In attendance were Chairman Tom Denne, members Gary Gombar, and William Freitag, Police Department representatives Joseph Mazzini and Tim Rodgers, Finance Director Patti-Lynn Ryan, Deputy Finance Director James Jaskot, Bob Scherer of Graystone Consulting (6:13 p.m.), and Charles Diccianni and Neill Groom (Conference call) Neuberger Berman.

1. CALL TO ORDER

Chairman Tom Denne called the meeting to order at 6:02 p.m.

2. ROLL CALL AND DETERMINATION OF A QUORUM.

Chairman Tom Denne 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 3RD

Gary Gombar made a motion to approve the minutes from the meeting on February 3, 2010. Seconded by Tim Rodgers.

Motion to approve the minutes was unanimous by members present.

The Chairman moved ahead to agenda item # 6 while waiting for Bob Scherer to arrive.

6. OLD BUSINESS:

   a. PENSION DISBURSEMENTS – INFORMATIONAL ONLY

   Patti Lynn explained what the pension disbursement summary entails. The Board reviewed the packet materials. There was no discussion.
b. SUMMARY OF BILLS – FOR REVIEW ONLY

The Board reviewed the packet materials. There was no discussion.

5. NEW BUSINESS:

d. ELECTION OF OFFICERS

At this time, Chairman Denne accepted nominations for new officers. Gary Gombar was nominated for Chairman, Tim Rodgers for Secretary, William Freitag for Vice Chairman.

The election of officers was approved by all members present.

a. MAY INVESTMENT ACTION ITEMS ONLY

There were no action items for discussion.

b. MAY INVESTEMENT MANAGER PRESENTATION: NEUBERGER BERMAN

Charles Diccianni dialed into a conference call with Neill Groom. Charles introduced himself and directed the Board to page 3 of the Neuberger Berman Portfolio Review, summarizing the S&P 500 since the market crash in October 2007. The S&P 500 declined by over 56% until it hit bottom in March 2009, but still has not gotten back to the level it was. On page 4, he noted that the Town’s Neuberger growth portfolio was behind the benchmark this year, but the three-year return was 2.38 percent, versus –4.17 for the S&P 500. Since inception, over 30 years, it returned 14.55 percent, versus 11.39 for the S&P. Page 6 showed that the Town’s investment growth of 41.4 million since inception has paid for plan disbursements and capital withdrawals. There was a balance of 8.2 million in the Neuberger growth portfolio at March 31, 2010.

Neill Groom summarized the Sector Diversification on page 8. He explained that they had a very defensive portfolio when the market bottomed out in March 2009. They looked for high quality companies that had a catalyst to drive acceleration. Consumer product companies like Proctor Gamble, and Kroger, the Grocery store chain, were companies in which they had invested. They tried to stay away from companies with discretionary products. They were overweight in consumer staples and healthcare, and underweight in consumer cyclicals and advertising. There were reduction in materials and mining, financials, housing market, and technology.

Next, Neill talked about the stimulus plan – railroads, bridges, power generation, etc. would require a lot of material purchases. They bought
Freeport McMoRan, a large copper mine in Indonesia, and BHP Billiton, a large iron producer, and U. S. Steel. In financials they bought Goldman Sachs, J.P. Morgan, and later American Express since they had the least government ownership and saw signs of improvement. They were hurt in the first quarter by some of the smaller, lower quality names that drove the market in 2009. We expect quality names to do better going forward. The affects on the economy from the curtailment of stimulus incentives and the banking situation in Greece are of concern. As the dollar gets stronger, commodities such as metals and oil get weaker. Thru good stock selection, Neuberger should be able to add value to the S& P returns in the next few years.

Finally, Neill reviewed the growth fund’s ten largest holdings on page 9. Strong balance sheets, good cash flow, dominate in their industry, and selling products that people will continue to buy are some of the traits of these companies.

Bob Scherer stressed that the fund has been able to buy high quality growth stocks and not pay a premium for them, since low priced stocks have been outperforming. Neill said that the market has been rallying since the beginning of the year. Europe could be a disaster. I think we are due for a correction. Going forward, high quality should perform with the market and we can add two to three hundred basis points thru stock picking.

Bill Freitag asked about Neill’s view on no weight in utilities and the high concentration in technology and consumer noncyclicals. Neil responded that, as a growth manager, utilities are hard to get excited about due to government regulation. Technology has two groups, highly cyclical and noncyclical. Neuberger has looked for defensive tech companies such as Hewitt Packard, a highly diversified, global, counter cyclical business. And Oracle, licensing fees will continue to generate revenues. Consumer staples, Proctor and Gamble – soap and toothpaste, will continue to be bought even if the economy gets rocky.

Bob Scherer asked if Neuberger is decelerating any part of the portfolio. Neill said they have reduced energy in the last six months. The growth rate in energy stocks may be hard to sustain. The same situation exists with materials. Housing is another area that could be problematic. If Housing prices weaken, we would consider reducing our exposure in consumer categories.

Bill Freitag asked if they could buy MLPs (Master Limited Partnerships – publicly traded limited partnerships that invest mainly in real estate, natural resources and commodities) in this fund? Neil said they do not purchase MLPs.

The Board thanked Neil and Charles for their presentations.
d. MAY MARKET REVIEW

Bob Scherer stated that the portfolio is in pretty good shape at this point. He referred the Board to page 10 of the Town of Cheshire Pension Plan Retirement Board Investment Discussion dated May 5, 2010. He noted that Neuberger’s high quality growth type fund is in relatively excellent position at this moment and he said that their fund has performed better in down markets due to the high quality of their investments. Snow, Loomis and Metro West have performed spectacularly as well in the recent market. Loomis has done well due to the closing of the credit gaps. Credit cycles usually last a few years.

Bob said eleven out of the twelve managers in the portfolio are over-performing their benchmarks since the Plan has had them. The portfolio is fairly well diversified and positioned. There is a reallocation issue however, as bonds are not cheap, stocks are not cheap, and cash has been aggravating because it has paid relatively nothing. There is no easy answer. The potential for yield right now in the stock markets is probably somewhat subnormal. Structural issues such as debt, headlines in Greece, inflation in China, re-regulation, etc., and at some point rising yields translates to swimming upstream. It doesn’t mean that assets will go down, but we have to be sensitive to this with respect to yields.

Alternative strategies have done well recently, and the Board may want to consider incorporating more non-correlating strategies to the traditional markets. Incorporating some sort of a commodity-based strategy may be a consideration. Scarcity arguments have not gone away and global imbalances are very real, and there will be a lot of movements on a global macro basis. We may also want to expand the portfolio in the bond market place. Right now the portfolio is very biased domestically.

Bob said that themes for 2010 are following policy, staying within Investment Policy Statement ranges, and rebalancing. He mentioned global bonds, commodities, and a little more into the alternative strategies may be a consideration. Overall we are very well positioned. Brandywine continues on the watch list. High quality growth is undervalued and we are entering a time when they should shine. If they don’t, we have an issue and may need to consider replacing them. The proof will be in the pudding. I would also like to see Ironwood try to see more alpha thru portfolio moves, a lot of the really good boutique hedge fund of funds will make concerted efforts to move, on a macro basis, some money around to protect on the risk side when things get over biased in one direction.

Tom Denne asked when the next disbursement from UBP would be. Bob will check on the timing of the cash flows from this liquidation.
Bill Freitag asked a question on the 4th page, third bullet market. Bob explained that secular, or long-term, markets for risk asset classes tend to be range bound due to overbuying and valuation issues. Range bound is the only description I have for a market that is going to be bound by valuation, constrained by a lot of structural issues, and with demographics being a big problem. We are probably stuck in this market, which started at the beginning of the last decade, following an 18-year secular up trend.

Bill Freitag commented on the fixed income issue. Retirees are happy with a 3.25 percent in a treasury vs. a .8 percent CD. We may have lower interest rates for some time. Even though the interest rates are not good, people need it. Bill asked about global bonds. Bob said now that a counter cyclical rally in the dollar has occurred, there could be opportunities in this area.

Bill Freitag thought fixed income probably would continue to do well. He asked about funds that have allocations in the credit markets. Bob provided some details on the funds that have exposure in this area. He then offered to provide some orientation to Bill on the funds and strategies of the portfolio, since we was a new member of the Board. For the August meeting, global bonds will be a topic of discussion. In the global area, balance sheets are better than domestic, which is due in part to the emerging market debt.

7. PUBLIC COMMENT

None

8. ADJOURNMENT

A motion was made to change the August 4, 2010 meeting to August 2, 2010, and the November 4, 2010, meeting to October 27, 2010.

Bill Freitag made a motion to approve the revised meeting dates. Seconded by Gary Gombar.

Motion to approve the revised meeting dates was unanimous by members present.

Tim Rodgers made a motion to adjourn the meeting at 7:32 p.m. Seconded by Gary Gombar. All members present were in favor of the motion.

Respectively submitted:

James J. Jaskot,
Deputy Finance Director