

**CITY EMPLOYEES RETIREMENT FUND BOARD
MINUTES**

(DRAFT)

November 20, 2008

PLACE: Kennedy Mitchell Hall of Records
200 Orange Street
Dept. of Finance Conference Room
New Haven, Connecticut 06510

PRESENT: Jerry Sagnella, Chairman, Members' Representative
John Varrone, Members' Representative
Thomas Cama
Mark Pietrosimone, Secretary
Anthony Acrid

ABSENT: Mayor John DeStefano, Jr.

ALSO PRESENT: Robert Newman, Payroll/Benefit Auditor
Art Asante, Hooker & Holcombe
Tim Ryor, Hooker & Holcombe
Derek Ciampini, Merrill Lynch
Erik Scaranuzzo, Merrill Lynch
John Byrne, Merrill Lynch
Christopher Coppola, Merrill Lynch

Barbara Palmieri from the City Town Clerks office swore in new Board member Mr. Anthony Acrid at 10:00 a.m.

Mr. Sagnella convened the meeting at 10:07 a.m.

1. APPROVAL OF MINUTES

Rep. Varrone moved the approval of the minutes from the meeting of October 16, 2008; Mr. Cama seconded, and the vote was unanimous.

2. NEW PARTICIPANTS – INFORMATION ONLY

The Board members reviewed the information in item #2.

3. DEATH BEFORE RETIREMENT – INFORMATION ONLY

The Board members reviewed the information in item #3.

4. DEATH AFTER RETIREMENT – INFORMATION ONLY

The Board reviewed the information in item #4.

5. WITHDRAWALS – INFORMATION ONLY

The Board reviewed the information in item #5.

6. AGE ANNUITY RETIREMENT – INFORMATION ONLY

The Board reviewed the information in item #6.

7. PAYMENT OF BILLS

Mr. Pietrosimone made a motion to approve the payment of bills in item #7; Mr. Cama seconded, and the vote was unanimous.

8. ADMINISTRATIVE MATTERS

Chairman Sangalla stated there were no administrative matters to discuss.

9. INVESTMENT REVIEW

Mr. Byrne stated that losses are deep and across all asset classes. He said the dollar is getting stronger and the International markets are down more than the U.S. markets and more concern about deflation not inflation. Markets around the world have lost \$100 trillion. Mr. Biernie stated deflation is great for bonds but not good for most other asset classes, especially commercial real estate which has the biggest decline of about 70% now. He stated that everything equity is down and down a lot with fixed income in much better shape. Mr. Camping stated that some equities were moved to fixed income sometime in late August early September before the huge decline in the market. He said the strategy of moving the money from international markets as well as large cap value was the right thing to do. The Trustees made some wise tactical moves regardless of the down market. Chairman Sangallo stated that the P & F Board is not making any changes to anything right now. He asked Merrill Lynch if there is anything the Board should be looking at now. Mr. Scariness stated that the many target meetings the Board had kept the long term goals in mind. Mr. Camas asked Mr. Byrne what the Board should do. Mr. Camping stated that taking too much out of the market is not going to get it done when the market rebounds. He said the stock market is a forward

discounting mechanism 6-9 months in the future. So what is happening today in the stock market is indicative of what is going to happen in the economy 6-9 months from now. Mr. Acri stated that he believes January will be a big jump in the market so the Board should stay 60-65% in equities. Mr. Ciampini stated that the market will move sideways and when it rebounds it will go up quickly.

Chairman Sagnella asked the actuaries what other towns are doing. Mr. Assante said he has not heard but he feels if the Board is afraid of a worst case scenario then it should be discussed now. Mr. Ryor stated that the funds negative cash flow is approximately \$9 million a year. He said the Fund needs to make 6.25% for it to stay flat, which is not going to be done in bonds. Mr. Acri stated that if you go into high grade corporate bonds you can get 4% or 5% in those and that is where I would go with fixed income. Mr. Ciampini stated that Bill Gross of PIMCO is moving into these now and he has an excellent track record and that is why Merrill Lynch is already moving into high grade corporates. Mr. Ryor stated that most towns are following their policy and not panicking. Mr. Scaranuzzo stated that the fixed account right now is at about 50% today. If the Board wants to go lower it can but only the Trustees can make that decision. He said the question is it prudent to make a decision on what might happen in the next two months or should you look at the long term because it is a long term fund. Mr. Ciampini said it is tough to not get emotional but try to take it out before you make a decision. This is why there are policy guidelines so when things do get tough you adhere to them because when it does not feel good you have to take the emotion out of it and stick to the policy guidelines. Mr. Ciampini stated that the Board has followed the policy guidelines and even revised them but to do so again probably is not prudent at this point. Chairman Sagnella asked Mr. Ryor how much is paid out in benefits a month. Mr. Ryor responded approximately \$1.6 million. Mr. Pietrosimone stated that the city match was about \$9.2 million this year and about \$10 million next year. Chairman Sagnella stated that doing simple math over the next 20 years the Fund has a slow burn rate and is still in decent shape. Mr. Ryor stated that the funded ratio now is about at 45%.

Chairman Sagnella stated that the Board is doing everything they can and no one is jumping out of buildings so the Board agreed to stay the course and see how things go and if emergency meeting needs to be convened it will be. At this time Mr. Bierne read the handout entitled "Capitalism Faces Its Greatest Challenge" by John Cox of the Bank of Montreal. After he finished Mr. Bierne said do not panic here.

The next meeting has been scheduled for Thursday December 18, 2008 at 10:00 a.m.

The meeting adjourned at 11:35 a.m. on a motion by Mr. Pietrosimone and seconded by Rep. Varrone.

ATTEST:

Mark Pietrosimone
Secretary