

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

**MINUTES**

**MAY 21, 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 Commissioner  
Mark Pietrosimone, Clerk

**ABSENT:** Mayor John DeStefano, Jr.

**ALSO PRESENT:** Jerome Sagnella, Payroll/Pension Administrator  
Carol Chiappone, Benefits Auditor  
Bob Hubbard, Gray and Company  
Larry Gray, Gray and Company  
Art Assante, Hooker & Holcombe  
Carolyn Kone, Brenner, Saltzman and Wallman

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

**1. APPROVAL OF MINUTES**

Comm. Brooks made a motion to approve the minutes from the April 16, 2009 meeting; Comm. Mongillo seconded, and the vote was unanimous.

**2. PAYMENT OF BILLS**

Rep. Lombardi made a motion to approve the payment of the bills; Comm. Books seconded and the vote was unanimous

**3. ADMINISTRATIVE MATTERS**

**A) EXECUTIVE SESSION – DISCUSSION OF STRATEGY  
CONCERNING PENDING LITIGATIONS**

Rep. Lombardi made a motion to go into executive session at 8:45 a.m. for discussion of strategy concerning pending litigation; Comm. Mongillo

seconded and the vote was unanimous. At 9:15 a.m. Comm. Brooks made a motion to come out of executive session; Rep. Lombardi seconded, and the vote was unanimous.

Comm. Brooks made a motion not to accept the offer from Mr. Gerald Fanfarelli and that no counteroffer be made. Rep. Lombardi seconded and the vote was unanimous.

## 5. **INVESTMENT REPORT**

### **ENERGY CAPITAL MANAGEMENT**

Mr. Scott Gill, Mr. Gary Welchel, and Mr. Farrell Crane from Energy Capital Management entered the meeting. Mr. Gill stated that he is here today to introduce the Fund to the idea of energy in the portfolio; it has an important interval in the asset allocation. The primary reason for that is that you will see the fundamental importance that energy plays. Mr. Crane stated that this energy product started in 2000 and was a joint venture between Orleans Capital and Simmons & Company. Orleans capital has about \$1.6 billion under management. They teamed up with Simmons to start the product and it evolved into a new company called Energy Opportunities Management.

Mr. Crane reviewed the accolades the companies have achieved. They have been rated one the top 10 equity managers for US stocks. Mr. Gill stated that there is an exorable link between economic growth and energy demand growth. The correlation between energy demand growth and GDP growth is very strong. As local economies grow they are going to use energy to make it grow. It used to be that the US comprised roughly 22-23% of the global economy. In April 2009 forecast, the IMF projects that China and India will comprise nearly 19% of the global economy, compared to just under 20% for the US.

Mr. Crane further discussed oil demand growth. He stated that if you think the economy is going to recover then the energy demand is going to grow too. The other part of the equation is the supply side. There are a number of challenges on the supply that they think is going to drive crude oil prices, natural gas prices coal prices higher over the years to come. Oil is the largest energy source out there. Less than 25% of worldwide oil reserves are accessible to "public" international capital. National Oil Companies (NOCs) control 77% of global crude oil reserves with no equity access and another 11% with equity access. Another challenge they face is the era of cheap, easy oil is over.

Mr. Crane stated that their beliefs are reflected in their portfolio weightings which is significantly overweight Oil Services compared to the Integrated Oils. Energy Opportunities weighting to Oil Services has ranged from 60% to over 90% since its inception. At the end of April their weighting to Oil Services was 5x that of the S&P 500 energy. Mr. Kottage asked if they think with the economy turning around will energy be one of the leaders. Mr. Crane responded yes. The way their portfolio is structured it bottomed in late December. Their first quarter was up 4% and the market was down 11%. Energy is clearly leading now.

## CAPITAL POINT PARTNERS

Mr. Alfred Jackson, Mr. Jeffrey Sangalis, and Mr. Keith Smith of Capital Point Partners entered the meeting. Mr. Jackson stated that he appreciates the opportunity to work for the Board. Capital Point is getting ready to Fund II sometime in December. Capital Point has a 20 year track record and a long history in business. They are well positioned to raise another \$200 million in assets. Mr. Sangalis gave an overview of the mezzanine market. They are positioned between the senior debt holders and the equity sponsors. We try to partner with the equity sponsors and go in and influence the company and allow that to enhance their portfolio. These are established companies that have between \$15 to \$150 million in revenue. They are the types of companies banks would lend to as well and are not startup companies. We will go in with the investment between \$5 and \$15 million which is really related to the fund size. They are good companies with real profitability and return of capital. The mezzanine offers unique advantages for investors is has competitive returns with lower volatility; They try to focus on current income: 13%-15% cash interest; 2% average closing fees. They typically provide a variety of investment types, typically recapitalizations funds. They are right there with them to advise to run the business. Capital Point has access to number of opportunities in this market unlike traditional buyout firms. They have a long term strategy and a strong deal flow. They have diversified investments by industry, company types and geographical dispersion. They also have an active portfolio management and highly active partners.

Mr. Sangalis stated that they are hoping to raise \$200 million in Fund II and would love to have \$10-15 million from the Fund. He believes this is best time to be in mezzanine because you get paid while you wait. They have a five year investment period but would be disappointed if they didn't invest it in three years.

Mr Gray stated that his firm is very familiar with Energy Capital. He added that he would like to review these managers and see where they fit into the portfolio before the Board makes a decision. Currently the Fund does have some exposure to energy. He would like to review the cash flow issue before making a recommendation.

Mr. Gray stated that they are updating the investment policy statement and will bring to board next month. Mr. Bob Hubbard reviewed the current flash report. Even though there was a nice turn in the market it still is a volatile portfolio. The current value of the Fund is \$226 million. Mr. Gray stated the Board should pat themselves on the back because a lot of plans were not in alternative and that has helped the portfolio.

Mr. Kottage would like to review the fixed income side of the portfolio concerning Invesco and FISCO at the next meeting.

The next regular meeting has been scheduled for June 18, 2009 at 8:00 a.m. in the Controller's Conference Room.

The meeting adjourned at 10:05 a.m. on a motion made by Comm. Brooks and seconded by Comm. Mongillo.

ATTEST:

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Mark Pietrosimone, Clerk

