

CITY EMPLOYEES RETIREMENT FUND BOARD

DRAFT MINUTES

JULY 16, 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
Tim Ryor, Hooker and Holcombe
Patricia Solomon
Derek Ciampini, Ameriprise
Chris Coppola, Ameriprise
Wendy Coppola, Ameriprise
Leslie Williams, Ameriprise
Carolyn Kone, Brenner, Saltzman & Wallman

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 June 18, 2009;
Mr. Cama seconded, and the vote was unanimous.

2. DEATH AFTER RETIREMENT – INFORMATION ONLY

- a) Gomes, Elliot
- b) Marcus, Esther
- c) Mayhew, Judith

3. WITHDRAWAL – INFORMATION ONLY

The Board reviewed the information under Item 3.

4. AGE ANNUITY RETIREMENTS – INFORMATION ONLY

The Board reviewed the information under Item 4.

5. PAYMENT OF BILLS

Mr. Varrone made a motion to approve payment of the bills in Item 5; Mr. Pietrosimone seconded and the vote was unanimous.

6. ADMINISTRATIVE MATTERS

Mr. Sagnella stated they had requested making a change to the client representative from Northern Trust. As a result their new representative is Patti Somerville-Koulouris. Change will also be effective with the Police and Fire Fund. We will be having a discussion with Ms. Somerville-Koulouris to advise what the expectations are; she will also be working more closely with the financial consultants for both funds. Mr. Pietrosimone asked if we initiated that change; Mr. Sagnella responded in the affirmative.

Mr. Sagnella stated Sharon Frielich sent him an email indicating she still has questions on the Boyd Waterson TALF document so there will be no activity taking place until these questions are resolved. Mr. Ciampini stated the auction dates are the 15th of every month.

Mr. Ciampini stated Pension and Investments indicates the federal government came out with PPIP the version of TALF for private investors. It has been viewed as more risky because basically it is all legacy assets. PIMCO has raised over a billion dollars for the TALF program; they have actually withdrawn from the PPIP which underlines the fact that TALF is a better product. Mr. Ciampini feels it still makes sense to consider TALF. Mr. Pietrosimone asked if the earning potential is diminishing. Mr. Ciampini stated that yields are coming down but there is still earnings potential. Ms. Solomine asked if the legal costs are eating up the return on investment. Mr. Ciampini stated if we can get 8% on \$5 million for 3 years clearly that will trump any legal expenses; it will, however erode it. Attorney Kone stated she can get the information on the legal expenses for the trustees. Mr. Sagnella stated as fiduciaries they have a responsibility to ensure that everything is clearly understood. Attorney Kone stated by the August meeting she will provide all TALF related expenses. She added that CERF cannot invest without the legal opinion which is very unusual.

Mr. Sagnella stated he has the renewals for liability insurance for P&F and CERF from AIG. Late August is the renewal date.

7. EXECUTIVE SESSION FOR POTENTIAL LITIGATION

Mr. Varrone made a motion to go into executive session for a discussion regarding pending litigation at 10:20; Mr. Cama seconded and the vote was unanimous. Carolyn Kone, Derek Ciampini, Chris Coppola, Wendy Coppola and Leslie Williams were asked to remain.

Mr. Pietrosimone made a motion to come out of executive session at 11:10 a.m. Mr. Varrone seconded, and the vote was unanimous.

Mr. Pietrosimone made a motion to authorize Carolyn Kone to draw up a resolution responding to the July 15, 2009 correspondence from Mayer Brown saying that their offer is not acceptable and why it is not acceptable and that the Board will be reconsidering this issue at its August meeting; Mr. Cama seconded and the vote was unanimous.

9. INVESTMENT REVIEW

Mr. Ciampini stated at the last meeting it was decided that if the Israel Bond that was maturing was not renewing at an equal or higher rate we would let it mature. The one that matured had a yield of 4.93%. The new offering for 3 year was 2.81- 2.92 and a 5-year for 4.07 – 4.49. We still have an Israel Bond that matures in April 2011. That yield to maturity is 5.21%.

Mr. Pietrosimone made a motion to decline renewal of the Israel Bond that just matured; Mr. Cama seconded, and the vote was unanimous.

Mr. Ciampini stated that they decided to move \$10 million out of equity and put into cash. In July the Fund receives \$10 million in contributions from the City. We need to make the decision where to put the money to lower our cash holdings.

Mr. Williams stated the Fund's investment policy is your way of saying what the long term relationship is between risk and reward. The world changes and adapts. Some things hold over time. The largest of investment pieces, international bonds, tends to hold over time. Our policy statement target is bonds 20% with a range of 15-50%. If you look at the world the weighting is 50-60%. Emerging markets is 30% of the economy but there is very little allocation for emerging markets. The biggest gap is international fixed income. Four out of six asset classes that made money last year was the international market. Alternatives are things that are neither stocks nor bonds. Mr. Ciampini stated we might want to take a more world allocation. Mr. Cama asked if the changes in the pie affects the value of the investment. Mr. Williams states it very much affects it. As this shifts it affects how other segments are valued. WE propose more flexibility be provided within the policy. Cama asked as the piece of the pie expands does that mean more income growth? Mr. Williams stated it does; in fact 10-20 years ago no one would touch emerging market bonds. One third of all emerging market bonds are now investment grade.

Mr. Ciampini stated when we start moving money out of cash more than likely they will be moving into international equity, international fixed perhaps some commodities. It makes sense to look at alternatives. Mr. Sagnella stated he is not comfortable with them. Mr. Ciampini stated it is the only way to go after hard assets and see some growth. The only way to attain that is through alternatives;

Mr. Solomine with the unrest that is going on in some of the emerging markets there needs to be caution. Mr. Williams stated you do not invest in just one country, invest in many countries; the risk absorbed is much less.

Mr. Ciampini would like to start a search for an international bond manager; to do that we need to have international bonds on the fixed income target, we need to add international bond allocation to the policy at a 0-15% weighting; we also need to add alternative to our policy. We should have the flexibility to bring something to the table. We can put alternatives 0-15% allocation for alternatives.

Mr. Cama made a motion to add international bond allocation with a 0-15% weighting and alternatives with a 0-15% allocation; Mr. Varrone seconded, and the vote was unanimous.

For the month we were -.2% versus .6% for the index. Year to date was 6.4% versus 6.1% for the index.

Mr. Ciampini stated Aletheia LCV had a rough month at -6.1 versus -.7% for the index; Neuberger LCV was down 2.2 versus -.7 for the index; Aletheia LCG was -6.6% versus 1.1% for the index; Neuberger Berman LCG was 6.3% versus 1.1% for the index. Everything else was fairly flat. In international Artio Global was down 3.1% versus index down .1%; Wentworth Hauser was -6.7% versus -.5% for the index. Emerald was .3% versus .5% for the index. Pimco was up .7% versus .6% for the index. Mr. Ciampini stated that they met with Penn Capital and they addressed their underperformance.

The meeting adjourned at 12:05 a.m. on a motion by Mr. Pietrosimone and seconded by Mr. Varrone and the vote was unanimous.

The next meeting was rescheduled to Thursday, August 27, 2009 at 10:00 a.m.

ATTEST:

Secretary