

JOINT RETIREMENT INVESTMENT BOARD MEETING

Tuesday, October 16, 2012

7:00 pm

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

FINAL MINUTES

Members Present: Robert Mayer, Scott Bartlett, Nancy Byrnes, Mike Tetreau, James Takami, Barry Rosen, Erik Kalapir, Don Bowers, Mike Mears, Geoff Mullen, Jean Sturges, Brian Vahey (7:40 pm)

Members Absent: Fred Schaefer, Robert Malarkey

Others Present: Connie Nolfi, Paul Kusheba, Tom Dubrosky, Tom Shingler, Bud Pellecchia, Richard Cohen, Meg Grosso, Mary Carroll Mirylees, Sandy Stein, Laura Stein, David Walton

I. Call to Order

Vice-Chair Scott Bartlett called the meeting to order at 7:00 pm.

II. Approval of Minutes

Mike Tetreau made a motion to approve the September 18, 2012 minutes. Mike Mears seconded the motion which carried 9-0-2, Scott Bartlett and Nancy Byrnes abstained.

Mr. Tetreau made a motion to approve the September 27, 2012 minutes. Bob Mayer seconded the motion which carried 9-0-2, Ms. Byrnes and Mr. Mears abstained.

III. Action Plans for Town Pension Plans and OPEB Trusts for IRS Compliance

Richard Cohen, Attorney for Shipman & Goodwin LLP, said the first selectman had asked him to prepare an action plan to bring the pension document into IRS technical compliance. Mr. Cohen said the plan was never formally submitted to the IRS to get a determination letter. The IRS is encouraging governments to submit one. Mr. Tetreau said he wanted the Board to be updated on this status and for it determine the action to take.

Mr. Cohen discussed a memo he gave to the Board regarding Action Plans for Town Pension Plans and OPEB Trusts. He took the Board through some of the steps for the proposed action plan. He said the Board should get its plans updated. Mr. Cohen said there will be amendments to the plan, including pension laws, but substantive provisions will not change. Bob Mayer said the goal is to document everything in compliance with federal, state and town laws and for the Board to decide to get an official IRS determination letter. Mr. Cohen said the IRS determination letter is optional. Mr. Cohen said the first selectman asked for a section on OPEB trusts to be placed in the memo because the IRS can rule OPEB trusts exempt. Barry Rosen asked if the RTM would need to approve this. Mr. Tetreau said to assume it would. Mr. Cohen said the SPD should be updated. Mr. Tetreau said that the item can come back to the Board for a vote at the next meeting.

IV. CFO Report on Pension Plan, Internal Controls and Other Issues

Mr. Mayer said he is reviewing internal controls in the finance department. He introduced Connie Nolfi, the senior internal town auditor, who reviewed two memos with the Board. The first memo focused on recent pension activities from July 1, 2012 to September 30, 2012. Ms. Nolfi discussed internal control weaknesses, projects completed and internal controls in progress. Mr. Mayer said as a result of Ms. Nolfi's memo, strong internal controls will be put in place going forward. Mr. Mayer said the Town will provide forward cash flow projecting. Mr. Mayer said the finance department will be reconciling People's Bank statements with the pension plans' statements. James Takami suggested that a letter be sent to retirees to verify that all pensioner or their beneficiaries recorded on the most recent People's Bank Payment Register are not deceased. Ms. Nolfi said she verifies this on an annual basis.

Ms. Nolfi showed the Board a memo on records retention. Mr. Tetreau suggested the Board vote on this draft memo at its next meeting. Nancy Byrnes suggested digitalizing records. Erik Kalapir suggested getting Pullman & Comley's advice on this memo.

V. Private Executive Session-Pending Litigation

Mr. Tetreau made a motion to enter into private executive session to discuss pending litigation with Attorneys David Walton (via phone), Sandy Stein and Laura Stein, at 8:09 pm. Mike Mears seconded the motion which carried unanimously. Mr. Tetreau made a motion to end private executive session at 8:50 pm. Mr. Mears seconded the motion which carried unanimously. No action was taken.

VI. Update on Status of Asset Allocation and Distribution/ Rebalance Accounts to Provide Liquidity to Pay Benefits and Operational Expenses thru January Payments

Tom Shingler gave the Board a handout on the work plan. He reviewed manager searches and the next steps noting that a complete asset allocation review of OPEB should be discussed at the January meeting. Mr. Shingler also discussed the Fairfield Retirement Plan. Referring to a handout, he gave the Board an update on actual allocation as of October 1, 2012 for US Equity, Non-US Equity, US Fixed Income, Hedge Funds, Private Equity, Real Estate, Commodities and Transition Account/Cash. Non-US Equity is very close to the target allocation. US Fixed Income and Hedge Funds are at the target allocation. Mr. Shingler said Iridian and Columbus Circle will attend the next meeting and give the Board an update. Callan will then present a US Equity Structure analysis at the December meeting. Iridian is waiving its fee for the next 18 months, retroactive to July 1, 2012. Mr. Shingler said \$5 million is being targeted for Lexington and \$15 million for Mesirow.

Regarding the cash flow analysis, Bud Pellecchia said for a negative cash flow funds will need to be taken out of liquid portions of the fund, and the illiquid portion of the fund is relatively small. Mr. Mayer said he will call Pequot to get an update. Mr. Mayer suggested liquidation through sales or distribution. He gave the Board a cash balance handout with a known beginning cash balance as of October 15, 2012. He discussed four unknowns leading to the ending cash balance on January 5, 2013. Callan recommended the \$5.4 million needed to be withdrawn come from fixed income due to the very slight overweight (\$2 million from Seix) and \$3.4 million from Boston Company due to the Plan's overweight in equity overall and specifically in mid cap stocks.

Mr. Vahey made a motion to fund the cash needs of \$3.4 million from Iridian and \$2 million from Seix. Mr. Tetreau seconded the motion which carried unanimously.

VII. Monthly update on fund performance September 31, 2012

Mr. Shingler gave the Board a flash report dated September 30, 2012. He said the September 30 market values don't reflect the withdrawals from Boston Company and Seix to fund DGAM, which occurred on October 1, 2012. Per Mr. Vahey's suggestion, Callan will add benchmarks for hedge funds on the investment manager returns page.

VIII. Performance Review of OPEB through September 31, 2012

Mr. Shingler gave the Board a handout on OPEB dated September 30, 2012. He said the total as of September 30, 2012 is \$11.8 million. The sole manager is Smith which is a little behind in its benchmark for the month but ahead over the longer term and since inception.

IX. Core Fixed Income Transition to Wells Capital Management

Mr. Shingler said GSAM showed Wells all of their holdings. Wells wants GSAM to sell its portfolio and take cash. Wells has a limited overlap of only 20 securities with the GSAM portfolio. Wells is not comfortable trading GSAM's non-agency holdings due to lack of familiarity with them. Wells would have to set up a separate account prior to transitioning to their commingled fund. Callan said the other option is a transition manager. Geoff Mullen said he prefers a transition manager. Mr. Pellicchia said a transition manager costs about 10-50 bps. Mr. Shingler said Callan can get some quotes on transition managers. Mr. Vahey said he is fine with GSAM to sell the portfolio.

Mr. Mullen made a motion that the Board recommends GSAM liquidate and give two weeks to do so. Mr. Vahey seconded the motion which carried unanimously.

X. Review and Approve Authorization to Change Signatories

Jean Sturges made a motion to add Robert A. Mayer's name as a signatory to the signing and trading authority on behalf of the Joint Retirement Investment Board and to remove Paul H. Hiller, Jr's name as a signatory. Ms. Byrnes seconded the motion which carried unanimously.

XI. New Business-None

XII. Old Business-None

XIII. Public Comment-None

XIV. Adjourn

Mr. Mayer made a motion to adjourn the meeting at 9:45 pm. Mrs. Sturges seconded the motion which carried unanimously.

Respectfully submitted,

Jennifer S. Carpenter
Recording Secretary