

JOINT RETIREMENT INVESTMENT BOARD MEETING

Tuesday, June 19, 2012

7:00 pm

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

FINAL MINUTES

Members Present: Bob Malarkey, Paul Hiller, Mike Tetreau, Scott Bartlett, Don Bowers, Erik Kalapir, Michael Mears, Geoff Mullen, Fred Schaefer, Jean Sturges (via phone), James Takami, Brian Vahey

Members Absent: Barry Rosen, Rose Sandick

Others Present: Bud Pellecchia, Tom Shingler, Jim McKee (via phone), David Golub

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 minutes. Don Bowers seconded the motion which carried unanimously.

III. Private Executive Session-Pending Litigation

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Paul Hiller made a motion to enter into private executive session to discuss with Attorney David Golub pending litigation at 7:04 pm. Mike Tetreau seconded the motion which carried unanimously. Mr. Hiller made a motion to end private executive at 7:45 pm. Mr. Tetreau seconded the motion which carried unanimously. Mr. Hiller made a motion to accept Counsel's recommendation regarding the Noel and Tucker investment. Michael Mears seconded the motion which carried unanimously.

IV. Approval of Litigation Expenses

Mr. Hiller made a motion that invoices in the amount of \$30,290.61 from Pullman & Comley be paid out of the two funds. Fred Schaefer seconded the motion which carried unanimously.

V. Review of Hedge Fund of Funds search

Referring to a memo he gave the Board, Bud Pellecchia said Callan performed a hedge fund-of-fund search. Jim McKee, who performs hedge fund research for Callan participated by phone and said Callan evaluated 42 funds represented by 41 firms. Callan then selected six firms as semi-finalists and categorized those semi-finalists on three elements of style: opportunistically long or strategically beta-neutral bias; equity or fixed income market focus; and nimble versus well established funds.

Referring to a Hedge Fund-of-Fund Callan search report, Mr. McKee gave an overview on the six semi-finalists. Mr. McKee discussed the names of key employees, the total number of

manager investments; the ratio of hedge funds/team member; the size of the fund; the firm auditor; the fee schedule; the fund administrator; and operating and administrative expenses. Mr. McKee said Blackstone Alternative Asset Management L.P. is a competing brand with BlackRock Alternative Advisors; both of their focus is similar. Mr. McKee suggested that the board choose either Blackstone or BlackRock plus one other firm because Blackstone and BlackRock are so similar. Blackstone's parent has significant private equity experience that helps to inform its hedge fund investment process, while BlackRock's parent is a broadly diversified financial institution with supportive infrastructure. Diversified Global Asset Management Corporation (DGAM) is based in Toronto and is a smaller fund-of-fund. Its performance pattern is different from the other semi-finalists. DGAM is more focused on tail risk. It's fairly concentrated in terms of client risk in its commingle fund offerings. Mr. McKee said the reason for the huge jump in assets from 2009-2010 was because DGAM picked up a non-discretionary business. DGAM has decade-long experience in the market place with its much more concentrated investment team. Larch Lane Advisors, LLC is focused on smaller or emerging managers. Larch Lane worked with AIG to invest seed capital in hedge funds. It's the smallest of the fund-of-funds, but has a more diversified client base than DGAM. Lighthouse Investment Partners, LLC has a high level of risk transparency via position-level detail as it relies more on managed accounts than the other semi-finalists. There is not much turnover at Lighthouse. The Board briefly discussed South Carolina's role as a Lighthouse stakeholder alongside Apollo, a large private equity firm. Mr. Schaefer noted a drop in assets in 2007 through 2009. Mr. McKee noted that was, in part, because of the Australian market which has since stabilized. Lighthouse will give a 1.10% fee instead of a 1.50% fee because it views Callan-advised clients, when aggregated, as a single investor large enough for its institutional share class. Private Advisors, LLC is a smaller fund-of-fund with a credit-related emphasis. It has a well-diversified client base and is focused on more long duration type trades. Investment solutions offered by Lighthouse and Larch Lane are the more liquid of the six semi-finalist offerings.

Mr. McKee discussed the fee schedule for the six candidates. Mr. Bowers disclosed that he is a personal advisor for the president of one of the firms. Erik Kalapir, Mr. Tetreau and Mr. Schaefer recommended Blackstone. Mr. Tetreau and Geoff Mullen want to interview DGAM. Mr. Mears prefers Larch Lane or Lighthouse. Jean Sturges and Mr. Malarkey prefer Lighthouse. The Board eliminated Private Advisors, LLC as a possibility. Scott Bartlett prefers Lighthouse as does Mr. Vahey. Mr. Kalapir, Mr. Mullen, Mr. Schaefer, Mr. Hiller and Mr. Tetreau like Larch Lane. Mr. Pellecchia summarized that the Board will interview Lighthouse, DGAM and Blackstone in July.

VI. Monthly update on fund performance May 31, 2012

Tom Shingler gave the Board a snapshot of the monthly review on the investment measurement service dated May 31, 2012. Mr. Shingler said it was not a good month for equity markets. Principal Real Estate was funded in May. Mesirow Private Equity Fund of Funds and Gresham Commodities still need to be funded. Non-US managers didn't fare as well as domestic managers in May. Domestic Fixed Income's year-to-date return is 2.80%, and it has been a good anchor amid the market volatility. Conatus and Wellington were down for the month, but less so than the long-only managers. Their year-to-date numbers outperformed S&P. The total fund was down 4.32% in May, but slightly ahead of the benchmark. The next projects are to search for a

core fixed income manager and then review the US equity structure. Mr. Shingler said that Callan will bring in core fixed income semi-finalist candidates in August.

VII. Performance Review of OPEB through May 31, 2012

Mr. Shingler gave the Board a handout on a performance review of OPEB through May 31, 2012. Mr. Hiller said that in early August, contributions will be put in the OPEB. Mr. Hiller said the fund is exceeding its target of 7.5%. Mr. Hiller will send out the state guidelines prior to the next meeting so Callan and the Board can look at the governing documents. Mr. Vahey asked that a process be set up so board members can receive documents from investment managers. Callan said it will initiate this process with the managers.

VIII. New Business -None

IX. Old Business -None

X. Public Comment-None

XI. Adjourn

Mr. Mears made a motion to adjourn the meeting at 9:25 pm. Mr. Tetreau seconded the motion which carried unanimously.

Respectfully submitted,
Jennifer S. Carpenter
Recording Secretary