

**JOINT RETIREMENT INVESTMENT BOARD MEETING**

**Tuesday, December 20, 2011**

**7:00 pm**

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

**FINAL MINUTES**

Members Present: Paul Hiller, Mike Tetreau, Scott Bartlett, Don Bowers, Erik Kalapir, Geoff Mullen (via phone), Rose Sandick, Fred Schaefer, Jean Sturges, Brian Vahey, Karl von Hardenberg

Members Absent: Bob Malarkey, Barry Rosen, Joe Rigoglioso

Others Present: Bud Pellecchia, Tom Shingler

**I. Call to Order**

Vice-Chair Paul Hiller called the meeting to order at 7:00 pm. Mr. Hiller said the Chair Bob Malarkey has had surgery and cannot be at the meeting.

**II. Approval of Minutes**

Erik Kalapir made a motion to approve the minutes of November 15, 2011. Jean Sturges seconded the motion. Karl von Hardenberg made a friendly amendment to correct the spelling of his last name. The motion carried 9-0-1, Tetreau abstaining (Mr. Vahey arrived shortly after at 7:04 pm).

**III. Election of 2012 Officers**

Mike Tetreau made a motion to ratify the slate of officers approved in October—Bob Malarkey for Chair and Paul Hiller for Vice-Chair. Scott Bartlett seconded the motion which carried unanimously. Mr. Tetreau would like Mary Carroll Mirylees and Eileen Kennelly to clarify why items III. and IV. are back on the agenda when they were approved in October.

**IV. Approval of 2012 Meeting Schedule**

Mr. Tetreau asked Mr. Hiller to confirm the dates, specifically March 20 and September 18. Mr. Tetreau made a motion to approve the schedule as distributed subject to follow-up on these two dates. Mr. Vahey seconded the motion which carried unanimously.

**V. Review and Discuss Callan Associates Recommendations on Real Estate Commingled Fund Managers**

Bud Pellecchia of Callan issued a report to the Board regarding Callan's recommendations on real estate commingled fund managers. Based on the Board's stated interest in a Core Plus manager to complement the existing allocation to Value Added manager TA Realty, Callan sent out a RFI to twenty firms, and is recommending three respondents, which are all open-ended funds: JP Morgan Investment Management Inc., Principal Global Investors and UBS Realty Investors, LLC. Open-ended funds typically allow for putting money in and taking it out on a quarterly basis as long as notice is given, depending on queues.

Starting with JP Morgan, Mr. Shingler said it has good stability of its key professionals, which Callan likes. JP Morgan has a large asset base and has three core plus funds. Their Core Plus U.S. Real Estate Income & Growth fund is a long-tenured fund incepted in 2002, and some of the properties have been owned since then. The portfolio manager is 100% committed to this fund and no other fund. There is a queue which Callan is comfortable with because in the current environment it's better to have a queue in than a queue out. JP Morgan is well-diversified in property type and regions of the US. They have an 8-10% total return target; 5-7% net income return target. Regarding terms, JP Morgan has a stated minimum of \$10 million but they can accept a lower amount. JP Morgan has the highest flat fee compared to the other two recommended fund managers. There is a 6% fee for any redemption requests prior to the third year anniversary of the subscription acceptance date.

Bud Pellecchia gave an overview on Principal. There are a number of key professionals with a lot of experience. Principal manages a large amount of real estate assets. Regarding its Principal Enhanced Property Fund, which is slated to be a Value Added product, Callan considers this a more conservative Value Added product. The lead portfolio manager, Jay Davis, has other responsibilities so 60% of his time is dedicated to the fund, which Callan sees as a slight negative. Principal is well-diversified with an overweight to residential and retail. The portfolio leverage has a maximum of 60%. There is a 130 basis point fee and there is a performance fee if there is an excess of 11% fund level IRR payable every three years, subject to a 50% clawback. The debt is maturing and Callan is not concerned with their ability to refinance.

Mr. Pellecchia gave an overview on UBS. He said it's a relatively new fund, incepted in 2006, running third party assets since the beginning of this year and they have been successful with raising assets this year. UBS also has a successful core product. Callan considers this a very conservative Value Added fund. UBS' fund includes renovation-type properties. Regarding leverage, they are targeting 50% at the portfolio level. There are not yet as many properties in this portfolio compared to the other two recommended fund managers due to the relative newness and lower assets of the fund.

Callan discussed the different fees and historical performance for each fund manager. Mr. Hiller asked Callan if the Board should meet with all three fund managers. Callan said yes and feel all three are viable candidates. Mr. Tetreau asked if the real estate allocation target is 5%. Callan said yes. The Board will need to decide at its January meeting which fund manager they use. After some members expressed concern with UBS, Mr. Hiller said he will speak to the Board's lawyers.

Mr. Kalapir made a motion that the three recommended real estate core plus manager candidates come before the Board at the next meeting. Mr. Vahey seconded the motion which carried unanimously.

#### VI. Review Flash Report on Fund Valuation as of November 30, 2011

Mr. Pellecchia reviewed the flash report on fund valuation as of November 30, 2011 with the Board. He said fixed income is slightly negative for the month, but YTD, Dwight and Seix have done well—their returns are both positive and ahead of the benchmark. There was a positive return of 1.73% on alternative investments. The total fund was slightly down -28 basis points.

Mr. Pellecchia said Callan is seeing a much higher tracking error in the ACWI Ex-US ETF. He asked what the Board's decision is on investing in these ETFs and if the Board has considered commingled funds. Mr. Hiller said at the time, the decision was to keep invested in ETFs as placeholders to provide liquidity for funding up the alternatives allocations. Mr. Hiller will find out the fee structure and give options to the Board at its next meeting. Callan will also look at other index fund options.

VII. Review and Adopt Policy for Interest on Mandatory Contributions to Town Pension Plans for Employees Represented in Collective Bargaining Units

Mr. Hiller reviewed a letter that Human Resources Director Mary Carroll-Mirylees received from Shipman & Goodwin. Mr. Hiller summarized the attorney's answer which was no-the Board may not change the interest rate because pension benefits are a mandatory subject of collective bargaining. Mr. Vahey said to make sure there are no documents in the past on how this rate was set or why. Mr. Hiller said there is very little documentation. Karl von Hardenberg said the last statement was 3% and he believed it should have been 3.5%. Mr. Tetreau suggested Mr. Hiller speak to former Fiscal Officer Jack Leahy to confirm the percentage for the Town and for police and fire employees. Mr. Tetreau also asked Mr. Hiller to check with Shipman & Goodwin on how they arrived at these numbers and if there is any action the Board should take. Mr. Hiller said he'll report back to the Board at the next meeting.

VIII. New Business-None

IX. Old Business

Mr. Tetreau asked about a review of operating procedures. Mr. Vahey said the November minutes should have clarified that it is an annual review.

X. Public Comment-None

XI. Adjourn

Fred Schaefer made a motion to adjourn the meeting at 8:35 pm. Mr. Tetreau seconded the motion which carried unanimously.

Respectfully submitted,

Jennifer S. Carpenter  
Recording Secretary