INVESTMENT ADVISORY COUNCIL
WEDNESDAY, September 9, 2009

MEETING NO. 369

Members present:	Thomas Barnes* Thomas Fiore, representing Robert Genuario Michael Freeman David (Duke) Himmelreich Stanley (Bud) Morten William Murray* Denise L. Nappier, Treasurer David Roth* Joseph (Joe) D. Roxe, Chairman Carol Thomas Peter Thor
Absent:	Sharon Palmer
Others present:	Howard G. Rifkin, Deputy Treasurer Linda Hershman, Assistant Deputy Treasurer/Chief of Staff M. Timothy (Tim) Corbett, Chief Investment Officer Lee Ann Palladino, Deputy Chief Investment Officer Wayne Hypolite, Executive Assistant Catherine LaMarr, General Counsel Christine Shaw, Director of Government Relations Linda Tudan, Executive Assistant Winifred (Winnie) Scalora, Administrative Assistant
Guests:	Bradley Atkins, Franklin Park Associates, LLC James Atwater, Blaylock Robert Van, LLC Frank Barbarino, New England Pension Consultants Joseph Barcic, Mercer Investment Consulting Scott Booth, The Townsend Group Paul Bossidy, Clayton Holdings LLC Makaiya Brown, Mercer Investment Consulting Justin Bullion, Wellington Management Company, LLP Steven Case, Mercer Investment Consulting Marquette Chester, Invesco Ltd. Vicki Fuller, AllianceBernstein, L.P. Sadie Gurley, Marathon Asset Management Edward Johnson, Advent Capital Management, LLC Harvey Kelly, Leumas Advisors Richard King, Invesco Ltd. Christopher Klapinsky, New England Pension Consultants Jeffrey Krasnoff, Rialto Capital Management Louis Laccavole, SOC Teachers' Retirement Board Jacqueline Lyons, State Street Bank & Trust

*Left at 2:00 p.m.

Mary Ellen McDonald, State Street Bank & Trust
Michael McDonald, Bloomberg News
Julie Naunchek, CSEA-Retiree Council #400
Elizabeth O'Hara, Wellington Management Company, LLP
Jeffrey Phlegar, AllianceBernstein, L.P.
Andrew Rabinowitz, Marathon Asset Management
Bruce Richards, Marathon Asset Management
Wilbur L. Ross, WL Ross & Co., LLC
Joshua Seegopaul, WL Ross & Co., LLC
Claire Shaugnessy, Rogerscasey
Elizabeth Smith, AllianceBernstein, L.P.
Cynthia Steer, Rogerscasey

With a quorum present, Chairman Joseph Roxe called the Investment Advisory Council ("IAC") meeting to order at 9:04 a.m.

Approval of Minutes of the June 10, 2009 IAC Meeting

Chairman Roxe asked for comments on the Minutes of the June 10, 2009 IAC meeting. **There being no comments, a motion was made by Peter Thor, seconded by Carol Thomas, that the Minutes of the June 10, 2009 IAC meeting be accepted as drafted. The motion was passed unanimously.**

Approval of Minutes of the June 29, 2009 IAC Meeting

Chairman Roxe asked for comments on the Minutes of the June 29, 2009 IAC meeting. **There being no comments, a motion was made by Mr. Thor, seconded by David Roth, that the Minutes of the June 29, 2009 IAC meeting be accepted as drafted. The motion was passed unanimously.**

Comments by the Treasurer

Treasurer Denise Nappier officially welcomed the new Chief Investment Officer ("CIO") M. Timothy Corbett to his first IAC meeting, and congratulated Lee Ann Palladino as the first Deputy CIO of the Office of the Treasurer. She then commended all staff of the Pension Fund Management Division ("PFM") for their steadfast commitment to professional excellence during the unprecedented market turbulence.

Treasurer Nappier discussed aspects of the 2009 fiscal year end performance of the Connecticut Retirement Plans and Trust Funds ("CRPTF") as reported in her press release that had previously been distributed to the IAC, and noted that as part of the agenda Mr. Corbett would further discuss performance results. She said the CRPTF posted a net negative return of 17.37 percent, marking the most difficult year in the history of the CRPTF, but outperformed its benchmark and similar pension funds, as well as some of the more historically top-quartile endowment funds. Treasurer Nappier attributed the CRPTF's performance in part to high exposure to cash and cash equivalents – one of the highest allocations in the industry at 10%. She also reminded the IAC of the past year's policy discussions on market disruption, asset allocation and investment strategy, as well as the early action taken to ensure that liquidity risk would be well managed to provide a secure stream of income for the pension fund beneficiaries.

Treasurer Nappier said it was worth noting that the securities lending program posted a positive performance for the fiscal year ending 2009, representing a 26% increase from the previous fiscal year. She then informed the IAC of the recent discontinuation of securities lending in the international stock fund portfolio pending legislative action that would enable the use of sovereign debt as collateral. Treasurer Nappier commented on the legislative impasse in addressing the matter before the Finance, Revenue and Bonding Committee, and the potential impact that could result in loss investment opportunity estimated at $3M annually. She said that updating the securities lending provisions of the state law would be consistent with prudent practice and CRPTF's lending agreement with State Street, and that she would continue to press the legislators to take favorable action.

Treasurer Nappier offered her observations on the impact of the steepness of this past fiscal year's investment losses and market value decline. She said there will be no immediate impact on the state's contribution because Fiscal Year ("FY") 2009 investment performance results would be factored into the valuation for FY 2012 and 2013, and even then the actuarial smoothing of investment returns over a four to five year period would limit the impact of large market swings. Of immediate concern, said Treasurer Nappier is the need to reassess the CRPTF's cash flow requirements to meet pension fund disbursements. She further explained that the impact on liquidity would be based not only on FY 2009 double-digit negative returns, but on a combination of factors including non-market activity and primarily representing payment of pension fund benefits, the planned suspension of a portion of the state's contribution to the State Employees' Retirement Fund, and the recent early retirement incentive program that resulted in roughly 4,000 new retires on the pension fund benefit payroll.

Beginning in FY 2012, Treasurer Nappier said the pension plans would more than likely reflect a drop in funding status. She said the CRPTF could also face a greater investment performance challenge, given the current market outlook, as liabilities are expected to continue to grow at a faster pace than assets. Regarding the state's contribution, she said the full impact of the past fiscal year's performance results would likely be felt as investment losses are phased-in, at which time there could be a significant increase in the actuarially required and recommended contributions to the various pension plans.

On the bright side, Treasurer Nappier reported that CRPTF's investment performance had rebounded in concert with more favorable market conditions. She said that during the fourth quarter of FY 2009, the CRPTF rallied strongly returning double digit positive returns and that this performance had continued into the current fiscal year, resulting in the growth of the CRPTF's assets by nearly $1 billion.

Treasurer Nappier reported on the final lineup of the emerging market managers. She said that after consulting with Mr. Corbett and considering the results of the due diligence, along with

IAC feedback as presented at its May, 2009 meeting, she had designated Schroders Investment Management, NA as a preferred manager. She reminded the IAC of her decision of several months ago to also retain Aberdeen Asset Management, LLC for this mandate. Treasurer Nappier said these two firms would complement the CRPTF's existing value-oriented managers, Emerging Markets Management, LLC and Grantham, Mayor, Van Otterloo & Co., and would allow the CRPTF to increase its allocation to within the policy range. As with all hiring decisions, she said her final decision would be contingent upon successful contract negotiations.

Treasurer Nappier also informed the IAC of her decision to remove New England Pension Consultants (NEPC), the CRPTF's Alternative Investment Fund ("AIF") consultant, from the Watch List. She reviewed the reason for placing NEPC on watch as stemming from concerns about the firm's organizational capacity to effectively manage its relationship in light of its pending litigation with the Town of Fairfield, Connecticut. Treasurer Nappier said her general counsel and investment staff conducted a thorough review of the matter and have satisfied concerns that NEPC would be able to appropriately focus on the CRPTF relationship. She then informed the IAC that due to the pending nature of the lawsuit and complexity of engaging in alternative investment strategies, she had taken the added precaution of assigning the CRPTF's special projects consultant, RogersCasey, as co-consultant for the AIF mandate. Treasurer Nappier said the CRPTF will not incur any additional cost for this joint assignment because the consultant fees have been equitably sourced based on each party's respective duties under the revised scope of work.

Turning to today's agenda, Treasurer Nappier said that in addition to the quarterly reports, preliminary due diligence results on the Public-Private Investment Program ("PPIP") would be presented beginning with an educational session lead by NEPC, and that four prospective Public-Private Investment Funds ("PPIF"s) would be presented: AllianceBernstein Legacy Securities Fund ("AllianceBernstein LSF"), Invesco Mortgage Recovery Fund ("Invesco MRF"), Marathon Legacy Securities Public-Private Investment Fund, L.P. ("Marathon PPIF"), and Wellington Management Legacy Securities PPIF ("Wellington LS"). She briefly described the PPIP as a unique and attractive investment in legacy, distressed residential and commercial mortgage-backed securities ("RMBS" and "CMBS") and loans, and that it is one of several programs designed by the U.S. Treasury to repair the capital markets. She said that both NEPC and Rogerscasey assisted with the initial vetting of all nine PIPP managers who were selected by the US Treasury to participate in the program, and that the four firms presenting today were likely CRPTF candidates due to their approach to this program, structure of the investment and the complementary risk and return opportunity set.

Treasurer Nappier informed the IAC that her office has been pursuing an expedited due diligence process because of the very tight time frame for assessing the PPIP, with an initial closing date of September 30th, and that her office was still in the process of completing due diligence. She said at this time she is pursuing the IAC's early feedback and consideration of waiving the 45-day review period to accommodate the time constraints. Treasurer Nappier assured the IAC that all statutory requirements prior to contracting with any PPIP manager would be met, should final due diligence results prove worthy of an investment by the CRPTF.

In closing, Treasurer Nappier referred the IAC to a press release on results of the 2009 proxy voting season, and she said that significant progress was made on corporate governance issues as the CRPTF's portfolio companies chose to work in concert with shareholders in the wake of the economic crisis and in anticipation of legislative and regulatory reform, and that a full report would be presented at the next IAC meeting. She also informed the IAC that the OTT along with a select group of public and private institutional investors were invited to meet with the U.S. Treasury and White House officials regarding financial regulatory reform and the design of the future market place. Treasurer Nappier said that she and Mr. Corbett attended the meeting on August 11th, and that the group's overall discussion focused on such matters as systemic risk, strengthening credit agency requirements to improve market integrity, standards of practice for over-the-counter derivatives, and corporate governance including greater accountability to shareholders as a key component of regulatory reform. She also informed the IAC that the OTT website now contains a section for all press releases and public comment letters on the topic of financial regulatory reform, and she noted the document pertaining to the principles of regulatory reform as put forth by the CRPTF and a group of institutional investors. Treasurer Nappier said the National Association of State Treasurers recently adopted these principles based on the recommendation of its Pension Fund Committee of which she chairs.

David Himmelreich commented on NEPC's legal issues and stated that upon recommendation of the IAC Audit Committee, PFM staff would add a step to due diligence to insure that auditors of any private equity investment would be qualified and appropriate for the investment. Mr. Roth commented on the due diligence process and requested a presentation on the due diligence standards at a future meeting, to which Stanley Morten added that the fiduciary responsibility of each consultant with respect to due diligence, expectations, and liability should also be reviewed. Treasurer Nappier stated that the IAC received this information whenever a search was launched but agreed that this information could be made more robust.

CRPTF Final Performance, Combined Investment Funds Review and Watch List Update for the Quarter ended June 30, 2009

Mr. Corbett provided a brief economic review and outlook noting that he believed the global and U.S. recessions had ended, but stated that credit deleveraging would be a headwind to economic growth for several years. He stated that economists were now predicting a quarterly gross domestic product growth rate of 2% to 2.5% annualized over the next year. Mr. Corbett noted that the monetary policies and other programs from the Federal Reserve and Treasury boosted risk asset prices and noted that a hesitant economic recovery implied lingering deflationary pressures and further market volatility. He further commented that he didn't expect the Federal Reserve to increase interest rates until 2011, which would support the price of risk assets. Mr. Corbett commented on the economic drag due to overleveraged consumers and low consumer confidence. He provided an overview of housing activity, the expansion of world trade and cited these developments as bright spots in the economy. Near term, Mr. Corbett said that he expected continued market volatility and over the longer term, increased risk that aggressive global monetary policies would create inflation pressures.

Regarding the CRPTF's final performance for the 2009 fiscal year, Mr. Corbett stated that while the CRPTF's return was negative 17.37%, it compared respectively on a relative basis. He noted that per the Wilshire Trust Universe Comparison Service, it outperformed 65% of the other public pension plans with more than $1 billion in assets for the fiscal year ended June 30, 2009, and it outperformed 72% and 67% for the trailing 5 and 10 years, respectively. He also noted that the 2009 fiscal year's performance brought down the 7-year average annual return to 4.17%, less than half the plans' actuarial return assumption. Mr. Corbett reported on the performance of the CRPTF's largest plans for the fiscal year to date with respect to their customized benchmarks by stating that the TERF outperformed by 48 basis points ("bps"), the MERF outperformed by 36 bps and the SERF slightly underperformed by 6 bps. He also provided the overall investment results for the Combined Investment Funds ("CIF") for the quarter ended June 30, 2009 and stated that of the remaining plans and trust funds with customized benchmarks, only the State Judges Retirement Fund outperformed its benchmark by .44%, returning a negative 14.82%. Finally he reported that the majority of the balance of the smaller plans and trust funds had total returns for the fiscal year ranging from negative 5.5% to negative 6.9% and that their higher strategic allocations to the Core Fixed Income Fund ("CFIF") limited their investment losses for the year.

Mr. Corbett stated that the relative outperformance to benchmarks and peers was primarily attributable to asset allocation as the portfolio entered FY 2009 with almost 10% allocated to the LF. He stated that not only did this allocation preserve capital, earning 1.54%, it also provided liquidity available to meet its obligations while maintaining its investments in the equity markets. Mr. Corbett reported that portfolio was also at the lower range of its policy weight for the illiquid Private Investment and Real Estate Funds ("PIF" and "REF"), so there were no forced sales of long-term holdings to meet capital calls. On the downside, he stated that the manager aggregates underperformed their benchmarks for the fiscal year with only the high-quality biased Inflation Linked Bond Fund and LF outperforming. Finally, Mr. Corbett stated that the portfolio rallied strongly during the last quarter of FY 2008, returning 10.79% and the strong performance continued into the first quarter of FY 2009.

Mr. Morten said that the focus for the next fiscal year should remain on the key assumptions and drivers of performance. Discussion ensued about the global economy and how it would affect the CRPTF and its expected returns. Chairman Roxe noted that 70% of the U.S. economy was driven by the consumer, but now the focus of the consumer was on saving and that would have a negative effect on the economy as a whole for the intermediate term.

Joseph Barcic, Principal of Mercer Investment Consulting, provided additional details on the CIF for Fiscal Year 2009. Mr. Barcic responded to several questions posed by Chairman Roxe regarding the data sources used and relative performance. He noted that the relative performance was largely generated by asset allocation, which was not determined by the managers. However, Mr. Barcic discussed the fact that most active managers did underperform their benchmarks over the past fiscal year. He added that the second quarter was encouraging, but he warned that it was a low quality rally because higher quality stocks and bonds, which were more reflective of the CRPTF's portfolio, performed poorly. In closing, Mr. Barcic stated that while the CRPTF's portfolio was down, relative to others it has performed very well.

Mr. Corbett provided an update on the CRPTF Watch List. He stated that Trust Company of the West, with a deep-value biased style, outperformed its benchmark by over 5% for the last five months, and that the decision was made to evaluate them as part of the SMID search process with final recommendations to be made at that time. Mr. Corbett stated that Western Asset Management Company would be liquidated. Finally, he reported that Goodwin Capital Advisers, a CFIF manager, experienced a rebound in performance, but remained on watch due to concern about credit rating downgrades of its parent company.

Mr. Barcic responded to questions posed by Mr. Morten about the Developed Markets International Stock Fund and the EMISF regarding their expected returns. Ms. Thomas commented about the returns of the CRPTF since inception and noted that they were higher than she expected.

Education Session on the Public-Private Investment Program

Christopher Klapinsky, CFA, Sr. Consultant and Partner, NEPC, presented an education session on the PPIP. He stated the PPIP was designed to take advantage of the distressed real estate and commercial mortgage markets. He stated that the total market for these assets represented about $2 trillion and the PPIP will target about $40 billion, or a small percentage of the market. Mr. Klapinsky then provided models of the RMBS and CMBS structures and explained the similarities and differences between them. He stated that the PPIP managers, in general, would focus on the RMBS, because of lingering concerns about the near-term prospects of the commercial real estate market.

Mr. Klapinsky responded to IAC members' questions about the real estate terminology, recovery costs, and whether potential managers should be viewed in light of security selection or underwriting. In response to Mr. Roth's questions, he stated that because the prospective returns should be in the mid-teens under fairly stressed scenarios, that liquidity and other market risks were acceptable. Discussion continued regarding risk assessment, investment time frames and various stress scenarios. Treasurer Nappier commented on the risk of co-investing with the U.S. Treasury, and noted that the U.S. Government has removed its sovereign authority clause, which would permit it to be sued, and that would add protection in the event that Congress materially changed the PPIP. Discussion ensued regarding government regulations, the contracting process, possible recourse, residential versus commercial investing, the auction process, securitized investments versus whole loans, leverage, sovereign immunity, and the stress test. Mr. Klapinsky commented about the terms of leverage within the PPIP versus the Term Asset-Backed Securities Loan Facility program in response to Thomas Barnes' question.

In closing, Mr. Klapinsky commented on the four managers and their unique strategy, noting thatan investment in the PPIP should be considered as a sub-component of the strategy objectives within the CRPTF's portfolio.

<u>Presentations by and Consideration of Managers for the Public-Private Investment Program</u>

Ms. Palladino began her opening remarks by introducing the four PPIF that would be presented today: AllianceBernstein LSF, Invesco MRF, Marathon PPIF and Wellington LS. She spoke about the milestones of the PPIP noting that the program was introduced in March 2009 with a goal of bringing order to the RMBS and CMBS markets and removing toxic assets from the balance sheets of financial institutions. Ms. Palladino stated that the U.S. Treasury's three basic principals that the PPIP had to accomplish included: 1) Minimization of the impact to the tax payers by utilizing private firms with expertise in these markets and private capital to substantially increase purchasing power; 2) sharing risk and reward with the private sector; and 3) encouragement of price discovery. She added that an ancillary benefit to the CRPTF was that support in these markets would enhance the performance of the CFIF. Ms. Palladino stated that the PPIF managers had to meet certain minimum qualifications required by the federal government. She then discussed the federal government's due diligence process for these firms: An in-depth assessment of qualification and performance history; proposed fund structure; investment strategy; governance and management; and valuation, monitoring and reporting methodology. Finally, she stated that all of the nine managers were highly qualified and the four chosen to present today represented the best potential fit for the CRPTF.

Ms. Palladino said that the investment would be within the REF as an opportunity in distressed real estate and commercial mortgage debt within the value add and opportunistic sub-strategies. She discussed the five managers that were not chosen by the CRPTF. Ms. Palladino then provided a brief overview of the four managers that were presenting today. In addition to covering the attributes that would benefit the CRPTF, she commented on their specialized strategies, their expertise within the RMBS and CMBS markets, their return targets and risk tolerance and how they would fit into the portfolio. In closing, she stated that each manager was given 12 weeks to raise $500 million that included a mandatory minimum $20 million investment from each firm to be achieved by September 30, 2009. In response to Mr. Morten's question, Ms. Palladino discussed the supply and demand imbalance within the RMBS and CMBS markets. Treasurer Nappier added that the U.S. Treasury is encouraging women, minority-owned and small firms to participate in PPIP and had prequalified certain firms to partner with the selected PPIP managers.

Presentation by Invesco Ltd. and WL Ross & Co.

Representatives from Invesco Ltd. ("Invesco") and WL Ross and Co., LLC ("WLR") partnered together and provided a presentation to the IAC on their PPIF opportunity, Invesco MRF. Invesco was represented by Marquette Chester, Managing Director of Public Funds and Richard King, Head of Fixed Income. WLR was represented by Wilbur L. Ross, Chairman and Chief Executive Officer, and Joshua Seegopaul, Vice President. Mr. Chester began by providing an overview of Invesco MRF and focused on its ability to take advantage of the PPIP opportunity by utilizing its global organizations and strategic business alliances within worldwide fixed income. In providing a brief update on the qualifications of the PPIF's fixed income team, Mr. King said the firm managed about $170 billion in fixed income, has been involved in the RMBS and CMBS markets since their inception and it managed about $18 billion in structured securities. He commented on Invesco's strong track record and noted that its structured securities fund had a positive track record including a positive year in 2008. Mr. King then spoke about the team's structured securities experience in deal origination, structuring, analysis on both the buy and sell sides and its detailed investment process.

Mr. Ross stated that WLR was only in the distressed business and that WLR Recovery Fund IV had made investments in both Assured Guarantee and American Home Mortgage as two important resources for their PPIF program. He said that Invesco MRF would be investing in CMBS, RMBS, whole commercial and whole residential loans. Mr. Ross noted that the current markets were complex and subject to change, so it was advantageous to be able to invest in all four market segments. Finally, he commented on the PPIF team's vast securitization expertise with about $23 billion of commercial real estate, its nationwide locations and wide range of properties, and its excellent experience covering the whole gamut of distressed mortgage investments as direct investors. Mr. Ross also spoke about WLR's major real estate holdings and its critical skills in loan modifications with excellent recidivism rates.

Mr. Seegopaul discussed WLR's relationship with American Home Mortgage, which provided a unique approach within the whole loan space. He presented the targeted fund size, minimum commitments, targeted initial closing, the investment period, management fees, preferential returns, carried interest and targeted return.

Discussion ensued and Mr. Morten commented on the vast resources of Invesco MRF and asked who would actually be responsible for the PPIF. Mr. Ross responded that Invesco would manage the day-to-day part of the PPIF, but that the investment committee was the overriding body responsible for coordination of these efforts. He also said that there was no conflict of allocation in Invesco MRF's negotiations with China Investment Corporation to invest in this partnership, in response to a question posed by Mr. Roth.

Presentation by AllianceBernstein

Representatives from AllianceBernstein, L.P. ("AllianceBernstein"), Clayton Holdings LLC ("Clayton") and Rialto Capital Management ("Rialto") partnered together and provided a presentation to the IAC on their PPIF opportunity, AllianceBernstein LSF. AllianceBernstein was represented by Vicki Fuller, Director of Public Funds; Jeffrey Phlegar, Executive Vice President and Chief Investment Officer of Special Situations Group; and Elizabeth Smith, Managing Director of Public Funds. Clayton was represented by Paul Bossidy, Chief Executive Officer. Rialto was represented by Jeffrey Krasnoff, Managing Partner and Chief Executive. Ms. Fuller began by providing a brief history about the AllianceBernstein LSF PPIF team which included members from Greenfield Partners, Rialto, Clayton and Altura Capital. Mr. Phleger stressed the importance of having strong underlying collateral and distressed debt skills when investing in this arena and noted that this team had worked together for a long time. Mr. Krasnoff provided a brief history on the group's working relationship within the residential and commercial real estate arenas. Mr. Bossidy spoke about Clayton's history and explained its unique research skill set.

Discussion ensued and in response to Ms. Thomas' question on loan modification, Mr. Phleger stated that AllianceBernstein believed residential loan modifications were more favorable than foreclosures. Mr. Bossidy added that Clayton had the ability to assess the performance of various loan servicers and the effectiveness of the modification programs. In response to Mr. Morten's question, Mr. Phleger stated that AllianceBernstein believed that whole loans, both secondary and origination of new commercial real estate loans, would be an opportunity, but they planned a separate fund for this opportunity.

Presentation by Marathon Asset Management

Representatives from Marathon Asset Management ("Marathon") and Blaylock Robert Van, LLC ("Blaylock") partnered together and provided a presentation to the IAC on Marathon PPIF. Marathon was represented by Sadie Gurley, Managing Director and Senior Portfolio Manager; Andrew Rabinowitz, Partner and Chief Operating Officer; Bruce Richards, Co-Managing Partner and Chief Executive Officer. Blaylock was represented by James Atwater, Executive Vice President. Mr. Atwater began his comments by providing an overview of Blaylock and stated that it was responsible for all capital markets activities, and that Blaylock and Marathon have had a long-standing relationship. Mr. Richards provided an overview of Marathon and stated that its core focus has been in the distressed debt and distressed asset arena. He then provided a detailed explanation of Marathon PPIF's process and team. Ms. Gurley focused on Marathon PPIF's security analysis process, what factors were important in this analysis, pricing, and what transpired during the investment period. She then stated that Marathon PPIF would have about a five-year average life. Mr. Rabinowitz spoke about Marathon's excellent ratings for its operational controls including risk management, financial controls, legal and compliance, and he offered supporting comments about its portfolio managers. In conclusion, Mr. Richards stated that Marathon was solely a distressed debt manager with a fully integrated team that focused on managing money for about 500 institutions including both public and corporate pension plans, as well as sovereign wealth funds, universities and endowments.

Discussion ensued and in response to questions posed by Mr. Morten, Mr. Richards stated that whole loans could be a good investment but the opportunity to purchase them at reasonable prices had not presented thus far. He added that the mandate for PPIF was to purchase distressed real estate and commercial debt using the U.S. Treasury's favorable financing.

Presentation by Wellington Management Company, LLP

Representatives from Wellington Management Company, LLP ("Wellington") and Advent Capital Management, LLC ("Advent") partnered together and provided a presentation to the IAC on their PPIF opportunity, Wellington LS. Wellington was represented by Justin Bullion, CFA, Business Manager; and Elizabeth O'Hara, CFA, Relationship Manager. Advent was represented by Edward Johnson, Chief Operating Officer and Partner. Mr. Johnson began with opening comments about Advent and its relationship with Wellington. He stated that Advent would create a feeder fund that would invest in Wellington LS' master fund for the PPIP while handling the responsibilities of marketing and administration of the PPIF. Mr. Bullion provided a brief executive summary about Wellington. He also said that Wellington did not have conflicts and he commented on its low, performance-based fees. Mr. Bullion spoke about the PPIF's attractiveness and unprecedented lending terms that were being offered, and he noted that Wellington LS was targeting the higher quality assets within this space. He stated that Wellington was not related to a financial institution, its sole focus was to manage money for a fee and that the partners were committing personal assets to the fund. Mr. Bullion then provided an overview of Wellington's legacy securities PPIF model portfolio structure and noted that it did not invest in Alt A or sub-prime mortgages. He also spoke about Wellington's structured finance credentials and its track record with regard to this asset class.

Discussion ensued and in response to IAC members' questions, Mr. Bullion stated that the corporate and emerging markets traditionally offered distressed debt opportunities, and only within the last 18 to 24 months did such opportunities emerge in RMBS and CMBS. He added that Wellington had been managing these types of distressed assets during that entire time frame and that it also showed strength in its selection capabilities. Mr. Bullion stated that due to Wellington LS' distressed debt experience, they chose not to partner with others skilled in this area.

Roll Call of Reactions for the Public-Private Investment Program Managers

Chairman Roxe requested each IAC member to provide feedback on the PPIF managers and stated that it was first necessary to determine if this $200 million investment was appropriate for the CRPTF and whether enough information was presented to make this decision. He also asked whether any of the five managers that were excluded from today's presentation should have been included and whether it was appropriate to make an investment with any or all of the four who presented.

All the IAC members agreed that this was a good investment for the CRPTF. Michael Freeman stated that he had no concern about the ability of any of today's presenters. Mr. Roth, Mr. Morten and Mr. Barnes rated the four in the following order: Invesco MRF, Marathon PPIF, AllianceBernstein LSF followed by Wellington LS. Ms. Thomas chose three and rated them as follows: Invesco MRF, Marathon PPIF and AllianceBernstein LSF. William Murray preferred Invesco MRF followed by Marathon PPIF with AllianceBernstein LSF and Wellington LS tied for third. Mr. Himmelreich chose Invesco MRF followed by Wellington LS. Thomas Fiore, Mr. Thor and Chairman Roxe rated the four in the following order: Invesco MRF, AllianceBernstein LSF and Marathon PPIF were about equal and finally, Wellington LS.

An IAC member inquired about the decision to not consider BlackRock, Inc. ("BlackRock") for the PPIF mandate. Ms. Palladino replied that the CRPTF had existing sizeable relationships with BlackRock and BGI, that the two firms are pending merger, and therefore, the CRPTF did not want to add more exposure at this time. Chairman Roxe said that final due diligence needed to be completed and added that he would be comfortable with Treasurer Nappier and her staff making the decision as to the allocation among any or all of the four managers.

Chairman Roxe asked for a motion to waive the 45-day comment period for AllianceBernstein Legacy Securities Funds, Invesco Mortgage Recovery Fund, Marathon Asset Management, and Wellington Management Legacy Securities PPIF. **A motion was made by Mr. Freeman, seconded by Ms. Thomas to waive the 45-day comment period for AllianceBernstein**

Legacy Securities Funds, Invesco Mortgage Recovery Fund, Marathon Asset Management, and Wellington Management Legacy Securities PPIF. The motion was passed unanimously.

<u>Private Investment Fund Review as of March 31, 2009</u>

Ms. Palladino reported on the PIF for the quarter ended March 31, 2009. She began by commenting about some of the events that impacted the private investment market during Fiscal Year 2009, including the general downturn of the market due to the recession, the organizational challenges faced by general partners and the liquidity strains from a limited partner's perspective. Ms. Palladino stated that the CRPTF's strategy of vintage year diversification, top manager selection and diversification by strategy sheltered the PIF from underperformance versus the public market benchmark. With respect to the market downturn, she stated that buyout fund strategies, which focused on cyclical industries, were most impacted by the general economic downturn, as well as funds exposed to vintage years 2006 through 2008. Ms. Palladino reported that the PIF was underexposed and underscored the PIF's diversification by strategy. She discussed the PIF exposure to buyout strategies and provided details regarding commitments for the past four vintage years. Ms. Palladino reiterated that the CRPTF and the PIF had not had any liquidity issues due to its strategy of manager diversification, vintage year exposure and the high LF allocation. She stated that on an annual basis, distributions were down 60%, contributions were down 40% and net cash outflow was down 30%. Ms. Palladino then provided a brief summary on the investment history of the PIF, commented on how it impacted the portfolio and stated that at present PIF was within its asset allocation range.

Bradley Atkins, Chief Executive Officer, Franklin Park Associates LLC, provided additional comments on the PIF. He stated that as of March 31, 2009 the PIF portfolio was at negative 17.6%; but in comparison to its peers, such as CALPERS and CALSTERS which declined 31% and 30% respectively for this period, the portfolio did far better. He reiterated Ms. Palladino's point about the portfolio being well diversified by vintage year and strategy, which did not include much exposure to large buyout funds that were now down as much as 80%.

Ms. Palladino cited Franklin Park's March 31, 2009 quarterly report and compared the performance of the fund to its public market benchmark, the Standard and Poor's 500 Index. She noted that since inception and for the one year period, the fund returned 7.3% and negative 17.7% respectively, outperforming its benchmark return of 1.1% and negative 42% respectively. Discussion ensued and Mr. Morten said that he believed the PIF had not generated appropriate risk-adjusted returns. He added that this reflected the necessity for choosing first quartile managers in order to excel in private equity investments and underscored the need to accelerate the review of the investment policy. There was further discussion the performance of the asset class, the uncommitted capital in the PIF, how the previous administration's scandal in 1999 affected the returns, and that the post 2002 vintage year funds have shown positive results.

<u>Real Estate Fund Review as of March 31, 2009</u>

Mr. Corbett reported on the REF for the quarter ended March 31, 2009. He began his remarks by stating that the visible deterioration in the real estate market continued; as vacancies were increasing, tenants were driving lower rents and concessions, and mortgage financing was virtually non-existent for all but new deals. Mr. Corbett stated that the REF underperformed the National Council of Real Estate Investment Fiduciaries Property Index [("NCREIF" Property Index) or ("NPI")] and the Russell 3000 index for the 2009 fiscal year, and it underperformed the NPI and slightly outperformed the Russell 3000 over the long term. He explained that the NCREIF index, which was a non-investible unleveraged index, was down 22% peak-to-trough.

Scott Booth, Principal of The Townsend Group, provided additional comments on the indices. He spoke about the Open End Diversified Core Equity Index ("ODCE"), which was a leveraged index and more representative of the REF's investment strategy, was down peak-to-trough 34% on a total return basis. Mr. Corbett stated that the core REF, the value-added fund and the opportunistic funds outperformed the ODCE by 3% to 4%, 1.6% and 4.3% to 5.5%, respectively for the quarter ended March 2009; and outperformed by 3% to 4%, trailed by over 10% and outperformed by 4.3% to 5.5% for the trailing year, respectively. Because $110 million of the $800 million REF portfolio was invested prior to 1998 in fourth quartile performers, he stated that these investments continued to negatively impact performance. Mr. Corbett noted that most of the REF portfolio had been built up since 2005, near the peaking values in commercial real estate, but added that there were no liquidity issues within the core funds and only two funds within the value-add and opportunistic portfolios had potential liquidity issues. Mr. Corbett reported that the REF managers have been disciplined investors and the fund had uncommitted capital of $450 million yet to be invested.

Chairman Roxe commented on the fund's performance and its longer term investment strategy, and stated that this subject warranted more discussion at an upcoming IAC meeting.

Short-Term Investment Fund Review as of June 30, 2009

Lawrence Wilson, Assistant Treasurer-Cash Management, reported on the performance of the Short-Term Investment Fund ("STIF") for the quarter and fiscal year ended June 30, 2009. For the quarter, he said that the STIF earned an average annualized yield of 66 bps, which was 31 bps above its benchmark. For the 2009 fiscal year, Mr. Wilson said that the STIF returned 1.49% exceeding its benchmark by 19 bps, earning an additional $8.7 million for Connecticut's governments and its taxpayers. Despite some moderation in the financial markets, he noted that the STIF maintained a more conservative investment posture by keeping a high level of liquidity with 90% of the fund's assets in either overnight securities or securities available on a same-day basis and with a short weighted average maturity of 7 days. He stated that with a significant reduction in corporate securities, 79% of the portfolio was in government or federal agency issued, guaranteed or insured securities or in money funds comprised of such securities. Mr. Wilson stated that as part of the STIF's reduction in corporate securities, no new investments had been made in commercial paper or asset-backed commercial paper and all investments in those two classes as well as the Citigroup-sponsored structured investment vehicles had matured with full payment of principal and interest.

Other Business

Chairman Roxe stated that the IAC budget for the quarter ended March 31, 2009 would be reviewed at the October 14, 2009 IAC meeting. He then invited IAC members to submit agenda items for the next IAC meeting.

Comments by the Chairman

Chairman Roxe commented on today's meeting.

There being no further business, the meeting was adjourned at 3:05 p.m.

An audio tape of this meeting was recorded.

Respectfully submitted,

DENISE L. NAPPIER
SECRETARY

Reviewed by

JOSEPH D. ROXE
CHAIRMAN