NORWALK MUNICIPAL EMPLOYEES' PENSION BOARD MINUTES

Revised 11.27.05
MUNICIPAL EMPLOYEES' PENSION BOARD
OCTOBER 12, 2005

ATTENDANCE: James Murphy, Chairman; Fred Gilden; Michael Sweeney; Larry Manzi; Francis Nash;
Michael Salvator

STAFF: Sara LeTorneau, Director Personnel & Labor Relations

OTHER: Ellen Petrino, Jackie Shea, EAI; Michael Steinrueck, Artisan; Clayton Cheek and Parker Johnson, Ivy;
Mimi Gammill and Russell Brawer, Blackstone.

CALL TO ORDER

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

AGENDA

1. 6:00 p.m. – Artisan – Michael Steinrueck

Mr. Michael Steinrueck of Artisan Partners said that the performance summary shows a trend. It looks attractive, and the earnings were up over 12% ytd. That is a big change compared to the past.

He said the ownership of Artisan Partners hasn't changed. They manage $43 billion. The asset growth has leveled off. The team has seen changes. A previous analyst had left the Company. Mr. Martin Anset has joined the Company.

He noted that on page 6, overall it looks good for the long-term development, in terms of technology, demographics, privatization outsourcing. It is an attractive area that is getting stronger, and it is an area where they want to focus their attention. The financials are on page 15. It shows an improvement in the 4th quarter. The most profitable side is the consumer side. Mr. Nash asked about the rising financial rates and the financial index being low. Interest rates are not going higher outside the United States. UBS is the largest player with a 4% market share. The international market has a huge advantage.

Chairman Murphy explained some background information for Mr. Nash about the consultants and what each manager receives when they are hired, based on their asset class. Artisan Partners has underperformed for a while. They are being watched.

Mr. Steinrueck further explained the imbalance in terms of supply and demand. It is almost identical to last year. The UK housing market started to cool down. The only weaknesses in the portfolio were the do-it-yourself companies, similar to Home Depot. Mr. Sweeney asked about the new companies. Buyout has been very strong lately. They have 15% in emerging markets. Chairman Murphy asked about Carnival. Mr. Steinrueck said they have very solid numbers and double digit growth. Mr. Nash said the consumer confidence is declining, and then consumer discretionary income declines. Metals are cyclical also. Our results are compared to an index. Mr. Steinrueck said that Artisan Partners are a truly active manager. Chairman Murphy said that hopefully the returns will stay the same. Mr. Nash asked about the country allocation. Mr. Steinrueck replied that it is 25% in Japan. The limit is set at 25%. Mr. Nash asked if they hedge the currency. Mr. Steinrueck said no.

2. 6:30 p.m. – Ivy – Clayton Cheek and Parker Johnson

Mr. Cheek and Mr. Johnson from the Ivy Rising Stars Offshore Fund, Ltd said that there are 171 full time employees at Ivy. They continue to build out on their U.S. operations. Their offices are now located in Jericho, Long Island. He said that a new fund was opened this Spring, Ivy Global Equity Opportunities Fund. The market overview shows the S&P and Russell below average. The Ivy Rising Stars fund is up by almost 6 ¾ %. They have rebounded since the difficult Spring months. In 2004 they made portfolio changes to increase their non-U.S. exposure. On page 5 it shows the breakdown where assets are allocated. The long/short exposure in Europe is at 17%. They have seen numerous opportunities outside of the U.S., specifically Europe, and they are pleased that their managers captured some of the performance. Mr. Cheek said they added some managers in 2004. They've had an office in London since 2001. They have 22 individual hedge fund managers, and 4 are European based. Mr. Cheek said that they use the term "orphaned equities" as opposed to distressed debt. He said that they benchmark themselves against a stock index. The longshore strategy is where a manager focuses on the equities of companies, and buys stocks from them because they think they are undervalued or under-recognized in the marketplace, to try to take advantage of both rising equity prices as well as protecting themselves from a down market environment.. Some will be long and some will be net short. They look at the overall risk dynamics of any given portfolio, and they hold themselves to about 200 benchmarks. They look at it on a manager-by-manager basis. The type of return profile should be in the 10-15% range, with volatility of ½ of what the equity markets are. Page 7 shows the balances as of 9/30/05. Mr. Cheek said that the returns show where the European managers are. Mr. Johnson wanted to clarify that the Manager's strategies are listed on the page.

Another adjustment to the portfolio is the shift in the hedgefund marketplace. As of October 1, 2005, they will increase the asset ceiling to $500M. The fund is closed, and it is not raising capital for the product. It's a matter of trying to stay with the quality of managers that they've had. Mr. Sweeney asked how the rising stars compare to the veterans benchmark? Mr. Cheek said they don't have a veterans long/short product, but they do have a multi-strategy fund. Their global portfolio started in May, and it will include some of the larger managers. That is a different mandate, with only 50% of the portfolio being U.S. Mr. Cheek said that they have always managed the portfolio with the idea of being opportunistic with some smaller managers that will focus on event-driven strategies. Mr. Salvator asked how they determine strategy. The 50% turnover is a forced turnover to stay focused on the smaller managers. The managers had grown out of the State mandated portfolio. The distressed category showing 3% does not mean that it's all in the distressed category. The arbitrage markets had a difficult time in the Spring but have since rebounded.

3. 7:00 p.m. – Blackstone – Mimi Gammill and Russell E. Brawer

Ms. Gammill and Mr. Russell Brawer did an overview. They are part of the Product Development, Client Relations Team. They show $33B in assets raised. They will be closing on their 5th private equity fund within a week, and it will be the largest private equity launched, totaling about $12.5M. The company was founded in 1985 by Peter Peterson and Charles Schwarzman. They have $10B in assets under management. Page 5 shows the outline of the company organizational chart. Mr. Brawer outlined the managers, who was new and who has remained. There are 70 professionals, 35 of whom are dedicated to the investment of the portfolios. Mr. Brawer said the 80% of their client base is institutional. The largest single category, under asset-weighted basis, is public and corporate pension plans. They had closed one fund at the end of last year. The Madison fund was launched in the beginning of last year, then they launched the Lexington Funds. They then closed Lexington and rolled over to the Madison fund. Page 15 shows what is in the fund. Ms. Gammill explained that the Park Fund was originally part of the partners funds that Blackstone started the business on in 1990. Mr. Nash asked how much money was in overseas stock. Mr. Cheek said 67% is domestic; 21% is in Europe; 3% in Asia; and 9% is in emerging markets. Ms. Gammill said they are having a client conference at the Waldorf Hotel on November 8, 2005.

APPROVAL OF MINUTES FOR JUNE 8, 2005 & SEPTEMBER 14, 2005

Chairman Murphy said approval of the minutes from June 8, 2005 and September 14, 2005 is postponed until further notice.

APPROVAL OF PENSION APPLICATIONS

Ms. Lilliana Tollinchi, Board of Education Custodian, 6 yrs/4mos of service, 63 yrs old, regular pension, final average salary $35,799.68, standard option selected, $4,536.00 Annual benefit, $378.00 monthly benefit, commencement date July 1, 2005.

Ms. Shirley Lee, Social Services, 12 yrs/10 mos of service, 62 yrs old, deferred pension, $15,356.08 final average salary, stand option selected, $3,942.00 annual benefit, $328.50 monthly benefit. Ms. LeTorneau said the Ms. Lee had previously left employment with Norwalk and this was a deferred pension.

** MR. SWEENEY MOVED TO APPROVE THE PENSION APPLICATIONS OF LILLIANA TOLLINCHI AND SHIRLEY LEE.
** MOTION PASSED UNANIMOUSLY.

It was decided that the Board packets will be emailed to the Board members in the future.

The Asset Allocation Detail and Performance Measurement was provided by Ms. Petrino of EAI. Ms. Petrino will provide the format in a different way for the next meeting.

The makeup of the board consists of 6 individuals that are approved by the Common Council. There is a representative from every union on the Board. There are about two or three union member that have poor participation at meetings. The length of term is 5 years, unless they are filling expired terms. Vicki's term ended in 10/1/05, and Don's term ended a few months ago. September is the end date.

Chairman Murphy said that Ms. Petrino has asked for an increase for her fees. The contract is currently for three-years, with an escalator built in. Ms. Petrino said that she would prefer to have the escalator built-in again, similar to last time. Some discussion followed regarding Ms. Petrino's performance and salary. It was agreed that they were satisfied with her performance.

** MR. GILDEN MOVED TO CONTINUE THE CONTRACT WITH EAI FOR THE PERIOD THROUGH JUNE 30, 2007 AT NO MORE THAN A 3% ANNUAL INCREASE OVER THE CURRENT RATE.
** MR. NASH SECONDED.
** MOTION PASSED UNANIMOUSLY.

2006 CALENDAR

Ms. LeTorneau said that the meeting scheduled for April 2006 is during the Passover holiday. The approved calendar gets sent to the State in December of each year.

ADJOURNMENT

** CHAIRMAN MURPHY MOVED TO ADJOURN.
** MR. SWEENEY SECONDED.
** MOTION PASSED UNANIMOUSLY.

The meeting was adjourned at 8:55 p.m.

Respectfully submitted,

Carolyn Marr
Telesco Secretarial Services