



MINUTES of the Special Meeting of the Board of Estimate and Taxation held on Monday, May 5, 2008 in the Town Hall Meeting Room, Greenwich, CT.

Chairman Stephen Walko called the meeting to order at 6:05 P.M., after which the members pledged allegiance to the flag.

Board members in attendance:

Stephen G. Walko, Chairman
Robert S. Stone, Vice Chairman
Leslie L. Tarkington, Clerk
Nancy E. Barton
James S. Campbell
William R. Finger
William G. Kelly
Edward T. Krumeich, Jr. (Arrival at 6:13 P.M.)
Michael S. Mason
Arthur D. Norton
Jeffrey S. Ramer
Laurence B. Simon

Staff: Peter Mynarski, Comptroller; Roland Geiger, Budget Director

Other: Nancy Weissler, Chairman; Dr. Betty Sternberg, Superintendent, Board of Education; John Chadwick, Retirement Board

REQUEST FOR BUDGET ADJUSTMENT

ED-8 Board of Education - Additional Appropriation - \$972,000

Additional Appropriation:
\$ 972,000 to Z-680-59560 28138 Modular Building Remediation
\$972,000 from Capital Non-Recurring

Mr. Mason reported that at the Budget Committee's Special Meeting on April 30, 2008, the Board of Education introduced three consultants who had advised on the remediation of the modular buildings and who made presentations. A discussion followed regarding construction schedules, re-opening of the building, airborne testing and follow-up. The Budget Committee approved the appropriation 4-0.

In response to Mr. Walko, Mr. Geiger said that if the funds are not used, they will go back into capital non-recurring. Ms. Barton expressed concerns that this appropriation draws down the balance in the capital non-recurring fund to a very low level.

Upon a motion by Ms. Tarkington, seconded by Mr. Mason, the Board voted 11-0-0 to approve the application.

OLD BUSINESS

BET Retirement – AIG Private Equity Contract

Mr. Norton stated that the Investment Advisory Committee met on April 29 with five members of the Retirement Board and the Retirement Administrator in attendance. Mr. Norton expressed his concerns regarding this contract, including the domicile being in the Cayman Islands and being outside the scrutiny of U.S. regulatory agencies; whether or not due diligence had been done since he had not seen it; the lack of history of the previous programs; the limited partnership structure; the timing of the investment not being in the best interest of the Town; the area of diversification; and the risk profile. At the Investment Advisory Committee meeting a vote was taken with Mr. Norton voting against and Mr. Finger voting for the investment.

Mr. Finger stated that the Retirement Board had done a fairly substantial vetting of different private equity types of investment funds. The \$10 million investment amount represents approximately 3% of the total assets of the retirement fund. Of this, \$3 million will be called upon in the next thirty days, leaving \$7 million to be invested. This is a fund-of-funds and it has a very diverse investment profile. Mr. Finger regarded this as a prudent investment.

Mr. Simon stated that many pension funds are investing in this type of investment and it presents a reasonable alternative investment. Mr. Stone stated that AIG is a world class company, which is putting money along side the investments that the Town is being asked to make, and the underlying investments are extremely diversified. Ms. Tarkington stated her concerns regarding the non-US domicile, not only of the master partnership, but also of the next level of eight underlying partnerships several of which are denominated in eurodollars, sterling, and yen; the risk of currency flows of the partnerships investing in up to 42 other approved countries; and investments in credit default swaps.

At Mr. Stone's request, Mr. Walko asked that the Retirement Board make a brief presentation.

John Chadwick, a trustee of the Retirement Board, stated that this investment is being made at a wonderful time, when markets are in turmoil and the value of many assets have been driven down. Mr. Chadwick stated that AIG is a company with a trillion dollars on its balance sheet, it has a daily cash flow of \$200 million coming from just premiums, and it is a side by side investor. He explained the "J" Curve and the rates of return that AIG's underlying private equity funds have been able to achieve. In response to Mr. Stone, Mr. Chadwick stated that domiciling these funds in the Cayman Islands is to have non-U.S. investors for tax reasons, more than anything else.

Upon a motion by Ms. Tarkington, the Board voted 10-1-1 to approve the application. Mr. Norton voted against; Mr. Kelly abstained.

Mr. Walko suggested to Mr. Mynarski that going forward, that anytime the Retirement Board is going to be discussing new investment management contracts, that not only that the BET Liaisons to the Retirement Board be notified, but that the Investment Advisory Committee be notified, also.


ADJOURNMENT

Upon a motion by Mr. Ramer, seconded by Mr. Kelly, the Board voted 12-0-0 to adjourn at 6:35 P.M.

Respectfully submitted,



Maria Bocchino, Recording Secretary



Leslie L. Tarkington, Clerk of the Board



Stephen G. Walko, Chairman