

## **JOINT RETIREMENT INVESTMENT BOARD MEETING**

**Tuesday, November 20, 2012**

**7:00 pm**

**Second Floor Conference Room**

**Independence Hall-725 Old Post Road**

**Fairfield, CT 06824**

### **FINAL MINUTES**

Members Present: Erik Kalapir, Bob Mayer, Bob Malarkey, Don Bowers, Nancy Byrnes, Jean Sturges, Fred Schaefer, Mike Mears (via phone), Mike Tetreau (arrived 7:42 pm)

Members Absent: Scott Bartlett, Geoff Mullen, Brian Vahey, Barry Rosen, James Takami

Others Present: Tom Shingler, Mary Carroll Mirylees, David Golub, Rick Robinson, Colin Morris and Matt Greenberg of Iridian and Tony Rizza and Karl Anderson of Columbus Circle

#### **I. Call to Order**

Chairman Bob Malarkey called the meeting to order at 7:05 pm.

#### **II. Approval of Minute**

Later in the meeting, Mike Tetreau made a motion to postpone the approval of minutes to a date certain of December 18, 2012. Nancy Byrnes seconded the motion which carried unanimously.

#### **III. To Hear and Consider Plans for Amending Town Pension Plans and OPEB Trusts to be IRS Compliant**

Human Resources Director Mary Carroll Mirylees suggested the Board postpone the item for a few months so she can have more time to get answers to give the Board an action plan. She said CFO Bob Mayer suggests using a technical writer or the Board could use attorneys.

#### **IV. To Hear Presentation by Columbus Circle**

Karl Anderson and Tony Rizza made a presentation on Columbus Circle. Referring to the Columbus' report on the Town's retirement fund, Mr. Anderson said Columbus Circle was co-founded in 1975. He gave a brief history of the Company's beginnings. He said there are currently five equity owners. The Company currently has \$15 billion in assets and manages about \$1-2 billion in hedge funds. Mr. Rizza discussed investing in well-positioned companies. He described the investment process. Columbus discussed the market in 2008 and said all firms underperformed in 2009. In 2010, wealth was added to Fairfield's portfolio. In 2011, 90% of Columbus' peers underperformed. The portfolio is up 160 bps year-to-date putting it in the top quartile tier compared to its peers. Erik Kalapir asked Columbus to make the argument on why active managers should be used instead of passive managers. Mr. Rizza said active managers like Columbus have a unique ability to find good companies. Out of the 37 years it's been operating, Columbus had seven bad years. Columbus has done a good job maintaining clients. It has been in the top quartile the last two years.

#### **V. Private Executive Session-Pending Litigation**

Don Bowers made a motion to enter into private executive session to discuss pending litigation with Attorneys David Golub and Rick Robinson at 7:58 pm. Jean Sturges seconded the motion which carried unanimously. Mrs. Sturges made a motion to end private executive session at 8:33

pm. Mike Tetreau seconded the motion which carried unanimously. Mr. Tetreau made a motion to approve payment of invoices presented. Fred Schaefer seconded the motion which carried unanimously.

#### VI. To Hear Presentation by Iridian

Referring to the booklet given to the Board, Colin Morris and Matt Greenberg discussed Iridian which reduced Fairfield's fee to zero earlier this year because it has not kept up its end of the bargain with respect to performance the last two to two and a half years. Iridian looks for reasons to own stocks. It has 50 names in a diversified portfolio. It's independently owned by two founders with a 50-50 split who act as co-presidents and co-ceos. Mr. Greenberg discussed 2002 and 2010, which were bad years for Iridian. He discussed some of its stocks like International Paper Co and JP Morgan. He discussed property casualty insurers like Chubb, AIG and Travelers. He also discussed Wellpoint, which was a detractor from performance. In 2010, Iridian became too macro focused. There were many portfolio changes in the fourth quarter in 2010. Iridian went back to being stock focused. Iridian said this year is a good year.

Mr. Shingler asked Mr. Greenberg if he is the sole decision maker to buy and sell. Mr. Greenberg answered yes. Mr. Kalapir asked Iridian to make a case on active versus passive management. Mr. Greenberg said Iridian has been operating for 25 years and has done well and their stock picks have paid off.

#### VII. To Hear Pension and OPEB Funds Performance Results for the Quarter Ended September 30, 2012 and Month Ended October 31, 2012

Mr. Shingler discussed Iridian's management and staff changes over the past ten years. He also discussed their performance by year since Mr. Greenberg took over and stated that it underperformed in 2010 and 2011, but is coming back somewhat in 2012. Mr. Shingler said this has been a difficult time for active managers. Callan recommends putting Iridian on the watch list. Fred Schaefer agrees with Callan on this. Callan will ask how many other clients got a reduced fee. Mr. Shingler said Callan will discuss structural analysis on active versus passive managers at the next Board meeting. Mr. Shingler said Callan suggests staying with Columbus Circle. Mike Mears suggested putting Columbus Circle on the watch list. He liked Callan's idea of considering structuring with more passive in large capitalization stocks. Callan said before considering terminating Iridian, the Board should discuss overall structure at the next meeting. Mr. Mears and Mr. Malarkey suggested looking for an alternative to Iridian after the December discussion.

Mr. Shingler reviewed the flash report on the investment measurement service for the period ending October 31, 2012 and noted that there were about \$302 million in assets as of the end of October. DGAM was funded with \$15 million; \$5 million each from Boston Company, GSAM and Seix. About \$3.4 million came from Iridian and \$2 million came from Seix for benefit payments which settled in October and November. Year-to-date the fund did well, even though it was down 8 bps in October.

Mr. Shingler discussed the flash report on OPEB for the period ending October 31, 2012. Callan will work on the asset allocation for OPEB for the next two meetings. The main discussion will

be at the January meeting. Mr. Shingler said there will be a full actuarial report in the spring. He said the fund was 15 bps this month and year-to-date, OPEB is up about 5%.

Mr. Shingler reviewed the work plan. He reviewed the next steps. He said that regarding the next step, #1, the trades settled yesterday and all are now liquidated. The remainder can be funded now. Mr. Shingler said Callan is looking into why People's Bank is still listing Gresham at the original funding value. He noted that hedge fund peer benchmarks have been added to the flash report.

VIII. To Hear CFO Report on Pension Plan Internal Controls, Cash Flow Activity for the Four Months Ended October 31, 2012 and Preliminary Draft Cash Flow Projections for the Eight Month Period November 1, 2012 through June 30, 2013

CFO Bob Mayer said the finance department has set up an accounting system to track expenses and revenues; implemented internal controls for all aspects; and has tax ID numbers for the plans and trusts. Mr. Mayer reviewed monthly statements and noted this is not the investments; the numbers are based on administration. He discussed Pequot and said it could not be liquidated. There is \$351, 162 as of September 30, 2012. It can't be legally sold and there is no market for it. Mr. Shingler said it will be liquidated over time by the trust and another party could buy the trust at a discount.

IX. New Business-None

X. Old Business

Mr. Malarkey and Mr. Tetreau thanked outgoing member Jean Sturges for her service on the Board.

XI. Public Comment-None

XII. Adjourn

Mr. Tetreau made a motion to adjourn the meeting at 10:03 pm. Mrs. Sturges seconded the motion which carried unanimously.

Respectfully submitted,

Jennifer S. Carpenter  
Recording Secretary