



CITY OF DANBURY
DANBURY, CONNECTICUT 06810

DEPARTMENT OF POLICE
375 MAIN STREET

ALAN D. BAKER, CHIEF
TERENCE M. SHANAHAN, DEPUTY CHIEF
(203) 797-4614

December 4, 2012

Minutes of the December 4, 2012 meeting of the 67 Pre Post Police Pension Board held at City Hall in the Common Council Caucus Room.

Called to order: at 0935 hours, by Secretary Michael

Present: Dan Mulvey , Bob Yakacki , Tom Michael , Dave St. Hiliare and Phil Curran.

Agenda: Re-allocation of pension funds.

Motion by: St. Hiliare to transfer pension funds as per the attached sheets and add the investment manager "Sequoia".

Motion Second by: Curran

In Favor: Michael, Yakacki , Mulvey, St.Hiliare and Curran

Opposed: None

Motion: Passed

Motion to adjourn: Curran

Second: Mulvey

Motion : Passed

Adjourned: 0945 hours

Th Michael

Secretary

Misti R. Leonard

MISTI R. LEONARD

NOTARY PUBLIC

My Commission Expires 03/31/2015

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BY: *UK*

RECOMMENDER RE-ALLOCATION OF PENSION FUNDS BY
CITY OF DANBURY EMPLOYEES PENSION PLAN Greystone

Oct-12

Asset Allocation	By Asset Class & Manager						Ending Allocation	
	Current Allocation October 2012							
	%	\$	\$	%	\$	NET \$	%	\$
Total Equities	60.37%	\$ 132,313,218					61.28%	\$ 134,294,344
Total Fixed Income	39.63%	\$ 86,843,203					38.72%	\$ 84,862,076
Dom. Eq. Total	26.83%	\$ 58,809,095	\$ -	1.14%	\$ 2,500,000	\$ 2,500,000	27.98%	\$ 61,309,095
NWQ	4.40%	\$ 9,639,988		-0.23%	\$ (500,000)	\$ (500,000)	4.17%	\$ 9,139,988
Hartford	5.28%	\$ 11,566,652		-0.46%	\$ (1,000,000)	\$ (1,000,000)	4.82%	\$ 10,566,652
Sands	6.60%	\$ 14,462,108		-1.37%	\$ (3,000,000)	\$ (3,000,000)	5.23%	\$ 11,462,108
Sequoia	0.00%	\$ -		4.11%	\$ 9,000,000	\$ 9,000,000	4.11%	\$ 9,000,000
FPA Crescent	5.07%	\$ 11,105,064		-0.46%	\$ (1,000,000)	\$ (1,000,000)	4.61%	\$ 10,105,064
Keeley	3.00%	\$ 6,578,603		-0.46%	\$ (1,000,000)	\$ (1,000,000)	2.55%	\$ 5,578,603
Starboard	2.49%	\$ 5,456,679		0.00%	\$ -	\$ -	2.49%	\$ 5,456,679
Int'l/ Global Total	16.11%	\$ 35,307,168	\$ -	-0.91%	\$ (2,000,000)	\$ (2,000,000)	15.20%	\$ 33,307,168
Thornburg	4.76%	\$ 10,433,227		-0.46%	\$ (1,000,000)	\$ (1,000,000)	4.30%	\$ 9,433,227
IVA Worldwide	5.02%	\$ 10,997,938		-0.46%	\$ (1,000,000)	\$ (1,000,000)	4.56%	\$ 9,997,938
Tradewinds Emerging Mkts	2.01%	\$ 4,395,549		0.00%	\$ -	\$ -	2.01%	\$ 4,395,549
Tradewinds Global	4.33%	\$ 9,480,455		0.00%	\$ -	\$ -	4.33%	\$ 9,480,455
Fixed Income	26.73%	\$ 58,580,873	\$ -	-2.28%	\$ (5,000,000)	\$ (5,000,000)	24.45%	\$ 53,580,873
Sage	4.16%	\$ 9,121,501		0.00%	\$ -	\$ -	4.16%	\$ 9,121,501
Pimco All Asset	4.40%	\$ 9,652,896		-4.40%	\$ (9,652,896)	\$ (9,652,896)	0.00%	\$ -
Pimco All Asset All Auth	0.00%	\$ -	\$ -	4.40%	\$ 9,652,896	\$ 9,652,896	4.40%	\$ 9,652,896
Loomis Sayles Bond	4.33%	\$ 9,481,076		0.00%	\$ -	\$ -	4.33%	\$ 9,481,076
Met West Total Return	4.41%	\$ 9,655,937		0.00%	\$ -	\$ -	4.41%	\$ 9,655,937
Templeton Global Bond	4.45%	\$ 9,755,162		0.00%	\$ -	\$ -	4.45%	\$ 9,755,162
Cash	4.98%	\$ 10,914,303		-2.28%	\$ (5,000,000)	\$ (5,000,000)	2.70%	\$ 5,914,303
Alternatives	30.33%	\$ 66,459,285	\$ -	2.05%	\$ 4,500,000	\$ 4,500,000	32.38%	\$ 70,959,285
Union Banque Privee	0.70%	\$ 1,526,116		0.00%	\$ -	\$ -	0.70%	\$ 1,526,116
Weatherlow	4.60%	\$ 10,082,798		0.00%	\$ -	\$ -	4.60%	\$ 10,082,798
Fortress Alternatives Fund	4.80%	\$ 10,512,254		0.00%	\$ -	\$ -	4.80%	\$ 10,512,254
Pointer	5.15%	\$ 11,295,115		0.00%	\$ -	\$ -	5.15%	\$ 11,295,115
Ivory	3.23%	\$ 7,077,234		0.00%	\$ -	\$ -	3.23%	\$ 7,077,234
GoldenTree	3.95%	\$ 8,651,812		0.00%	\$ -	\$ -	3.95%	\$ 8,651,812
Abbey	2.83%	\$ 6,194,923		0.46%	\$ 1,000,000	\$ 1,000,000	3.28%	\$ 7,194,923
Thirdpoint	1.71%	\$ 3,737,747		1.60%	\$ 3,500,000	\$ 3,500,000	3.30%	\$ 7,237,747
Pennsquare	1.17%	\$ 2,565,000		0.00%	\$ -	\$ -	1.17%	\$ 2,565,000
Hamilton Lane	2.20%	\$ 4,816,285		0.00%	\$ -	\$ -	2.20%	\$ 4,816,285
TOTAL ALLOCATION	100.0%	\$ 219,156,420	\$ -	0.00%	\$ -	\$ -	100.0%	\$ 219,156,420

The Working Group
12/14
Philip D. Curran

Graystone Consulting
A business of Henson Stanley Smith Barney

CITY OF DANBURY
RECOMMENDED ASSET ALLOCATION

As of October 31, 2012

Name	%	Amount	Domestic				International		Fixed Income/ Cash	Alt. Investments
			Large/Mid		Small/Mid		Developed	Emerging		
			Value	Growth	Value	Growth				
Domestic Equity										
NWQ Allcap Value	4.17%	\$9,139,988	\$6,854,991		\$2,284,997					
Hartford Cap App	4.82%	\$10,566,652	\$4,226,661	\$4,226,661			\$1,584,998	\$528,333		
Sands	5.23%	\$11,462,108		\$11,462,108						
Sequoia	4.11%	\$9,000,000	\$3,600,000	\$5,400,000						
Keeley	2.55%	\$5,578,603			\$2,789,302	\$2,789,302				
Starboard	2.49%	\$5,456,679			\$2,728,340	\$2,728,340				
FPA Crescent	4.61%	\$10,105,064	\$1,326,290	\$1,326,290	\$442,097	\$442,097	\$2,526,266	\$505,253	\$3,536,772	
Int'l/ Global Equity										
Thornburg	4.30%	\$9,433,227					\$8,489,904	\$943,323		
IVA Worldwide	4.56%	\$9,997,938	\$1,999,588		\$999,794		\$3,499,278	\$999,794	\$2,499,484	
Tradewinds Emerging Mkts	2.01%	\$4,395,549						\$4,395,549		
Tradewinds Global	4.33%	\$9,480,455	\$474,023	\$474,023	\$948,045	\$948,045	\$3,792,182	\$1,896,091	\$948,045	
Alternatives										
UBP	0.70%	\$1,526,116								\$1,526,116
Golden Tree	3.95%	\$8,651,812								\$8,651,812
Evanston Weatherlow	4.60%	\$10,082,798								\$10,082,798
Fortress Alternatives Fund	4.80%	\$10,512,254								\$10,512,254
Ivory	3.23%	\$7,077,234								\$7,077,234
Pointer	5.15%	\$11,295,115								\$11,295,115
Hamilton Lane	2.20%	\$4,816,285								\$4,816,285
Penn Square	1.17%	\$2,565,000								\$2,565,000
ThirdPoint	3.30%	\$7,237,747								\$7,237,747
Abbey Capital	3.28%	\$7,194,923								\$7,194,923
Fixed Income										
Sage	4.16%	\$9,121,501							\$9,121,501	
Loomis Sayles Bond	4.33%	\$9,481,076							\$9,481,076	
Met West Total Return	4.41%	\$9,655,937							\$9,655,937	
Pimco All Asset All Auth	4.40%	\$9,652,896							\$9,652,896	
Templeton Global Bond	4.45%	\$9,755,162							\$9,755,162	
Cash										
Cash - Benefit Acct Payments	2.70%	\$5,914,303							\$5,914,303	
Total	100%	\$219,156,421	\$18,481,552	\$22,889,082	\$10,192,574	\$6,907,783	\$19,892,628	\$9,268,342	\$60,565,176	\$70,959,285
Percent of Total		100%	8.43%	10.44%	4.65%	3.15%	9.08%	4.23%	27.64%	32.38%

Percent of Portfolio	
Equity	38.99%
Fixed Income	27.64%
Alternatives	32.38%

Percent of Equity	
Large Cap Domestic	47.21%
Small Cap Domestic	19.51%
Developed	22.70%
Emerging Mkts	10.68%

Percent of Domestic Equity	
Value	49.04%
Growth	50.96%

Percent of Alternatives	
Equity Hedged	55.21%
Absolute Return	32.90%
Private Equity	11.88%
Funds of Hedge Funds	65.28%
Single-Mngr Funds	34.72%

Graystone ConsultingSM

A Division of Morgan Stanley Smith Barney

Pimco All Asset – Exchange to Pimco All Asset All Authority

- Pimco All Asset is a ‘fund of funds’ that uses a dynamic asset allocation process to invest in a select group of Pimco managed mutual funds. Rob Arnott, the Chief Investment Officer of Research Affiliates and Portfolio Manager for the All Asset funds has done a remarkable job navigating the choppy global markets.
- We are recommending an exchange from the All Asset to All Authority Fund as it provides Arnott with a more flexible mandate. The All Authority portfolio allows the ability to hedge by buying the Pimco StockPlus Short Strategy. This fund has typically used leverage, in part, to reduce risk rather than inflate it.
- The two funds have similar guidelines, with some key differences that are listed below -

	All Authority	All Asset
Exposure to Any Single Fund	Max 50%	Max 50%
Exposure to Inflation Related Strategies	Max 75%	Max 75%
Exposure to Long-Only Equity Strategies	Max 66 2/3%	Max 50%
Exposure to StockPLUS Short Strategy	Max 20%	No Short Equity
Use of Leverage ¹	Max 33%	Currently no Leverage

1. Any use of leverage is opportunistic and tactical. The All Authority Fund may draw against a line of credit to purchase more shares of underlying funds.

Sequoia Investment Rationale Summary

- Sands has grown to an outsized position. It has “out-earned” its allocated position in Danbury’s equity portfolio. (This is, of course, a positive)
- We believe that portfolios need to consistently rebalance from time to time as a means of selling high and buying low. This has always proven to be a powerful mechanism to maintain portfolio risk levels, and indeed, even increase returns.
- Consistent with our belief that today’s portfolios carry more and different types of risk than usual in coping with the zero interest rate environment , we are consistently looking for ways to rebalance risk by utilizing strategies and managers that tend to be less risky than their peers.
- Sequoia (Ruane Cunniff) has been, to put it plainly, one of the best mutual funds (managers) in a period of time dating all the way back into the 1970s. It was closed from 1982 until 2008. It is gradually re-closing its doors as we write.
- It has also proven to be one of the lower risk managers in its class (see Search Document) and thus attracts our attention and warrants our recommendation to further diversify Danbury’s domestic equity portfolio and provide a means of rebalancing Danbury’s equity exposure (i.e. Sands, above).