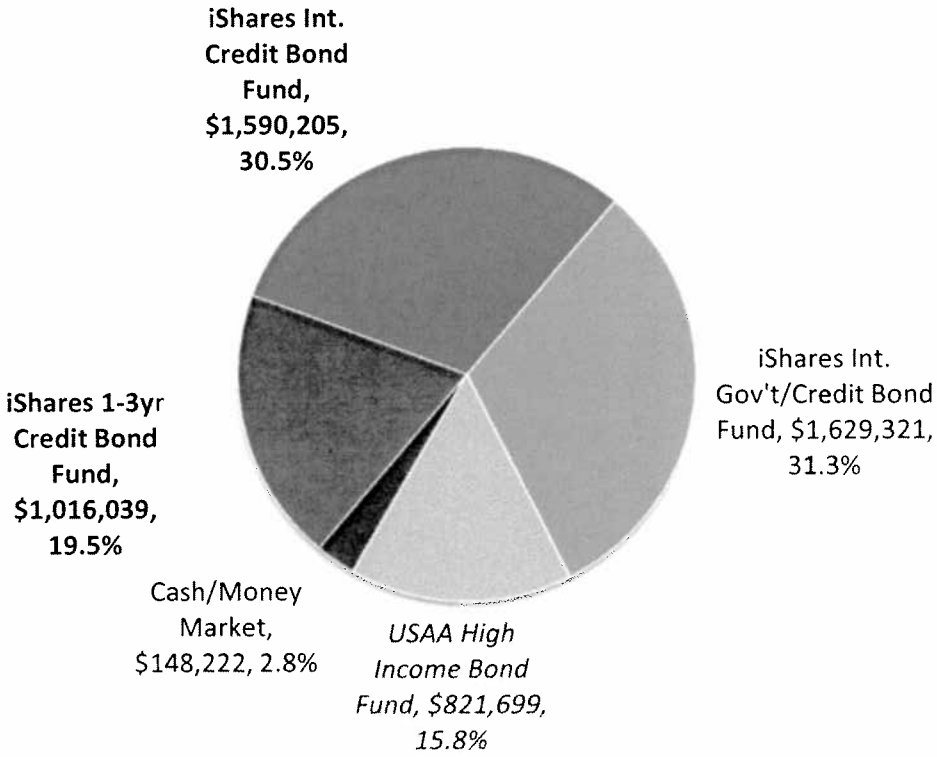
Positions outside policy benchmarks in Bold.

Fixed Income Allocation: *as of 12/31/2014*

Town of Litchfield Municipal Employees' & Merit Service Retirement Plan

	Portfolio Allocation	Policy Target
	(% of Portfolio)	
High Quality	29.7%	33.0%
High Yield	5.8%	5.0%
Cash Equivalents	1.0%	2.0%
Totals	***36.5%***	***40.0%***

	Fixed Income Portfolio	Policy Benchmark*
Yield	2.47%	**2.28%**
Duration (yrs)	3.49	**3.90**
Credit Rating (Moody's/S&P)	Baa1/BBB+	A3/A-



*87% Barclays Int. Gov't/Credit Index & 13% Barclays High Yield Corporate Index.
Positions outside policy benchmarks in Bold.

TOWN OF LITCHFIELD - CONSOLIDATED

Investment Performance as of 12/31/14

					Month Ended 12/31/2014			QTD 10/1/2014 - 12/31/2014		Fiscal YTD 7/1/2014 - 12/31/2014		YTD 1/1/2014 - 12/31/2014*		New Strategy Implementation 11/1/2013 - 12/31/2014*		
Asset Class	Minimum	Policy Target (PT)	PT % of Class	Maximum	Portfolio Allocation (PA)	PA % of Class	Market Value	Asset Return	Benchmark Return	Asset Return	Benchmark Return	Asset Return	Benchmark Return	Asset Return	Benchmark Return	Index
Total Equities	55.0%	60.0%	100.0%	65.0%	63.5%	100.0%	$ 9,049,606	3.69%	3.85%	2.51%	2.80%	9.13%	10.08%	11.86%	12.32%	
US Equities	41.0%	46.0%	76.7%	51.0%	47.8%	75.2%	$ 6,809,727	5.19%	5.24%	5.28%	5.25%	12.43%	12.56%	15.73%	15.98%	Russe
REIT	0.0%	3.0%	5.0%	5.0%	3.2%	5.0%	$ 454,410	14.24%	14.34%	10.66%	10.87%	30.14%	26.58%	19.78%	17.10%	MSCI Pre 8/
International Equities:																
Developed Economies	2.0%	6.0%	10.0%	11.0%	7.0%	11.0%	$ 998,884	-4.11%	-3.69%	-10.48%	-9.52%	-6.57%	-4.86%	-3.49%	-2.29%	FTSE I Pre 8
Emerging Economies	0.0%	5.0%	8.3%	10.0%	5.5%	8.7%	$ 786,585	-3.71%	-3.46%	-6.46%	-6.14%	-2.60%	-0.21%	-2.81%	-2.64%	FTSE I Pre 8/
Total Fixed Income	35.0%	40.0%	100.0%	45.0%	36.5%	100.0%	$ 5,205,486	0.34%	0.61%	-0.02%	0.35%	1.81%	2.89%	1.21%	2.13%	
High Quality Bond **	28.0%	33.0%	82.5%	38.0%	29.7%	81.4%	$ 4,235,565	0.70%	0.89%	0.54%	0.86%	2.62%	3.13%	1.78%	2.12%	Barcla
High Yield Bond	0.0%	5.0%	12.5%	10.0%	5.8%	15.8%	$ 821,699	-0.99%	-1.00%	-3.06%	-2.85%	-0.46%	2.45%	-0.46%	3.02%	Barcla
Cash Equivalents	2.0%	2.0%	5.0%	15.0%	1.0%	2.8%	$ 148,222	0.12%	0.01%	0.17%	0.01%	0.28%	0.03%	0.27%	0.04%	90-Da
Total Market Value							$ 14,255,092									

Gross of Fees	**Account Performance - Gross of USB Fees**	**2.52%**	**1.61%**	**6.40%**	**7.79%**
	Blended Benchmark *(based on Policy Targets)*	***2.66%***	***1.97%***	***7.37%***	***8.33%***
	Deviation to Benchmark	***-0.14%***	***-0.36%***	***-0.97%***	***-0.54%***
	Target Expected Deviation to Benchmark (Gross)	***-0.06% to -0.11%***	***-0.13% to -0.23%***	***-0.25% to -0.45%***	***-0.25% to -0.45%***

Net of Fees	**Account Performance Performance - Net of Fees**	**2.39%**	**1.37%**	**5.89%**	**7.28%**
	Deviation to Benchmark	***-0.27%***	***-0.60%***	***-1.48%***	***-1.05%***
	Target Expected Deviation to Benchmark (Net)	***-0.19% to -0.24%***	***-0.38% to -0.48%***	***-0.75% to -0.95%***	***-0.75% to -0.95%***

NOTES :

1.) The largest contributor to being outside of the performance bands is our short term fixed income position and tracking error in the international equity space.

2.) Performance since inception is in line with the actuarial investment return assumption of 7%.

* Asset returns may not represent entire column period.

** Certificates of Deposit with maturities greater than 1 year are included in High Quality Bonds.

Northern Charts: *The Case for Diversification*

Higher Returns ↑ / Lower Returns ↓

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Global RE 32.0	EM Equities 34.7	Global RE 37.5	EM Equities 39.6	Gov't Bonds 13.7	EM Equities 79.0	Gold 29.7	TIPS 13.6	Global RE 29.8	U.S. Equities 32.6	Global RE 14.7
EM Equities 25.9	Nat. Res. 21.4	EM Equities 32.7	Gold 31.3	Gold 5.5	High Yield 58.8	Global RE 20.1	Municipals 10.7	EM Equities 18.5	Dev. ex-U.S. 23.3	U.S. Equities 13.4
EM Fixed 22.8	Gold 18.4	Dev. ex-U.S. 26.9	EM Fixed 18.1	Global Fixed 4.8	Dev. ex-U.S. 32.5	EM Equities 19.2	Gold 10.2	Dev. ex-U.S. 17.8	60/40 12.3	Municipals 9.1
Dev. ex-U.S. 20.6	Dev. ex-U.S. 14.1	Gold 23.0	Nat. Res. 16.2	Cash 1.8	Global RE 31.7	Nat. Res. 16.8	Gov't Bonds 9.8	U.S. Equities 16.0	High Yield 7.4	Inv. Grade 7.5
High Yield 11.1	Global RE 10.7	U.S. Equities 15.4	Dev. ex-U.S. 11.6	TIPS -2.4	U.S. Equities 27.1	EM Fixed 15.7	Inv. Grade 8.4	High Yield 15.8	Global RE 2.2	Gov't Bonds 5.1
60/40 10.9	60/40 7.5	EM Fixed 15.2	TIPS 11.6	Municipals -2.5	Gold 24.0	U.S. Equities 15.5	Global Fixed 5.6	EM Fixed 15.1	Cash 0.0	60/40 5.0
U.S. Equities 10.7	EM Fixed 6.5	60/40 14.2	60/40 10.0	Inv. Grade -3.1	60/40 23.0	High Yield 14.9	High Yield 5.0	60/40 11.4	Inv. Grade -2.0	TIPS 3.6
Global Fixed 9.3	U.S. Equities 5.7	High Yield 10.8	Global Fixed 9.5	EM Fixed -5.2	EM Fixed 22.0	60/40 10.7	U.S. Equities 2.0	Inv. Grade 9.4	EM Equities -2.3	High Yield 2.5
Nat. Res. 8.7	Municipals 3.5	Global Fixed 6.6	Gov't Bonds 9.0	High Yield -25.9	Nat. Res. 18.9	Inv. Grade 8.5	Cash 0.1	TIPS 7.0	Global Fixed -2.6	Global Fixed 0.6
TIPS 8.5	Gov't Bonds 3.0	Municipals 4.8	U.S. Equities 6.0	60/40 -25.9	Inv. Grade 16.0	Dev. ex-U.S. 8.2	60/40 -1.2	Gold 7.0	Municipals -2.6	Cash 0.0
Gold 5.4	TIPS 3.0	Cash 4.8	Inv. Grade 5.1	Nat. Res. -35.6	Municipals 12.9	TIPS 6.3	EM Fixed -1.8	Municipals 6.8	Gov't Bonds -2.7	Gold -1.5
Inv. Grade 5.2	Cash 3.0	Inv. Grade 4.3	Cash 4.8	U.S. Equities -37.1	TIPS 11.4	Gov't Bonds 5.9	Global RE -5.9	Global Fixed 4.3	EM Fixed -4.3	EM Equities -1.8
Municipals 4.5	High Yield 2.8	Gov't Bonds 3.1	Municipals 3.4	Dev. ex-U.S. -43.0	Global Fixed 6.9	Global Fixed 5.5	Dev. ex-U.S. -11.8	Gov't Bonds 2.0	TIPS -8.6	EM Fixed -1.9
Gov't Bonds 3.5	Inv. Grade 2.2	Nat. Res. 2.1	High Yield 2.3	Global RE -50.2	Cash 0.1	Municipals 2.4	Nat. Res. -13.3	Cash 0.1	Nat. Res. -9.5	Dev. ex-U.S. -3.9
Cash 1.2	Global Fixed -4.4	TIPS 0.4	Global RE -10.0	EM Equities -53.1	Gov't Bonds -3.6	Cash 0.1	EM Equities -18.2	Nat. Res. -1.1	Gold -28.3	Nat. Res. -17.0

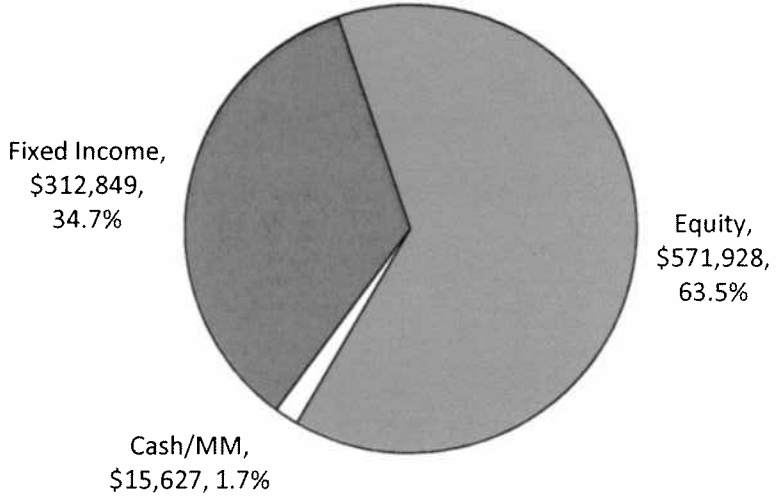
Source: Bloomberg, Northern Trust. Year-to-date total returns in USD through 12/31/2014. 60/40 portfolio comprised of MSCI All Country World Index and Barclays US Aggregate Bond Index, with weights rebalanced monthly after Investment Policy Committee meeting.

Asset Allocation: *as of 12/31/2014*

Town of Litchfield Board of Education OPEB Fund

Summary of Account

	Calendar YTD [1/1/2014 – 12/31/2014]	Fiscal Year [7/1/2014 – 12/31/2014]
Beginning Market Value	**$ 802,301.94**	**$ 888,151.07**
Receipts	$ 50,000.00	$ 0.00
Disbursements	$ (4,026.35)	$ (2,105.98)
Gain/Loss	$ 52,127.94	$ 14,358.44
Ending Market Value	**$ 900,403.53**	**$ 900,403.53**



Asset Allocation

	Actual	Target
Cash/Fixed Income	36.5%	40.0%
Equity	63.5%	60.0%

TOWN OF LITCHFIELD - OPEB

Investment Performance as of 12/31/14

Asset Class	Minimum	Policy Target (PT)	PT % of Class	Maximum	Portfolio Allocation (PA)	PA % of Class	Market Value	Month Ended 12/31/2014 Asset Return	Month Ended 12/31/2014 Benchmark Return	QTD 10/1/2014 - 12/31/2014 Asset Return	QTD 10/1/2014 - 12/31/2014 Benchmark Return	Fiscal YTD 7/1/2014 - 12/31/2014 Asset Return	Fiscal YTD 7/1/2014 - 12/31/2014 Benchmark Return	YTD 1/1/2014 - 12/31/2014* Asset Return	YTD 1/1/2014 - 12/31/2014* Benchmark Return	New Strategy Implementation 11/1/2013 - 12/31/2014* Asset Return	New Strategy Implementation 11/1/2013 - 12/31/2014* Benchmark Return	Ind
Total Equities	55.0%	60.0%	100.0%	65.0%	63.5%	100.0%	$ 571,928	3.71%	3.85%	2.59%	2.80%	9.20%	10.08%	11.92%	12.32%			
US Equities	41.0%	46.0%	76.7%	51.0%	48.2%	75.9%	$ 433,988	5.19%	5.24%	5.30%	5.25%	12.43%	12.56%	15.73%	15.98%			Rus
REIT	0.0%	3.0%	5.0%	5.0%	3.0%	4.7%	$ 26,730	14.24%	14.34%	10.70%	10.87%	29.78%	26.58%	19.49%	17.10%			MS Pre
International Equities:																		
Developed Economies	2.0%	6.0%	10.0%	11.0%	6.9%	10.9%	$ 62,296	-4.11%	-3.69%	-10.43%	-9.52%	-6.52%	-4.86%	-3.44%	-2.29%			FTS Pre
Emerging Economies	0.0%	5.0%	8.3%	10.0%	5.4%	8.6%	$ 48,914	-3.71%	-3.46%	-6.46%	-6.14%	-2.60%	-0.21%	-2.81%	-2.64%			FTS Pre
Total Fixed Income	35.0%	40.0%	100.0%	45.0%	36.5%	100.0%	$ 328,475	0.29%	0.61%	-0.04%	0.35%	1.75%	2.89%	1.17%	2.13%			
High Quality Bond	28.0%	33.0%	82.5%	38.0%	29.0%	79.5%	$ 261,103	0.72%	0.89%	0.56%	0.86%	2.64%	3.13%	1.80%	2.12%			Bar
High Yield Bond	0.0%	5.0%	12.5%	10.0%	5.7%	15.8%	$ 51,745	-0.90%	-1.00%	-2.97%	-2.85%	-0.36%	2.45%	-0.36%	3.02%			Bar
Cash Equivalents	2.0%	2.0%	5.0%	15.0%	1.7%	4.8%	$ 15,627	0.09%	0.01%	0.12%	0.01%	0.21%	0.03%	0.21%	0.04%			90-
Total Market Value							$ 900,403											

Gross of Fees	**Account Performance - Gross of USB Fees**	**2.48%**	**1.62%**	**6.41%**	**7.80%**
	Blended Benchmark *(based on Policy Targets)*	***2.66%***	***1.97%***	***7.37%***	***8.33%***
	Deviation to Benchmark	***-0.18%***	***-0.35%***	***-0.96%***	***-0.53%***
	Target Expected Deviation to Benchmark (Gross)	***-0.06% to -0.11%***	***-0.13% to -0.23%***	***-0.25% to -0.45%***	***-0.25% to -0.45%***

Net of Fees	**Account Performance Performance - Net of Fees**	**2.35%**	**1.38%**	**5.91%**	**7.29%**
	Deviation to Benchmark	***-0.31%***	***-0.59%***	***-1.46%***	***-1.04%***
	Target Expected Deviation to Benchmark (Net)	***-0.19% to -0.24%***	***-0.38% to -0.48%***	***-0.75% to -0.95%***	***-0.75% to -0.95%***

NOTES :

1.) The largest contributor to being outside of the performance bands is our short term fixed income position and tracking error in the international equity space.

2.) Performance since inception is in line with the actuarial investment return assumption of 7%.

* Asset returns may not represent entire column period.