REVISED 10/22/2008 **CITY OF NORWALK**

NORWALK MUNICIPAL EMPLOYEE PENSION BOARD
REGULAR MEETING
JUNE 11, 2008

ATTENDANCE: Michael Sweeney, Chair, Etta Jones, Gerald Moran, James Murphy, Fred Gilden

STAFF: John Schlosser; Personnel

OTHERS: Ellen Petrino, Al Zesiger, Barrie Zesiger, Robert Winter

CALL TO ORDER

Mr. Sweeney called the meeting to order at 6:03 p.m.

OTHER BUSINESS

DISCUSSION OF PENSION CONSULTANT CONTRACT

"Mr. Sweeney said that the last time a provider was selected was some time ago and that he would like to see the Board to perform its due diligence on selecting and using a pension consultant. He then suggested that the contract be renewed for one year and then the Board issue an RFP Request for Proposal)". Mr. Murphy agreed. Mr. Gilden suggested that the RFP process should start in January of 2009 in order to be ready for June of 2009. Discussion about the details of forming a subcommittee then followed.

APPROVAL OF MINUTES FOR MAY 14, 2008

Mr. Sweeney said that there had been a discussion regarding the inadequacy of the last month's minutes and that Mr. Haselkamp had written a letter to Telesco Secretarial Services about this. A discussion about having the action minutes taken that would be supplemented with a tape recording. Mr. Moran pointed out that only having action minutes could result in someone spending time searching a tape for the specific comments needed. It was then suggested that one person be assigned to handle the minutes.

Mr. Gilden said that it was some time since the last actuaries had been reviewed. A discussion about forming a committee then followed.

APPROVAL OF PENSION APPLICATIONS

** **MR. MURPHY MOVED TO APPROVE THE FOLLOWING APPLICATIONS FOR:**

ROBERT SIOK, FROM THE BOARD OF EDUCATION WITH A COMMENCEMENT DATE OF MARCH 1, 2008.

WILLIAM JEFFERSON FROM THE BOARD OF EDUCATION WITH A COMMENCEMENT DATE OF JULY 1, 2008

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

There was a brief discussion about the Blackstone presentation in May and the current credit situation. It was the consensus of the Board that this was not the time to invest.

ZESIGER CAPITAL GROUP – MANAGER REVIEW PRESENTATION

Mr. Zesiger distributed copies of the financial report to everyone and then directed everyone's attention to the first page of the report, which contained a stock market grid showing the City's stock portfolio performance. Mr. Zesiger then reviewed the details of this with the Board. He pointed out that when managing a portfolio from three to five years, the risk can be incorporated.

Mr. Zesiger reviewed the chart with the Total Portfolio, the S&P 500 and the MSCI E.A.F.E. The portfolio is outperforming both the S&P 500 and the MSCI E.A.F.E.

He also reviewed the Domestic Equities Chart and the International Equities charts, both of which indicated that the portfolio was also outperforming the S&P 500 and MSCI E.A.F.E.

Ms. Petrino reminded everyone that the Portfolio was limited to 30% in international stocks, which Zesiger invests primarily in emerging markets. A discussion about the fact that Zesiger was holding some of the portfolio in cash because of market conditions followed. Mr. Winter explained that the cash reserve level was dictated by sell decisions and the lack of buy candidates due to market conditions.

Mr. Zesiger explained that the largest foreign holding is in China and the second largest holding is in India. India has experience dramatic performance during the last few years. On the domestic side, Mr. Winter then gave a brief overview of the portfolio holdings. He said that the Zesiger Group was seeing many positive things happening in the domestic holding, particularly with Libby.

Mr. Sweeney asked about the A.I.G. holdings. Mr. Winter reviewed the situation and said that A.I.G. had an extraordinary global footprint. Due to the current credit crisis and the complications, Zesiger would most likely want to buy A.I.G. stock rather than sell, although much less aggressively than previously. Mr. Winter said that Zesiger would be focusing on the international market because Zesiger did not believe that the U.S. financial market would be operating in the same manner it has in the past because of the credit crisis.

Mr. Zesiger then reviewed the Uranium Resource holdings. Mr. Winter gave an overview p\of the recent peak valuation price about $12.00/share which occurred last December. There have also been some production shortfalls and there have been some emotional over reaction to the shortfall. Zesiger takes advantage of these over reactions by buying more stock. Mr. Zesiger commented that if he could only have one stock in his personal retirement account, it would be Uranium Resources. Mr. Winter said that he believed that Pension fund had taken profits off the table of at least two or three times what their investment has been.

Mr. Winter then reviewed the Libby investments. The company makes the machinery that makes drinking glasses. The company did an LBO two years ago. If Libby decided to refinance the debt, it would be around 80 cents a share, if the rates are comparable. When good companies make good products and go international, the market share is affected. 90% of Libby's market comes from breakage, which guarantees a steady demand.

Mrs. Zesiger then gave an overview on the Hayes Medical situation. This company will most likely be renaming itself Consensus Medical to make a clean break from the past problems. Mrs. Zesiger explained that after some minor changes to the knee joint, the product has become very popular.

Mr. Winter reviewed the investment in Mekong Leisure LTD, which are Vietnam movie theaters. Prior to two years ago, there was no legal distribution of Western films in Vietnam. This is a new market and is proving to be popular with the Vietnamese.

Mrs. Zesiger explained that Norwalk's portfolio has not been put into any new private ventures, only ones that had proven track records. Mr. Zesiger said that he would like to remind everyone that whatever is in the Norwalk portfolio is in their personal portfolios, and that the investments for client portfolios are done before their personal portfolio additions are made.

The discussion then moved to investing additional funds with Zesiger and how that would affect the portfolio. Mr. Murphy asked whether the 30% constraint was affecting the portfolio. Ms. Petrino reminded everyone that the reason for the 30% limit was because there were other Pension funds investments in emerging markets. Mrs. Zesiger then explained Zesiger's philosophy regarding small cap investments and competitive investing. She added that Zesiger was relationship driven rather than earnings driven because the group is a long term investor.

The Board thanked Mr. and Mrs. Zesiger and Mr. Winter for their presentation.

Mr. Murphy said that he believed that the City should give Zesiger another $10 million and Ms. Petrino objected to this. Ms. Petrino commented that the City had finally gotten the portfolio to the right size.

Following a brief discussion regarding the size of Zesiger staff, Mr. Murphy said that he would bet that there would only be 12 people on staff. Ms. Petrino agreed.

FIXED INCOME FUND COMPARISONS – EAI

Ms. Petrino then distributed copies of the Fixed Income Comparisons and Private Equity Update. She then reviewed the figures for Capstone on page 1 of the report with the Board. She said that it was not a stellar result, but the range of results was fairly narrow.

On page 3, the statistics show Capstone's tracking error, which Ms. Petrino reviewed. Mr. Sweeney asked what the final analysis would be. Ms. Petrino said that, at best, Capstone was average. Mr. Moran asked if this was before or after fees. Ms. Petrino said the figures were before fees and that Capstone would present a better profile if the figures were analyzed after fees.

She then reviewed the information on page 5, which showed Capstone's performance against Pimco and Western, two other excellent companies. Pimco was at the peak of its game, while Western suffered from their corporate holdings, which were entangled with the mortgage crisis. Discussion about the three companies' performances then followed.

Mr. Murphy said that he had been unhappy with Capstone's performance for the last few years. Ms. Petrino suggested a special meeting to meet some other bond managers.

**** MR. MURPHY MOVED TO REALLOCATE THE TOTAL AMOUNT OF THE CAPSTONE INVESTMENT TO PIMCO IN WHATEVER TIME FRAME THE COMPTROLLER CAN ARRANGE.**

Mr. Moran reminded everyone that Capstone was very inexpensive. Ms. Petrino said that she was thinking of recommending a group in Boston that deals with fixed income management. A discussion about the percentage to invest followed. Mr. Moran said that he did not see any urgency to transfer these funds.

**** MR. GILDEN SECONDED.**

Mr. Sweeney said that he would be more comfortable with the full Board present for the vote or reducing the investment to half the amount.

**** MR. MURPHY MOVED TO AMEND HIS MOTION TO MOVE HALF OF THE AMOUNT OF CAPSTONE INVESTMENT TO PIMCO IN WHATEVER TIME FRAME THE COMPTROLLER CAN ARRANGE.**
**** MR. MORAN SECONDED.**
**** THE AMENDED MOTION PASSED UNANIMOUSLY.**

PRIVATE EQUITY UPDATE

Ms. Petrino then directed everyone's attention to page 9, where she reviewed the private equity. She said that there were two funds that were mature enough to calculate the return, the remaining investments had "nm" in that column to indicate they were not mature yet. She then reviewed the rates of returns with the Board.

Mr. Murphy suggested that the euros be converted into dollars in the report. Ms. Petrino explained that they were. Mr. Gilden commented that the figures were in dollars, but the amount invested has be committed to the various funds in euros.

Ms. Petrino then reviewed the details of the modeling on pages 11, 12 and 14. If the private equity target was 10%, the figures need to be doubled. Mr. Murphy asked why the cash flow was so important on such a small portion of the portfolio. Ms. Petrino said that the portfolio has a large margin of liquidity. However, it was important to keep track of the cash commitments. Ms. Petrino said that this was for considering commitments for Alinda and Pantheon. She suggested scheduling a presentation. A discussion followed about details of Alinda's projected cash flow.

Mr. Sweeney said that addressing the allocation would be on the September agenda.

ADJOURNMENT

**** MR. MURPHY MOVED TO ADJOURN.**
**** MR. MORAN SECONDED.**
**** THE MOTION PASSED UNANIMOUSLY**.

The meeting adjourned at 8:45 p.m.

Respectfully submitted

Sharon L. Soltes

Telesco Secretarial Services