

JOINT RETIREMENT INVESTMENT BOARD MEETING

Tuesday, September 18 2012

7:00 pm

Second Floor Conference Room

Independence Hall-725 Old Post Road

Fairfield, CT 06824

FINAL MINUTES

Members Present: Robert Malarkey, Don Bowers, Erik Kalapir, Michael Mears (arrived 7:25 pm), Rose Sandick, Fred Schaefer, Jean Sturges, James Takami (arrived 7:16 pm), Mike Tetreau, Geoff Mullen (via phone), Brian Vahey (arrived 7:39 pm), Barry Rosen, Bob Mayer (arrived 7:11 pm)

Members Absent: Scott Bartlett

Others Present: Tom Shingler, Attorney Ben Manchuk, Jarad Vasquez, Stephen Scharre and Rick Bisignano of Wells Capital Management, Bryan Johanson and Eugene Natali, Jr. of CS McKee, and Dave Nagle, Chad Strean and Glenn Weiner of Babson Capital

I. Call to Order

Chairman Bob Malarkey called the meeting to order at 7:04 pm.

II. Approval of Minutes

Jean Sturges made a motion to approve the minutes. Mike Tetreau seconded the motion which carried 8-0-1, Erik Kalapir abstaining.

III. Private Executive Session-Pending Litigation

Mr. Tetreau made a motion to enter into private executive session at 7:06 pm for the purpose of discussing pending litigation with Attorney Ben Manchuk of Pullman and Comley. Mr. Kalapir seconded the motion which carried unanimously. Mr. Tetreau made a motion to end private executive session at 7:44 pm. Rose Sandick seconded the motion which carried unanimously. Mr. Tetreau made a motion to pay the expenses, as presented. Mr. Malarkey seconded the motion which carried unanimously.

IV. Presentation from Core Fixed Income Managers

Jarad Vasquez, Stephen Scharre and Rick Bisignano of Wells Capital Management gave the Board a booklet to refer to during Wells' presentation. Mr. Bisignano said Wells is a leading institutional investment management firm whose parent company is Wells Fargo Bank. He discussed the multi-boutique structure where each team is autonomous. Mr. Scharre would be the Town's ongoing relationship manager if Wells was picked. Montgomery manages \$24 billion in fixed income assets. Wells suggests Fairfield enter their 3C7 fund. Half of the clients are retirement plans. Mr. Vasquez discussed the investment philosophy, people and performance. Wells has a bottoms-up security selection and pairs with active relative value trading. Wells isolates itself from big macro risks and has strong risk controls. Wells performance has been consistent over the last 20 years and outperformed on a gross basis every year except 2008. It snapped back following the quarter after the crash in 2008. Wells keeps its clients in the most liquid securities. Wells discussed their performance versus their peer group and their core fixed income peer universe rankings.

Wells reviewed its investment process. Wells proposes a commingled fund and is offering a discount to Fairfield. Mr. Mullen no longer participated by conference call at 8:29 pm.

Bryan Johanson and Eugene Natali, Jr. of CS McKee gave the Board a booklet on their company. Mr. Natali, Jr. discussed McKee's objectives. McKee manages \$13 billion. The company is 100% owned by 100% of its employees. It has been in operation for the last 40 years. Mr. Johanson discussed McKee's fixed income philosophy and said McKee is mainly focused on security selection. McKee is higher in quality and liquidity relative to the benchmark and its competitors. McKee prides itself on its low downside capture ratio. They have a large universe in the government sector. McKee has the ability to identify attractively priced securities that will outperform in a lot of different interest rate environments. McKee creates different interest rates scenarios. McKee discussed types of securities. For the past ten years, McKee has had significant overweight in other government security types. McKee has large overweights in the corporate bond portfolio and has outperformed in the last 10 out of 12 years; it actively trades the corporate bond portfolio and focuses on the most liquid names.

Dave Nagle, Chad Streaan and Glenn Weiner of Babson Capital gave the Board a booklet on their company. Mr. Weiner gave the Board an organizational overview of Babson which is part of a Mass Mutual Financial Group. MassMutual Financial Group has been a great parent and has been in business for about 160 years. Babson discussed its asset base—global high yield, global fixed income and global private finance. Babson showed the Board a list of its worldwide offices and has a significant client base. Babson said it has deep team/extensive resources, a disciplined process and consistent results. The team manages \$21 billion. Babson discussed the basic asset types. It doesn't run money for the parent. It focuses on external clients. Babson discussed its philosophy and opportunity set where risk management is a priority and a rich supply of ideas is key. Babson reviewed its fixed income portfolio management team and resources noting that it has the commercial mortgage-backed resources to conduct bottoms-up analysis. Babson looks at portfolio volatility and runs very diversified portfolios. The process is a combination of top down, bottom up approach.

After the companies finished their presentations, Mr. Malarkey asked the Board for its opinions. Mr. Tetreau asked about fees. Mr. Shingler said Babson has the lowest fees at 19 bps. McKee is at 33 bps and Wells is at 32 bps. Mr. Shingler said that Babson has the ability to do non-index, which includes high yield, which Callan doesn't recommend for this mandate as that is already being done through Seix. He added that Fairfield would get more credit exposure with Babson.

After Board discussion, Mr. Kalapir made a motion that the Board chooses Wells Capital Management to manage the \$41 million in core fixed income. Fred Schaefer seconded the motion which carried unanimously.

V. Update on Status of Asset Allocation and Implementation

Mr. Shingler gave the Board a handout on a work plan showing that the asset allocation and implementation is now up-to-date.

VI. Monthly Update on Fund Performance August 31, 2012

Mr. Shingler gave the Board a handout dated August 31, 2012 on Investment Measurement Service. He said the GSAM and Seix numbers are preliminary, as final data was not provided to the custodian at the time of the meeting. \$15 million is going into DGAM. Callan recommends that \$5 million come from GSAM; \$5 million come from Seix; and \$5 million come from Boston Company to equal the \$15 million going to DGAM. Mr. Shingler said the hedge funds are underweight; private equity is underweight; real estate is right at the target; and commodities are at target in the Gresham fund. Mr. Tetreau said the Board should discuss cash flow review at the October meeting.

VII. Performance Review of OPEB through August 31, 2012

Mr. Shingler gave the Board a handout on Investment Measurement Service for OPEB dated August 31, 2012. Mr. Shingler said there is \$11.8 million in total assets at the end of August. Callan needs documentation of restrictions on what OPEB can invest in so Callan can perform analysis. Callan is transitioning assets of the core fixed search so Callan recommends the Board hire an outside transition manager or ask Wells to either take in-kind what it can and take the rest in cash or turn over the entire portfolio to Wells. Callan will speak to Wells about the latter two ideas after the Board agreed on not hiring an outside transition manager. Mr. Shingler suggested that Iridian and Columbus Circle come to the October meeting to give the Board portfolio updates.

VIII. New Business-Mr. Schaefer proposed the Board thanking Rose Sandick for her years of service. The Board all thanked Ms. Sandick and wished her well.

IX. Old Business -None

X. Public Comment -None

XI. Adjourn

Ms. Sandick made a motion to adjourn the meeting at 10:05 pm. Barry Rosen seconded the motion which carried 11-0.

Respectfully submitted,

Jennifer S. Carpenter
Recording Secretary