

**JOINT RETIREMENT INVESTMENT BOARD MEETING**  
**Tuesday, July 20, 2010-4:30 pm**  
**First Floor Conference Room, Independence Hall-725 Old Post Road**  
**Fairfield, CT 06824**

**FINAL MINUTES**

Members Present: Erik Kalapir, Ken Flatto, Paul Hiller, Jean Sturges, Bonnie McWain, Brian Vahey, Noradeen Farlekas, Rose Sandick, Barry Rosen, Fred Schaefer, Joe Rigoglioso, Mike Holland

Members Absent: Robert Malarkey, Scott Bartlett, Jack Leahy

Others Present: David Hyman, Ellen Petrino, Shumway Capital Partners, Wellington Management Company, LLP (via telephone)

I. Call to Order

Chairman Ken Flatto called the meeting to order at 4:46 pm.

II. Approval of Minutes

Jean Sturges made a motion to approve the minutes. Ken Flatto seconded the motion. Mrs. Sturges made an amendment to correct the spelling of DeAngelo, Seix, and correct the term fund of funds. Mr. Flatto seconded the amendment which carried unanimously. The motion, as amended, carried unanimously.

III. Investment Review

David Hyman of Evaluation Associates gave the Board two handouts-one on the Total Fund Performance Measurement and another on the market review of the 2<sup>nd</sup> quarter for 2010. Mr. Hyman gave a preliminary overview as of June 30, 2010 and said numbers were negative for the second quarter driven by concerns about the three Gs-Greece (sovereign debt crisis), Goldman (financial regulation) and the Gulf. He said there was a significant decline in May and June, with values dropping in the quarter by 10% ending June 30, 2010. Mr. Hyman provided an update on Pequot and said a letter was sent out June 11, 2010. He discussed Lexington Partners and said no performance is showing yet. Noradeen Farlekas noted that Iridian's under performance stands out. Ellen Petrino said Iridian had few financials which were very strong earlier in 2009. Fred Schaefer noted two managers are slightly above the 10% rule so the Board should keep an eye on that. Mr. Hyman said he is working on a revised portfolio allocation benchmark as well as a revised IPS and will distribute to the committee shortly.

IV. Discussion of Alternative Investments with Evaluation's Recommended Managers

Shumway Capital Partners gave the Board an overview on their company which was founded in 2002 with \$70 million in capital management. They now have about \$8.5 billion and 81 employees. Shumway has a management portfolio team and two analysts per sector. They use a lot of consultants and conduct surveys. They have a global investor base, manage risk, focus on equities, and value liquidity very highly. They have a bottoms up, top down approach. Ms. Farlekas asked how many securities Shumway looks at. Shumway said it varies by sector and relevance to the portfolio. They have about 50-55 longs and 70-75 shorts. Ms. Farlekas asked if factors are similar.

Shumway said there is no one matrix that cuts across sectors. They rank longs and shorts and capture the spread between them. Mr. Flatto asked how they minimize risk if things occur in an unexpected way. Shumway manages risk and has increased volatility requirements and tightened liquidity requirements. Paul Hiller asked what custodian Shumway uses. Shumway has seven prime brokers and one custodial bank, the Bank of America. Brian Vahey asked about withdrawals. Mr. Flatto asked about turnover per year in portfolios. Shumway said on average, there is 200% turnover and in recent years, it has been higher. Mr. Vahey asked how many fund of funds investors Shumway has. Shumway has 37% fund of funds holdings.

Wellington Management then had a conference call with the Board and gave an overview on its company. They manage 18 Hedge Funds with about \$12.5 billion dollars. They began in 2001. They discussed normal allocation of multi-sector funds and sector funds. Wellington showed how the investment exposure looks over time. They reviewed the Archipelago funds which are divided into nine managed sub funds and with over 1000 long equity names and over 400 short equity names researched. Wellington discussed its holdings and investment returns in relation to the S&P 500 and MSCI World indexes. They discussed risk parameters, showing how they deliver returns. Mr. Flatto asked if Wellington was diversified more internationally. Wellington said all funds are global and investments outside the U.S. are growing steadily over time. Ms. Farlekas asked about prime brokers and Wellington's custodian. Wellington uses four prime brokers and has no separate custodian. The Hedge Fund manages the functions. Ms. Petrino asked how Archipelago Holdings is important to the firm. It is Wellington's largest fund and largest investor. Mr. Schaefer asked about liquidity and how its daily volume is managed. There are no specific limits on volume, but they allow liquid investments for the funds with a 15% limit. Mr. Vahey asked if there are limit gates on withdrawals. There are none.

The Board then gave feedback to Evaluation on both companies. Mr. Schaefer said he liked Wellington, but the high correlation with S&P is the one downside. Mrs. Sturges thought Wellington gave a good presentation. Mr. Flatto said he was impressed with Shumway's record.

Mr. Flatto asked to have one more manager present at the next Board meeting and then the Board can make a decision. Erik Kalapir asked how many managers the Board will be hiring. Ms. Petrino said up to five. Joe Rigoglioso and Fred Schaefer volunteered to meet with Shumway's key managers, instead of just marketing staff. The Board also thought Mr. Vahey should attend. The Board will hold its next meeting in the first few weeks of August.

#### V. Adjourn

Mr. Flatto made a motion to adjourn the meeting at 6:50 pm. Mr. Schaefer seconded the motion which carried unanimously.

Respectfully submitted,

Jennifer S. Carpenter  
Recording Secretary