



CHESHIRE RETIREMENT BOARD

WEDNESDAY, AUGUST 6, 2014
CHESHIRE TOWN HALL – ROOM 210
84 SOUTH MAIN STREET @ 6:00PM
CHESHIRE, CONNECTICUT 06410

In attendance were Chairman Michael Evans, members Michael Caron, Mark Izzo, Dennis Flagg; Police Department representatives Thomas Bobok and Kevin Costa; Finance Director James Jaskot; Deputy Finance Director Gina DeFilio; and Ross Charkatz of Graystone Consulting joined the meeting via conference call at 7:09 p.m.

Guests during executive session: Former employee Jay Markella and Attorney Donald C. McPartland of Secor, Cassidy and MaPartland, P.C.

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.

CHANGE TO AGENDA: EXECUTIVE SESSION MOVED FROM AGENDA ITEM 6-B TO AGENDA ITEM 4.

4. EXECUTIVE SESSION

The Retirement Board entered into Executive Session at 6:12 p.m. for the purpose of considering an in-service disability pension for former police officer Jay Markella. All Board members who were present were called to attend the executive session, along with Finance Director James Jaskot, Jay Markella and his attorney Donald C. McPartland of Secor, Cassidy and McPartland, P.C.

The Executive Session ended at 6:53 p.m. and the Board returned to regular session.

Resolution: That the Retirement Board approves a police, in-service disability pension for Jay Markella retroactive back to his resignation on 9/20/2013.

The Board reviewed a request for disability retirement for Jay Markella, a Cheshire Police Officer who resigned on 9/20/2013 after over 16 years of service with the Police Department. The Board reached their decision that Mr. Markella was eligible for the disability pension based on discussions held during Executive session and review of medical records, including an Independent Medical Exam.

VOTE: This resolution was unanimously approved by members present.

5. APPROVAL OF MINUTES FROM THE MAY 7, 2014 MEETING

MOTION: Mark Izzo made a motion to approve the minutes from the meeting on May 7, 2014. Motion seconded by Dennis Flagg. Minutes were unanimously approved by members present.

6. OLD BUSINESS

a) ACTUARIAL VALUATION UPDATE

Mr. Jaskot provided a review of the actuarial valuations. Members were provided the (Biennial) Actuarial Valuations as of July 1, 2012 (for Fiscal Year 2013-2014) and the Interim Actuarial Valuations as of July 1, 2013 (for Fiscal Year 2014-2015), prepared by Milliman for the three plans: Town, Police and Volunteer Firefighters. We have another full biennial valuation scheduled for July 1, 2014.

In recent years, the Town Council struggled with what discount rate the Town should be using. This Board approved a 7.5% actuarial rate and in March 2014 the Council did as well. Because of the market downturn six years ago, required pension contributions increased significantly. It was difficult to budget for the increases, so the Town Council decided to phase in those increases over a number of years. Based on the July 1, 2013 interim valuation, the budgeted Town contribution will have caught up with the actuarial required contribution by 2015 for the Volunteer Firefighter Plan, by 2017 for the Town plan and Police plan sometime after that.

Since the July 1, 2013 Interim Valuations were performed, there have been some favorable developments. In the most recent contract negotiations, employee contributions were increased and the Police pension plan was closed to new hires. Mr. Evans commented that the five year smoothing of 2008 losses will be completed by 2014 and the value of the overall pensions has continued to improve.

Mr. Jaskot asked Board members with specific questions on the valuations to call him.

Mr. Caron asked if the auditors will sign-off on the 7.5% actuarial rate. Mr. Jaskot replied that this was discussed at a recent planning meeting and they were satisfied.

Mr. Caron also asked if everything is completed for the Rabbi Trust. Mr. Jaskot replied there is nothing outstanding for the Rabbi Trust.

7. NEW BUSINESS

- a) UPDATE AND MARKET COMMENTS – Mr. Ross Charkatz of Graystone Consulting joined the meeting via conference call at 7:09 p.m.

Mr. Charkatz stated that no actions were needed to be taken at tonight's meeting but there are some items he will mention that may need future action. He will only provide a broad review of the portfolio this evening.

Mr. Charkatz commented that over the past year, the portfolio has generally performed well versus benchmarks and at the upper end of our expectations. It has kept up with strong markets, while we have been migrating towards an increased allocation in absolute value and flexible managers to better control risks. The portfolio is up 3.01% for the current quarter and 13.79% for the past 12 months (Schedule 1a and 1b attached). Equity markets have been high; credit spreads have been tight; yields have remained at an all-time low and remain there. Flexible managers have been consistently increasing cash positions as the market has been going up. The federal zero interest rate policy continues to have valuation increases across most asset classes. Central bank policies and re-regulation in bank lending such as banks no longer being able to lend as they have in the past and re-regulation forcing banks to do business differently. There is more risk in the liquid credit market – we have benefited from some of this but we do have some exposure in this market which we will discuss more at the next meeting. There has been very little volatility in the markets for a long period of time (complacency in the market).

By in large, most of our managers have done well in the long term. There are some yellow flags, however, with two existing equity managers – Neuberger Berman Int'l and Thornburg Int'l Value. Neuberger has a good long term portfolio. This year they have been chasing some of their performance - from a process standpoint, we are not seeing them execute their portfolio as they have done in the past. Some of their activity has been out of character somewhat as compared to their long term performance. Thornburg has done well since they started with us in 2009. Our current issue is that there are assets and managers that have gone up quite a bit, since they have done well with smaller and midsized assets. With the increase in these assets, it will be harder for them to

perform going forward. Another asset to look at is the Eaton Vance Floating Rate – this is the safest type of investment, basically a bank loan portfolio. Mr. Izzo asked about JPM Strategic Income Fund – they are only up .12% for the quarter and .87% for the last six months. Mr. Charkatz replied that this portfolio is very flexible. They have been very cautious this year because of the previous comments he made about the liquid credit market: zero duration, no interest rate risk, and very little credit exposure.

Mr. Evans asked about Abbey Capital – are we expecting performance. Mr. Charkatz replied they have a core element of managed futures. Abbey Capital moves up as markets begin to weaken under the surface. We have this portfolio for diversification benefits. The draw down is not large. This is a small piece of the portfolio and he would like to see it play out in the market. It has not had the opportunity yet in the market given the trends. Mr. Caron asked if Abbey Capital will ever get their footing, lead their way in an area, if the central banks or Federal Reserve banks keep stepping in. Mr. Charkatz replied their trends relate to some undertone in the market; these types of portfolios are trying to capture trends in the market. These portfolios usual do well in downward trends in the market. This is the behavior aspect of markets, when the natural order of the price mechanism in the market has been disturbed. The past few years has been difficult for them. Their fundamentals remain intact. It is difficult to find great opportunities in the market right now. Mr. Caron expressed his concern about carrying this asset that has lost money for 3 years. Mr. Evans said they will discuss Abbey Capital at our next meeting, as well as the other flagged managers.

Mr. Charkatz referred members to the Illiquids Investment Schedule (Schedule 2 attached) – we have committed \$2 million to date to Private Advisors, 21% funded, and \$2 million to Blackstone, 40% funded. We have seen up to 5% early returns on what's already been funded in Blackstone.

b) PENSION DISBURSEMENTS – INFORMATIONAL ONLY

The Board reviewed new pension disbursements since the last meeting. Mr. Evans questioned why there was no pension disbursement amount or beneficiary listed for a deceased employee. Mr. Jaskot will check.

c) SUMMARY OF BILLS – FOR INFORMATIONAL ONLY

The Board reviewed invoices paid since the last meeting.

7. PUBLIC COMMENT

None

8. ADJOURNMENT

The next meeting is scheduled for Wednesday, November 5, 2014. Michael Evans made a motion to adjourn the meeting at 7:49 p.m. Seconded by Mark Izzo. All members present were in favor of the motion.

Respectfully submitted,

A handwritten signature in cursive script that reads "Kathy Kirby".

Kathy Kirby
Recording Clerk

Managers	Portfolio Performance										Since Incep. Date
	Account Balance	Percent Of Total	Current Quarter	Calendar YTD	Last 12 Months	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Since Inception	
SNOW CAPITAL - ALL CAP VALUE	\$ 5,213,271.20	8%	5.40%	10.15%	31.72%	18.27%	20.82%	4.75%	N/A	7.83%	12/31/04
<i>Russell 3000 Value</i>			4.89%	7.95%	23.71%	16.73%	19.28%	4.86%	N/A	7.17%	
<i>Mstar Large Value</i>			4.52%	6.90%	22.04%	14.65%	17.17%	4.16%	N/A	6.28%	
NEUBERGER BERMAN LARGE CAP	\$ 5,113,002.23	8%	3.49%	2.97%	19.19%	12.10%	15.36%	7.01%	9.28%	12.44%	10/31/91
<i>Russell 1000</i>			5.11%	7.28%	25.37%	16.63%	19.25%	6.46%	8.19%	9.79%	
<i>Mstar Large Blend</i>			4.63%	6.41%	23.44%	14.50%	17.11%	5.14%	7.01%	8.08%	
VANGUARD GROWTH INDEX	\$ 1,788,824.27	3%	6.09%	7.02%	27.72%	N/A	N/A	N/A	N/A	23.03%	5/31/13
<i>Russell 1000 Growth</i>			5.13%	6.31%	26.93%	N/A	N/A	N/A	N/A	22.46%	
<i>Mstar Large Growth</i>			4.21%	4.73%	26.29%	N/A	N/A	N/A	N/A	21.98%	
VANGUARD SMALL CAP INDEX	\$ 196,314.63	0%	2.53%	4.26%	27.02%	N/A	N/A	N/A	N/A	23.80%	5/31/13
<i>Russell 2000</i>			2.04%	3.18%	23.63%	N/A	N/A	N/A	N/A	21.06%	
<i>Mstar Small Blend</i>			2.30%	3.78%	23.77%	N/A	N/A	N/A	N/A	20.97%	
FPA CRESCENT	\$ 4,583,555.42	7%	2.95%	5.04%	16.04%	N/A	N/A	N/A	N/A	13.31%	3/31/12
<i>Mstar Moderate Allocation</i>			3.55%	5.27%	15.63%	N/A	N/A	N/A	N/A	11.00%	
NEUBERGER BERMAN - INT'L	\$ 3,998,844.13	6%	2.16%	3.24%	19.33%	6.18%	13.05%	0.62%	7.62%	7.85%	11/30/94
<i>MSCI EAFE</i>			4.08%	4.77%	23.57%	8.10%	11.77%	0.97%	6.93%	5.69%	
<i>Mstar Foreign Large Blend</i>			3.68%	3.79%	20.89%	6.56%	11.12%	0.52%	6.49%	5.49%	
THORNBURG INT'L VALUE	\$ 3,607,505.57	5%	2.19%	-2.48%	11.77%	2.49%	9.32%	N/A	N/A	15.32%	2/28/09
<i>MSCI EAFE</i>			4.08%	4.77%	23.57%	8.10%	11.77%	N/A	N/A	17.15%	
<i>Mstar Foreign Large Blend</i>			3.68%	3.79%	20.89%	6.56%	11.12%	N/A	N/A	16.41%	
IVA WORLDWIDE	\$ 4,581,956.13	7%	2.90%	5.45%	15.81%	7.38%	N/A	N/A	N/A	10.02%	12/31/09
<i>Mstar World Allocation</i>			3.75%	5.40%	14.17%	5.51%	N/A	N/A	N/A	5.51%	
PIMCO ALL ASSET ALL AUTHORITY	\$ 4,613,572.98	7%	3.87%	6.20%	7.54%	N/A	N/A	N/A	N/A	5.96%	10/31/11
<i>Mstar Moderate Allocation</i>			3.55%	5.27%	15.63%	N/A	N/A	N/A	N/A	9.31%	
FIRST EAGLE GLOBAL	\$ 4,599,927.58	7%	3.45%	6.49%	17.81%	N/A	N/A	N/A	N/A	16.07%	5/31/12
<i>Mstar World Allocation</i>			3.75%	5.40%	14.17%	N/A	N/A	N/A	N/A	11.30%	
VANGUARD EMERGING MKTS	\$ 1,490,230.59	2%	7.26%	6.08%	13.83%	N/A	N/A	N/A	N/A	4.55%	10/31/11
<i>MSCI Emerging Mkts Index</i>			6.59%	6.14%	14.31%	N/A	N/A	N/A	N/A	4.58%	
<i>Mstar Emerging Markets</i>			6.64%	5.80%	13.95%	N/A	N/A	N/A	N/A	13.95%	

Managers	Account Balance	Percent Of Total	Current Quarter	Calendar YTD	Last 12 Months	Portfolio Performance										Since Inception	Since Incep. Date
						Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years								
LOOMIS SAYLES BOND	\$ 1,465,340.32	2%	3.95%	7.03%	12.21%	7.36%	11.88%	7.66%	N/A	7.81%	9/30/06						
BC Aggregate Bond Index			2.04%	3.93%	4.37%	3.67%	4.85%	5.35%	N/A	5.11%							
Mstar Multi Sector Bond			2.48%	4.88%	8.15%	5.99%	5.85%	5.87%	N/A	5.87%							
METWEST LOW DURATION	\$ 3,124,471.55	5%	0.76%	1.37%	1.66%	4.67%	7.99%	7.01%	N/A	6.86%	9/30/06						
BC Aggregate Bond Index			2.04%	3.93%	4.37%	3.67%	4.85%	5.35%	N/A	5.11%							
Mstar Short Term Bond			0.73%	1.33%	2.34%	1.83%	3.07%	2.47%	N/A	2.61%							
TEMPLETON GLOBAL BOND ⁷	\$ 2,685,673.81	4%	2.69%	3.49%	7.47%	4.16%	N/A	N/A	N/A	4.80%	12/31/10						
Citi World Gov't Bond			2.01%	4.45%	5.97%	5.03%	N/A	N/A	N/A	4.41%							
Mstar World Bond			2.49%	4.92%	6.95%	3.00%	N/A	N/A	N/A	3.66%							
DOUBLELINE TOTAL RETURN	\$ 2,219,557.09	3%	2.05%	4.49%	4.89%	N/A	N/A	N/A	N/A	5.57%	10/31/11						
BC Aggregate Bond Index			2.04%	3.93%	4.37%	N/A	N/A	N/A	N/A	2.64%							
EATON VANCE FLOATING RATE	\$ 1,357,547.37	2%	0.79%	1.35%	4.02%	N/A	N/A	N/A	N/A	3.18%	5/31/13						
S&P/LSTA Leveraged Loan Index			0.69%	1.68%	N/A	N/A	N/A	N/A	N/A	3.55%							
JPM STRATEGIC INCOME	\$ 1,514,467.83	2%	0.12%	0.87%	2.40%	N/A	N/A	N/A	N/A	4.46%	10/31/11						
BC Universal			2.20%	4.19%	5.21%	N/A	N/A	N/A	N/A	3.43%							
90 Day T-Bill			0.01%	0.02%	N/A	N/A	N/A	N/A	N/A	0.06%							
TRADITIONAL ASSETS SUBTOTAL			3.17%	4.49%	15.32%	7.83%	12.57%	3.44%	6.72%	N/A							
Traditional Policy (Traditional Benchmarks) ²			3.12%	4.42%	15.17%	8.87%	10.97%	3.48%	5.75%	N/A							
IRONWOOD ¹	\$ 4,568,170.26	7%	2.61%	4.81%	11.53%	7.78%	9.30%	2.64%	N/A	4.97%	5/31/05						
HFRI FOF Conservative			0.95%	2.25%	6.30%	3.34%	4.04%	0.47%	N/A	2.64%							
SCS OPPORTUNITIES FUND	\$ 3,316,202.30	5%	2.28%	2.10%	9.82%	4.80%	N/A	N/A	N/A	4.73%	12/31/09						
HFRI FOF Diversified			1.35%	1.82%	7.34%	3.43%	N/A	N/A	N/A	3.47%							
UBP MULTI-STRATEGY ¹	\$ 97,332.60	0%	1.51%	1.95%	8.76%	5.04%	5.63%	1.85%	N/A	4.41%	5/31/05						
HFRI FOF Diversified			1.35%	1.82%	7.34%	3.43%	4.33%	0.65%	N/A	3.29%							
BERENS CAPITAL ¹	\$ 4,346,677.57	7%	1.85%	2.99%	8.47%	4.94%	7.55%	N/A	N/A	2.72%	1/31/08						
HFRI FOF Strategic			1.68%	2.34%	9.06%	3.65%	4.75%	N/A	N/A	0.67%							
ABBEY CAPITAL ⁷	\$ 1,462,377.31	2%	3.62%	-2.24%	-4.72%	-4.27%	N/A	N/A	N/A	-5.83%	12/31/10						
Barclays BTOP 50 Index			-1.32%	-1.32%	-2.49%	-1.62%	N/A	N/A	N/A	-2.11%							
ALTERNATIVE INVESTMENTS SUBTOTAL			2.39%	2.78%	8.20%	4.63%	6.59%	1.90%	N/A	N/A							
HFRI FOF Composite Index			1.43%	1.99%	7.50%	3.26%	4.22%	0.56%	N/A	N/A							
TOTAL	\$ 65,944,822.74	100%	3.01%	4.13%	13.79%	7.13%	11.47%	3.09%	6.40%	11.95%	06/30/79						
Traditional and Alternative Policy (Trad. & Alt. Benchmarks) ²			2.73%	3.90%	13.15%	7.55%	9.96%	2.65%	5.26%	N/A							
RESERVE CASH	\$ 365,462.05																
MERRILL LYNCH - PVT EQ	\$ 2,705.00																
PRIVATE ADVISORS SM CO	\$ 337,052.00																
BLACKSTONE TACTICAL OPS	\$ 840,332.00																
PLAN TOTAL	\$ 67,490,373.79																
POLICE HEALTHCARE TR PLAN⁸	\$ 629,469.83		3.53%	5.28%	15.75%	9.08%	13.20%	4.47%	6.64%	6.16%	8/31/01						
FIREFIGHTERS PLAN	\$ 1,199,105.98		3.90%	5.71%	15.19%	N/A	N/A	N/A	N/A	13.11%	12/31/11						
OPEB PLAN	\$ 589,547.46		3.99%	5.82%	16.69%	N/A	N/A	N/A	N/A	11.16%	2/29/12						

Illiquids Investment Schedule

Fund	Capital Commitment	Date of Commitment	Capital Contributed	% Funded	Capital Returned	MV as of Valuation Date	Valuation Date
Merrill Lynch PE	\$1,000,000	10/31/1997	\$880,000	100%	\$1,105,984	\$2,705	3/31/2014
Private Advisors Small Co Buyout	\$2,000,000	5/31/2013	\$420,000	21%	\$27,250	\$337,052	3/31/2014
Blackstone Tactical Opportunities	\$2,000,000	10/31/2013	\$804,721	40%	N/A	\$840,332	6/30/2014
Total Private Equity	\$5,000,000		\$2,104,721		\$1,133,234	\$1,180,089	

Please note that market values do not include contributions/distributions that have occurred since the valuation date.