JOINT RETIREMENT INVESTMENT BOARD MEETING
Tuesday, October 18, 2011
7:00 pm
Second Floor Conference Room
Independence Hall-725 Old Post Road
Fairfield, CT 06824

FINAL MINUTES

Members Present: Bob Malarkey, Mike Tetreau, Brian Vahey, Jean Sturges, Geoff Mullen, Rose Sandick, Scott Bartlett, Don Bowers, Erik Kalapir, Karl von Hardenberg, Paul Hiller, Fred Schaefer
Members Absent: Joseph Rigoglioso, Mike Holland, Barry Rosen
Others Present: Tom Shingler, Bud Pellecchia

I. Call to Order

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

II Approval of Minutes

Mike Tetreau made a motion to postpone the approval of minutes to the next regular meeting. Erik Kalapir seconded the motion which carried unanimously.

III. Discussion of Columbus Circle Request for Waiver of Investment Guideline

Paul Hiller gave the Board a handout on portfolio positions allocation from People's Bank for Columbus Circle. Mr. Hiller asked for guidance from the Board since Columbus didn't abide by the guidelines and breached the 5% rule. Bud Pellecchia said Columbus should have come to the Board before this occurred. Mr. Pellecchia said the manager may want to be bullish on this stock and stay in the guidelines also. He suggested the Board change the guidelines to allow a manager to take an active bet and be bullish by having a constraint of +1% or 2% position size versus the benchmark. Mr. Tetreau asked what the process is if the process is breached. He asked what flexibility the Board can give a manager and what the Board's expectations are. Fred Schaefer said the point is to make money and the manager should be willing to take a risk with the benchmark. Mr. Tetreau asked what other funds do. Mr. Schaefer said the advisor should flag this. Mr. Pellecchia said Columbus should have come to the Board prior to the breach and asked the Board to change its guidelines. Mr. Tetreau said we should clarify to Columbus the Board wanting it to sell as they approach the guideline. Mr. Pellecchia said managers should stay within the guidelines of 5% as the limit and the Board will consider changing the guideline in the future. Jean Sturges made a motion to notify the firm that the Board wants its guidelines affirmed, not exceeded. Mr. Tetreau seconded the motion which carried unanimously.

Ms. Sturges made a motion to move item IV. after item V so item V now becomes IV. Mr. Malarkey seconded the motion which carried unanimously.

IV. Commodities Manager Presentations

-Gresham

Jonathan Berland, Managing Director, Sales & Client Service for Gresham told the Board that Gresham has $14 billion under management, entirely in commodities. There are 44 employees.

Gresham manages eight state retirement systems as well as many counties and municipalities around the country. Gresham has a 24-year track record, the longest-running commodity program (Tangible Asset Program-TAP). Mr. Berland discussed commodities management and producing an equity-like return that has been slightly better than then the S&P500 over the years. Gresham uses an unleveraged approach; has outstanding liquidity; and uses a collateral management approach that's very conservative and transparent. Gresham is ERISA-friendly. Mr. Berland said a goal is to get an equity-like return and risk; a higher correlation and beta to inflation. The principal focus is on active implementation to decide on how to own commodities. Mr. Berland discussed Gresham's advantages which include a proven ability to generate alpha and a proven capacity for continued innovation.

-INVESCO
Mark Ahnrud, Portfolio Manager, Invesco Global Asset Allocation and Bob Scheetz, Managing Director, Invesco Institutional, said Invesco manages just under $1 billion in its commodities commingled fund and has $2 billion total in commodities of the global asset allocation team's $10 billion in assets. INVESCO takes an active approach to managing commodities portfolios to add return not found in commodities benchmarks. INVESCO tries to avoid large drawdowns that impact cumulative returns. Half of the risk is comprised of energy in the DJ-UBS Index; INVESCO starts with a balanced risk approach to achieve diversification in commodities. Strategic and tactical asset allocation and how INVESCO builds its strategic allocation to the portfolio were discussed. Callan asked about use of leverage in the Town's portfolio. Mr. Ahnrud said that leverage is up to 125% net notional exposure. Mr. Shingler asked how many members focus on commodities. Mr. Ahnrud said four.

-Schroders
David Mooney, Portfolio Manager, Chief Investment Officer, Eric Nelson, US Alternatives Director and Shaun Levesque, Head of US Institutional Sales said Schroders NewFinance Capital is a fund-of-fund business with over $2 billion in assets. Schroders aims to provide beta and alpha through a multi-strategy approach. The fund seeks 6-9% per annum outperformance versus benchmark with a target tracking error of 5% using 10-12 outside active managers complemented by an internally managed completion portfolio to achieve a benchmark-like beta and net long exposure. They discussed the annualized outperformance since inception of roughly 8%. Schroders discussed the dynamic risk overlay using graphs showing over and under weights compared to the index. They invest with some of the most talented investors in the world and described how they select these managers. An average manager has twenty years experience. Mr. Hiller noted that two of Schroders managers live in Fairfield—Todd Esse and Andrew Hall. Schroders discussed their overall exposure—where they are today versus the index. Regarding dollar weighting and the percentage allocation to external managers since the portfolio inception, Mr. Pellecchia asked if Schroders expects to increase its allocation to external managers. Schroders does expect to increase these managers. There is an average of 20% annual turnover of managers. Mr. Shingler asked what percentage of trading is in non exchange-traded instruments. Schroders said 0.

-Vermillion
David Jelinek, Partner and Portfolio Manager and John Schneider, Investor Relations and Marketing said Vermillion has $2.4 billion solely in commodities.

Vermillion is structured by sector specialization and their philosophy is to understand all participants in the commodities market. The firm was founded in 2005 and the goal of the Celadon fund is to outperform the DJ-UBS with a defined target tracking error. Vermillion invests in exchange-listed futures and options, OTH derivatives and forwards as well as physical commodities, which they see as a competitive advantage. Vermillion uses conservative collateral management.

After all managers had left, Mr. Malarkey asked the Board for its input. Rose Sandick said she did not like the use of an offshore vehicle. Mr. Mullen asked Callan how much it knows about the tactical model INVESCO uses. Mr. Pellecchia said he thinks there are marginal bets and hasn't looked at this model deeply. Karl von Hardenberg asked if there's a risk to using physical commodities. Mr. Pellecchia said if something goes wrong, there is a risk. Mr. Tetreau asked the Board if there are any firms it can eliminate as a manager. The Board agreed to eliminate Vermillion. Mr. Malarkey said that he likes INVESCO because it has a conservative nature and uses a quantitative approach. He liked them the last time they came before the Board. Mr. Shingler told the Board the fees each of the remaining managers uses. Mr. Tetreau asked if there was any reason not to choose Gresham. Mr. Schaefer said it's the least active and more benchlike than the other two managers but has the longest track record. Mr. Vahey said he wants a piece of the portfolio hedged to inflation. Mr. Tetreau asked if there was any reason not to choose INVESCO. Mr. Shingler said the commodities piece is managed by the asset allocation team rather than by a purely commodities-focused team. It's a risk parity approach, which Mr. Malarkey said he likes. On Schroders, Mr. Mullen said it's a very different investment process from the other two managers. Mr. Hiller said he liked the outsourced model. Mr. Tetreau noted Schroders has an expensive premium for outperformances versus the benchmark. The Board asked Callan for its input. Mr. Pellecchia said Gresham is the least aggressive, most experienced; INVESCO reconstructs the portfolio versus the benchmark, using a risk-balanced approach; and Schroders focused on outside expertise, using hedge funds that go long and short. He added if the Board's goal is to have exposure to commodities beta, then Gresham would be the appropriate choice. Mr. Malarkey asked for a sense of the body on choosing a manager. Each member gave their input. Mr. Schaefer abstained. Five members chose Gresham; three members chose INVESCO; and three members chose Schroders. Mr. Tetreau made a motion to select Gresham. Mr. Vahey seconded the motion which carried 11-0-1, Schaefer abstaining.

V. Election of New Members to Litigation Committee

Mr. Hiller said the since Sherri Steeneck and Bonnie McWain are no longer on this committee, the Board needs to select new members. The other members are Fred Schaefer, Erik Kalapir and Bob Malarkey. Mr. Hiller made a motion for Mike Tetreau to replace Sherri Steeneck. Mr. Schaefer seconded the motion which carried unanimously. The Board will choose a fifth member at another time.

VI. Other Business

The Board discussed inviting a representative from Hooker & Holcomb to its November meeting which Callan cannot attend. Hooker & Holcomb will give an update on the experience study which isn't finished yet.

VII. Public Comment-None

VIII. Adjourn

Mr. Malarkey made a motion to adjourn the meeting at 9:51 pm. Mr. Tetreau seconded the motion which carried unanimously.

Respectfully submitted,

Jennifer S. Carpenter
Recording Secretary