

JOINT RETIREMENT INVESTMENT BOARD MEETING

Tuesday, February 19, 2013 7:00 pm

Second Floor Conference Room Independence Hall

725 Old Post Road

Fairfield, CT 06824

FINAL MINUTES

Members Present: Bob Malarkey, Scott Bartlett, Nancy Byrnes, James Takami, Michael Mears, Geoff Mullen, Don Bowers, Walter Burke, Brian Vahey (7:02 pm)

Members Absent: Mike Tetreau, Bob Mayer, Fred Schaefer, Erik Kalapir

Others Present: Tom Shingler, Callan Associates Inc.

I. Call to Order

Chairman Bob Malarkey called the meeting to order at 7:00 pm.

II. Approval of Minutes

Nancy Byrnes made a motion to amend the minutes to add the date of the minutes that were approved. Mike Mears seconded the motion which carried 8-0.

III. Discussion of Transition to New Equity Structure

After Chairman Malarkey welcomed new member Walter Burke, who replaced Barry Rosen, Tom Shingler gave the Board two handouts: the Vanguard Institutional Index Fund and the Mix 3 Detail: Small/Mid-Cap Overweights and Large Cap Passive. Brian Vahey arrived at 7:02 pm. Mr. Shingler said Callan recommends using a transition manager for the US Equity Structure the Board adopted at the last meeting. Mr. Shingler said that Callan will come back to the Board with bids from four transition managers. The alternative to using this manager is to instruct managers to sell to cash. In March, Callan will provide a pre-trade analysis from each of these four transition managers.

IV. To Hear Pension and OPEB Funds Performance Results for the Month and Seven Months Ended January 31, 2013

Mr. Shingler gave the Board the December 31, 2012 Town of Fairfield Quarterly Performance Report and flash reports as of January 31, 2013 for the Pension and OPEB. The total Pension market value as of January 31, 2013 was \$314,193,486. Mr. Shingler said January was a very good month for equities. He reviewed the percentages versus the targets for each fund. Mr. Shingler said Callan needs to see if there is cash sitting in the liquidated Pequot account. Year-to-date, hedge funds performance has been somewhat disappointing. Mr. Shingler suggested Lexington give an update to the Board in April or May.

Mr. Shingler then discussed the report. He gave a brief market overview focusing on active management versus index returns. In general, it was a pretty good year for active management. Mr. Shingler then discussed domestic equity and international equity noting that US mid and small cap outperformed large cap stocks in 2012, reflecting the greater comfort with risk. Domestic investment grade fixed income's low yield and returns led investors to high yield. Mr. Shingler discussed asset class weights versus CAI Public Fund noting that Fairfield's fund has a more diversified structure than our peer group.

V. Review Investment Policy Statement

The Board discussed a letter Mr. Malarkey had received about whether there are any initiatives being proposed by the Board to divest the Town's pension plans from all investments that it may hold in gun

manufacturers and distributors. Mr. Shingler said any changes like this have a legal perspective and legal counsel should be involved in the development of any divestment policy. There is a fiduciary obligation to beneficiaries to invest Plan assets in their best financial interests, and thus divestment decisions should be based on economic and financial grounds. Among other considerations, there would be costs involved of divesting, impact on performance would have to be considered and ongoing monitoring for compliance with any divestment policies that would be developed would be required, but the fiduciary responsibility would be the Board's biggest consideration. The Board agreed that a divestment policy would only be considered if state legislation were enacted. The Board decided not to take action based on these reasons.

Mr. Shingler gave the Board a copy of the Investment Policy Guidelines which Mr. Shingler recommended the Board amend since it is over 15% with Seix.

Mr. Mears made a motion to amend the IPS and add the following line to the Investment Restrictions Section, "Index fund managers should be exempt from investment restrictions listed." Mr. Vahey seconded the motion which carried 9-0.

Geoff Mullen made a motion to amend bullet one of the Investment Restrictions on page 13 from "No more than 15% of the portfolio at market value invested by each manager" to read "No more than 2/3 of the market value of the target allocation for that asset class or 15%, whichever is greater, to be invested with one manager." Mr. Vahey seconded the motion which carried 9-0.

VI. New Business-None

VII. Old Business -None

VIII. Public Comment -None

IX. Adjourn

Mr. Malarkey made a motion to adjourn the meeting at 8:32 pm. Ms. Byrnes seconded the motion which carried 9-0.

Respectfully submitted,

Jennifer S. Carpenter
Recording Secretary