

JOINT RETIREMENT INVESTMENT BOARD MEETING

Tuesday, May 15, 2012

7:00 pm

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

FINAL MINUTES

Members Present: Robert Malarkey, Scott Bartlett, Don Bowers, Paul Hiller, Erik Kalapir, Michael Mears, Rose Sandick, Fred Schaefer, Jean Sturges, James Takami, Mike Tetreau, Karl von Hardenberg

Members Absent: Geoff Mullen, Brian Vahey, Barry Rosen

Others Present: Tom Shingler, Ron Arons from GSAM, David Westbrook and Lisa Trubiano from Dwight, Mark Meyer from Seix, Ben Manchak

I. Call to Order

Chairman Bob Malarkey called the meeting to order at 7:00 pm. Mr. Malarkey introduced new member James Takami. The Board wished outgoing member Karl von Hardenberg well.

II. Approval of Minutes

Erik Kalapir made a motion to approve the minutes. Mike Tetreau seconded the motion which carried 9-0-1, James Takami abstained and Michael Mears arrived right after this vote at 7:03 pm and Fred Schaefer arrived at 7:05 pm.

Paul Hiller made a motion to move item IV. before item III. Scott Bartlett seconded the motion which carried 12-0.

IV. Presentation by Dwight/Goldman Sachs Asset Management

Ron Arons introduced himself as the lead portfolio manager at GSAM. David Westbrook, a portfolio manager, works at Dwight and participated by conference call. Lisa Trubiano, who works at Dwight/now GSAM, said Mr. Westbrook and Mr. Arons will work together on the Town's account following the GSAM acquisition of Dwight. Mr. Westbrook, who has worked on the Town's account from the beginning, gave an overview of the portfolio since April, 2012. Mr. Arons discussed Goldman's fixed income capabilities. Mr. Westbrook discussed Dwight using a handout given to the Board. He explained key statistics, noting that there is just over \$44.7 million in assets in the Town's account. The fund size was recently reduced by about \$5 million due to a withdrawal by Fairfield for rebalancing of our assets. Mr. Westbrook said the Town's credit quality is high and the average coupon is slightly below index. Mr. Westbrook discussed investment performance through the end of April, 2012. He also discussed sector diversification on a duration basis and a dollar basis, as of April 2012 noting that the fund is underweight to Treasuries and agencies and overweight in structured. Mr. Westbrook discussed the quality diversification.

Mr. Arons said he is comfortable on how the portfolio is positioned, as GSAM takes over the portfolio following the acquisition of Dwight.

A big difference is that GSAM has more resources and takes analytics one step further by looking at tracking error and risk adjusted analysis to assess risk in a variety of different ways. Referring to a handout given to the Board, Mr. Arons discussed GSAM's global approach to fixed income investing. He gave an overview of the team that includes top-down and bottom-up strategy teams.

Ms. Trubiano stated that 32 Dwight employees will stay on in the Vermont office of GSAM post acquisition. Mr. Hiller asked about the focus on Dwight's stable value capabilities acquired by GSAM because he said Fairfield's account is not a stable value portfolio, but rather a core fixed income account. Ms. Trubiano said it's a benefit that Fairfield's fund was transferred to GSAM where there is true expertise in core fixed income. Mr. Arons discussed GSAM fixed income and liquidity management as well as constructing portfolios, managing risk and understanding client investment objectives. He showed the Board snapshots of GSAM's risk management systems and gave a brief view on the current economy stating that the United States is in better shape than other countries. Ms. Trubiano invited the Board to visit the GSAM New York office.

III. Private Executive Session-Litigation

Mr. Hiller made a motion to enter into private executive session regarding litigation at 8:07 pm. Mr. Bartlett seconded the motion which carried 12-0. Mr. Hiller made a motion to adjourn private executive session at 8:42 pm. Mr. Tetreau seconded the motion which carried 12-0. Mr. Tetreau made a motion to approve the Attorney's recommendation. Jean Sturges seconded the motion which carried 11-0-1, Michael Mears abstaining.

V. Presentation by Seix Investment Advisors

Mark Meyer, CFA Managing Director, Client Service & Marketing, represented Seix. He said that Jim Keegan, CIO and CEO could not attend. Mr. Meyer said 2011 was a good year for their core plus strategy. The portfolio had a very healthy return and outperformed the benchmark in 2011. Referring to a handout given to the Board, Mr. Meyer said Seix is a boutique, fixed income-only manager and attention to risk is thoroughly infused in the process. Mr. Meyer discussed the economic environment and portfolio characteristics. Sector distribution is shown a couple of different ways. Mr. Meyers said Seix is very careful with banks. The portfolio strategy includes residential and commercial mortgage backed securities which are generally seasoned loans. Mr. Meyer discussed the investment environment and relative value across sectors. He noted that corporate bonds and AAA CMBS are most noteworthy. Mr. Meyers gave a profile of Seix stating that its total assets are at a high water mark and split into investment grade and high yield. Mr. Kalapir asked what the fee structure is for both firms. Mr. Hiller said 30 bps for each.

VI. Discussion of Fixed Income Allocation

Tom Shingler gave the Board a handout on Investment Measurement Service Monthly Review, dated April 30, 2012. He gave an overview of the investment manager asset allocation. Net new investment shows \$5 million coming out of Dwight and Seix. Domestic Fixed is still overweight even with the withdrawal. International Equity is close to the target. Mr. Shingler gave an overview on investment manager returns stating this past quarter was the best quarter for equities since the 1990s. Domestic and international equities retreated slightly in April. Treasuries outperformed spread sectors. There was very little movement in the fund in April.

VII. Performance Review through April 30, 2012 of Pension Funds

Mr. Shingler gave the Board a report on the Town's investment measurement service quarterly performance dated March 31, 2012. He discussed the return analysis summary for Dwight for the period ending March 31, 2012. Fred Schaefer asked if Dwight/GSAM would be included in the search for a core manager. Mr. Shingler said GSAM is well resourced and has very good risk systems, but its 2008 core fixed income performance was the same as Dwight's performance, even though GSAM's risk system was supposed to have helped. Mr. Shingler recommended the Board conduct a core fixed income search to replace Dwight, and that while GSAM will be considered in the search process, GSAM has not been recently selected in the core fixed income through Callan's search process.

Regarding Seix, Mr. Shingler said performance was very good. The Town can't expect the upside that some other more aggressive core plus managers can offer, but it has provided very good downside protection. The main issue with Seix is their ownership situation. They are currently owned by SunTrust Bank, which accepted TARP money and has capital issues.

The Board held a discussion on hearing from Dwight and Seix. Mr. Malarkey suggested the Board search for Dwight's replacement. He also recommended that the total domestic fixed go down to about \$90 million. Mr. Schaefer asked if the Town should have a core manager take Dwight's place. Mr. Shingler recommends a combination of core and core plus in core fixed income.

Mr. Schaefer made a motion to ask Callan to undertake a search for a core manager to potentially replace the Dwight-GSAM piece. Mr. Hiller seconded the motion which carried 11-0 (Mr. Tetreau had left the meeting prior to this action).

VIII. Performance Review of OPEB through April 30, 2012

Mr. Shingler gave the Board a flash report on OPEB and gave an update on the OPEB composite with Smith Affiliated Capital for the period ending March 31, 2012. Mr. Hiller said that starting late July, the Board should start looking at funding the FY 2013 allocation. He asked if the Board should move some of that funding into an equity piece, like a mutual fund. He recommended not staying with fixed income. Mr. Kalapir asked if the Board should work on a target allocation policy. Mr. Hiller said the Board may do this.

IX. New Business-None

X. Old Business -None

XI. Public Comment -None

XII. Adjourn

Karl von Hardenberg made a motion to adjourn the meeting at 9:58 pm. Ms. Sturges seconded the motion which carried 11-0.

Respectfully submitted,

Jennifer S. Carpenter
Recording Secretary