REVISED 2/18/2009

CITY OF NORWALK
MUNICIPAL EMPLOYEES PENSION BOARD
REGULAR MEETING
DECEMBER 10, 2008

PRESENT: Michael Sweeney, Chair; Joseph Pramer, Charles Pirro, Frank Nash, Gerald Moran, Fred Gilden

STAFF: John Schlosser, Personnel Department

OTHER: Ellen Petrino, Evaluation Association

CALL TO ORDER

Chairman Sweeney called the meeting to order at 6:00 p.m. Chairman Sweeney greeted Mr. Pramer. Mr. Pramer then gave a brief overview of his work history with EF Hutton, and Morgan Stanley. The other members of the Board introduced themselves to Mr. Pramer.

APPROVAL OF MINUTES FOR NOVEMBER 12, 2008

The following corrections were noted:

Page 2, paragraph 7, line 2 – please change the following from "they took a $56M hit on" to "they took a hit on"

Page 2, paragraph 7, line 4 – please change the following from "balance sheet and with the $150M" to "balance sheet with the $150M"

Page 3, paragraph 1, line 4 – please change the following from "security lending, full pension, financial reporting" to "security lending, financial reporting"

Page 3, paragraph 2, line 7 – please change the following from "Core USA and overnight vehicles" to "Core USA, overnight vehicles"

Page 3, paragraph 6, line 1 – please change the following from "generate earning, but to start the process for withdrawal, and to review in one year." to "generate earning, but to continue to review in one year."

**** MR. MORAN MOVED TO APPROVE THE MINUTES OF NOVEMBER 12, 2008 AS AMENDED.**
**** MR. NASH SECONDED.**
**** THE MOTION PASSED UNANIMOUSLY.**

Mr. Schlosser reviewed all four applications, and distributed copies of the back up material for the fourth application. Mr. Schlosser then answered all the questions from the Board.

**** MR. PIRRO MOVED TO APPROVE THE FOLLOWING PENSION APPLICATIONS:**

MINERVA BERMUDEZ, COMMENCING JANUARY 1, 2009
BARBARA LACOMIS, COMMENCING JANUARY 1, 2009
GARY LAWRENCE, COMMENCING DECEMBER 1, 2008
DEBORAH M. PIANCENTE, COMMENCING FEBRUARY 15, 2008

**** MR. NASH SECONDED.**
**** THE MOTION PASSED UNANIMOUSLY**.

Ms. Petrino asked how much of the information about the pensions should be included in the minutes. A discussion about the availability of information then followed. Mr. Schlosser suggested that he would review the minutes from the past and report back to the Board. This was acceptable to all.

Ms. Petrino then gave a brief overview of Evaluation Associates for Mr. Pramer.

PERFORMANCE REVIEWS

Mr. Sweeney said that he had attended a recent meeting of Blackstone and that they were doing better than most in the market. He said that the group reviewed the process of how they select managers.

Ms. Petrino then distributed the Performance Measures and Fund Structure. Most of the managers were at or near their benchmarks. Ms. Petrino then reviewed the Pimco All Asset and Commodity Real Return Funds. The discussion then turned to the use of TIPS as the underlying investment for futures, rather than as a hedge. He said that the City had wanted to put money into commodities and that he was concerned about the TIPS exposure in the Commodity Fund. Mr. Gilden asked if it was possible to get a commodity fund without TIPS. Ms. Petrino said that it was.

Mr. Nash asked if Saris had ever been brought to the Board for consideration. He said that he would have to recuse himself if the firm presented because he knew someone in the firm. Ms. Petrino said that last year, the Board had talked about similar firms, but never acted on the discussion. Mr. Pramer pointed out that back in 2005, there were only Pimco and Oppenheimer to choose from but that now there were other firms offering pure commodities to consider. Discussion followed.

EATON VANCE

Mr. Craig Russ of Eaton Vance joined the meeting via telephone conference.

Mr. Russ pointed out that there was a forced de-leveraging in bank loans and the assets dropped from .91 on the dollar to .68 on the dollar. Mr. Russ then reviewed the technical details of the forced de-leveraging. He stated that while some loans may default, most of the loans will be repaid.

Mr. Moran asked about the average maturity of the portfolio. Mr. Russ said that it was usually five years. He said that he felt that the technical imbalance in the market would correct itself. Mr. Pramer asked how many clients had redeemed in the last three months. Mr. Russ said that four clients had redeemed, one of which had been bringing their investments in house over a period of time. There had been no redemptions in December. A major loan in the portfolio is expected to be paid in full in January. Some assets may need to be sold to meet January redemptions.

Mr. Nash asked Mr. Russ if he agreed that the economic recession would be worse than 2000. Mr. Russ said that he didn't know. Mr. Nash then listed a number of news articles that stated that the recession was longer than 2000. Mr. Russ said that was clear and that there were many news articles that predicted bad news. He said that he could tell what the watch list was today, and that trading is at 32% discount per par. Discussion then followed about the current market conditions.

Mr. Sweeney asked what it would take to get the market moving again. Mr. Russ said that he thought that as the loans are repaid, the market will move because of all the capital going back into the market. Mr. Gilden asked how the monthly dividends were being handled. Mr. Russ said that the dividends were reinvested. He added that he would be willing to meet with the group and said that Eaton was committed to keeping the investors on the upside.

ASSET ALLOCATION

Mr. Gilden asked if Eaton Vance would be watched. Ms. Petrino said that she had been watching the fund on a monthly basis. Mr. Nash expressed concerns about the default rate, which was currently at 2% dropping further in the future. Ms. Petrino reminded the Board that these are senior secured notes. Mr. Moran said that this investment had become far riskier than he had originally believed. Discussion followed.

Ms. Petrino asked what Evaluation Associates should be looking at for the Board. Mr. Nash said that he felt that there was a lot of risk in bank loans. He said that he felt that the first decision would be whether the money should remain at Eaton Vance. Ms. Petrino said that a number of firms have been interested in bank loans.

Ms. Petrino then reviewed the activity of the Board during the last two months, when some allocations had been removed from Capstone and moved to Pimco. Ms. Petrino said that she was surprised that Board members thought the bank loan fund might be conservative; it is senior secured debt. Mr. Pramer said that if there was a run on this fund, the remaining long term bond investors might be hurt. He added that the yield return was 8% and that there were stocks that could give 10%. He then asked if the City was being rewarded by continuing the investment with Eaton at this price. Discussion then followed.

**** MR. MORAN MOVED TO WITHDRAW THE FUNDS FROM EATON VANCE AND MOVE THEM TO CASH**.
**** MR. NASH SECONDED.**
**** THE MOTION FAILED WITH THREE FOR (NASH, PRAMER AND MORAN) AND THREE AGAINST (GILDEN, SWEENEY AND PIRRO**).

Mr. Nash then said that it was unrealistic have private equity investments at this time and that the portfolio should be adjusted downward. Ms. Petrino pointed out that the September values had not been released yet and suggested that the auditors be asked about how this should handled. Mr. Moran said that this problem was across the market and that the Pension Board couldn't just mark down a fund. Mr. Gilden then suggested that the reports carry a footmark with the explanation that the fund has dropped since the last quarter. This was acceptable to all.

Mr. Moran then asked when the actuaries would be done. Mr. Gilden said that he had met with the others involved and that the information should be ready in February.

Mr. Gilden said that the contract for Evaluations Associates was up and that an RFP would be going out soon.

ADJOURNMENT

**** MR. MORAN MOVED TO ADJOURN**
**** MR. NASH SECONDED.**
**** THE MOTION PASSED UNANIMOUSLY**

The meeting adjourned at 8:10 p.m.

Respectfully submitted,

Sharon L. Soltes
Telesco Secretarial Services