

CITY EMPLOYEES RETIREMENT FUND BOARD

MINUTES

(DRAFT)

December 18, 2008

- 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
Anthony Acri
- ABSENT:** Mayor John DeStefano, Jr.
- ALSO PRESENT:** Joann Giri, Benefits Auditor
Tim Ryor, Hooker and Holcombe
Derek Ciampini, Merrill Lynch
John Beirne, Merrill Lynch

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

1. APPROVAL OF MINUTES

Mr. Pietrosimone moved the approval of the minutes from the meeting of November 20, 2008; Mr. Varrone seconded, and the vote was unanimous.

2. NEW PARTICIPANTS – INFORMATION ONLY

The Board reviewed the information in Item 2.

3. DEATH AFTER RETIREMENT – INFORMATION ONLY

- a) Garvin, Peggy
- b) Hamilton, Lucinda
- c) Mason, Marion
- d) Pascarella, Josephine
- e) Procopio, Josephine
- f) Sagnella, Frank

The Board reviewed the information in Item 3.

4. WITHDRAWALS – INFORMATION ONLY

The Board reviewed the information under Item 4.

5. DISABILITY RETIREMENT – SERVICE CONNECTED

Small Kendrick

Mr. Cama made a motion to approve Mr. Small's application for a service connected disability based on the medical information provided; Mr. Pietrosimone seconded, and the vote was unanimous.

6. PAYMENT OF BILLS

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

7. ADMINISTRATIVE MATTERS

a) Discussion of Freedom of Information (FOI) Requirements For Posting Minutes, Votes and Executive Sessions

Mr. Sagnella stated that there is a current case pending with the Police and Fire Fund which has brought to light F.O.I. guidelines which must be followed by both Boards. For example, records of the votes must be made available (in the Payroll & Pension Division) to the public within 48 hours of each pension meeting. Although this was already available it will now be done in a more formal manner. Also, a draft of the minutes has to be available to the public within 7 calendar days of the conclusion of the meeting. These will be posted on the City of New Haven website. Once the minutes are finalized they will replace the draft on the website.

8. INVESTMENT REVIEW

Mr. Beirne stated this market has the historical significance of having the sharpest decline of any 12 month break including 1929. The biggest decline of the month was the REIT index. There were positive returns in the bond and treasury market. For the 11 month period the 15 year plus Treasury bond provided a total return of 16.6%.

The equity hedge funds were down 25% which is much better than the stock market down 45% and the composite down 19%.

The fund's strategy to emphasize growth over value has not paid much in the way of dividends this year although it has over the last couple of years. In large cap value both Aletheia and Neuberger Berman were down more than the index. Both organizations continue to overweight energy as an asset class in the portfolios.

In the mid and small cap arena Munder was down 41.2% year to date versus the index down 39.7%. NCM was down 40% year to date versus the index down 39.8%. And Paradigm was down 22.4% versus the index down 23.9%.

Metals and Mining were the biggest hit for the month down 15.5% agriculture commodities was down 4% and energy leveled off at a minus 1.2%.

In the international arena Artio was down 4.8% for November slightly better than the index which was down 5.8%. Wentworth Hauser was down 12.3% versus the index down 5.8%. In fixed income Pimco was up 2% versus the index up 3.5%. TIPS returned .5% versus the index at .7%. Israel Bonds was up 5% year to date. At the end of the month the fund was 41% in cash and bonds and 59% in equities substantially below the long term benchmarks.

Mr. Ciampini stated it was a good decision to overweight growth versus value. Also, it was wise to overweight the more diversified manager in each asset class and underweight the more concentrated managers. Commodities exposure was only 1% per asset class.

Mr. Pietrosimone asked how Barak Obama's massive infrastructure plan will stimulate the economy. Mr. Beirne responded the impact will be spread over time. In terms of parallels, when Japan invested in infrastructure spending the economy went sideways with no growth for a long period of time.

Mr. Sagnella stated the prior consultant had recommended that the fund get involved in REIT's. We actually had a contract consummated The current financial consultants recommended that the fund not go forward with that investment and the Fund backed out of the contract. Mr. Sagnella asked Merrill Lynch to examine what would have happened if the fund stayed with the REITs. Mr. Ciampini stated there might have been another 3 or 4 quarters of negative returns. Mr. Cama asked if this would be a good vehicle to get into at this time. Mr. Ciampini stated it has not reached bottom but it would be something to consider in the future. Mr. Sagnella asked if the Fund had kept the money managers it had prior to changing asset allocation comparatively speaking where would the fund be. Mr. Ciampini stated for 2008 the fund could be down another 300 basis points but he stated that is purely theoretical.

Mr. Beirne stated fundamentally they remain very concerned and very cautious. They have stocks in the highest quality companies and long duration high quality bonds. Ms. Solomon asked if Merrill Lynch could research the affect of infrastructure investment on Japan's pension funds. Mr. Beirne stated he would look into that and report back to the Board. Mr. Beirne added that the U.S. is in better shape going forward than Japan was.

Mr. Beirne stated the fund is under target at 59% equities versus the target of 80%. Fixed income is a bit overweighted at 37% versus the 20% target. He

stated at some point they have to rebalance back toward that target, the question is when.

Mr. Ciampini called attention to a letter they wrote to their private clients which reassure them to stay calm and underlined the importance to stay invested for the long term. It is important to stay in the market so you do not miss the high performing periods. It is important to be defensive and outperform the markets.

The meeting adjourned at 11:30 a.m. on a motion by Mr. Cama and seconded by Mr. Varrone and the vote was unanimous.

9. MEETING SCHEDULE FOR 2009

The next meeting is scheduled for Thursday, January 15, 2009 at 10:00 a.m.

ATTEST:

Secretary