

NORWALK MUNICIPAL EMPLOYEES' PENSION BOARD MINUTES

NOVEMBER 14, 2007

ATTENDANCE: James Murphy, Chairman; Charles Pirro, Gerald Moran, Michael Sweeney, Francis Nash, Michael Salvator

STAFF: Frederic Gilden, Comptroller, James Haselkamp, Director of Personnel

OTHERS: Etta Jones, Local 1042; Larry Manzi, NMEA; Ellen Petrino, Evaluation Association; Edward Jarosky, Capstone; Howard Potter, Capstone

CALL TO ORDER

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

APPROVAL OF MINUTES FOR OCTOBER 10, 2007

Mr. Moran asked about the issue regarding Mr. Concepcion. Mr. Murphy said that there was some research done on this issue and said that on the basis of past practice the payment of interest had been done before. He then gave the Board a few names where interest had been paid. The Board then discussed this issue. Mr. Murphy requested that the research be done to clarify the issue.

The following correction was noted:

Page 3, paragraph 15, line 2: please change from "Mr. Sweeney noted that according to what he'd read on the topic it was not unusual for a manager to underperform as Armstrong Shaw had." To "Mr. Sweeney noted that according to what he'd read on the topic it was not unusual for a manager to underperform for a period of time as Armstrong Shaw had."

**** MR. PIRRO MOVED TO ACCEPT THE MINUTES OF OCTOBER 10, 2007 AS AMENDED.**

**** MR. SWEENEY SECONDED.**

**** THE MOTION PASSED UNANIMOUSLY.**

APPROVAL OF THE MEETING SCHEDULE FOR 2008

**** MR. PIRRO MOVED TO ACCEPT THE MEETING SCHEDULE FOR 2008.**

**** MR. MORAN SECONDED.**

**** THE MOTION PASSED UNANIMOUSLY.**

EVALUATION ASSOCIATES PERFORMANCE AND COMMODITY SEARCH

Ms. Petrino distributed copies of a Background Active Commodities Managers to the Board. She then reviewed the process of evaluation for the Active Commodities Manager and explained how the report was laid out. Ms. Petrino then gave an overview of the information contained in the report for the Board.

CAPSTONE

Ms. Petrino then began to review Capstone and stated that they were trailing the benchmark. She then distributed copies of the Economic and Financial Outlook for October 2007 and a second report on the Pension Plan.

Mr. Jarosky then reported that the bond market had been through a great deal of turmoil. He then reviewed the Pension Plan Portfolio Review with the Board. Mr. Jarosky pointed out regarding the performance results for the year to date 9/30/07 that the spread between the yield returns for Norwalk and the Lehman aggregate link could be attributed to the difference between the government spread and the corporate spread.

Mr. Potter went on to report on this aspect of the review with the Board. He reminded everyone that the country is currently experiences a credit crunch. Bonds provide safety and liquidity. Liquidity is now driving the market, which it has not done for the last ten years. Analysis of the Treasury market versus the corporate market would reveal almost a 200 basis point spread. These bonds are triple A, government guaranteed bonds, so the level of risk is low. A discussion of the market forces then followed.

Mr. Potter then reviewed the impact on the marker of the sale of Sally Mae to a private IPO and how the market price dropped 14 points over the week-end even though it was a government guaranteed program. Mr. Potter said that he believed that there would continue to be a slow down of the economy, especially in certain sectors.

The board discussed various options on how to categorize the portfolio's hedge funds. One suggestion was to redefine the equity asset allocation to: Global absolute return, US Equity, International Developed Equity and Emerging Markets Equity. The result would show 16% in hedge/global absolute return, which was the plan when the Board decided to move from the hedged managers to three with the addition of ABS. The Board then discussed and approved this proposal. Ms. Petrino said this would be important to do. Since this was just a re-allocation of how to categorize existing funds, no vote was needed.

Ms. Petrino said that she had not been advocating global bonds for some time. She reminded everyone that Asia does not have bonds, so the global bonds would be either emerging market or European bonds. The Board discussed the various details connected with global bonds and emerging markets equity. The fund is over-weighted emerging

market equity. It was agreed to reduce the allocation percentage of emerging markets by 8%.

**** MR. SWEENEY MOVED TO REDUCE THE GMO EMERGING MARKETS BY FIVE MILLION AND MOVE THE FUNDS TO CASH TO REDUCE THE OVERWEIGHT IN EMERGING MARKETS.**

**** MR. MORAN SECONDED.**

**** THE MOTION PASSED UNANIMOUSLY.**

Ms. Petrino then reviewed the charts on pages 8 & 9 of the Background on Active Commodity Managers Report with the Board. She encouraged the Board to read the material in preparation for the January meeting.

The Board then discussed the current market situation along with the short term/long terms lending issues as related to the housing issues. When the global economies slow, the export rate slows, which had a far reaching impact on the market. The low end of the consumer market will do well, but the very high end of the market will not do as well. A collapsed dollar in a weak economy will drive the market prices down even further. Although housing is a problem throughout the nation, it is important to remember that it takes about nine months before any individual home is put on a market. Equity loans have been driving the economy for the last few years. The amount of equity loans issued recently and has dropped to near zero. The average household has about eight credit cards and the amount of credit card debt has increase dramatically. Discretionary income has increase from 50% to 68% over the last fifteen years.

OTHER BUSINESS

There was no additional business for discussion at this time.

ADJOURNMENT

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

**** MR. MORAN SECONDED.**

**** THE MOTION PASSED UNANIMOUSLY.**

The meeting adjourned at 8:30 p.m.

Respectfully submitted

Sharon L. Soltes
Telesco Secretarial Service