1. Approval of the September 4, 2014 Investment Advisory Committee Minutes

Upon a motion by Mr. Norton, seconded by Mr. Huffman, the Committee voted 4-0 to approve the Minutes of September 4, 2014 Investment Advisory Committee meeting.

2. Review Actions of the OPEB Trust Board

There were no OPEB Trust Board actions to be affirmed by the Investment Advisory Committee.

3. Approval of Landmark Real Estate Fund VII, LP - $15 Million Investment

Mr. Drake recommended that the Committee members approve investing in the Landmark Real Estate Fund VII. He noted that NEPC had given it a fair recommendation and that the fund managers had made a compelling presentation at the Committee’s previous meeting. Mr. Drake felt that since 46% of the Fund was owned by employees, that there was a diversification of assets, that the Fund's YTD performance was 27% and that it was a three-year old fund-of-funds, all made for an interesting opportunity and a good substitute for its previous Clarion Real Estate Fund investment. Mr. Huffman felt there was insufficient time to act on this investment and wanted to know more about “Religare”, who owns 54% of the Landmark firm and who has control over Landmark’s operating budget. Subject to learning more about Religare, Landmark Fund’s additional owners, and whether the Clarion Fund has exit fees to fund this investment, Mr. Drake called for a motion.

Mr. Mynarski noted that the current real estate investment (Clarion) has about 4.1% of the portfolio and that approximately $16 million would be slowly redeemed over the next year.

Upon a motion by Mr. Drake, seconded by Mr. Blankley, the Committee voted 4 to 0 to approve an investment of $15 million in the Landmark Real Estate Fund VII, LP, subject to the aforementioned conditions and forward the recommendation to the Board of Estimate and Taxation.
4. **Report from Treasurer**

**Cash Management Resolution Update** – Ms. Murphy distributed a red-lined copy of the Cash Management Resolution. The principle change being recommended was to expand the investment options to include out-of-state bank CDs. Connecticut General Statutes (CGS) permits investments in an out-of-state bank which is not a qualified public depository in an amount not exceeding the Federal Deposit Insurance Corporation (FDIC) insurance limit. This recommendation was introduced at the April 11, 2014 meeting of the Investment Advisory (IAC) Committee. No action was taken on this recommendation at that time.

Ms. Murphy commented that due to the low interest rate environment, she had been seeking alternatives to money market funds/bank money deposit funds, and had been approached by outside firms to invest in Certificate of Deposit (CD) programs that aggregated out-of-state banks’ CDs. Other Connecticut municipal governments are taking advantage of the interest rate advantage of these programs.

One issue the IAC discussed previously was the reliance on FDIC insurance and the risks associated therewith. Ms. Murphy commented that changes were made to the red-lined copy to address the issue of the underlying credit quality of the respective bank. The revised proposed Resolution added a condition that any bank used must have an IDC Financial Publishing Inc. Ranking of 165 or more. Ms. Murphy handed out materials on the ranking system used by IDC. IDC is an independent bank rating agency that has been rating banks since 1985. IDC does not accept compensation prior to or as a requirement to rate an institution. Ranks range from 1 (the lowest) to 300 (the highest) and fall into one of six groupings. The proposed ranking minimum requirement for investments by the Town of 165 would fall into the top two groups – Superior and Excellent.

Mr. Norton expressed concern about the agency ranking these CDs and noted that the BET had voted on the kind of rating agencies whose analysis it trusted for TOG investments, i.e. Standard & Poor’s and Moody’s. Mr. Huffman asked what rate of return above the current Cashflow investment vehicle could be expected.

Ms. Murphy proposed that the Committee consider laddering up to $10 million of cash-on-hand into a series of CDs to boost the current rate-of-return above what was being earned from money-market investments. She handed out an analysis comparing the current investment options to the proposed CD plan given different interest rate scenarios. By going out on the yield curve up two years the analysis shows a pickup of 38 bps.

Mr. Drake thought that it would be preferred to limit the maximum investment in this program to an aggregate of $10,000,000, which language was added to the Resolution.

Mr. Mynarski commented that this would require the BET to adopt a new Resolution to add brokerage firms to TOG’s Cash Management options and for permission to use a CD program.

Upon a motion by Mr. Drake, seconded by Mr. Blankley, the Committee voted 3-1 (Opposed: Norton) to accept and forward the “Resolution Concerning Cash Management to the Board of Estimate and Taxation.

Ms. Murphy asked that the Section reference numbers be corrected to read Section 7-400.
5. **Discussion of Topics for Future Investment Committee Meetings**

Mr. Drake asked Mr. Mynarski to forward the Retirement Board Actuary Report for the current year to be forwarded to the Investment Advisory Committee members when it is available. Mr. Mynarski agreed stating that he felt it would be available any day.

6. **Adjournment**

On a motion by Mr. Blankley, seconded by Mr. Drake, the meeting adjourned at 10:41 A.M.

William Drake, Investment Committee Chairman

Catherine Sidor, Recording Secretary