

INVESTMENT ADVISORY COUNCIL  
Wednesday, October 24, 2018

**MEETING NO. 457**

**Members present:**

Joshua Hall  
David (Duke) Himmelreich  
William Murray  
Denise L. Nappier, Treasurer  
Patrick Sampson\*  
Carol Thomas, Interim Chair

\*Arrival 9:08a.m

**Absent:**

Thomas Fiore, representing Benjamin Barnes  
Michael LeClair  
Steven Muench

**Others present:**

Lawrence Wilson, Interim Deputy Treasurer  
Laurie Martin, Chief Investment Officer  
David Barrett, Executive Assistant  
Joanne Dombrosky, Principal Investment Officer  
Mark Evans, Principal Investment Officer  
Karen Grenon, Legal Counsel  
Wayne Hypolite, Executive Assistant  
Danita Johnson, Principal Investment Officer  
Catherine LaMarr, General Counsel  
Michael MacDonald, Principal Investment Officer  
Christina McGinnis, Executive Secretary  
Linda Tudan, Executive Assistant

**Guests:**

Drienne Benner, Appomattox  
Gina Baker Chambers, Artemis Real Estate Partners  
Deborah Harmon, Artemis Real Estate Partners  
Ned Kwasniewski, Iqeros  
Irwin Loud, Muller & Monroe Asset Management  
Marcia Markowitz, Muller & Monroe Asset Management  
Rendel Solomon, Muller & Monroe Asset Management  
Cynthia Steer, Birch Mountain Advisors  
Derek Proctor, Meketa Investment Group  
Peter Woolley, Meketa Investment Group

Interim Chair Carol Thomas called the Investment Advisory Council ("IAC") meeting to order at 9:04 a.m.

**Approval of Minutes of the October 10, 2018 IAC Meeting**

Chair Thomas called for a motion to approve the minutes of the October 10, 2018 IAC meeting. **As there was not a quorum present, the motion to approve the minutes of the October 10, 2018 IAC meeting was tabled until a quorum was present later in the meeting.**

**Comments by the Treasurer**

Treasurer Denise L. Nappier began her opening remarks by commenting on investment workflow for the remainder of this year. She stated that she would not incur legal expenses for investment deals that cannot close prior to the end of her Administration, and added that the next Treasurer should be afforded the opportunity to review the remaining investment fund proposals in the pipeline. Treasurer Nappier announced that after giving consideration to the feedback from the IAC and to the extensive due diligence process conducted by investment professionals and the Real Estate Fund (“REF”) consultant, Meketa Investment Group, she had decided to make a commitment of up to \$75 million to Gerding Edlen Green Cities (“Gerding”) IV, L.P., headquartered in Portland, Oregon and added that it would primarily focus on value-add and opportunistic investments in apartment and office properties in the U.S, by pursuing potential options to re-tenant, redevelop and retrofit to energy efficiency standards. Treasurer Nappier said the Connecticut Retirement Plans and Trust Funds (“CRPTF”) had previously invested in Gerding II which, as of June 30, 2018, had generated a net internal rate of return (“IRR”) of 11.9% and Gerding III, with a gross IRR of 13.7% for the same time period and that the commitment was contingent upon successful negotiation of the partnership documents.

Additionally, 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, she had decided to make a commitment of up to \$100 million to Constitution Fund V, LLC (“Constitution V”), headquartered in West Hartford, Connecticut; that commitment reflects up to \$75 million in Constitution V Series C and up to \$25 million in Constitution V Series D. Treasurer Nappier said the Series C capital would be utilized to create an investment portfolio of underlying venture capital and growth stage funds, and the Series D capital would focus on executing co-investments in late and growth stage companies located in Connecticut and stated that the \$25 million, previously committed to Balance Point, was part of the In-state investment program and not an additional allocation. She commented that Constitution V was formed in 2016, and that the CRPTF had committed a total of \$150 million to the fund’s initial two Series, A and B, and as of June 30, 2018 the Series A net IRR was 9.5% and Series B was 10.7%. She added that the commitment was contingent upon successful negotiation of the partnership documents.

Next, Treasurer Nappier announced that there were two investment opportunities being presented for consideration by the IAC: Artemis Real Estate Partners Income and Growth Fund, L.P. (“Artemis”), a REF opportunity, and Connecticut Private Equity Horizons Fund, LLC. (“CPEH”), a PIF opportunity. She stated that Artemis was co-founded by two women, and the general partner was headquartered in Washington, D.C., and was considering an investment of up to \$100 million in Artemis, which would primarily focus on small-to-middle market real estate assets in primary and secondary spaces offering the opportunity for current income and modest capital appreciation. Treasurer Nappier added that given Artemis’s investment strategy of partnering with diverse and emerging managers, this fund provided the CRPTF with an opportunity to launch the real estate allocation within the Connecticut Horizon Fund (“CHF”) as originally contemplated and this investment could yield an opportunity to augment returns for the CRPTF, as well as advance the non-core allocation component of REF closer to the Investment Policy Statement target. Lastly, she said that the CPEH, a fund-of-funds vehicle, would be managed by an affiliate of Muller & Monroe Asset Management (“M2”), based in Chicago Illinois, and was an existing CHF manager in the private investment space since 2007. She further stated that the private equity strategy would be executed within the PIF Corporate

Finance allocation and was considering an investment of up to \$50 million, which would primarily target investments in small and middle market growth equity and buyout funds managed by women-owned, minority-owned, emerging or Connecticut-based investment firms. She stated that the fund-of-funds investment opportunity would not invest in venture and mezzanine funds as M2 had in its earlier funds and that the CRPTF would retain important governance rights and controls, including the ability to appoint the Fund's Managing Member. Treasurer Nappier viewed these changes as strengthening the prospects of solid returns. She then discussed the difference between a managing member and a general partner under the evergreen structure.

Chair Thomas then read a resolution for Henry E. Parker, an IAC committee member who served from 1975 to 1986.

**William Murray moved to approve the Resolution for Henry E. Parker. The motion was seconded by Duke Himmelreich. There being no further discussion, the Chair called for the vote. The motion passed.**

**Presentation by and Consideration of Artemis Real Estate Partners Income and Growth Fund, L.P.**

Danita Johnson, Principal Investment Officer ("PIO"), provided opening remarks and introduced Artemis, a REF opportunity. Ms. Johnson began by introducing the team and stated Artemis was a privately held real estate investment firm formed by Deborah Harmon and Penny Pritzker in 2009 and headquartered in Chevy Chase, Maryland, with offices in New York City, Los Angeles and Atlanta. She then spoke about the firms core-plus investment strategy and said that the primary objective was to provide long-term, stabilized cash flows through a diversified portfolio in equity and debt real estate investments across the U.S. Ms. Johnson stated the fund was formed as a continuation and evolution of the series of core-plus emerging managers separate accounts that Artemis managed. She then gave an overview of the investment strategy and market opportunities, track record and fundraising. Lastly, Ms. Johnson spoke about the firm's key strengths in their management team and relationships.

Artemis, represented by Deborah Harmon, Co-Founder and Chief Executive Officer and Gina Baker Chambers, Principal, made a presentation to the IAC. Ms. Harmon began and gave an overview of the firm and stated it was founded in 2009 as a majority women-owned real estate investment management firm. She stated that the firm had more than \$3.8 billion of investor equity raised since inception and that 65% of their investors composition consisted of public pension plans. Ms. Harmon spoke about the firms' team, strategy, culture and track record. She reviewed the firm's historical performance of the core-plus emerging manager program, Mach Program that they pioneered in partnership with New York State Common Retirement Fund in 2011, which expanded in 2015 to include a co-investment program with New York State Retirement Systems. Ms. Chambers then detailed the firm's core-plus investments and said since inception, the firm had deployed a total of \$809 million in 6 portfolio investments with an aggregate net IRR of 10.8% and net multiple of 1.2x invested capital. She then spoke about product type diversification and the four key portfolio matrix of the core-plus accounts. Lastly, Ms. Chambers reviewed the firm's infrastructure to support the emerging managers, current market environment, income and growth fund attributes and strategic plan.

Several IAC members posed questions regarding J-curve, recession, and capital commitment, to which Ms. Harmon and Ms. Chambers answered to their satisfaction.

### **Roll Call of Reactions for Artemis Real Estate Partners Income and Growth Fund, L.P.**

Messrs. Himmelreich, Murray, Joshua Hall, Patrick Sampson, and Chair Thomas provided feedback on Artemis REF opportunity.

Chair Thomas called for a motion to waive the 45-day comment period. **A motion was made by Mr. Murray, seconded by Mr. Hall, to waive the 45-day comment period for the Artemis Real Estate Partners Income and Growth Fund, L.P. There being no discussion, the Chair put the question to a vote and the motion was passed unanimously.**

### **Presentation by and Consideration of Connecticut Private Equity Horizons Fund, LLC**

Mark Evans, PIO, provided opening remarks and introduced CPEH, a PIF opportunity. He stated that it was a separately managed account and would be utilized to continue the implementation of the CHF program within the PIF. Mr. Evans said the fund's investment strategy would be customized to create a portfolio of private equity fund commitments in line with the objectives of both the PIF and CHF and would be structured as an evergreen limited liability company with the CRPTF retaining important governance rights and controls, including the ability to appoint or replace the fund's Managing Member. He stated that M2, as Managing Member, would target investments with women-owned, minority-owned, or Connecticut-based managers that were pursuing small and mid-market growth equity, buyout and special situations strategies. Mr. Evan added that the Fund would consider investments in new and innovative fund strategies that are consistent with the PIF's IPS strategy allocations. He then spoke about the firm, management team and track record.

CPEH, represented by Irwin Loud, Chief Investment Officer, Rendel Solomon, Managing Director, and Marcia Markowitz, Managing Director, made a presentation to the IAC. Mr. Solomon began and introduced the team and gave a firm overview and stated that since inception, M2 has managed over \$1 billion targeting smaller, newer, and emerging private equity managers. He spoke about the firm's team and expertise. Ms. Markowitz then spoke about M2's investment strategy and said they invested exclusively in newer managers who were investing in lower middle markets and then described the underlying fund characteristics. She highlighted the CRPTF and M2's relationship and stated that in November 2007, they started an investment mandate for CHF and closed an initial commitment of \$55 million. Mr. Loud then spoke about the refinement of the firm's investment strategy and portfolio construction and investment process enhancements. Lastly, he then summarized the performance and stated that the portfolio was fully committed to 13 portfolio funds, and fully diversified.

Several IAC members posed questions regarding venture capital investments, and liquidation, to which Mr. Loud answered to their satisfaction.

### **Roll Call of Reactions for Connecticut Private Equity Horizons Fund, LLC**

Messrs. Sampson, Hall, Murray, Himmelreich and Chair Thomas provided feedback on the CPEH PIF opportunity.

Chair Thomas called for a motion to waive the 45-day comment period. **A motion was made by**

**Mr. Hall, seconded by Mr. Himmelreich, to waive the 45-day comment period for the Connecticut Private Equity Horizons Fund. There being no discussion, the Chair put the question to a vote and the motion was passed unanimously.**

**Other Business**

Chair Thomas invited the IAC members to submit agenda items for the November 14, 2018 meeting and asked the IAC members to review the IAC Meeting Schedule for the 2019 Calendar Year. She noted that the January 9, 2019 IAC meeting had been re-scheduled for Wednesday, January 16<sup>th</sup> due to Inauguration Day.

**Mr. Murray moved to approve the meeting schedule. The motion was seconded by Mr. Himmelreich. There being no further discussion, the Chair called for the vote. The motion passed.**

Treasurer Nappier discussed a timeline of her draft recommendation for proposed IPS changes. She then spoke about the projected asset allocation changes being based with an assumed rate of return of 7.5%, compared to the Teacher's Retirement Board recommendation of an assumed rate of return of 6.9%. Treasurer Nappier stated that she would be considering the asset allocation changes with additional due diligence.

Chair Thomas announced that the approval of the October 10, 2018 minutes would be retaken as there was not a quorum present when originally taken.

**Mr. Murray moved to approve the minutes of the October 10, 2018 IAC meeting. The motion was seconded by Mr. Hall. There was one abstention, Mr. Himmelreich. There being no further discussion, the Chair called for the vote. The motion passed.**

**Comments by the Chair**

There being no further business, Chair Thomas called for a motion to adjourn the meeting. **Mr. Hall moved to adjourn the meeting and the motion was seconded by Mr. Murray. There being no discussion, the meeting was adjourned at 11:21 a.m.**

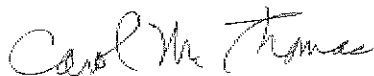
**This meeting was electronically recorded.**

Respectfully submitted,



**DENISE L. NAPPIER  
SECRETARY**

Reviewed by,



**CAROL THOMAS  
INTERIM CHAIR**