CITY OF NORWALK
NORWALK MUNICIPAL EMPLOYEES' PENSION BOARD
JULY 7, 2009

ATTENDANCE: Michael Sweeney, Chairman; Joseph Pramer, Gerald Moran, Charles Pirro, Fred Gilden, Etta Lewis-Jones, Larry Manzi, Michael Salvator

STAFF: John Schlosser, Personnel Administrator

OTHERS: Evaluation Associates: Ellen Petrino, Laura Kunkemueller

Call to Order

Mr. Sweeney called the meeting to order at 6:00 p.m.

Approval of Minutes for June 10, 2009.

The following changes were noted to the red-lined version as edited by Ms. Petrino:
Page 1, 1st paragraph: "Ms. Young" should be changed to "Ms. Parker"
Mr. Pirro's name was misspelled throughout as Piro and should be corrected to Pirro.

** **MR. PRAMER MOTIONED TO APPROVE THE EDITED MINUTES OF THE JUNE 10, 2009 MEETING AS SUBMITTED WITH CORRECTIONS NOTED.**
** **MR. MORAN SECONDED.**
** **THE MOTION PASSED UNANIMOUSLY.**

Approval of the Pension Board Applications

** **MR. PIRRO MOVED TO APPROVE THE NINE (9) PENSION APPLICATIONS AS SUBMITTED WITH COMMENCEMENT DATES AS LISTED BELOW:**
** **MS. LEWIS-JONES SECONDED.**
** **THE MOTION PASSED UNANIMOUSLY.**

COMMENCEMENT DATE	NAME
JULY 15, 2009:	SARA L. LE TOURNEAU; THESSIE L. ROGERS
JULY 1, 2009:	MONICA LEONE, DENISE DE MARSH; MARY T. HENDRICK; JUANA M. RODRIGUEZ, JOSEPHINE TOMBERLIN.
APRIL 15, 2009:	MARK C. TURCOTTE.
FEBRUARY 1, 2009:	DIANA GOOMRIGIAN.

Mr. Sweeney requested to suspend the rules of order to discuss the asset allocation and investment policy statement portion of the OPEB meeting agenda.

** **MR. GILDEN MOTIONED TO RECESS THE PENSION BOARD MEETING**
** **MR. NASH SECONDED.**
** **THE MOTION PASSED UNANIMOUSLY**

The meeting was recessed at 6:30 p.m. to discuss the asset allocation and investment policy statement portion of the OPEB meeting agenda. The recess ended at 7:00 and the meeting was reconvened at 7:45 p.m.

Review of May Performance: Evaluation Associates

Ms. Kunkemueller presented the Evaluation Associates Fund Structure Report dated July 7, 2009, and highlighted that the Total Market Equity was within the long term target range as was Fixed Income fund at 27%.

Discussion of Asset Allocation and Classification, Investment Opportunities, and the Investment Policy Statement

Ms. Petrino distributed The Asset Allocation Review Report, and stated that based on the results of the asset allocation modeling and discussion from the OPEB Committee meeting, the fund represents a very favorably structured portfolio.

She highlighted the following observations:

1. The City (112%) and Fire Pension (115%) plans were over funded at 6/30/08, while the Police (97%) and Food Service (78%) plans were under funded.

2. Because of the severe decline in asset values, even with actuarial smoothing, it is likely that all plans are now under funded.

3. The Pension Board believes the 8.25% assumed return, which the actuary states is based on, and supported by, the trust's asset allocation, may be difficult to earn over the next few years.

4. The Pension Board wishes to examine expected returns for the current allocation and for more conservative approaches.

She referred to the Executive Summary that states that EAI has taken liquidity and diversification into account in setting constraints; based on the committee's discussion, these can be altered or challenged. She stated that the conclusions based on EAI's capital market assumptions are that the current allocation is expected to return 9.0% with a standard deviation of 12.3%. There is a 50% probability of earning 8.25% in any one, three or five year period.

Ms. Petrino explained that the report progresses from an unconstrained frontier (no minimum or maximum allocations to any one asset class) to a constrained frontier to two jointly constrained frontiers. She highlighted that on pages 11 and 12 (Jointly Constrained Frontier #2 with a minimum of 20% allocated to core fixed income), was focused on comparing the current portfolio to the following:

- Portfolio 4: moderates the best and worst outcomes and has lower returns in the mid-range (25th through 75th percentiles)
- Portfolio 6: moderates the downside a bit better than the Current Portfolio without giving up much upside in the best outcomes. It is similar in the midrange outcomes.
- Portfolio 2: does not appear to have enough upside, especially when future cash flows are considered (page 13).

Ms. Petrino stated that the modeling shows that, if EAI's estimates are correct, the master trust's Current Portfolio will earn a high upside return. She added that they have examined Portfolios 2 and 4 from the second jointly constrained frontier. These portfolios have lower risk but also lower returns than the Current Portfolio. Portfolio 6 has lower risk with roughly equivalent returns except in the best outcomes. She concluded that next steps are to consider these allocations in the context of Investment Policy and implementation options, rerun any desired frontiers, constraints, mixes or return assumptions, and then approve asset allocation policy targets and ranges.

Mr. Sweeney asked for the Board's position on real estate investments, and Mr. Pirro stated that he would prefer to stay away from any type of real estate. Mr. Nash agreed with Mr. Pirro, however Mr. Sweeney stated that the absence of REITS was an important missing element of the strategic mix.

Ms. Petrino suggested they continue to monitor the performance of the fund as currently allocated and consider re-looking at REIT opportunities later in the year. She added that this review, the asset allocation, classification clarification, the guidelines and investment policy statement are part of the solutions and tailored customizations provided by EAI.

Mr. Sweeney suggested the Board continue to evaluate investment recommendations as proposed by Evaluation Associates, based on the approved guidelines and investment policy statements and with the goal of reaching the targeted rate of return.

<u>Other Business</u>

Mr. Sweeney asked the Board for comments relative to issues necessary for an August meeting. Mr. Nash mentioned that the addition of meetings over the summer months was done in view of the market volatility, which has now subsided. He suggested that EAI continue to closely monitor the fund and schedule an emergency meeting if the current market conditions change.

****	MR. PIRRO MOTIONED TO CANCEL THE AUGUST MEETING.**
****	MR. NASH SECONDED**
****	MOTION PASSED UNANIMOUSLY.**

ADJOURNMENT

****	MR. MORAN MOVED TO ADJOURN.**
****	MR. PRAMER SECONDED**
****	MOTION PASSED UNANIMOUSLY.**

The meeting was adjourned at 8:00 p.m.

Respectfully submitted,

Marilyn Knox
Telesco Secretarial Services