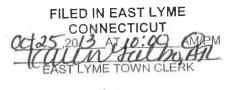
EAST LYME PENSION COMMITTEE MEETING OF JULY 25, 2013 MINUTES



PRESENT: Paul Formica, Anna Johnson, Renee Fecteau, Nazz Paciotti, Raymond Hart, and Jim LaFond

ABSENT: Paul McDonough, Don Meltabarger, Beth Hogan

ALSO PRESENT: Romaine Macomb and Doug Paul, Chairperson of Essex Financial Services

Mr. Formica called the meeting to order at 3:05 pm.

Motion by J LaFond second by N Paciotti to approve minutes from the April 23, 2013 meeting. Motion passed.

Mr. Doug Paul of Essex Financial began noting that for the past two months the Boards of the bank and Essex Financial have been responding to a compliance issue. There was no involvement with client funds.

The compliance violation was the payment of a referral fee to an outside individual not licensed to receive such a fee. There was belief the individual was to become licensed. The referral fee was paid back to the firm, however, it took a long time. They did not act swiftly could have been quicker. In response to this issue a new process is in place.

Essex Financial is changing its management structure. Mr. John Rafal, Founding Member of Essex Financial has taken on a new role. His title Vice Chairman. He is to recruit new clients and continue to serve existing clients. He will be involved with investment advice for strategies.

Mr. Paul explained Essex Financial is using an Executive Management Firm to search for a new Chief Executive Officer. Mr. Chuck Carmello is appointed as the Interim CEO and is highly respected. The Chief Operating Officer is Mr. Ron Nelson who was hired two months ago.

In addition the Board has been working on restructuring for succession purposes. Mr. Rafal is 63 and will more than likely be considering retirement. Hiring Mr. Nelson was the first step.

Mr. LaFond expressed concern about the recent events and turnover within the firm. Mr. Paul stated there are 20 Advisors remaining. Mr. J. McAraw had a large book of business and Essex Financial is hopeful there will be no more departures. Essex Financial has noted the overall client response has been good and they have hired a new advisor.

EAST LYME PENSION COMMITTEE MEETING OF JULY 25, 2013 MINUTES Page 2

Mr. LaFond then inquired if Mr. John Rafal is under contract. Mr. Paul responded that his contract has been re-negotiated for a three year period and may be extended.

Ms. Romaine Macomb of Essex Financial noted she has been with the firm for twenty-six (26) years. She is not happy with the current situation and it is very difficult for her. There were four (4) members of the firm including herself that discovered the compliance issue and brought it forward.

Mr. Paul commented the firm does not believe there will be any more staff departures. Mr. Rafal's role has changed significantly, he no longer has any executive powers.

Mr. Paul noted Essex Financial received a letter from the Securities and Exchange Commission (SEC) which is a "routine audit" letter not a "focus" letter. The firm received a routine letter as the compliance violation did not involve any client funds. It will probably be four to five months before the SEC actually returns to conduct the audit.

Mr. LaFond questioned who will be the Town of East Lyme Team? Mr. Paul responded that we will retain Ms. Romaine Macomb however, due to the size of the portfolio she will be selecting another team member to work with her.

The discussion moved to our portfolio. When East Lyme started working with Essex Financial in 2010 the portfolio was \$8.3M and is now \$13.6M. The average annual return has been 9.13%. Overall Essex is pleased with the performance.

Ms. Macomb brought the current status of the Bond Portfolio to the committee's attention with the recommendation we need to act quickly to protect the integrity of the portfolio. Discussion regarding recommendations.

Motion by J LaFond second by N Paciotti to move American Century 50% to Money Market (cash) and 50% to Franklin. Motion Passed.

Motion by N Paciotti second by R Hart to move PIMCO Total Return one third of balance to Franklin Strategic Income Fund. Motion Passed.

Motion by R Hart second by J LaFond to approve \$2,500 in invoices from USI for various pension related services

Ms. R Fecteau, HR Manager reported the following Pension Payments commencing: Warren Tarr 6/13/13, Fran Ranowski 9/4/13 and S. Vernon 7/12/13.

EAST LYME PENSION COMMITTEE MEETING OF JULY 25, 2013 MINUTES Page 3

Mr. Formica introduced the new committee member Mr. David Connolly. Mr. Connolly is a member of the Firefighters Bargaining Group.

Motion by N Paciotti second by J LaFond to enter into Executive Session for the purpose of reviewing Investment Managers status. The committee exited executive session without conducting any business.

Motion by J LaFond second by R Hart to adjourn at 4:15 pm

Respectfully submitted, For the committee:
Anna M. Johnson