

INVESTMENT ADVISORY COUNCIL
Wednesday, May 9, 2018

MEETING NO. 452

Members present:

*Arrival 9:02a.m.
**Arrival 9:05a.m.
***Departure 11:05a.m.

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

Others present:

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

Guests:

Drienne Benner, Appomattox Advisers
LaRoy Brantley, Meketa Investment Group
Jacques Galante, Leeds Equity Partners
Robin Kaplan-Cho, Connecticut Education Association
Pete Keliuotis, Cliffwater
Jeffrey Leeds, Leeds Equity Partners
Tim Maul, RBC GAM
Mary Mustard, Meketa Investment Group
Justin Rico Oyola, SEIU (Capital Stewardship Program)
Aditya Raina, StepStone Group
Larry Tang, StepStone Group
Oscar Gil Vollmer, Appomattox Advisers
Susan Webb, Appomattox Advisers
Arnold West, GIA Partners
Peter Woolley, Meketa Investment Group

With a quorum present, Interim Chair Carol Thomas called the Investment Advisory Council ("IAC") meeting to order at 9:00 a.m.

Chair Thomas stated that there were edits to the April draft minutes: Treasurer Nappier's

remarks regarding the Connecticut Horizon Fund (CHF) firm Longfellow Investment Management Co., LLC, (“Longfellow”) as well as other comments, were expanded upon, as she had reminded the IAC of the CHF mission and two components of the program that are yet to be launched; the real estate fund-of-funds and new innovative investment strategies.

Furthermore, she requested a point of clarification to the February 14, 2018 IAC minutes on behalf of Treasurer Nappier: the February minutes, specifically in the Treasurer’s opening remarks, included two investment-related announcements of her commitments of up to €80 to EQT VIII, SCSp and up to \$50 million to Siris Partners IV, L.P. The minutes indicated that “the Connecticut Retirement Plans and Trust Funds (“CRPTF”) currently had exposure to Siris Partners II through the M2 Connecticut Emerging Private Equity Fund-of Funds, within the Private Investment Fund (“PIF”) sleeve of the CHF portfolio, under the management of Muller and Monroe, and that both investment commitments are contingent upon successful negotiation of the partnership documents.” She said the Treasurer wishes to have the minutes clarified and amended to state that two commitments were made at the February 14th IAC meeting; one to EQT VIII and the other commitment was made to Siris Partners IV; a CHF graduate.

Chair Thomas called for a motion to approve the amended minutes of the February 14, 2018 IAC minutes. **William Murray moved to approve the amended minutes of the February 14, 2018 IAC meeting. The motion was seconded by Joshua Hall. There being no further discussion, the Chair called for the vote. The motion passed unanimously.**

Secondly, Chair Thomas requested a point of clarification to the March 14, 2018 IAC minutes: The Treasurer wishes to have the March minutes clarified, as the minutes did not include the complete comments delivered to the IAC by the PIF consultant to the CRPTF, StepStone Group (“Stepstone”), Mike Elio. The StepStone quarterly report for September 30, 2017, provided to the IAC, contained an error on page 42, as verbally corrected by Mr. Elio at the March 14th meeting. The Treasurer requests that the March 14, 2018 minutes be amended to reflect that the error was verbally corrected at the meeting.

Chair Thomas called for a motion to approve the amended minutes of the March 14, 2018 IAC minutes. **Mr. Murray moved to approve the amended minutes of the March 14, 2018 IAC meeting. The motion was seconded by Duke Himmelreich. There being no further discussion, the Chair called for the vote. The motion passed unanimously.**

Approval of Minutes of the April 18, 2018 IAC Meeting

Chair Thomas called for a motion to approve the minutes as amended of the April 18, 2018 IAC meeting. **Mr. Murray moved to approve the minutes as amended of the April 18, 2018 IAC meeting. The motion was seconded by Mr. Himmelreich. There was one abstention, Mr. Hall. 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 stating the Chief Investment Officer (“CIO”) search was completed with the unanimous support of the IAC and she had appointed CIO candidate, Sean Crawford, who would begin his assignment on Monday, May 14, 2018, and spoke of his extensive background and the experience he brings to the CRPTF. Treasurer

Nappier then thanked Laurie Martin for all her hard work and diligence as Interim CIO for the last fifteen months and offered her gratitude for effectively overseeing every aspect of day-to-day pension fund operations and investment management, which led to investment commitments totaling \$1 billion under her tenure. She said Ms. Martin contributed to the CRPTF's bench strength by assisting in the search and hiring of key investment professionals.

Next, Treasurer Nappier then mentioned that it was the last day of the 2018 regular legislative session for the General Assembly. She indicated that she had provided proposed legislative language to the General Assembly that would (1) give the State Treasurer authorization to issue lottery-backed revenue bonds, pending a study of their viability and of other options such as the transfer of lottery or other assets of the State to the Teachers' Retirement Fund ("TRF") and approvals by the State Bond Commission and Office of Policy and Management; (2) require the Teachers' Retirement Board to lower the TRF investment return assumption; (3) authorize the State Treasurer to pay off pension obligation bonds as they become callable, allowing a re-amortization of remaining liabilities without violation of the Pension Obligation Bond covenant; and (4) institute strong statutory language requiring future funding discipline. She then explained how the pension obligation bonds could be defeased by 2025.

She commented on the agenda and said Leeds Equity Partners, a manager in the PIF would be presenting to the IAC and announced that she was considering an allocation increase of up to \$25 million to Leeds Equity Partners VI, L.P., ("Leeds VI") in addition to its existing commitment of \$50 million. Treasurer Nappier said the fund was being raised by Leeds Equity Partners, based in New York, and that Leeds VI investment opportunity was first presented for consideration at the October 2016 IAC meeting and, subsequently, she decided to commit up to \$50 million to the fund; the commitment closed in November 2016. She stated that an increased commitment to Leeds VI would provide an opportunity for the CRPTF to generate strong returns through an existing PIF manager that executes a proven, sector focused strategy. Subsequent to the initial allocation, Treasurer Nappier said Leeds VI made its first investment in December 2016 and had closed on four platform investments consistent with its targeted strategy. The CRPTF has been invested with the firm since 2009 when it closed on a \$40 million commitment to Leeds Equity Partners V, L.P., ("Leeds V"), a 2008 vintage year fund and as of September 30, 2017, Leeds V had generated a very strong net internal rate of return ("IRR") of 17% and net total value multiple of 1.8x.

Treasurer Nappier then said that an overview and presentation regarding the CHF Hedge Fund program would be presented and Michael MacDonald, Principal Investment Officer for the Alternative Investment Fund ("AIF"), would deliver opening remarks and introduce Appomattox Advisors ("Appomattox"), one of the two managers in the AIF sleeve of the CHF. She stated that she was considering a consolidation of the investment portfolios of the two AIF funds in the CHF; Appomattox and Morgan Stanley Alternative Investment Partners ("MSAIP"). The consolidation would consist of transitioning the assets currently held by MSAIP to Appomattox, which would provide for both a more efficient portfolio with improved performance and a graduation portfolio under Appomattox that would enable successful emerging managers to develop into mainstream institutional managers.

Lastly, Treasurer Nappier announced that after giving consideration to the feedback from the IAC and to the extensive due diligence process conducted by investment professionals and

Meketa Investment Group, she had decided to make a commitment of up to \$65 million to Basis Investment Group Real Estate Fund I, L.P., an investment opportunity for the Real Estate Fund, which would originate and acquire a diversified portfolio of commercial real estate debt and preferred equity investments throughout the U.S., largely focusing on middle market investments averaging \$5 - \$50 million. The commercial real estate firm is headquartered in New York, and managed by Basis Management Group, LLC.

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

Ms. Martin provided an update on the CRPTF performance and commented on the capital market environment and the economic outlook. She reported that for the month ending March 31, 2018, the Teachers' Retirement Fund ("TERF") and the State Employees' Retirement Fund ("SERF"), the two largest pension plans, both posted negative returns of -0.6%, respectively, and the Municipal Employees' Retirement Fund ("MERF"), posted a negative return of -0.3%; all three funds outperformed their benchmarks during the month by 33 to 39 basis points ("bps") for the month. She stated that the Emerging Markets International Stock Fund, outperformed by 36 bps, and the Developed Markets International Stock Fund outperformed by 18 bps and added that the two funds, representing approximately 30% of total fund assets, contributed 20% of the combined outperformance. Ms. Martin commented that all global equity and high yield asset classes posted negative returns for the month and that volatility continued throughout March despite favorable economic data. Additionally, the March quarter ended flat for the three largest pension plans. For the fiscal year to date, she stated that the TERF and the SERF were up over 7.0%, respectively, and the MERF was up 6.2%; for the one-year performance ending March 31, 2018, both the TERF and the SERF were up over 10.7% and the MERF was up 9.6%. Lastly, Ms. Martin gave a follow up from the April 18th IAC meeting regarding the presentation by fixed income manager Longfellow Investment Management Co., LLC ("Longfellow"), a graduate manager from the CHF. She wanted to note that as part of the transition process, a new contract between the CRPTF and Longfellow would be executed due to the change in status from sub-manager to standalone manager in the Core Fixed Income Fund. She added that the anticipated funding for this mandate would be \$100 million.

Chair Thomas called for motion to add Longfellow's graduation and commitment of \$100 million to the Core Fixed Income Fund to the agenda. **A motion was made by Mr. Himmelreich seconded by Mr. Murray. There being no discussion, the Chair put the question to a vote and the motion was passed unanimously.**

Chair Thomas called for a motion to approve the commitment of \$100 million to Longfellow in the Core Fixed Income Fund and waive the 45-day comment period. **A motion was made by Mr. Himmelreich seconded by Michael LeClair, to approve the commitment of \$100 million to Longfellow in the Core Fixed Income Fund and waive the 45-day comment period. There was one abstention, Mr. Hall. There being no discussion, the Chair put the question to a vote and the motion was passed unanimously.**

Consideration of an Allocation Increase for Leeds Equity Partners VI, L.P.

Ms. Martin provided opening remarks and introduced Leeds VI, a PIF investment opportunity. She stated that it was a New York based private equity manager focused on the education,

business and information services sectors. Ms. Martin mentioned the CRPTF had committed \$40 million of capital in 2009 to Leeds V and in November 2016, invested \$50 million in Leeds VI. Ms. Martin stated that Pension Fund Management staff, along with Stepstone, reviewed the proposed increase in the CRPTF's commitment by \$25 million and explained that it would be an opportunity to gain additional exposure to an existing manager who has continued to execute an effective, sector focused-strategy referred to as knowledge industries.

Several IAC members posed questions regarding investment, portfolio and strategy, to which Ms. Martin answered to their satisfaction.

Leeds Equity Partners, represented by Jeffrey Leeds, President and Co-Founder, and Jacques Galante, Managing Director, made a presentation to the IAC. Mr. Leeds began by introducing the team. Mr. Galante then gave a brief overview of Leeds V and stated that as of September 30, 2017, the fund had generated a net IRR of 17% and net total value multiple of 1.8x. He then talked about the investment performance and the portfolio. Mr. Galante discussed the investment strategy and market opportunity for Leeds VI and stated the fund had closed on four portfolio investments consistent with its stated strategy of identifying small and lower middle market companies active in the education, training and information services sectors.

Several IAC members posed questions regarding investments, buyouts, portfolio, and a lengthy discussion of Fusion Education investment, to which Mr. Leeds answered to their satisfaction.

Roll Call of Reactions for Leeds Equity Partners VI, L.P.

Thomas Fiore, Messrs. Hall, Himmelreich, Murray, LeClair, Steven Muench, and Chair Thomas provided feedback on Leeds Equity Partners and all were in favor of the Leeds VI, 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. LeClair, to waive the 45-day comment period for the Leeds Equity Partners Fund VI, L.P. There was one abstention, Mr. Murray. There being no discussion, the Chair put the question to a vote and the motion was passed unanimously.**

Overview of and Presentation for Connecticut Horizon Fund Hedge Fund Restructuring

Mr. MacDonald provided opening remarks and gave an overview of Appomattox. He reiterated that the AIF funds in the CHF currently consisted of two managers, Thomas Welles Fund I, LLC managed by Appomattox, and Thomas Welles Fund II, LLC managed by MSAIP. Mr. MacDonald talked about the consolidation, transitioning the assets, performance and the benefits of the graduation program. He stated the goal of the CHF was to enhance the portfolio returns for the CRPTF through investments with emerging, minority and/or women-owned and Connecticut-based investment managers and that Appomattox had a particular expertise in identifying and investing with smaller and emerging hedge fund managers and strong performance since inception. Mr. MacDonald then spoke of the founders of Appomattox and their background.

Appomattox, represented by Susan Webb, Founder, President and CIO, Oscar Gil Vollmer, Founder and Chief Executive Officer, and Drienne Benner, Managing Director, made a

presentation to the IAC. Ms. Webb began and introduced the team and gave a firm overview. She stated it was founded in 2005 and remained an independent, focused and highly experienced firm. Ms. Webb said Appomattox is 100% employee, women and minority owned. She then spoke of the firm's investment philosophy for building resilient, results based portfolios and that the firm took an active management approach by incorporating a forward-looking global macro view and forecasting of strategies: tactical and strategic asset allocation and manager selection. Ms. Webb then gave an overview of the portfolio objectives, the success of the portfolio, and the impact of the CHF. Next, Mr. Gil Vollmer reported on the emerging manager case studies within the CHF and detailed the performance on three funds; Altum Credit, Sanoor Capital, L.P., and Hollis Park. Ms. Benner then spoke about Appomattox value proposition for the CRPTF and gave special thanks to Treasurer Nappier for creating the CHF and providing opportunities for emerging managers, women, minority and Connecticut-based managers.

Several IAC members posed questions regarding graduating funds, the transition of Thomas Welles Fund II to Appomattox, fees and the portfolio, to which Mr. Gil Vollmer and Ms. Webb answered to their satisfaction.

Chair Thomas called for a motion to terminate MSAIP, transition assets from Thomas Welles Fund II to Appomattox and establish a graduation portfolio of \$100 million. **A motion was made by Mr. Murray seconded by Mr. Meunch, to terminate MSAIP, transition the assets from Thomas Welles Fund II to Appomattox and establish a graduation portfolio of \$100 million. There being no discussion, the Chair put the question to a vote and the motion was passed unanimously.**

Report on Corporate Governance

Christine Shaw, Chief Compliance Officer, Assistant Treasurer, reviewed Corporate Governance activity for quarters ending December 31, 2017 and March 31, 2018. Ms. Shaw began with an overview of the proxy voting activity and stated that for the fourth quarter ending 2017, there were 113 annual meetings of domestic portfolio companies and that the CRPTF cast 998 votes, of which 75.6% supported management recommendations. During this same time, she said that there were 404 international meetings held at which the CRPTF cast 2,918 votes; 82.9% of which were in support of management recommendations. For first quarter ending 2018, Ms. Shaw reported that there were 145 annual meetings of domestic portfolio companies and that the CRPTF cast 1,292 votes, of which 78.79% supported management recommendations. During this same time, she said that there were 365 international meetings held at which the CRPTF cast 4,329 votes; 87.23% of which were in support of management recommendations. For the 2018 proxy season, Ms. Shaw said the CRPTF settled and/or withdrew nine shareholder resolutions, and one resolution was voted on by shareholders of AmerisourceBergen. She then stated that regarding issues with board quality, the CRPTF filed three resolutions with Ansys, Inc., Cognex and Oceaneering International, and that all three had agreed to amend their guidelines to foster greater diversity on its boards; the resolution was then withdrawn. Next, she reviewed resolutions for Johnson & Johnson, Equifax, Tesla and Wells Fargo. Ms. Shaw commented on the shareholder votes and stated that the CRPTF co-filed a resolution with AmerisourceBergen, a distributor of opioids, calling for disclosure of the company's incentive compensation claw backs, which failed to pass.

Chair Thomas called for a motion to accept the report on Corporate Governance activities. **A motion was made by Mr. Himmelreich, seconded by Mr. Fiore, to accept the report on Corporate Governance activities. There being no discussion, Chair Thomas put the question to a vote and the motion passed unanimously.**

Other Business

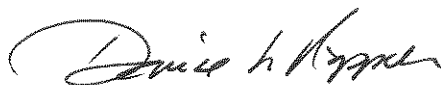
Chair Thomas invited the IAC members to submit agenda items for the June 13, 2018 meeting.

Comments by the Chair

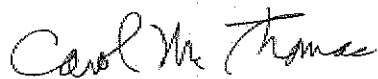
There being no further business, Chair Thomas called for a motion to adjourn the meeting. **Mr. Himmelreich moved to adjourn the meeting and the motion was seconded by Mr. Murray. There being no discussion, the meeting was adjourned at 11:33 a.m.**

This meeting was electronically recorded.

Respectfully submitted,


**DENISE L. NAPPIER
SECRETARY**

Reviewed by,



**CAROL THOMAS
INTERIM CHAIR**