NORWALK MUNICIPAL EMPLOYEES' PENSION BOARD MINUTES

DECEMBER 13, 2006
6:00 P.M.

ATTENDANCE: James P. Murphy, Chairman; Fred Gilden, Comptroller; Michael Sweeney; Etta L. Jones (Local 1042); Gerald J. Moran; Michael Salvator

STAFF: James Haselkamp, Jr., Director of Personnel & Labor Relations,
Victor S. George

OTHER: Ellen H. Petrino, Consultant

Mr. Murphy called the meeting to order at 6:05 p.m.

There was discussion as to whether or not other members would be attending the meeting. Mr. Murphy and Mr. Moran attended a meeting/luncheon at Blackstone. Mr. Murphy said the luncheon was educational.

IVY ASSET MANAGEMENT UPDATE – Clayton Cheek

It was reported that Ivy Management is continuing to add staff in their London office and currently manages $16.5 billion dollars. A new analyst has been added to the Tokyo office who seems to be working out very well. There was a merger with The Bank of New York, their parent company, and Mellon Bank. In terms of organization, an announcement was made on Monday that some of Ivy's investment professionals had been shuffled around. The representative reported that they are going to shift Risk Management and Operational Due Diligence and move them to report into one of the co-presidents so that they are not included in the investment team, they are more on the outside looking in, scrutinizing. He said this is more of a standard way of using Risk Management. He said the investment team is thinking of bringing Stuart Davies from London and making him global head of Research and Portfolio Management. It was reported that Adam Geiger would be leaving the firm. It has not been decided whether he will be replaced in the CIA role.

The representative referred to Page 5 of the portfolio. He reported that the of the Pension Board's account today is $21,845,482. There are currently 27 managers in the Rising Stars portfolio. He said this is on the high side. The representative referred to Page 7, performance of the fund, stating there that is an 8.25% net return year to date through November. He said he would like to see it higher this year. Overall these are solid returns. There was further discussion with regard to healthcare, allocation changes, etc. He said a new healthcare manager was added this year, bringing the total to two. The representative went on to discuss global exposure. He reported that some of the managers have been taken out of positions through buyouts. He reported that quarterly liquidity is offered to their investors. The range in performance of managers was discussed. It was reported that Global Equity Opportunities Fund has 30% exposure to the U.S. versus Rising Star's having a little less than 30% to non-U.S. It was reported that over the past few years a larger selection of managers are focusing on markets outside of the U.S. The Global Equity Opportunities Fund returned 8.35% year to date through September, but 21.26% in 2005 whereas Rising Stars returned 7.80% in 2006. It was reported that the Pension Board has a 45% return since the date of their investment 4 years ago in Rising Star.

BLACKSTONE UPDATE (VIA PHONE) – Mimi Gammill and Gideon Berger

Highlights were given regarding the strategy used for Park Avenue. A representative said that there were 2 to 3 managers added to the Park Avenue fund. The representative said that in the firm's view, Park Avenue is the most stable fund with great managers. The two largest funds are Park Avenue and Fifth Avenue funds. A representative of Blackstone stated that benchmarking hedge funds is very challenging. There was discussion regarding other investments/strategies.

ALINDA REPRESENTATIVE –Phil Dyk

Ms. Petrino reported on Infrastructure. She said the subcommittee met with Alinda and Macquarie and the group is interested in putting $10 million dollars in each. She said they wanted a representative from either groups to come and address this committee to answer any questions about Infrastructure. Phil Dyke from Alinda was selected since he lives nearby. Ms. Petrino said she put together an outline and updated it with regard to fees and leverage, per the committee's request, and passed it out. Alinda's presentation was incorporated which set out a timeline of investing. Discussion ensued regarding leverage and target returns. Alinda is targeting 20% by exiting investments via selling to investors who accept lower yields. Mr. Dyke explained that a wrapper is a secondary guarantee from a company that specializes in insuring bonds. He said they are focusing on investments in Canada, U.S. and Western Europe because the rule of law states that if the government uses eminent domain to take over an asset they will pay fair value. Mr. Dyke stated that they characterize infrastructure in 3 categories, public, energy and industrial. He said they might consider partnering with an industrial company for their expertise if it would be beneficial to the fund.

Mr. Dyke stated that Alinda was formed in August, 2005. It was organized by himself and four other partners. He said the other partners came from CitiGroup. He said the partners have worked together for many years. He reported that they are on their third closing with investors and will complete fundraising by the second quarter of next year. They have commitments of $660 million dollars. He said their target is between $2 and $3 billion.

Mr. Dyke said that they are not looking to cut corners on managers. They are putting time in hiring very knowledgeable managers. Discussion ensued regarding how portions of returns are optimized and the use of tax exempt bonds. Mr. Dyke said that they are always looking for ways to stay in the forefront of investing.

Ms. Petrino said Macquarie would have a closing in January, February and March. Alinda will have one in the first or second quarter. She said the subcommittee did due diligence on Alinda.

*** A motion was made to allocate $10 million dollars to both Alinda and Macquarie at the next closing.
*** Motion passed unanimously.

INDEX FUND INFORMATION

Ms. Petrino distributed copies of the Index Fund information packet and said that the committee could digest it later at home. She said she put together a fantastic matrix which shows the progression from index fund to active management. Ms. Petrino highlighted sections of the matrix.

APPROVAL OF MINUTES FOR NOVEMBER 8, 2006

The minutes were tabled until the next meeting.

APPROVAL OF PENSION APPLICATIONS

Mr. Haselkamp said that there was no meeting of a personnel committee to deal with the disability section. Mr. Haselkamp asked if this could be tabled until the next meeting. A committee member made a recommendation that it should be made clear the date the pension will begin. He said the start date should be August 2004 and not February 2004.

*** MOTION WAS MADE TO TABLE THIS ITEM UNTIL THE PERSONNEL COMMITTEE HAS TIME TO MEET.

*** MOTION WAS MADE TO APPROVE A REGULAR PENSION FOR VICTOR FLORES FOR AN OPTION #3 PENSION OF $________ PER MONTH TO COMMENCE ON JANUARY 15, 2007.
*** MOTION WAS APPROVED UNANIMOUSLY.

*** MOTION WAS MADE TO APPROVE A REGULAR PENSION FOR VICTOR S. GEORGE OF $_________ PER MONTH TO COMMENCE ON JANUARY 15, 2007.
*** MOTION WAS APPROVED UNANIMOUSLY.

A committee member explained that if a person retires on the first of the month, you get a pension for the entire month. If a person retires on the 2nd through the 15th of the month, they only get a half month’s pension. If a person retires on the 16th, you don’t get anything for that month. Cost of living adjustment for pension is July 1st.

ADJOURNMENT

The meeting was adjourned at 8:35 p.m.

Respectfully submitted,

Linda L. Custis
Telesco Secretarial Services