

TOWN OF GREENWICH
BOARD OF ESTIMATE AND TAXATION
Investment Advisory Committee

MINUTES – Gisborne Room
10:00 A.M.

Friday – May 18, 2012

Present:

Committee Members: Gregory Bedrosian, Chairman (called in), William Finger, Sean Goldrick, Arthur D. Norton

Other Attendants: Peter Mynarski, Comptroller, Jeff Ramer and Leslie Tarkington, BET Members

Others Calling In: Doug Moseley, New England Pension Consultants (NEPC), John Chadwick, Pension Board Chairman, Kevin Coyner, Pension Board Trustee

The meeting was called to order at 10:05 A.M.

1. Review of Oaktree Opportunities Fund IX and Apollo European Principal Finance Fund II, LLP pending investments

The meeting was highlighted by members and guests calling in by telephone to participate in the proceedings.

At the request of Chairman Bedrosian, Mr. Chadwick gave an overview of the current Pension Board strategy and objectives. Mr. Chadwick started by saying that the Pension Fund could not attain the previous 8.50% rate of return rate assumption under the previous asset allocation. In addition, Mr. Chadwick stated that there was a move to save money by changing from traditional investment managers to investments in index funds charging lower fees.

Mr. Chadwick informed the Committee that there is an ongoing move to reduce the previous 8.50% rate of return assumption down to 7.00% and that they are currently at 7.75% as of July 1, 2011. Mr. Chadwick proceeded by saying that the plan could not get to a 7.75% rate of return with traditional stocks and bonds. Therefore, he offered that the strategy was to resort to alternative investments with a higher rate of return, lower risk and diversity for the plan. Mr. Chadwick stated that the goal was to invest up to about 20% to 22% of the fund in alternative investments and the two investments under review (e.g. Oaktree and Apollo) were choices of the Retirement Board with the assistance of Doug Moseley, New England Pension Consultant.

Mr. Moseley basically reiterated Mr. Chadwick remarks restating that the move was to go from traditional stocks and bonds to private equities and fixed income investments.

Mr. Bedrosian questioned the need to become a limited partner in a Cayman Islands limited partnership and any associated risks involved.

Mr. Chadwick responded first by saying, in his experiences, this arrangement is becoming a more and more common structure in these types of funds.

Mr. Moseley followed by stating that most of the NEPC clients regularly use Cayman Island vehicles.

Mr. Ramer offered statements on behalf of the BET Law Committee. Mr. Ramer started by saying that the Law Committee did not review the Apollo Fund investment. However, he said the Oaktree Fund investment was reviewed and that the following questions were asked with the following answers:

1. Will NEPC provide a comfort letter? Yes, one was supplied.
2. Is there a maximum term for the investment period? No.
3. Is there a loss exposure beyond the investment period? Yes, Mr. McLaughlin, Town Attorney stated that there is the potential for the loss of principal invested plus any potential earnings (the claw back provision).
4. Is there a tax exposure? Mr. Ira Goldman, Shipman and Goodwin Attorney, reviewed the agreement and stated yes there is potential tax exposure.
5. Is there insurance protection? Yes, there is insurance protection, but for a limited period of time.

Mr. Bedrosian offered that the two firms (Oaktree and Apollo) are listed on the New York Stock Exchange.

Mr. Moseley tried to assure the Committee that the principals in these firms have invested their own money in the products under review.

Mr. Ramer said he was hesitant or unsure about the investments because it is hard to understand the risk involved.

Mr. Norton educated the Committee by disclaiming he is an Institutional Investor and a due diligence analysis is usually required to accompanying such alternative investments as the two under review.

Mr. Norton engaged Mr. Moseley in a debate about the risks involved and pointed out the following associated potential risks that are causing him concern:

- Major Currency Risk
- Political Risk

- Interest Rate Risk
- Investment Rate Risk

Ms. Tarkington agreed with Mr. Norton's assessments of the risks associated with investments in these two funds under review.

Ms. Tarkington asked Mr. Moseley if he could supply the BET with a list of all investments and detail where the funds are domiciled. Mr. Moseley agreed to supply a list.

Mr. Chadwick responded that he felt 95% of the money invested by the Town's pension plan was domiciled in the United States.

Mr. Bedrosian, in assessing the current process of vetting and approving investment agreements, stated that we need to be more efficient and there needs to be a better way in working with the Pension Board in approving such agreements.

At the conclusion of the debate on investing in Oaktree and Apollo, the following actions occurred:

- Mr. Norton made a motion to invest up to \$8 million in the Oaktree Opportunities Fund IX, seconded by Mr. Finger. The motion passed 4 to 0 in favor.
- Mr. Norton made a motion to defer action on the Apollo European Principal Finance Fund II, LLP until the Law Committee had an opportunity to review with the Law Department and the receipt by the Investment Advisory Committee of a Law Department/Committee report, seconded by Mr. Finger. The motion passed 4 to 0 in favor of deferring action.

2. Adjournment

On a motion by Mr. Finger, seconded by Mr. Goldrick, the meeting adjourned at 11:20 A.M. on a vote of 4 to 0.



Greg Bedrosian, Investment Advisory Committee Chairman



Peter Mynarski, Recording Secretary