

**NORWALK MUNICIPAL EMPLOYEES' PENSION BOARD MINUTES**

**CITY OF NORWALK  
MUNICIPAL EMPLOYEES' PENSION BOARD  
WEDNESDAY, APRIL 9, 2008**

ATTENDANCE: Michael Sweeney, Chairman; Gerald Moran; Charles Pirro; Frank Nash;  
Michael Salvator; Rebecca Bieler; Debbie Troy; Andrea Lucsy

STAFF: H. James Hasselkamp, Jr., Director of Personnel and Labor Relations;  
John Schlosser, Personnel Administrator; Fred Gilden, Comptroller

OTHER: Ellen Petrino, EAI, Principal/Senior Consultant (6:15 p.m.);  
Laura Kunkemueller, EAI, Senior Consultant (6:10 p.m.);  
Christopher Bendlak, Esq/Associate Consultant (6:20 p.m.);  
Parker Johnson, Ivy Asset Management, Director Co-Head Client Development;  
Susan Rabinowitz, Ivy Asset Management, Director Investments

**CALL TO ORDER**

Chairman Sweeney called the meeting to order at 5:45 p.m. for the Norwalk Food Service Pension Board.

**APPROVAL OF FOOD SERVICES PENSION APPLICATIONS**

The board reviewed Mr. Edward E. Cogswell's pension application. Mr. Cogswell has 16 years, 3 months of service, final average salary \$50,746.75, Option 1 Benefit of \$1,072.30 monthly until death with \$536.15 monthly payable lifetime to surviving joint annuitant, Ann B. Cogswell, Spouse. Commencement Date is February 2, 2008.

**\*\* MR. GILDEN MOVED TO APPROVE THE PENSION APPLICATION FOR MR. EDWARD E. COGSWELL.**

**\*\* MS. LUCKY SECONDED.**

**\*\* MOTION PASSED UNANIMOUSLY.**

**\*\* MR. HASSELKAMP MOVED TO ADJOURN.**

**\*\* MR. GILDEN SECONDED.**

**\*\* MOTION PASSED UNANIMOUSLY.**

The meeting adjourned at 5:48 p.m.

**CALL TO ORDER**

Chairman Sweeney called the meeting to order at 6:00 p.m. for the Norwalk Municipal Employees Pension Board.

#### APPROVAL OF MINUTES FOR MARCH 12, 2008

**\*\* MR. PIRRO MOVED TO APPROVE THE MINUTES OF MARCH 12, 2008 AS REVISED BY THE BOARD AND PROVIDED BY MS. PETRINO.**

The corrections to the minutes of March 12, 2008 are as follows:

On page 1, under OTHERS, add Laura Kunkemueller, Evaluation Associates.

On page 1, under OTHERS, and throughout the document, change “Maryann DiMaglio” to “Maryann DiMaggio”.

On page 2, 8th paragraph, change “who spoke about T. Rowe as a high yield bank loans” to “who spoke about T. Rowe Price and high yield bank loans”.

On page 3, 2nd paragraph, change “marketing” to “market”.

On page 3, eliminate the 4th paragraph, beginning with “Mr. Sweeney asked ....”

On page 3, 5th paragraph, 5th sentence, change “26% was” to “26% were”.

On page 3, 6th paragraph, 2nd sentence, change “supercedes” to “supercede”.

On page 3, 6th paragraph, 3rd sentence, change “currently in a mess” to “currently a mess”.

On page 3, 7th paragraph, 1st sentence, change “and that it was in the loans” to “and that it was loans”.

On page 3, 7th paragraph, 2nd sentence, change “various officers associated with” to “various officers on”.

On page 4, 1st paragraph, 2nd sentence, change “which illustrated why the T. Rowe Price invests in the double B’s and B”. to “which illustrated why T. Rowe Price invests in double B’s and B rated securities. The goal is to protect the investments and the rate of return”.

On page 4, 1st paragraph, eliminate the last sentence.

On page 4, 2nd paragraph, 1st sentence, change “the triple Cs and the default markets have given a strong yield” to “triple Cs and the default markets have given strong yields”.

On page 4, 3rd paragraph, 1st sentence, change “Treasure Benchmarks” to “Treasury Benchmarks”.

On page 4, 3rd paragraph, 2nd sentence, change “over the Treasury” to “over Treasuries”.

On page 4, 4th paragraph, 1st sentence, change to “Mr. Murphy stated that he believed that the economy would get worse”.

On page 4, 5th paragraph, 1st and 3rd sentences, change “Vance Eaton” to “Eaton Vance”.

On page 4, last paragraph, 1st sentence, change “The Wizard of Omaha’s letter” to “Warren Buffett’s letter”.

On page 5, 1st paragraph, 1st sentence, change “Evaluation Associates contract” to “Evaluation Associates’ contract”.

On page 5, 1st paragraph, 3rd sentence, change “the contract has been extended” to “the contract had been extended”.

On page 5, 3rd paragraph, change the motion “MR. MORAN MOVED TO GIVE IVY THIRTY DAYS NOTICE BASED ON THEIR PERFORMANCE RELATIVE TO BLACKSTONE.” TO “MR. MORAN MOVED TO GIVE IVY THIRTY DAYS NOTICE BASED ON THEIR UNDERPERFORMANCE RELATIVE TO BLACKSTONE.”

**\*\* MR. MORAN SECONDED.**

**\*\* MOTION PASSED UNANIMOUSLY.**

#### **DISCUSSION ABOUT BEAR STEARNS AND POTENTIAL REPLACEMENTS**

Chairman Sweeney said that the board would discuss the Bear Stearns potential acquisition by JP Morgan this evening. The basic premise to decide is if they want to move out of Bear Stearns and if they want to go to an active manager. They have had difficulty finding an outperformed large cap value manager, so there is an option for indexing. Another option was to go to Northern Trust with the S&P Index with a low expense ratio.

Chairman Sweeney said that his inclination would be to terminate Bear Stearns and go to the S&P Index. Mr. Pirro said that his preference would be for an active manager. Mr. Moran said that most academic studies show that most managed funds don’t do as well as an index fund. Mr. Salvator said that he would be in favor of moving away from Bear Stearns. Mr. Nash said that Bear Stearns has underperformed the market. He felt that the criteria should be to outperform the S&P for three years.

Ms. Kunkemueller arrived at 6:10 p.m.

Ms. Kunkemueller said that there was a conversation with Bear Stearns this afternoon and she expects to hear from them in another week or so.

Ms. Petrino arrived at 6:15 p.m.

The board members then discussed the large cap value report.

Mr. Chris Bendlak arrived at 6:20 p.m.

Ms. Petrino then discussed the exhibit of the S&P 500 comparison to core managers. Mr. Sweeney said that he has not seen an active manager outperform in the three years he has been on the Board. Ms. Petrino said that Bear Stearns was down 18.7% and Armstrong Shaw was down 13.4% since June. The benchmark was down 13.6%.

**\*\* MR. NASH MOVED TO APPROVE THE WITHDRAWAL OF ALL FUNDS FROM BEAR STEARNS.**

The Board members then discussed what fund(s) to move the Bear Stearns money to.

**\*\* MR. PIRRO SECONDED.**

**\*\* MOTION PASSED WITH FIVE VOTES IN FAVOR (GILDEN, MORAN, NASH, PIRRO, SALVATOR) AND ONE VOTE OPPOSED (SWEENEY).**

More discussion took place regarding the placement of the funds from the Bear Stearns withdrawal.

**\*\* MR. GILDEN MOVED TO APPROVE MOVING THE FUNDS AVAILABLE FROM THE BEAR STEARNS WITHDRAWAL TO THE NORTHERN TRUST S&P INDEX.**

**\*\* MR. MORAN SECONDED.**

**\*\* MOTION PASSED UNANIMOUSLY.**

Chairman Sweeney mentioned that there were two more meetings scheduled for the Board, and he wanted to remind the Board members of keeping the search for a large cap value fund in the forefront.

Ms. Kunkemueller presented information on three managers that the Board could decide on. Ms. Petrino offered some suggestions on the managers.

Chairman Sweeney asked for an update on Ivy Asset Management, saying that the motion from the previous meeting was to let them go due to underperformance. There is a 45 day time period, not 90 days, as previously thought. Ms. Petrino said that it is quarterly liquidity. She said that Ivy Asset Management was invited to the meeting tonight to discuss the objectives of Rising Stars and how they have done relative to those objectives. Ms. Petrino then gave some history on Ivy Asset Management and the portfolio.

Mr. Nash distributed a hedge fund industry sheet that showed Ivy's numbers being down again in March.

Ms. Petrino pointed out on page 2 of her report that this was against the HFRI series of indices.

#### IVY ASSET MANAGEMENT

Mr. Parker Johnson, Director of Client Development, and Ms. Susan Rabinowitz, Director of Investments, from Ivy Asset Management presented their report. Mr. Johnson said that he spoke with Ms. Petrino late in the 4th Quarter regarding Ivy's performance and the incredible volatility, not only in the equity markets but in the Rising Stars portfolio. He said they appreciate the opportunity to talk to the Board this evening about the funds and the market.

Mr. Johnson said it was a difficult year in the equity markets. The fund is currently down 8.74% net of all fees and expenses, through March 31. The Russell 2000 is used as a benchmark for this fund and it is about 150 basis points better in terms of total performance. He noted that there was a contribution to the fund late in 2002 and again in early 2003. The fund was flat at that time. He said that the numbers he will report on this evening will be on a net basis. On a one year basis, from April of 2007 through March 31, 2008, the cumulative rate of return on Rising Stars Offshore was -4.89% compared to the Russell 2000 which was down 13%. The annualized rate of return for the same time period is the same number. In terms of risk adjusted returns, the standard deviation for Rising Stars for the same time period was 8.43% and the standard deviation, a measure of volatility, was 14.14%. He said that the maximum drawdown for Rising Stars for the year period was -10.16%, compared to the Russell 2000 which was down 18.25% at its maximum.

Ms. Rabinowitz said that the international exposure hurt the portfolio this year and the back half of last year, more than the U.S. exposure. She said the portfolio is an emerging manager mandate. It has both a U.S. and an overseas focus. The portfolio is 15.5% non-U.S. It had been as high as 25% or 27% at any given time. They tried to diversify within the mandate as much as they can. They have a wide variety of sector specialists.

Chairman Sweeney asked if it was smart to have money in emerging markets, in this economy, which is the worst it's been in 40 years. Ms. Rabinowitz said in the Rising Stars portfolio, the managers have between \$150 and \$500M in assets under management.

Ms. Rabinowitz went on to explain the volatility in the market over the last year, and the manager turnover. The new managers recently put in are good on the short side, and while they are trying to control the volatility, they are posed to hit the upswing. Another addition to the portfolio is the Seedling Fund, which is \$0-\$250M in assets.

Chairman Sweeney asked Ms. Rabinowitz about the credibility of the hedge fund managers. Ms. Rabinowitz said they perform extensive due diligence.

Ms. Petrino said she thought that being down 8% is exceptional. Ms. Rabinowitz explained the drawdowns, saying that manager outperformances often occur after drawdowns.

Mr. Johnson said that Rising Stars has not lived up to expectations, certainly over the last quarter, but it has a mandate that it conforms to. The Rising Stars fund uses the Russell 2000 as a benchmark, and it has outperformed that benchmark during the last three years regarding return, less risk, and standard deviation.

He said that Ivy Asset Management was bought by the Bank of New York in 2000, and then the Bank of New York merged with Mellon in the summer of 2007.

Mr. Johnson concluded by saying that Ms. Rabinowitz's team is working hard to better the performance of the portfolio. He mentioned that there are other portfolios offered by Ivy Asset Management and said if any of the Board members were interested in reviewing them, to let him know.

## DISCUSSION

The Board then discussed the information presented by Ivy Asset Management. It was agreed that the fund had underperformed, and there was concern about the manager turnover in the portfolio.

**\*\* MR. GILDEN MOVED TO RESCIND THE PREVIOUS MONTH'S MOTION REGARDING IVY ASSET MANAGEMENT'S 30 DAY NOTICE AND LIQUIDATION.**

**\*\* MR. PIRRO SECONDED.**

**\*\* MOTION PASSED WITH FIVE VOTES IN FAVOR (GILDEN, MORAN, PIRRO, SALVATOR, SWEENEY) AND ONE VOTE OPPOSED (NASH).**

**\*\* MR. MORAN MOVED TO WITHDRAW \$6M FROM IVY ASSET MANAGEMENT.**

**\*\* MR. PIRRO SECONDED.**

**\*\* MOTION PASSED UNANIMOUSLY.**

Ms. Petrino said that Blackstone will be at the May meeting, and Zesiger will be at the June meeting.

Mr. Moran said he will send an email about the CFA presentations. It was mentioned that the policy would have to be changed. The meetings are held in Washington and at Harvard.

#### ADJOURNMENT

\*\* MR. NASH MOVED TO ADJOURN.

\*\* MR. PIRRO SECONDED.

\*\* MOTION PASSED UNANIMOUSLY.

The meeting was adjourned at 8:20 p.m.

Respectfully submitted,

Carolyn Marr  
Telesco Secretarial Services

