

JOINT RETIREMENT INVESTMENT BOARD MEETING

Tuesday, July 17, 2012

7:00 pm

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

Final Minutes

Members Present: Mike Tetreau, Scott Bartlett, Don Bowers, Erik Kalapir, Geoff Mullen, Rose Sandick Jean Sturges, James Takami (via phone)

Members Absent: Bob Malarkey, Paul Hiller, Michael Mears, Barry Rosen, Fred Schaefer, Brian Vahey

Others Present: Bud Pellecchia, Tom Shingler, Mary Carroll Miryless, Robert O'Connor People's United Insurance Agency, Brian Kmetz (via phone) of Callan Research Group.

I. Call to Order

In the absence of the chair, Vice-Chair Scott Bartlett called the meeting to order at 7:12 pm.

II. Approval of minutes of June 19, 2012

Jean Sturges moved to amend the minutes by changing the first sentence of item III Private Executive Session-Pending Litigation to read: "Paul Hiller made a motion to enter into private executive session to discuss with Attorney David Golub pending litigation at 7:04 pm" and to correct a typo on page two, second paragraph next to last line changing "Larchmont" to "Larch Lane", seconded by Scott Bartlett. Amendment passed unanimously with Rose Sandick abstaining. Full motion as amended moved by Eric Kalapir, seconded by Mike Tetreau passed unanimously with Rose Sandick abstaining.

III. Discussion of Fiduciary Liability Insurance Policy and Limits with People's United Insurance

Mary Carroll Miryless introduced Robert O'Connor, CPCU- Senior Vice President People's United Insurance Company. He distributed information sheets describing the four kinds of Fiduciary Liability and Benchmarking Information collected by a data collection agency Advisen, Ltd based on 48 towns. It included a chart illustrating Fiduciary Liability-Higher Limits Comparison of current plan and alternatives and costs involved. Following discussion, Mike Tetreau moved to postpone any decision until our meeting in August. Second by Rose Sandick, passed unanimously.

IV. Presentations from Hedge Fund of Funds Managers (Tom Shingler took these minutes)

Blackstone Alternative Asset Management: John Estes from Blackstone presented. He discussed Blackstone's broad resources and sources of information, including private equity and real estate groups, and how they are leveraged by BAAM. He noted that Blackstone is a public company subject to Sarbanes-Oxley and so has a strong culture of compliance. BAAM includes 193 employees and 72 investment professionals, and they have \$1.3 BN of employee capital invested in their funds, aligning them with clients. Long track record and experienced team. They seek out professionals who have traded and have direct market experience. Seek to protect on downside but also participate on the upside to some degree. Due to their size, they seek to

manufacture capacity, partly through seeding. Look at opportunity set relative to asset size for a strategy. Due diligence is a combination of manager research, risk management, business evaluation, and legal review. Each of the four teams has veto power. Partners Fund is a combination of 40% credit, 25-35% equity, and 30% diversifying strategies.

DGAM: George Main, CEO, and Graham Thouret, President, presented. 100% employee owned. \$2.3 BN in discretionary fund of fund assets. Experienced team that has worked together a long time, including at prior firm Northwater. DGAM's Diversified Strategies Fund targets a return of LIBOR + 5-10% with low volatility of 4 -6%. Very low correlation and beta to equities, negative correlation to fixed income. Used tail risk hedging since inception in 2004, which has helped performance. Designed to fill a conservative absolute return mandate. Strong operational risk oversight and guidance provided to underlying funds. Emphasize importance of relying on their investment beliefs and strategy sizing, timing and tilt prior to undertaking manager selection and portfolio construction. Risk management is independent – Operating Committee has veto power over recommendations of the Investment Committee.

Lighthouse: John McCarthy, Managing Director, Sales, and Clark Prickett, Managing Director, Relative Value, presented. Stable, experienced team. \$6 BN in assets. 3% invested by Lighthouse employees. SEC registered. Target return of LIBOR + 5-8% with 5% annual volatility. 85% of assets are in managed accounts custodied with Lighthouse prime brokers. Daily transparency. Ability to revoke trading authority . Use a daily risk monitoring system. Have daily access to data that helps investment decisions. Prime broker relationships helps them have access to new managers. Majority of their managers have under \$1 BN in assets.

Following discussion by the pension board of individual preference for the three prospective investments, Mike Tetreau moved to accept DGAM for the \$15million investment, seconded by Scott Bartlett. The Motion passed 7-1 with Rose Sandick favoring Lighthouse. The Board noted the complementary nature of DGAM's product relative to the existing Fairfield hedge fund investments, diversification relative to equities and fixed income, team experience and expertise, and tail risk hedging expertise.

V. Review of 6/30/12 Flash Report

Tom Shingler distributed and reviewed the June Investment Measurement Service Report showing a Market Value of \$292.2 million, an increase of just over \$3.8 million from May. Questions arose as to what was holding up the funding of Mesirow (Private Equity Manager of Managers) and Gresham (Commodities). He will follow up with the firms and inform Mike Tetreau.

VI. Performance Review of OPEB.

Tom Shingler distributed the June Investment Measure Service Report showing a Market Value of \$11,652,908, a decrease of \$7,985 from May. The Board discussed completing a review of the OPEB asset allocation in the near future.

VII. New Business-None

VIII. Old Business-None

IX. Public Comment-None

X. Adjourn

Scott Bartlett moved to adjourn, seconded by Geoff Mullen. Passed unanimously at 10:12.

Respectfully submitted,

Jean Sturges and Tom Shingler