



**Cheshire Retirement Board
Meeting Minutes
May 16, 2018
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, Mark Izzo, and Jeremy Beitel. Police Department representative Kevin Costa, Finance Director James Jaskot; Deputy Finance Director Gina DeFilio; Ross Charkatz (in person) and Amanda Thome of Graystone Consulting (by phone).

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.

4. Approval of Minutes for February 7, 2018 meeting.

MOTION: Mr. Evans made a motion to approve the minutes from the meeting on February 7, 2018 as presented.

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

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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

Mr. Charkatz provided a market overview as of March 31, 2018. He commented on a market theme of “normalization” in the first quarter where low volatility was higher and new Federal Reserve leadership maintained a pace of rate increases that have risen steadily higher over the past year to 1.75%. Developed markets equities ended the quarter lower (S&P 500 -1.2%, MSCI Europe -1.9%). Government bonds did not provide diversification and Emerging market equities served as a counterweight, both in US Dollar terms (MSCI EM, +1.5%), and local currency (MSCI EM +0.8%). In addition, the US Investment Bond Market Grade is now approximately 50% BBB, which is the lowest level investment grade and indicative that credit quality has trended lower within the investment grade part of the US bond market.

The US Treasury yield curve has become flatter, indicating unsettled economy, and shown by fractional differences between the 2-Year Yield (2.27%) and the 30-Year Yield (2.97%).

In 2017 where there was a positive market backdrop, in 2018 these conditions are either fading or no longer in place. Over the next 10 years valuations across major stock/bond asset classes imply lower than historic returns with greater potential in Non-US and Emerging Market equities.

Investment Recommendation – GQG Emerging Markets Equity Fund

Mr. Charkatz introduced Chulantha De Silva (by phone), Analyst at GQG Partners, who gave a brief history.

GQG Emerging Markets Equity Fund focuses long-term capital growth from a portfolio of stocks that obtain over 50% of revenue from developing markets and sustain superior earnings growth over the long term. The fund is managed by Global Quality Growth (GQG) Partners based in Florida. It focuses on long-only equity strategies, with approximately \$10 billion in assets under management.

Rajiv Jain, former portfolio manager at Vontobel Virtus Emerging Markets Equity Funds (1997 – 2016), is the founder of GQG Partners.

Mr. Evans stated that he is concerned about accounting standards and the impact on Emerging Markets. Mr. De Silva noted that forensic accountants and non-traditional analysts are employed to assess risk and focus on downside protection (further commented on below).

The manager screens a broader investment domain with annual earnings exceeding \$100 million and employs an investigative journalist and a forensic accountant. These employees are able to capture trends early, tap unconventional sources and provide perspectives that are otherwise unavailable through traditional research. In addition, they provide two sets of eyes on every stock to assess risk and focus on downside protection.

The end result is a portfolio that will aim to provide a high alpha proposition over a full market cycle with a lower level of absolute volatility.

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Mr. Jain's construction of portfolios have a track record of delivering returns in excess of the MSCI Emerging Markets in both up and down markets over the last 20 years.

It is noted that focus on the long term means that geographic allocations will often differ from the benchmark and many other emerging markets equity fund managers. Current overweights include Russia and Brazil, which both lagged the market in 2017. However, the manager saw a number of individual stocks trading at attractive valuations.

Mr. Evans asked where current funds are focused in the GQG portfolio.

Mr. De Silva answered that an example is technology in Taiwan.

MOTION: by Mr. Evans to accept the recommendation of GQG Emerging Markets Equity Fund.

The motion passed unanimously by all present.

c. Review of Request for Disability Retirements (EXECUTIVE SESSION)

The Retirement Board entered into Executive Session at 7:30 p.m. for the purpose of considering a disability pension for Dennis Dievert. All Board members who were present were called to attend the executive session except Police Department representative Kevin Costa. Finance Director James Jaskot was also asked to attend. The Executive Session ended at 7:45 p.m. and the Board returned to regular session.

Resolution: That the Retirement Board approves a disability pension for Dennis Dievert upon his retirement on May 31, 2018.

The Board reviewed a request for disability retirement for Dennis Dievert, Superintendent at the Waste Water Treatment Plant for over 13 years. The Board reached their decision that Mr. Dievert was eligible for the disability pension based on his qualifying for Social Security Disability as of March 2, 2018.

VOTE: This resolution was unanimously approved by members present.

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- d. Pension Disbursements - For Information Only
 - e. Summary of Bills - For Information Only
7. Public Comment

There was no public comment.

8. Adjournment

Mr. Evans made a motion to adjourn the meeting at 7:50 p.m. Motion was seconded by Mr. Shay. All members present were in favor of the motion.

Respectfully submitted,



Dawn Guite, Recording Secretary