

**CITY OF NORWALK
MUNICIPAL EMPLOYEES' PENSION BOARD
WEDNESDAY, SEPTEMBER 10, 2008**

ATTENDANCE: Michael Sweeney, Chairman

STAFF: H. James Haselkamp, Jr., Director of Personnel and Labor Relations;
John Schlosser, Personnel Administrator; Fred Gilden, Comptroller

OTHER:

CALL TO ORDER – FOOD SERVICE PENSION BOARD

Chairman Sweeney called the meeting to order at 5:45 p.m. for the Norwalk Food Service Pension Board.

APPROVAL OF FOOD SERVICES PENSION APPLICATIONS

The board reviewed Mr. Robert O'Sullivan's pension application. Mr. O'Sullivan, Food Service Board of Education pension, 12 years, 8 months of service; 67 years old upon retirement; regular pension; final average salary \$29,158.00; receiving pension \$6,368.27 per year, \$530.69 per month.

**** MR. GILDEN MOVED TO APPROVE THE PENSION APPLICATION FOR MR. ROBERT O'SULLIVAN.**

**** MR. SWEENEY SECONDED.**

**** MOTION PASSED UNANIMOUSLY.**

APPROVAL OF MINUTES FROM MAY 14, 2008

The approval of the minutes from May 14, 2008 was tabled to the next meeting.

ADJOURNMENT

**** MR. GILDEN MOVED TO ADJOURN.**

**** MR. SWEENEY SECONDED.**

**** MOTION PASSED UNANIMOUSLY.**

The meeting adjourned at 5:50 p.m.

**CITY OF NORWALK
MUNICIPAL EMPLOYEES' PENSION BOARD
WEDNESDAY, SEPTEMBER 10, 2008**

ATTENDANCE: Michael Sweeney, Chairman; Gerald Moran; Charles Pirro; Frank Nash;
Debbie Troy

STAFF: H. James Haselkamp, Jr., Director of Personnel and Labor Relations;
John Schlosser, Personnel Administrator; Fred Gilden, Comptroller

OTHER: Laura Kunkemueller, EAI, Senior Consultant; Christopher Bendlak, Esq/
EAI Associate Consultant (6:10 p.m.); Brian Buenneke, Pantheon (via phone);
John Laxmi, Alinda (via phone).

CALL TO ORDER

Chairman Sweeney called the meeting to order at 6:00 p.m. for the Norwalk Municipal Employees Pension Board. The board members discussed the recent resignation of Mr. James Murphy, former Chairman of the Municipal Employees' Pension Board, and proper acknowledgment of his services to the City for many years. More information will follow.

Mr. Gilden then discussed actuarial services, saying that they had retained Millman for a 3-year contract. Some discussion took place regarding the actuarial report and the evaluations, which should take place after the report comes out.

ADDRESS ALLOCATION OF OPEB

The board members discussed the OPEB allocation, stating there was a desire to return to the 8 ¼ rate. Ms. Kunkemueller said she would send a memo with recommendations to the board. This will be discussed at the October meeting.

APPROVAL OF MINUTES FOR MAY 14, 2008 AND JUNE 11, 2008

It was decided to table the approval of the minutes for May 14, 2008 and June 11, 2008 until the next meeting.

APPROVAL OF PENSION APPLICATIONS

Angela Cimminello, from the Board of Education, 30 yrs/0 months, 66 yrs old, regular pension, final average salary of \$54,310.70, annual \$32,586.42/monthly \$2,715.53, commencement date Sept. 1, 2008.

Natalia Rodriguez, (deceased 6/15/08), from the Board of Education, 26 yrs/10 months, 75 yrs old, regular pension, final average salary \$36,300.00, annual \$19,478.58; monthly \$1,623.22, commencement date July 1, 2008.

William Suhoza, from Fleet Services, 34 yrs/6 months, 56 yrs old, early pension, final average salary \$62,328.03, annual \$43,006.32/ monthly \$3,583.86, commencement date Sept. 1, 2008.

Joseph Adams, 5 yrs/0 months, 65 yrs old, regular pension, final average salary \$50,138.45, annual

\$5,013.85/monthly \$417.82, commencement date Sept. 1, 2008.

**** MR. PIRRO MOVED TO APPROVE THE 4 PENSION APPLICATIONS AS LISTED ABOVE.**

**** MR. NASH SECONDED.**

**** MOTION PASSED UNANIMOUSLY.**

JULY PERFORMANCE REVIEW AND CURRENT ASSET ALLOCATION – EAI

PANTHEON – MANAGER REVIEW PRESENTATION

Ms. Kunkemueller said they recommended Pantheon because they believe them to be the best at deal access, due diligence, and different types of marketing, including Asian funds. Mr. Brian Buenneke, Principal, from Pantheon was reached by phone and gave his presentation to the board. He explained that Pantheon is now in it's 26th year, and they continue to focus exclusively on private equity through a regional fund to fund program. They currently have about 64 investment professionals. He noted that they have a very solid base of long-term investors. He discussed the personnel on the U.S. side, the European side and the secondary side. He discussed the investment team structure, explaining the decision making process. He mentioned that the historical performance reported for the primary funds across three geographies showed very nice, absolute performance.

He continued with his presentation, saying that they also showed consistent performance for the historical performance for the secondary funds, across a wide variety of business and economic cycles. Mr. Nash asked why the report showed only through March 31, 2008 (end of 1st Qtr) and not through the end of the 2nd Qtr. Mr. Buenneke explained that these were the last financials that were published. The 2nd Qtr numbers should be out shortly. As they have to report on the underlying funds, they typically lag about 1 ½ quarters behind. He explained that they benchmark in several different ways, as well as looking at public benchmarks and industry benchmarks. He said all of their funds, except for Fund 3, are solid top-quartile performance vs. their peer group. In the Fund 4 Diversification Vintage Year and Stage, he said they categorized some investments in the energy sector as well as distressed for control. He said they categorized this fund in the harvest phase, which means they are not making any new commitments. The majority of the underlying fund managers have almost completely invested in companies and they are looking to exit those investments via strategic sales or public offerings. He said they had a good year, with over \$160M back in distributions. The three areas - buyouts, distressed, and the energy funds - drove the performance of the fund. He said there is still significant net asset value to be realized for this fund, and they are optimistic for additional appreciation. The fund has an original capitalization of \$800M, and there is still \$600M of net asset value at work, and they have returned about \$500M to the investor.

Mr. Buenneke summarized Fund 6, saying it is just over half-drawn, over a roughly three-year vintage period. He said 18% of the fund is in mega-buyouts. The fund is fully committed since May of last year.

Fund 7 is brand new, and has only drawn about 14% of its capital to date. The Europe fund is similar to Fund 6 and is fully committed to 37 funds. The secondary fund is running about 20% net, which is consistent with the two other secondary funds. Since 1987, the net performance for secondary funds was also 20%. He said that will be raising a new fund in this space at the end of the year.

Mr. Nash asked if any of the funds that he invested in, in the fund of funds, had been forced to liquidate. Mr. Buenneke said unlike hedge funds, none of the funds they have are in that position and the funds are locked up

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for the entire duration, so they don't experience any liquidity or constraints at a fund level.

Ms. Kunkemueller asked how much the underlying manager lines up change from fund to fund. Mr. Buenneke explained that there may be some timing shifting, but that 10-20% is different. They typically do 70% in core managers, then 20% for secondary activities or co-investing, and then 10% for emerging managers. He said roughly 20% is new from each fund to funds.

Mr. Moran asked if they changed the way they look at what people are reporting to them, i.e. auditing the accuracy of the information. Mr. Buenneke said that valuations in private equity have always been a difficult exercise, and they have come under much scrutiny lately. As of the end of 2007, the audited financial statements must be compliant with FAS157, which is the accounting regulation that is forcing the private equity industry to go to a market-to-market valuation methodology on a quarterly basis. It is a big part of their due diligence process to make sure the financials are prepared and audited by a reputable firm that uses GAF and FAS157.

Mr. Buenneke explained the term distressed for Mr. Nash. He said that it is a broad category. He said they have a narrow mandate in their fund of funds. That means they are looking for private equity funds that control from an operating perspective and affect the outcome of the companies with whom they invest. Their goal is to acquire an operating company. The entry point into the company is accumulating different layers of the capital structure and debt.

Some discussion took place regarding the commitment to private equity, and it was decided that this would be discussed at the next meeting, with how much money to put in, how much to commit, etc. Ms. Kunkemueller said she would provide an update of the latest report at the next meeting.

ALINDA – JOHN LAXMI VIA TELEPHONE – MANAGER REVIEW PRESENTATION

Mr. John Laxmi, Partner, joined the meeting via telephone, and discussed Alinda's Infrastructure Fund I with the board. He said Alinda Fund I is a \$3 billion fund established several years ago, and it is now nearly fully invested, approximately \$2.2 billion or \$2.4 billion of the \$3 billion have been invested. He said they continue to see very good market opportunities for investments of this type.

Mr. Laxmi explained that the independent ownership of the company in the past three years has not changed, and there are no angel investors. The five partners, including himself, own the firm and there is no other line of business. They have launched a second fund recently. They had a first closing of the second fund, over \$1 billion, and they made an investment in the second fund. He said the overall market opportunity is good, due to the sectors that they focus on being large capital consumers. They continue to look at roads, airports, water treatment plants, etc., in which they have investments in the first fund. They have a very good investment in the U.K. in the water sector.

Mr. Laxmi discussed the five partners and their teams, explaining portfolio management and how one of each of the five partners takes a lead role in managing the teams.

Mr. Laxmi continued to present his report, explaining that Fund 1 has investments in 14 US states and 10 Canadian provinces. Some portfolio investments include American Roads LLC, SourceGas LLC, BAA Airports, South Staffordshire Water PLC, Reliance Home Comfort, Protrectron Security Services, and Street Lights.

Ms. Kunkemueller asked what would trigger a sale for one of these investments. Mr. Laxmi said the investment horizon is generally 4-6 years from now. Once the cash flow is much higher and predictable, the investments would be appealing to the IPO market or to other strategic firms in these businesses. Mr. Laxmi said that they expect payouts from some of the fixed income assets, except for the BAA Airports fund, after about 18 -24 months. The SourceGasLLC fund made an acquisition of a utility in Arkansas on July 1, 2008. He said the infrastructure class has not been as effective as other classes.

Mr. Laxmi then reviewed Fund II, explaining that the strategy continues to be the same as Fund I, looking at medium sized assets. He said they won't commingle any investments from Fund I with Fund II. Fund II will look at several subsectors that were not explored in Fund I, such as electric utilities, ports, railroads, terminals, transmission lines, water treatment plants, etc. They made one investment in Fund II, a wastewater treatment plant for a municipality in California. He said they partnered up with Pacific Environmental Resources Company that has already built 15 of these facilities.

Mr. Nash asked if Alinda has a bond rating from Standard & Poor's, or Moody's. Mr. Laxmi said they don't have a rating because they don't have any debt.

Mr. Sweeney asked why they should consider an investment into Fund II. Mr. Laxmi said they have demonstrated their ability to find very good investments in a field that has different funds from the big consortium type of investments. Mr. Laxmi said they expect to reach their investment goals, based on what they committed in Fund I.

OTHER BUSINESS

Asset Allocation and Performance Discussion

Chairman Sweeney said the open items from the summer include reducing Ivy and to move part of the fund from Capstone to the Pimco fund. Ms. Kunkemueller explained some points from the EAI report, saying that commodities were at 3.8% as compared to a 3% target, and fixed income and cash at 24% vs. the 22% target. She said that markets struggled over the summer. In June, energy was up and financials were at the bottom, and in July that pattern reversed. Both of them in August were mildly positive, and consumer discretionary was the highest performance sector. August was generally positive in the equity area, and slightly positive in the fixed income area. International equities did not do well in August. Domestic equities were down 1.2%. Zesiger had some trouble with their stock selection. She reviewed some fund performance numbers for the July period, saying ABS, Blackstone and Ivy Rising Stars were down, but were protected on the down side.

Mr. Sweeney asked what the final rate of return was for the fiscal year ending June 2008. Ms. Kunkemueller said it was -.6, and it was -2.2 for the year.

Ms. Kunkemueller said she will electronically distribute meeting material to the board members. The next meeting scheduled for October will be devoted to talking about the commitment to private equity.

ADJOURNMENT

**** MR. PIRRO MOVED TO ADJOURN.**

**** MR. MORAN SECONDED.**

**** MOTION PASSED UNANIMOUSLY.**

The meeting was adjourned at 8:30 p.m.

Respectfully submitted,

Carolyn Marr
Telesco Secretarial Services



