

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

MINUTES

JUNE 18, 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

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
Carolyn Kone, Brenner, Saltzman and Wallman

Chairman Kottage convened the meeting at 8:05 a.m.

1. APPROVAL OF MINUTES

Comm. Brooks made a motion to approve the minutes from the May 21, 2009 meeting; Comm. Mongillo seconded, and the vote was unanimous.

2. AGE ANNUITY RETIREMENT – FOR INFORMATION ONLY

- A) SOMERS, BERNARD
- B) STREETO, JOSEPH
- C) KELLY, CHRISTOPHER

This item was for information only.

3. DISABILITY ANNUITY RETIREMENT – SERVICE CONNECTED/AGE ANNUITY

Rep. Lombardi made a motion to approve Walther Shredders for a service connected disability based on the medical reports. His effective date of retirement will be June 19, 2009; Comm. Epstein seconded and the vote was unanimous.

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

A) GAMBARDELLA, ANTHONY P. – FIRE

This item was for information only.

5. **PAYMENT OF THE BILLS**

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

6. **ADMINISTRATIVE MATTERS**

Board members have scheduled a special meeting to discuss the administrative matters. A special meeting has been scheduled for Tuesday June 23, 2009 at 8:00 a.m. to discuss the administrative matters.

7. **INVESTMENT REPORT**

Mr. Gray reviewed the current flash report. The current value of the Fund as of May 31, 2009 was \$226 million. It was up from \$206.3 million for March ending. Mr. Gray stated that the fixed income market is of real concern and 31.3% of the portfolio is currently allocated to fixed income. He believes they are going to experience flat to negative returns as interest rates goes up and would like to address this concern early on.

FISCO PRESENTATION

Mr. Samuel DeKinder, Mr. Harry Haynes, and Mr. Edward Theobald from Fisco LLC entered the meeting. Mr. DeKinder stated that they are based in Atlanta Georgia and they are an unusual hedge fund. They have been in business for seven years and currently manage \$220 million. Mr. Harry Haynes stated that after the 2000 market they were convinced that the stock and bond market was going to have a difficult environment and that it was going to produce returns that were somewhat less than what they have seen for twenty years. They wanted to develop an approach with absolute relative rate of return and try to produce a net return of 9-11% per year. They decided to do that two different ways.

They would invest in short term government bonds because they are highly liquid, and are backed by the government. They take money and put 25% in a one year bond and then take another 25% put in two year, three and four year bonds. They do not actively trade bonds. They allow them to mature at book value. The advantage is that you always have 25% of your portfolio maturing at book value and you get to re-invest. There is no 12 month rolling period since 1900 that you would have had a loss in that underlying portfolio. They had the idea of selling options on the S&P 500 index and collect premiums. They want to have a historical or 98% probability of being successful. Fisco utilizes European style options and have a high probability of success. Since 1950 there were only eight months where performance was greater than +/- 12%. They

write the contracts 12 times a year and they expire monthly and they tend to rank them in the current period. The process has a built in risk modification process. The object of the product is to achieve quarterly and annual absolute returns. They have active monitoring with a high probability of success. Their target return is 9 -11% annually to the investor and have been able to achieve that except for 2008. They have a low correlation to traditional asset classes.

Rep. Lombardi made a motion to invest \$5,000,000 with Fisco LLC. The money will transfer from the Lehman Aggregate; Comm. Brooks seconded and the vote was unanimous.

Rep. Kottage stated that the Israel Bond is maturing July 1, 2009. Comm. Epstein made a motion to re-invest the Israel Bond that is maturing; Rep. Lombardi seconded and the vote was unanimous.

Rep. Kottage stated that Capital Point gave a presentation at the last meeting and would like to make a decision on their investment.

Comm. Brooks made a motion to invest an additional \$5,000,000 with Capital Point Partners; Rep. Lombardi seconded and the vote was unanimous.

INVESCO CAPITAL MANAGEMENT

Marquette Chester, Gregory Stoeckle and Keri Hepburn from Invesco Capital Management entered the meeting. Marquette Chester discussed the Invesco Worldwide Fixed Income product. He stated that what they do for the Board now is a core fixed income conservative managed portfolio. He believes with such a bad year Invesco has weathered the storm very well. Mr. Chester stated that the Invesco Senior Secured Management Inc. is a platform, a subset of \$150 billion. It is a \$10 billion platform that Mr. Stoeckle manages. It is a fundamental credit analysis in fixed income securities. He believes it is the ability to pick the right investments based on credit analysis..

Mr. Stoeckle reviewed the organizational structure. They are a boutique operation within the fixed income platform. He gave a summery background of the senior secured loan market. These loans trade in a private market. Most of the activity was driven by LBO or M&A activity. They are typically issued to non-investment grade issuers with the loan being secured by the issuer's assets. they are on a floating rate of interest and will agree on a credit spread.

Mr. Stoeckle stated that from a price perspective this has been a relatively stable asset class right up onto the collapse of Lehman Brothers. They hit bottom in the latter part of 2008. They have had a tremendous rally since then. The year to date returns were 26.6% through the end of May. They have had positive returns every year with the exception of 2008.

Comm. Brooks made a motion to transfer \$10,000,000 from Invesco Fixed Income to Invesco Tactical Corporate Loan Fund, L.P. Rep. Epstein seconded and the vote was unanimous.

OMSAN ASSET MANAGEMENT

Mr. J. Jay Lobell and Mr. Ronald Poitevien and Dr. Rosenwall of Omsan Asset Management entered the meeting. Mr. Ronald Poitevien addressed Board members. He stated Dr. Rosenwall is the owner of Paramount BioFund and has invested nearly \$300 of his own money which is invested in approximately 18 companies and 59 different drugs. Their company will search for drugs that have had a six to seven year life of development. Dr. Rosenwall comes in and acquires these companies after they have spent millions of dollars into these companies. He then comes and invests an additional capital into these companies in order to take it further to the human trial. He stated that the Board will see in this fund is the opportunity selecting late stage proven technology that is working. They have created a very strong technical medical team to review basically the FDA minutes and a strong financial team.

Mr. Lobell stated that the perception of risks is not relevant to this particular product. These are not laboratory experiments and are not science experiments. They invest a phases 2 and 3—the optimal points in the biotechnology value creation cycle. They will invest in a late stage portfolio ideally positioned near-term value inflection. They are taking these drugs that we have been worked on for years and have shown a measure of authenticity and are trying to take them over the finish line. They maximize the IRR by having much shorter time line. The fund is doing is taking drugs that have been validated by experts and putting them through one more trial. After that trial they have an opportunity for exit. Shorter time lines are going to mean better IRR's. Biotechnology has outperformed the broader market over time and earnings appear likely to grow at a multiple of earnings growth in the economy overall. The maximum the Fund is going to pay is the cash value. In addition to capped pricing, the Partnership will receive full reset price protection through a subsequent financing. The Fund is partnered with one of the most establish names in businesses. They have been doing this for 18 year and have had much success. It is an opportunity to partner with somebody who is a definitively a father of the small bio tech industry. You would be a co-investment partner with Paramount.

The next regular meeting has been scheduled for July 16, 2009 at 8:00 a.m. in the Controller's Conference Room.

The meeting adjourned at 10:20 a.m. on a motion made by Comm. Brooks and seconded by Comm. Mongillo.

ATTEST:

Mark Pietrosimone, Clerk

