

JOINT RETIREMENT INVESTMENT BOARD SPECIAL MEETING

Thursday, August 18, 2011

4:30 pm

**Second Floor Conference Room
Independence Hall-725 Old Post Road
Fairfield, CT 06824**

FINAL MINUTES

Members Present: Paul Hiller, Mike Tetreau, Mike Holland, Geoff Mullen, Erik Kalapir (via phone), Bonnie McWain, Donald Bowers, Scott Bartlett, Rose Sandick, Brian Vahey, Joe Rigoglioso, Fred Schaefer

Members Absent: Robert Malarkey, Jean Sturges, Barry Rosen

Others Present: Mary Carroll-Mirylees, Eileen Kennelly, Thomas Shingler, Bud Pellecchia, Eugene Podkaminer

I. Call to Order

Vice-Chair Paul Hiller called the meeting to order at 4:34 pm.

II. Elect Chair and Vice-Chair

Human Resources Director Mary Carroll-Mirylees said the Chair and Vice-Chair have no term limits but they have to be elected every year. One has to serve on the police and fire retirement board and one has to serve on the employee's retirement board. Mike Holland made a motion to nominate Robert Malarkey as Chair. First Selectman Mike Tetreau seconded the motion which carried unanimously. Scott Bartlett made a motion to nominate Paul Hiller as Vice-Chair. Geoff Mullen seconded the motion which carried unanimously.

III. Hear Presentation from Assistant Town Attorney on Town Ordinance Forming Joint Investment Committee

Assistant Town Attorney Eileen Kennelly said the Joint Retirement Board had been an informal board, but in 2009, the RTM voted to make the Board formal with regulations. Ms. Kennelly gave the Board a copy of a memo which she summarized for the Board. The memo describes four required meetings a year; a quorum consisting of three police and fire retirement board members and five employee retirement board members. The First Selectman counts a member of one of those two boards, but not both. The Board's major duties include monitoring an investment advisor. There has to be a RFQ for a successor 30 days after the termination of an advisor's contract. The Board must appoint a custodian for funds, select investment managers and review and ratify the investment policy. The Board has to present its annual report to the RTM sometime between each July-September and each quarter has to submit a quarterly statement of fund performance to the BOS and BOF. Ms. Kennelly discussed conflicts of interest and gave each member a Statement of No Conflict of Interest that each needs to sign and submit to Mrs. Mirylees. Fiscal Officer Hiller said the RTM will hear the Board's annual report in September. First Selectman Tetreau asked Mr. Hiller to have the Board get on the quarterly BOF meetings starting this October.

IV. Review and Discuss Asset Allocation Study Presented by Callan Associates

Tom Shingler, Callan's Assistant Vice President, gave the Board copies of the Town of Fairfield's Asset Allocation Review. Bud Pellecchia, Callan's Senior Vice-President, reviewed the capital market assumptions going forward over the next 10 years. Gene Podkaminer, Vice President of Capital Markets Research at Callan reviewed several pages of the study. He discussed how assets are allocated; the macro level look; and market assumptions. Each year, Mr. Podkaminer's team looks at long-term ten year equilibrium numbers. He addressed the U.S. Equity percentages and the U.S. Fixed Income percentages on page seven. He also spoke about correlations and hopes for returns above the bond market. Mr. Podkaminer discussed page nine—asset class roles—and page ten which contains a chart on the policy target and actual allocation as of June 30, 2011. First Selectman Tetreau asked if the 8% return is realistic. Mr. Podkaminer said if it's important based on hopes of delivery, they can reach for return between 7-8%. First Selectman Tetreau asked when the Board should reconsider using the 8% target. Mr. Hiller said changing %s have budgetary implications and the study will help determine the best target percentage. Mr. Podkaminer discussed comparison of allocations. He said Mix 1 is the least aggressive and Mix 5 is the most aggressive. Mix 3 is a good balance to have. Mr. Podkaminer discussed how risk is often represented by the standard deviation of returns; asset class weights; and LDI in the context of public entities. Some municipalities are starting to look at LDI. Mr. Kalapir noted that the optimal mixes on page 11 show 0% allocations to cash. Mr. Vahey said he doesn't see a big difference between Mix 3 and the policy target percentage so he doesn't think the Board should move off the current policy target. First Selectman Tetreau said it's important to take action and start mapping out a timeframe to reach the Board's target of 23% for alternative investments. Mr. Kalapir said not to rush and to have site visits and perform due diligence. He added the Board has always had target policy windows. The Board then decided to meet more often. Mr. Hiller and First Selectman Tetreau will come up with a meeting schedule and discuss a plan for meeting the targeted 23%. First Selectman Tetreau asked the Board to email Mr. Hiller or Jennifer Carpenter with issues or preferences regarding the schedule and plan. Mr. Hiller said the Board should vote on the asset allocation at the September 8 meeting.

V. Review and Act Upon a Report from Callan Associates on Commodities Allocation Previously Awarded to Brevan Howard

Mr. Hiller gave the Board a handout on Callan's meeting with Brevan Howard regarding commodities strategy. He said three groups spoke to the Board to discuss commodities. The Board wanted to invest \$9 million in the Brevan Howard fund which was tabled because of the EAI transition to Callan. Mr. Shingler and Mr. Pellecchia met with Brevan Howard about six weeks ago and conducted due diligence. Mr. Pellecchia said they got to know Brevan's investment team and their product and had some reservations. Mr. Shingler reviewed the memo. He thinks Brevan's model makes sense and they have a strong risk management about them. Callan looked specifically at the commodities strategy and has a concern with the make up of the fund being energy heavy. He is concerned on whether it will fulfill the role the commodities should have in Fairfield's portfolio. Mr. Vahey said the Board likes lower volatility. First Selectman Tetreau asked if the Board has already invested with Brevan Howard. Mr. Hiller said it has not. The Board asked Callan to come back with recommendations on other commodities managers. Mr. Schaefer asked if Mr. Tetreau and Mr. Hiller will work out a plan of filling out the allocations. Mr. Tetreau said they would.

VI. Review Asset Value of the Funds as of June 30, 2011

Mr. Shingler gave the Board copies of Callan's Town of Fairfield Quarterly Performance Report as of June 30, 2011. Callan discussed quarterly total fund relative attribution as of June 30, 2011 and the investment manager asset allocation which showed a positive return. Mr. Pellecchia said Callan basically knows all of the Fund's managers well. He said there were a lot of changes at the top level at Seix which Callan met with. Seix wants to be independent again.

VII. Hear Report from Subcommittee Concerning Establishing Appropriate Interest Rate for Employees who Redeem their Contributions

Mr. Hiller said the subcommittee is not prepared to finalize the interest rate. It will be finalized at the next meeting. Mrs. Mirylees said both retirement boards should have the same rate.

VIII. Public Comment-None

IX. Adjourn

Bonnie McWain made a motion to adjourn the meeting at 7:03 pm. Mr. Schaefer seconded the motion which carried unanimously.

Respectfully submitted,

Jennifer S. Carpenter
Recording Secretary