

JOINT RETIREMENT INVESTMENT BOARD SPECIAL MEETING

Tuesday, September 27, 2011

7:00 pm

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

FINAL MINUTES

Members Present: Robert Malarkey, Don Bowers, Paul Hiller, Brian Vahey, Jean Sturges, Rose Sandick, Joe Rigoglioso, Barry Rosen, Scott Bartlett, Erik Kalapir, Mike Tetreau, Geoff Mullen
Members Absent: Mike Holland, Fred Schaefer

Others Present: Bud Pellecchia, Eileen Kennelly, Tom Shingler, Mary Carroll Mirylees

I. Call to Order

Chairman Robert Malarkey called the meeting to order at 7:00 pm.

II. Presentation by Callan Associates on Prospective Managers to Fulfill Commodities Allocation

Bud Pellecchia gave the Board a handout on an Investment Measurement Service Monthly Review. He said a lot of numbers are in the red. Conatus is down about ten percent. There's no return yet for real estate. The Total Fund is down about 3.5%, but it is in line with the benchmark.

Mr. Pellecchia gave the Board an Investment Manager Evaluation Commodities report. The report summarizes four different commodities which Callan would like the Board to interview. Gresham Investment Management and Invesco are less active than the other two firms but Gresham has been in business for a long time. Paul Hiller noted that Breven Howard concentrated heavily on energy. He asked if Gresham will follow all of its asset allocations. Mr. Pellecchia said they will. He said Gresham is more deeply resourced than Breven Howard. Gresham looks at the bottoms up approach instead of a macro approach. Mr. Pellecchia discussed Invesco which uses quantitative historical data to set strategic weights to the portfolio, like Gresham does. They overweight precious metals which they feel is an advantage and that is different from Gresham. Invesco's asset allocations are less dynamic than Gresham's. Invesco has more of an absolute return-oriented approach which reduces volatility. Tom Shingler then discussed Schroder which provides beta exposure and gives a nice active management component. The other 50% of the fund is managed by specialists which are selected by Schroder. Mr. Shingler also discussed Vermillion which is a boutique commodities firm. It takes physical commodities which distinguishes them from others. Vermillion has a bottoms up approach giving beta exposure that we're looking for in commodities. Mr. Pellecchia said the first two firms are less active from a dynamic basis over time. The last two provide a different flavor to the commodities market. Mr. Pellecchia then reviewed the fees schedule. Mr. Malarkey asked the Board if it wanted to meet all four firms. Mr. Hiller suggested that each firm speak for 20 minutes followed by 10 minutes for any questions. Geoff Mullen volunteered to provide an outline for each firm.

III. Presentation by Callan Associates to Identify Investment Options for Additional Real Estate Allocation

Mr. Pellecchia gave the Board a report on an Introduction to Real Estate for the Town of Fairfield Retirement Plans. Mr. Hiller said Callan will educate the Board on various options and differences in management style. He reminded the Board of commitments to TA Realty and Lexington. The new asset allocation study said 6% is for commodities; 5% is for real estate and 3% is for private equity. Mr. Pellecchia gave an overview on what real estate provides and said it's a long-term investment even though the market is down.

When discussing real estate, the focus should be on the equity side. Mr. Pellecchia discussed the expected return in risk and noted that value added, which is a blend of capital appreciation and income, is the type of fund Callan is interested in now. Core is the most conservative equity real estate. Mr. Pellecchia said the Town has room to build up its allocation. Going forward, Callan recommends a fully diverse core portfolio and filling out the rest of the allocation. Mr. Hiller asked Callan if they are comfortable with TA Realty and Callan said they are.

IV. Presentation by Callan Associates to Identify Investment Options for Additional Private Equity Allocation

Mr. Shingler gave the Board a report on an Introduction to Private Equity for the Town of Fairfield Retirement Plans. Benefits include less volatility. Mr. Pellecchia said picking the right manager is a big consideration. Mr. Shingler discussed venture capital, buyouts, special situations, subordinated debt, distressed debt and the J-Curve. The goal is to have a positive cash flow with good rate returns. In years five and six, benefits are seen. Mr. Pellecchia asked the Board to authorize Callan to look for one of the fund of funds managers as the next step. Mr. Hiller asked if Callan did any work on Lexington. Mr. Shingler said Callan performed due diligence on Lexington for another client.

Mr. Malarkey asked what Callan would recommend as the next piece for real estate. Mr. Pellecchia said the core fund is more aggressive than the others. Mr. Malarkey asked the Board how it felt about Mr. Pellecchia's recommendation. Erik Kalapir reiterated that Callan suggested that "core" was the way to go. Mr. Kalapir made a motion to authorize Callan to search for core with a little bit of international. Brian Vahey seconded the motion which carried unanimously. Mr. Malarkey told Callan the Board authorizes it to bring in fund of fund managers.

V. Discussion to Retain Firm to Perform Experience Study and Asset Liability Study

Mr. Hiller gave a brief update on the Experience Study. He said he reached out to two other actuarial firms. Hooker & Holcomb has all the data so giving data to another firm means time and money and a lot of work for the Town's HR Department so he recommended continuing with Hooker & Holcomb. Mr. Kalapir suggested if pressed for time to get the study done and revisit it next year by having another firm run a study side-by-side with Hooker & Holcomb. Mr. Hiller said mid-January is the deadline for this study. Mike Tetreau said the Board should move forward on the experience study with Hooker & Holcomb. The second step is the asset liability study. Mr. Vahey said it takes about 12 weeks to do the asset liability study and about 6-8 weeks to do the experience study. Mr. Tetreau made a motion to ask Hooker & Holcomb to perform the experience study with a target date by the third Tuesday of November. Ms. Sturges seconded the motion which carried unanimously.

Mr. Tetreau asked the cost of the study. Mr. Hiller said about \$25,000 to \$30,000. Mr. Tetreau asked Assistant Town Attorney Eileen Kennelly where the money to pay for the study should come from and what authorization does the Board has to spend this money. Ms. Kennelly said the Town Ordinance says expenses come from the pension funds, not from town appropriations. Mr. Hiller said in the past both retirement boards had small allocations in the Town's operating budget, but the BOF eliminated that. He said two major things get paid out of the fund: management fees and actuarial fees. Mr. Tetreau said since the new ordinance doesn't reflect the Board complying with the Charter, he wants the RTM to update the ordinance to be consistent and "clean" with the Charter. Mr. Tetreau summarized to the Board that it is authorized to pay for the study now based on the Town Attorney's recommendation but the RTM will be asked to clarify language in the new ordinance and eventually look at other inconsistencies in the new ordinance versus the Charter. Mr. Vahey made a motion to postpone to retain a firm for the asset liability study. Mr. Hiller seconded the motion which carried unanimously.

VI. Adoption of Calendar for Future Meeting Dates

Mr. Hiller said the third Tuesday of every month appears to be the best date for the Board to meet. He said the BOE has not yet named a replacement for Bonnie McWain. Jean Sturges asked if the time would be 7 pm. Mr. Hiller said yes. Mr. Kalapir suggested that since Callan cannot attend the November meeting, the Board reserve that time for Hooker & Holcomb to give the Board an update. Mr. Vahey made a motion that the Board meets the third Tuesday of each month at 7 pm. Mr. Kalapir seconded the motion which carried 11-1-0, Rose Sandick against.

VII. Public Comment

Ms. Kennelly said that the Board was supposed to give a report to the RTM in September according to the ordinance. The Board can give the report to the RTM in October and one to the BOF at its October 26 quarterly review meeting.

VIII. Adjourn

Ms. Sturges made a motion to adjourn the meeting at 9:01 pm. Mr. Tetreau seconded the motion which carried unanimously.

Respectfully submitted,

Jennifer S. Carpenter
Recording Secretary