NORWALK MUNICIPAL EMPLOYEES' PENSION BOARD MINUTES

OCTOBER 11, 2006

ATTENDANCE: James Murphy, Chairman; Michael Sweeney; Frank Nash, Michael Salvator; Etta Jones (observer)

STAFF: H. James Hasselkamp, Jr., Director of Personnel and Labor Relations; Victor George; Frederic Gilden, Comptroller

OTHER: Ellen Petrino, EAI

CALL TO ORDER

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

ARTISAN INTERNATIONAL – LEANNE CONTRERAS, PORTFOLIO REVIEW

Ms. Contreras, from Artisan International, was not present. The Board agreed to schedule Artisan International to come in again in November.

EVALUATION ASSOCIATES – ELLEN PETRINO

August Performance Report
Update on Private Equity and Allocation
Update on Infrastructure Investing

Ms. Petrino stated that they needed to discuss how much to commit to private equity. She reported that the approved target for private equity was 10%. She noted that to date, they have been working toward that target by committing to Pantheon Investments, a fund-of-fund manager, who raises new funds approximately every two years. She stated that they now have 3% invested and recommended that the Board approve an additional $15 to $20 million commitment to be divided one third each to the U.S. fund, the European fund, and the Secondaries fund. She then reviewed the detail of the fund's private equity status through September 6, 2006.

Mr. Nash stated that he had spoken to a number of people and that he was surprised that they have an investment in private equity. He also questioned the clarity of the market value for private equity. Ms. Petrino explained that buyouts are valued at cost unless there was subsequent financing, which then stablishes the current value. She added that the amount put in would also be less fees and distributions. Mr. Salvator added that once an investment is recognized as impaired, immediately a reserve should be taken by the limited partnership. He said that one issue was that there was no standard out there for private equity. Chairman Murphy stated that the pension fund had been investing in private equity for 18 to 19 years and did very well earning over 20% over the long term. Ms. Petrino stated that EAI is evaluating the managers to be sure that they are using their expertise to get higher returns. She stated that she thought they are doing the right thing. Mr. Nash stated that he had concerns about the valuation and that he talked to people in the business and that he sees private equity as part of the equity asset class, not the diversification that it appears. He also questioned the commitment of funds over a long period of time. Chairman Murphy replied that they have enough cash flow and they have income from the City and the employees.

Mr. Nash stated he was also concerned that when they commit money to private equity, they cannot pull out, it restricts their flexibility, and there is no recourse. Chairman Murphy stated that 10% of the assets was not a lot of money to put in that area and he had a lot of confidence in that group. Discussion followed. Mr. Salvator stated that for the first 3 to 4 years an investment in private equity should expect a loss. He said it stays at cost and you pay the fees. He stated that the 5th and 6th years should then get the big pop. Mr. Nash asked if EAI had a conflict of interest representing this fund. Ms. Petrino replied that they have no interest whatsoever and they do not get compensated by any of the managers.

Ms. Petrino stated that as of today they have $11.7 million in the fund. Mr. Sweeney commented that they should stick with private equity as an asset class.

** MR. SWEENEY MOVED TO PUT $5 MILLION IN EACH OF THE PRIVATE EQUITY FUNDS BASED ON THE INFORMATION PRESENTED.
** MR. SALVATOR SECONDED.
Mr. Nash asked that there be a clarification of the weighting of the asset class – what would happen if no more investments were made after these investments. Ms. Petrino will provide modeling.
** MOTION PASSED WITH FOUR IN FAVOR (MURPHY, SWEENEY, SALVATOR, GILDEN) AND ONE OPPOSED (NASH).
Ms. Petrino next stated that she had looked at all the infrastructure managers that had funds available and two firms stood out above the rest, Alinda and Macquarie. She reported that Alinda focused more on industrial services that are being privatized such as waste water and clean water. She stated that the investments are structured in contracts and the risk can be assessed. She continued that the income typically is tied to

inflation and it was a fixed income substitute that was perfect for pension funds. She continued that the investment is long-lived, 10 to 12 years, but there will be a lot of opportunities to sell these services and that they provide immediate income. The yield has typically been 8% to 10%. Chairman Murphy stated that he would like to have them come in and meet with the Board. Ms. Petrino stated that she will email the Board tentative dates for the meeting that will begin at 4:00 PM.

Ms. Petrino then reviewed the performance through August. She stated that targets have now been corrected to reflect the latest decisions that were made. She reported that total equity was above the approved target, actual was below, and fixed income approved target was 27% and the fund was at 22.8%. She noted that if they add the cash to fixed income they would be at the target.

Chairman Murphy asked if the guidelines were up to date. Ms. Petrino replied that she will have them done by the December meeting.

The Board reviewed the returns of Armstrong Shaw and concurred that they should meet with them soon. Mr. Sweeney commented that they should look into owning an index fund and get some proposals. Ms. Petrino replied that State Street Global Advisors was an index manager she would look into getting a proposal from them. Index Plus was also discussed.

APPROVAL OF MINUTES FOR SEPTEMBER 13, 2006 MEETING

** CHAIRMAN MURPHY MOVED TO APPROVE THE MINUTES OF SEPTEMBER 13, 2006 AS REVISED AND PROVIDED BY MS. PETRINO.
** MOTION PASSED UNANIMOUSLY.

APPROVAL OF PENSION APPLICATIONS

Mr. Haselkamp reported that there were some issues from last month's pension applications. He stated that there was some discussion as to why Emma Bestercy chose a 5 year benefit rather than a 10 year. He said that she came in with her son to speak to Victor George and it was pointed that she elected 5 years because there was a difference of $900.00 that she would receive rather than electing 10 years.

The other issue that Mr. Haselkamp explained was with Carlos Hernandez.

** CHAIRMAN MURPHY MOVED TO GO INTO EXECUTIVE SESSION AT 6:10 P.M. TO DISCUSS THE PENSION APPLICATION FOR CARLOS HERNANDEZ.
** MOTION PASSED UNANIMOUSLY.

** CHAIRMAN MURPHY MOVED TO COME OUT OF EXECUTIVE SESSION AT

6:17 P.M.
** MOTION PASSED UNANIMOUSLY.

** MR. NASH MOVED TO RESCIND THE ACTION TAKE TO APPROVE CARLOS HERNANDEZ' PENSION APPLICATION FROM LAST MONTH'S MEETING.
** MOTION PASSED UNANIMOUSLY.

Chairman Murphy stated that a new pension application for Carlos Hernandez will be provided to the Board for a vote at the next meeting.

Mr. Daniel Havens, DPW, 12 years 7 months service, age 55 years old, Early Pension, final average salary $50,787.00, standard form, monthly benefit $884.00, commencement date October 15, 2006.

** MR. NASH MOVED TO APPROVE THE PENSION APPLICATION FOR DANIEL HAVENS.
** MOTION PASSED UNANIMOUSLY.

OTHER BUSINESS

a. 2007 Calendar

Ms. Petrino reviewed the Pension Board meeting dates with the Board. It was agreed that Armstrong Shaw will be present at the November meeting and Pantheon and Capstone could be a teleconference call rather than meeting with them.

ADJOURNMENT

** MR. NASH MOVED TO ADJOURN.
** MR. SALVADOR SECONDED.
** MOTION PASSED UNANIMOUSLY.

The meeting was adjourned at 7:50 p.m.

Respectfully submitted,

Donna DeVito
Telesco Secretarial Services