NORWALK MUNICIPAL EMPLOYEES' PENSION BOARD MINUTES

JANUARY 10, 2007

ATTENDANCE: Charles Pirro, Acting Chairman; Michael Sweeney; Patricia McCormick; Larry Manzi; Francis Nash; Michael Salvator; Gerald Moran.

STAFF: Fred Gilden, Comptroller; Victor George, Personnel; Jim Haselkemp, Personnel Director.

OTHERS: Ellen Petrino & Chris Bendlak, Evaluation Associates; Chris LaCroix & Sean McCaffrey, LSV.

The meeting was called to order at 6 p.m. by the Acting Chairman.

PERSONNEL COMMITTEE OF THE PENSION BOARD – DISABILITY PENSION APPLICATION

This subcommittee meeting was not held.

APPROVAL OF MINUTES FROM NOVEMBER 8, 2006

The following corrections were made: Mr. Sweeney's name was added to "Attendance". In the second paragraph on page 1, 2nd sentence "a majority of" was added after "of". On page 4, last paragraph, 1st sentence, "he and Mr. Pirro" was changed to "the Pension fund". On page 5, 3rd paragraph, 5th sentence, "private equity" was added before "commitments". On page 7, 2nd motion, "The Motion passed unanimously" was corrected to "The motion passed with one vote in opposition (Ms. McCormick". In the last motion, the name of Hader Monsalve was removed from the motion.

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

APPROVAL OF PENSION APPLICATIONS

** MR. NASH MOVED TO APPROVE THE PENSION APPLICATION OF SERGE O. RAICHE, DISABILITY PENSION, ANNUAL/MONTHLY BENEFIT OF $11,946/$995.50, EFFECTIVE AS OF AUGUST 2004.
** MR. SALVATOR SECONDED.
** MOTION PASSED UNANIMOUSLY.

** MR. MANZIMOVED TO APPROVE THE PENSION APPLICATION OF ROBERT VINGO, EARLY PENSION, ANNUAL/MONTHLY BENEFIT OF $36,036/$3,003, EFFECTIVE FEBRUARY 1, 2007.
** MR. NASH SECONDED.
** MOTION PASSED UNANIMOUSLY.

DISCUSSION OF INDEX FUNDS

Ms. Petrino spoke about index funds, reviewing the market environment in the 4 quarters of 2006. Half of the return for the year came in the 4th quarter. Cash beat out bonds for the year. Hedge funds earned 8-9% for the year. She said that global REITs would be good to look at this year. The non-U.S. REIT's markets are developing.

The Acting Chairman said that the Board's history in real estate has been terrible.

In response to Mr. Salvator, Ms. Petrino said that global REITs work the same as U.S. REITs.

Ms. Petrino reviewed the fund structure as of 1/9/07.

Discussion took place on where to put infrastructure. It will be called private investments in two classes: private equity and infrastructure.

Next reviewed was performance measurement as of 11/30/06. Fiscal year to date was 6.7%.

Ms. Petrino reviewed the progress of the money managers. Mr. Nash noted that the hedge funds are not doing well. Ms. Petrino said they are not designed to do well in an up market. Mr. Salvator asked if these firms had a high water mark. Ms. Petrino said that Ivy and Blackstone charge flat fees. She noted that total equities are up 21%, pointing out how well Zesiger is doing.

Capstone is under-performing; the Pimco commodity fund is strong this year. The private equity firms have some nice returns.

Ms. Petrino was asked, re index funds, if the pension fund is so large that they cannot get managers to outperform indexes, should we index and ride the market up and down and not worry if the manager is going to outperform or not?

Ms. Petrino said large cap is pretty efficient. She would prefer to index a whole size class rather than pick value or growth.

Mr. Moran said they could have 20%-30% of the equity portion in an index and they would feel better about investing with a concentrated or more risky manager.

Ms. Petrino said she was reluctant to go to indexing at this size fund. Mr. Nash said it would be good to have comparisons of managers since their inception. He also suggested maybe they should have some more money in the market.

Mr. Sweeney said they should seriously consider investments in index funds.

Mr. Nash asked for a spread sheet showing inception at the next meeting; Ms. Petrino said that information would be provided.

Ms. Petrino said State Street is the first place for indexing; Barclay's is another choice. State Street is very easy to work with.

The Acting Chairman asked if most of the managers have outperformed the market over the last 10-15 years. Ms. Petrino said she would look into that. The Acting Chairman noted that if fees are higher, the returns are usually worth the higher fee.

Mr. Nash asked about the performance of Armstrong Shaw over the past five years.

Ms. Petrino said she would massage the manager data.

MANAGER – LSV – PORTFOLIO REVIEW AND PRESENTATION OF INDEX-PLUS PRODUCT

Mr. LaCroix and Mr. McCaffrey reviewed the small cap value portfolio and provided information on their enhanced strategies.

Mr. LaCroix noted that they have underperformed the benchmark. He said it has been a very difficult time period. Their goal is to outperform by 3%. Their biggest problem has been in the REIT area, which cost them approximately 2%. They have re-examined and hope to improve by segmenting the various REIT sectors as separate industries – they owned REITs, but were in the segments with better valuations, which didn't rise as much as the REITs they felt were overvalued. Telecommunications have also hurt them, but it is a small segment of the market. They are 80 basis points ahead in January.

Mr. McCaffrey reviewed their enhanced strategy and risk controls. Their objective would be to outperform on a 3-5 year basis by 100 basis points. It is a relatively low fee product.

Mr. LaCroix said it is a mistake to look at the short term. They need to give a manager and portfolio three to five years.

OTHER BUSINESS

There was no other business.

ADJOURNMENT

** MR. NASH MOVED TO ADJOURN.
** MS. MCCORMICK SECONDED.
** MOTION PASSED UNANIMOUSLY.

The meeting was adjourned at 7:50 p.m.

Respectfully submitted,

Cheryl Telesco
Telesco Secretarial Services