

INVESTMENT ADVISORY COUNCIL
Wednesday, November 14, 2018

MEETING NO. 458

Members present:

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

*Arrival 9:07a.m

**Arrival 9:12a.m

Others present:

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

Guests:

Drienne Benner, Appomattox
LaRoy Brantley, Meketa Investment Group
Robin Kaplan-Cho, Connecticut Education Association
Pete Keliuotis, Cliffwater
Tim Maul, RBC Global Asset Management
Leanne Moore, Meketa Investment Group
Brooke Zinnerello, Intern

With a quorum present, Interim Chair Carol Thomas called the Investment Advisory Council ("IAC") meeting to order at 9:01 a.m. She then reminded the members that the December's IAC meeting would be Wednesday, December 19th instead of December 12th.

Approval of Minutes of the October 24, 2018 IAC Meeting

Chair Thomas called for a motion to approve the minutes of the October 24, 2018 IAC meeting. **William Murray moved to approve the minutes of the October 24, 2018 IAC meeting. The motion was seconded by Joshua Hall. There was one abstention, Steven Muench. There being no further discussion, the Chair called for the vote. The motion passed.**

Comments by the Treasurer

Treasurer Denise L. Nappier began her opening remarks by congratulating IAC member Mr. Hall on his re-election as state representative. She announced that after giving consideration to the feedback from the IAC and to the extensive due diligence process conducted by investment professionals and the Real Estate Fund (“REF”) consultant, Meketa Investment Group, she had decided to make a commitment of up to \$100 million to Artemis Real Estate Partners Income and Growth Fund, L.P., (“Artemis”) headquartered in Washington, D.C. and co-founded by two women. Treasurer Nappier added that the general partner was Artemis Real Estate Partners Income and Growth Fund GP, LLC, and would primarily focus on small-to-middle market assets in primary and secondary spaces offering the opportunity for current income and modest capital appreciation. She said that this investment brought us closer to the non-core allocation within the REF and provided the opportunity to implement the real estate allocation within the Connecticut Horizon Fund (“CHF”). Additionally, after giving consideration to the feedback from the IAC and to the extensive due diligence process conducted by investment professionals and the Private Investment Fund (“PIF”) consultant, StepStone Group, Treasurer Nappier had decided to make a commitment of up to \$50 million to Connecticut Private Equity Horizons Fund, LLC (“CPEH”). She said this fund-of-funds vehicle would be managed by Muller & Monroe Asset Management, headquartered in Chicago, Illinois, and would primarily target investments in small and middle market growth equity and buyout funds, managed by women-owned, minority-owned, emerging or Connecticut-based investments. She added that the CPEH was a separately managed account created exclusively for the benefit of the Connecticut Retirement Plans and Trust Funds (“CRPTF”) and would be utilized to continue the implementation of the CHF program within the PIF. Both commitments were contingent upon successful negotiation of the partnership documents.

Treasurer Nappier then discussed the recent asset allocation proposal and commended the sub-committee for its due diligence in helping set forth the proposed revisions to the asset allocation policy for each asset class and informed the members that additional due diligence process was still underway. She stated that she had concerns about building the asset allocations around an expected return of 7.5% with a significant standard deviation and added that capital market assumptions have come down, while volatility steadily increased for almost all asset classes. Treasurer Nappier said the sub-committee recommendations would be part of the transition materials for the new administration to review and implement, which would include both her assessment and that of Meketa’s. Lastly, Catherine LaMarr, General Counsel, introduced intern Brooke Zinnerello, who talked about her background and education at UCONN and her internship with the Legal Unit.

Update on the Market, the Connecticut Retirement Plans and Trust Funds Final Performance for Month Ended September 30, 2018

Laurie Martin, Chief Investment Officer, provided an update on the CRPTF's performance and commented on the capital market environment and the economic outlook. She reported that for the month ending September 30, 2018, the three largest plans, the State Employees' Retirement Fund, the Teachers' Retirement Fund and the Municipal Employees' Retirement Fund, all posted very modest positive returns, ranging from 25 to 35 basis points ("bps"), and underperformed their respective benchmarks by approximately 12 bps. Ms. Martin said the primary driver of relative underperformance was the Developed Markets International Stock Fund, which returned 46 bps versus the Developed International Hedged Equity benchmark of 1.0%. Offsetting negative relative performance was the Emerging Markets International Stock Fund, outperforming its benchmark by 92 bps, followed by the Emerging Market Debt Fund which beat its benchmark by 21 bps. She added that the positives for September were the Emerging Market Debt Fund up 2.3% followed by the High Yield Fund up 0.6%; however, the positives were slightly offset by negative absolute returns in Inflation Linked Bonds and Core Fixed Income of -64 and -30 bps, respectively. Ms. Martin stated that for the fiscal year to date through September, the three largest pension plans were all up over 2.0%; the Mutual Equity Fund outperformed all other asset classes, returning 6.9%, followed by the PIF up 2.4% and the High Yield Bond fund up 2.3%. She added that across all asset classes, the only detractors were Global Inflation Linked Bonds down -1.3% followed by Emerging Market Equity down -0.9%. Ms. Martin then reviewed the highlights for October and impacts to the performance.

Litigation Update

Catherine LaMarr, General Counsel, provided an update on active group litigation in Connecticut, the United States and abroad. She stated that all litigation activities were focused on recovering assets lost due to the malfeasance of others. In 1999, when Treasurer Nappier took office, she said an active asset recovery program was established and, to date, more than \$50 million has been recovered from filing claims in class action matters, resulting in a net gross of 8%. Ms. LaMarr then discussed the recovery of significant settlements as lead plaintiff with filing claims in class action matters in the U.S.; one being the third largest class action settlement of \$457 million. She talked about the risks, challenges, and developments of processes and procedures that were put in place to govern group foreign litigations in order to save money and prosecute cases efficiently. Ms. LaMarr added that the Legal Unit has continued to develop its knowledge in foreign litigation through the National Association of Public Pension Attorneys ("NAPPA") and the white paper entitled Post-Morrison-The Global Journey Toward Asset Recovery; developed to assist in navigating foreign securities litigation. She then gave an overview of litigation, both settled and active. Lastly, Ms. LaMarr stated that recovery since inception as of fiscal year 2018 was \$53.65 million and recommended the continuation of filing claims in U.S. Class Action Litigation, and to consider opportunities to decline participation in class action matters and expand focus on opportunities for recovery through foreign group action through NAPPA.

Other Business

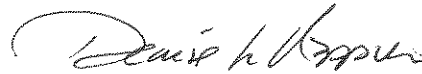
Chair Thomas invited the IAC members to submit agenda items for the December 19, 2018 meeting.

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 9:49 a.m.

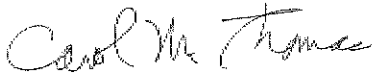
This meeting was electronically recorded.

Respectfully submitted,



**DENISE L. NAPIER
SECRETARY**

Reviewed by,



**CAROL THOMAS
INTERIM CHAIR**