



**Cheshire Retirement Board
Meeting Minutes
November 16, 2016
Cheshire Town Hall
84 South Main Street
Cheshire, Connecticut 06410
Room 210; 6:00 p.m.**

In attendance were Chairman Michael Evans, and members Mark Izzo, Michael Caron and Paul Shay. Police Department representative Kevin Costa; Fire Department representative Bob Shalagan; Finance Director James Jaskot; Deputy Finance Director Gina DeFilio; Joseph Giampietro (non-voting Police Department representative not officially a member of the Board); Tom Ruocco, Town Council Liaison Member; Ross Charkatz of Graystone Consulting; Paul Roess and Tyler Burke of Pointer Management LLC (by phone).

1. Call to Order

Chairman Michael Evans called the meeting to order at 6:10 p.m.

2. Roll Call and Determination of a Quorum.

Chairman Michael Evans called the roll and a quorum was determined.

3. Pledge of Allegiance.

All present recited the Pledge of Allegiance.

4. Approval of Minutes for August 3, 2016 meeting.

MOTION: Mr. Evans made a motion to approve the minutes from the meeting on August 3, 2016.

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Motion was seconded by Mr. Izzo and unanimously accepted by members present. There was one abstention.

5. Old Business

a. COLA Update

Mr. Jaskot responded to questions that were asked at the meeting on August 3rd.

Rick Paron, a retired police officer in attendance, had asked if retiree spouses get COLA adjustments if the retiree is deceased?

Mr. Jaskot said that spouses of deceased police retirees continue to get COLA adjustments based on their 50% benefit.

Michael Cruess, also a retired police officer, had asked if the Police retiree medical benefit (VEBA) was to age 65 or to when eligible for Medicare?

Mr. Jaskot clarified that Medicare age is age 65 and that they are one in the same.

Mr. Paron asked about the Police retiree medical benefit - if the retired police officer reaches age 65 first, does the spouse continue receiving a benefit until the spouse reaches age 65?

Mr. Jaskot stated that this was the practice.

Mr. Shalagan asked if there was a three year wait before firefighters are eligible for a COLA. Although this was explicit in the Police contract, he did not think it applied to the volunteers.

Mr. Evans asked that if an officer marries after retirement if the spouse is eligible for the 50% survivor benefit.

Mr. Jaskot will follow up at the next meeting on each of these questions.

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Ms. DeFilio left the meeting at 7:05 pm.

6. New Business:

a. Pointer Capital Presentation

Mr. Charkatz introduced Paul Roess, CFA, and Tyler Burke, Managing Director, from Pointer Capital. Mr. Roess and Mr. Burke highlighted their experience and strategic philosophies.

Pointer Management was established in 1990 by three investment professionals: W. Thorpe McKenzie, J.A. Stout and J.H. Davenport. Pointer Capital is a hedge fund of funds which seek to achieve long term returns while minimizing unnecessary risk. The General Partner and Pointer Management employees are the largest investors in the fund with 9% of the assets. It is a fund of hedge funds which is predominantly allocated to long/short equity but may at times have allocations to other strategies, including commodities and distressed securities. Pointer believes that long/short equity managers present the best scenario to compound capital with downside risk mitigation as an important consideration.

Pointer is a long/short classic hedge fund portfolio. Pointer generally builds the portfolio so that each manager has a particular specialty; one may focus on global stocks and another focuses on financials. Rather than managers who only buy stocks, these are managers that are going to be hedging those investments related to either general market risks or risk related to a particular industry. If they have a long investment, which means that they bought something, they have an offsetting investment to have less market risk and more idiosyncratic risk. They don't want to bet only on the general market going up, they would rather be neutral which results in a focus on good security selection. The lower the exposure, the lower the market risk you have in a hedge fund investment.

A report was distributed to the Board and performance and down markets were referenced for the past ten years. In all months except for four where the market has gone down, the portfolio has outperformed. Pointer looks to significantly outperform in downsize markets. In the past ten years, months where the market was in a downturn resulted in a negative (164.0%) return. Pointer was only down (22.5%).

Mr. Evans asked if Pointer only does well in periods of extreme weakness? Mr. Burke responded that in a straight up market, Pointer will lag. He noted that the last seven years has been tough for hedge funds. Mr. Roess said that in this period, gain in market has not been due to fundamentals, but central bank intervention. Mr. Burke said they were proud of their long term

track record.

- b. Investment Update and Market Comments – Mr. Ross Charkatz of Graystone Consulting.

Market Comments

In early September, equity and government bond markets fell and later in the month Deutsche Bank showed volatility into the markets. Most risk assets ended the month flat, with S&P total returns at 0% and US HY excess returns at 0.4%. Emerging Markets performed well with MSCI EM Index up 1.3% in USD total returns, and Emerging Market credit up 0.3%. Oil rose in September, with Brent rising 8% on the back OPEC intervention headlines.

Measure of fear reverted back to where they were at the beginning of the month. VIX ended September at 13.5%, having previously spiked to a post-Brexit high to 18%.

Equity and Fixed Income markets outside the US have recently outperformed, which is a departure from trends over recent years.

Many asset classes showing good performance since the end of the financial crisis, is due to exposure to declining rates. As interest rates declined, assets with the longest duration and highest cash flows benefited most.

Benefits from declining interest rates explain the outperformance of many asset classes relative to underperformers rather than exposure to investments with a higher return profile.

Markets are influenced by macro factors such as central bank policies, currencies, and rates. The combination of discretionary and systematic macro strategies are emphasized to address opportunities and risks that are not captured in traditional asset classes or hedge funds.

It is believed that higher risk-adjusted returns are available to balanced portfolios by emphasizing investment grade credit in place of emphasis on aggregate/duration exposure.

Private credit markets continue to be impacted by a deleveraging banking system, financial austerity and limited non-bank sources of capital.

Investors should be attentive to low volatility strategies which can signal that a trend has gone too far. It is recommended trimming such investments in

advance of a possible reversal which could be caused by higher interest rates, better global growth or both.

c. Investment Recommendation – Goldman Sachs Emerging Market Debt Fund

The Goldman Sachs Emerging Market Debt Fund specializes in US Dollar denominated sovereign debt, with minimal exposure to local currency sovereign debt and emerging markets corporate debt. The minimal exposure is expected to be less than its peers. The management team's experience and tenure have resulted in a competitive total return from income and capital appreciation. The fund's assets under management are approximately \$1.2 billion, which is modest compared to portfolios offered by peers. The fund's size has fluctuated between approximately \$600 million to as high as \$1.7 billion. The fund tends to invest across 250-550 holdings in total and manages its exposures within a relatively tight range in relation to the JP Morgan Emerging Markets Bond Global Index benchmark. A consistent value investment process emphasizes top-down macroeconomics and country analysis, resulting in low tracking error to the benchmark. A country's fiscal factors, balance of payments, and monetary/financial indicators to analyze sovereign debt are emphasized.

Graham Absolute Return Fund (overview)

The Graham Absolute Return Fund is a macro-oriented investment firm that was founded in 1994 by Ken Tropin, former president of John W. Henry, a large macro investment firm. Mr. Tropin's personal assets comprise less than 1/3 of the fund's assets. The firm employs more than 190 people and manages more than \$12 billion across macro vehicles. Investment decisions are based on fund managers' forward views rather than continuation of recent trends. A risk committee is in place which quickly cuts off large portfolio declines before they grow too large. The fund invests in highly liquid securities and provides daily net asset values and transparency.

MOTION: Mr. Evans made a motion to liquidate Templeton Global Bond and move approximately \$1,962,367 (based on September 30, 2016 values) into Goldman Sachs Emerging Market Debt Fund. Motion seconded by Mr. Shay and accepted unanimously by the Board members.

MOTION: Mr. Evans made a motion to move \$537,000 from Abbey Capital and liquidate approximately \$3,998,082 (based on September 30, 2016 values) from Berens Capital and transfer it to Graham Absolute Return Fund for a total of \$1,935,000 and Pointer Capital for \$2,600,000 with any differential

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adjusted through fixed income Reserve Cash. Motion was seconded by Mr. Shay and accepted unanimously by the Board members.

c. Annual Review of Investment Policy Statements (IPS)

This is an annual review for good governance. It is recommended to continue on the current track of allocating and not making any changes.

d. 2017 Retirement Board Calendar

The Board members set the following meeting dates for 2017: February 1, 2017, May 3, 2017, August 2, 2017, November 1, 2017, and February 7, 2018.

MOTION: Mr. Evans made a motion to approve the 2017 Retirement Board Calendar dates. This was seconded by Mr. Izzo and passed unanimously by members present.

e. Pension Disbursements - For Information Only

A document with current asset allocations (as of September 30, 2016) was distributed at tonight's meeting for information only.

f. Summary of Bills - For Information Only

There was no discussion.

7. Public Comment

There was no public comment.

8. Adjournment

Mr. Evans made a motion to adjourn the meeting at 8:00 p.m. Motion was seconded by Mr. Shay. All members present were in favor of the motion.

Respectfully submitted,



Dawn Guite, Recording Secretary