

INVESTMENT ADVISORY COUNCIL
Wednesday, January 10, 2018

MEETING NO. 448

Members present:

Thomas Fiore, representing Benjamin Barnes*
Joshua Hall
David (Duke) Himmelreich
Michael LeClair*
Steven Muench
William Murray
Denise L. Nappier, Treasurer
Carol Thomas, Interim Chair

*Arrival 9:08a.m.

Others present:

Lawrence Wilson, Deputy Treasurer
Laurie Martin, Interim Chief Investment Officer
David Barrett, Executive Assistant
Riju Das, Executive Assistant
Joanne Dombrosky, Principal Investment Officer
Mark Evans, Principal Investment Officer
Karen Grenon, Legal Counsel
Wayne Hypolite, Executive Assistant
Catherine E. LaMarr, General Counsel
Michael MacDonald, Interim Principal Investment Officer
Christina McGinnis, Executive Secretary
Christine Shaw, Chief Compliance Officer/Assistant Treasurer
Linda Tudan, Executive Assistant

Guests:

Frank Baker, Siris Capital Group
Drienne Benner, Appomattox
LaRoy Brantley, Meketa Investment Group
Kathryn DeNitto, State Street
Pete Keliuotis, Cliffwater
Morten Hummelose, EQT Partners
Philip Lo, Director, Siris Capital Group
Will Greene, Loop Capital
Deirdre Guice Minor, T.Rowe Price
Tim Maul, RBC
Eli Mendoza, Siris Capital Group
Leanne Moore, Meketa Investment Group
Mary Mustard, Meketa Investment Group
Molly O'Neill Wilson, EQT Partners
Aditya Raina, StepStone Group
Justin Rico Oyola, SEIU (Capital Stewardship Program)
Rita Sallis, Blueprint Capital Advisor
Larry Tang, StepStone Group
Al Zollar, Siris Capital Group

With a quorum present, Interim Chair Carol Thomas called the Investment Advisory Council (“IAC”) meeting to order at 9:00 a.m.

Approval of Minutes of the December 13, 2017 IAC Meeting

Chair Thomas called for a motion to approve the minutes of the December 13, 2017 IAC meeting. **William Murray moved to approve the minutes of the December 13, 2017 IAC meeting. The motion was seconded by Duke Himmelreich. There being no further discussion, the Chair called for the vote. The motion passed unanimously.**

Comments by the Treasurer

Treasurer Denise L. Nappier began her opening remarks by welcoming everyone back and wished them a Happy New Year.

She then briefly commented on the one-year investment performance for the two largest pension plans in the Connecticut Retirement Plans and Trust Funds (“CRPTF”); the Teachers’ Retirement Fund (“TERF”), and the State Employees’ Retirement Fund (“SERF”), and also noted the investment performance of the Municipal Employees’ Retirement Fund (“MERF”), as of November 30, 2017. Treasurer Nappier stated that the TERF and the SERF posted returns of 16.81% and 16.94%, respectively, outperforming the related benchmarks by 45 and 53 basis points (“bps”), respectively and that the MERF posted a return of 15.02%.

Treasurer Nappier then referenced the press conference she held on January 3, 2018, announcing that she would not be seeking a sixth term in 2018 as Connecticut State Treasurer. Next, she addressed the IAC members and spoke of her high regard for their unwavering service to the 219,000 participants and beneficiaries of the CRPTF and the taxpayers and residents of Connecticut state and offered her deepest appreciation for the privilege of having the opportunity to work with each of the distinguish members, as well as IAC former members.

Treasurer Nappier next commented on the agenda and said there would be an Executive Session immediately following the regular meeting. She then stated that she had three investment – related announcements and that after giving consideration to the feedback from the IAC and to the extensive due diligence process conducted by investment professionals and the Private Investment Fund (“PIF”) consultant, StepStone Group (“StepStone”), she had decided to make a commitment of up to \$75 million to Clearlake Capital Partners V, L.P. Treasurer Nappier added that the firm was located in Santa Monica, California and would primarily focus on buyout and special situations investments in North American middle markets and the investment would represent the CRPTF’s third opportunity with Clearlake Capital Partners. She said our current exposure to Clearlake III and Clearlake IV had generated tremendously robust net internal rate of returns of 41.3% and 42.9%, respectively, as of June 30, 2017.

Additionally, Treasurer Nappier stated that after giving consideration to the feedback from the IAC and to the extensive due diligence process conducted by investment professionals and StepStone, she had decided to make a commitment of up to €80 million euros, the equivalent of approximately \$95 million, to BC European Capital X, L.P. She stated that the fund was being raised by BC partners, the General Partner, headquartered in London, and would primarily focus on executing buyout investments in Europe and selective North American markets, increasing the geographic diversification within the PIF portfolio.

Finally, after giving consideration to the feedback from the IAC and to the extensive due diligence process conducted by investment professionals and the Alternative Investment Fund (“AIF”) consultant, Cliffwater, she had decided to make a commitment of up to \$75 million to Owl Rock Capital Corporation, which would focus on originating senior secured loans in upper middle market companies with earnings between \$50 million to \$200 million. Treasurer Nappier added that prospective investments would be located both in the U.S. and in non-U.S. oriented transactions subject to a 30% limitation. She added that the fund, being raised by Owl Rock Capital Advisors, the Investment Advisor, was headquartered in New York.

Treasurer Nappier stated that each of these investment commitments were contingent upon successful negotiation of the partnership documents.

Lastly, she commented on the agenda and announced that there were two investment opportunities being presented for consideration by the IAC; the first was EQT VIII ScSp (“EQT VIII”), an investment opportunity for the PIF of up to €80 million (approximately \$95 million), headquartered in Stockholm, Sweden, and would primarily focus on buyout investments in northern Europe and would provide the CRPTF with a further opportunity for geographic diversification via a prominent European private equity manager effecting a buyout strategy embedded in the firm’s industrial history.

The second firm she spoke of was Siris Partners IV, L.P., (“Siris IV”), an investment opportunity for the PIF; the general partner was Siris Capital Group, headquartered in New York. Treasurer Nappier said she was considering an investment of up to \$50 million in Siris IV, which would primarily focus on technology-focused buyout investments in North America. She added that the CRPTF currently had exposure to Siris Partners II, L.P. through the Muller and Monroe Connecticut Emerging Private Equity Fund-of Funds L.P., within the PIF sleeve of the Connecticut Horizon Fund portfolio.

Update on the Market, the Connecticut Retirement Plans and Trust Funds Final Performance for Month Ended November 30, 2017

Laurie Martin, Interim Chief Investment Officer, provided an update on the capital market environment, its impact on the CRPTF performance and the economic outlook. Ms. Martin reported that for the month ending November 30, 2017, the TERF and SERF, the two largest pension plans, both returned 1.0% for the month and the MERF returned about 0.9%, all three funds underperformed their benchmarks by 13-18 bps for the month. She stated that the Mutual Equity Fund had the strongest performance, up almost 3.0%, followed by the Inflation Linked Bond Fund, up 1.9%. Ms. Martin said for month ending December 31, 2017, the Emerging Markets International Stock Fund returned 4.1% followed by the Developed Markets International Stock Fund up 1.7% and the Mutual Equity Fund up 1.1%. She then reviewed other major market events impacting performance for the month of December. Ms. Martin reported on November 2017 fiscal year to date and one-year performance and stated that for the five months into the fiscal year, the CRPTF performance had been driven by public and private equity market returns with the TERS and the SERS both up over 6.0% and MERS up 5.3%. For the one year ending November 30, 2017, she added that both the TERF and the SERF were up almost 17.0% and the MERF was up 15.0%. Lastly, Ms. Martin reported on finalizing the asset/liability study project plan and upcoming meeting dates.

Next, Mary Mustard, Principal, LaRoy Brantley, Principal, and Leanne Moore, Assistant Vice President, of Meketa Investment Group, mentioned the performance on the Combined Investment Funds for the quarter ending September 30, 2017. Ms. Mustard spoke about the stakeholder survey that will be distributed to all IAC members for their input and used for the Asset Liability Study; the results would be shared at an upcoming asset allocation meeting. Ms. Moore then briefly spoke about the performance for month ending November, 30, 2017.

Presentation by and Consideration of EQT VIII SCSp

Mark Evans, Principal Investment Officer (“PIO”), provided opening remarks and introduced EQT VIII, a PIF opportunity. Mr. Evans stated EQT VIII was an €8.0 billion fund that would make control-oriented buyout investments in mid to large sized companies primarily based in northern Europe and selectively in the UK, northern Italy, and the U.S. He mentioned that the General Partner of the Fund was EQT Equity, an affiliate of EQT Partners, headquartered in Stockholm, Sweden, founded in 1994 with the support of several investors. Mr. Evans then spoke of the management team, track record and performance of EQT funds IV through VII.

Several IAC members posed questions regarding the fund risk, and investment in North America, to which Mr. Evans answered to their satisfaction.

EQT VIII, represented by Morten Hummelose, Equity Partner, and Molly O’Neill Wilson, Investor Relations Manager, made a presentation to the IAC. Ms. O’Neill Wilson introduced the team, and background, then gave an overview of EQT VIII. She added that the EQT investment strategies had over \$40 billion in assets under management with over 200 investment professionals and 250 industrial advisors. Ms. O’Neill Wilson then spoke about the multi-generational Wallenberg family from Sweden, its heritage and traditions of responsible ownership and company development. She added that the Wallenberg and Investor AB’s industrial heritage and entrepreneurial values were core to both EQT’s private equity investment strategy and the way the firm was operated. Mr. Hummelose then spoke of the firm’s equity investment strategy and differentiators. He reviewed EQT’s current portfolio in Northern Europe, global sales footprint, and diversification across sectors and historical performance across the firm’s nine funds. Mr. Hummelose discussed EQT’s value creation playbook, sustainable approach to investment and EQT ownership, the industrial advisor role and value based culture. Lastly, he reviewed staff development, sector themes and the funds’ performance overview.

Several IAC members posed questions regarding EQT’s academy, expansion, cultural differences and investments in North America, to which Mr. Hummelose answered to their satisfaction.

Roll Call of Reactions for the EQT VIII

Thomas Fiore, Mr. Himmelreich, Mr. Murray, Michael LeClair, Steven Muench, Joshua Hall, and Chair Thomas provided feedback on EQT Partners and all were in favor of the EQT VIII PIF opportunity.

Chair Thomas called for a motion to waive the 45-day comment period. **A motion was made by Mr. Murray, seconded by Mr. Himmelreich, to waive the 45-day comment period for EQT**

VIII. There being no discussion, the Chair put the question to a vote and the motion was passed unanimously.

Presentation by and Consideration of Siris Partners IV, L.P.

Mr. Evans provided opening remarks and introduced Siris Partners IV, L.P., a PIF investment opportunity. He stated that the \$3.0 billion fund was being raised by Siris Capital Group, the General Partner, headquartered in New York, New York. Mr. Evans added that the fund focused on middle market private equity investments in the technology sector, primarily in the U.S. He reviewed the firm and the management team and said Siris Capital was founded in 2011 and the co-founders had been investing in private equity since the late 1990's. Mr. Evans stated that Siris IV would represent the CRPTF's first direct commitment if approved and then spoke about the investment strategy and market opportunity. Lastly, he spoke of the firm's track record.

Siris Partners IV, L.P., represented by Frank Baker, Co-Founder & Managing Partner, Philip Lo, Director, Investor Relations, Eli Mendoza, Senior Managing Director, Strategy and Operational Excellence, and Al Zollar, Executive Partner, made a presentation to the IAC. Mr. Baker began and introduced the team and gave an overview of Siris Capital Group. He then spoke of the firm's history and discussed the evolution of technology companies and stated that Siris' strategy was to invest in technology companies in transition that have both a strong legacy business as well as robust next generation growth initiatives. Mr. Zollar then spoke about the firm's strategy investing in bond and call options and the team's experience and operational/financial expertise. Mr. Baker continued and delved into the organization and the diverse team across all functional areas. Mr. Mendoza then spoke of Siris' sourcing approach, pipeline and key observations. Lastly, Mr. Baker gave an overview of its investments at entry, realizations and significant events, track record and ESG policy.

IAC members posed questions regarding employee resources, and past investments, to which Mr. Mendoza answered to their satisfaction.

Roll Call of Reactions for Siris Partners IV, L.P.

Messrs. Muench, LeClair, Murray, Himmelreich, Fiore, Hall, and Chair Thomas provided feedback on the Siris Partners IV, L.P., PIF opportunity.

Chair Thomas called for a motion to waive the 45-day comment period. **A motion was made by Mr. Murray seconded by Mr. Himmelreich, to waive the 45-day comment period for the Siris Partners IV, L.P. There being no discussion, the Chair put the question to a vote and the motion was passed unanimously.**

Report on Corporate Governance

Christine Shaw, Chief Compliance Officer, Assistant Treasurer-Policy, reported on the Corporate Governance activity for the quarter ending September 30, 2017. She began with an overview of the proxy voting activity and stated that there were 123 annual meetings of domestic portfolio companies and that the CRPTF cast 1,020 votes, of which 76.5% supported management recommendations. Ms. Shaw said that there were 410 international meetings held at which the CRPTF cast 4,162 votes; 81.19% of which were in support of management recommendations.

For the 2018 proxy season, she said the CRPTF filed eleven shareholder resolutions with portfolio companies for inclusion in 2018 proxy statements: Johnson & Johnson, Ansys, Inc., Cognex, Oceaneering International, Netflix, Tesla, AmerisourceBergen, AES Corporation, FirstEnergy, Wells Fargo, and Equifax, Inc. Ms. Shaw then discussed the four categories that the resolutions fall within: board quality, opioid manufacturers and distribution, climate change, and board accountability to shareholders. Mr. Himmelreich made a recommendation for the CRPTF to review executive compensation in regard to company buyouts, to which Ms. Shaw responded to his satisfaction.

Chair Thomas called for a motion to accept the report on Corporate Governance activities. **A motion was made by Mr. Murray, seconded by Mr. Fiore, to accept the report on Corporate Governance activities. There being no discussion, Chair Thomas put the question to a vote and the motion passed unanimously.**

Other Business

Chair Thomas then invited the IAC members to submit agenda items for the February 14, 2018 IAC meeting.

Executive Session

A motion was made by Mr. Murray, seconded by Mr. Hall, that the IAC adjourn the Regular Session at 11:49 a.m. and enter into Executive Session to consider personnel matters. The motion was passed unanimously. Lawrence Wilson, Deputy Treasurer, and Ms. Martin participated in the Executive Session.

Regular Session

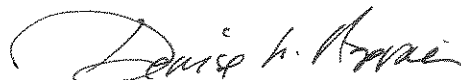
Chair Thomas reconvened the regular session at 3:09 p.m. She noted that no votes were taken during the Executive Session and personnel matters were discussed.

Comments by the Chair

There being no further business, Chair Thomas called for a motion to adjourn the meeting. **Mr. Muench moved to adjourn the meeting and the motion was seconded by Mr. Himmelreich. There being no discussion, the meeting was adjourned at 3:10 p.m.**

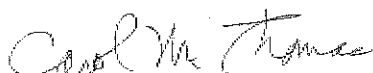
This meeting was electronically recorded.

Respectfully submitted,



**DENISE L. NAPPIER
SECRETARY**

Reviewed by,



**CAROL THOMAS
INTERIM CHAIR**