

**DRAFT
POLICEMEN AND FIREMEN'S PENSION FUND BOARD**

MINUTES

SEPTEMBER 25, 2009

PLACE: Hall of Records
200 Orange Street
New Haven, Connecticut 06510

PRESENT: James Kottage, Fire Union Representative, and Chairman
Richard Epstein, Police Commissioner
Theodore Brooks, Police Commissioner
Wendy Mongillo, Fire Commissioner
Frank Lombardi, Police Union Representative
George Longyear, Fire Commissioner

ABSENT: Mayor John DeStefano, Jr.
Mark Pietrosimone, Clerk

ALSO PRESENT: Jerome Sagnella, Payroll/Pension Administrator
Carol Chiappone, Benefits Auditor
Larry Gray, Gray and Company
Tim Ryor, Hooker & Holcombe

Chairman Kottage convened the meeting at 8:15 a.m.

1. APPROVAL OF MINUTES

Rep. Lombardi made a motion to approve the minutes from the August 20, 2009 meeting; Comm. Epstein seconded, and the vote was unanimous.

2. AGE ANNUITY RETIREMENT/DISABILITY ANNUITY RETIREMENT-SERVICE CONNECTED FOR INFORMATION ONLY

- A) CELENTANO, MICHAEL – FIRE**
- B) HUNTER, MICHAEL - POLICE**

This item was for information only.

3. **DISABILITY ANNUITY RETIREMENT SERVICE CONNECTED**

A) **BERNARDO, JOHN - FIRE**

Comm. Epstein made a motion to approve a service connected disability based on the medical reports for Mr. John Bernardo of the Fire Department; Comm. Mongillo seconded and the vote was unanimous.

4. **DISABILITY ANNUITY RETIREMENT SERVICE CONNECTED/ PREVIOUSLY TABLED**

A) **MAIO, ANTHONY - POLICE**

Rep. Lombardi made a motion to go into executive session at 8:25 a.m. Comm. Epstein seconded and the vote was unanimous. Chairman Kottage requested that Mr. Jerome Sagnella and Ms. Carol Chiappone remain in the meeting.

Rep. Lombardi made a motion to come out of executive session at 8:35 a.m. Comm. Brooks seconded and the vote was unanimous.

Comm. Epstein made a motion to deny a service connected disability for Anthony Maio based on the medical report. Comm. Longyear seconded and the vote was unanimous.

5. **DEATH AFTER RETIREMENT – FOR INFORMATION ONLY**

A) **DEMARTINO, CAESAR C. - POLICE**

This item was for information only.

6. **PAYMENT OF THE BILLS**

Rep. Lombardi made a motion to approve the payment of the bills with the addition of Chairman Kottage's conference expenses; Comm. Books seconded and the vote was unanimous.

7. **ADMINISTRATIVE MATTERS**

A) **DISCUSSION OF DISABILITY ANNUITY APPLICATION PROCESS**

Jerome Sagnella discussed the disability annuity application process. He has spoken with several towns such as Waterbury, Bridgeport, Hartford, Norwalk and believes they are all in the same position as the Board. They do not have a policy that states that once you apply for disability you have

to stop working. In many cases a person who applies for a disability has enough years to retire on a regular retirement. Norwalk contracts out to a third party regarding all of their decisions on disability retirements. Mr. Sagnella stated that Dallas has a policy that in order to apply for a disability you have to have been out of work for ninety days because of that injury. He believes the Board has the power to “tweak” the process but ultimately significant change would have to be negotiated with the union. Rep. Kottage would like to have further discussion at the next meeting.

**B) EXECUTIVE SESSION – DISCUSSION OF STRATEGY
CONCERNING PENDING CLAIM AND PENDING LITIGATION –
GERALD FANFARELLI**

**C) EXECUTIVE SESSION – DISCUSSION OF STRATEGY
CONCERNING PENDING LITIGATION – SYNTAX BRILLIAN
LITIGATION**

Comm. Brooks made a motion to enter into executive session for the purpose of discussing strategy and negotiations regarding pending litigation – Fanfarelli; Comm. Epstein seconded and the vote was unanimous. Chairman Kottage requested that Mr. Jerome Sagnella remain in the meeting.

Comm. Brooks made a motion to come out of executive session. Comm. Mongillo seconded and the vote was unanimous.

Comm. Brooks made a motion to a settlement of the case Tsirekidze v. Syntax-Brilliant Corp. in which the Policemen’s Firemen’s Pension Fund is a named plaintiff, which settlement will result in the payment to the plaintiff class of \$4.75 million by Syntax-Brilliant’s former officers and directors who are named defendants in the case, the payment of \$2.5 million by Syntax-Brilliant’s former auditor, Grobstein, and the payment of \$2.75 million by the investment banks that underwrote of Syntax-brilliant’s secondary public stock offering.”

7. **INVESTMENT REPORT**

Mr. Hubbarb reviewed the current flash report. For the month of August the fund returned 2 ¼ %. The total fund domestic equity managers with the exception of ICC slightly underperformed the index. SASCO and Cooke & Bieler tends to be one that protects the Fund in a down market but is not going to go out on a risk spectrum chasing returns in an up market. Mr. Hubbarb stated that Wentworth Hauser places a lot of its bets on the energy sector. He has had the opportunity to meet with the team and knows they are going to make energy bets. On domestic fixed income all the managers are continuing to perform well. The total market value as of September 23, 2009 was \$263,897,050.23.

Mr. Hubbard discussed securities lending. He stated that Northern Trust has provided its clients with information concerning securities lending. Northern Trust stated that for this plan the total collateral deficiency

amounted to \$710,525 as of September 2008. This has been carried on the custodial bank statements as part of the Fund's cash account. They posted it as a payable but have not called the payable. They are holding a basket of high quality fixed income assets and then got hit by the market. They hope to see this deficiency reduced over time. So far there have been a couple of settlements that resulted in realized losses. Those are what the Fund is going to see. Mr. Hubbard added that so far of the \$710,000, the \$112,000 is a realized loss and the rest of it sits as a remaining payable. Northern Trust feels that conditions have improved enough so that they can start to re-evaluate the assets that are represented by that payable. Northern Trust believes that starting in the fourth quarter they will reverse that deficiency. The ultimate goal is that they are going to be able to reverse entirely what that payable is minus those realized loss. They believe in December incrementally they will reduce that payable amount.

Mr. Hubbard discussed what actions were taken by Northern Trust to support clients. Northern Trust has contributed in excess of \$150 million to make up some of that deficiency and have portioned it out to each of its clients. They also have reduced its share of the fee split by 20% for all clients affected by the collateral deficiency.

Mr. Gray stated that Invesco Capital has come to Board to have discussion concerning their investment mortgage recovery fund. The money to invest in this fund would be transferred from the Invesco Fixed Income account. It is an eight year program with two one year extensions. They are looking at 6% income on the portfolio and based on the current prices they are looking at a 25% return. Mr. Gray is recommending transferring \$15,000,000 from the Invesco fixed income product to the Invesco Mortgage Recovery Fund.

Marquette Chester from Invesco entered the meeting. He gave the Board an overview of this investment. He stated that he believes mortgages are very much out of whack right now whether commercial or residential. Some of them reserve to be deeply discounted. Their risk is that they have to pick the right mortgages to put in their portfolio. Through this program the government has provided them with some very favorable terms. They are trying to facilitate a way to get these securities out into the market place where they can then structure them and fix them and get them back free market capital.

Rep. Kottage asked if the Board were to make a \$15 million investment is the money drawn by a capital call or will it all work at once. Mr. Chester responded that they are going to make call capital as they see investment opportunities. They are not charging any fees on total committed capital.

Rep. Kottage asked Mr. Gray if this is a prudent investment. Mr. Gray responded yes and he stated that he has reviewed the side letter of agreement and everything that was discussed is okay.

Comm. Brooks made a motion to investment \$15,000,000 with the Investment Mortgage Recovery Feeder Fund and allow the Chairman to

sing the side letter of agreement along with the subscription booklet. Comm. Longyear seconded and the vote was unanimous.

Larry Gray stated that the Cooke & Bieler performance is not good. They do take less risk than the index. On a three year basis they are 136 basis less risk and on a five year they are 100 basis points less risk. Mr. Gray stated that the reviewed similar firms in their asset class to compare returns. He distributed a mid cap value list of manager for the Board to review and would like to have a broader discussion regarding this.

The next regular meeting has been scheduled for October 15, 2009 at 8:00 a.m. in the Controller's Conference Room.

The meeting adjourned at 9:30 a.m. on a motion made by Comm. Brooks and seconded by Comm. Mongillo.

ATTEST:

Mark Pietrosimone, Clerk

