NORWALK MUNICIPAL EMPLOYEES' PENSION BOARD MINUTES

Minutes from Meeting
JANUARY 9, 2002

ATTENDANCE: James Murphy Chairman; Frederick Gilden, Comptroller; Rebecca Hoefer; Chris Torre; Patricia McCormick, NEFP Representative; Don Nelson; Michael Salvator; Tim Scheibel, NASA Representative

OTHERS: Ellen Petrino, E.A.I.; Karen Nolting, E.A.I.

ABSENT: Alvin Mosby; Charles Pirro; Vicky Bove; Frank Sarno

STAFF: Sara LeTourneau

Prior to the meeting being called to order Ms. Petrino reviewed the written report with the Members. She stated that they were only down 3% for the year and had been down 1.5% for the fiscal year to date.

CALL TO ORDER

Mr. Murphy called the meeting to order at 5:15 p.m.

PANTHEON - JAY PIERPONT

Mr. Pierpont addressed the Board and stated that his firm represented a portion of the Fund's private equity allocation. He reviewed the written report with the Members and advised them that the numbers had been updated through September 2001. He informed the Members that the minimum target was $650 million dollars and the final closing showed $800 million dollars. He explained that the Fund was 36.2% invested and they were right on schedule. He went on to explain that the investment period was over a five-year period and he believed that the best fund managers had been chosen and that a very diverse portfolio would be created. He stressed that the key was to diversify by time and type of fund.
Mr. Pierpont remarked that one of the key issues that had changed considerably since they presented a year ago was that many people felt they were over allocated to private equities. He stated that people had stopped funding private equity and because of that they were beginning to move to limited partners for investors. He went on to state that selectivity over access was the driving mantra of the Fund at this time.

Mr. Pierpont then reviewed the Fund Summary with the Members and the capital commitments. His review of the New Investment activity followed and he noted that between 35-40 fund managers would be targeted. He explained that they had the right to invest up to 20% of this Fund in secondaries and he highlighted the companies that were headquartered in Connecticut.

Mr. Pierpont advised that this was a good time to select mezzanine funds and explained the term to the Commissioners. He then reviewed the proposed staged diversifications and the proposed sectoral diversifications with the Members. He remarked that as the portfolio matured they would report on the actual contents.

Mr. Pierpont commented on the capital committed to each of the funds and the net asset value. He noted that this report reflected timing issues and then he discussed the secondary purchases.

In conclusion, Mr. Pierpont stated that they were seeing a huge amount of deal flow and it would take time to select the funds where money would be made over the next couple of years. He noted that they were spending more time looking at middle market buyouts. He discussed the deal flow through a 12-month period of time and noted that a lot of deal flow they looked to purchase were non-auction transactions. He explained that they would consider auctions but they only preferred to win those if they concocted a deal with the seller or they knew the fund very well. He advised that they raised a big fund every 2-3 years and in 2003 this Fund would be ready to take down more money. He pointed out that his firm never had a default and it was more cost effective for his firm to work with a small group of clients.

APPROVAL OF PENSION APPLICATIONS

There were none this evening.

REVIEW/APPROVAL OF THE MINUTES
FROM OCTOBER 10, 2001

The following corrections were made to the minutes:

Page 2, 5th Paragraph, 1st Sentence: The phrase "… for a maximum of 15% in cost" should read: "…for a maximum of 15% in private investments." 2nd Sentence: The phrase "…since the guidelines had gone down…" should read: "…since the account value had gone down…".

Page 8, 4th Paragraph, 2nd Sentence should read: "She explained that the pension contributions were covered by the Collective Bargaining Agreement, which fixed the rate of the employee contribution as well as the benefits." 5th Paragraph, Last Sentence should read: "She remarked that part of the Agreement was that the Plan would be treated as a fully qualified Section 414 H Plan (pre-taxed dollars). In order to submit it to the IRS they had to redraft the book because it had to be sent to them in an acceptable format."

** MR. PIRRO MOVED APPROVAL OF THE MINUTES AS CORRECTED.
** MOTION PASSED UNANIMOUSLY BY VOICE VOTE.

Mr. Murphy informed the Members that Mr. Scheibel was a Member of the Board and had been appointed to represent all the unions that had less than 100 members each.

APPOINTMENT OF SUB-COMMITTEE TO REVIEW
PENSION CONSULTANT

Mr. Murphy announced that Ms. Hoefer would chair the sub-committee and it would include Mr. Nelson, Mr. Torre, Mr. Salvator, Ms. McCormick, Mr. Gilden, Mr. Pirro and Mr. Scheibel as its Members.

Mr. Gilden stated that he would have an RFP shortly and he would share it with Ms. Hoefer. He went on to state that there were 8 firms, including EAI. Mr. Murphy suggested that the sub-committee shortlist the firms to 2 or 3 for possible interviews. Ms. Hoefer remarked that it would be useful to have the subcommittee meeting and define the characteristics of the pension consultant and then narrow the list. Ms. McCormick commented that she felt the Sub-committee should have a copy of the current contract to review for comparison purposes. Mr. Gilden interjected that they were in no particular hurry to do this and that the reason he had brought the subject up was because the Board was obligated to perform due diligence. He stated that the request for proposals would go out in a couple of months.

A discussion ensued regarding the prior consultant and the hiring of EAI. It was determined that if a quorum of the Board was present at the Sub-committee meeting a secretary would need to be present to record the minutes.

OTHER BUSINESS

There was none.

ADJOURNMENT

** MS. MCCORMICK MOVED TO ADJOURN THE MEETING.
** MOTION PASSED UNANIMOUSLY BY VOICE VOTE.

The meeting adjourned at 6:20 p.m.
Respectfully submitted,

Ann Marie DeLuca
Telesco Secretarial Services