

CITY EMPLOYEES RETIREMENT FUND BOARD

FINAL MINUTES

May 21, 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.
David Slifka

ALSO PRESENT: Joann Giri, Benefits Auditor
Art Assantes, Hooker and Holcombe
Derek Ciampini, Ameriprise
Chris Coppola, Ameriprise
Wendy Coppola, Ameriprise
Carolyn Kone, Brenner, Saltzman & Wallman

Mr. Sagnella convened the meeting at 10:20 a.m.

1. APPROVAL OF MINUTES

Mr. Varrone moved the approval of the minutes from the meeting of April 16, 27, and 28 and May 4, 2009; Mr. Cama seconded, and the vote was unanimous.

2. NEW PARTICIPANTS - INFORMATION ONLY

The Board reviewed the information under Item 2.

3. DEATH BEFORE RETIREMENT – INFORMATION ONLY

a) Riles, Donald

The Board reviewed the information under Item 3.

4. DEATH AFTER RETIREMENT – INFORMATION ONLY

- a) Jones, Louis
- b) Meadow, Frank
- c) Struwas, Lucille
- d) Wasserman, Sarah

5. WITHDRAWALS – INFORMATION ONLY

The Board reviewed the information under Item 5.

6. AGE ANNUITY RETIREMENT – INFORMATION ONLY

The Board reviewed the information under Item 6.

**7. AGE ANNUITY RETIREMENTS/PER STIPULATED AGREEMENTS
INFORMATION ONLY**

The Board reviewed the information under Item 7.

8. DISABILITY ANNUITY – SERVICE CONNECTED/UPDATE

a) Jackson, Denise

After reviewing Denise Jackson’s documentation the Board asked that she be sent for a Functional Capacity test. Ms. Jackson’s treating physician will not give authorization until he has examined her and feels she is physically ready for the test.

Mr. Varrone made a motion to table Denise Jackson’s application for a service connected disability pending release from Ms. Jackson’s treating physician to go for a Functional Capacity Evaluation; Mr. Cama seconded, and the vote was unanimous.

**9. EXECUTIVE SESSION: DISCUSSION OF LEGAL STRATEGY FOR
POTENTIAL LITIGATION**

Mr. Pietrosimone made a motion to go into Executive Session regarding possible litigation; Mr. Varrone seconded, and the vote was unanimous. The Board asked that Mr. Ciampini, Attorney Kone and Ms. Giri remain in Executive Session.

Mr. Pietrosimone made a motion to go out of Executive Session; Mr. Varrone seconded, and the vote was unanimous.

Mr. Pietrosimone made a motion to authorize legal counsel to respond to the correspondence (dated May 13, 2009) from Mayer Brown, legal counsel for Northern Trust; with respect to NT securities lending; the Board requests that Northern Trust put CERF in the core USA pool cap securities lending at current date and recalculate the collateral deficiency as if we were in Core USA pool; the Board requests a tolling agreement. Northern Trust should be advised that if they meet the Board’s requests they will hold off suit for nine months; Mr. Varrone seconded and the vote was unanimous.

10. PAYMENT OF BILLS

Mr. Varrone made a motion to approve payment of the bills in Item 10, omitting the bills listed for Alethia for quarter ending 6/30/09; Mr. Varrone seconded and the vote was unanimous.

11. ADMINISTRATIVE MATTERS

Mr. Sagnella stated the contract document for Ameriprise was reviewed by legal counsel; on the basis of that a copy of the final contract was distributed for the Board's review. Mr. Ciampini introduced Leslie Williams from Ameriprise; he has asked Mr. Williams to join their team performing a lot of analysis, securities, trends, patterns.

Mr Sagnella made sure the 30 day back out clause is included. The annual fee of \$99,000 will be paid on a quarterly basis. Merrill Lynch had an arrangement where for every \$1.60 spent on trades, CERF got a dollar back. For the past year CERF gained about \$75,000 back which was taken off Merrill Lynch's \$99,000 fee. When Bank of America took over they said that would no longer be an option. The team looked into an alternative to that; they recommended that CERF use Convergenx to do the same commission recapture function. Mr. Ciampini stated any trade above \$1.50 a share gets credited towards New Haven and New Haven. Mr. Sagnella would like to know that it is being done on a best execution basis. Language in the contract states that Ameriprise will not receive commission from directed brokerage neither Ameriprise nor CERF's advisors are responsible for assuring that the portfolio managers secure best execution for trades. Legal Counsel thought it was acceptable if Ameriprise provide the trustees with a report that indicates the trades done per quarter. We may bring back the Directed Broker list and direct the money managers to use that based on best execution. Mr. Ciampini noted that commission recapture firms typically cap the amount of trades they do to 30-35% maximum. Mr. Ciampini stated both parties have a vested interest in getting best execution.

Mr. Sagnella stated legal counsel is reviewing the Convergenx contract; we can have a combination of the Convergenx trading agreement and the direct trades.

The consultant fee remains at \$99,000 in compliance with the legal opinion which allows the Board to follow investment team to another firm.

Mr. Sagnella stated Merrill Lynch was notified of termination and their relationship will end effective June 20, 2009. Legal counsel advised them to provide us with one last performance report for the month of April and that they were not to attend this meeting.

12. INVESTMENT REVIEW

Merrill Lynch submitted a performance report for period ending April 30, 2009.

The fund is up \$7.5 million for month ending April 30, 2009. The portfolio is poised to absorb any downtrend and is currently at 53% equity which is still fairly conservative. If we see a downturn bottoming process at that point we may want to call a special meeting to move more money into equities.

Mr. Ciampini reviewed the report: large cap value outperformed the index for the month; large cap growth underperformed slightly. Paradigm did a tremendous job up 19.1% versus 15.5% for the index. International equity was up 12.9%. Pimco was up 1.4% versus .4% for the index. Overall the fund was up 6% for the month versus the index up

7% for the month. The active manages underperformed the index by about 100 basis points for the month. Year to date the fund is up 1.6% versus .9% for the index.

Mr. Assante stated the funded ratio, which is currently in the mid forties, may improve if market recovers. Mr. Ciampini asked about the P&F funded ratio. Mr. Sagnella stated it is also in the mid 40's.

The meeting adjourned at 11:50 a.m. on a motion by Mr. Cama and seconded by Mr. Varrone and the vote was unanimous.

The next meeting is scheduled for Thursday, May 21, 2009 at 10:00 a.m.

ATTEST:

Secretary