Revised 5/26/2009 **CITY OF NORWALK**
NORWALK MUNICIPAL EMPLOYEES' PENSION BOARD
APRIL 8, 2009

ATTENDANCE: Michael Sweeney, Chair; Joseph Pramer, Gerald Moran, Charles Pirro, Fred Gilden, Francis Nash, Michael Salvator

STAFF: Thomas Hamilton, Director, Finance Department; Fred Gilden, Comptroller, NASA; John Schlosser, Personnel Administrator

OTHERS: Etta Lewis-Jones, Custodial 1042, Larry Manzi, NMEA; Ellen Petrino, Evaluation Associates; Laura Kunkemueller, Evaluation Associates

CALL TO ORDER

Mr. Sweeney called the meeting to order at 6:10 p.m.

APPROVAL OF PENSION APPLICATION

Mr. Hamilton provided a memo summarizing the background and objectives of the City Early Retirement Offer, which was approved by the full Council. He added the background behind this offer was that, from the City's perspective, due to the economy, there was a revenue hold on state aid, and that we would be looking at either a significant tax increase (in the 10% range), cuts in programs or elimination of services. Because union contracts provide bumping clauses that have negative impact as the effects ripple through the organizations of those cut a very disruptive transition can occur. It was to the city's benefit to develop an Early Retirement Package rather than implementing layoffs thereby preventing a disruption to City services.

Based on information from the City's actuary, the actual number of employees who chose to accept the offer is 38, which represents a cost to the city of $4,092,000. Mr. Pramer asked if this was a present value liability, and Mr. Hamilton responded that this represents a total present value liability of $4.1million to be recovered over an amortized period of 21 years, with an annual benefit payout of $224,000. Mr. Pirro asked what the process of approving the Early Retirement Package was, and whether once an employee opted out, could they come back in. Mr. Hamilton responded that it was an issue for Collective Bargaining and not the Pension Board, and that the Early Retirement Package was a one-time offer with the intention of shrinking the workforce, and balancing the operating budget.

Mr. Sweeney asked what the impact on the program liability was., Mr. Hamilton commented that the Package assumes a productive workforce during the transition period and that, in all probability, there would be fewer people retiring over the next few years.

**** MR. PIRRO MOVED TO EXCLUDE THE APPLICATION FOR LINDA WILLIAMS-PAULIN BECAUSE OF DISABILITY AND TO APPROVE THE FOLLOWING (38) PENSION APPLICATIONS COMMENCING MAY 1, 2009:**

IRENE BAGLEY
PAMELA BALLARD
CAROL BEACH
OLGA BERENSTEIN
RHONDA CAPUANO
NAPOLEON CHENARD
JOSEPH COTE
LEO CROWEL
JOSE CRUZ
JAMES DOMBROSKI
CHRISTINE DUDEK-RATUSHNUK
GWENDOLYN GEORGE
WILLIAM GEORGE
MATHA GIRODANO
ANNE HARRIS
MARION HOOD
MARY JONES
ALFRED KAO
PAUL KEROACK
LES KOZEROWITZ
ROCCO LAFARO
NOLITA MAGNAYE
MIRIAM MAGRI
MARY MCCAE
AGUSTUS MCFADDEN
RICHARD MCGREGOR
MICHAEL MEANEY
NICHOLAS MILLS
ALVIN NICHOLS
KOSTANINOS PAPADOOULOS
HAZEL PARRA
PATRICIA PETROLLO

JAMES PORTER
MARY ROMAN

EARL SELLERS
BERNICE STILLMAN
ANN TOMLINSON
LINDA WILOCK

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

APPROVAL OF MINUTES FOR JANUARY 14, 2009
AND FEBRUARY 11, 2009 MEETINGS

Chairman Sweeney suggested a suspension of the rules of order for the agenda items to be moved to allow the approval of minutes to the end in the interest of time scheduled for the Zesiger presentation. All were in agreement.

PERFORMANCE REVIEW

Ms. Petrino presented the Evaluation Associates Client Report and Performance Review dated April 8, 2009. She highlighted the Zesiger fund performances in Domestic Equity, International Equity and Private Investments, and provided a background of the people involved in the management. She added that Don DeVivo is back after a two-year departure with BEA, and the owner and head management is the same since 1976.

ZESIGER CAPITAL GROUP PRESENTATION

Mr. Al Zesiger introduced himself and his partners and provided a background on the Capital Group, and highlighted that the second half of 2008 presented a re-focus on themes of Energy Infrastructure and Emerging Markets. Given their concentration and global nature, and due to their small cap bias, there would always be higher volatility. Throughout the presentation, Mr. Nash questioned their performance over five years as being significantly below others with a total loss of more than 10%, and described Zesiger as the worst performer that the Norwalk Pension Fund has. Mr. Zesiger refuted the assertion saying that the statistics quoted are for a period of time, but in the long term they can rebound. He urged the Board not to look at a snap shot of recent months under a microscope, as no one could have predicted the events that took place in the industry.

Mr. Pramer asked if they would consider themselves a concentrated portfolio, and asked about the sell discipline.. Mrs. Zesiger responded that relative to many peers, they are concentrated. Mr. Zesiger added that when performance is down 20% or more, they will always re-examine their assumptions, making changes with consideration of what is happening domestically and globally.

Mrs. Zesiger explained that one example of the marketplace's unpredictable volatility is AIG, which was absolutely unbelievable. Mr. DeVito added that in contrast to other managers, Zesiger Capital Group does not manage to the index, which is why the other managers' performances are similar to the index. This hallmark of Zesiger's strategy, tends to result in higher volatility. They feel strongly that they can seek growth and investment opportunities and allocate the portfolio in such a way so they can achieve above average investment returns. This is one of the reasons there has been such a long standing relationship between Zesiger and Norwalk Pension Funds. This highly volatile strategy, over a long period of time, has been one of the keys to their success.

Mr. Pirro added that he recalled having a very similar presentation several years ago, in 2002, with many of the same questions, and resulting outcomes being true. Mrs. Zesiger stated that one of the mistakes they could make as managers is after a year like last year to change their strategy and become defensive.

Mr. Zesiger summarized that they work hard to avoid that mistake; and in situations like this year, tend to double down, then buy back when things rebound. This year, after such extreme market conditions, they went slower and tactically reviewed all the portfolios for balance sheet risk. They will consider re-entering the program when there is more stability. They are excited about how the portfolio is positioned despite the volatility that results, especially domestically, going forward. She added that they "eat our own bread only" meaning that they invest personally in the same strategies..

Mr. Winter highlighted the situation with Ruby Tuesday as an example of a name they follow and indicated that their predictions are that market Darwinism will take place in a number of industries. With the combination of market share, balance sheet and liquidity, and the management of those, Ruby Tuesday should do better over the next couple of years.

The bankruptcy process has been tremendously altered in the U.S. and could lead to a process where a number of companies go into bankruptcy and then directly into liquidation. That is going create opportunities for companies that have strong market share, strong balance sheets and management that has the ability to execute. Zesiger is starting to see this already, especially on the private side.

Mr. Zesiger, said that while structural knots are being un-tied in the U.S., it is more of a cyclical situation in emerging markets, and while most of Zesiger's strategy is the same, they approach investing internationally slightly differently.

The Zesiger Capital Fund Group representatives left the meeting.

A further discussion took place in reaction to the presentation and the trend performance charts provided. Ms. Petrino reminded the Board that it has withdrawn funds during Zesiger's outperformance years, and that this had occurred many times. Mr. Nash referred to the graph indicating the performance trend that continues to go down. Mr. Pramer asked how much money was taken out, and Ms. Petrino said approximately $3.5 million per year, for a rough total of $40 million. She mentioned that the Board had trimmed the Zesiger account, as a way to get pension benefit payments.

Mr. Nash said the Pension Board was increasingly concerned with Zesiger's volatility, but as Zesiger continued to make money, the Board continued the investment. He also added that Zesiger no longer does any private or fund equity. Ms. Petrino said the Board tried to have Zesiger manage an emerging markets only portfolio, but they would not do that. The current allocation to Zesiger is reasonable in relation to the other allocations so this manager was not put on a watch list.

Mr. Pramer asked for a year-by-year performance on a calendar basis for the last ten years, and if there was a system or discipline, whereby they decide to "pull a trigger" on a manager. Ms. Kunkemueller indicated this was the perfect segue to the next item on the agenda, the Investment Policy Statement, which contains watch-list criteria that evaluate managers on a rolling three year and peer comparison basis. .

DISCUSSION OF INVESTMENT POLICY STATEMENT

Ms. Petrino presented an amendment to the Policy Statement for The General Investment Objectives and Guidelines as approved 12/13/94, and amended 2/8/95. Ms. Kunkemueller explained that the existing guidelines were used, then modified to outline the broad investment guidelines with specific manager guidelines included at the end. The manager specific guidelines tailor the general guidelines to the manager's specific expertise and provide criteria for notifying the Pension Board.

Mr. Nash had some concerns with the document, specifically the investment return objectives, the categorization of private investments, and foreign currency exposure. He further requested that a statement be added to the use of derivatives section stating that use of derivatives would never risk more than the original principal.
Mr. Pramer asked again what the definition of fixed income is, stating that how a fixed asset was identified and categorized was important. Mr. Moran said he recalled the investment objectives as being out-dated, and Ms. Kunkemueller stated that the Board needed to review and affirm or amend the objectives considering the balance between equity, debt, publicly traded securites, private investments and liquidity.
There was detailed discussion about fixed income and asset allocation, and categorizations. Mr. Nash added that the Pension Board's strategy is complex and not simple. Ms. Petrino added that EAI would look at broadening the objectives, and suggested that the investment guidelines could be done as an addendum or schedule to the policy statement. Mr. Nash added that changes from time could be incorporated with descriptive language that shows the intent of why the Board has made specific changes.

Mr. Sweeney mentioned that there was a meeting the previous evening regarding the Actuary and the Finance Director that he needed to make the Board members aware of. Mr. Nash suggested that due to the sensitive subject nature of this item, which was not on the agenda, an executive session should take place.

EXECUTIVE SESSION

**** MR. NASH MOVED TO GO INTO EXECUTIVE SESSION.**
**** MR. PIRRO SECONDED**
**** MOTION PASSED UNANIMOUSLY.**

The Committee went into Executive Session at 8:15 p.m. and reconvened into Public Session at 8:42 p.m. There were no motions or votes taken, but Mr. Nash requested that the approval of minutes from January 14, 2009 and March 11, 2009 be tabled to next month. All were in agreement.

OTHER BUSINESS

**** MR. MORAN MOVED TO APPROVE A CHANGE IN THE BOARD MEETING SCHEDULE TO PROPOSE MEETINGS OVER TWELVE MONTHS TO INCLUDE MEETINGS IN THE SUMMER MONTHS.**
**** MR. NASH SECONDED.**
**** THE MOTION PASSED UNANIMOUSLY.**

There was no other business to report on at this time.

ADJOURNMENT

**** MR. PRAMER MOVED TO ADJOURN**
**** MR. PIRRO SECONDED.**
**** THE MOTION PASSED UNANIMOUSLY.**

The meeting adjourned at 8:55 p.m.

Respectfully submitted,

Marilyn Knox
Telesco Secretarial Services