

INVESTMENT ADVISORY COUNCIL  
Wednesday, July 11, 2018

**MEETING NO. 454**

**Members present:**

\*Arrival 9:02a.m.  
\*\*Arrival 9:05a.m.  
\*\*\*Arrival 9:13a.m.

Thomas Fiore, representing Benjamin Barnes\*  
Joshua Hall  
David (Duke) Himmelreich\*\*  
Steven Muench  
William Murray  
Patrick Sampson\*\*\*  
Carol Thomas, Interim Chair

**Absentees:**

Michael LeClair  
Denise L. Nappier, Treasurer

**Others present:**

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

**Guests:**

Christopher P. Austin, ICG European Capital  
Luigi Bartone, ICG European Capital  
Edward Bernson, RBC Global Asset Management  
Kristin Finney-Cooke, NEPC, LLC  
Dyice Ellis-Beckham, Invesco  
Christy Gahr, Meketa Investment Group  
John Haggerty, Meketa Investment Group  
Sally Haskins, Callan Associates  
Gareth Knight, ICG European Capital  
Katherine McComic, Intern  
Chris Morgan, Franklin Templeton/K2  
Mary Mustard, Meketa Investment Group  
Jack O'Connor, DDJ Capital  
Justin Rico Oyola, SEIU (Capital Stewardship Program)  
Matt Ritter, NEPC, LLC  
Avery Robinson, Callan Associates  
Lauren Sertich, Callan Associates  
Larry Tang, StepStone Group  
Alejandro Veldez, Intern  
Brandon Whitburn, Intern  
Michael Yang, NEPC, LLC  
Andrew Zemantic, Intern

With a quorum present, Interim Chair Carol Thomas called the Investment Advisory Council (“IAC”) meeting to order at 9:02 a.m.

### **Approval of Minutes of the June 13, 2018 IAC Meeting**

Chair Thomas called for a motion to approve the minutes of the June 13, 2018 IAC meeting. **William Murray moved to approve the minutes of the June 13, 2018 IAC meeting. The motion was seconded by Joshua Hall. There being no further discussion, the Chair called for the vote. The motion passed.**

### **Comments by the Interim Deputy Treasurer**

Lawrence Wilson, Interim Deputy Treasurer, began his opening remarks and announced that Treasurer Denise L. Nappier would not be present. He continued and said that after giving consideration to the feedback from the IAC and to the extensive due diligence process conducted by investment professionals and the Private Investment Fund (“PIF”) consultant, Stepstone Group (“Stepstone”), the Treasurer had decided to make a commitment of up to \$50 million to Balance Point Capital Partners III, L.P., headquartered in Westport, Connecticut; the fund would focus on private debt and equity co-investments in lower middle market North American companies.

Additionally, Mr. Wilson stated that after giving consideration to the feedback from the IAC and to the extensive due diligence process conducted by investment professionals and Stepstone, the Treasurer had decided to make a commitment of up to \$40 million to RFE Investment Partners IX, L.P., headquartered in New Canaan, Connecticut, and stated that the fund would focus on executing control buyout investments in lower middle market companies primarily based in the U.S. Both commitments are contingent upon successful negotiation of the partnership documents.

He then said regarding today’s agenda, there were three semi-finalist firms that would be presenting for the Real Estate Investment Consultant mandate: Callan Associates, Inc. (“Callan”); Meketa Investment Group (“Meketa”) and New England Pension Consultants, LLC (“NEPC”). Mr. Wilson stated that it had been a competitive search, conducted through a Request for Proposal (“RFP”) process and the search plan was presented and endorsed at the February 14, 2018 IAC meeting.

Finally, he announced that there was an investment opportunity being presented for consideration by the IAC for the PIF: ICG Europe Fund VII SCSp (“ICG Europe VII”), and the general partner was the Intermediate Capital Group (“ICG”), headquartered in London. He added that the Treasurer was considering an investment of up to €75 million euros, or approximately \$90 million, in ICG Europe VII, which would primarily focus on investments in mezzanine capital in middle market companies based in Europe.

### **Update on the Market, the Connecticut Retirement Plans and Trust Funds Final Performance for Month Ended May 31, 2018**

Laurie Martin, Chief Investment Officer, provided an update on the Connecticut Retirement Plans and Trust Funds (“CRPTF”) performance and commented on the capital market

environment and the economic outlook. She reported that for the month ending May 31, 2018, the State Employees' Retirement Fund ("SERF") posted 18 basis points ("bps") followed by the Teachers' Retirement Fund ("TERF") at 14 bps and the Municipal Employees' Retirement Fund ("MERF") at 6 bps; all three plans slightly underperformed their respective benchmarks by under 10 bps. Ms. Martin stated that the four fixed income funds underperformed by 99 bps for May; the Developed Markets International Stock Fund and Emerging Markets International Stock Fund managers both outperformed their respective benchmarks by 72 bps. She said the Mutual Equity Fund was up 2.8% followed by the Private Equity Fund, up 2.6%. For the fiscal year to date, Ms. Martin stated that the SERF was up 7.6%, followed by TERF up 7.4%, and MERF was up 6.4%; for the one-year performance ending May 31, 2018, the TERF, SERF and MERF plans were up 7.8%, 8.0% and 6.7%, respectively. Ms. Martin commented that the Fiscal 2018 returns would not be final for a few weeks.

Chair Thomas then introduced a new IAC member, Patrick Sampson, who replaced Peter Thor, and asked him to say a few words.

#### **Consideration of Pugh Capital Management**

Ms. Martin provided remarks regarding Pugh Capital Management ("Pugh"), LLC, a Core Fixed Income Fund ("CFIF") investment opportunity that was presented at the June 13, 2018 IAC meeting and discussed their graduation into the broader CRPTF portfolio within the CFIF. She stated that Pugh had been in the Connecticut Horizon Fund since its inception in 2005 and had outperformed its benchmark over this time period. Ms. Martin asked that the IAC consider an allocation investment of up to \$100 million into the Pugh Capital Core Fixed Income Fund opportunity and that the 45-day comment period be waived.

#### **Roll Call of Reactions for the Pugh Capital Management, LLC**

Steve Muench, Mr. Murray, Duke Himmelreich, Tom Fiore, Mr. Hall, and Chair Thomas provided feedback for the consideration of the investment of up to \$100 million into the Pugh Core Fixed Income Fund opportunity.

Chair Thomas then called for a motion to approve the investment of up to \$100 million and waive the 45-day comment period. **A motion was made by Mr. Murray seconded by Mr. Hall, for the investment of up to \$100 million and to waive the 45-day comment period for Pugh, LLC. There being no discussion, the Chair put the question to a vote and the motion was passed unanimously.** New IAC member Mr. Sampson was not present at the June 13, 2018 IAC meeting and abstained from giving feedback and from voting.

#### **Presentation by and Consideration of the ICG Europe Fund VII, SCSp**

Mark Evans, Principal Investment Officer ("PIO"), provided opening remarks and introduced ICG Europe VII, a PIF opportunity. He said the Fund had a target size of €4 billion euro and that it would provide the CRPTF with exposure to European middle market private capital investments through ICG, the largest investor of subordinated debt and structured capital in the region. Mr. Evans then spoke about the firm's investment strategy and market opportunity, the firm and management team. He added that ICG's investment platform had expanded globally and now encompassed an estimated \$33 billion of assets under management across private

market corporate finance, real asset, private equity fund restructurings and fund of funds, and capital markets strategies.

Several IAC members posed questions regarding investing, fund size, and performance, and strategy, to which Mr. Evans answered to their satisfaction.

ICG Europe VII, represented by Christopher P. Austin, Managing Director, Luigi Bartone, Managing Director, and Gareth Knight, Managing Director, made a presentation to the IAC. Mr. Austin began and introduced the team and gave a firm overview. He stated that ICG was a \$35 billion specialty alternatives manager which was established in 1989, with expertise across the capital structure and focused on generating income and providing contractual returns for their clients. Mr. Austin then spoke about ICG Europe VII, its characteristics and strategy and the firm's local and European teams across thirteen countries. He commented on the firm's track record and stated that ICG Europe VII was their seventh vintage fund and talked about the fund's investment strategy. Mr. Bartone gave an overview of the firm's investment offerings and their key strengths and track record. Mr. Knight then discussed ICG's flexible capital strategy and team experience which allowed the firm to target and invest in various transaction types across different market conditions.

Several IAC members posed questions regarding the portfolio diversification of ICG Europe VI, its investment and equity exposure with deals, loss ratios and risk, to which the team answered to their satisfaction.

### **Roll Call of Reactions for the ICG Europe Fund VII, SCSp**

Messrs. Fiore, Hall, Himmelreich, Murray, Muench, Sampson, and Chair Thomas provided feedback on the ICG Europe Fund VII, SCSp PIF opportunity.

Chair Thomas called for a motion to waive the 45-day comment period. **A motion was made by Mr. Murray, seconded by Mr. Himmelreich, to waive the 45-day comment period for the ICG Europe Fund VII, SCSp. There being no discussion, the Chair put the question to a vote and the motion was passed unanimously.**

### **Presentation by and Consideration of the Semi-Finalists for the Real Estate Fund Consultant Search**

Danita Johnson, PIO, provided opening remarks and introduced the three semi-finalist firms for the Real Estate Investment Consultant mandate; Callan, Meketa and NEPC. She mentioned that a competitive RFP process was conducted following the search plan presented at the February 14, 2018 IAC meeting. Ms. Johnson then detailed the search process and stated that after reviewing the ten responses, in-person interviews were conducted by Pension Fund Management ("PFM") investment professionals with eight candidates and three semi-finalist were selected and deemed to be the best suited to serve Connecticut in fulfillment of the Real Estate Fund ("REF") mandate. She said that the Search Committee which consisted of the PFM investment professionals, Legal, Compliance and Policy units, evaluated and compared the three firms' organization and management, real estate consulting capabilities, fee proposals, experience with public sector clients and the firms' diversity profiles as well as the extent to which the firms' incorporate Environmental/Social/Governance ("ESG") factors and Responsible Contractor

Policies. Ms. Johnson added that they are all established consultant firms with dedicated real estate teams; each with a twenty year history of providing real estate consultant services to institutional clients. All three firms are independent employee owned firms with business platforms focused on investment advisory or discretionary services, and all had ESG and emerging manager's initiatives in place. Lastly, she introduced the firms' teams that would be presenting and gave an overview on each.

Several IAC members posed questions regarding fees, scope of services and work plan customization, to which Ms. Johnson answered to their satisfaction.

#### **Presentation by Callan Associates, Inc.**

Callan, represented by Avery Robinson, Co-Manager, Senior Vice President, Sally Haskins, Co-Manager, Senior Vice President and Lauren Sertich, Vice President, made a presentation to the IAC. Mr. Robinson began and introduced the team and gave a firm overview. He said Callan was founded by Edwin Callan in 1973 and the firm had several locations across the U.S., with direct access to their client base and that the firms' resources were aligned with the growth of the firm. Mr. Robinson stated that they have been providing real asset consulting since 1988, covering different strategies by region. Ms. Haskins then spoke about the firm's commitment to diversity, ESG initiatives, organization, process and capabilities. Ms. Sertich reviewed Callan's philosophy, global opportunities, its diverse manager program experience and initiatives. Lastly, Mr. Robinson spoke about the database and performance measurement, education and research available for clients.

IAC members posed questions regarding team, and the use of public Real Estate Investment Trusts ("REITS") in the portfolio, to which Ms. Haskins and Mr. Robinson answered to their satisfaction.

#### **Presentation by Meketa Investment Group**

Meketa, represented by John Haggerty, Managing Principal, and Christy Gahr, Principal, made a presentation to the IAC. Ms. Gahr began and introduced the team. Mr. Haggerty then gave a firm overview and stated that since 1978, Meketa had served as an independent fiduciary and currently, it was a full service investment consulting and advisory firm. He added that the firm had six offices, was 100% employee owned, with 169 clients and advised on over \$620 billion. Mr. Haggerty detailed the firm's services, the team and explained their client to consultant ratio. He spoke about their ESG commitment, and corporate diversity. Mr. Haggerty reviewed the firm's private market platform and talked about some statistics of their resources, performance and Meketa's advisory and research team. Ms. Gahr then spoke about the firm's real estate practice, dedicated research team and investment expertise and specialization. She reviewed Meketa's investment practices, due diligence and responsible contractor policies. Lastly, Ms. Gahr talked about the continuing work plan and scope of services with the CRPTF. Several IAC members posed questions regarding incorporating REITS into the REF, and portfolio size, to which Ms. Gahr and Mr. Haggerty answered to their satisfaction.

#### **Presentation by NEPC, LLC**

NEPC, represented by Kristin Finney-Cooke, Senior Consultant, Michael Yang, Senior Research Consultant, and Matt Ritter, Research Consultant, made a presentation to the IAC. Ms. Finney-

Cooke began and introduced the team and gave a firm overview. She stated that the firm was a dedicated public fund team of 31 professionals founded in 1986, with 67 clients and \$593 billion in assets. Mr. Yang spoke about NEPC's understanding of the CRPTF, identifying the right solutions to strengthen the portfolio and NEPC's competitive advantage. Mr. Ritter talked about the firm's integrated research process for each of their clients, and added that they offer a broad range of strategies that can be customized based on specific investment objectives. He reviewed the due diligence process from pre-screening to final recommendation. Ms. Finney-Cooke then spoke about NEPC's diversity and program initiatives, philosophy and goals. Next, Mr. Ritter gave an overview on the firm's ESG approach and added that their goal was to provide clients with an understanding of ESG integration, industry trends, and how it can be applied to their portfolio.

Several IAC members posed questions regarding the team and the use of REITS in REF, to which Mr. Yang and Mr. Ritter answered to their satisfaction.

#### **Roll Call of Reactions for the Real Estate Fund Consultant Services**

Messrs. Muench, Murray, Himmelreich, Fiore, Sampson, Hall, and Chair Thomas provided feedback on the semi-finalists for the Real Estate Fund Consultant Search and supported all three firms, and provided ranking preferences for all firms but generally supportive of all three.

#### **Other Business**

Chair Thomas invited the IAC members to submit agenda items for the September 12, 2018 meeting. She reminded the IAC members that there will be no IAC meeting in August.

#### **Comments by the Chair**

There being no further business, Chair Thomas called for a motion to adjourn the meeting. **Mr. Murray moved to adjourn the meeting and the motion was seconded by Mr. Hall. There being no discussion, the meeting was adjourned at 11:59 a.m.**

**This meeting was electronically recorded.**

**Respectfully submitted,**



**DENISE L. NAPIER  
SECRETARY**

**Reviewed by,**



**CAROL THOMAS  
INTERIM CHAIR**