



**Cheshire Retirement Board
Meeting Minutes
August 3, 2016
Cheshire Town Hall
84 South Main Street
Cheshire, Connecticut 06410
Room 210; 6:00 p.m.**

In attendance were Chairman Michael Evans, members Dennis Flagg, and Paul Shay. Police Department representative Kevin Costa; Fire Department representative Bob Shalagan; Finance Director James Jaskot; Deputy Finance Director Gina DeFilio; Joseph Giampietro (non-voting Police Department representative not officially a member of the Board); Ross Charkatz and Amanda Thome of Graystone Consulting (by phone). A group of retired police officers was also in attendance.

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 May 4, 2016 meeting.

MOTION: Mr. Evans made a motion to approve the minutes from the meeting

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on May 4, 2016. Mr. Rick Paron, a retired police officer in attendance, referred the Board to Page 6: OPEB may have the most liability in the Police Plan where participating officers and spouses, who retire, receive health insurance until age 65. He asked why it does not say until "Medicare" age.

For clarification Mr. Jaskot will check the contract for the verbiage and clarify at the next meeting.

Motion was seconded by Mr. Shay. The motion was unanimously accepted by members present.

Mr. Evans moved directly to Agenda item 6c, Cost-of-Living Adjustment - (COLA-Police and Volunteer Firefighter Plans) to accommodate the group of retired police officers in attendance.

Mr. Jaskot explained that the resolution to the Cost-of-Living Adjustment - COLA, is based on the calculation of a CPI index. For the first time, a negative COLA adjustment was calculated based on the CPI index. Because of this Mr. Jaskot and the Town Attorney reviewed the union contract (no contract for Firefighters) and plan documents. They determined that the language does not mention anything about a decrease in the benefit, only an increase. The calculation for June 30, 2016 resulted in a decrease of .11%. Police and Firefighters are eligible for a COLA after the 3rd year anniversary of retirement. For example if the retirement is October 1st 3 years ago, the COLA adjustment will take effect on October 1, 2016 The COLA is not applicable for some older members of the Police plan. Based on contract/plan language, the Town pension attorney and Finance Director concluded that a decrease in benefits was not an option. The concern going forward is how to calculate an increase based on a previous decrease. Would the base be this year's base or will there be a fresh start with next year's base. This will not be decided on tonight. It will likely be vetted out during union negotiations. The resolution addresses this year only.

Mr. Jaskot spoke with the Police Union representative today who was originally concerned with the language in the resolution, but, in the end he was not opposed to what was being presented.

The Town charter gives the Retirement Board the authority to interpret plan provisions.

Mr. Evans thought that there was no history of a negative adjustment in the social security calculation. He asked if the -.11% will be recaptured when calculations are made next year. Mr. Jaskot thought however that there was some history of a negative adjustment in social security, but that it was a long time ago.

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Mr. Jaskot found that some other towns are more specific when addressing negative adjustments. Some plans do not address them while others state how subsequent benefits are to be calculated when there is a negative adjustment. Our plan/language never anticipated a negative adjustment. We will have to know how to proceed by July 1, 2017.

Mr. Evans asked what was used to determine the calculation?

Mr. Jaskot said that it is determined by the Consumer Price Index for Northeast Region for Urban Consumers from 1982 - 1984.

Mr. Evans asked what the adjustment was for last year.

Mr. Jaskot said that it was small for last year.

Mr. Tim Rogers asked how negotiations will be resolved for those who have already retired and he stated that when negotiations were made to bring COLA into the contract, that a lot was given up including an early retirement incentive which included a large amount of money, extra years of service and extra years of insurance coverage for the entire family. Retirees do not get a voice to negotiate.

Mr. David Kehoss reiterated that an early retirement incentive was given up for the COLA benefit.

Mr. Michael Cruess said that a decrease was never discussed during negotiations but that increases were discussed. A decrease should not have to happen every year. We are essentially taking a hit for next year.

Mr. Jaskot recapped the concerns of the retirees:

Emphasis that retirees gave up benefits while negotiating the COLA benefits.

Lack of representation from the retirees going forward and if there are consequences associated with this.

Determination on how benefit going forward is calculated.

There is no decrease for anyone this year.

The CPI is capped at 3% per year and a lifetime at 50%, for both Police and Firefighters. Since benefits are capped, negative adjustments should not be considered.

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Mr. David Kehoss for clarification said that he was on union executive board when the COLA was being introduced. This was between 1993-1994.

Michael Cruess asked if the Police retiree medical benefit (VEBA) was to age 65, or Medicare eligible? Rick Paron asked if retiree spouse gets a COLA adjustment if the retiree is deceased? Mr. Jaskot will check and follow up at the next meeting.

MOTION: Michael Evans made a motion to accept the COLA resolution (Attachment I). Motion seconded by Paul Shay and accepted unanimously by the Board members.

5. Old Business:

None

6. New Business:

- a. Investment Update and Market Comments – Mr. Ross Charkatz and Amanda Thome of Graystone Consulting.

Market Comments

This year emerging market stocks have done well after a number of years where they trailed the United States stocks. The world has been volatile. At the beginning of the year when oil went down there was close to a 1 for 1 movement in the stock market. After rebounding 30%, oil has gone down about 20% recently over the last few weeks but has not affected the stock market. Ten year treasury bonds in the United States have been up 8.7% and the yield in ten year treasury at the beginning of the year was 2.7%.

Mr. Evans asked if the 8.7% includes a yield.

Mr. Charkatz replied that it does include a yield, but not very much. A yield may have added only 1% to it in terms of income.

There have been a lot of mixed signals with interest rates going down. Typically this would be worrisome. If you look at Core CPI where year over year it has been 2.3% which is higher than the last 10 year average of 1.9%. It is due to more day to day living resulting in the 2.3%. This is healthy sign as compared to the overall economy. Those benefiting in this economy are the owners of assets. Those not benefiting are just about everyone else.

After the big market decline in 2009, the asset class strategies that have done well are the S&P 500 long term high quality bonds; things tied to high

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income, etc. Shorter term bonds have not done well over the past 5 years as well as areas more value, or relatively value, oriented including hedge funds and commodities. There has not been commonality of the classes of income that have done well. The influential factor is exposure to interest duration. The value of future income goes up with asset classes in the S&P 500 as the interest rates go down.

The portfolio is up 1.1%. July was a positive month which will affect the shorter term numbers going out. The hedge funds have not delivered. More recently positive activity has come from illiquid investments (Oak Tree, etc.). There have been straight increases in value. It has been a good environment for illiquids and the environment is set up for them to continue to do well.

Mr. Evans asked if all of the deals are open or are some of them closed. Is Private Advisors closed out now, etc.

Mr. Charkatz said that Blackstone I is closed. Blackstone II is still calling. Private Advisors can still call. EnTrust will go from illiquid to liquid in a few years. Oak Tree has just started. The Oak Tree net return is just shy about 10%.

Mr. Evans asked if there was anything else to be updated on. He asked about Berens.

Mr. Charkatz said that there was a redemption made from Berens which will appear at the end of next quarter. Between new cash added to plans and Berens' liquidation, there is a recommendation to keep cash in the short term to be able to invest and maintain what the replacement will be for Berens. Pointer is a fund well known to Graystone.

Mr. Evans asked during what time frame that Berens would be returned.

Ms. Thome answered that cash will likely appear at the beginning of 2017; late January.

Mr. Evans said that this will be focused during the February 2017 meeting.

b. Investment Recommendation – Pointer Capital

Pointer Management was established in 1990 by three investment professionals: W. Thorpe McKenzie, J.A. Stout and J.H. Davenport.

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Pointer Capital is a hedge fund of funds which seek to achieve long term returns while minimizing unnecessary risk. The General Partner and Pointer Management employees are the largest investors in the fund with 9% of the assets. It is a fund of hedge funds which is predominantly allocated to long/short equity but may at times have allocations to other strategies, including commodities and distressed securities.

Pointer is a long/short classic hedge fund portfolio. A long/short is where each manager has a particular specialty; one may focus on global stocks and another focuses on financials. Rather than purchasing a manager who only buys financial stocks, these are managers that are going to be hedging those investments related to either general market risks or risk related to a particular industry. If they have a long investment, which means that they bought something, they have an offsetting investment to have less market risk and more idiosyncratic risk. They don't want to bet on the general market going up, they would rather be neutral which results in a good security selection. The lower the exposure, the lower the market risk you have in a hedge fund investment.

The report references performance and down markets for the past 10 years when the S&P market has gone down. Green represents out performance and red represents under performance. In all months except for 4 where the market has gone down, the portfolio has held up. The largest investor in Pointer is its management team and since they have been there has not taken money out.

MOTION: Michael Evans made a motion to invest 3.3% of the Cheshire Retirement Portfolio equal to \$2.2M effective October 1, 2016 in Pointer Capital. Motion seconded by Mr. Shay and accepted unanimously by the Board members.

Mr. Charkatz recommended that Pointer Capital speak at the next Retirement Board Meeting on November 2nd.

- c. Cost-of-Living Adjustment (COLA-Police and Volunteer Firefighters Plans)

Discussion took place at the beginning of tonight's meeting.

- d. Pension Disbursements - For Information Only. (no discussion)
- e. Summary of Bills - For Information Only. (no discussion)

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7. Public Comment

Public comment was made during the Cost-of-Living Adjustment discussion.

8. Adjournment

Mr. Evans made a motion to adjourn the meeting at 8:00 p.m. Motion was seconded by Mr. Shay. All members present were in favor of the motion.

Respectfully submitted,


Dawn Guite, Recording Secretary

**Resolutions for Adoption by
The Town of Cheshire Retirement Board**

WHEREAS, The Town of Cheshire (the "Town") maintains the Retirement Plan for the Employees of the Town of Cheshire (the "Retirement Plan") and The Town of Cheshire Volunteer Firefighter Pension Plan (the "Firefighter Plan", and collectively with the Retirement Plan, the "Plans"); and

WHEREAS, The Town of Cheshire Retirement Board (the "Board") serves as the Administrator for the Plans and reserved the authority to construe and resolve all questions of Plan interpretation in Part 4, Section 4.2 of the Retirement Plan, and Section 2-194(b) of the Firefighter Plan, respectively; and

WHEREAS, the Plans provide a calculation for an annual Cost-of-Living Adjustment on or after July 1st of each year (the "COLA Calculation") to certain participants' benefits in Part 1, Section 3.1(b) of the Retirement Plan and Section 2-189 of the Firefighter Plan, respectively; and

WHEREAS, the COLA Calculation for 2016, which was timely performed in June 2016, would require a reduction in applicable participant benefits for such participants who would have received or will receive a Cost-of-Living-Adjustment pursuant to the Plans' terms during the 12-month period commencing on July 1, 2016 and ending on June 30, 2017 (the "2016 Adjustment Period"); and

WHEREAS, to the knowledge of James Jaskot, the Town's Finance Director (the "Finance Director"), and the Plans' current employee benefits attorney and actuary, this is the first time the COLA Calculation has produced a negative result; and

WHEREAS, upon review of the Plans and consultation with the Town's employee benefits attorney and actuary, the Finance Director determined that the terms of the Plans do not clearly address a reduction in benefits resulting from a negative COLA Calculation, including but not limited to whether a reduction in benefits would be consistent with the Plans' terms; and

WHEREAS, based on this consultation and review of the Plans the Finance Director acted to forego processing a COLA adjustment for the 2016 Adjustment Period; and

WHEREAS, each member of the Board was furnished with a written explanation of this action in a letter from the Finance Director, dated June 20, 2016; and

WHEREAS, the Board wishes to acknowledge, ratify and approve the Finance Director's interpretation of the Plans in regards to this matter and all actions taken by the Finance Director to give effect to this interpretation.

NOW, THEREFORE, be it hereby:

RESOLVED, that the Board hereby acknowledges, ratifies, and approves the Finance Director's action taken in June 2016 wherein no reduction in participant benefits was or will be implemented as a result of the negative COLA Calculations for the 2016 Adjustment Period;

FURTHER RESOLVED, that the Finance Director is hereby instructed to review possible alternatives to clarify the Plans' treatment of negative COLA Calculations, and, in consultation with the Town's employee benefits attorney and actuary, to propose such language and treatment of future negative COLA Calculations as he may deem appropriate to the Board for its consideration, including but not limited to a possible amendment to the Plans and/or such other actions as the Finance Director may deem to be appropriate in furtherance of this goal.