NORWALK MUNICIPAL EMPLOYEES' PENSION BOARD MINUTES

Minutes from Meeting
JANUARY 14, 2004

ATTENDANCE: James Murphy, Chairman; Don Nelson; Larry Manzi; Michael Salvator (arrived at 6:15 p.m.); Rebecca Hoeffer.

STAFF: Sara LeTourneau, Director of Personnel and Labor Relations; Fred Gilden, Comptroller.

OTHERS: Ellen Petrino and Karen Nolting, EAI; Chris LaCroix and Sean McCaffrey, LSV Asset Management.

CALL TO ORDER

Chairman Murphy called the meeting to order at 6:05 p.m. He asked Mr. Gilden what the most recent balance is, to which Mr. Gilden responded that at the close of business on January 13th, the total was $300,078.49.

EAI – Ellen Petrino / Karen Nolting

Ms. Petrino distributed the report prepared by EAI showing final market value of the fund for the months of October and November 2003, and preliminary numbers for the month of December, as well as for the first 12 days of January 2004. She said that she is very pleased to announce that the fund has been experiencing a steady increase in value since the end of October and is well on its way toward achieving its target goal of $334,000,000. The fund currently has a balance of $300,509,280.

Referring to the Performance Measurement sheet contained within the report, Ms. Petrino said that the fund's rate of return for November 2003 was 1.1% compared to a custom benchmark of 1.2%. For the period August 31 through November 30, 2003, the rate of return was 6.0% compared to a custom benchmark of 6.4%. Year-to-date 2003 compared to 2002 showed a rate of return to be 22.7% compared to a custom benchmark of 20.1%. Ms. Petrino said that the fund is doing very well against the custom benchmark. The long-term benchmark was 16.5% for the year-to-date figures.

Year-to-date 2003 also showed that Zesiger was up almost 48%; Boston Company was up 22% and TCW was up almost 49% over the corresponding period for year-to-date 2002. LSV experienced a 13.9% increase since the end of August 2003, and is up 22.5% since the end of June 2003.

Ms. Petrino said that total domestic equity funds are up 30.5% and are ahead of the S&P 500. As it related to hedge funds, Ms. Petrino said that Ivy Rising had good diversity in the portfolio. They expanded into the international sector for the month of November and were able to keep up with the benchmark of 23%. Developed markets were up 28.2% at year-to-date 2003 compared to the same period last year, even though Lazard was flat which was why they were terminated. She said that the index for emerging markets is very strong and will be an important number to watch for the rate of return. The report showed that Artisan is behind for the quarter, but EAFE in international equity was also strong.

For the one-year period November 30, 2002 through November 30, 2003, Zesiger was up 58.8% which Ms. Petrino said was outstanding. GMO emerging markets had strong, good selections.

Ms. Petrino said that Capstone fixed income, up 5.7% against a 5.2% benchmark, was good, as was their year-to-date, up 3.6% from 2002.

Ms. Petrino said that there is a manager issue at Boston Company because 1% of their equity team left the company. She will be speaking with them on the 20th. TCW is sufficiently staffed, but no one was groomed as a successor for the portfolio manager that left. It was her feeling that Zesiger does well because they feel good about their organization. At Blackstone, Ms. Petrino said that there was nothing new to report; the same situation applied to Ivy Rising. At LSV, two partners were added at the beginning of the year. Artisan advised EAI via a letter that their analyst handling Japan left the company on Monday. She said that this was terrible news, especially in light of the fact that their stock selections were not good and were under-weighted in Japan. She said that this situation would be watched closely and she would continue corresponding with them. It might be necessary to cut losses and move on. Ms. Petrino said that Silchester is doing wonderfully; GMO is closed to new business but their staff is in tact. Ms. Petrino said that EAI’s client service person, John Metzinger, left the firm and this may cause a problem.

Mr. Salvator joined the meeting at 6:15 p.m.

LSV – Chris LaCroix / Sean McCaffrey

Mr. McCaffrey gave a brief history of their firm since March, when they started their association with the City of Norwalk. He said that they ended their year with $18.2 billion in assets. During 2003 they expanded their product line into the international arena and thus far, there has been a good amount of interest. Also during the year, LSV added two partners to the firm which brings their total number of employees to 22, 11 of which are now partners.

Mr. LaCroix said that there have been no turnovers in the managerial portfolio. Regarding the market update, he said that mid cap stocks performed the best, followed by small cap. Up until the fourth quarter of 2003, Mr. LaCroix said that the market was slow growing in the small cap stocks. Month-by-month performance showed a 3% increase for the 9-month period; annualized this would equate to 3-4%. Mr. LaCroix said that LSV is doing better with intermediate markets, and he was pleased that most of their accounts outperformed the benchmark. He said that he would not recommend putting fixed income into any equity line at the present time. He said that LSV is tremendously disciplined in that they don't take industry sector bids but rather choose stocks that rank in the top 15%. LSV's operation is 100% quantitative. He said that there are about 100 stocks in the portfolio, and their strategy is to look for poorly performing long-term performance stocks that appear to be turning around. As it related to the market in general, Mr. LaCroix said that usually there are more takeovers; there were not many at all in 2003. According to the handout from LSV, Mr. LaCroix said that there is about a six-month capacity in large cap stocks before they will be closed.

Chairman Murphy asked what the top five "picks for 2004, to which Mr. LaCroix responded that since LSV is quantitative, they will chose a combination of stocks that work together. LSV recently added Callaway Golf, Provident Bank Shores, Analog Corp. and Jacuzzi Brands to the portfolio. LSV recommends their value equity fund, and for will waive the minimum deposit and fee breaks.

ADMINISTRATIVE MANUAL

Ms. LeTourneau said that she has started drafting an administrative manual, which to date is a simple outline. As progress was made, she would update the Board.

MINUTES

November 12, 2003

Chairman Murphy said that he had not an opportunity to review the minutes and therefore, discussion of them would be carried forward to the Board's next meeting.

October 20, 2003

Ms. LeTourneau said that the Pension Board minutes of October 20, 2003 would be redone and emailed to everyone.

PENSION APPLICATIONS

The following applications were approved in December:

Jaroszynski, Mary M.: early pension; annual benefit $25,416; monthly benefit $2,118;
Bleeks, Judy A.: regular pension; annual benefit $17,100; monthly benefit $1,425;

Colon, Francisco: deferred pension; annual benefit $7,098; monthly benefit $591.50;
Hampton, William: early pension; annual benefit $14,688; monthly benefit $1,224;
O'Marra, Linda A.: early pension; annual benefit $27,492; monthly benefit $2,291.

OTHER BUSINESS

There was no other business to discuss.

ADJOURNMENT

** MS. HOEFFER MOVED TO ADJOURN.
** MR. MANZI SECONDED THE MOTION.
** MOTION PASSED UNANIMOUSLY.

The meeting was adjourned at 6:40 p.m.

Respectfully submitted,

Carol A. Wiggins for
Telesco Secretarial Services