



**Cheshire Retirement Board  
Meeting Minutes  
May 3, 2017\*  
Cheshire Town Hall  
84 South Main Street  
Cheshire, Connecticut 06410  
Room 210; 6:00 p.m.**

In attendance were Chairman Michael Evans, and members Paul Shay, Dennis Flagg and Jeremy Beitel. Police Department representatives Kevin Costa and Kevin Zaksewicz, Fire Department representative Bob Shalagan (*arrived at 6:50 p.m.*); Finance Director James Jaskot; Deputy Finance Director Gina DeFilio; Tom Ruocco, Town Council Liaison; Robert Scherer and Amanda Thome of Graystone Consulting (by phone).

**\*Meeting was not official. Agenda was not posted. Any action items below will be voted on again at a subsequent meeting.**

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1. Call to Order

Chairman Michael Evans called the meeting to order at 6:00 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.

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### 4. Approval of Minutes for March 1, 2017 meeting.

**MOTION:** Mr. Evans made a motion to approve the minutes from the meeting on March 1, 2017, as amended.

Mr. Jaskot stated that the minutes that were originally filed contained a duplicate page and that is why the March 1, 2017 minutes in the package were titled "amended".

Correction to Minutes: Page 3 - Market Comments

*In calendar year 2016, global equities returned an average of 8.5%...*

Motion was seconded by Mr. Shay and unanimously accepted by members present.

### 5. Old Business

- a. There was no old business to report.

### 6. New Business:

#### a. Election of Officers

Officers proposed for the new term are:

Michael Evans - Chairman  
Paul Shay - Vice-Chairman  
Dennis Flagg - Secretary

**MOTION:** by Mr. Evans that the names presented be accepted as officers for the new term.

Motion was seconded by Mr. Flagg.

The motion passed unanimously by all present.

#### b. Investment Update and Market Comments

##### Market Comments

Higher growth rates may accelerate an end to the favorable credit cycle.

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ECB rate cuts may now be off the table, and MS & Co. now anticipates five more rate hikes through year-end 2018. Fundamentals in Emerging Markets are improving, while long-term valuations remain depressed relative to Developed Markets. Based on long-term valuations, 10 year returns for U.S. Stock / Bond portfolios will near a 90-year low; lower returns, higher risk, and diversification implications. The end of volatility suppression may be a relative catalyst in areas where the market has lagged, such as securities that haven't been re-priced upwards by association with ETFs. The key question to consider is what strategies can play a diversifying role, if bonds are no longer the same hedge as the past 25+ years.

### Investment Considerations

Mr. Scherer said that, to date, the portfolio is solid and did not make any investment recommendations at tonight's meeting. In the presentation, however, were comments to be taken into consideration. To summarize, extremely low interest rates along with higher than average equity valuations imply that there are modest long-term return prospects for many asset classes. During previous market disruptions (years 2000 and 2008), bonds provided significant cover during recession periods and an anchor against uncertainty. Duration drives returns in financial markets and a determinant of relative asset over-performance and under performance in a changing interest rate environment. Attractive opportunities in Emerging Markets are defined by a combination of shifting DM and EM fundamentals and favorable valuations. Credit risk is more in the hands of investors (mutual funds) and less on financial institution balance sheets. These conditions present potential market liquidity challenges in rough markets. They also present secular opportunities for investors who are capable of stepping into this void.

Mr. Evans asked if 15.3% in fixed income bonds should be shifted over a period of time to other managers that go in any direction; example: MetWest Low Duration.

Mr. Scherer answered that historically in difficult markets like 2000-2001 or 2008, bonds have historically provided cover and safety for portfolios. While we don't see them providing the same type of yield they have in the past given the lower interest rate environment, they are still a necessary part of a balanced portfolio. The managers we have in the bond portion of the Town's portfolio performed well coming out of the Financial Crisis in 2008 and have continued to perform well, outperforming the broad bond market index nicely, especially in the last year. Additionally, we have continued to add to the Alternative Investments (Hedge Funds and Private Equity) sleeve of the portfolio, as a way to further diversify risk, while achieving bond-like returns.

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Mr. Evans asked if illiquids will still draw money. Ms. Thome said that Entrust Special Opportunities III, Oaktree Strategic Income and Blackstone Tactical Opportunities II are still drawing money. Mr. Scherer said that after 3 years these illiquids typically no longer draw money since the ones we are invested in tend to have a shorter life cycle than other Private Equity funds you may come across.

### c. July 1, 2017 Interim Actuarial Valuations for Pension Plans

The Town has had full valuations done every other year, with interim valuations performed in intervening years. This was helpful in determining current asset valuations sooner and thereby smoothing actuarial determined contributions from year to year. July 1, 2017 would be slated for an interim valuation, although the Town is only required to have a full valuation performed on a biennial basis. Interim valuations are not as extensive and therefore cost less. It was suggested that a decision to have an interim valuation be tabled to the next meeting or even after July 1 (following the end of the quarter) to see what the market values are.

### d. Pension Disbursements – For Information Only

There was no discussion.

### e. Summary of Bills – For Information Only

There was no discussion.

## 7. Public Comment

Mr. William Keely, 20 Harvest Court, said that throughout the evening the term “hedging” was mentioned and wanted to know if this was made as a generic reference to deflation.

Mr. Jaskot said that the Town’s By-laws investment policy allows “fund to funds”, i.e., specific hedge funds in the portfolio. This is not insider information.

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8. Adjournment

Mr. Evans made a motion to adjourn the meeting at 7:20 p.m. Motion was seconded by Mr. Shay. All members present were in favor of the motion.

Respectfully submitted,



Dawn Guite, Recording Secretary