1. BET Audit Comm. Meeting Document
   
   Documents:
   
   FINAL_BET_AUDIT_COMM_MEETING_MINUTES_02-16-06.PDF
TOWN OF GREENWICH
BOARD OF ESTIMATE AND TAXATION
SPECIAL MEETING
AUDIT COMMITTEE

MINUTES – HAYTON CONFERENCE ROOM

February 16, 2006

Present:
   Committee: Robert S. Stone, Chairman
               Jim Himes, Leslie Tarkington

   Absent: Laurence Simon

   Attendees: Peter Mynarski, Jim Lavin, Mark Kordick

The meeting was called to order at 7:52 AM.

DISCUSS INVESTMENT MANAGEMENT BY RETIREMENT BOARD

Bob Stone opened the meeting by discussing recent events, in the form of email exchanges and conversations that led to an urgent need to call for a Special meeting of the Audit Committee. He expressed his concerns over the lack of a timely divestiture of assets of the Frontier Capital Management Fund (Frontier) subsequent to the Retirement Board’s decision to change money management of the small capitalization/value assets. He suggested to the members of the Audit Committee that there are three types of action the Committee can do relative to communicating to the full Board of Estimate and Taxation (BET). They are as follows:

1. The Committee could take no action or do nothing.
2. The Committee could appraise the full BET of the situation and the concerns it has regarding the Retirement Boards failure to transfer away from Frontier potentially, at risk, assets.
3. The Committee could suggest a position that the BET could take recommending to the Retirement Board a course of action.
Mr. Stone passed out a resolution to the members of the Committee concerning Frontier Capital Management and a recommended course of action. Mr. Stone’s proposed resolution reads:

**Resolution Concerning Frontier Capital Management**

Whereas Frontier Capital Management, a money manager having discretion over investment decisions concerning a segment, approximating $15,625,000 in value as of 12/31/05, of The Town’s Retirement System, was advised in December 2005 that their services were to be terminated (“the advice”) for reasons considered justified by the Retirement Board; and whereas the discretionary authority over such funds has continued since “the advice”; and whereas it is not good business practice because of risks inherent in allowing such a situation to continue; now therefore we request the Retirement Board to take whatever action(s) it considers prudent toward removing from Frontier the aforementioned authority.

Mr. Stone stated his concerns are based on a number of conversations he had with unnamed sources regarding the current situation of terminating a money manager and the appropriate steps for transfer of assets. Mr. Stone stated that, without exception, all parties informed him that it should not be handled in the manner the Town of Greenwich Retirement Board is currently dealing with this issue.

Leslie Tarkington expressed her concerns and asked if the Retirement Board had addressed the issue. Peter Mynarski, Town Comptroller and Retirement Board member answered that the issue was raised and addressed at both the December 2005 and January 2006 Retirement Board meetings. In both instances, the Frontier termination and subsequent transfer of assets was addressed by Molly Auth, consultant to the Board and employed by New England Pension Consultants (NEPC). Mrs. Tarkington asked, “What is the plan”. Jim Lavin, Retirement Board Administrator, answered by stating that the immediate plan is to fund the monthly payroll by liquidating assets from Frontier before the other money managers. Secondly, Mr. Lavin stated that the converting or transferring of the remaining assets would occur as soon as the Buckhead contract was finalized. Buckhead is the firm that was hired, through a search coordinated with NEPC, to replace Frontier and manage the asset classification of small capitalization value stocks.

Jim Himes inquired as to why the Retirement Board is getting rid of Frontier when their performance has been so good relative to the other money managers. Mark Kordick, Retirement Board member, responded to Mr. Himes question that there was a short period of time whereas Frontier was underperforming. This period of poor investment performance, coupled with Frontier management concerns, prompted NEPC to recommend termination.

Mrs. Tarkington expressed her concerns about the Retirement Board’s Chairman, Mr. Michael Pagliaro not being present to address questions regarding the Committee’s concerns.
Extended conversation continued, and Mr. Stone expressed that the Retirement Board should have exercised its 30-day option to terminate the Frontier relationship in a more aggressive manner.

Jim Himes made two comments relative to the proposed resolution put forth by Mr. Stone. First, Mr. Himes stated that the resolution may be counterproductive and suggested a different approach, more along the lines of a liaison report to the full BET. Secondly, Mr. Himes stated that if the resolution did not pass at the full BET level, it would send a mixed message to the Retirement Board.

Mrs. Tarkington expressed her concerns about a lack of responsiveness by the Retirement Board and would have preferred they had taken quick action in transferring the assets. She was also against sending the resolution to the full BET.

Mr. Kordick responded to Mrs. Tarkington’s and the Committee’s concerns by stating that he was very happy with Frontier and not concerned, at all, with the continued use of Frontier.

Bob Stone made a motion to forward the previously mentioned resolution to the full BET.

Leslie Tarkington seconded the motion for purposes of discussion.

After an extended discussion, Mr. Stone withdrew the motion.

It was collectively decided that the best avenue to convey their concerns to the BET was through Mr. Stone’s liaison report, and then Mr. Himes and Mrs. Tarkington could join in the discussions before the full board. It was also added that the Retirement Board should have a formal policy with procedures established to address this matter in the future. Mr. Lavin agreed.

Leslie Tarkington made a motion to adjourn and seconded by Jim Himes at 9:08 AM.