JOINT RETIREMENT INVESTMENT BOARD MEETING
Tuesday, February 21, 2012
7:00 pm
Second Floor Conference Room
Independence Hall-725 Old Post Road
Fairfield, CT 06824

FINAL MINUTES

Members Present: Robert Malarkey, Paul Hiller, Jean Sturges, Brian Vahey, Fred Schaefer, Rose Sandick, Erik Kalapir, Don Bowers, Karl von Hardenberg, Mike Tetreau
Members Absent: Scott Bartlett, Joe Rigoglioso, Barry Rosen, Geoff Mullen
Others Present: Tom Shingler, Attorney Rick Robinson

I. Call to Order

Chairman Bob Malarkey called the meeting to order at 7:01 pm.

II. Approval of Minutes

Paul Hiller made a motion to approve the January 17, 2012 minutes. Jean Sturges seconded the motion which carried 9-0 (Mike Tetreau arrived during item III). Mr. Hiller made a motion to approve the February 8, 2012 minutes. Fred Schaefer seconded the motion which carried 9-0.

III. Private Executive Session-Pending Litigation

Mr. Hiller made a motion to enter into private executive session at 7:03 pm. to discuss pending litigation with Attorney Rick Robinson. Ms. Sturges seconded the motion which carried unanimously. Ms. Sturges made a motion to end private executive session at 7:42 pm. Mr. Hiller seconded the motion which carried unanimously. Mike Tetreau made a motion to approve the invoices. Brian Vahey seconded the motion which carried unanimously.

IV. Finalize Selection of Real Estate Manager to Fulfill Adopted Real Estate Allocation

Tom Shingler reviewed the Board's discussions with the real estate managers, which took place at the January meeting. Mr. Shingler said the Board's consensus was to choose either JP Morgan or Principal. He explained why the Board didn't want to select UBS. Mr. Shingler said both JP and Principal are very mature funds; both are very well-diversified by property type and geographical area. From a team perspective, JP's Nancy Brown is solely dedicated to the fund, which is important. Responsibilities for the lead portfolio manager, Jay Davis, of the Principal fund have grown and he dedicates only 60% of his time to this product. JP will use more leverage and will finance each asset individually. Properties are core and more of an income product, but relatively highly leveraged. Principal's total return target is higher at 11-13%, versus JP's which is at 8-10% net%. Principal invests 80% of the fund in core producing assets and 20% in value-added and development projects. Mr. Shingler said JP's fee, which is a flat fee, is higher than Principal's flat fee, but Principal does have an incentive fee.

Board members discussed both real estate managers. Ms. Sturges said the queue JP requires bothers her. Mr. Shingler said two attractive components of Principal are the organization's structure and lower fee. JP has a good track record of producing dividend income. Mr. Hiller said the Board should choose one real estate manager at $9 million.

Every board member except Mr. Hiller and Karl von Hardenberg preferred Principal. Mr. Tetreau and Mr. Malarkey abstained from their choices since they had not attended the Board meeting in January. Mr. Schaefer made a motion to make a real estate investment with Principal in the amount of $10 million. Ms. Sturges seconded the motion which carried unanimously.

Mr. Vahey discussed cash flow. Mr. Tetreau said to try to make the investment or have the steps in place before the BOF's quarterly review meeting.

V. Profiles of Proposed Private Equity Candidates for Board to Interview

Gary Robertson and Michael Bise of Callan had a conference call with the Board to review the four proposed private equity candidates. Mr. Robertson said all four candidates were vetted thoroughly. Thirteen firms were contacted as potential candidates; 11 responded, from which four candidates were selected for the Board to review. Mr. Robertson explained the lengthy review and evaluation process to arrive at the four candidates presented to the Board. Mr. Bise discussed briefly discussed the other firms that didn't get suggested.

Mr. Robertson reviewed the four candidates. Starting with Abbott Capital Management, which moved to a fund-of-funds model, Mr. Robertson discussed its approach; hypothetical allocations in its portfolio; positive attributes such as low turnover and key issues like making secondary investments only on an opportunistic basis and negligible amounts to distressed and mezzanine. Abbott has a staff of 47. Some of the partnerships were highlighted as well as hard-to-access blue chip firms.

Adams Street Partners began in 1979, and is one of the largest, most well-tenured global firms. Mr. Robertson discussed Adams' approach, well-diversified allocations and strong venture capital relationships, and organization, which includes 117 employees and total private equity assets in the amount of $20 billion. Mr. Robertson discussed clients and noted that through one feeder fund Fairfield can have access to a global portfolio. Adams has a higher fee and deploys capital methodically over four vintage years, making it potentially slower than the other three candidates to deploy.

Mesirow Private Equity Advisors began in 1982 but introduced fund of funds starting in 1998. Mr. Robertson discussed allocations, the organization and investment breadth and experience, including that Mesirow has a number of key professionals with strong partnership investment backgrounds.

Portfolio Advisors is based in Connecticut. Mr. Robertson reviewed the organization, asset/clients, access to recognized top tier partnerships and investment breadth and experience. Clients can customize allocations across the key strategy pools making Portfolio unique to the other candidates. Portfolio is the lowest fee provider of the four and can provide strong secondary exposure.

Mr. Robertson reviewed all candidates' staffing comparison, client segment breakdown, discretionary and non-discretionary assets, model private equity portfolios, actual partnership investment history, finalist fee quotes, and vintage year analysis. Mr. Shingler said the process is for Callan to conduct an internal review process of each candidate and then have the Board interview three or four candidates at the March meeting. Mr. Hiller asked the Board to get back to him right away if they see any red flags prior to these interviews.

VI. Review of Exchange Traded Funds

Mr. Shingler said the goal of switching to lower cost index funds is to get the same passive exposure as through the SSgA ETFs at a lower cost with lower tracking error. He presented a memo to the board that he had disseminated previously and discussed the current expense ratio for the ETFs, which are higher than the expense ratios of the Vanguard Index Funds (Institutional and Signal share classes). One caveat with the index fund that just applies to Vanguard International is there is a 2% redemption fee for assets redeemed within two months of purchase. Given the holding period being lower than two months, typically, Mr. Shingler doesn't see as a significant issue with this redemption fee.

VII. Review December 31, 2011 Financial Statements

Mr. Shingler gave the Board copies of a flash report dates January 31, 2012. He noted that a new column, Target, has been added to the Asset Distribution Across Investment Managers page. Mr. Vahey asked why there is a large discrepancy between domestic and international equity passive exposure and noted that there is a large overweight to domestic equity and an underweight to international equity. Mr. Kalapir said the Board should decide where the $10 million comes out of for real estate. Mr. Hiller said domestic equity and domestic fixed are two big overweights and will need to be reallocated.

Mr. Schaefer made a motion to liquidate the S&P 500 ETF fund and invest that money in the Vanguard Total International Stock Fund and liquidate the MSCI ACWI-ex US ETF and invest those proceeds in the same Vanguard Total International Stock Fund that has a much lower fee than the SSgA ETF. Mr. Vahey seconded the motion which carried unanimously.

Mr. Tetreau said to rebalance out of domestic fixed and into real estate. Mr. Hiller agreed saying that should occur by April 1, 2012.

VIII. Review of Renewal of Contract with Callan

Mr. Hiller made a motion that that the Board recommends approving Callan's contract with the changes recommended by the Assistant Town Attorney. Mr. Schaefer seconded the motion which carried unanimously.

IX. New Business

Discussion on Suggested Special Meeting on Tuesday, March 27, instead of Tuesday, March 20

Mr. Hiller made a motion to move the next Board meeting to Tuesday, March 27, 2012, instead of Tuesday, March 20, 2012. Mr. Tetreau seconded the motion which carried unanimously.

X. Old Business

Mr. Hiller said Dwight Asset has been sold. Goldman Sachs Asset Management is taking over. Mr. Hiller said the Board needs to look very carefully at both domestic fixed managers.

XI. Public Comment-None

XII. Adjourn

Mr. Tetreau made a motion to adjourn the meeting at 9:40 pm. Mr. Hiller seconded the motion which carried unanimously.

Respectfully submitted,

Jennifer S. Carpenter
Recording Secretary