REVISED 3/16/2009

CITY OF NORWALK
NORWALK MUNICIPAL EMPLOYEES' PENSION BOARD
REGULAR MEETING
FEBRUARY 11, 2009

ATTENDANCE: Michael Sweeney, Chair; Joseph Pramer, Gerald Moran, Charles Pirro, Fred Gilden, Francis Nash, Larry Manzi, City NMEA; Etta Jones, Custodian/Security; Michael Salvator

STAFF: Thomas Hamilton, Finance Department Director; John Schlosser, Personnel; James Haselkamp, Personnel Director

OTHERS: Rebecca Sielman , Milliman; Ellen Petrino, Evaluation Associates; Laura Kunkemueller, Evaluation Association

CALL TO ORDER

Mr. Sweeney called the meeting to order at 6:00 p.m.

APPROVAL OF PENSION APPLICATION

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

STEPHANSON FULTON, COMMENCING FEBRUARY 15, 2009.
FERMIN D. FELIX, COMMENCING FEBRUARY 1, 2009

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

APPROVAL OF MINUTES FOR DECEMBER 10, 2008, AND JANUARY 14, 2009 MEETINGS

December 10, 2008

The following changes were noted:

Page 1, Under "The following changes were noted: please change the word "To" to "to" throughout.

Page 2, paragraph 4, line 2: please change the following from:

“the process by how they” to “the process of how they”

Page 2, paragraph 5, line 2: please change the following from:

“Most of the mangers were at benchmark.” to “Most of the mangers were at or near their benchmarks.”

Page 2, paragraph 5, line 2: please change the following from:

“Pimco All Asset and also the Commodity Real Return. The discussion then turned to the use of TIPS as a leverage pool for futures, rather than a hedge. Mr. Nash pointed out that Pimco had the biggest investment in TIPS, so they would advocate for TIPS. He said that the City had wanted to put money into commodities and did not like the TIPS investment. Mr. Gilden asked it was possible to get a commodity fund with out TIPS. Ms. Petrino said that it was possible.”

to: “Pimco All Asset and Commodity Real Return Funds. The discussion then turned to the use of TIPS as the underlying investment for futures, rather than a hedge. . He said that the City had wanted to put money into commodities and that he was concerned about the TIPS exposure in the Commodity Fund. Mr. Gilden asked it was possible to get a commodity fund without TIPS. Ms. Petrino said that it was.”

Page 2, paragraph 6, line 4: please change the following from:

“never acted on it. Mr. Pramer pointed out that back in 2005, there was only Pimco and Oppenheimer to choose from but that now there were firms to consider who offer pure commodities. Discussion followed.

to: “never acted on the discussion. Mr. Pramer pointed out that back in 2005, there were only Pimco and Oppenheimer to choose from but that now there were other firms offering pure commodities to consider. Discussion followed.”

Page 3, paragraph 2, line 3: please change the following from:

“He stated that even with the loans that default, most of the loans will be repaid.”

to: “He stated that while some loans may default, most of the loans will be repaid.”

Page 3, paragraph 3, line 1: please change the following from:

"Mr. Moran asked about the average portfolio." To "Mr. Moran asked about the maturity of the portfolio."

Page 3, paragraph 3, line 2: please change the following from:

"technical imbalance would correct itself" to "technical imbalance in the market would correct itself"

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

"There have been no redemptions this month." to "There have been no redemptions in December."

Page 3, paragraph 4, line 1: please change the following from:

"the economic recession that would be" to "the economic recession would be"

Page 3, paragraph 4, line 3: please change the following from:

"Mr. Russ said that there were clear there were" to "Mr. Russ said that was clear and there were"

Page 3, paragraph 4, line 4: please change the following from:

"the watch list was today. The trading is at 32%" to "the watch list was today and the trading is at 32%"

Page 3, paragraph 4, line 3: please change the following from:

"currently at 2% dropping to 10% in the future. These are senior secured notes." to: "currently at 2% dropping further in the future. Ms. Petrino reminded the Board that these are senior secured notes."

Page 3, paragraph 5, line 3: please omit the following:

"Mr. Pramer said that it seemed that his may have been presented as a conservative investment. He said that a senior income fund could also be risky."

Page 4, paragraph 1, line 4: please change the following from:

"when some allocations had been removed from" to "when some funds had been removed from"

Page 4, paragraph 1, line 5: please change the following from:

"Ms. Petrino said that she was surprised that Board members though this might be conservative. It is senior secured debt. Mr. Pramer said that if there was a run on this fund, the investment might be hurt."

to: "Ms. Petrino said that she was surprised that Board members though the bank loan might be conservative; it is senior secured debt. Mr. Pramer said that if there was a run on this fund, the remaining long term bond investors might be hurt."

**** MR. PIRRO MOVED TO APPROVE THE MINUTES OF DECEMBER 10, 2008 AS AMENDED.**
**** MR. MORAN SECONDED.**
**** THE MOTION PASSED UNANIMOUSLY**.

January 14, 2009

After some discussion, it was decided that Ms. Petrino would edit the January 14, 2009 minutes for brevity and submit her edited version to the Board next month. This was agreeable to all.

A discussion then followed regarding the formatting of the minutes and how detailed the minutes should be.

PERFORMANCE REVIEW

Mr. Hamilton came forward and distributed copies of the 2008 Valuation report for the City by Milliman. He also introduced Ms. Sielman from Milliman. Ms. Petrino clarified the relationship between Milliman and Evaluation Associates.

Ms. Sielman greeted the Board and gave a brief overview about the information that actuaries provide, which is outlined in the Milliman report. The Board had several questions about how the equity return rate was determined, which Mr. Hamilton and Ms. Sielman answered.

Ms. Sielman concluded her presentation by suggesting that an asset liability study be done in order to update the portfolio. Mr. Hamilton agreed.

DISCUSSION OF COMMODITIES

Mr. Salvator gave the Board a brief update on what he saw happening in the private equity market.

Mr. Pirro then asked Ms. Petrino if she had been monitoring the legislation from Washington. Ms. Petrino assured him that Milliman does have a branch in Washington that monitors the legislation and that branch issues monthly updates.

A brief discussion then followed about private equity and the asset allocations.

Mr. Sweeney asked when Zesiger would be coming for a review. Ms. Petrino said that Eaton Vance had been scheduled to come in next, but that Eaton Vance could be rescheduled. After a brief discussion, it was decided to have Zesiger come in for a review.

The discussion then moved to the Board members' impressions of the actuary's presentation. Most of the concerns centered around the assignment of 8 1/4% by the actuary for the City's investments.

It was decided that ABS should also be scheduled for an upcoming meeting. Ms. Petrino stated that the investment policy statement had not been updated recently. Mr. Hamilton then asked if the Board wanted him to get a more formal proposal for the asset evaluation study. After a brief discussion, it was decided to get a formal proposal.

Mr. Gilden said that the RFP for the investment management was ready to go out.

Ms. Petrino and Ms. Kunkemueller left the meeting.

Mr. Sweeney said that the original thinking was that it was time to do a full evaluation, but that with the market in the state that it is, he questioned the timing. Mr. Hamilton said that issuing the RFP would not cost the fund anything. Mr. Pirro said that he thought that it would be good to have a subcommittee handle this.

**** MR. PIRRO MOVED TO INVESTIGATE OTHER POSSIBLE INVESTMENT FIRMS AT THIS TIME**.
**** MR. NASH SECONDED.**
**** THE MOTION PASSED UNANIMOUSLY**.

Mr. Salvator, Mr. Pirro and Mr. Nash then volunteered to serve on the subcommittee. Mr. Hamilton said that the RFP could stipulate that only independent investment consultants need apply.

ADJOURNMENT

**** MR. NASH MOVED TO ADJOURN**
**** MR. PIRRO SECONDED.**
**** THE MOTION PASSED UNANIMOUSLY**.

The meeting adjourned at 8:42 p.m.