



**Cheshire Retirement Board  
Meeting Minutes  
May 22, 2019  
Cheshire Town Hall  
84 South Main Street  
Cheshire, Connecticut 06410  
Room 210; 6:00 p.m.**

In attendance were Chairman Michael Evans, members Paul Shay and Dennis Flagg. Police Department representatives Kevin Costa and Steve Jester, Finance Director James Jaskot; Ross Charkatz (by phone) and Amanda Thome (by phone) of Graystone Consulting.

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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 February 7, 2019 meeting.

**MOTION:** Mr. Jester made a motion to approve the minutes from the meeting on February 7, 2019. Mr. Costa seconded the motion which was approved unanimously.

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### 5. Old Business

There was no old business to report.

### 6. New Business:

- a. Election of officers was tabled to later in the meeting.
- b. Investment Update and Market Comments

Mr. Charkatz provided a market overview as of April 30, 2019. Thus far in 2019 the cycle is in reverse of what occurred in 2018. Quarter one results implied a disconnect. More than 100 percent of the S&P 500's increase this year comes from multiple expansion. The Bond market appears to signal deteriorating growth and possibly a recession as the real 10-year US Treasury rate has declined to early 2018 levels, with the 10Y-3M curve briefly inverting at the end of March. Mr. Charkatz reviewed exhibits and discussed a market cycle in latter stages which, as he said, has a tendency to turn at some point. Mr. Charkatz cited a graphic, that ranked asset class returns by year, indicating that green means you are beating inflation, while red means trailing inflation. In 2018, no major asset classes beat inflation while in 2019, virtually every asset class has earned a return above inflation.

While no recommendations were made at this time, considerations were discussed. Late-cycle signals are building. Indicators prior to recession are: rate cuts: an important earnings revisions signal a further fall in EPS growth curve inverted: 3mo. / 10yr. UST vs. Recessions. Earnings revisions signal a further fall in EPS growth. A slowing economic cycle does not necessarily mean a recession, but does correspond to a materially more difficult equity and credit environment. High yield and US Dollar appear most vulnerable to a downturn, if it were to arrive. Increased allocations are favored to non-US and emerging markets. Consideration can be made for allocations to strategies that can capitalize on late-cycle volatility. A 'normalized' environment suggests greater diversification across sectors with potential to benefit from concentrated opportunistic investments.

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Mr. Charkatz also noted that there are key risks associated with the view that one can capitalize on late cycles, including that rates can continue to remain low and borrowing costs can remain controlled, limiting the opportunity set for distressed investors. If volatility subsides, it could remove a source of opportunities for event driven managers. Manager selection will be critical in hedged equity as return dispersion between the top and bottom quartile is wide on both an absolute and risk- adjusted basis.

The inception of TPG is projected for June 1, 2019. The documentation went through legal review. SCS money comes out with the inception of TPG. Mr. Charkatz also said that the investment with Wedgewood is “on watch” and will be addressed at the next meeting. Mr. Charkatz then discussed a proposed revision to the investment policy statement regarding the alternative investments. Mr. Charkatz discussed the prior desire to focus on fund-of-funds for alternatives, however the field has evolved to where this requirement has become a practical limitation. Mr. Charkatz suggested language that is more in keeping with current alternative investment practices.

### c. Proposed Update to IPS

Change recommended due to evolution and current activity under one umbrella, providing more flexibility.

Current Language: For diversification and liquidity purposes, it is the goal of the Committee to maintain at least 80% of its alternative allocation in fund of funds.

Recommended Language: Fund of funds preference: For diversification and liquidity purposes, it is the goal of the Board to maintain at least 50% of its alternative allocation in fund-of-funds managers or multi-portfolio manager funds. For purposes of these guidelines, multi-portfolio manager funds are defined as managers that allocate to 10 or greater underlying portfolio managers/teams.

MOTION: Mr. Evans made a motion to approve the recommended update to the investment policy statements (IPS). The motion was seconded by Mr. Flagg. Motion was accepted by all members present, except Paul Shay who abstained.

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a. Election of Officers

Slate of Officers for the coming year:

Michael Evans, Chairman

Dennis Flagg, Vice-Chairman

Mark Izzo, Secretary

**MOTION:** Mr. Flagg made a motion for Mr. Evans, and those on the slate to go forward as officers for the coming year. The motion was seconded by Mr. Shay. The motion was accepted unanimously by members present.

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 7:15 p.m. Motion was seconded by Mr. Flagg. All members present were in favor of the motion.

Respectfully submitted,



Dawn Guite, Recording Secretary