



## **CHESHIRE RETIREMENT BOARD**

WEDNESDAY, AUGUST 5, 2009  
CHESHIRE TOWN HALL - ROOM 210  
84 SOUTH MAIN STREET @ 6:30 PM  
CHESHIRE, CONNECTICUT 06410

Present: Chairman Tom Denne, Members Mike Evans, Gary Gambar, and Michael Caron, Police Department representatives: Joseph Mazzini and Tim Rodgers, Ross Charkatz of Citi Institutional Consulting, Finance Director Patti-Lynn Ryan and Deputy Finance Director James Jaskot, Rodger K. Metzger, CFA of Hooker & Holcombe Investment Advisors, Inc. and Bob Scherer of Citi Institutional Consulting participated in a conference call.

Absent: Michael Laden and a representative from the Fire Department.

Guests: Jeff Jolly, UBS Financial Systems

### **1. CALL TO ORDER**

Chairman Tom Denne called the meeting to order at 6:40 p.m.

### **2. ROLL CALL AND DETERMINATION OF A QUORUM.**

Chairman Tom Denne called the roll and a quorum was determined.

### **3. PLEDGE OF ALLEGIANCE**

All present recited the Pledge of Allegiance.

### **4. APPROVAL OF THE MINUTES FROM MAY 27, 2009 MEETING**

MOTION: Gary Gambar made a motion to approve the minutes of May 27, 2009.

MOVED: Mike Evans seconded the motion.

VOTE: The motion passed unanimously by those present.

Tom Denne clarified in the May minutes that he was referred to as Bill Denne under Roll Call and Determination of a Quorum.

## 5. NEW BUSINESS

### Portfolio Review

Bob Scherer is on a conference call with the Board to discuss the portfolio review. He referred to the document from Graystone Consulting for the Town of Cheshire Pension Plan dated today, August 5, 2009. He said the report includes the June numbers and could give estimates for the July numbers. It was a tough economic year and we didn't think we'd have the numbers we have. There's a lot of play in the equity markets. Percentages went up to 17% for the calendar year for June.

Mike Evans questioned what is that you think would change your way of thinking or what events would change your thoughts? Bob Scherer replied in the short term there is nothing to worry about. Under evaluation is one component and the other two components are political sense and demographics. People are saving not spending. In 5-7 years from now it will line up with the baby boomers but there aren't a lot of things that line up now. The portfolio is much better than expected; it is up 7% in the month of July. The portfolio we struggled with over the winter has come out well so far.

Mike Evans asked if the money remaining in the UBP investment is still earning something? Ross Charkatz replied yes, it's invested.

Mike Evans said the overall is about 47% of the overall value. Ross Charkatz said the value verified to be 48%. Mike Evans questioned where do we sit at the low? Bob Scherer referred the Board to the chart of Moving Averages found in Section 1 of the report.

It was requested that Ross Charkatz put together something that shows actual dollars. Patti-Lynn Ryan referred to the low point and that we lost 33% and would like this shown in dollars in the same format. Patti-Lynn thanked them for the July update.

**MOTION:** Mike Evans made a motion to allocate the anticipated distribution of approximately \$300,000 from UBP in increments to Ironwood and Berens Capital so they become equal in value.

**MOVED:** Gary Gambar seconded the motion.

**VOTE:** The motion passed unanimously by those present.

Mike Evans said Brandywine is the one we have the most questions about. Rodger Metzger asked to explain what the new name Graystone Consulting means. Bob Scherer said he's happy to be out of Citi's umbrella as a separate division. The two

best moves were the name change and an addition of staff, Henry Kaplan, who is the head of the organization and came from the Morgan Stanley's side.

Mike Evans questioned if the changes give you any more capabilities for us? Bob Scherer replied they have been working on a performance reporting system to have it upgraded. It has been approved and budgeted for and we'll see those changes in the fall. The capability will be enhanced on a timelier basis.

Patti-Lynn Harris asked if we should be anticipating new contracts from Graystone? Bob Scherer replied no. Patti-Lynn said she would run the information by the Town Attorney. She noted the Town is contracted with Citi and not Graystone. Patti-Lynn said the Town Attorney could talk to Ross Charkatz if he wants a new document. Patti-Lynn asked if there are any changes to the contract as far as fees? Bob Scherer replied there are no changes.

#### Brandywine Presentation

Gordon Kaiser of Friess Associates, LLC was present to give the presentation on Brandywine. He has been with Friess Associates for 10 years. The organization was founded in 1974 and has 72 people in the firm. Friess Associates is the adviser to the Brandywine Funds. Friess Associates focus is with growth equity investing. They do not do value, hedge, bonds or money market. Friess Associates likes to stay with their clients for 15-20 years. The Brandywine Fund was started in 1987. Friess has over 2 million dollars of their own money invested in the Brandywine Fund. Gordon said they conduct a fundamental analysis and makes over 100 calls a day to customers, suppliers and speak to the competition. The best tool Friess has is the research database. The database is what Friess uses to collect, organize and distribute information across the entire organization. It allows the company to watch companies in the portfolio, companies getting closer to the target price or ones that aren't doing well.

Mike Evans asked how much cash Friess is sitting on? Gordon Kaiser replied below 5% but closer in the past three months to 2-3% and has gotten up to 20% in the 4<sup>th</sup> quarter from economically sensitive stocks to economically insensitive stocks. Referring to his chart, they are likely to exceed Wall Street estimates.

Gordon Kaiser said there are three things Friess looks for:

- Companies with rapid earnings growth.
- Identify specific catalysts (i.e., new technology, new management).
- Find more earnings on Wall Street.

Rodger Metzger asked how many stocks does Friess have today? Gordon Kaiser responded there are 73 stocks in the portfolio. The low number is in the 50's and it has been as high as 130 stocks.

Mike Evans asked if they are looking at the same index and referred to Page 10 with Russell 3000 because those stocks are heavily weighted to mega cap and your fund isn't mega cap? Gordon Kaiser said by the ranges it is the right benchmark. There is no perfect benchmark out there. Gordon pointed out that in the market cap 50% of the town's portfolio range is the in the mid-range.

Mike Evans asked if there is a high turnover? Gordon replied yes, the turnover is 200%. Ross Chartkatz asked Gordon to explain how to reconcile the turnovers. Gordon said the turnover aspect comes from our aggressive interest in making sure you have the best stocks.

Rodger Metzger noted performance has been tough this year, he asked Gordon where has the market headed and are you confident with Brandywine? Mike Evans clarified what would make the market turn around? Gordon talked about the longevity of his team and that the same team is still in place as was after 9/11. Referring back to Page 10, Gordon said Brandywine is finding more earnings than on Wall Street. Gordon said 85% of the town's stocks in the portfolio met or lost expectations. The market does not focus on earnings.

Mike Evans asked how the town did in July since it isn't in the report? Gordon replied he doesn't have the figures in front of him but that it didn't meet our expectations.

Mike Evans asked if Gordon sees a short-term catalyst to turn it around? Gordon referred to the chart on Page 6 "Worst Earnings Revisions Delivered Best Return". A core part of our process is that we want our companies to beat earnings expectations. The best way to make money last quarter was to pick the stocks that missed earnings expectations. They did the best by over 24%.

Ross Charkatz asked about the stability of the firm and your experience? Gordon replied there have been very little turnovers in client portfolios. There are more cash outflows this year. Most clients that are with the company have been so for 10 – 20

years. There have been no layoffs and Gordon assures if times get tough there would be pay cuts instead of layoffs, it's a family organization.

Gordon finished his presentation and the Board thanked him for coming to speak to everyone tonight.

#### IPS – Pension Plans

Patti-Lynn Harris handed out an updated copy of the Town of Cheshire Pension Plans Draft Revision June 2009 requesting that everyone mark their copies to reflect the report includes the Town Attorney's comments. The comments in red are the changes we have made to the document since the last meeting and the comments in purple are the comments from the Town Attorney that should now be included in the report.

Ross Charkatz noted a mistake on Page 4 that should be corrected. Under Item 4 it should say Section 2-131 and remove Section 2-139.

Patti-Lynn went through each of the pages with the purple additions with the Board.

Joseph Mazzini referred to Page 12 and questioned No. 4 reads the reasonable time period not to exceed six months. At the bottom of the page under No. 4 the reasonable time period reads not to exceed four months. Patti-Lynn Harris said she put the four months in at the bottom because the Town Attorney wanted it to reflect even less. The four months at the bottom of Page 12 has been changed to six months.

Patti-Lynn Harris requested the proper name of the document for the Town Attorney. It is "Retirement Plan for the Employees of The Town of Cheshire".

**MOTION:** Tom Denne made a motion to approve the IPS as modified.

**MOVED:** Mike Evans seconded the motion.

**VOTE:** The motion passed unanimously by those present.

#### IPS-VEBA

Tom Denne requested that the Board look at the IPS-VEBA at their regularly scheduled meeting in November after the changes have been made to the IPS Pension Plans document. He also requested that member's get the copies of the approved plan as soon as possible. Ross Charkatz said the changes from the IPS document would be incorporated into the VEBA document for the November meeting. Patti-Lynn said she would have the Town Attorney review the VEBA document.

Ross Charkatz wanted it noted in the minutes that the date of approval of the Pension Plan is August 5, 2009.

## **6. PENSION DISBURSEMENTS**

Patti-Lynn Harris explained the Pension Disbursements report she handed out to everyone. Contributions plus interest were returned to the people on the list. There are a couple of deceased members.

Tom Denne requested a recap of the bills paid at the next regular scheduled meeting in November.

Patti-Lynn Harris requested that the Board call her at 271-6610 if anyone cannot make any meetings because Sheila has just retired. Her position may be vacant for a little while.

Tom Denne suggested the Board could bring in another investment manager for the November meeting. Rodger Metzger thought it was a great idea and suggested Berens Capital or Ironwood.

## **7. PUBLIC COMMENT**

Jeff Jolly of UBS Financial Services thanked the Board for allowing him to sit in at the meeting tonight. He offered his services should the Town need an RFP or an outside opinion.

## **8. ADJOURNMENT**

**MOTION:** Michael Caron made a motion to adjourn.

**MOVED:** Gary Gambar seconded the motion.

**VOTE:** The motion passed unanimously by those present. The meeting adjourned at 8:25 P.M.

Attest:

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Claudia J. Baron, Clerk  
RBMinutesAug09