



**Cheshire Retirement Board  
Meeting Minutes  
August 2, 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 and Mark Izzo. Police Department representative Kevin Costa, Fire Department representative Bob Shalagan; Finance Director James Jaskot; Deputy Finance Director Gina DeFilio; Ross Charkatz of Graystone Consulting.

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1. Call to Order

Chairman Michael Evans called the meeting to order at 6:15 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 May 3, 2017 meeting.

Mr. Jaskot noted that the agenda for the May 3, 2017 meeting was not posted, and, therefore, not an official meeting. Minutes were taken, however, since there was a quorum of board members present.

**MOTION:** Mr. Evans made a motion to approve the minutes from the meeting on May 3, 2017.

## CHESHIRE RETIREMENT BOARD Meeting Minutes

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

Mr. Jaskot explained that since the May 3, 2017 meeting was not an official meeting due to the agenda not being posted, the election of officers would need to be done again. The officers proposed for the new term are:

Michael Evans – Chairman

Paul Shay – Vice-Chairman

Dennis Flagg – Secretary

**MOTION:** by Mr. Evans that the Board members presented be confirmed as officers for the new term.

Motion was seconded by Mr. Izzo.

The motion passed unanimously by all present.

#### b. Investment Update and Market Comments

##### Market Comments

Mr. Charkatz provided a market overview of the first half of 2017. World economies are in the midst of an upturn since 2009. In the first half of the year, U.S. Equities are higher (S&P 500, +9.3%). Approximately 1/3 of the S&P 500 return, in the first half of the year, has been driven by the strong performance of four stocks: Facebook, Amazon, Apple, and Google. Company size plays a factor. Non-U.S. Developed Markets and Emerging Markets have led this year at 14.5% and 18.6% respectively.

U.S. Bond yields are lower. By mid-year 2017, yields have fallen to just below 2.3% from their peak of 2.5%.

Commodities, overall, are down more than 10% YTD. A large portion of the broad index is energy which is down almost 19%. The U.S. Dollar is down 4.7% against G-10 trade weighted currencies. An improving economy in Europe is a reflection of industrial production, retail sales, and employment growth. It is the strongest economic growth since 2011 in Emerging Markets as a whole, excluding China.

Mr. Charkatz reviewed charts showing historical valuations and noted that the cyclically adjusted 10-year price/earnings levels in the U.S. were now greater than they were in 2007.

S&P 500 volatility is in the lowest range on record. Tight credit spreads and low volatility extended across other market categories, i.e., interest rates and currencies, imply one of the least uncertain outlooks ever. A caution flag is the growing allocation to strategies that are explicitly short equity volatility. ETF's and other structures seek high yields from betting that volatility will remain low. The number of market indices now exceed the number of U.S. stocks. Municipal bond markets have been relatively placid but recent credit rating downgrades in Illinois and Hartford could lead to more volatility as rating agencies focus more attention on large issuers with pension obligations.

Mr. Evans asked about Illiquids being looked at for the future. Mr. Charkatz replied, "not at the moment" that, to date, the portfolio has the right mix.

#### Investment Considerations

The Board turned to a summary of illiquids showing the commitments, capital contributed and returns over time ranging from 14 to 28%.

At June 30, 2017, Portfolio values were up 5.78% year-to-date but could be more considering there may be some adjustments for illiquid investments once the numbers come in. July 2017 activity will add another 1% to 1-1/2% to this. The average return for the last 10 years was 3.02%, but this should go up significantly once the market decline in 2008 drops off.

Mr. Charkatz went over investment returns for all funds, noting that illiquids have performed quite well with a one year return overall of 13.33%, subject to year-end adjustments. The return for all funds combined was 10.65% for the year, versus relative benchmarks of 9.33%.

Pension contributions for Fiscal Year 2018 of about \$3.5 million were received by the trusts in July 2017. These were deposited into reserve cash, in part to provide cash flow for the ensuing six to nine months. Mr. Charkatz summarized a

## CHESHIRE RETIREMENT BOARD Meeting Minutes

rebalancing of funds with transfers totaling \$745,000 that Graystone Consulting was planning to effectuate in the current quarter. Otherwise, there were no investment recommendations.

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

Mr. Evans asked if an interim valuation should be done now. Mr. Jaskot commented that actuaries would say "yes" for purpose of smoothing. 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. Mr. Jaskot suggested that since the market value of plan assets has increased considerably from a year ago, an interim valuation would likely report recommended contributions that were more favorable than the last valuation even after investment gains are "smoothed" over five years. After a brief discussion, the Board deferred to Town management whether to proceed with an interim valuation, with Mr. Jaskot commenting that the Town would likely pursue the update for reason noted above.

### d. Pension Disbursements – For Information Only

There was no discussion.

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

There was no discussion.

## 7. Public Comment

There was no public comment.

CHESHIRE RETIREMENT BOARD Meeting Minutes

8. Adjournment

Mr. Evans made a motion to adjourn the meeting at 7:15 p.m. Motion was seconded by Mr. Shay. All members present were in favor of the motion.

Respectfully submitted,



Dawn Guite, Recording Secretary