

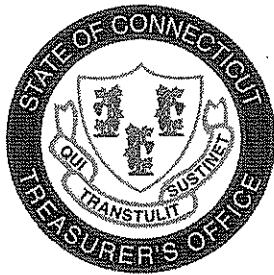


INVESTMENT POLICY STATEMENT
State of Connecticut Retirement Plans & Trust Funds

INVESTMENT POLICY STATEMENT

FOR THE

STATE OF CONNECTICUT
RETIREMENT PLANS & TRUST FUNDS



DENISE L. NAPPIER
TREASURER OF THE STATE OF CONNECTICUT

Adopted by Treasurer Nappier 10/3/07
Approved by the Investment Advisory Council 10/10/07



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- Section I MacBride Compliance
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INVESTMENT ADVISORY COUNCIL

A RESOLUTION

BE IT RESOLVED:

Whereas Denise L. Nappier, Treasurer of the State of Connecticut, prepared a Draft Amendment to the **Investment Policy Statement** and made such Draft Amendment available to the public, giving notice of such availability in newspapers with general circulation throughout the State of Connecticut, in accordance with the provisions of Section 3-13b(c)(1) of the Connecticut General Statutes;

Whereas the Treasurer then presented the Investment Advisory Council ("IAC") with a Draft Amendment to the Investment Policy Statement, which was discussed at its duly called September 12, 2007 meeting, and

Whereas the Treasurer officially adopted said Investment Policy Statement on October 3, 2007, considering additional comments made by the IAC at its meeting of September 12, and

Whereas the Treasurer has presented said Amendment to the IAC for consideration at its duly called meeting on October 10, 2007,

Now Therefore We, the appointed members of the IAC, do hereby approve the Treasurer's Adopted Amendment to the Investment Policy Statement.

The Minutes of the meeting held this 10th day of October, 2007, shall reflect the following vote on the resolution:

Yea 8

Nay — 0 —

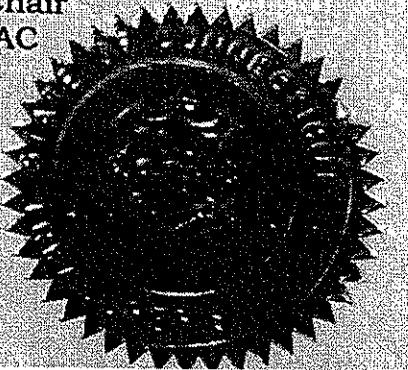
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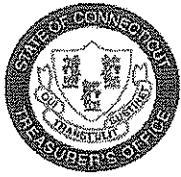
INVESTMENT ADVISORY COUNCIL

By James T. Larkin
James T. Larkin, Chair
On Behalf of the IAC

Adopted, the 3rd day of October

Denise L. Nappier
Denise L. Nappier, State Treasurer





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PART I - TREASURER OVERVIEW



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Article I. Introduction

A. This Investment Policy Statement (“IPS”) sets forth the general principles that govern the investments of the State of Connecticut retirement plans and trust funds as established by the Treasurer of the State of Connecticut (“the Treasurer”), and as approved by the Investment Advisory Council (“IAC”), in accordance with the provisions of subsection (c) of Section 3-13b of the Connecticut General Statutes. Currently these retirement plans and trusts funds include the

1. State Employees’ Retirement Fund,
2. Teachers’ Retirement Fund,
3. Connecticut Municipal Employees’ Retirement Fund,
4. Probate Judges and Employees Retirement Fund,
5. State Judge’s Retirement Fund,
6. State’s Attorneys’ Retirement Fund,
7. Soldiers’, Sailors’ and Marines’ Fund,
8. Arts Endowment Fund,
9. Agricultural College Fund,
10. Ida Eaton Cotton Fund,
11. Andrew C. Clark Fund,
12. School Fund,
13. Hopemead Fund, and
14. Police and Firemen Survivors’ Benefit Fund.

B. Collectively, these Connecticut retirement plans and trust funds may be referred to as the “CRPTF”. Specifically, this document addresses the following issues with respect to each plan and trust:

1. Investment objectives;
2. Asset allocation policy and risk tolerance;
3. Asset class definitions, including specific types of permissible investments within each asset class and any specific limitations or other considerations governing the investment of any funds;
4. Investment manager guidelines;
5. Investment performance evaluation guidelines;
6. Guidelines for the selection and termination of providers of investment-related services; and
7. Guidelines for corporate citizenship and proxy voting.

C. This policy statement is an outline of each of the CRPTF’s long-term strategic plans based on analysis of the capital markets and the financial condition of each plan and trust of the CRPTF. In formulating this policy statement, the Treasurer has sought to allow for sufficient flexibility to capture investment opportunities as they occur, while maintaining reasonable parameters to ensure that prudence and care



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are exercised in the execution of the CRPTF investment program. In the final analysis, the Treasurer must exercise the authority consistent within the principles of fiduciary law.

- D. The Treasurer will review this policy statement on an annual basis with the IAC. Proposed changes to the IPS will be submitted to the IAC for review in accordance with the provisions of Section 3-13b(c) of the Connecticut General Statutes.



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Article II. Governing Authority, Duties, and Responsibilities

A. Pursuant to the Connecticut General Statutes, the Treasurer is the principal fiduciary of the CRPTF. Responsibilities in this regard are governed by fiduciary law and standards, and by the Constitution and laws of the State of Connecticut.

In this role, it is incumbent upon the Treasurer to discharge the responsibilities with respect to the CRPTF:

1. In the interest of the participants and beneficiaries;
2. For the purpose of providing benefits to participants and beneficiaries and paying reasonable expenses of administering the CRPTF;
3. With the care, skill and caution under the circumstances then prevailing which a prudent person acting in a like capacity and familiar with those matters would use in the conduct of like character and purpose;
4. Impartially, taking into account any differing interests of participants and beneficiaries;
5. Incurring only costs that are appropriate and reasonable;
6. In accordance with a good-faith interpretation of the law governing the retirement program and the CRPTF¹; and
7. Taking into consideration the Connecticut General Statutes that require elements of corporate citizenship and the implications of particular investments on foreign policies and the national interests of the United States be factored into investment decision-making;
8. By allowing the Treasurer to consider the “social, economic and environmental implications of investments of trust funds in particular securities or types of securities” (Section 3-13d of the Connecticut General Statutes).

B. In carrying out these responsibilities, and as an elected Constitutional Officer of the State of Connecticut, the Treasurer is responsible for the investment and custody of all CRPTF assets and the selection of and contracting with all money managers, investment managers and professional consultants. Unless waived by a vote of the IAC, the IAC has up to 45 days to review and comment on any proposed contract for investment services prior to the Treasurer’s execution of a contract. The Treasurer shall on a regular basis report to the IAC regarding overall investment policy, as well as specific investment strategies and opportunities. The Treasurer shall review with the IAC, on an annual basis, the status of the asset allocation plan for the CRPTF, and shall report at each IAC meeting as to the status of the CRPTF investments.

¹Uniform Management of Public Employee Retirement Systems Act, Section 7 (1997).



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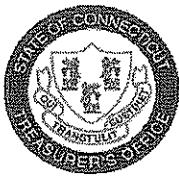
- C. In fulfilling these obligations, the Treasurer will seek recommendations from the Chief Investment Officer and outside investment professionals, and will seek approval from the IAC for:
 - 1. Changes in investment policies, asset allocation, and asset allocation ranges;
 - 2. The inclusion of new asset classes in the investment policy;
 - 3. The development and implementation of new investment strategies; and
 - 4. The development of investment guidelines for each asset class.
- D. With regard to any proposed change, inclusion of, or development of, the items listed above, the following process shall be followed:
 - 1. The proposed plan changes and recommendation will be presented by the Treasurer at a regularly scheduled IAC meeting.
 - 2. Consideration for approval shall be taken up at the next following regularly scheduled IAC meeting.
 - 3. The Treasurer's recommendation shall be deemed approved if it receives a majority vote of the public IAC members' vote to approve.
 - 4. In the event the Treasurer's recommendation is not approved, there will be no changes to the existing appendix.
 - 5. If a majority of the members appointed to said council fails to approve such recommendations, said majority shall provide the reasons for its failure to approve to the Treasurer who may submit an amended proposal at the next regularly scheduled meeting of the IAC.
 - 6. The approved changes shall be posted on the Treasurer's website and a revised appendix shall be made part of this IPS.
- E. The Treasurer may retain money managers, investment managers and professional consultants to assist in the management of the assets held by the CRPTF and, in so doing, has the obligation to exercise prudence and care in selecting, instructing and supervising such providers of investment and investment related services. As stated previously, and consistent with Section 3-13i of the Connecticut General Statutes, before the retention of any such money manager, investment manager or professional consultant, the Treasurer will present a recommendation to the IAC for its consideration. After such presentation, unless waived by a vote of the IAC, the IAC will have up to 45 days to review and comment upon any proposed contract for investment advisory services prior to the execution of such a contract by the Treasurer.
- F. In the event the preconditions described in Section 3-13d of the Connecticut General Statutes are met with respect to a "lame duck" period, the IAC shall assume the Treasurer's principal fiduciary authority for investment decisions in the "Private Equity" and "Real Estate" asset classes until such time that the duly elected Treasurer is officially sworn into office.



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Article III. Investment Objectives

A. Each of the plans and trusts will have an investment objective as individually described in Part II of this IPS and as specifically delineated in the asset allocation guidelines, found in Appendix “A”, Section I of this document, as approved by the IAC September 13, 2006. The financial objectives of the CRPTF are long term in nature and have been established based on a comprehensive review of the capital markets and the underlying plans’ and funds’ current and projected financial requirements. The Treasurer adheres to the principle which maintains that over the long term, prudent investment risk-taking may be rewarded with higher incremental returns. Consequently, while capital preservation is regarded to be of paramount importance, the Treasurer regards prudent risk-taking as justifiable.



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Article IV. Asset Allocation

- A. The asset mix for each of the CRPTF is established by the Treasurer, with approval of the IAC, based on (1) capital market theory, (2) financial and fiduciary requirements, and (3) liquidity needs.
- B. Numerous studies have shown that 90% of the variability in performance is the result of the strategic asset allocation decision. The strategic asset allocation decision, or how much to invest in any particular asset class, is arrived at by undergoing an asset/liability study in which the particular pension or trust fund's liability characteristics are considered.
- C. A broad array of asset classes is considered for inclusion in a potential asset allocation structure. Each asset class has its own distinct characteristics, as well as expectations for long term return and risk behavior. Mathematical modeling is used to determine which mix of asset classes maximizes return at each level of risk. In addition to the asset allocation policy then in place, several alternative asset mixes are selected for further analysis. The liabilities or trust distribution needs are modeled in detail and projections are made based on the actuarial assumptions underlying each of the retirement plans and trusts. The behavior of both the asset classes and the liabilities are tested under different economic scenarios using sophisticated simulation software. The outcomes of these tests are then examined to determine which asset mix offers a balanced risk/return tradeoff as measured by the impact on the liabilities over multiple time horizons.
- D. Changes in asset allocation targets and their ranges are expected to occur infrequently. Revisions of these targets will be proposed only when it is clear that significant changes have occurred in the demographics of the participant group and/or in the capital markets such that assumptions upon which the present allocations have been made no longer appear reasonable. Any material changes necessary would be pursuant to the findings of a subsequent and periodic asset/liability study of the CRPTF, as determined by the Treasurer in consultation with the IAC. Accordingly, money and investment managers should pursue a strategy of being fully invested in the market consistent with the foregoing guidelines and Investment Management Agreement (IMA) to ensure that cash-equivalent positions do not interfere with the asset allocation strategy. In addition, in order to meet liquidity needs, the Treasurer may direct that dividends and interest income from money and investment managers' accounts be swept into a liquidity fund, or may establish a separate liquidity strategy depending upon the cash flow needs of the various plans and trusts.
- E. Because different asset classes will perform at various rates, the Treasurer will monitor asset allocation on a monthly basis to determine and ensure rebalancing is appropriately implemented.



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Article V. Asset Class Definitions

- A. Detailed descriptions of the asset classes, including the specific types of permissible investments within each asset class, and special limitations or other considerations governing the investment of any funds therein, are set forth in Part III of this policy statement, and the appendices attached to this IPS.
- B. Liquid Portfolio

The liquid portfolios include the

1. Mutual Equity Fund (MEF),
2. Developed Market International Stock Fund (DMISF),
3. Emerging Market International Stock Fund (EMISF),
4. Core Fixed Income Fund (CFIF),
5. Inflation-Linked Bond Fund (ILBF),
6. Emerging Market Debt Fund (EMDF),
7. High Yield Bond Fund (HYBD), and
8. Liquidity Fund (LF).

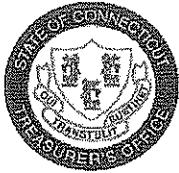
Any future assets class recommended by the Treasurer and approved by the IAC will be added. The liquid portfolios contain a diverse spectrum of securities, including, but not limited to, cash, fixed-income and equities.

Each fund is described in Part III of this policy and in Appendix “A”, Section II. Permissible investment classes are generally outlined in this section. Further, each fund includes a benchmark, which holds the universe of permissible investments. Finally, as part of the manager search, the Treasurer will include specific permissible investments that support the manager style and objective.

C. Illiquid Portfolios

1. Real Estate Fund: Real Estate investments are defined as indirect² ownership interests in professionally managed commercial properties and land. This definition includes, but is not limited to, retail, office, industrial, apartment, multifamily, hotel, timberland, and farmland properties and investments in Real Estate Investment Trusts (“REITs”).
2. Private Investment Fund: Private investments will be in externally managed separate accounts, limited liability companies or limited partnerships, which

² At the time of the adoption of this IPS, there are a small number of direct real estate ownership interest investments. As these properties are sold or otherwise transferred out of the fund, no new additional direct real estate investments will be made.



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focus on private equity investments. Private equity investments include corporate finance and venture capital.

3. Alternative Investment Fund (“AIF”): The AIF provides a vehicle for investment in portfolio strategies which are not easily classified, categorized, or described in the other investment funds. Hybrid strategies which contain multiple asset classes would also be considered part of the opportunity set.



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Article VI. Use of Derivatives

- A. Derivative instruments are defined as any contract or investment vehicle whose performance, risk characteristics or value is based on a specific asset, interest rate or index value. Derivative instruments may be used for any of the purposes listed below.
 - 1. To gain broad stock or bond market exposure in a manner that does not create the effect of leverage in the overall portfolio.
 - 2. To convert financial exposure in a given currency to that of another currency (e.g., to hedge Japanese Yen exposure back to the U.S. dollar). Any and all international managers (equities and fixed income) may enter into foreign exchange contracts on currency provided that: a) such contracts are one year or less; and b) use of such contracts is limited solely and exclusively to hedging currency exposure existing within such money manager's portfolio. There shall be no foreign currency speculation or any related investment activity, except by currency hedging managers, who will be guided by specific risk parameters in their contracts.
 - 3. To adjust the duration of a bond portfolio in a manner that is consistent with the accepted approach of the money manager and other policies and guidelines as are provided to the money manager.
 - 4. To make portfolio adjustments that are consistent with other elements of the CRPTF's investment policies and guidelines and that do not systematically increase risk or the expected volatility of the rate-of-return of the total portfolio.
 - 5. For trading purposes intended to enhance investment returns, subject to the requirement that the other elements of the CRPTF's investment policies and guidelines are met and there is no systematic increase in the risk or the expected volatility of the rate-of-return of the total portfolio.
- B. All other uses of derivatives are prohibited unless specifically approved by the Treasurer, and endorsed by the IAC. Money managers are expected to have internal risk management programs in place to ensure that derivatives-based strategies do not result in inappropriate risks to the portfolio.



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Article VII. Investment Diversification

A. Investments shall be diversified in order to minimize the risk of large losses. Consequently, the CRPTF will be constructed and maintained to provide prudent diversification among the asset classes in accordance with the asset allocation policy. Within each asset class, there shall be prudent diversification with regard to the concentration of holdings in individual issues, corporations, partnerships or industries. Investments shall comply with the provisions of the Connecticut General Statutes Section 3-13d³, Section 3-13g⁴, Section 3-13h⁵ and Section 3-21e⁶, and any subsequent modification or revision to Connecticut State Statutes that affect the management of the CRPTF. Part III of this IPS, which describes each of the Combined Investment Funds, specifically delineates the particular investment guidelines and restrictions for each Fund.

³ Pertaining to the consideration of political implications of particular investments in relation to U.S. foreign policy and national interests.

⁴ Pertaining to the investments in corporations doing business in Iran.

⁵ Pertaining to the disinvestment of State funds invested in corporations doing business in Northern Ireland that have not implemented the “MacBride” principles.

⁶ Pertaining to Divestment of state funds invested in companies doing business in Sudan.



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Article VIII. Guidelines for the Selection and Termination of Providers of Investment-Related Services

- A. The Treasurer will prudently select money managers, investment managers and professional consultants based on their respective expertise relative to the investment mandate they seek to fulfill or the investment service they seek to provide.
- B. In general, the selection process will entail the following processes:
 1. A competitive bidding process as defined by the State's procurement and purchasing laws and standards, or, where appropriate and practicable, the use of a pre-determined uniform system for evaluating proposals and for otherwise determining the merits of an investment advisor within the industry. The standard by which any and all selection procedures are determined should not impede the Treasurer's ability to compete in the marketplace for high quality investment-related services; and
 2. A thorough due diligence process which establishes an understanding of and comfort level with the firm's capabilities, organization, track record, institutional expertise, and investment philosophy (where relevant).
 3. A consideration of the firm's diversity policies and practices, corporate responsibility and citizenship.
- C. It will be required to disclose any third party fees paid, as defined in Section 3-13j of the Connecticut General Statutes and other required disclosures in force and effect at the time of the selection process.
- D. Before the retention of any money manager, investment manager, or professional consultant, the Treasurer will present a recommendation(s) to the IAC for consideration. After such presentation, unless waived by a vote of the IAC, the IAC will have up to 45 days to review and comment upon any proposed contract prior to the execution of a contract by the Treasurer.
- E. Any decision to terminate a money manager or investment manager will be consistent with the terms and conditions set out in the contract entered into with the CRPTF by and through the Treasurer, and be consistent with Article XI, Performance Evaluation as it relates to the Watch List. The Treasurer shall report on the decision to the IAC at the next regularly scheduled meeting.



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Article IX. Money Manager Structure

- A. The number of money managers or investment managers retained will be minimized subject to considerations regarding reasonable and prudent levels of risk and diversification. The guidelines used to construct the team of managers will include:
 - B. Liquid Portfolio
 1. Size of Portfolio – to minimize investment fees, portfolios (regardless of asset class) will generally be a minimum of \$100 million and should not constitute more than 20% of the money manager’s assets under management, provided that the Treasurer acting in consultation with the IAC may develop programs intended to encourage the development of money managers who demonstrate the capacity to add value to the CRPTF, but may not have the requisite amount of assets under management.
 2. Number of Portfolios – for diversification purposes, all asset classes representing more than 3% of the Fund will have at least two managers.
 3. Style of Management – for any asset class with two or more money managers, there will be diversification by investment style (e.g., growth vs. value).
 - C. Illiquid Portfolios
 1. The asset classes designated as “illiquid” include Private Investment Funds, Real Estate Funds and Alternative Investment Fund. Each investment that falls within these asset classes will be evaluated on a case-by-case basis. The size of the investment shall take into consideration the terms and conditions of the overall investment opportunity. Use of multiple investment managers and styles within each of these portfolios is expected to increase diversification and reduce risk.
 2. With regard to private equity and real estate managers, the CRPTF seeks to retain investment management organizations that possess superior capabilities in the selection and management of real estate assets. With this objective in mind, prospective investment management organizations shall be evaluated for selection based on criteria including, but not limited to: (i) the suitability of the organization’s investment offerings relative to the Fund’s investment guidelines and objectives; (ii) the quality, stability, integrity and experience of the management team; (iii) the ability and willingness of the organization to dedicate sufficient resources and personnel to optimally manage the Fund’s investments; (iv) the reasonableness of investment terms and conditions including provisions to align interests of management and CRPTF; (v) the ability to produce complete audited financial records; and (vi) commitment to responsible contracting policies, workplace diversity and community involvement.



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D. Additional Criteria

1. The criteria for the selection of managers in each asset category will vary according to the needs of each mandate and asset category. Those criteria are described more fully within each article of Part III of this IPS.
2. Investment and money managers will not be allowed to accumulate a significant cash position without prior approval of the Treasurer's office. In general, "significant" means an amount in excess of the manager's contractual maximum.
3. It is the expressed intent of the Treasurer to afford opportunities for emerging, minority and women-owned and Connecticut-based investment and money managers to compete for investment contracts so long as such managers are fully capable of providing services consistent with investment strategy and fiduciary standards. The Treasurer, in consultation with the IAC, may develop specific programs within several asset classes to effectuate this opportunity.
4. At present, one such initiative is the Connecticut Horizon Fund. The guidelines developed on all current and future initiatives should be consistent with the overall strategic direction of the combined funds.



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Article X. Liquidity

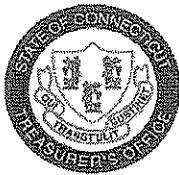
A. Based on such factors as investment strategy, cash flow and benefit payments, the Treasurer will determine the appropriate allocation to cash equivalents in order to meet the pension plans and trust funds' liquidity needs in the near term. Liquidity requirements will be reviewed regularly to ensure that each of the CRPTF's policies and practices are structured so as to accommodate changing liquidity needs.



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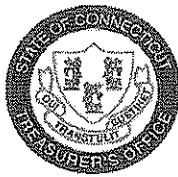
Article XI. Performance Evaluation

- A. The Treasurer shall regularly monitor investment performance at the plan and trust level, asset class, and individual money and investment manager levels. The Treasurer will analyze results relative to the rates of return available over the market cycle. For performance evaluation purposes, rate of return objectives will be based on a time-weighted total return calculation. These return objectives will be long term in nature, based upon compounded and annualized market returns, adjusted for the money and investment manager's risk and style, and will be examined on a net-of-fees and expenses basis.
- B. A report of investment performance will be prepared quarterly and submitted to the Treasurer for review and shall be reported to the IAC. The CRPTF's custodian will confirm or reconcile its performance data with the money and investment managers. On the asset class and individual money and investment manager levels, the Treasurer will use designated benchmarks and the investment guidelines as essential parts of the criteria to monitor investment performance. As mentioned previously, the specific guidelines unique to each money and investment manager will be developed by the Treasurer or her designees and the money or investment manager and incorporated into the investment management contract executed between the Treasurer and such money or investment manager. In the case of a conflict between a manager's specific guidelines and the general guidelines of the fund, the former shall prevail. The Treasurer, or a designee, will periodically hold meetings with individual money and investment managers to review performance. Money and investment managers will make presentations before the IAC, as the IAC may request.
- C. The horizon for reviewing a money manager's performance is long-term. Periodically, it may be necessary and in the best interests of the CRPTF to place a money or investment manager on the Treasurer's "Watch List." Any of the following conditions can trigger placement on the Watch List:
 1. The money or investment manager significantly under-performs its benchmark;
 2. The money or investment manager experiences turnover of key members of its investment professional staff;
 3. The CRPTF becomes aware of a significant event affecting the money or investment manager (such as, but not limited to, a change of control, a large quarterly loss, the disclosure of SEC or other federal investigations or inquiries into the money or investment manager's operations); or
 4. Any other event that could affect the money or investment manager's ability to perform its investment management responsibilities for the CRPTF.



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- D. Once a money or investment manager is placed on the Watch List, the situation triggering such placement will be reviewed by the Treasurer and/or the Chief Investment Officer. This review will entail a comprehensive analysis of the situation through various means, such as site visits, conference calls, assessment of the likely impact of the situation, etc. If such analysis does not alleviate the Treasurer's concerns, a decision will be made whether to (a) continue to monitor the money or investment manager's performance or (b) terminate the money or investment manager.
- E. The Treasurer shall inform the IAC of any decision to place a money or investment manager on the "Watch List," and thereafter shall report quarterly to the IAC on the status of the issues that led to placement of such money or investment manager on the "Watch List" or any action taken related to the money or investment manager by the Treasurer.

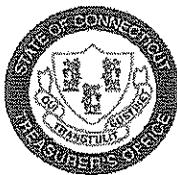


INVESTMENT POLICY STATEMENT
State of Connecticut Retirement Plans & Trust Funds
PART I – TREASURER OVERVIEW

Article XII. CRPTF's Guidelines for Corporate Citizenship and Proxy Voting

- A. In accordance with State law, the Treasurer may consider elements of corporate citizenship when making investment decisions on behalf of the CRPTF. [§3-13d(a) “social, economic and environmental implication of investments”] “Corporate citizenship” encompasses the principle that, in addition to the traditional corporate focus on profits and short-term performance, the business community must be responsible for “long-term sustainable development of people and communities.”⁷ Corporate citizenship is an important criterion in the evaluation of companies, in which the Treasurer invests, as well as the companies with which the Treasurer contracts to provide business services.
- B. Investments and Corporate Citizenship
 1. Investments made or handled by the Treasurer should adhere to strict guidelines on fiduciary investment prudence and corporate citizenship, including corporate governance and equal employment opportunity, as are set by the Treasurer and by State and federal law. Prudence and the consideration of corporate citizenship are complementary goals [as recognized by State law]. Primary among the Treasurer’s considerations for the investment of the pension plans and trusts is the prudent investment of these assets for the long-term economic benefit of plan participants and beneficiaries. Prudent investment includes considerations of performance, risk and return. In addition, State law states that the Treasurer may consider the social, economic, and environmental implications of its investments, including the CRPTF investment in particular securities or types of securities (See Section 3-13d (a) of the Connecticut General Statutes).
 2. Section 3-13d (a) of the Connecticut General Statutes also directs the Treasurer to consider the implications of particular investments in relation to the foreign policy and the national interests of the United States. Additionally, Sections 3-13(g) and 3-13(h) of the Connecticut General Statutes prohibit investments in companies that do not implement the MacBride principles or companies that are doing business in Iran which could be considered contrary to the foreign policy or national interests of the United States.
 3. Section 3-21e authorizes the Treasurer to divest from or prohibit investment in any company doing business in Sudan, where the company’s activities warrant such action based on statutory criteria. The Treasurer will incorporate all future modifications and revisions of the Connecticut General Statutes into the investment process to ensure compliance.

⁷ Investor Responsibility Research Center, Washington, D.C.



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C. CRPTF Diversity Principles

1. The CRPTF require a wide array of banking, money management and consultative services, and the Treasurer seeks to do business with financial service providers that demonstrate evidence of good corporate citizenship. Some of the key considerations include a commitment to the State of Connecticut through the hiring of Connecticut employees or the procurement of corporate goods and services from Connecticut-based firms. Other considerations include reinvestment in local communities, the extent of charitable giving and opportunities for students through scholarships or internships. The Treasurer will also consider a firm's employment practices including its hiring, promotion, and training of women and minority employees as well as general employee relations. Other concerns include each firm's policies on environmental compliance and consumer protections.
2. The Treasurer will require all vendors and contractors to submit annual reports on the firm's progress in implementing employment and corporate citizenship policies. Information on employment and corporate citizenship policies and activities will be included in all Requests for Services or Requests for Proposals. All contracts with vendors and contractors shall incorporate reference to the various laws and executive orders of the State of Connecticut with respect to non-discrimination.
3. These Diversity Principles can be found in Appendix "C" as an addendum to this Investment Policy Statement.

D. CRPTF Policy on Proxy Voting

1. Shareholder activity is among the fiduciary duties of the Treasurer as trustee of the CRPTF assets. Plan fiduciaries have a responsibility to vote proxies on issues that may affect the value of the shares held in a portfolio since proxies are considered plan assets and have economic value.
2. Accordingly, the Treasurer may determine, where appropriate, that certain shareholder activities, such as the active monitoring and communication with corporate management, should be undertaken to enhance the economic value of the plan assets. Such circumstances for shareholder activity should be considered appropriate when investments are expected to be held on a long-term basis.
3. The Treasurer has developed proxy-voting guidelines, which can be found in Appendix "B" to this IPS. Any delegation of proxy voting by the Treasurer, either to external money managers or to a proxy voting service shall be consistent with any such guidelines developed.



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Article XIII. Ongoing Supervision of Assets

- A. It is the Treasurer's obligation and responsibility to carry out the day-to-day administration of the CRPTF. Consequently, the Treasurer is expected to establish written procedures for the CRPTF's operation consistent with this IPS. Such procedures shall include a system of internal controls, which shall be documented in writing.
- B. Review of Liabilities: As part of any comprehensive asset allocation/liability study conducted by the Treasurer, all major liability assumptions regarding number of participants, compensation, benefit levels, and actuarial assumptions will be reviewed based upon information provided by each plan's actuaries.
- C. Review of Investment Objectives: Investment performance will be reviewed no less often than quarterly by the Treasurer to determine the continued feasibility of achieving the investment objectives and the appropriateness of this IPS for achieving those objectives.
- D. This IPS is not expected to change frequently. In particular, short-term changes in the financial markets deemed to be temporary in nature should not require any formal adjustments to the IPS.
- E. Review of Money and Investment Managers: Where appropriate, individual money and investment managers will be provided with written investment guidelines providing additional detail on applicable investment strategies, clarification of permissible investments, investment restrictions and performance evaluation criteria.
- F. Money and investment managers will be reviewed annually unless they demonstrate poor performance or have material changes in personnel or their investment process, in which case more frequent reviews may be scheduled. (See Article XI for more information on conditions that would warrant placement of money or investment manager on the "Watch List.") Additionally, with or without money or investment managers being present, the money or investment manager's investment results will be reviewed monthly.
- G. Performance reviews will generally include:
 - 1. Assurance that each money or investment manager adheres to applicable investment guidelines, which are created within the parameters of this IPS.
 - 2. Comparison of each money or investment manager's results to those of similar money or investment managers in terms of style, diversification, volatility, and performance.
 - 3. Risk analysis of portfolio investment strategies versus comparable indices.



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4. Review of material changes in the money or investment manager's organization, investment philosophy, personnel, investment process, acquisition or losses of major accounts, etc.
5. Analysis of the opportunities available in each money or investment manager's designated asset class.

H. Money and investment managers will be responsible for keeping the Treasurer advised of any material changes in personnel, investment strategy, or other pertinent information, which could potentially affect their performance or their relationship with the CRPTF.

I. Execution of Security Trades: The Treasurer expects the purchase and sale of securities to be made in a manner designed to receive the best combination of price, execution, commissions, and value added. The Treasurer has the responsibility to structure the brokerage program in a cost-effective manner, whether execution is undertaken by external managers or by the Office of the Treasurer. In addition, it is the Treasurer's intention to structure any brokerage program as to afford qualified Connecticut, emerging, minority-owned and women-owned firms the opportunity to compete for brokerage business, consistent with standards of best price, execution and quality of service noted above.



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Article XIV. Other Policy Considerations

- A. Third party banks are utilized for the safekeeping of the CRPTF assets, holding the CRPTF assets in custody, valuing plan investments, engaging in securities lending activities and maintaining accurate records of all investments and transactions. All such third party banks will take direction from the Treasurer or a designee.
- B. Portfolio execution is conducted through designated investment money managers. Money managers are responsible for implementing investment strategies, security selections and the timing of purchases and sales within the guidelines set forth in this IPS, the asset allocation plan and any applicable supplemental investment manager guidelines. Money managers are also responsible for executing the Treasurer's directives.
- C. Use of Investment Vehicles, in addition to investments in individual securities, such as commingled trusts, mutual funds and other pooled asset portfolios are acceptable investment vehicles, provided they conform to the applicable guidelines and restrictions set forth in this IPS.
- D. Under-Served Urban and Rural Markets: While maintaining the principles of prudent investment standards and seeking market returns, the CRPTF may, as a matter of policy, channel a portion of its investments (as agreed to by the Treasurer in consultation with the IAC) into under-served urban and rural markets with a special interest in investment opportunity targeted in Connecticut; at the same time achieving any necessary geographical diversification.
- E. Deviations from investment policy may occur as a result of new or unique investment opportunities, which are not specifically addressed in this IPS, as may become available from time to time. The Treasurer may deviate from this policy from time to time, after approval by the IAC, provided that any and all such deviations will enhance the CRPTF's long-term performance and not jeopardize the standards of prudence for the CRPTF as a whole.



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INVESTMENT POLICY STATEMENT
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PART II – RETIREMENT PLANS AND TRUST FUNDS

Introduction

- A. The asset allocation composition for each retirement plan and trust fund of the CRPTF shall be approved by the IAC, shall be made an appendix to this IPS and posted on the Website of the Office of the State Treasurer.
- B. Appendix Approval Process

With regard to subsequent changes to any sub-asset allocation composition, the following process shall be followed.

1. The proposed plan changes and recommendations will be presented by the Treasurer at a regularly scheduled IAC meeting.
2. Consideration for approval shall be taken up at the next following regularly scheduled IAC meeting.
3. The Treasurer's recommendation shall be deemed approved if it receives a majority of the public IAC members' vote to approve.
4. In the event the Treasurer's recommendation is not approved, there will be no changes to the existing appendix.
5. If a majority of the members appointed to said council fails to approve such recommendations, said majority shall provide the reasons for its failure to approve to the Treasurer who may submit an amended proposal at the next regularly scheduled meeting of the IAC.
6. The approved changes shall be posted on the Treasurer's website, and a revised appendix shall be made part of this IPS.



INVESTMENT POLICY STATEMENT
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Article I. Teacher's Retirement Fund

A. Investment Authority

The Teacher's Retirement Fund ("TERF") was established by Public Act 78-208. Fund administration is overseen by The Teachers' Retirement Board, which is within the Office of the State Comptroller for administrative purposes only.

The TERF assets are overseen by the Treasurer (as principal fiduciary of the CRPTF) and are invested in accordance with applicable statutory requirements and fiduciary standards. (See Sections 3-13c and 3-13d of the Connecticut General Statutes.)

B. Statement of Purpose

Public Act 78-208 established the TERF for the purposes of providing retirement and other benefits to teachers, their survivors and beneficiaries that have fulfilled the requirements as set forth in the TERF guidelines and Sections 10-160 to 10-180b of the Connecticut General Statutes.

C. Investment Objectives

The TERF's primary investment objective is to provide a secure source of retirement income for its beneficiaries. The TERF's objectives are long term in nature and have been established based on a comprehensive review of the capital markets and the underlying current and projected financial requirements as determined through an asset/liability study.

D. Asset Allocation

The TERF's asset mix is established by the Treasurer and the IAC based on (1) capital market theory, (2) the TERF's financial requirements and (3) the TERF's liquidity needs. As noted in the introduction of Part II, Appendix Approval Process, the asset allocation will be updated from time to time and posted on the Treasurer's Website.



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Article II. State Employees' Retirement Fund

A. Investment Authority

The State Employees' Retirement Fund ("SERF") was authorized by Public Act 234 of the 1961 General Assembly, and is codified in Section 5-156 et seq. of the Connecticut General Statutes. Beginning in 1981, the SERF terms and conditions have been the subject of collective bargaining between the State and a coalition of bargaining units representing state employees, commonly known as SEBAC. Fund administration is overseen by the Office of the State Comptroller and the State Employees Retirement Commission.

The SERF assets are overseen by the Treasurer (as principal fiduciary of the CRPTF) and are invested in accordance with applicable statutory requirements and fiduciary standards. (See Sections 3-13c and 3-13d of the Connecticut General Statutes.)

B. Statement of Purpose

Public Act 61-234 re-stated the State Employees Retirement Act and reaffirmed the SERF as the entity that would provide retirement and other benefits to State employees, their survivors and beneficiaries who have fulfilled the requirements as set forth in the SERF guidelines, and as negotiated with SEBAC.

C. Investment Objectives

The SERF's primary investment objective is to provide a secure source of retirement income for its beneficiaries. The SERF's financial objectives are long term in nature and have been established based on a comprehensive review of the capital markets and the underlying current and projected financial requirements, as determined through an asset/liability study.

D. Asset Allocation

The SERF's asset mix shall be established by the Treasurer and the IAC based on (1) capital market theory, (2) the SERF's financial requirements and (3) the SERF's liquidity needs. As noted in the introduction of Part II, Appendix Approval Process, the asset allocation will be updated from time to time and posted on the Treasurer's website.



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Article III. Connecticut Municipal Employees' Retirement Fund

A. Investment Authority

The Connecticut Municipal Employees' Retirement Fund ("CMERF") was established by Public Act 191(s. 2) of the 1969 General Assembly. Fund administration is overseen by the Office of the State Comptroller.

The assets of the CMERF are overseen by the Treasurer (as principal fiduciary of the CRPTF) and are invested in accordance with applicable statutory requirements and fiduciary standards. (See Sections 3-13c and 3-13d of the Connecticut General Statutes.)

B. Statement of Purpose

Public Act 69-191(s. 2) established the CMERF for the purposes of providing retirement and other benefits to employees and their beneficiaries of participating municipal and local governmental units. The retirement plan permits municipalities with a small number of employees to get the benefit of the so-called "law of averages" by pooling their contributions with those of other municipalities. This pooling of retirement asset by participating municipalities reduces the risk of excessive cost to an individual municipality because of actuarial vagaries in that municipality. CMERF also takes advantage of economies of scale in its investment strategies and assures that the benefits will be uniform among the participating municipalities.

C. Investment Objectives

The CMERF's primary investment objective is to provide a secure source of retirement income for its beneficiaries. The CMERF's financial objectives are long-term in nature and have been established based on a comprehensive review of the capital markets and its underlying current and projected financial requirements, as determined through an asset/liability study.

D. Asset Allocation

The CMERF's asset mix is established by the Treasurer and the IAC based on (1) capital market theory, (2) the CMERF's financial requirements and (3) the CMERF's liquidity needs. As noted in the introduction of Part II, Appendix Approval Process, the asset allocation will be updated from time to time and posted on the Treasurer's website.



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Article IV. Probate Judge and Employees Retirement Fund

A. Investment Authority

The Probate Court Retirement Fund (“PROB”) was established by Public Act 558(s. 40) of the 1967 General Assembly. Fund administration is through the State Employees Retirement Commission and the Office of the State Comptroller.

The assets of the PROB are overseen by the Treasurer (as principal fiduciary of the CRPTF) and are invested in accordance with applicable statutory requirements and fiduciary standards. (See Sections 3-13c and 3-13d of the Connecticut General Statutes.)

B. Statement of Purpose

Public Act 67-191(s. 40) established the PROB for the purposes of providing retirement and other benefits to Judges of Probate and Probate Court employees and their beneficiaries.

C. Investment Objectives

The primary investment objective of the PROB is to provide a secure source of retirement income for its beneficiaries. The PROB’s financial objectives are long term in nature and have been established based on a comprehensive review of the capital markets and its underlying current and projected financial requirements, as determined through an asset/liability study.

D. Asset Allocation

The PROB’s asset mix shall be established by the Treasurer and the IAC based on (1) capital market theory, (2) the PROB’s financial requirements and (3) the PROB’s liquidity needs. As noted in the introduction of Part II, Appendix Approval Process, the asset allocation will be updated from time to time and posted on the Treasurer’s website.



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Article V. State Judges Retirement Fund

A. Investment Authority

The State Judges Retirement Fund (“JURF”) was established by Public Act 81-456(S, 5). Fund administration is through the State Employees Retirement Commission and the Office of the State Comptroller.

The assets of the JURF are overseen by the Treasurer (as principal fiduciary of the CRPTF) and are invested in accordance with applicable statutory requirements and fiduciary standards. (See Sections 3-13c and 3-13d of the Connecticut General Statutes.)

B. Statement of Purpose

The JURF was established for the purposes of providing retirement and other benefits to state judges, family support magistrates, and workers compensation commissioners and their beneficiaries who have fulfilled the requirements set forth in the JURF guidelines.

C. Investment Objectives

The primary investment objective of the JURF is to provide a secure source of retirement income for its beneficiaries. The JURF’s financial objectives are long term in nature and have been established based on a comprehensive review of the capital markets and its underlying current and projected financial requirements, as determined through an asset/liability study.

D. Asset Allocation

The JURF’s asset mix shall be established by the Treasurer and the IAC based on (1) capital market theory, (2) the JURF’s financial requirements and (3) the JURF’s liquidity needs. As noted in the introduction of Part II, Appendix Approval Process, the asset allocation will be updated from time to time and posted on the Treasurer’s website.



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Article VI. State's Attorneys' Retirement Fund

A. Investment Authority

The State's Attorneys' Retirement Fund ("SARF") was established by Public Act 84-399(S.9.17) Fund administration is through the State Employees Retirement Commission and the Office of the State Comptroller.

The assets of the SARF are overseen by the Treasurer (as principal fiduciary of the CRPTF) and are invested in accordance with applicable statutory requirements and fiduciary standards. (See Sections 3-13c and 3-13d of the Connecticut General Statutes.)

B. Statement of Purpose

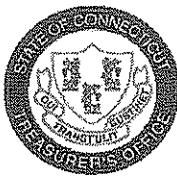
The SARF was established for the purposes of providing retirement and other benefits to certain states attorneys and certain public defenders and their beneficiaries who have fulfilled the requirements set forth in the SARF guidelines.

C. Investment Objectives

The SARF's primary investment objective is to provide a secure source of retirement income for its beneficiaries. The SARF's financial objectives are long term in nature and have been established based on a comprehensive review of the capital markets and its underlying current and projected financial requirements, as determined through an asset/liability study.

D. Asset Allocation

The SARF's asset mix shall be established by the Treasurer and the IAC based on (1) capital market theory, (2) the SARF's financial requirements and (3) the SARF's liquidity needs. As noted in the introduction of Part II, Appendix Approval Process, the asset allocation will be updated from time to time and posted on the Treasurer's website.



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Article VII. Policemen and Firemen Survivors' Benefit Fund

A. Investment Authority

The Policemen and Firemen Survivors' Benefit Fund ("POFI") was established by Public Act 390 of the 1963 General Assembly. Fund administration is through the State Employees Retirement Commission and the Office of the State Comptroller.

The assets of the POFI are overseen by the Treasurer (as principal fiduciary of the CRPTF) and are invested in accordance with applicable statutory requirements and fiduciary standards. (See Sections 3-13c and 3-13d of the Connecticut General Statutes.)

B. Statement of Purpose

The POFI was established for the purposes of providing retirement and other benefits to participants and their beneficiaries who have fulfilled the requirements set forth in the POFI guidelines.

C. Investment Objectives

The POFI's primary investment objective is to provide a secure source of retirement income for its beneficiaries. The POFI's financial objectives are long-term in nature and have been established based on a comprehensive review of the capital markets and its underlying current and projected financial requirements, as determined through an asset/liability study.

D. Asset Allocation

The POFI's asset mix shall be established by the Treasurer and the IAC based on (1) capital market theory, (2) the POFI's financial requirements, and (3) the POFI's liquidity needs, as specified in Article IV of Part I of this IPS. Prior to May 27, 1999, this fund's assets were required to be invested in group insurance policies or group annuity contracts. With the adoption of Public Act 99-70, the Treasurer was given the flexibility to take advantage of all the investment opportunities available through the CRPTF asset allocation plan. As noted in the introduction of Part II, Appendix Approval Process, the asset allocation will be updated from time to time and posted on the Treasurer's website.



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Article VIII. Agricultural College Fund

A. Investment Authority

The Agricultural College Fund (“AGRI”) is described in Section 10a-115 and 3-40 of the Connecticut General Statutes.

The assets of the AGRI are overseen by the Treasurer (as principal fiduciary of the CRPTF) and are invested in accordance with applicable statutory requirements and fiduciary standards. (See Sections 3-13c and 3-13d of the Connecticut General Statutes.)

B. Statement of Purpose

The AGRI dates back to 1862 when it was received as proceeds from the sale of federal land granted to the States from the federal government. The beneficiary of the congressional grant became the University of Connecticut School of Agriculture, with the income from the assets “inviolably appropriated for teaching; principally, the science of agriculture and the mechanical arts.” The Treasurer annually transfers a distribution to the University of Connecticut.

C. Investment Objectives

The primary investment objective of the AGRI is to provide a secure source of income from a principal amount that would last in perpetuity. The AGRI’s financial objectives are long term in nature and have been established based on a comprehensive review of the capital markets and its underlying current and projected requirements.

The Treasurer adheres to the principles of capital market theory, which maintains that over the long term, prudent investment risk-taking is rewarded with incremental returns. Consequently, while capital preservation is regarded to be of paramount importance, the Treasurer regards prudent risk-taking as justifiable.

The investment objectives for AGRI are as follows:

1. To provide a satisfactory current stream of income given current dollars invested;
2. To maintain the fund corpus by minimizing erosion of principal due to inflation;
3. To maximize returns within reasonable and prudent levels of risk; and
4. To maintain adequate cash levels to meet the fund’s distribution requirements.



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While there cannot be complete assurance that these objectives will be achieved, it is believed that the probability of their realization is reasonably high based upon this IPS and expected performance of the asset classes discussed in Article IV of Part I of this IPS.

D. Asset Allocation

The AGRI's asset mix shall be established by the Treasurer and the IAC based on (1) capital market theory, (2) the AGRI's financial requirements and (3) the AGRI's liquidity needs. As noted in the introduction of Part II, Appendix Approval Process, the asset allocation will be updated from time to time and posted on the Treasurer's website.



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Article IX. Andrew C. Clark Fund

A. Investment Authority

The Andrew C. Clark Fund (“ACCF”) was established by Public Act 261 of the Connecticut General Assembly, May 3, 1917.

The assets of ACCF are overseen by the Treasurer (as principal fiduciary of the CRPTF) and are invested in accordance with applicable statutory requirements and fiduciary standards. (See Sections 3-13c and 3-13d of the Connecticut General Statutes.)

B. Statement of Purpose

The Treasurer was authorized by an act of the Connecticut General Assembly in 1917 to enter into an agreement with the executors of the will of Andrew C. Clark of New Milford, wherein certain proceeds of his estate would be shared equally by the State and the Congregational Home Missionary Society of New York. In his will, Andrew C. Clark bequeathed that one half of his entire estate be held and invested for the same objects and purposes for which the School Fund was established (as described in Article XIII of this Part.)

C. Investment Objectives

The primary investment objective of the ACCF is to provide a secure source of income from a principal amount that would last in perpetuity. The ACCF’s financial objectives are long term in nature and have been established based on a comprehensive review of the capital markets and its underlying current and projected requirements.

The Treasurer adheres to the principles of capital market theory, which maintains that over the long-term, prudent investment risk-taking is rewarded with incremental returns. Consequently, while capital preservation is regarded to be of paramount importance, the Treasurer regards prudent risk-taking as justifiable.

The investment objectives for ACCF are as follows:

1. To provide a satisfactory current stream of income given current dollars invested;
2. To maintain the trust corpus by minimizing erosion of principal due to inflation;
3. To maximize returns within reasonable and prudent levels of risk; and



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4. To maintain adequate cash levels to meet trust distribution requirements.

While there cannot be complete assurance that these objectives will be achieved, it is believed that the probability of their realization is reasonably high based upon this IPS and expected performance of the asset classes discussed in Article IV of Part I of this IPS.

D. Asset Allocation

The ACCF's asset allocation shall be established by the Treasurer and the IAC based on (1) capital market theory, (2) the ACCF's financial requirements and (3) the ACCF's liquidity needs. As noted in the introduction of Part II, Appendix Approval Process, the asset allocation will be updated from time to time and posted on the Treasurer's website.



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Article X. Arts Endowment Fund

A. Investment Authority

The Connecticut Arts Endowment Fund (“ARTS”) is established in Section 10-373o of the Connecticut General Statutes.

The assets of ARTS are overseen by the Treasurer (as principal fiduciary of the CRPTF) and are invested in accordance with applicable statutory requirements and fiduciary standards. (See Sections 3-13c and 3-13d of the Connecticut General Statutes.)

B. Statement of Purpose

The ARTS was established under the provisions of Public Act 88-355 with the purpose of providing interest income from a principal amount that would last in perpetuity. A distribution is made to the State Commission on the Arts annually to provide funds for participation in, promotion, development, acceptance and appreciation of artistic and cultural activities.

C. Investment Objectives

The primary investment objective of the ARTS is to provide a secure source of income. The ARTS’s financial objectives are long term in nature and have been established based on a comprehensive review of the capital markets and its underlying current and projected financial requirements.

The Treasurer adheres to the principles of capital market theory, which maintains that over the long term, prudent investment risk-taking is rewarded with incremental returns. Consequently, while capital preservation is regarded to be of paramount importance, the Treasurer regards prudent risk-taking as justifiable.

The investment objectives for ARTS are as follows:

1. To provide a current stream of income to maximize income distributions given current dollars invested;
2. To maintain the trust corpus by minimizing erosion of principal due to inflation;
3. To maximize returns within reasonable and prudent levels of risk; and
4. To maintain adequate cash levels to meet trust distribution requirements.

While there cannot be complete assurance that these objectives will be achieved, it is believed that the probability of their realization is reasonably high based upon



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this IPS and expected performance of the asset classes discussed in Article IV of Part I of this IPS.

D. Asset Allocation

The ARTS's asset allocation shall be established by the Treasurer and the IAC based on (1) capital market theory, (2) the ARTS's financial requirements and (3) the ARTS's liquidity needs. As noted in the introduction of Part II, Appendix Approval Process, the asset allocation will be updated from time to time and posted on the Treasurer's website.



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Article XI. Hopemead State Park Fund

A. Investment Authority

The Hopemead State Park Fund (“HOPE”) is established in Section 3-40 of the Connecticut General Statutes.

The assets of the HOPE are overseen by the Treasurer (as principal fiduciary of the CRPTF) and are invested in accordance with applicable statutory requirements and fiduciary standards. (See Sections 3-13c and 3-13d of the Connecticut General Statutes.)

B. Statement of Purpose

The HOPE was created pursuant to the August 14, 1964 Last Will and Testament of Charlotte Fuller Eastman of Norwich, Connecticut. Upon the death of H. Louise Fuller in 1975, Mrs. Eastman’s last surviving heir, the bequeathed Hopemead Fund (\$143,288.18) was paid to the Department of Environmental Protection, as the successor of the Connecticut State Park and Forest Commission. As mandated, these assets were to be used solely for the development and maintenance of the Hopemead State Park. On March 22, 1976, by mutual agreement of the parties these assets were transferred to the Office of the State Treasurer in order to invest the principal.

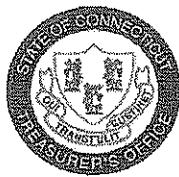
C. Investment Objectives

The primary investment objective of the HOPE is to provide a secure source of income. The HOPE’s financial objectives are long term in nature and have been established based on a comprehensive review of the capital markets and its underlying current and projected financial requirements.

The Treasurer adheres to the principles of capital market theory, which maintains that over the long term, prudent investment risk-taking is rewarded with incremental returns. Consequently, while capital preservation is regarded to be of paramount importance, the Treasurer regards prudent risk-taking as justifiable.

The investment objectives for HOPE are as follows:

1. To provide a satisfactory current stream of income given current dollars invested;
2. To maintain the trust corpus by minimizing erosion of principal due to inflation;



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3. To maximize returns within reasonable and prudent levels of risk; and
4. To maintain adequate cash levels to meet trust distribution requirements.

While there cannot be complete assurance that these objectives will be achieved, it is believed that the probability of their realization is reasonably high based upon this IPS and expected performance of the asset classes discussed in Article IV of Part I of this IPS.

D. Asset Allocation

The HOPE's asset allocation shall be established by the Treasurer and the IAC based on (1) capital market theory, (2) the HOPE's financial requirements and (3) the HOPE's liquidity needs. As noted in the introduction of Part II, Appendix Approval Process, the asset allocation will be updated from time to time and posted on the Treasurer's website.



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Article XII. Ida Eaton Cotton Fund

A. Description

The Ida Eaton Cotton Fund (“IECF”) is established under the provisions of Section 4-31a of the Connecticut General Statutes.

The assets of the IECF are overseen by the Treasurer (as principal fiduciary of the CRPTF) and are invested in accordance with applicable statutory requirements and fiduciary standards. (See Sections 3-13c and 3-13d of the Connecticut General Statutes.)

B. Statement of Purpose

The New Haven County Cotton Fund as originally established in 1963, mandated that interest income from the principal of the IECF bequest be used to sponsor and encourage industry among the adult blind community. Thus, on behalf of IECF, a distribution is transferred annually to the General Fund for use by the Board of Education Services for the Blind.

C. Investment Objectives

The primary investment objective of the IECF is to provide a secure source of income. The IECF’s financial objectives are long term in nature and have been established based on a comprehensive review of the capital markets and its underlying current and projected financial requirements.

The Treasurer adheres to the principles of capital market theory, which maintains that over the long term, prudent investment risk-taking is rewarded with incremental returns. Consequently, while capital preservation is regarded to be of paramount importance, the Treasurer regards prudent risk-taking as justifiable.

The investment objectives for IECF are as follows:

1. To provide a satisfactory current stream of income given current dollars invested;
2. To maintain the trust corpus by minimizing erosion of principal due to inflation;
3. To maximize returns within reasonable and prudent levels of risk; and
4. To maintain adequate cash levels to meet trust distribution requirements.

While there cannot be complete assurance that these objectives will be achieved, it is believed that the probability of their realization is reasonably high based upon



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this IPS and expected performance of the asset classes discussed in Article IV of Part I of this IPS.

D. Asset Allocation

The IECF's asset allocation shall be established by the Treasurer and the IAC based on (1) capital market theory, (2) the IECF's financial requirements and (3) the IECF's liquidity needs. As noted in the introduction of Part II, Appendix Approval Process, the asset allocation will be updated from time to time and posted on the Treasurer's website.



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Article XIII. School Fund

A. Investment Authority

The School Fund (“SCOL”) is established under the provisions of Section 3-40 of the Connecticut General Statutes.

The assets of the SCOL are overseen by the Treasurer (as principal fiduciary of the CRPTF) and are invested in accordance with applicable statutory requirements and fiduciary standards. (See Sections 3-13c and 3-13d of the Connecticut General Statutes.)

B. Statement of Purpose

The SCOL was established through an Act of Congress on July 2, 1862 (as was the Agricultural College Fund) from the proceeds of the sale of federal land, and was approved by a Special Session of the Connecticut General Assembly in December 1862. The SCOL was originally under the jurisdiction of the Agricultural College of the University of Connecticut, but is now within the Department of Education. A distribution is transferred to the Department of Education for general use through the Office of Policy and Management’s budget allocation process.

C. Investment Objectives

The primary investment objective of the SCOL is to provide a secure source of income. The SCOL’s financial objectives are long term in nature and have been established based on a comprehensive review of the capital markets and its underlying current and projected financial requirements.

The Treasurer adheres to the principles of capital market theory, which maintains that over the long term, prudent investment risk-taking is rewarded with incremental returns. Consequently, while capital preservation is regarded to be of paramount importance, the Treasurer regards prudent risk-taking as justifiable.

The investment objectives for SCOL are as follows:

1. To provide a satisfactory current stream of income given current dollars invested;
2. To maintain the trust corpus by minimizing erosion of principal due to inflation;
3. To maximize returns within reasonable and prudent levels of risk; and
4. To maintain adequate cash levels to meet trust distribution requirements.



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While there cannot be complete assurance that these objectives will be achieved, it is believed that the probability of their realization is reasonably high based upon this IPS and expected performance of the asset classes discussed in Article IV of Part I of this IPS.

D. Asset Allocation

The SCOL's asset allocation shall be established by the Treasurer and the IAC based on (1) capital market theory, (2) the SCOL's financial requirements and (3) the SCOL's liquidity needs. As noted in the introduction of Part II, Appendix Approval Process, the asset allocation will be updated from time to time and posted on the Treasurer's website.



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Article XIV. Soldiers' Sailors' and Marines' Fund

A. Description

The Soldiers' Sailors' and Marines' Fund ("SSMF") is established under the provisions of Section 27-140 of the Connecticut General Statutes.

The assets of the SSMF are overseen by the Treasurer (as principal fiduciary of the CRPTF) and are invested in accordance with applicable statutory requirements and fiduciary standards. (See Sections 3-13c and 3-13d of the Connecticut General Statutes.)

B. Statement of Purpose

The SSMF was established by an Act of the General Assembly in 1917 and, through numerous revisions, remains obligated to serve the interest of military personnel who were engaged in any of the wars waged by the United States, as specified by statute, who were honorably discharged, or to their spouses, survivors and dependents. The distribution is controlled and accounted for by the American Legion for the purposes of providing food, shelter, clothing and other subsistence payments to applicants under the provisions of Sections 27-138 and 27-140 of the Connecticut General Statutes.

C. Investment Objectives

The primary investment objective of the SSMF is to provide a secure source of income. The SSMF's financial objectives are long term in nature and have been established based on a comprehensive review of the capital markets and its underlying current and projected financial requirements.

The Treasurer adheres to the principles of capital market theory, which maintains that over the long term, prudent investment risk-taking is rewarded with incremental returns. Consequently, while capital preservation is regarded to be of paramount importance, the Treasurer regards prudent risk-taking as justifiable.

The investment objectives for SSMF are as follows:

1. To provide a satisfactory current stream of income & distributions given current dollars invested;
2. To preserve the trust corpus relative to the effects of inflation;
3. To maximize returns within reasonable and prudent levels of risk; and
4. To maintain adequate cash levels to meet trust distribution requirements.



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While there cannot be complete assurance that these objectives will be achieved, it is believed that the probability of their realization is reasonably high based upon this IPS and expected performance of the asset classes discussed in Article IV of Part I of this IPS.

D. Asset Allocation

The SSMF's asset allocation shall be established by the Treasurer and the IAC based on (1) capital market theory, (2) the SSMF's financial requirements and (3) the SSMF's liquidity needs. As noted in the introduction of Part II, Appendix Approval Process, the asset allocation will be updated from time to time and posted on the Treasurer's website.



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Article I. Introduction

- A. The Combined Investment Funds (the “Fund(s)”) are separate legally defined funds that have been created by the Treasurer of the State of Connecticut under the authority set forth in Section 3-31b of the Connecticut General Statutes. The Funds were established to provide a means for investing pension plans and other trust fund assets entrusted to the Treasurer in a variety of investment classes. The Funds are open-end portfolios consisting of the
 - 1. Mutual Equity Fund,
 - 2. Developed Markets International Stock Fund,
 - 3. Emerging Markets International Stock Fund,
 - 4. Core Fixed Income Fund,
 - 5. Inflation Linked Bond Fund,
 - 6. High Yield Bond Fund,
 - 7. Emerging Market Debt Fund,
 - 8. Real Estate Fund,
 - 9. Commercial Mortgage Fund (Fund is being liquidated),
 - 10. Private Equity Fund,
 - 11. Alternative Investment Fund, and
 - 12. Liquidity Fund.
- B. The units of the Funds are owned by the pension plans and trust funds noted in Part II of this IPS, which include the
 - 1. State Employees’ Retirement Fund,
 - 2. Teachers’ Retirement Fund,
 - 3. Connecticut Municipal Employees’ Retirement Funds,
 - 4. Probate Judges and Employees Retirement Fund,
 - 5. State Judge’s Retirement Fund,
 - 6. State’s Attorneys Retirement Fund,
 - 7. Soldiers’, Sailors’ and Marines’ Fund,
 - 8. Arts Endowment Fund,
 - 9. Agricultural College Fund,
 - 10. Ida Eaton Cotton Fund,
 - 11. Andrew C. Clark Fund,
 - 12. School Fund,
 - 13. Hopemead Fund, and
 - 14. Police and Firemen Survivors’ Benefit Fund.



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C. Diversification

It is the Treasurer's policy, as reflected in this IPS, that the invested assets are to be broadly diversified so as to limit the impact of large losses in individual investments over the total portfolio. Index funds may be used as a cost-effective way to gain market exposure in asset classes where there is less promise to add value through active management. In less efficient market segments, active management will be utilized in order to enhance risk-adjusted performance relative to asset class benchmarks.

D. Guidelines for Money Managers

1. Professional money managers will be selected and monitored based on (1) conformity of investment style with each of the CRPTF's return objectives, (2) demonstrated ability to achieve above average results consistently and (3) continuity of senior personnel.
2. Money managers will be given full discretion to manage their portion of the CRPTF through written guidelines as approved by the Treasurer. The guidelines will be consistent with the objectives and policies of the IPS and subject to the contractual arrangements governing the relationship between the CRPTF and its money managers.
3. The money managers' discretion regarding the selection of investments shall be limited by the Treasurer's exercise of her duty to consider the consequences of such discretion in accordance with state laws and as may be addressed in the IPS.
4. It is the current practice that the CRPTF assets are externally managed. However, nothing in this policy statement or under applicable law prohibits the ability of the Treasurer, in consultation with the IAC, from establishing criteria, standards and guidelines for managing a portion of the overall CRPTF portfolio within the office of the Treasurer.
5. The specific guidelines unique to each money manager will be developed cooperatively by the Treasurer and such money manager and shall be incorporated into the Investment Managers Agreement (IMA) executed by the Treasurer and such money manager. Sector, investment selection, permissible investments and decisions regarding the timing of purchases and sales of these investments are to be delegated to the money manager, subject to restrictions established by the Treasurer. In the case of a conflict between a money manager's specific guidelines and the Fund's general guidelines, the money manager's specific guidelines shall prevail.



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E. Communications, Reporting, & Notification

1. Any change in investment strategy that materially deviates from the investment management guidelines by a money manager will be communicated to the Treasurer.
2. Any significant change in ownership or key personnel at a money manager will be communicated preferably in advance of such change and a formal notice of said change will be issued to the Treasurer within 24 hours of the official change.
3. Performance results, portfolio listings and valuations must be provided on a quarterly basis.
4. Portfolio accounting will be reconciled to the master custodian on a monthly basis, in a manner prescribed by the Treasurer.

F. Combined Investment Fund (CIF) Asset Allocation Appendix

The asset allocation for the Combined Investment Funds shall be approved by the public members of the IAC, and shall be made an appendix to this IPS and posted on the Website of the Office of the State Treasurer.

With regard to subsequent changes to any asset allocation plan, the following process shall be followed:

1. The proposed plan changes and recommendation will be presented by the Treasurer at a regularly scheduled IAC meeting.
2. Consideration for approval shall be taken up at the next following regularly scheduled IAC meeting.
3. The Treasurer's recommendation shall be deemed approved if it receives a majority of the public IAC members' vote to approve.
4. The approved changes shall be posted on the Treasurer's website, and a revised appendix shall be made part of this IPS.

G. Proxy Voting

Proxy voting activities will be reported quarterly to the IAC and are posted on the Office of the State Treasurer web site.



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Article II. Mutual Equity Fund

A. Statement of Purpose

The Mutual Equity Fund (“MEF”) shall invest primarily in the common stocks of U.S. corporations in order to meet the CRPTF asset allocation guidelines for Domestic Equities. In the overall asset allocation, MEF’s goal is to achieve a long-term, real rate of return significantly above the inflation rate. While common stocks are volatile on a year-to-year basis, that volatility is diminished over longer periods.

B. Description of the Fund

MEF shall invest primarily in the common stocks of U.S. corporations. These investments shall be made using money managers. MEF assets shall be allocated across the U.S. stock market so that there is diversification by both market capitalization and investment style, such as value and growth. The MEF may, at the Treasurer’s discretion and with the IAC’s endorsement, invest opportunistically to take advantage of shifts in the investment landscape or opportunities that offer diversification and/or risk return benefits. This opportunistic allocation will be made within the broad context of the MEF. Therefore, investments include U.S. common stocks, except as allowed by the investment management agreement and guidelines and may include investments in any market capitalization and /or investment style and may include an allocation to stocks outside of the U.S.. The allocation to opportunistic investments is not to exceed 30% of the MEF and subject to MEF guidelines on opportunistic investments.

C. Performance Benchmark & Objectives

The Performance Benchmark for MEF is the Russell 3000 Index with gross dividends reinvested or an equivalent benchmark as approved by the Treasurer and endorsed by the IAC. The Performance Objective of MEF is to achieve a net return that, at a minimum, matches the benchmark, over rolling three-to five-year periods. The ability of a money manager to outperform a benchmark will be contingent upon the amount of risk allowed in the IMA and the current market conditions of the asset class. Therefore, the objective above the benchmark will be based on the amount of excess return in the marketplace given the level of risk. This policy outlines the level of risk. Appendix “A”, Section II of this document, outlines the objective, and will be modified by the Treasurer as market conditions change, and endorsed by the IAC. This objective requires the use of both enhanced and active investment strategies. Furthermore, MEF is expected to:

1. Provide diversification benefits to the CRPTF performance.
2. Achieve cumulative performance results that rank in the top third of domestic equity managers over rolling three-year periods.



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3. Generate strong risk-adjusted returns, as measured by the information ratio (excess return divided by tracking error). Generate an information ratio over rolling five-year periods of 0.30 or better.
4. Maintain a tracking error of no greater than 200 - 400 basis points per annum over rolling three-year periods.

D. Investment Guidelines

In general, the following MEF investment restrictions/limitations apply to all MEF money managers unless otherwise authorized in the money manager's specific Investment Management Agreement (IMA) with the Treasurer. Therefore, money managers:

1. shall purchase only equities that are readily marketable.
2. shall not make any short sales, unless specifically authorized in the IMA as part of an opportunistic investment strategy.
3. shall not make use of leverage or margin purchasing.
4. shall not purchase futures or options.
5. may purchase foreign securities if they are securities of firms with substantial U.S. operations and the securities are actively traded in the U.S. securities markets in the form of American Depository Receipts ("ADRs"), or the securities are components of one or more U.S. stock indexes. However, the market value of securities in foreign companies shall not exceed 15% of the market value of their portfolio.
6. shall not purchase convertible bonds.
7. shall remain fully invested (defined as having at least 95% of net market value in equities) at all times.
8. portfolio cash balances shall be invested by the custodian in the Liquidity Fund.
9. shall adhere to the specific investment and administrative guidelines established for their portfolios in their IMA. The management style of the portfolio shall not be changed without the written consent of the Treasurer.
10. shall be required to ensure that all MEF investments adhere to all limitations imposed by Connecticut and/or federal law.



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Article III. Developed Markets International Stock Fund

A. Statement of Purpose

The Developed Markets International Stock Fund (“DMISF”) shall invest primarily in the common stocks of non-U.S. corporations in order to meet the CRPTF asset allocation guidelines for International Equities. In the overall asset allocation, DMISF’s goal is to achieve a long-term, real rate of return above the US inflation rate. While common stocks are volatile on a year-to-year basis, that volatility is diminished over longer periods. The inclusion of DMISF investments will generate new sources of risks associated with international investing and at the same time, provides additional measures of diversification to other asset classes within the CRPTF.

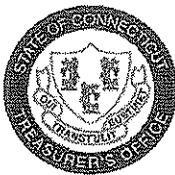
B. Description of the Fund

DMISF shall invest primarily in the common stocks of non-U.S. corporations. These investments shall be made using money managers. DMISF assets shall be allocated across foreign markets such that there is diversification by market, capitalization and style which, in aggregate, are structured to replicate the characteristics of the comparable developed non-U.S. equity markets index. Non-U.S. equities are defined as common stocks issued by companies domiciled outside the U.S. Developed Markets are defined as the countries included in the S&P/Citigroup Broad Market Index (BMI) EPAC (Europe, Pacific Asia Composite).

The DMISF may, at the Treasurer’s discretion and with the IAC’s endorsement, invest opportunistically to take advantage of shifts in the investment landscape or opportunities that offer diversification and/or risk return benefits. This opportunistic allocation will be made within the broad context of the DMISF. Therefore, investments in the non-U.S. equity markets, except as allowed by the investment management agreement and guidelines, may include investments in any market capitalization and /or investment style and an allocation to stocks inside of the U.S. The allocation to opportunistic investments is not to exceed 30% of the DMISF and subject to DMISF guidelines on opportunistic investments.

C. Performance Benchmark & Objectives

The Performance Benchmark for DMISF is the S&P/Citigroup Broad Market Index (BMI) EPAC (Europe, Pacific Asia Composite) 50% hedged with net dividends reinvested or equivalent benchmark as approved by the Treasurer and endorsed by the IAC. The Performance Objective of DMISF is to achieve a net return that, at a



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minimum, matches the benchmark, over rolling three-to five-year periods. The ability of a money manager to outperform a benchmark will be contingent upon the amount of risk allowed in the IMA and the current market conditions of the asset class. Therefore, the objective above the benchmark will be based on the amount of excess return in the marketplace given the level of risk. This policy outlines the level of risk. Appendix “A”, Section II of this document, outlines the objective, and will be modified by the Treasurer as market conditions change, and endorsed by the IAC. This objective requires the use of both enhanced and active investment strategies. Furthermore, DMISF is expected to:

1. Provide diversification benefits to the CRPTF performance.
2. Achieve cumulative performance results that rank in the top third of international equity managers over rolling three-year periods.
3. Generate strong risk-adjusted returns, as measured by the information ratio (excess return divided by tracking error). Generate an information ratio over rolling five-year periods of 0.50 or better.
4. Maintain a tracking error of no greater than 200 - 500 basis points per annum over rolling three-year periods.

D. Investment Guidelines

In general, the following DMISF investment restrictions/limitations apply to all DMISF money managers unless otherwise authorized in the money manager's specific Investment Management Agreement (IMA) with the Treasurer. Therefore, money managers:

1. shall purchase only equities that are readily marketable.
2. shall not make any short sales, unless specifically authorized in the IMA as part of an opportunistic investment strategy.
3. shall not make use of leverage or margin purchasing.
4. shall not purchase futures or options.
5. may purchase American Depository Receipts (“ADRs”) however; the market value of such American shares shall not exceed 15% of the market value of their portfolio.
6. shall not purchase convertible bonds.
7. shall remain fully invested (defined as having at least 95% of net market value in equities) at all times.
8. portfolio cash balances shall be invested by the custodian in the Liquidity Fund.
9. shall adhere to the specific investment and administrative guidelines established for their portfolios in their IMA. The management style of the portfolio shall not be changed without the written consent of the Treasurer.
10. shall be required to ensure that all DMISF investments adhere to all limitations imposed by Connecticut and/or federal law.



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Article IV. Emerging Markets International Stock Fund

A. Statement of Purpose

The Emerging Markets International Stock Fund (“EMISF”) shall invest primarily in the common stocks of non-U.S. corporations in order to meet the CRPTF asset allocation guidelines for Emerging Markets Equities. In the overall asset allocation, EMISF’s goal is to achieve a long-term, real rate of return above the US inflation rate. While common stocks are volatile on a year-to-year basis, that volatility is diminished over longer periods. The inclusion of EMISF investments will generate new sources of risks associated with international investing and at the same time, provides additional measures of diversification to other asset classes within the CRPTF.

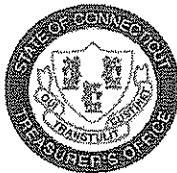
B. Description of the Fund

EMISF shall invest primarily in the common stocks of non-U.S. corporations. These investments shall be made using money managers. EMISF assets shall be allocated across foreign markets such that there is diversification by market, capitalization and style which, in aggregate, are structured to replicate the characteristics of the comparable emerging markets equity index. Non-U.S. equities are defined as common stocks issued by companies domiciled outside the U.S. Emerging Markets are defined as the countries included in the Morgan Stanley Capital International (MSCI) Emerging Markets Free Index (“EMF Index”).

C. Performance Benchmark & Objectives

The Performance Benchmark for EMISF is the MSCI Emerging Markets Free Index (EMF) with net dividends reinvested. The Performance Objective of EMISF is to achieve a net return that, at a minimum, matches the benchmark, over rolling three- to five-year periods. The ability of a money manager to outperform a benchmark will be contingent upon the amount of risk allowed in the IMA and the current market conditions of the asset class. Therefore, the objective above the benchmark will be based on the amount of excess return in the marketplace given the level of risk. This policy outlines the level of risk. Appendix “A”, Section II of this document, outlines the objective, and will be modified by the Treasurer as market conditions change, and endorsed by the IAC. . This objective requires the use of both enhanced and active investment strategies. Furthermore, EMISF is expected to:

1. Provide diversification benefits to the CRPTF performance.
2. Achieve cumulative performance results that rank in the top third of emerging markets equity managers over rolling three-year periods.



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3. Generate strong risk-adjusted returns, as measured by the information ratio (excess return divided by tracking error). Generate an information ratio over rolling five-year periods of 0.50 or better.
4. Maintain a tracking error of no greater than 200 - 400 basis points per annum over rolling three-year periods.

D. Investment Guidelines

In general, the following EMISF investment restrictions/limitations apply to all EMISF money managers unless otherwise authorized in the money manager's specific Investment Management Agreement (IMA) with the Treasurer. Therefore, money managers:

1. shall purchase only equities that are readily marketable.
2. shall not make any short sales.
3. shall not make use of leverage or margin purchasing.
4. shall not purchase futures or options.
5. may purchase American Depository Receipts ("ADRs") however; the market value of such American shares shall not exceed 15% of the market value of their portfolio.
6. shall not purchase convertible bonds.
7. shall remain fully invested (defined as having at least 95% of net market value in equities) at all times.
8. portfolio cash balances shall be invested by the custodian in the Liquidity Fund.
9. shall adhere to the specific investment and administrative guidelines established for their portfolios in their IMA. The management style of the portfolio shall not be changed without the written consent of the Treasurer.
10. shall be required to ensure that all EMISF investments adhere to all limitations imposed by Connecticut and/or federal law.



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Article V. Core Fixed Income Fund

A. Statement of Purpose

The Core Fixed Income Fund (“CFIF”) shall invest primarily in fixed-income securities in the domestic U.S. markets in order to meet the CRPTF asset allocation guidelines for Core Fixed Income. In the overall asset allocation, CFIF’s goal is to achieve a long-term, real rate of return above the inflation rate and provide a stream of income to meet cash flow needs of the plans and trusts. While fixed income securities may exhibit volatility on a year-to-year basis, that volatility is diminished over longer periods. The inclusion of a core fixed income class will provide a source of diversification to other asset classes within the CRPTF during different economic environments.

B. Description of the Fund

The Core Fixed Income Fund (“CFFI”) consists of managed fixed income portfolio(s) which, are debt instruments issued by the U.S. Government and its agencies, “quasi Government” agencies, U.S. corporations, Euro bonds, high quality quasi or sovereign debt and any other public or private U.S. regulated debt security.

C. Performance Objectives

The Performance Benchmark for CFIF is the Lehman Brothers US Aggregate Index. The Performance Objective of CFIF is to achieve a net return that, at a minimum, matches the benchmark, over rolling three-to five-year periods. The ability of a money manager to outperform a benchmark will be contingent upon the amount of risk allowed in the IMA and the current market conditions of the asset class. Therefore, the objective above the benchmark will be based on the amount of excess return in the marketplace given the level of risk. This policy outlines the level of risk. Appendix “A”, Section II of this document, outlines the objective, and will be modified by the Treasurer as market conditions change, and endorsed by the IAC. This objective requires the use of a range of strategies from passive through active investment strategies. Furthermore, CFIF is expected to:

1. Provide diversification benefits to the CRPTF performance.
2. Achieve cumulative performance results that rank in the top third of core fixed income managers over rolling three- and five-year periods.
3. Generate strong risk-adjusted returns, as measured by the information ratio (excess return divided by tracking error). Generate an information ratio over rolling three- to five-year periods of 0.50 or better.
4. Maintain a tracking error of no greater than 75 - 250 basis points per annum over rolling three- to five-year periods.



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D. Investment Guidelines

In general, the following CFIF investment restrictions/limitations apply to all CFIF money managers unless otherwise authorized in the money manager's specific Investment Management Agreement (IMA) with the Treasurer. Therefore, money managers:

1. shall purchase only securities that are readily marketable.
2. shall not make any short sales.
3. shall not make use of leverage or margin purchasing.
4. shall not purchase futures or options.
5. shall not purchase convertible bonds.
6. shall remain fully invested (defined as having at least 95% of net market value in fixed income) at all times.
7. portfolio cash balances shall be invested by the custodian in the Liquidity Fund.
8. shall adhere to the specific investment, security and benchmark diversification limits and administrative guidelines established for their portfolios in their IMA. The management style of the portfolio shall not be changed without the written consent of the Treasurer.
9. shall be required to ensure that all CFIF investments adhere to all limitations imposed by Connecticut and/or federal law.



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Article VI. Inflation Linked Bond Fund

A. Statement of Purpose

The Inflation Linked Bond Fund (“ILBF”) shall invest primarily in inflation-linked securities in the domestic U.S. markets in order to meet the CRPTF asset allocation guidelines for Inflation-Linked bonds. In the overall asset allocation, ILBF’s goal is to achieve a long-term, real rate of return above the inflation rate. The inclusion of an inflation-linked fixed income class will provide protection against rampant inflation and is a source of diversification to other asset classes within the CRPTF during different economic environments.

B. Description of Fund

The ILBF consists of managed fixed income portfolio(s) which, draws from the global universe of inflation linked bonds, and include bonds that provide a real return above inflation and add to the diversification of the CRPTF total portfolio. Inflation Linked Bonds pay semi-annual coupons that account for the real return while the inflation component of the return accrues to the bonds’ principal every year.

C. Performance Objectives

The Performance Benchmark for ILBF is the Lehman Brothers US TIPS Index or equivalent index as approved by the Treasurer. The Performance Objective of ILBF is to achieve a net return that, at a minimum, matches the benchmark, over rolling three-to five-year periods. The ability of a money manager to outperform a benchmark will be contingent upon the amount of risk allowed in the IMA and the current market conditions of the asset class. Therefore, the objective above the benchmark will be based on the amount of excess return in the marketplace given the level of risk. This policy outlines the level of risk. Appendix “A”, Section II of this document, outlines the objective, and will be modified by the Treasurer as market conditions change, and endorsed by the IAC. This objective requires the use of both enhanced and active investment strategies. Furthermore, ILBF is expected to:

1. Provide diversification benefits to the CRPTF performance.
2. Achieve cumulative performance results that rank in the top third of inflation-linked bond managers over rolling three to five-year periods.
3. Generate strong risk-adjusted returns, as measured by the information ratio (excess return divided by tracking error). Generate an information ratio over rolling three- to five-year periods of 0.50 or better.
4. Maintain a tracking error of no greater than 150 - 250 basis points per annum over rolling three- to five-year periods.



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D. Investment Guidelines

In general, the following ILBF investment restrictions/limitations apply to all ILBF money managers unless otherwise authorized in the money manager's specific Investment Management Agreement (IMA) with the Treasurer. Therefore, money managers:

1. shall purchase only securities that are readily marketable.
2. shall not make any short sales.
3. shall not make use of leverage or margin purchasing.
4. managers shall not purchase futures or options.
5. shall not purchase convertible bonds.
6. shall remain fully invested (defined as having at least 95% of net market value in equities) at all times.
7. portfolio cash balances shall be invested by the custodian in the Liquidity Fund.
8. shall adhere to the specific investment, security and benchmark diversification limits and administrative guidelines established for their portfolios in their IMA. The management style of the portfolio shall not be changed without the written consent of the Treasurer.
9. managers shall be required to ensure that all ILBF investments adhere to all limitations imposed by Connecticut and/or federal law.



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Article VII. Emerging Market Debt Fund

A. Statement of Purpose

The Emerging Market Debt Fund (“EMDF”) shall invest primarily in emerging market debt securities in foreign emerging markets in order to meet the CRPTF asset allocation guidelines for Emerging Market bonds. In the overall asset allocation, EMDF’s goal is to achieve a long-term, real rate of return above the inflation rate and utilize a range of manager style techniques to capture excess return. While fixed income securities may exhibit volatility on a year-to-year basis, that volatility is diminished over longer periods. The inclusion of an emerging market fixed income class will generate new sources of risk associated with international investing, and at the same time provide a source of diversification to other asset classes within the CRPTF given the different economic environments of global economies.

B. Description of the Fund

The Emerging Market Debt Fund (“EMDF”) consists of managed fixed income portfolio(s) which, in aggregate, are debt instruments issued by government and companies operating in developing countries as defined by the benchmark and/or by The World Bank.

C. Performance Benchmark and Objectives

The Performance Benchmark for EMDF is the J.P. Morgan Emerging Markets Bonds Global Index or an equivalent index as approved by the Treasurer and endorsed by the IAC. The Performance Objective of EMDF is to achieve a net return that, at a minimum, matches the benchmark, over rolling three-to five-year periods. The ability of a money manager to outperform a benchmark will be contingent upon the amount of risk allowed in the IMA and the current market conditions of the asset class. Therefore, the objective above the benchmark will be based on the amount of excess return in the marketplace given the level of risk. This policy outlines the level of risk. Appendix “A”, Section II of this document, outlines the objective, and will be modified by the Treasurer as market conditions change, and endorsed by the IAC. This objective requires the use of both enhanced and active investment strategies. Furthermore, EMDF is expected to:

1. Provide diversification benefits to the CRPTF performance.
2. Achieve cumulative performance results that rank in the top third of emerging market debt managers over rolling three-year periods.
3. Generate strong risk-adjusted returns, as measured by the information ratio (excess return divided by tracking error). Generate an information ratio over rolling three- to five-year periods of 0.3 or better.



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4. Maintain a tracking error of no greater than 300 - 500 basis points per annum over rolling three- to five-year periods.
5. Provide diversification benefits to the CRPTF performance in different economic environments.

D. Investment Guidelines

In general, the following EMDF investment restrictions/limitations apply to all EMDF money managers unless otherwise authorized in the money manager's specific Investment Management Agreement (IMA) with the Treasurer. Therefore, money managers:

1. shall purchase only securities that are readily marketable.
2. shall not make any short sales.
3. shall not make use of leverage or margin purchasing.
4. shall not purchase futures or options.
5. shall not purchase convertible bonds.
6. shall remain fully invested (defined as having at least 95% of net market value in equities) at all times.
7. portfolio cash balances shall be invested by the custodian in the Liquidity Fund.
8. shall adhere to the specific investment, security and benchmark diversification limits and administrative guidelines established for their portfolios in their IMA. The management style of the portfolio shall not be changed without the written consent of the Treasurer.
9. shall be required to ensure that all EMDF investments adhere to all limitations imposed by Connecticut and/or federal law.



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Article VIII. High Yield Investment Fund

A. Statement of Purpose

The High Yield Debt Fund (“HYDF”) shall invest primarily in domestic below investment grade debt securities in order to meet the CRPTF asset allocation guidelines for High Yield bonds. In the overall asset allocation, HYDF’s goal is to achieve a long-term, real rate of return above the inflation rate and utilize a range of manager style techniques to capture excess return. The inclusion of a high yield fixed income class will provide a source of diversification to other asset classes within the CRPTF given the different economic environments.

B. Description of the Fund

The High Yield Debt Fund (“HYDF”) consists of managed fixed income portfolio(s) which, in aggregate, are debt instruments rated below investment grade by a nationally recognized rating agency service (example: Standard & Poors, Moody’s or Fitch).

C. Performance Benchmark and Objectives

The Performance Benchmark for HYDF is the Merrill Lynch High Yield Index or equivalent index as approved by the Treasurer and endorsed by the IAC. The Performance Objective of HYDF is to achieve a net return that, at a minimum, matches the benchmark, over rolling three-to five-year periods. The ability of a money manager to outperform a benchmark will be contingent upon the amount of risk allowed in the IMA and the current market conditions of the asset class. Therefore, the objective above the benchmark will be based on the amount of excess return in the marketplace given the level of risk. This policy outlines the level of risk. Appendix “A”, Section II of this document, outlines the objective, and will be modified by the Treasurer as market conditions change, and endorsed by the IAC. This objective requires the use of both enhanced and active investment strategies. Furthermore, HYDF is expected to:

1. Provide diversification benefits to the CRPTF performance.
2. Achieve cumulative performance results that rank in the top third of high yield debt managers over rolling three- to five-year periods.
3. Generate strong risk-adjusted returns, as measured by the information ratio (excess return divided by tracking error). Generate an information ratio over rolling three- to five-year periods of 0.50 or better.
4. Maintain a tracking error of no greater than 300 - 600 basis points per annum over rolling three- to five-year periods.



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D. Investment Guidelines

In general, the following HYDF investment restrictions/limitations apply to all HYDF money managers unless otherwise authorized in the money manager's specific Investment Management Agreement (IMA) with the Treasurer. Therefore, money managers:

1. shall purchase only securities that are readily marketable.
2. shall not make any short sales.
3. shall not make use of leverage or margin purchasing.
4. shall not purchase futures or options.
5. shall not purchase convertible bonds.
6. shall remain fully invested (defined as having at least 95% of net market value in equities) at all times.
7. portfolio cash balances shall be invested by the custodian in the Liquidity Fund.
8. shall adhere to the specific investment, security and benchmark diversification limits and administrative guidelines established for their portfolios in their IMA. The management style of the portfolio shall not be changed without the written consent of the Treasurer.
9. shall be required to ensure that all HYDF investments adhere to all limitations imposed by Connecticut and/or federal law.



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Article IX. Asset Class Guidelines-Commercial Mortgage Fund

Note: This asset class is not a part of the asset allocation structure of the CRPTF, adopted in August 1999, and the balance in the fund will be allowed to amortize and mature. No new investments will be added to this fund. The following represents the investment guidelines, which were adopted on May 13, 1998.

A. Statement of Purpose:

The Commercial Mortgage Fund (“CMF”) provides an alternate source of domestic fixed income investment for the retirement funds. It is the vehicle for investing CRPTF’s assets in mortgages on income-producing commercial property, which are expected to produce yields superior to corporate and government (treasury) fixed income securities in exchange for reduced liquidity. These differences aside, commercial mortgages are expected to perform similarly to other domestic fixed income securities, which are driven by U.S. interest rate changes.

B. Description of the Fund:

CMF consists of a series of commercial mortgage portfolios, which are held in securitized trust or similar formats and are managed by external professional real estate investment management firms. Most of the loans in the portfolio will be conservative in nature with respect to loan underwriting standards.

C. Performance Benchmark and Objectives:

Over a market cycle, CMF is expected to generate a net total return of one percent (1%) in excess of the Lehman Brothers Aggregate Bond Index, and to exceed the rate of total return of MFIF.

D. Investment Guidelines:

In order to carry out its mission and to achieve its investment objectives, CMF’s guidelines shall include:

1. At the time of investment, mortgage loans shall provide yields of at least 125 basis points in excess of comparable maturity treasury bonds.
2. Mortgage loans shall have the characteristics of fixed income securities and be responsive to changes in domestic interest rates.
3. Investment managers shall screen and underwrite mortgage loan proposals before submitting them to the fund for approval.
4. In order to ensure adequate diversification within CMF, loans may be made on commercial properties of any type or in any location within the United States. Portfolio securitization and other yield enhancement mechanisms may



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be employed to enhance yield, and loans may be designed to take advantage of market niches in order to increase yields.

5. Any statutory restriction referenced in part one of this document.



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Article X. Real Estate Fund

A. Statement of Purpose

The Real Estate Fund’s (“REF”) strategic objectives are to provide diversification to the overall CRPTF investment program, preserve investment capital and generate attractive risk-adjusted rates of return. The REF will also provide consistent current income and provide capital gains to the CRPTF and act as a hedge against inflation given different economic scenarios.

B. Description of the Fund

The REF is the vehicle by which the CRPTF makes investments in the real estate asset class. The investments may consist of a number of different investment strategies and investment vehicles, including externally managed commingled funds, separate accounts and/or publicly traded real estate securities. All investments in real estate assets are expected to adhere to the standards of fiduciary obligation to the beneficiaries of the CRPTF, and shall be considered in the context of the relevant risk/reward factors of this asset class and consistent with the statutory requirements for consideration of investments by the Treasurer in accordance with Section 3-13d(a) of the Connecticut General Statutes. These investments also will adhere to the Responsible Contractor Policy as approved by the IAC and contained in the Appendix. In the event the preconditions of Section 3-13d(d) of the Connecticut General Statutes are met with respect to a “lame duck” period, the IAC shall assume the principal fiduciary authority of the Treasurer for investment decisions for the Fund until such time as a duly elected Treasurer is officially sworn into office.

C. Performance Benchmark and Objectives

1. Expected returns for CRPTF’s real estate investments shall be (i) at minimum, CRPTF’s actuarially determined assumed rate of return and (ii) competitive, on a risk-adjusted basis, with other asset classes in which the CRPTF invests. Expected returns for each of the CRPTF’s real estate investments shall also be commensurate with the attendant risks associated with each investment.
2. The real estate asset class shall be managed to (i) ensure a consistent flow of qualified investment opportunities that represent the most attractive investment vehicles currently available in the marketplace, (ii) produce a diversified and balanced portfolio of investments that are structured so that the risks inherent in these generally illiquid and long-lived assets may be minimized, and (iii) adhere to the fiduciary standards delineated in Part I of the IPS.



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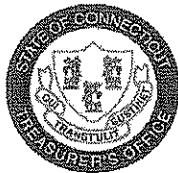
3. The Performance Objective of REF is to achieve a net return that, at a minimum, matches the benchmark, over rolling three-to five-year periods. The ability of an investment manager to outperform a benchmark will be contingent upon the amount of risk allowed in the IMA and the current market conditions of the asset class. Therefore, the objective above the benchmark will be based on the amount of excess return in the marketplace given the level of risk. This policy outlines the level of risk. Appendix "A", Section II of this document, outlines the objective, and will be modified by the Treasurer as market conditions change, and endorsed by the IAC

D. Investment Guidelines

Partnership selection shall entail a comprehensive, thorough process of due diligence and investigation of the critical factors on which an investment decision is to be based, including quantitative and qualitative analysis of the general partner, its professionals and their ability to successfully implement their stated investment strategy within the context of current and prospective market environments. The partnership's relative investment worthiness will be assessed within this context. To the extent necessary and feasible, a site visit will be conducted as part of this process.

In general, the following REF investment restrictions/limitations apply to all REF investment managers unless otherwise authorized in the investment manager's specific General Contract Agreement (GCA) with the Treasurer:

1. The General Partners will follow the contract process for the State of Connecticut Retirement Plans & Trust Funds Responsible Contractor Policy – Real Estate Fund.
2. Leverage at the aggregate fund level shall not exceed 60%
3. Real Estate Investments shall be structured to include clearly defined redemption provisions
4. Investment managers shall value all investments at least annually
5. Independent third party valuations shall be obtained, at a minimum, every three years (subsequent to completion of construction) or on an as needed basis.
6. Eligible investments, diversification and other specific parameters for the management of the REF are outlined in the fund structure appendix (See Appendix "A", Section II)
7. No more than 10 percent of the target REF shall be allocated to any one individual commingled fund in which the CRPTF does not have the ability to exit the investment or terminate the manager. Separate Accounts shall not exceed 20% of the target REF.
8. No single investment manager shall manage more than 25 percent of the market value of the REF allocation
9. Portfolio cash balances shall be invested by the custodian in the Liquidity Fund.



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10. General Partners shall adhere to the specific investment, security and benchmark diversification limits and administrative guidelines established for their portfolios in their GCA. The management style of the portfolio shall not be changed without the written consent of the Treasurer.
11. General Partners shall be required to ensure that all REF investments adhere to all limitations imposed by Connecticut and/or federal law.



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Article XI. Private Investment Fund

A. Statement of Purpose

The Private Investment Fund (“PIF”) shall invest in various private equity strategies and vehicles in order to meet the CRPTF asset allocation guidelines for Private Equity. The purpose of the PIF is to earn returns in excess of the public equity markets and generate attractive risk-adjusted rates of return. The PIF is also expected to reduce the impact of market volatility by diversifying the total asset base.

B. Description of the Fund

The PIF investments will generally be made in externally managed limited partnerships or through separate accounts that focus on private equity investments.

Private equity includes both Venture Capital and Corporate Finance investment strategies. Venture Capital typically involves equity capital invested in young or development stage companies, whether start-up, early, mid or late stage companies. Corporate Finance typically involves equity and debt capital invested in growth, mature or distressed stage companies, often through the financing of acquisitions, spin-offs, mergers or changes in capitalization.

C. Performance Benchmark and Objectives

The Performance Objective of PIF is to achieve a net return that, at a minimum, matches the benchmark, over rolling three-to five-year periods. The ability of an investment manager to outperform a benchmark will be contingent upon the amount of risk allowed in the contract and the current market conditions. Therefore, the objective above the benchmark will be based on the amount of excess return in the marketplace given the level of risk. This policy outlines the level of risk. Appendix “A”, Section II of this document, outlines the objective, and will be modified by the Treasurer as market conditions change, and endorsed by the IAC.

The target expected rate of return on any individual investment within PIF shall be based upon the particular investment strategy employed. Private equity investments often do not report a positive return until the third through fifth year of operation. By the end of the fifth year, each separate account or limited partnership is expected to be profitable and by the end of the tenth year, the annualized rate of return of each separate account or limited partnership is expected to achieve the target returns outlined above.



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D. Investment Guidelines

In general, the following PIF investment restrictions/limitations apply to all PIF investments unless otherwise authorized in the specific General Contract Agreement (GCA) with the Treasurer. The CRPTF will seek to negotiate partnership agreements that ensure accountability, alignment of interests between the general partners and the limited partners, complete disclosure of all actions taken that affect or have the potential to affect the limited partners, language that ensures no conflicts of interests, provisions that allow the CRPTF to sell its limited partnership interest, a “no-fault divorce clause” and protections for the limited partners in the event of changes within the general partnership, the existence of an advisory board and language that describes how any conflicts would be handled, specific language on valuation standards for investments, provisions that limit the general partners ability to concentrate investments of the partnership in one company or enterprise, and the ability for the CRPTF to have co-investment rights in any underlying investment of the partnership.

Partnership selection shall entail a comprehensive, thorough process of due diligence and investigation of the critical factors on which an investment decision is to be based, including quantitative and qualitative analysis of the general partner, its professionals and their ability to successfully implement their stated investment strategy within the context of current and prospective market environments. The partnership's relative investment worthiness will be assessed within this context. To the extent necessary and feasible, a site visit will be conducted as part of this process.

1. General Partners shall adhere to the investment strategy, diversification limits and administrative guidelines described in their private placement memorandum and contracts. The management style of the portfolio shall not be changed without the written consent of the Treasurer;
2. General Partners shall be required to ensure that all PIF investments adhere to all limitations imposed by Connecticut and/or federal law;
3. No more than 10% of the CRPTF's total private equity program should be invested in any one fund;
4. No more than 25% of the CRPTF's total private equity program should be invested with any one fund sponsor or manager; and
5. The CRPTF's commitment should be no more than 20% of the total amount committed to a single fund, provided that in the case of an investment with a partnership targeting under served geographical areas and populations with a focus on Connecticut, this restriction may be waived.



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Article XII. Liquidity Fund

A. Statement of Purpose

The objective of the Liquidity Fund (“LF”) shall be to provide a liquid source of funds to make benefit payments while allowing the other investment funds to remain fully invested. It is expected that the LF will earn a return greater than that of money market investment by investing in longer horizons within the short-end of the yield curve.

B. Description of the Fund

The LF consists of three types of investments:

1. Short-term assets which include the cash balance, contributions which are used routinely to make benefit payments and for other cash needs of the plan. The short-term portion of the LF assets should be managed consistent with money market guidelines.
2. Intermediate term assets that may include enhanced cash and intermediate duration fixed income securities.
3. Longer-term assets which are characterized as liquid securities on the longer end of the short-term yield curve.
4. This fund may include portfolios managed by the Treasury’s Cash Management Division, including STIF, STIF Plus and the extended investment portfolio.

C. Performance Benchmark and Objectives

The benchmark for the LF will be one-month LIBOR.

D. Guidelines for Asset Fund

In general, the following LF investment restrictions/limitations apply to all LF money managers unless otherwise authorized in the money manager’s specific Investment Management Agreement (IMA) with the Treasurer. Therefore, money managers:

1. shall purchase only securities that are readily marketable.
2. shall not make any short sales.
3. shall not make use of leverage or margin purchasing.
4. shall not purchase futures or options.
5. shall not purchase convertible bonds.



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6. shall adhere to the specific investment, security and benchmark diversification limits and administrative guidelines established for their portfolios in their IMA. The management style of the portfolio shall not be changed without the written consent of the Treasurer.
7. shall be required to ensure that all LF investments adhere to all limitations imposed by Connecticut and/or federal law.



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Article XIII. Alternative Investment Fund

The Asset Allocation Plan adopted as part of this revised Investment Policy Statement includes a new investment class: the Alternative Investment Fund. The purpose of the Alternative Investment Fund ("AIF") is to provide the Treasurer, in consultation with the IAC, the ability to invest CRPTF assets in investment strategies which offer the potential to enhance return characteristics and/or reduce risk. The AIF will provide a vehicle for investment in portfolio strategies which are not easily classified, categorized, or described in the other investment funds. Hybrid strategies which contain multiple asset classes would also be considered part of the opportunity set.

As currently detailed in this IPS, the development of the AIF will evolve over time. The Treasurer, in consultation with the IAC will further develop the description of the security types that will comprise the Fund, performance objectives, investment guidelines and the approach to hire investment management firm(s) to oversee the implementation of the strategies articulated for the Fund. As the details of the AIF asset class and plan for implementation are fully developed, this IPS will be amended to reflect those details.



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**APPENDIX A
SECTION I**

PLANS AND TRUST FUNDS ASSET ALLOCATION



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APPENDIX A, SECTION I-INTRODUCTION

The following tables reflect the implemented recommendations from the 2006 asset liability study. This study differed significantly from the last study conducted in 1999-2000 as more analysis was done of each of the individual plans. It has become more evident since the last asset liability review that each plan and trust has a different funding status or disbursement requirement and, therefore, a more customized asset allocation plan is required.

Two new asset classes have been added: the Alternative Investment Fund and the Liquidity Fund. The main objective of the Alternative Investment Fund is to enhance return characteristics and/or reduce risk. By utilizing this asset class, in theory, more excess return will be generated with less risk for the portfolios as a whole. The Liquidity Fund will encompass the full array of highly liquid investment opportunities and will better serve each of the plans and trusts in meeting their recognized cash needs.

In addition, the allocation to international equities is now broken out into two classes: Developed and Emerging markets. The allocations within fixed income are also more finely broken down into Core, Inflation Linked Bonds, High Yield Bonds, and Emerging Market Debt.

The tables below outline the asset allocation plans chosen for each plan given their specified funding needs and objectives. This process is more dynamic, and as such, requires the use of asset allocation ranges instead of specific asset allocation targets. The asset allocation ranges contemplates the implementation of the Alternative Investment Fund, which will evolve over a longer period of time.



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Proposed amendments to the Teacher's Retirement Fund asset allocation were presented at the regularly scheduled May 14, 2008 meeting of the Investment Advisory Council; consideration for approval of the amendments, as well as a vote to approve, occurred at the June 9, 2008 regularly scheduled meeting of the Investment Advisory Council.

**State of Connecticut
Teacher's Retirement Fund
Asset Allocation Policy and Relative Ranges**

| Asset Class | Asset Allocation Target Range | Lower Bound | Upper Bound |
|--------------------------------------------------|----------------------------------|----------------|----------------|
| <i>Mutual Equity Fund</i> | 25% | 22% | 17% |
| <i>Developed Market International Stock Fund</i> | 20% | 18% | 13% |
| <i>Emerging Market International Stock Fund</i> | 9% | 9% | 6% |
| <i>Core Fixed Income Fund</i> | 13% | 11% | 9% |
| <i>Inflation Linked Bond Fund</i> | 6% | 5% | 4% |
| <i>Emerging Market Debt Fund</i> | 4% | 4% | 3% |
| <i>High Yield Bond Fund</i> | 2% | 2% | 1% |
| <i>Real Estate Fund</i> | 5% | 5% | 4% |
| <i>Private Equity</i> | 10% | 10% | 8% |
| <i>Alternative Investments</i> | 0% | 8% | 0% |
| <i>Liquidity Fund</i> | 6% | 6% | 4% |
| | 100% | 100% | |



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Proposed amendments to the State Employees' Retirement Fund asset allocation were presented at the regularly scheduled May 14, 2008 meeting of the Investment Advisory Council; consideration for approval of the amendments, as well as a vote to approve, occurred at the June 9, 2008 regularly scheduled meeting of the Investment Advisory Council.

**State of Connecticut
State Employees' Retirement Fund
Asset Allocation Policy and Relative Ranges**

| Asset Class | Asset Allocation Target Range | Lower Bound | Upper Bound |
|--------------------------------------------------|----------------------------------|----------------|----------------|
| <i>Mutual Equity Fund</i> | 26% | 23% | 17% |
| <i>Developed Market International Stock Fund</i> | 20% | 18% | 13% |
| <i>Emerging Market International Stock Fund</i> | 9% | 9% | 6% |
| <i>Core Fixed Income Fund</i> | 13% | 11% | 9% |
| <i>Inflation Linked Bond Fund</i> | 6% | 5% | 4% |
| <i>Emerging Market Debt Fund</i> | 4% | 4% | 3% |
| <i>High Yield Bond Fund</i> | 2% | 2% | 1% |
| <i>Real Estate Fund</i> | 5% | 5% | 4% |
| <i>Private Equity</i> | 11% | 11% | 8% |
| <i>Alternative Investments</i> | 0% | 8% | 0% |
| <i>Liquidity Fund</i> | 4% | 4% | 2% |
| | 100% | 100% | |



INVESTMENT POLICY STATEMENT
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Proposed amendments to the Municipal Employees' Retirement Fund asset allocation were presented at the regularly scheduled May 14, 2008 meeting of the Investment Advisory Council; consideration for approval of the amendments, as well as a vote to approve, occurred at the June 9, 2008 regularly scheduled meeting of the Investment Advisory Council.

**State of Connecticut
Municipal Employees' Retirement Fund
Asset Allocation Policy and Relative Ranges**

| Asset Class | Asset Allocation Target Range | Lower Bound | Upper Bound |
|--------------------------------------------------|----------------------------------|----------------|----------------|
| <i>Mutual Equity Fund</i> | 20% | 16% | 12% |
| <i>Developed Market International Stock Fund</i> | 16% | 12% | 8% |
| <i>Emerging Market International Stock Fund</i> | 8% | 8% | 6% |
| <i>Core Fixed Income Fund</i> | 19% | 19% | 14% |
| <i>Inflation Linked Bond Fund</i> | 10% | 10% | 7% |
| <i>Emerging Market Debt Fund</i> | 5% | 5% | 3% |
| <i>High Yield Bond Fund</i> | 2% | 2% | 1% |
| <i>Real Estate Fund</i> | 7% | 7% | 5% |
| <i>Private Equity</i> | 10% | 10% | 7% |
| <i>Alternative Investments</i> | 0% | 8% | 0% |
| <i>Liquidity Fund</i> | 3% | 3% | 1% |
| | 100% | 100% | |



INVESTMENT POLICY STATEMENT
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Proposed amendments to the Probate Judges and Employees Retirement Fund asset allocation were presented at the regularly scheduled May 14, 2008 meeting of the Investment Advisory Council; consideration for approval of the amendments, as well as a vote to approve, occurred at the June 9, 2008 regularly scheduled meeting of the Investment Advisory Council.

**State of Connecticut
Probate Judges and Employees Retirement Fund
Asset Allocation Policy and Relative Ranges**

| Asset Class | Asset Allocation Target Range | Lower Bound | Upper Bound |
|--------------------------------------------------|----------------------------------|----------------|----------------|
| <i>Mutual Equity Fund</i> | 20% | 16% | 12% |
| <i>Developed Market International Stock Fund</i> | 15% | 11% | 8% |
| <i>Emerging Market International Stock Fund</i> | 8% | 8% | 6% |
| <i>Core Fixed Income Fund</i> | 19% | 19% | 14% |
| <i>Inflation Linked Bond Fund</i> | 9% | 9% | 7% |
| <i>Emerging Market Debt Fund</i> | 5% | 5% | 3% |
| <i>High Yield Bond Fund</i> | 2% | 2% | 1% |
| <i>Real Estate Fund</i> | 7% | 7% | 5% |
| <i>Private Equity</i> | 9% | 9% | 7% |
| <i>Alternative Investments</i> | 0% | 8% | 0% |
| <i>Liquidity Fund</i> | 6% | 6% | 4% |
| | 100% | 100% | |



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Proposed amendments to the State Judges Retirement Fund asset allocation were presented at the regularly scheduled May 14, 2008 meeting of the Investment Advisory Council; consideration for approval of the amendments, as well as a vote to approve, occurred at the June 9, 2008 regularly scheduled meeting of the Investment Advisory Council.

**State of Connecticut
State Judges Retirement Fund
Asset Allocation Policy and Relative Ranges**

| Asset Class | Asset Allocation Target Range | Lower Bound | Upper Bound |
|--------------------------------------------------|----------------------------------|----------------|----------------|
| <i>Mutual Equity Fund</i> | 20% | 16% | 12% |
| <i>Developed Market International Stock Fund</i> | | | 21% |
| | 16% | 12% | 8% |
| <i>Emerging Market International Stock Fund</i> | 8% | 8% | 6% |
| <i>Core Fixed Income Fund</i> | 19% | 19% | 14% |
| <i>Inflation Linked Bond Fund</i> | 10% | 10% | 7% |
| <i>Emerging Market Debt Fund</i> | 5% | 5% | 3% |
| <i>High Yield Bond Fund</i> | 2% | 2% | 1% |
| <i>Real Estate Fund</i> | 7% | 7% | 5% |
| <i>Private Equity</i> | 10% | 10% | 7% |
| <i>Alternative Investments</i> | 0% | 8% | 0% |
| <i>Liquidity Fund</i> | 3% | 3% | 1% |
| | 100 % | 100% | |



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**State of Connecticut
State's Attorneys' Retirement Fund
Asset Allocation Policy and Relative Ranges**

| Asset Class | Asset Allocation Target Range | Lower Bound | Upper Bound |
|------------------------------------------------------|----------------------------------|----------------|----------------|
| <i>Mutual Equity Fund</i> | | | |
| <i>Developed Market International Stock Fund</i> | | | |
| <i>Emerging Market International Stock Fund</i> | | | |
| <i>*Core Fixed Income Fund</i> | | | |
| <i>Inflation Linked Bond Fund</i> | | | |
| <i>Emerging Market Debt Fund</i> | | | |
| <i>High Yield Bond Fund</i> | | | |
| <i>Real Estate Fund</i> | | | |
| <i>Private Equity</i> | | | |
| <i>Alternative Investments</i> | | | |
| <i>Liquidity Fund</i> | | | |
| | 100% | | |

NOTE: Asset Allocation study currently in process. Current Investment Policy Statement does not contain asset allocation ranges.

**Formerly Mutual Fixed Income Fund*



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**State of Connecticut
Policemen and Firemen Survivors' Benefit Fund
Asset Allocation Policy and Relative Ranges**

| Asset Class | Asset Allocation Target Range | Lower Bound | Upper Bound |
|------------------------------------------------------|----------------------------------|----------------|----------------|
| <i>Mutual Equity Fund</i> | | | |
| <i>Developed Market International Stock Fund</i> | | | |
| <i>Emerging Market International Stock Fund</i> | | | |
| <i>*Core Fixed Income Fund</i> | | | |
| <i>Inflation Linked Bond Fund</i> | | | |
| <i>Emerging Market Debt Fund</i> | | | |
| <i>High Yield Bond Fund</i> | | | |
| <i>Real Estate Fund</i> | | | |
| <i>Private Equity</i> | | | |
| <i>Alternative Investments</i> | | | |
| <i>Liquidity Fund</i> | | | |
| | 100% | | |

NOTE: Asset Allocation study currently in process. Current Investment Policy Statement does not contain asset allocation ranges.

**Formerly Mutual Fixed Income Fund*



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**State of Connecticut
Agricultural College Fund
Asset Allocation Policy and Relative Ranges**

| Asset Class | Asset Allocation Target Range | Lower Bound | Upper Bound |
|------------------------------------------------------|----------------------------------|----------------|----------------|
| <i>Mutual Equity Fund</i> | 25% | 20% | 30% |
| <i>Developed Market International Stock Fund</i> | | | |
| <i>Emerging Market International Stock Fund</i> | | | |
| <i>*Core Fixed Income Fund</i> | 70% | 63% | 77% |
| <i>Inflation Linked Bond Fund</i> | | | |
| <i>Emerging Market Debt Fund</i> | | | |
| <i>High Yield Bond Fund</i> | | | |
| <i>Real Estate Fund</i> | | | |
| <i>Private Equity</i> | | | |
| <i>Alternative Investments</i> | | | |
| <i>Liquidity Fund</i> | 5% | 3% | 7% |
| | 100% | | |

Note: Publicly listed common stock investments in U.S. equity securities are subject to a statutory limit of 60% of the AGRI's total portfolio.

Additional Note: In a recent audit finding the State Auditors of Public Accounts opined that the "Agricultural College Fund limits possible investments to 'Federal, state or other safe bonds'." However, it has been the practice of the CRPTF to invest a small amount of the fund's assets in U.S. Equities for as far back as anyone can remember. And while an Attorney General Opinion (August 9, 1996) to former Treasurer Christopher Burnham points out the limitations imposed by the original Act of Congress, the Connecticut General Statutes, Section 3-40 et seq. appears to contemplate that the fund will have holdings in securities other than bonds. Further analysis will need to be done as to whether the current asset allocation (Table 1, above) needs to be changed.

NOTE: Asset Allocation study currently in progress. Mutual Equity Fund and Mutual Fixed Income Fund have been restructured and as such, current policy targets are 25% Mutual Equity Fund and 70% Mutual Fixed Income Fund and do not match new fund structure.

**Formerly Mutual Fixed Income Fund*



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**State of Connecticut
Andrew C. Clark Fund
Asset Allocation Policy and Relative Ranges**

| Asset Class | Asset Allocation Target Range | Lower Bound | Upper Bound |
|------------------------------------------------------|----------------------------------|----------------|----------------|
| <i>Mutual Equity Fund</i> | 25% | 20% | 30% |
| <i>Developed Market International Stock Fund</i> | | | |
| <i>Emerging Market International Stock Fund</i> | | | |
| <i>*Core Fixed Income Fund</i> | 70% | 63% | 77% |
| <i>Inflation Linked Bond Fund</i> | | | |
| <i>Emerging Market Debt Fund</i> | | | |
| <i>High Yield Bond Fund</i> | | | |
| <i>Real Estate Fund</i> | | | |
| <i>Private Equity</i> | | | |
| <i>Alternative Investments</i> | | | |
| <i>Liquidity Fund</i> | 5% | 3% | 7% |
| | 100% | | |

Note: Publicly listed common stock investments including U.S. equity securities are subject to a statutory limit of 60% of the ACCF's total portfolio.

Any material changes necessary would be pursuant to the findings of an asset allocation/liability study of the ACCF.

NOTE: Asset Allocation study currently in progress. Mutual Equity Fund and Mutual Fixed Income Fund have been restructured and as such, current policy targets are 25% Mutual Equity Fund and 70% Mutual Fixed Income Fund and do not match new fund structure.

**Formerly Mutual Fixed Income Fund*



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**State of Connecticut
Arts Endowment Fund
Asset Allocation Policy and Relative Ranges**

| Asset Class | Asset Allocation Target Range | Lower Bound | Upper Bound |
|------------------------------------------------------|----------------------------------|----------------|----------------|
| <i>Mutual Equity Fund</i> | | | |
| <i>Developed Market International Stock Fund</i> | | | |
| <i>Emerging Market International Stock Fund</i> | | | |
| <i>*Core Fixed Income Fund</i> | 100 % | N/A | N/A |
| <i>Inflation Linked Bond Fund</i> | | | |
| <i>Emerging Market Debt Fund</i> | | | |
| <i>High Yield Bond Fund</i> | | | |
| <i>Real Estate Fund</i> | | | |
| <i>Private Equity</i> | | | |
| <i>Alternative Investments</i> | | | |
| <i>Liquidity Fund</i> | | | |
| | 100% | | |

Any material changes necessary would be pursuant to the findings of an asset allocation/liability study of the ARTS.

NOTE: Asset Allocation study currently in progress. The Mutual Fixed Income Fund has been reallocated, and therefore this allocation does not match.

**Formerly Mutual Fixed Income Fund*



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**State of Connecticut
Hopemead Fund
Asset Allocation Policy and Relative Ranges**

| Asset Class | Asset Allocation Target Range | Lower Bound | Upper Bound |
|------------------------------------------------------|----------------------------------|----------------|----------------|
| <i>Mutual Equity Fund</i> | 25% | 20% | 30% |
| <i>Developed Market International Stock Fund</i> | | | |
| <i>Emerging Market International Stock Fund</i> | | | |
| <i>*Core Fixed Income Fund</i> | 70% | 63% | 77% |
| <i>Inflation Linked Bond Fund</i> | | | |
| <i>Emerging Market Debt Fund</i> | | | |
| <i>High Yield Bond Fund</i> | | | |
| <i>Real Estate Fund</i> | | | |
| <i>Private Equity</i> | | | |
| <i>Alternative Investments</i> | | | |
| <i>Liquidity Fund</i> | 5% | 3% | 7% |
| | 100% | | |

Note: Publicly listed common stock investments including U.S. equity securities are subject to a statutory limit of 60% of the HOPE's total portfolio.

Any material changes necessary would be pursuant to the findings of an asset allocation/liability study of the HOPE.

NOTE: Asset Allocation study currently in progress. Mutual Equity Fund and Mutual Fixed Income Fund have been restructured and as such, current policy targets are 25% Mutual Equity Fund and 70% Mutual Fixed Income Fund and do not match new fund structure.

**Formerly Mutual Fixed Income Fund*



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**State of Connecticut
Ida Eaton Cotton Fund
Asset Allocation Policy and Relative Ranges**

| Asset Class | Asset Allocation Target Range | Lower Bound | Upper Bound |
|------------------------------------------------------|----------------------------------|----------------|----------------|
| <i>Mutual Equity Fund</i> | 25% | 20% | 30% |
| <i>Developed Market International Stock Fund</i> | | | |
| <i>Emerging Market International Stock Fund</i> | | | |
| <i>*Core Fixed Income Fund</i> | 70% | 63% | 77% |
| <i>Inflation Linked Bond Fund</i> | | | |
| <i>Emerging Market Debt Fund</i> | | | |
| <i>High Yield Bond Fund</i> | | | |
| <i>Real Estate Fund</i> | | | |
| <i>Private Equity</i> | | | |
| <i>Alternative Investments</i> | | | |
| <i>Liquidity Fund</i> | 5% | 3% | 7% |
| | 100% | | |

Note: Publicly listed common stock investments including U.S. equity securities are subject to a statutory limit of 60% of the IDAE's total portfolio.

Any material changes necessary would be pursuant to the findings of an asset allocation/liability study of the IDAE.

NOTE: Asset Allocation study currently in progress. Mutual Equity Fund and Mutual Fixed Income Fund have been restructured and as such, current policy targets are 25% Mutual Equity Fund and 70% Mutual Fixed Income Fund and do not match new fund structure.

**Formerly Mutual Fixed Income Fund*



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**State of Connecticut
School Fund
Asset Allocation Policy and Relative Ranges**

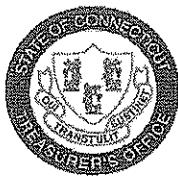
| Asset Class | Asset Allocation Target Range | Lower Bound | Upper Bound |
|------------------------------------------------------|----------------------------------|----------------|----------------|
| <i>Mutual Equity Fund</i> | 25% | 20% | 30% |
| <i>Developed Market International Stock Fund</i> | | | |
| <i>Emerging Market International Stock Fund</i> | | | |
| <i>*Core Fixed Income Fund</i> | 70% | 63% | 77% |
| <i>Inflation Linked Bond Fund</i> | | | |
| <i>Emerging Market Debt Fund</i> | | | |
| <i>High Yield Bond Fund</i> | | | |
| <i>Real Estate Fund</i> | | | |
| <i>Private Equity</i> | | | |
| <i>Alternative Investments</i> | | | |
| <i>Liquidity Fund</i> | 5% | 3% | 7% |
| 100% | | | |

Note: Publicly listed common stock investments including U.S. equity securities are subject to a statutory limit of 60% of the SCOL's total portfolio.

Any material changes necessary would be pursuant to the findings of an asset allocation/liability study of the SCOL.

NOTE: Asset Allocation study currently in progress. Mutual Equity Fund and Mutual Fixed Income Fund have been restructured and as such, current policy targets are 25% Mutual Equity Fund and 70% Mutual Fixed Income Fund and do not match new fund structure.

**Formerly Mutual Fixed Income Fund*



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**State of Connecticut
Soldiers' Sailors' & Marines' Fund
Asset Allocation Policy and Relative Ranges**

| Asset Class | Asset Allocation Target Range | Lower Bound | Upper Bound |
|------------------------------------------------------|----------------------------------|----------------|----------------|
| Mutual Equity Fund | 8% | 4% | 12% |
| Developed Market International Stock Fund | | | |
| Emerging Market International Stock Fund | | | |
| *Core Fixed Income Fund | 90% | 85% | 95% |
| Inflation Linked Bond Fund | | | |
| Emerging Market Debt Fund | | | |
| High Yield Bond Fund | | | |
| Real Estate Fund | | | |
| Private Equity | | | |
| Alternative Investments | | | |
| Liquidity Fund | 2% | 1% | 3% |
| | 100% | | |

Note: Publicly listed common stock investments including U.S. equity securities are subject to a statutory limit of 60% of the SSMF's total portfolio.

Any material changes necessary would be pursuant to the findings of an asset allocation/liability study of the SSMF.

NOTE: Asset Allocation study currently in progress. The Mutual Fixed Income Fund and Mutual Equity Fund have been reallocated, and the targets above no longer match.

**Formerly Mutual Fixed Income Fund*



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COMBINED INVESTMENT FUND – ASSET ALLOCATION RANGES

The sub-asset allocation composition for the individual funds listed below will be driven, cumulatively, by the asset allocation decisions of each individual plan and trust. The three largest plans, SERF, TERF and CMERF, represent over 95 percent the total assets under management, and therefore, will carry a high level of influence on the overall asset allocation target for individual funds. The two charts below represent the asset allocation target ranges based on the two portfolio types from the plan and trust asset allocation.

| | Asset Allocation Target Range | Lower Range % | Upper Range % | |
|-----------------------------------------------------------|--------------------------------------|----------------------|----------------------|------------------------------------------------------------------|
| | | | | Benchmark |
| Mutual Equity Fund (MEF) | 21% - 17% | 14% | 25% | Russell 3000 Index + 65-135 bps |
| Developed Markets International Stock Fund (DMISF) | 16% - 12% | 9% | 19.5% | S&P/Citigroup BMI EPAC + 100-250 bps |
| Emerging Markets International Stock Fund (EMISF) | 8% | 5% | 11% | MSCI EMF +200 bps |
| Core Fixed Income Fund (CFIF) | 20% | 19% | 23% | Lehman Aggregate + 37.5-125 bps |
| Inflation Linked Bond Fund (ILBF) | 10% | 9.5% | 10.5% | LB TIPS + 20-40 bps |
| Emerging Markets Debt Fund (EMDF) | 5% | 3% | 7% | J.P. Morgan EMBI Global/ J.P. Morgan GBI-EM Global + 100-200 bps |
| High Yield Bond Fund (HYBF) | 2% | 1% | 3% | Citigroup High Yield Mkt. + 150-300 bps |
| Private Investment Fund (PIF) | 10% | 5% | 15% | S&P 500 + 500 bps |
| Real Estate Fund (REF) | 7% | 6% | 8% | NCREIF Property |
| Liquidity Investment Fund (LIF) | 1% | .5% | 3% | 1-month LIBOR flat |
| Alternative Investment Fund (AIF) | 0% - 8.0% | 0% | 10% | 90 Day T-Bills + 400 bps |

Note: CMERF has this asset allocation



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| | Asset Allocation Target Ranges | Lower Range % | Upper Range % | Benchmark |
|-----------------------------------------------------------|--------------------------------|---------------|---------------|------------------------------------------------------------------|
| Mutual Equity Fund (MEF) | 27% - 24.0% | 20.0 | 32.0 | Russell 3000 Index + 65-135 bps |
| Developed Markets International Stock Fund (DMISF) | 21% - 19.0% | 15.0 | 26.0 | S&P/Citigroup BMI EPAC + 100-250 bps |
| Emerging Markets International Stock Fund (EMISF) | 9.0% | 6.0 | 12.0 | MSCI EMF + 200 bps |
| Core Fixed Income Fund (CFIF) | 14% - 12.0% | 11.0 | 16.0 | Lehman Aggregate +37.5-125 bps |
| Inflation Linked Bond Fund (ILBF) | 6% to 5.0% | 4.5 | 6.5 | LB TIPS + 20-40 bps |
| Emerging Markets Debt Fund (EMDF) | 4.0% | 3.0 | 5.0 | J.P. Morgan EMBI Global/ J.P. Morgan GBI-EM Global + 100-200 bps |
| High Yield Bond Fund (HYBF) | 2.0% | 1.5 | 2.5 | Citigroup High Yield Mkt. + 150-300 bps |
| Private Investment Fund (PIF) | 11.0% | 7.0 | 15.0 | S&P 500 + 500 bps |
| Real Estate Fund (REF) | 5.0% | 4.0 | 6.0 | NCREIF Property |
| Liquidity Investment Fund (LIF) | 1.0% | 0.5 | 3.0 | 1-month LIBOR flat |
| Alternative Investment Fund (AIF) | 0% - 8.0% | 0.0 | 10.0 | 90 Day T-Bills + 400 bps |

Note: SERF and TERF have this allocation.

Asset Class Guidelines – Equity and Fixed-Income Funds

Manager Strategies / Styles

In order to meet the benchmark and fund objectives of each asset class, the Treasurer will utilize a combination of the following money manager styles and strategies. As noted in Part I, Article IX, the size, number and style of money managers retained within each



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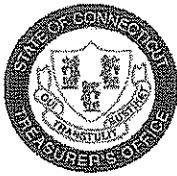
Asset Class Fund will be determined by the Treasurer's reasonable and prudent considerations to create optimal multi-money manager complements. In creating multiple money manager portfolios of assets, money manager structuring is designed to optimize the combination of money managers within an Asset Class. Each money manager will individually provide a value added function so that the blend of money managers within the Asset Class Fund achieves its desired return target while maintaining acceptable levels of risk and diversification.

- **Passive** – money manager attempts to match the index in terms of performance and characteristics.
- **Enhanced index** – money manager incrementally assumes modest tracking error through a proprietary value-added strategy.
- **Active Core** – money manager is acutely aware of benchmark relative exposures (*capitalization, style, industries, etc.*) and actively seeks out performance above the Fund's Asset Class with a normalized tracking error.
- **Active Specialist** – money manager is acutely aware of benchmark relative exposures within a Sub-Asset Class (*ex: within a particular capitalization, style, or industry*) and actively seeks out performance above the Sub-Asset Class as shown through stronger Information Ratios.
- **Small Cap** – money manager is constrained to an investment universe of smaller capitalization securities (normally capped around \$2 billion).
- **Opportunistic** – money manager's investment strategies include specially created or newly innovative products which may not be easily classifiable and/or currently not widely available in the institutional marketplace.

Currency Strategy

As an investor in the international equity markets, the CRPTF is also an investor in the foreign currencies in which these stocks are denominated. Over the long term, returns of foreign currencies are expected to be zero. However, in the short and intermediate term, currency movements can have a meaningful impact on the returns of an international equity portfolio. A strategic hedge ratio of 50% was adopted for the developed market international stock fund (DMISF). This strategic hedge ratio represents the neutral stance or desired long-term exposure to currency for the DMISF.

To implement this policy, currency specialists will manage the currency portfolio as an overlay strategy to the equity investment managers. These specialists may manage the portfolio passively or actively depending on opportunities in the marketplace. An active specialist(s) may be retained if the Treasurer believes this/these specialist(s) may add incremental value to the investment program.



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Watch List Procedure

Purpose:

In accordance with Part I, Article XI of the State of Connecticut Retirement Plans & Trust Funds (“CRPTF”) Investment Policy Statement, the Treasurer shall regularly monitor the investment performance at the total fund, asset class, and individual money manager levels.

In addition, at the three year investment horizon, utilizing a staggered review schedule, the treasurer will conduct a comprehensive review of each money manager. A report of findings will be prepared and include a recommendation to continue, terminate or place the money manager on the watch list. All three-year comprehensive reviews will be reported to the IAC. These comprehensive reviews will continue every three years thereafter for as long as the money manager oversees funds for the CRPTF.

Periodically, it may be necessary, in the best interests of the CRPTF, to place a money manager on a Watch List, either as a result of the regular monitoring of individual money managers or the comprehensive money manager evaluation. The following conditions can trigger placement on the Watch List.

Conditions:

The following conditions can trigger placement on the Watch List:

- The money manager significantly under-performs its benchmark for three consecutive quarters;
- The money manager experiences turnover of key members of the investment professional staff;
- The CRPTF becomes aware of a significant event affecting the money manager such as (but not limited to) change of control; a large quarterly loss; the disclosure of Securities & Exchange Commission (“SEC”) or other federal investigations or inquiries into the manager operations;
- Violation of investment guidelines;
- A change in the portfolio characteristics or risk profile, which may indicate style drift; or
- Any other event that could affect the money manager’s ability to perform its investment management responsibilities for the CRPTF.



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Action

The Chief Investment Officer, with input from staff and/or consultants as appropriate, will make a recommendation to the Treasurer to place a money manager on the Watch List. At the time of the recommendation, an indication will be given to the Treasurer of the criteria that may be considered in the monitoring phase.

Subsequent Actions:

Once a money manager is placed on the Watch List, the situation triggering such placement will be reviewed by the Treasurer and/or the Chief Investment Officer. This review will entail a comprehensive analysis of the situation, through various means, such as site visits, conference calls, assessment of the likely impact of the situation, etc. An analysis and recommendation will be delivered to the Treasurer by the Chief Investment Officer. If such analysis alleviates the concerns of the Treasurer, the money manager will be removed from the Watch List. If such analysis does not alleviate the concerns of the Treasurer, a decision will be made whether to (a) continue to monitor the money manager, or (b) terminate the money manager.

It is expected that a money manager on the Watch List will be reviewed every six months for a status review. That said, there is no stated time constraint under which a decision to continue monitoring, terminate or remove the money manager from the Watch List. Each situation will be handled on an individual basis, but wholly consistent with the Watch List framework articulated in Part I Article XI of the Investment Policy Statement.

Notification to the Investment Advisory Council (“IAC”):

The Treasurer shall inform the IAC of any decision to place a money manager on the Watch List and thereafter shall report on any change in status of the issues that led to placement of the money manager on the Watch List or any action taken.



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ASSET CLASS GUIDELINES-REAL ESTATE FUND

Manager Strategies/Style⁸

The Real Estate Fund’s (“REF” or the “Fund”) portfolio performance shall be benchmarked against the total rate of return of the National Council of Real Estate Investment Fiduciaries Property Index (“NCREIF Property Index”). Additional criteria will be applied to the performance of investment managers, having a focus on a particular property sector or geographic location and for investments having higher risk strategies.

The REF shall be divided in three segments, the Core Portfolio, the Value-Added Portfolio and the Opportunistic Portfolio. Assignment of an investment to a particular portfolio shall be based on the investment’s risk and return characteristics.

Strategic Objectives of the Core, Value-Added Opportunistic and Publicly Traded Portfolios:

Under this structure, the strategic objectives of the Core Portfolio are to: (i) produce stable current income and (ii) market level returns commensurate with a low to moderate level of risk. Hence, the performance of the Core Portfolio is expected to mirror the composite NCREIF Property Index, on a net-of-fee basis.

The Value-Added Portfolio is expected to produce higher returns than the Core Portfolio, subject to an incrementally greater amount of risk, thereby enhancing the overall performance of the REF. The Value-Added Portfolio is expected to provide solid income and greater levels of appreciation than anticipated in the Core Portfolio. The Value-Added Portfolio is expected to outpace the NCREIF Property Index by 200 basis points, on a net-of-fee basis.

The Opportunistic Portfolio is expected to enhance performance of the REF, and to provide additional diversification to the real estate portfolio. The Opportunistic Portfolio may offer limited current income and returns are often largely dependent on future appreciation. The Opportunistic Portfolio is expected to outpace the NCREIF Property Index by 500 basis points, on a net-of-fee basis.

Allocation to the Core, Value-Added, Opportunistic, and Publicly Traded Portfolios:

Allocations to the Core, Value-Added, Opportunistic and Publicly Traded Portfolios shall be made to maximize the total return to CRPTF while mitigating risk.

⁸ Including up to 5% of the REF for partnerships targeting underserved geographical areas and populations, with a focus on Connecticut.



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| Portfolio Segment | Allocation Range | Target Allocation |
|-------------------|------------------|-------------------|
| Core | 30% to 50% | 40% |
| Value-Added | 20% to 40% | 30% |
| Opportunistic | 20% to 40% | 30% |

All investments will be managed as approved by the Treasurer consistent with the objectives and policies of the CRPTF and subject to the provisions of the CRPTF, the contractual arrangements governing the relationship between the CRPTF and its investment managers, and the investment guidelines outlined below.

Discretion:

The Fund may enter into discretionary separate account relationships with real estate investment managers, subject to pre-approved investment guidelines, whenever possible, or clearly defined investment strategies. This delineation is known in the real estate industry as “discretion in a box”, which means the manager shall have the authority and discretion to execute a particular investment strategy only so long as each and every investment falls within the pre-approved guidelines for that investment manager’s portfolio. For this reason, investments shall be structured to facilitate alignment of interests between management and the Fund, management accountability, investment monitoring and ultimately, liquidity.

In these separate accounts, CRPTF shall have sole ownership of the assets or may joint venture with other institutional investors to acquire the asset. CRPTF will reserve the right to remove the real estate manager of any separate account, with or without cause, in a timely manner.

Alignment of Interests:

Preferred investments for the REF will be those that exhibit the highest degree of management accountability and the greatest alignment of interests. As a matter of policy, REF will seek, but will not be limited to, dedicated management teams that co-invest or have substantial ownership interest in the investment entity, controlling positions with provisions for liquidity, disclosure, as well as the mitigation of conflicts of interest.

Leverage at the aggregate Fund level should be limited to 60%. This shall be measured by comparing the principal amount of debt secured by real estate investments in the portfolio annually to the gross market value of the real estate portfolio.



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Management of the Fund

The Treasurer, in consultation with the IAC, shall select the investment managers for the REF. In accordance with Section 3-13i of the Connecticut General Statutes, the IAC will have up to a forty-five day period following presentation of the investment opportunity in which to file a written review of the Treasurer's recommendation. While the IAC's response will be given full consideration, the ultimate decision to invest or not, resides with the Treasurer. The Treasurer and the IAC shall also review, at least quarterly, the activity and financial condition of the REF. In the event the preconditions described in Section 3-13d of the Connecticut General Statutes are met with respect to a "lame duck" period, the IAC shall assume the principal fiduciary authority of the Treasurer for investment decisions in the real estate investment fund until such time that a duly elected Treasurer is officially sworn into office.

Diversification

In portfolio theory, the principle of diversification is defined as the process of combining investment alternatives so that unique risk is reduced and the level of certainty associated with future expected returns is enhanced. This shall be accomplished in the real estate portfolio through the investment of capital among a number of different investment management organizations and in a variety of investment strategies and structures, property types and geographic regions, among other factors.

Diversification by Investment Manager:

To reduce risk, the REF shall be diversified by investment management organization. No single investment management organization shall manage more than 25% of the market value of the REF allocation.

Diversification by Geography:

To reduce risk, investments in the real estate portfolio shall be (i) well diversified by geography and (ii) primarily located in the United States. The allocation ranges for real estate located in the United States versus overseas shall be 80% to 100% to the United States and 0% to 20% to real estate markets abroad.

Based on the geographic classification system used in the NCREIF Property Index, the target allocation ranges for regions within the United States shall be as follows:

| <u>Region</u> | <u>Allocation Range</u> |
|---------------|-------------------------|
| West | 25% - 45% |
| Midwest | 5% - 25% |
| East | 20% - 40% |
| South | 20% - 40% |



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Diversification by Property Type:

To reduce risk, the real estate portfolio shall be well diversified by property type and primarily invested in apartment, industrial, office and retail assets. The target allocation ranges for the four basic property types as well as “other” property types to be included in the Core Portfolio are as follows:

| <u>Property Type</u> | <u>Allocation Range</u> |
|----------------------|-------------------------|
| Apartment | 10% - 30% |
| Industrial | 10% - 30% |
| Office | 30% - 45% |
| Retail | 10% - 30% |
| Hotel | 0% - 10% |
| Other | 0% - 20% |

Note: Other includes, but is not limited to, land, condominiums, golf courses, operating companies and senior housing

Diversification by Investment Size:

To mitigate risk within the real estate portfolio, the following standards shall apply. The Fund’s holdings of any private market commingled real estate investment shall be limited to no more than 20% of outstanding equity capitalization of the vehicle at the time of investment.

Diversification by Currency:

There are no specific guidelines regarding currency diversification. However, in accordance with the Fund’s overall investment objectives of safety and convertibility, the investments in the real estate portfolio shall provide adequate currency diversification and, to the extent possible, shall be readily and fully convertible to U.S. dollars.

To this end, investments in markets which either restrict, limit or control the conversion of local currency into U.S. dollars shall be avoided or, whenever possible, U.S. dollar denominated. In addition, careful attention shall be given to the overall strength and stability of currencies at the time of investment in a local economy and ongoing basis.

Due consideration shall be given to the positives and negatives of currency protection programs including the potential to add incremental risk. For example, high amounts of leverage are often used to provide an element of currency protection for foreign investors and to shelter current income from local taxes. To the extent sheltering techniques are employed, expected returns for such investments shall take into account the risks associated with the financial overlay.



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Contracts with General Partner

The CRPTF will seek to negotiate partnership agreements that include language to ensure (i) accountability, alignment of interests between general partners and the limited partners, (ii) complete disclosure of all actions taken that affect or have the potential to affect the limited partners, (iii) no conflicts of interests, (iv) provisions that allow the CRPTF to sell its limited partnership interest, (v) provision is made for a “no fault divorce clause” and protections for the limited partners in the event of changes within the general partnership, (vi) the existence of an advisory board and language that describes how any conflicts would be handled, (vii) specific language on valuation standards for investments, (viii) provisions that limit the general partner’s ability to concentrate investments of the partnership in one company or enterprise, and (ix) the ability for the CRPTF to have co-investment rights in any underlying investment of the partnership. CRPTF will seek to obtain all of the above provisions, but recognizes that each provision may not be obtainable in each and every partnership. When or if there are deviations from this policy, the rationale for deviating from the policy shall be documented and submitted to the Treasurer for approval.

Communications, Reporting, Notification

A comprehensive performance measurement report for the real estate portfolio shall be prepared on a quarterly basis (“Performance Report”).

The Performance Report shall include a market valuation of and historical returns for each of the Fund’s investments. The valuations and returns shall be presented on a U.S. dollar basis and aggregated, along with information on investment attributes, on a portfolio basis. In addition, comparisons shall be made of actual results to benchmarks, investment parameters and other guidelines or objectives contained herein. The Performance Report shall also contain information on significant events impacting the real estate portfolio and updated information on the status of global real estate markets.

Under the direction of the CIO, staff shall endeavor to insure that investment valuations and returns which are prepared by investment managers and included in the Performance Report are calculated in accordance with guidelines established by the Association for Investment Management and Research (“AIMR”) and the National Council of Real Estate Investment Fiduciaries (“NCREIF”), the Pension Real Estate Association (“PREA”) and the National Association of Real Estate Investment Managers (“NAREIM”) as included in the most recent editions of the Real Estate Information Standards and the NCREIF Market Value Accounting Policy Manual. To the extent that investment managers do not report on the Fund’s investments in a manner consistent with the Fund’s guidelines, the CIO’s staff shall work with these investment managers to obtain the most appropriate information. The investment managers shall be notified at the inception of their contracts that the failure or inability of the investment manager to provide accurate and timely financial reporting including performance results computed in a manner consistent with AIMR guidelines may constitute grounds for termination.



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ASSET CLASS GUIDELINES - PRIVATE EQUITY FUND

Manager Strategies/Style⁹

The investment managers' discretion regarding the selection of investments shall be limited by the Treasurer's exercise of her duty to consider the consequences of such discretion in accordance with state laws and as may be addressed in the IPS. Within that context, the Treasurer recognizes that private equity is an intensively managed asset class; therefore, investments will be made within the framework of the following process:

- Development of strategic asset allocation targets for private equity.
- Development of criteria and procedures to be utilized for the selection of new private equity partnership commitments.
- Development of the performance measurement standards for private equity.
- Monitoring and evaluation of fund managers' performance on an on-going basis.
- Screening of potential private equity partnerships and reporting to the Treasurer.
- Conducting due diligence as directed by the Treasurer.
- Review by the IAC of any proposal to enter into a contract.
- Reviewing of partnership terms and conditions with recommendations for CRPTF final negotiations. Ensuring that any contract entered into includes language to establish an alignment of interest between the general partner and the CRPTF as a limited partner.
- Management of securities distributions to achieve as close to the distribution price as possible within a reasonable period of time.

The role of PIF in the long-range asset allocation strategy is to earn returns in excess of the public equity markets through investments in private companies. The target rate of return for the PIF is the ten-year average annualized return of the Standard & Poor 500, plus a 500 basis point premium.

The target expected rate of return on any individual investment within PIF shall be based upon the particular investment strategy employed:

- If the investment manager's strategy is to make equity investments in young or development stage companies, then the expected long term return on the investment is the 10-year average annualized return of the Standard & Poor 500, plus an 800 basis point premium, net of fees.
- If the investment manager's strategy is to make equity investments in mature companies, then the expected long term return on the investment is the 10-year average annualized return of the Standard & Poor 500, plus a 400 basis point premium, net of fees.

⁹ Including up to 3% for partnerships targeting under-served geographical areas and populations, with a focus on Connecticut.



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- If the investment manager's strategy is to purchase debt obligations, then the expected return on the investment is at least 600 basis points in excess of the yield-to-maturity on U.S. Government obligations of similar maturities, net of fees.

Given the long-term investment objectives of the PIF, the Treasurer's philosophy is to 1) manage risks to acceptable levels, 2) allocate risks where there is the greatest opportunity for enhanced return relative to a passive implementation and 3) avoid concentrated levels of risk to the extent possible. In accordance with this philosophy, the following sub-allocations shall be used as an overall target for commitment levels within the portfolio:

| | Policy Target | Lower Range % | Upper Range % |
|-------------------|----------------------|----------------------|----------------------|
| Corporate Finance | | 60 | 90 |
| Venture Capital | | 10 | 40 |

The volatility of the rate of return from a single investment in an underlying portfolio company is expected to be greater than that of publicly traded securities. However, the development of a portfolio of 40 to 50 private equity partnerships that comprises 500 to 700 portfolio companies should have the effect of reducing the overall volatility of the PIF over time. Furthermore, the perpetual nature of the PIF makes this risk acceptable. Diversification among the various types of private equity opportunities as well as by sector, geographically and across time (vintage year), further lessens the risk associated with a single investment.

Eligible Investments

The following private equity strategies will be considered eligible for CRPTF's portfolio:

- Early, mid, late and balanced stage venture capital funds;
- Buyout, acquisition and restructuring funds;
- Mezzanine debt funds;
- Growth funds;
- Sector-focused funds;
- Turnaround and distressed funds;
- Internationally-focused funds; and
- Any non-traditional investment approved by the Treasurer as an eligible investment.

The following investment vehicle structures will be considered eligible for CRPTF's portfolio:

- **Primary Funds:** Closed-end vehicles that invest directly in companies through privately negotiated transactions. The private equity manager serves as the general partner, with capital committed from investors, or limited partners. Primary funds are typically structured as limited partnerships with 10 to 12 year terms. Primary funds will be the predominant investment vehicle for the Program.



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- **Secondary Funds:** Closed-end vehicles that purchase existing interest in a private equity fund or portfolio of funds. Unlike Primary Funds, the buyer has the opportunity to evaluate an existing portfolio, which may be partially or fully invested, in order to determine a price.
- **Fund-of-Funds:** Closed-end vehicles that invests in other funds. Similar to primary funds, a fund-of-funds is managed by a general partner over a specified term.
- **Separate Accounts:** Externally managed investment programs. Certain market segments may not be appropriate for direct investment due to size, strategy or other constraints, but can efficiently accessed through third party managers.

Diversification

The PIF portfolio will be diversified with respect to time of investment commitment, geography, industry, strategy and stage focus. The private equity industry goes through cycles much like all the other investment asset classes. Given the illiquid nature of private equity investments, attempting to “time the market” is not a realistic alternative. Most sophisticated investors dollar cost average into the market with new commitments on a steady, annual basis.

The remaining diversification factors – strategy, geography, industry and stage – also provide hedges within the private equity marketplace to take advantage of timely opportunities and to dampen any negative effects of trends and natural cycles. Venture Capital and Corporate Finance strategies have independent market cycles, as do industries and geographic regions. Appropriate diversification works to dampen the impact of any one of these factors on the overall program.

To provide adequate diversification in geography, stage and industry, the following guidelines are for the private equity portfolio:

Geographical Diversification

One measure of diversification is by geographical location of the underlying portfolio companies. Over the long term, CRPTF’s PIF portfolio should seek portfolio diversification with regard to both developed and developing private equity geographic regions. However, in certain situations, a geographically targeted fund or fund of funds may be appropriate for the portfolio.

Allocation to developing international markets should be considered within the context of the total portfolio’s allocation and should be limited to 10% or less of the PIF.

Industry Sector Diversification

CRPTF’s PIF portfolio will also seek to diversify by industry sector. The majority of the selected partnerships will have an opportunistic and/or diversified industry focus, since



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the approach has historically been the most successful. However, with the continually increasing technological sophistication in today's more competitive business environment, some specialized funds focusing on specific industries may be appropriate.

Stage Diversification

CRPTF's PIF should be well diversified by stage, with a good balance of early stage (seed + start up + early stage), expansion and buyouts/acquisitions of established businesses.

Timing Diversification

Commitment to partnerships will be staged over time. This policy will have the effect of dollar cost averaging Connecticut's portfolio over business cycles and will help insulate the portfolio from event risk.

In summary, these diversification guidelines will provide the maximum return and safety of principal for the private equity portfolio over time.

Selection Criteria

All private equity investments and the method by which they are sourced and added to the CRPTF portfolio shall be in compliance with Connecticut State laws and statutes. Additionally, all new investments to PIF will be appropriately documented and such documentation shall meet the standards set by the Treasurer.

Partnership selection shall entail a comprehensive, thorough process of due diligence and investigation of the critical factors on which an investment decision is to be based, including quantitative and qualitative analysis of the general partner, its professionals and their ability to successfully implement their stated investment strategy within the context of current and prospective market environments. The partnership's relative investment worthiness will be assessed within this context. To the extent necessary and feasible a site visit will be conducted as part of this process.

CRPTF seeks to prudently invest in partnerships with the following characteristics:

- General partners with experience as principals relevant to their investment strategy, and evidence of stability among the general partnership team;
- An attractive track record showing the following:
 - Ability to develop a successful portfolio,
 - An acceptable rate of return on investment for investors;
 - For established general partnerships, track record of top two quartile performance when compared to their peer group by *Venture Economics*;
 - Ability to realize profits with successful exits;



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- Well-defined and realistic strategies for the future;
- Experience investing institutional funds;
- Evidence of good communications and strong relationships with prior investors.
- Long-term dedication to the partnership;
- Special skills or industry expertise; and
- Alignment of interests between the general partners and the limited partners (as may be demonstrated by CRPTF's representation on advisory boards, percent equity participation of the general partner, conflict of interest provisions, co-investing criteria, limitations on the percentage of capital of a fund that can be committed to a single investment, etc.).

Additional Venture Capital Partnership Selection Criteria:

- Proven value-added from the general partners;
- Proven ability to find and participate in successful investments; and
- Strong relationships with other investors and entrepreneurs.

Additional Corporate Finance Partnership Selection Criteria:

- Strong pricing disciplines;
- Ability to find and structure attractive investments;
- Ability to attract appropriate senior financing; and
- Ability to add value with revitalizations or acquisitions.

Additional criteria for the consideration of first time and/or “spin-out” funds:

- Professional experience relevant to their investment strategy;
- Ability to find and participate in successful investments;
- Well-defined and realistic strategies for the future and a clearly defined mission for the fund;
- Background check of the general partners with colleagues, peers and subordinates, the public record and any other source that might provide relevant information in the investment decision-making process; and
- Special skills or industry expertise.



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I. INTRODUCTION

The State of Connecticut Retirement Plans & Trust Funds (“CRPTF” or “the Plan”) has a deep interest in the condition of workers employed by the Plan and its advisors. The Plan, through the Responsible Contractor Policy (“Policy”) described below, supports and encourages fair wages and fair benefits for workers employed by its contractors and subcontractors, subject to fiduciary principles concerning duties of loyalty and prudence, both of which further require competitive returns on the Plan’s real estate investments. The Plan endorses small business development, market competition, and control of operating costs. CRPTF supports many of the ideals espoused by labor unions and encourages participation by labor unions and their signatory contractors in the development and management of the Plan’s real estate investments. The Plan believes that an adequately compensated and trained worker delivers a higher quality product and service.

II. DEFINITION OF A RESPONSIBLE CONTRACTOR

A Responsible Contractor, as used in this Policy, is a contractor or subcontractor who pays workers a fair wage and a fair benefit as evidenced by payroll and employee records. “Fair benefits” are defined as including, but are not limited to, employer-paid family health care coverage, pension benefits, and apprenticeship programs. What constitutes a “fair wage” and “fair benefit” depends on the wages and benefits paid on comparable real estate projects, based upon local market factors, that include the nature of the project (e.g., residential or commercial; public or private), comparable job or trade classifications, and the scope and complexity of services provided.

III. INITIAL REQUIREMENTS OF THE RESPONSIBLE CONTRACTING POLICY

- A. Duty of Loyalty: Notwithstanding any other considerations, assets shall be managed for the exclusive benefit of the participants and the beneficiaries of CRPTF. CRPTF’s as well as its advisors’, duty to the participants and their beneficiaries shall take precedence over any other duty.
- B. Prudence: CRPTF’s IAC, Treasurer, staff and advisors are charged with the fiduciary duty to exercise the care, skill, prudence and diligence appropriate to the task.
- C. Competitive Return: To comply with duties of loyalty and prudence, all investments and services must be made and managed in a manner that produces a competitive risk-adjusted return.



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- D. Competitive Bidding: Contractors and their subcontractors for construction, maintenance, and services shall be selected through a competitive bidding and selection process. The purpose of this provision is to encourage fair competition and to actively seek bids from all qualified sources within an area, particularly those identified as Responsible Contractors. Advisors and their subcontractors shall create a bidding process that includes notification and invitations to bid, distributed to a broad spectrum of potential bidders, particularly those identified as Responsible Contractors. The review of the bids shall include consideration of loyalty, prudence, and competitive risk-adjusted returns (factors to be considered include experience, reputation for honesty, integrity, timeliness, dependability, fees, safety record, and the adherence to the Responsible Contracting Policy.)
- E. Local, State and National Laws: All advisors, property managers, contractors, and their subcontractors shall observe all local, state, and national laws (including, by way of illustration, those pertaining to insurance, withholding taxes, minimum wage, labor relations, health, and occupational safety.)

IV. SELECTION PREFERENCE OF A RESPONSIBLE CONTRACTOR

If Initial Requirements A through D (see Section III. above) are satisfied, CRPTF expresses a strong preference that Responsible Contractors be hired.

V. TRANSITION, ENFORCEMENT, MONITORING, AND ADMINISTRATION

- A. Applicable Investments and Phasing: This Policy shall apply to all applicable real estate advisors. The Policy shall not apply to investments such as hybrid debt, joint ventures, opportunity funds and other real estate investments where CRPTF does not have 100% ownership and/or full control of the investment. However, in those instances where CRPTF does not have 100% ownership and/or full control of the investment, staff will make reasonable attempts to encourage partners to comply with the spirit and practice of Responsible Contracting. In addition, reasonable efforts will be made to include fund managers that have adopted responsible contractor policies and to seek out investment opportunities that have responsible contractor policies in place for investment consideration.
- B. Notification: CRPTF shall provide all applicable current and prospective real estate advisors with a copy of this Policy, including investments where CRPTF does not have 100% ownership and/or full control of the investment.



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- C. **Solicitation Documents:** All requests for proposal and invitations to bid covered by this Policy shall include the terms of this Policy. Responses by bidders shall include information to assist the staff in evaluating a bid.
- D. **Contracts and Renewals:** All contracts entered into after the effective date of this Policy and pertaining to applicable real estate investments, including renewals of such contracts, shall include the terms of this Policy.
- E. **Responsibilities:** The responsibilities of CRPTF's staff, advisors, property managers, contractors, and unions are defined as follows:
 - 1. **Staff:** CRPTF staff shall have the following responsibilities:
 - a. Review the advisors' annual certification statement regarding compliance with the Policy.
 - b. Develop and maintain contact lists for all CRPTF's properties and provide a copy to inquiring parties.
 - c. Insert appropriate contract language where applicable.
 - d. In those instances where CRPTF does not have 100% ownership and/or full control of an investment, make reasonable attempts to encourage partners to comply with the spirit and practice of Responsible Contracting.
 - 2. **Advisors:** Advisors' responsibilities shall include:
 - a. Communicate the Policy to all property managers.
 - b. Review a contract listing for each property prepared by each property manager.
 - c. Maintain a simplified bid summary for each applicable contract. The summary should include identifying contract, successful bidder, and bidder's status as Responsible Contractor.
 - d. Maintain an annual report in their home office, describing their own efforts as well as those by property managers and their subcontractors.
 - e. Monitor and enforce the Policy including investigation of potential violations.
 - f. Annually, the signatory to the CRPTF contract will file a certification statement that their firm complied with the Responsible Contractor Policy for the preceding year and upon request will provide written substantiation of such compliance. This provision will be subject to periodic audits.



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3. **Property Managers:** Property managers will have responsibility for the following:
 - a. Communicate in bid documents the Responsible Contractor Program Policy to contractors seeking to secure construction or building service contracts.
 - b. Communicate the Policy to any interested party.
 - c. Ensure there is a competitive bidding process that is inclusive of potentially eligible Responsible Contractors.
 - d. Require bidders to provide to property manager a Responsible Contractor self-certification on a form approved by CRPTF.
 - e. Prepare and send to advisors a contract listing for applicable service contracts for each property under management. The building trades and service trades and other potential bidders will have access to this list.
 - f. Provide advisors with a simplified bid summary for each contract.
 - g. Provide property level annual report information to advisor.
 - h. Maintain documentation for successful bidders.
 - i. Seek from trade unions/service unions input in the development of Responsible Contractor lists.
 - j. Maintain list of any interested Responsible Contractors (names, addresses and telephone numbers).
4. **Contractors:** Contractors will have the responsibility for the following:
 - a. Submit to property manager a Responsible Contractor self-certification on a form approved by CRPTF.
 - b. Communicate to subcontractors the Responsible Contractor Program Policy.
 - c. Provide to property manager Responsible Contractor documentation.
5. **Unions:** Trade unions/service unions shall be asked to perform the following tasks:
 - a. Deliver to the property manager or advisor lists of names and phone numbers of Responsible Contractors.



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- b. Refer interested and qualified Responsible Contractors to the property manager.
- c. Continually monitor the local labor markets to update the lists.
- d. Provide technical input as appropriate.

F. **Outreach:** CRPTF's staff will develop and maintain a list of all CRPTF 100% owned and/or fully controlled properties. The list will include the property name, address, advisor and property manager, and phone number of the property manager and real estate advisors. The CRPTF's staff will provide this list to anyone who requests a copy. Actual contract expiration inquiries will be referred to the property level. Property managers shall provide solicitation documents to any potential contractor who has, in writing, expressed an interest in bidding for the relevant contract.

G. **Minimum Contract Size:** The Policy shall absolutely apply to all contracts of a minimum size of \$25,000, individually or annually as applicable. Minimum contract size refers to the total project value of the work being contracted for and not to any disaggregation by trade or task. For example, a \$25,000 contract to paint two buildings in a single office complex would not be treated as two \$12,500 contracts, each less than the minimum contract size. Disaggregation designed to evade the requirements of the Policy is not permitted.

H. **Applicable Expenditures Categories:** The Policy shall apply to tenant improvements, capital expenditures, and operational service contracts (such as cleaning).

I. **Fair Wage, Fair Benefits, Training:** The Policy avoids a narrow definition of “fair wage”, “fair benefits”, and “training” that might not be practical in all markets. Furthermore, the Policy does not require a “prevailing wage”, as defined by government surveys. Instead, the Policy looks to local practices with regard to type of trade and type of project. The Policy recognizes that practices and labor market conditions vary across the country and that flexibility in its implementation is very important.

In determining “fair wages” and “fair benefits” with regard to a specific contract in a specific market, items that may be considered include local wage practices, state laws, prevailing wages, labor market conditions, and other items.

In place of a prevailing wage standard, the Policy requires a broad outreach and competitive bidding program, as described in Section III.D, and V.F and J. This program is premised upon the availability of a list of



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Responsible Contractors in every market in which CRPTF directly owns a property. While advisors and their property managers and contractors are responsible for gathering and analyzing information relevant to identifying and hiring a Responsible Contractor, compilation of this list does not depend solely on the advisors, property managers, or contractor. This Policy instead invites the various local trades to suggest contractors, which in their view qualify as Responsible Contractors. Sources of information include local building and service trade councils, builders association, and governments.

J. **Competitive Bidding:** Property managers and contractors should give notice for applicable bids in local trade publications, bulletins, IAC's and union building trades councils. Property managers should seek input from building trades councils to develop lists of Responsible Contractors for inclusion in the bidding process.

Property managers may choose from the list of Responsible Contractors a reasonable number of contractors to be invited to bid. Given the time and expense required to solicit and evaluate bids, it is not essential that advisors, property managers, and contractors invite all potential bidders.

The property manager must ensure that there is a competitive bidding process, which is inclusive of potentially eligible Responsible Contractors. Inclusion is not necessarily assured by large numbers of bidders. Care must be taken that bidders include potentially eligible Responsible Contractors.

Although the Policy does not require hiring union workers, the trade unions will be invited to (1) deliver to the property manager or advisor lists of names and phone numbers of Responsible Contractors including those Responsible Contractors who have expressed any interest in bidding, and (2) continually monitor the local markets to update the lists. Property managers shall maintain these lists supplied by the trade unions.

K. **Neutrality:** CRPTF recognizes the rights of employees to representation, and supports and strongly encourages a position of neutrality, in the event there is a legitimate attempt by a labor organization to organize workers employed in the construction, maintenance, operation, and services at a CRPTF owned property.

Resolution of any inter-jurisdictional trade disputes will be the responsibility of the trades and the various state and national building trades councils. This Policy does not call for any involvement by the advisors, property managers, or contractors in inter-jurisdictional trade disputes.



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L. **Enforcement:** If Staff becomes aware of non-compliance, this Plan will place a non-complying advisor or property manager on a probation watch list. If the advisor or property manager does not modify this pattern of conduct even after discussions with CRPTF's staff, the Plan will consider this pattern of conduct along with other information when it reviews the advisor or property manager contract for possible renewal. The key indicator is a pattern of conduct that is inconsistent with the provisions of the Policy.