NORWALK MUNICIPAL EMPLOYEES' PENSION BOARD MINUTES

Revised 6/28/07 City of Norwalk
MUNICIPAL EMPLOYEES' PENSION BOARD
MAY 9, 2007

ATTENDANCE: Charles Pirro, Acting Chairman; Gerald Moran, Michael Sweeney, Francis Nash, Michael Salvator, Patricia McCormick (6:20 p.m.)

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

OTHERS: Etta Jones, Local 1042; Ellen Petrino, Evaluation Association (6:15 p.m.); Maureen Mitchell, Bear Stearns; James Mylett, Bear Stearns

CALL TO ORDER

Mr. Pirro called the meeting to order at 6:10 p.m.

There was a brief discussion regarding the order of the agenda. Mr. Pirro suggested that the Board consider the pension applications first. This was agreeable to all.

** MR. SWEENEY MOVED TO APPROVE THE FOLLOWING PENSION APPLICATIONS:

MS. SPINOLA AS OF JUNE 21, 2007
MS. DONOHOE AS OF JANUARY 1, 2007
MS. DANZER AS OF JULY 1, 2007

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

APPROVAL OF THE MINUTES OF APRIL 11, 2007

The following corrections were noted:

Page 6, paragraph 3, please change the following from:

"Ms. Petrino then reviewed page 6 of the monthly report with the Board and said that State Street was a very good index. While she recommended that three core choices and three value choices be made, she also said that it would be best to decide after the presentation on portable alpha. Ms. Petrino also apologized for the fact that the Russell Top 200 sheet was not in the report."

To “Ms. Petrino then reviewed page 6 of the monthly report with the Board and said that State Street was a very good index fund provider. While she provided information on three core choices and three value choices, she also said that it would be best to decide after the presentation on portable alpha. Ms. Petrino also apologized for the fact that the Russell Top 200 sheet was not in the report. She included the information on the two LSV enhanced index portfolios. ”

Page 6, paragraph 5, line 3: please change:

“high growth rate, which had not performed as well as expected. There was weakness in the technology market.” To “high growth rates, which had not performed as well as companies with low growth rates in 2006. There was weakness in the technology market.”

Page 7, paragraph 1, line 2: please change: “Mr. Baldini reviewed the leverage team composition, which is located in Section 2, page 4, with the Board.” To “Mr. Baldini reviewed the firm wide resources that the Opportunistic Growth team has access to, which is located in Section 2, page 4, with the Board.

Page 7 paragraph 7, line 3: please change the following: “contributions to retirement funds in two years.” To “contributions to retiree medical funds in two years.”

** MR. SWEENEY MOVED TO APPROVE THE MINUTES AS CORRECTED.
** MR. SALVATOR SECONDED.
** THE MOTION PASSED UNANIMOUSLY.

OTHER BUSINESS

Mr. Haselkamp asked what the procedure was for executing pensions during the summer. Mr. Pirro commented that it was often difficult to get a quorum, but in the past it had been done by telephone conference or email. Mr. Haselkamp said that he had notified the Board of Education that the Board would not be meeting during the summer, but also reminded everyone that the Board of Education was on later schedule.

Ms. McCormick joined the meeting at 6:20 p.m.

BEAR STEARNS PORTFOLIO REVIEW

Ms. Mitchell and Mr. Mylett introduced themselves to the Board. Ms. Mitchell explained that the information in the packets was current up to April 30, 2007.

Mr. Mylett then gave an overview of the Performance Review on page 15. He explained that the one of the largest holdings of the portfolio is Home Depot and that the recent housing slump has affected Home Depot. The overall earnings for Home Depot have doubled, but the stock price does not reflect this. While 30 subprime lenders have recently gone out of business, Countywide Finance remains in excellent shape because they only have 7% of their assets in subprime lending. Countywide Finance is one of the key players in Finance and has been in existence for 40 years. Because of their excellent risk management, the stock is up by 22%. He also commented that Freddie Mac had very little exposure to the subprime lending market.

Mr. Mylett then gave an overview of the recent stock market trends for commodities. He then reviewed the information on page 20 of the information packet. Bear Stearns is positioned for a market slow down, as is illustrated on pages 2 and 3 of the portfolio report. The company is focused on long term performance. There are two ways to recoup the lagging performance. The first is when investors see the market slowing down and move money to the large quality stocks that Bear Stearns now own. The second is when there is a recession, because they tend to outperform in down markets. Mr. Mylett said that he believes this pattern is cyclical.

Ms. Mitchell commented that this is a frustrating process to watch. She also said that the management team has seen difficult times before and reminded everyone that Bear Stearns was able to pick up 140 basis points during the month of April.

EVALUATION ASSOCIATES FIRST QUARTER PERFORMANCE REVIEW

Ms. Petrino was asked about Armstrong Shaw's recent performance. She said that currently they were underperforming. A discussion about straight index funds, enhanced index funds, 130-30 portfolios and portable alpha followed. Ms. Petrino said that the Large Cap Managers are underperforming. She then reviewed the 130-30 and portable alpha philosophies. State Street would be a good candidate for a straight index fund while the least expensive 130-30 would be Mellon Capital. Following a discussion on the various options, Mr. Pirro asked Ms. Petrino to prepare some information on these options for the next meeting.

Ms. Petrino then distributed copies of a Risk Return analysis to the Board. She informed the Board that a full stylus report on both Bear Stearns and Armstrong Shaw would be found on pages 2-7. Mr. Nash commented that it appeared that Bear Stearns and Armstrong Shaw were poor performers in a bad sector.

Ms. McCormick left the meeting at 7:45 p.m.

Ms. Petrino then reviewed the information on pages 5 and 7 with the Board. The Boston Company and Levin were hired in 1993/4. The Levin Company in 2002 was terminated and the Boston Company in 2005.

Mr. Nash then proposed a discussion about Armstrong Shaw's underperformance. It was stated that there were two questions involved. The first was should funding be removed from Armstrong Shaw and the second was where those funds would be invested once they were released to the Board. Ms. Petrino said that it would be wise to have a fund selected in advance of removing funds from Armstrong Shaw. Mr. Sweeney stated that he felt Armstrong Shaw had not been given a long enough time frame to perform properly. Mr. Nash said that he would bring a proposal to the Board about terminating Armstrong Shaw. Mr. Pirro said that he agreed with Ms. Petrino about having a fund selected in advance for the funds before moving them. A discussion then followed about the various index fund options. Mr. Pirro asked that this be put on a future agenda for further discussion.

Mr. Gilden then distributed copies of a Fund Manger Fee Schedule to the Board.

The committee then discussed the sub-committee meeting on distressed debt funds as an alternative to fixed income. Mr. Nash said that Blackstone appeared to outperform Mezzacappa. Mr. Sweeney agreed. Mr. Pirro asked how much of the portfolio was invested in infrastructure. Ms. Petrino directed the Board Members to page 42 of the Evaluation Associations Report. The discussion then moved to the figures on Macquarie and Alinda found on page 45 of the report.

Mr. Moran left the meeting at 8:30 p.m.

Mr. Pirro said he did not feel that the Board had reached a consensus on this issue.

** MR. NASH MOVED TO ADJOURN.
** MR. SWEENEY SECONDED.

Mr. Pirro said that scheduling a second June meeting might be necessary because trying to schedule something in July or August is very difficult. Ms. Petrino suggested that this might be a good reason for the subcommittee to meet and learn about the 130-30.

** THE MOTION TO ADJOURN PASSED UNANIMOUSLY.

The meeting adjourned at 8:30 p.m.

Respectfully submitted,

Sharon L. Soltes
Telesco Secretarial Services