I. OPINION OF TOWN ATTORNEY:

Wayne Fox and Gene McLaughlin confirmed that they are still processing the requests from the Committee for legal opinions as to (a) what is the oversight role of the BET under §208 of the Charter respecting investment portfolio decisions made by the Retirement Board, and (b) are alternative investments by the Retirement Board permissible under Charter §208 without authorization from the BET. They indicated that they would have an opinion available shortly.

II. RETIREMENT BOARD INVESTMENT IN VARIOUS PIMCO FUNDS:

By e-mail, Larry Simon and John Chadwick communicated a request on behalf of the Retirement Board that the Law Committee review seven specific PIMCO institutional funds. Gene McLaughlin divided the seven designated funds into two groups. He explained that under the Charter, 40% of the Retirement portfolio must be invested in investment vehicles authorized under the Connecticut General Statutes for the investment of insurance company portfolios. Five of the seven funds meet that requirement in the opinion of NEPC. Two of those funds do not.

Regarding the five funds, Gene McLaughlin presented a fairly detailed review, which included an analysis of the criteria used for the State
Insurance Department, as applied to the intended investments proposed by each of these funds. There was discussion as to the risks associated with each of these funds. McLaughlin recommended that a letter be obtained from NEPC, containing their recommendation of investment in each of these funds. Moreover, Gene McLaughlin recommended that specific advisories be obtained from NEPC that the investments into derivatives, foreign investment, junk bonds, and investment companies each will meet the requirements of the Connecticut General Statutes for these investments being included in the 40% of the investment portfolio that is restricted to investments that are allowed to insurance companies under the Connecticut General Statutes.

There was some discussion respecting investment in derivatives and whether the investment will adhere to the indicated internal controls. There was also discussion as to whether this consideration would be addressed by the Town’s auditors, relying in part upon the separate audits by auditors hired by PIMCO.

As a separate matter, the opinion recommended that the Retirement Board obtain a recommended investment policy statement from NEPC to be adopted by the Retirement Board so that the Retirement Board and the BET may determine where a particular investment is to be allocated within the overall composition of the Retirement funds, to assist in determining an acceptable overall risk profile for the entire Retirement portfolio.

There was also discussion regarding the remaining two PIMCO funds, which do not qualify as investments permissible for insurance company portfolios. In the discussion of risk, Gene McLaughlin pointed out that the All Asset Fund is authorized for investment in any and all other PIMCO funds. The Commodity Fund is organized under the laws of the Cayman Islands and is not registered under the Investment Company Act of 1940, nor subject to its investor protections.

During the discussion on the PIMCO funds, Mrs. Tarkington asked Mr. McLaughlin if the type of analysis which Mr. McLaughlin had completed in his review of the PIMCO funds would be appropriate for the existing State Street funds. Mr. McLaughlin advised that the Town receives written comfort directly from State Street on the funds, and it is not needed.
The Committee voted 2-0 to approve the attached Resolution finding investment in these funds to be in legal order, subject to the conditions set forth in the Resolution.

The Committee also voted 2-0 to respectfully suggest to the BET Investment Advisory Committee that it recommend to the Retirement Board that it obtain a proposed investment policy statement from NEPC to be adopted by the Retirement Board so that the Retirement Board and BET may determine where a particular investment is to be allocated within the overall composition of the Retirement funds, to assist in determining the acceptable overall risk profile of the entire Retirement Board.

III. APPROVAL OF MINUTES OF MAY 17, 2013:

The Committce voted 2-0 to approve the Minutes of May 17, 2013.

IV. EXECUTIVE SESSION:

The Committee went into Executive Session at 12:30 to discuss two cases of pending litigation. The Committee exited Executive Session at 12:50.

V. ADJOURNMENT:

The meeting was adjourned at 12:50 p.m.

[Signature]  
Jeff Ramer
Board of Estimate and Taxation Law Committee

Resolution regarding investment in the following PIMCO Institutional Funds ("PIMCO Funds"):

- Diversified Income (PDIIX)
- Unconstrained Bond (PFIUX)
- Emerging Local Bond (PELBX)
- Senior Floating Rate (PSRIX)
- High Yield (PHIYX)
- All Asset (PAAIX)
- Commodity Real Return Strategy (PCRIX)

Upon a motion duly made and seconded, the Law Committee of the Board of Estimate and Taxation, ("BET") members Tarkington and Ramer present, voted 2-0 to find that the Law Department has reviewed the relevant legal documents including the application agreement, trust, investment adviser agreement and prospectuses for the PIMCO Funds. The Law Committee finds that the documents are in legal order for the application agreements to be entered into by the Retirement Board to invest in shares of the PIMCO Funds, subject to the following conditions:

1. Receipt of a letter containing the recommendation of these investments by New England Pension Consultants ("NEPC").
2. That the Retirement Board review and approve these investments.
3. Approval by the BET Investment Advisory Committee.
4. That a letter be obtained from NEPC confirming that PIMCO Funds PDIIX, PFIUX, PELBX, PSRIX and PHIYX be subject to the limits for type of investments and percentage amounts according to apportionments based on composition as set forth in the General Statute relating to insurance companies.