



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

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

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 August 7, 2019 meeting.

MOTION: Mr. Izzo made a motion to approve the minutes from the meeting on August 7, 2019 as amended. Mr. Evans seconded the motion which was approved unanimously.

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Amended Minutes: Page 2 - 6a Investment Update and Market Comments. Second Sentence changed to: As the markets enter the second half of 2019, they show disconnects resulting in slowing of economic and earnings growth, weighing on corporate confidence.

5. Old Business

There was no old business to report.

6. New Business:

a. Investment Update and Market Comments

Mr. Charkatz provided a market overview as of September 30, 2019. Data continues to show signs of deterioration. The markets entered the second half of 2019 in a state of disconnect resulting in slowing economic and earnings growth associated with a tiring business cycle. While the Federal Reserve is prepared to respond to sluggish economic news with a rate cut, it may be too late to reverse the inevitable end of the longest economic cycle in history. It is the feeling that a more defensive allocation should be considered as the U.S. markets remain in downturn. It is a belief that preoccupation with trade and the Federal Reserve has kept investors' attention away from the fact that there is an increasing risk of a U.S. recession. This risk is why bonds have outperformed stocks and defensives have outperformed cyclicals over the past year. Lower interest rates have provided a significant valuation boost to stocks this year as the Federal Reserve pivoted on policy. Interest rates have now fallen so far that it is a negative for valuation, suggesting growth will be the key to whether stocks can move higher.

The Town of Cheshire Retirement Portfolio is up 11.26% as of September 30, 2019 and year-to-date at approximately 13.0%. Assets total \$75,324,112.

b. Investment Recommendations

Based on current manager summaries, Snow Capital - All Cap Value confirmed that it had lost its largest client representing over 20% of the firm's revenue and bringing down Assets Under Management (AuM) to \$1.5 billion.

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Wedgewood Partners Large Cap Focused Growth – On October 11, 2019, Morgan Stanley’s Global Investment Manager Analysis (GIMA) team, downgraded the strategy to “Not Approved”. The decision was made as a result of a sustained deterioration of its AuM to approximately \$2.4 billion as of August 31, 2019. Morgan Stanley will remove Wedgewood Partners Large Cap Focused Growth strategy from its platform on or about January 31, 2020 and the GIMA will no longer evaluate this product.

Mr. Charkatz recommended that these two portfolios be replaced with Hamlin Capital Equity Strategy and ClearBridge Large Cap Growth.

Mr. Charkatz provided an overview of the Hamlin and ClearBridge strategies noting that he has known them for a long time and that they have served well.

The Hamlin Capital Equity strategy invests exclusively in dividend-paying equities focusing on stocks with dividend yields at least 50% above the yield of the S&P 500 Index. It is managed by Hamlin Capital (founded in 2001), an independent asset manager with \$4.1 billion in AuM. The fund has been able to deliver an annualized return of 10.6% with lower volatility and less severe drawdowns. Its focus on high quality businesses has helped to limit downside capture when markets sell off. Downturns have been used as opportunities to upgrade the portfolio by purchasing high quality companies as their valuations fall below estimated intrinsic value. Portfolio turnover has been approximately 40% historically.

The ClearBridge Large Cap Growth strategy invests in U.S. large cap stocks utilizing Growth at a Reasonable Price (GARP). It is managed by ClearBridge Investments, a global equity investment firm based in New York that has almost \$150 billion in AuM and focuses on strategies with a high active share. It is wholly owned by Legg Mason, a multi-affiliate investment manager in Baltimore, MD, with over \$780 billion in AuM. Noted strengths are the portfolio managers’ expertise in healthcare and technology with technology being a leading contributor to performance. Portfolio turnover is <20% historically.

MOTION: Mr. Flagg made a motion to replace the entire value of Snow Capital - All Cap Value, \$4,910,125, with Hamlin Capital Equity Strategy. Mr. Evans seconded the motion which was approved unanimously.

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MOTION: Mr. Izzo made a motion to move Wedgewood Partners Large Cap Focused Growth fund, \$4,957,834, into ClearBridge Large Cap Growth. Mr. Evans seconded the motion which was approved unanimously.

c. Annual Review of Investment Policy Statements (IPS)

There was a discussion about the Annual Review of Investment Policy Statements (IPS) suggesting that the content of the current document be reduced in size. Mr. Jaskot said that the tables on pages 8 and 11 are copied and used as reference by the Finance Department.

MOTION: Mr. Shay made a motion to accept the Investment Policy Statements (IPS) as presented. Mr. Evans seconded the motion which was approved unanimously.

d. 2020 Retirement Board Calendar

MOTION: Mr. Shay made a motion to approve the 2020 Retirement Board Calendar as presented changing the February 5, 2020 date to February 6, 2020. It was seconded by Mr. Evans and unanimously accepted by the Board members.

e. Pension Disbursements - For Information Only

f. 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 7:45 p.m. Motion was seconded by Mr. Izzo. All members present were in favor of the motion.

Respectfully submitted,



Dawn Guite, Recording Secretary