

**CITY EMPLOYEES RETIREMENT FUND BOARD**

**MINUTES**

**FINAL**

**AUGUST 25, 2009**

- PLACE:** City Hall  
200 Orange Street  
Dept. of Finance Conference Room  
New Haven, Connecticut 06510
- PRESENT:** Jerry Sagnella, Chairman  
Thomas Cama  
John Varrone, Members' Representative  
Mark Pietrosimone, Secretary
- ABSENT:** Mayor John DeStefano, Jr.
- ALSO PRESENT:** Joann Giri, Benefits Auditor  
Art Assantes, Hooker and Holcombe  
Tim Ryor, Hooker and Holcombe  
Patricia Solomon  
Derek Ciampini, Ameriprise  
Chris Coppola, Ameriprise  
Wendy Coppola, Ameriprise  
Leslie Williams, Ameriprise  
David Schwartz, Accounts Payable  
Larry Amendola, President/Local 3144  
Cherilyn Poindexter, Vice President/Local 3144

Mr. Sagnella convened the meeting at 10:05 a.m.

**1. APPROVAL OF MINUTES**

Mr. Varrone moved the approval of the minutes from the meeting of July 16, 2009; Mr. Cama seconded, and the vote was unanimous.

**2. DEATH AFTER RETIREMENT – INFORMATION ONLY**

- a) Davis, Rosie
- b) Santaella, Blasino

**3. DEATH OF SURVIVOR – INFORMATION ONLY**

- a) Grillo, Lucien
- b) Forte, Carmela

#### **4. WITHDRAWAL – INFORMATION ONLY**

The Board reviewed the information under Item 3.

#### **5. AGE ANNUITY RETIREMENTS – INFORMATION ONLY**

The Board reviewed the information under Item 4.

#### **6. PAYMENT OF BILLS**

Mr. Cama made a motion to approve payment of the bills in Item 6; Mr. Varrone seconded and the vote was unanimous.

#### **7. ADMINISTRATIVE MATTERS**

CERF had a commission recapture arrangement with Merrill Lynch where the Fund received \$1 for every \$1.60 of trade costs. Merrill Lynch's annual fee was \$99,000; it appears the fund got the entire \$99,000 in commission recapture. Merrill Lynch was taken over by Bank of America and they did away with that arrangement. The fund then hired Convergenx to provide a similar service. Mr. Ciampini stated anything above 1 penny and a half a share is credited back to CERF through a monthly wire. Typically they limit the trades to 30%.

Mr. Sagnella stated when the Board voted to hire Convergenx, they agreed the other 70% of trades would revert back to the directed trades. The money managers will be notified when they put through any trades the New Haven firms should be considered with the proviso they have a competitive rate. The list has been updated and firms can be added to this list at any time. Firms are Merrill Lynch, Janney Montgomery Scott and Morgan Stanley.

Mr. Varrone made a motion to accept the current Directed Trade list and notify the managers that they should trade through these companies;

Ms. Solomon asked how this affects the fact that we terminated services with Merrill Lynch. Mr. Sagnella stated this is purely trading; Mr. Cama seconded, and the vote was unanimous.

Mr. Sagnella stated according to the Internal Revenue the trustees have to make an effort to monitor these trades to ensure they are in compliance with what is deemed to be an acceptable trading agreement. We will trade reports and review them as a Board.

Ms. Solomon asked when this new trading practice begins. Mr. Ciampini stated it will begin as soon as the managers receive the directed trade correspondence.

Mr. Sagnella stated there is language in the CERF contracts indicating that in the event of a lawsuit trustees are exempt from any liability. P&F trustees do not have this language. The CERF Board would be covered for any judgements against them but legal fees would not be covered. To cover the gap we bought third party liability insurance at a cost of \$36,000 per year. This coverage would pay judgment and legal fees for trustees. This

policy is up for renewal. P&F trustees had a stipulation signed off by Labor Relations and union presidents which protects them from a judgment against the fund for non fiduciary issues; Corporation Counsel would represent trustees and if there were a judgment the City would pay that judgment. Fiduciary issues would be covered by the insurance. The P&F trustees feel comfortable with the coverage for non fiduciary so they opted not to continue the liability insurance. If they get sued for fiduciary reasons the Fund has to pay the damages.

Mr. Ciampini asked if this will affect CERF's premiums. Mr. Sagnella stated our attorney crafted the same language in proposed memorandum of understanding form to cover trustees on this board. The city will present the language to the unions. If P&F are not renewing their insurance, CERF will have to renew on their own; it could affect the premium rate. There is currently a 30-day extension on the CERF insurance. Ms. Solomon suggested the Board do an RFP for insurance coverage. Mr. Sagnella stated the City's consultant already did a price comparison. Ms. Solomon stated she would be more comfortable if the trustees had access to outside counsel if necessary. Mr. Sagnella stated the renewal has to be done very quickly. He would suggest staying with the current company and looking into quarterly renewals. The trustees can also look into alternatives.

Mr. Varrone made a motion to renew the current insurance policy in place with the provision that we look for competitive rates and quarterly renewal; Mr. Cama seconded, and the vote was unanimous.

The Board contacted Attorney Sharon Freilich by telephone. Mr. Sagnella asked Attorney Freilich to go over her research on the TALF investment. He stated they would be calling her again after their investment review.

## **8. EXECUTIVE SESSION FOR POTENTIAL LITIGATION**

There was no discussion under this item.

## **9. INVESTMENT REVIEW**

Mr. Ciampini stated July was a good month for equities. The fund was up \$8.75 million. The City made a contribution of \$9.5 million for the year. Mr. Ciampini stated the first order of business would be to rebalance with that money and put the equities back in line. We have about \$23 million in cash which we should put to work.

Mr. Pietrosimone asked if the \$9.5 million contribution is included in the performance numbers. Mr. Ciampini stated it is not.

Mr. Ciampini stated Aletheia LCV was up 8.2% versus 8.2% for the index; year to date Aletheia is up 15% versus 5.1% for the index Neuberger Berman LCV was up 8.0% versus 8.2% for the index; year to date Neuberger is up 12.4 versus 5.1% for the index; Aletheia LCG was up 7.4% versus 7.1% for the index; Neuberger Berman LCG was up 6.6% versus 7.1% for the index; S&P is flat; Munder is up 7% versus 7.9% for the index; NCM is up 8.5% versus 8.9% for the index; Paradigm is up 7.8% versus 9.6% for the index however, year to date Paradigm is up 24.5 versus 12.5% for the index; Artio Global

is equal with the index at 9.8%; Wentworth Hauser is up 10.1% versus 9.1% for the index; year to date they are up 36.6% versus 18.3% for the index. Emerald is up 1.7% versus 1.4% for the index; Pimco is up 2.2% versus 1.6% for the index; Penn Capital is up 5.4% versus 5.9% for the index. For the month the fund is up 5% versus 4.9% for the index; year to date the fund is up 11.3% versus 10.2% for the index.

Mr. Pietrosimone asked for a comment on Munder Capital. Mr. Ciampini stated he will be having a conference call with them some time this week. They do not need to be put on the watch list yet. Mid cap space has been a tough space.

Currently the fund is at 47% equity. After the trustees vote to rebalance it will be 52-53% equity.

Mr. Ciampini stated it makes sense to look at real estate (commercial, apartments, stores, global) or commodities and Tipps to prepare for inflation. Buy inflation insurance while it is cheap before inflation kicks in and everyone is looking for these investments.

Mr. Williams stated instead of investing in the U.S. dollar China is investing in real estate globally. Mr. Ciampini stated by purchasing assets with their U.S. dollars China is accomplishing two things: taking advantage of assets at a low cost and unloading their dollars.

Mr. Williams stated there are two types of debt: market debt in principal we might be able to print our way out of it; then there is debt where we have obligations that actually do things and you cannot print your way out of that debt. The latter debt is \$127 trillion. Mr. Ciampini stated China is fearful of their investment in the U.S. dollar. Mr. Ciampini stated currently we are almost 100% domestically invested. He recommends that we set up some subcommittee meetings and bring in international bond managers for a start; we also want to talk about alternatives and commodities.

Mr. Williams stated alternatives can be thought of as things that are not stocks and bonds. There are three general categories of alternatives; there is commercial real estate (domestic & international), there are commodity contracts and thirdly where people hedge all these real and financial assets. Right now we own almost none of that. If you are going to be truly diversified it does not mean you have to own the same amount as the world does but you have to have some exposure. There is a huge difference between the people who use hedge funds safely and those who do not. There is a way for pension funds and even retail people to get some exposure to the safer aspects of that. It is an alternative to hedging; you hedge the hedges. There are a couple of companies who specialize in that. You can invest in tangible assets whereas in hedge funds it is proprietary. The process is transparent, it is completely liquid and you see results.

The trustees are looking for something that has none of the problems of a hedge fund and that is completely transparent and liquid; a couple of firms do that very well in the form of mutual funds or separately managed accounts: Index IQ and Alpha Simplex. They have a track record; when times are bad they do much better than hedge funds. Mr. Ciampini stated we believe in the asset class but are cognizant of the trustees' adversity to buying hedge funds. This is a way to invest in hedge fund like securities that mimic hedge funds and actually do much better than hedge funds; they are safer, more liquid

and have transparency. These are mutual funds traded on the market, not a limited partnership. Mr. Williams advocates putting that on the table for consideration.

Mr. Pietrosimone made a motion to authorize the consultants to rebalance the portfolio based on the current cash infusion of the city's contribution; Mr. Varrone seconded and the vote was unanimous.

Mr. Pietrosimone made a motion to schedule subcommittee meetings to discuss international bond and alternative strategy with Index IQ and Alpha Simplex; Mr. Cama seconded and the vote was unanimous.

Sharon Freilich was contacted by telephone to discuss the TALF investment. Attorney Freilich still had questions and concerns regarding this investment. Mr. Sagnella expressed appreciation for her review and research; he stated there were too many variables and unknowns in the TALF language and did not feel it was worth pursuing. The trustees agreed. Attorney Freilich stated she will do no further work on the TALF investments.

Mr. Cama made a motion to discontinue pursuit of looking into the TALF funds; Mr. Varrone seconded and the vote was unanimous.

Mr. Ciampini noted the legal expenses for the TALF research is \$5,000 to date. It is well worth the research before investing \$5 million.

Mr. Sagnella stated Larry Amendola president of Local 3144 and Cheryl Poindexter vice president of Local 3144 would like to address the Board. Mr. Amendola stated that currently Local 3144 pension contribution rate is 6%. According to the contract language for Executive Management and Confidential Employees they should be contributing 6.5% but they are only contributing 6%. Ms. Poindexter stated there is language that goes back to July 1, 2008 setting the contribution rate at 6.5%; there is also language that goes back to December 1991 (18 years) setting the rate at 6.25%. They brought this to the attention of union representatives, Jerry Sagnella and John Varrone. About a week and a half ago Mr. Sagnella had a meeting with Emmet Hibson and asked him for an explanation and for their intentions. Mr. Amendola stated he has received no response. He expressed his concern that such an important issue has not been addressed. The trustees should be concerned that a mistake was made and should be corrected retroactively. Mr. Sagnella asked if he is expressing disappointment with the Board. Mr. Amendola stated is not the Board but the City of New Haven. Ms. Poindexter stated the fund definitely needs those additional contributions. Mr. Sagnella stated after his meeting with Mr. Hibson he raised the Executive Management contribution rate to 6.2%, about two weeks ago. The problem is one section of the contract says FICA rate (6.2%) and one says 6.5%. The issue is what section prevails? Ms. Poindexter stated they did not even pay the 6.25% that was in the contract back to 1991. Mr. Sagnella stated that language has been in the contract since 1988. Mr. Sagnella stated he ran a report on the contributions retroactive to July 1, 2008 and it comes to about \$6,500. The City has to approve the retroactive contribution being taken from these employees. He spoke to their attorney and they said maybe one of the reasons the increase was not implemented was because the manual was not approved by the Board of Aldermen. Mr. Amendola requested as Pension representatives that Mr. Sagnella and Mr. Varrone write a strong

letter to the Board of Aldermen indicating that the increase in pension contributions should be retroactive. If they do not receive a satisfactory response the union will take whatever steps are necessary to resolve this issue. Mr. Sagnella stated they would send the letter to Labor Relations.

The meeting adjourned at 11:40 a.m. on a motion by Mr. Varrone and seconded by Mr. Cama and the vote was unanimous.

The next meeting was rescheduled to Thursday, September 17, 2009 at 10:00 a.m.

ATTEST:

---

Secretary