

City of Hartford Pension Commission
City Conference Room
260 Constitution Plaza
Hartford, Connecticut
Friday, April 26, 2013
9:00 a.m.

AGENDA

INVESTMENT PROGRAM

- I. **Review of Minutes: Meeting of March 22, 2013**

- II. **Status of the MERF Portfolio as of March 31, 2013**
 - **Inventory of Assets**
 - **MERF's Overall Performance**

- III. **NEPC Update**
 - **Private Debt**
 - **Hedge Funds**

- IV. **Investment Policy Statement Revision Recommendation**

- V. **Report on Annual Performance Review Meetings**
 - **Brown Brothers Harriman & Co.**
 - **Mondrian Investment Partners Limited**
 - **Pacific Investment Management Company**
 - **Walter Scott Global Investment Company**

- VI. **Other Business**
 - **MERF Update**
 - a. **Rebalancing**
 - b. **BNY Mellon Custody Contract Update**



CITY OF HARTFORD
PENSION COMMISSION

MEMORANDUM

To: Pension Commission
From: 
Adam M. Cloud, Secretary
Date: April 9, 2013
Subject: Review of Minutes from the Meeting of March 22, 2013

Enclosed for your review are the minutes of the investment portion of the Pension Commission meeting of Friday, March 22, 2013.

*INVESTMENTS
AGENDA ITEM I*

City of Hartford Pension Commission
City of Hartford Conference Room
260 Constitution Plaza
Hartford, CT 06103
Friday, March 22, 2013
9:00 a.m.

MINUTES

INVESTMENT PROGRAM

MEMBERS PRESENT: Peter Stevens, Chairman; Frank Lord, Commissioner; Gene Goldman, Commissioner; Marc Nelson, Employee Representative; Adam M. Cloud, Secretary and Carmen I. Sierra, Assistant Secretary

STAFF PRESENT: Gary B. Draghi, Director of Investments; P. Wayne Moore, Assistant Director of Investments; J. Sean Antoine, Principal Administrative Analyst; Terry Williams, Senior Administrative Assistant; Donna Parker, Plan Administrator and Anne Coleman, Assistant Plan Administrator

OTHERS PRESENT: Doug Moseley and Richard Pzenny, NEPC and Lisa Silvestri, Assistant Corporation Counsel

I. Review of Minutes: Meeting of February 22, 2013

Chairman Stevens introduced the item and asked for questions, comments or corrections. There were none.

A motion was made, seconded and adopted to accept the minutes as presented.

II. Status of the MERF Portfolio as of February 28, 2013

Chairman Stevens introduced the item and asked the Investment Unit to report. J. Sean Antoine, the MERF's Principal Administrative Analyst, reported that, at February 28, 2013, the MERF portfolio had a market value of approximately \$974.2 million and had generated a 0.2% return net of fees for the month, slightly outperforming the benchmark return of 0.1%, by 10 basis points. He asked if there were any questions. There were none.

Gary Draghi, the MERF's Director of Investments, noted that \$16 million in cash had been raised in March for liquidity needs from the sale of units of the MERF's asset allocation fund managed by State Street Global Advisors.

The Commission accepted the report for advice.

III. NEPC Update

Road Map Time Line

Chairman Stevens introduced the item. Secretary Cloud asked the representative from NEPC to address the Commission. Doug Moseley, Partner-NEPC, stated that he had been working with staff on updating the MERF's road map for the past several months. He noted that staff and NEPC had completed several major deliverables and were currently working on the remaining items on the road map. Mr. Moseley highlighted the areas of the private debt, real estate and hedge funds as the MERF's alternative investment initiatives. He noted that the road map would be updated on a regular basis. Discussion ensued.

Update to MERF Asset Allocation

Mr. Moseley then discussed the MERF's current and future asset allocation targets, noting that NEPC updates its asset allocation assumptions every year to make sure its clients' portfolios reflect NEPC's best ideas. He went on to note that NEPC has reviewed the MERF's asset allocation targets based on multiple inputs, including the MERF's liquidity profile and current funding status. He then related NEPC's recommendation that the MERF amend its allocation to add a 1.5% allocation to cash and to reduce its longer term target allocation for high yield bonds (from 5% to 4%) and long duration fixed income (from 9% to 8.5%). He concluded by stating that he believed that the MERF remained on target to achieve its ultimate asset mix and that NEPC would also be evaluating potential changes to the MERF's interim allocation targets. Discussion ensued.

Update to MERF Asset Allocation (continued)

Lastly, Mr. Moseley stated that NEPC continued to recommend measured implementation towards the MERF's long term allocation which he anticipated would be achieved within 12-18 months. Discussion ensued.

The Commission accepted the report for advice.

IV. Private Debt Strategy Discussion

Chairman Stevens introduced the item. Secretary Cloud asked Mr. Moseley, to report to the Commission. Mr. Moseley reported that the MERF currently has a \$30 million target allocation to the private debt asset class, which could be divided among two or more managers. He stated that NEPC was currently re-evaluating its approved product list for private debt and would update staff and the Commission when this process was completed. Mr. Moseley added that, as part of this update, NEPC would identify more senior lending opportunities with specific niches and geographic focuses. Discussion ensued.

Mr. Moseley went on to note that NEPC recommended that its clients consider U.S. levered and unlevered funds and European unlevered funds as potential strategies. He thought these options would benefit the MERF noting that NEPC's conservative private debt option featured a potential 7%-8% return expectation and could be executed by the use of the unlevered U.S. funds.

Commissioner Lord asked about the investment period for such investments. Mr. Moseley stated that there was typically a 6-10 year investment life for these funds and added that during that period the investment would generally make quarterly dividend payments to the MERF.

In response to a question regarding the vintage years of the funds, Mr. Moseley stated that vintage year considerations were very important for the private debt strategy since these funds offered limited liquidity to investors and must demonstrate a history of delivering positive cash flows to investors.

Treasurer Cloud asked about lower middle market managers within the private debt asset class. Mr. Moseley stated that the current NEPC report did not contain a full listing of private debt funds but that NEPC would be putting together an expanded report that would include lower middle market funds and small business investment companies. Discussion ensued.

The Commission accepted the report for advice.

V. Report on Annual Performance Review Meetings

Chairman Stevens introduced the item. Secretary Cloud stated that the report was self-explanatory and asked if there were any questions. There were none.

The Commission accepted the report for advice.

VI. Deferred Compensation Annual Investment Review

Chairman Stevens introduced the item. Secretary Cloud asked staff to report to the Commission. Mr. Draghi reported that Retirement Plan Advisors ("RPA"), the City's deferred compensation plan (the "Plan") consultant, had recommended that the BlackRock Capital Appreciation Fund ("BlackRock") plan option be placed on probation for performance reasons. Mr. Draghi added that both the Deferred Compensation Committee (the "Committee") and the Secretary endorsed this recommendation. He added that BlackRock was a large capitalization growth equity option. Discussion ensued.

Mr. Draghi then informed the Commission that the Committee had decided to maintain the probationary status of The Hartford Capital Appreciation Fund. He explained that this large capitalization equity blend alternative had been on probation due to its past performance. Mr. Draghi noted a number of factors, including recent upturn in its performance, as reasons for the continuation of the probationary period rather than termination. He went on to state that there were quality replacement options that the Committee could recommend if this fund's performance did not return to acceptable levels. Discussion ensued.

Mr. Draghi went on to note that the Plan's Investment Policy Statement was reviewed by RPA and determined to be consistent with the industry's best practices. He concluded by noting that only two of the Plan's 29 offerings were on probation, which was a very good accomplishment. Discussion ensued.

A motion was made, seconded and adopted to place the BlackRock Capital Appreciation Fund on probation based on the Plan's guideline performance standards.

VII. Other Business

Acting Chairman Lord introduced the item. Secretary Cloud reported that he and staff met with ING to discuss operational issues in the wake of the recent restructuring that involved a senior level account representative assigned to the MERF. He mentioned that he and staff would continue to monitor ING and report back to the Commission. Discussion ensued.

Mr. Draghi reported that the MERF's contract agreement with TA Associates regarding the MERF's investment commitment to Realty Associates Fund X, L.P. had been finalized and that the initial funding of this portfolio would occur soon.

The Commission accepted the report for advice.

There being no further business, Acting Chairman Lord adjourned the meeting.

ATTEST: Adam M. Cloud
Adam M. Cloud, Secretary



CITY OF HARTFORD
PENSION COMMISSION

MEMORANDUM

To: Pension Commission
From: *AMC*
Adam M. Cloud, Secretary
Date: April 9, 2013
Subject: Status of MERF Portfolio as of March 31, 2013

Portfolio report for the month of March 31, 2013 performance report.

INTEROFFICE MEMORANDUM

TO: Adam M. Cloud, City Treasurer
Carmen I. Sierra, Assistant City Treasurer

FROM: Gary B. Draghi, Director of Investments *ABD*
P. Wayne Moore, Assistant Director of Investments *PM*
J. Sean Antoine, Principal Administrative Analyst *JA*

DATE: April 18, 2013

SUBJECT: Status of MERF Investment Portfolio as of March 31, 2013

At March 31, 2013, the market value of the MERF's investment portfolio approximated \$988.8 million dollars. The portfolio generated a 1.1% return net of fees for the month (see attached), outperforming the MERF policy benchmark return of 1.0%, by 10 basis points.

Investment returns, net of fees, for the various asset classes and their benchmarks were as follows:

	Assets (\$Millions)	Allocation %		Net		Return Variance
		Actual (B)	Policy	Portfolio Returns	Benchmark Returns	
Alternatives	71.9	7.3%	17.0%	0.8%	3.9%	-3.1%
Equity	432.5	43.7%	37.0%	2.3%	2.4%	-0.1%
Fixed Income	388.5	39.3%	38.0%	-0.1%	0.0%	-0.1%
GTAA	48.9	4.9%	5.0%	1.0%	1.3%	-0.3%
Other	0.0	0.0%	3.0%	0.0%	0.0%	0.0%
Cash (A)	47.0	4.8%	0.0%	0.0%	0.0%	0.0%
Total Portfolio	988.8	100.0%	100.0%	1.1%	1.0%	0.1%

Note: Differences due to rounding

(A) Includes Benefit Payment Fund with a balance approximating \$38.6 million.

(B) The MERF is transitioning its investment allocation to conform to the policy allocation targets adopted in July, 2011. The MERF anticipates that it will take approximately 2 years to complete this process.

UPDATED INFORMATION

The period from April 1 to April 17, 2013 was negative for domestic equities, as the Russell 3000 Index experienced a negative 1.5% return. The large capitalization sector was outperforming

both the medium and small capitalization sectors for the period. Through April 17th, growth was outperforming value across all cap sectors. (See enclosed copy of the Russell Investment Group's report entitled "Russell U.S. Indexes Daily Total Returns").

The period from April 1 to April 17, 2013 was negative for developed global equities markets as the Russell Global Index experienced a negative 1.4% return. Emerging Markets experienced negative returns as the Russell Emerging Markets Index returned a negative 2.6% for the same period (See enclosed copies of Russell Investment Group reports).

City of Hartford MERF

Net of Fees - Final
Performance Page

Period Ending March 31, 2013

	Market Value	% of Total Fund	Annualized										Incept. to Date	Incept. Date
			March	Quarter	Fiscal YTD	1 Year	3 Years	5 Years	7 Years	10 Years	%			
Total Plan Consolidation	\$988.8	100.0 %	1.1 %	2.9 %	10.3 %	9.2 %	9.0 %	4.5 %	5.1 %	7.9 %	8.6 %	1/31/1986		
Policy Benchmark		1.0	1.0	3.0	10.3	8.6	9.4	5.9	6.1	8.4	8.5	2/28/1990		
Total Plan Wgt'd Benchmark		1.3	3.7	9.8	8.1	8.0	4.9	5.9	5.9	7.1	7.1	9/30/2004		
Policy-Capitalization Based		2.1	5.9	11.7	10.1	9.7	6.0	5.7	5.7	8.2	6.8	12/31/1996		
CPI plus 3.5%		0.5	2.2	4.0	5.0	5.8	5.2	5.7	5.7	5.9	5.9	12/31/1996		
Liquidity Portfolio	142.5	14.4	1.1	3.7	9.8	6.8	6.0	---	---	---	7.1	5/31/2009		
Liquidity Policy		1.7	3.2	10.8	9.8	9.7	6.1	6.1	6.1	8.4	8.5	2/28/1990		
Asset Allocation Fund	103.9	10.5	1.3	4.4	11.5	8.2	7.0	---	---	---	9.5	4/30/2009		
Asset Allocation Benchmark		0.8	2.0	7.7	8.2	6.3	---	---	---	---	11.8	4/30/2009		
Benefits Payment Fund	38.6	3.9	0.0	0.1	0.3	0.4	0.4	0.6	1.6	1.8	2.1	10/31/1996		
U.S. Treasury 3 Month T-bills		0.0	0.0	0.1	0.1	0.1	0.3	0.3	1.5	1.7	2.8	12/31/1996		
Total Equity Consolidation	504.4	51.0	2.1	6.0	16.2	11.4	10.3	3.2	3.7	9.2	7.2	1/31/1997		
Total Equity Consolidation ex Alternatives	432.5	43.7	2.3	6.9	17.4	11.4	9.7	3.3	---	---	2.3	2/28/2007		
Comb Equity Wgt'd Benchmark		2.4	7.7	18.4	12.4	9.7	4.1	4.1	4.8	---	7.3	9/30/2004		
Global Equity	65.6	6.6	2.1	7.2	18.1	11.6	8.6	---	---	---	15.6	4/30/2009		
Slate Street Global Advisors	65.6	6.6	2.1	7.2	18.1	11.6	8.6	---	---	---	15.6	4/30/2009		
MSCI AWC/ Invest.Mkts Index		2.0	2.0	7.6	11.0	11.0	8.1	---	---	---	18.9	4/30/2009		
Domestic Equity	244.9	24.8	2.8	7.7	16.1	13.1	14.1	4.8	4.1	8.3	7.1	7/31/1996		
Russell 3000 Index		3.9	11.1	18.3	14.6	13.0	6.3	5.1	5.1	9.2	7.4	7/31/1996		
US Equity Policy-Cap Based		4.0	11.2	18.6	14.8	13.1	6.6	6.6	5.1	9.5	7.0	12/31/1996		
International Equity	193.9	19.6	1.3	3.5	15.5	9.4	7.1	1.2	3.5	11.3	6.1	9/30/1997		
Russell Global Ex-US Equity		0.4	3.7	18.3	9.2	5.5	0.5	0.5	3.1	11.1	4.6	7/31/1999		
Int'l Developed Markets Active	134.4	13.6	2.0	4.8	16.0	11.0	8.0	2.0	3.5	11.5	6.0	6/30/1999		
Int'l Emerging Active	59.5	6.0	(0.3)	0.7	14.3	4.1	3.7	(0.9)	5.0	16.3	8.9	4/30/2000		
MSCI EAFE Composite		0.9	5.2	20.0	11.8	5.5	(0.4)	(0.4)	2.1	10.2	4.2	6/30/1999		
Total Global Asset Allocation	48.9	4.9	1.0	3.0	10.4	8.0	---	---	---	---	8.0	4/30/2012		
60 MSCI World 40 Citl WGBI		1.3	3.5	10.0	7.3	---	---	---	---	---	7.3	4/30/2012		
Total Fixed Income	388.5	39.3	(0.1)	(0.8)	4.2	7.3	8.4	7.1	7.2	6.2	6.7	7/31/1997		
Custom Fixed Benchmark		(0.0)	(0.9)	3.8	7.5	9.7	7.9	5.5	---	---	7.9	1/31/2007		
Barclays Capital Aggregate Bond		0.1	(0.1)	1.7	3.8	5.5	5.5	5.5	5.9	5.0	6.1	7/31/1997		
Comb Fixed Income Wgt'd Bnk		(0.0)	(0.7)	1.4	3.0	5.3	4.7	4.7	5.9	---	5.1	9/30/2004		
US Core/Core Plus	99.5	10.1	0.1	0.2	2.9	5.0	5.8	4.7	5.1	3.9	5.7	7/31/1996		
US Core/Core Plus Fixed Income Active	68.5	6.9	0.2	0.4	4.0	6.3	6.6	5.6	5.4	4.7	6.0	7/31/1996		
US Core/Core Plus Passive	31.0	3.1	(0.0)	(0.1)	1.1	2.3	3.8	2.6	3.8	3.5	4.8	5/31/1998		
Total Long Duration	84.4	8.5	(0.3)	(1.9)	1.7	9.2	11.9	11.2	---	---	11.1	3/31/2008		
Long Duration Active	77.1	7.8	(0.3)	(1.8)	2.3	9.6	11.9	11.2	---	---	11.7	6/30/2008		
Long Duration Passive	7.3	0.7	(0.8)	(3.0)	(3.5)	6.7	12.6	9.1	---	---	9.0	3/31/2008		
Global Fixed	32.3	3.3	(0.7)	(3.1)	(1.5)	(1.2)	3.1	3.1	---	---	5.8	2/28/2007		
Global Fixed - Active	32.3	3.3	(0.7)	(3.1)	(1.5)	(0.9)	4.2	4.2	---	---	6.6	2/28/2007		
Inflation Linked Bonds Active	54.9	5.5	0.3	(0.1)	3.4	8.8	8.8	5.2	---	---	6.9	2/28/2007		
Emerging Mkts Debt Active	74.6	7.5	(0.6)	(1.1)	11.1	13.5	11.4	11.3	---	---	10.0	2/28/2007		
High Yield	42.8	4.3	0.9	1.8	7.8	9.2	---	---	---	---	8.6	7/31/2010		
Cash - Active	47.0	4.8	0.0	0.0	0.1	0.2	0.4	1.2	2.2	2.2	2.7	7/31/1997		
U.S. Treasury 3 Month T-bills		0.0	0.0	0.1	0.1	0.1	0.1	0.3	1.5	1.7	2.8	12/31/1996		

(13)

City of Hartford MERF

Footnotes

Performance Page

Period Ending March 31, 2013

No.	Name	Footnote
1	Policy Benchmark	<p>January 2012 to Current: 16% Russell 3000, 12% Russell Global EX US, 10% BC Aggregate, 10% BC GOVT/Credit Long, 9% MSCI Emerging Markets (NET), 7% Russell 3000 + 300 bps, 5% JPM EMBI Global, 5% BC Global Inflation Linked - US TIPS, 5% NCREIF Property Index, 5% HFRI FOF, 5% 60 MSCI World/40 Citi WGB, 4% BC Global Aggregate, 4% Citigroup High Yield, 3% S&P GSCI Commodity Index.</p> <p>October 2007 to December 2011: 48.5% Custom Fixed Benchmark, 25% Russell 3000, 25% Russell Global ex-US Equity Index, 1.5% 90 Day T-Bills.</p> <p>Prior to October 2007: 33% Russell 3000, 45% Barclays Capital Aggregate, 17% FTSE World Europe & Pacific, 3% Citigroup WGBI Non-US, 2% Merrill Lynch Treasury 91 day.</p>
2	Total Plan Wgtd Benchmark	Weighted average calculation using actual asset allocation percentages and benchmark index returns.
3	Policy-Capitalization Based	10% FTSE World Euro and Pacific, 40% Barclays Capital Aggregate, 40.625% Russell 1000, 9.375% Russell 2000.
4	CPI plus 3.5%	CPI data reported with one month lag.
5	Liquidity Policy	October 2007 to Current: 48.5% Custom Fixed Benchmark, 25% Russell 3000, 25% Russell Global ex-US Equity Index, 1.5% 90 Day T-Bills. Prior to October 2007: 35% Russell 3000, 17% MSCI EAFE, 45% Barclays Capital Aggregate, 3% Citigroup World Gov't Bond Index.
6	Asset Allocation Fund	Comprised of MERF passive portfolios.
7	Asset Allocation Benchmark	50% MSCI ACWI Investible Mkt Index, 50% Citigroup World Gov't Bond Index
8	Comb Equity Wgtd Benchmark	Weighted average calculation using actual asset allocation percentages and benchmark index returns.
9	US Equity Policy-Cap Based	81.25% Russell 1000, 18.75% Russell 2000.
10	Russell Global ex U.S. Equity Index	From October 2007 to Current: Russell Global Ex-US Equity Index. Prior to October 2007: FTSE All World Europe Pacific Index.
11	Custom Fixed Benchmark	<p>From January 2012 to Current: 26.32% Barclays Capital Long Govt/Credit Index, 26.32% Barclays Capital Aggregate Index, 13.16% Barclays Capital US TIPS Index, 10.53% Barclays Capital Global Aggregate Un-Hedged Index, 13.16% JPMorgan EMBI Global Index, 10.53% Citigroup High Yield Index.</p> <p>From October 2007 to December 2011: 31% Barclays Capital Long Govt/Credit Index, 20.6% Barclays Capital Aggregate Index, 20.6% Barclays Capital US TIPS Index, 12.4% Barclays Capital Global Aggregate Un-Hedged Index, 10.3% JPMorgan EMBI Global Index, 5.1% Citigroup High Yield Index.</p>
12	Comb Fixed Wgtd Benchmark	Weighted average calculation using actual asset allocation percentages and benchmark index returns.
13	US Treasury 3 Month T-bills	October 2007 to Current: US Treasury 3 Month T-bills. Prior to October 2007: Merrill Lynch Treasury 91 Day.

City of Hartford MIERF

Net of Fees - Final
Performance Page

Period Ending March 31, 2013

Annualized

	Market Value	% of Total Fund	March	Quarter	Fiscal YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Inception to Date	Incept. Date
			%	%	%	%	%	%	%	%	%	
Total Plan Consolidation	\$988.8	100.0	1.1	2.9	10.3	9.2	9.0	4.5	5.1	7.9	8.6	1/31/1986
Policy Benchmark			1.0	3.0	10.3	8.6	9.4	5.9	6.1	8.4	8.5	2/28/1990
Total Plan Wgtd Benchmark			1.3	3.7	9.8	8.1	8.0	4.9	5.9	—	7.1	9/30/2004
Policy-Capitalization Based			2.1	5.9	11.7	10.1	6.0	5.7	5.7	8.2	6.8	12/31/1996
CPI plus 3.5%			0.5	2.2	4.0	5.0	5.8	5.2	5.7	5.9	5.9	12/31/1996
Liquidity Portfolio	142.5	14.4	1.1	3.7	9.8	6.8	6.0	—	—	—	7.1	5/31/2009
Liquidity Policy			1.1	3.2	10.8	9.8	9.7	6.1	6.1	8.4	8.5	2/28/1990
Asset Allocation Fund	103.9	10.5	1.3	4.4	11.5	8.2	7.0	—	—	—	9.5	4/30/2009
Asset Allocation Benchmark			0.8	2.0	7.7	5.2	6.3	—	—	—	11.8	4/30/2009
Benefits Payment Fund	38.6	3.9	0.0	0.1	0.3	0.4	0.4	0.6	1.6	1.8	2.1	10/31/1996
90 Day T-Bills			0.0	0.0	0.1	0.1	0.1	0.3	1.5	1.7	2.8	12/31/1996
Total Equity Consolidation	504.4	51.0	2.1	6.0	16.2	11.4	10.3	3.2	3.7	9.2	7.2	1/31/1997
Total Equity Consolidation ex Alternatives	432.5	43.7	2.3	6.9	17.4	11.4	9.7	3.3	—	—	2.3	2/28/2007
Comb Equity Wgtd Benchmark			2.4	7.7	18.4	12.4	9.7	4.1	4.8	—	7.3	9/30/2004
Global Equity	65.6	6.6	2.1	7.2	18.1	11.6	8.6	—	—	—	15.6	4/30/2009
SSGA ACWI Invest Mkt Index AAF	65.6	6.6	2.1	7.2	18.1	11.6	8.6	—	—	—	15.6	4/30/2009
MSCI AWCI Invest.Mkts Index			2.0	6.9	17.6	11.0	8.1	—	—	—	18.9	4/30/2009
Domestic Equity	244.9	24.8	2.8	7.7	16.1	13.1	14.1	4.8	4.1	8.3	7.1	7/31/1996
Russell 3000 Index			3.9	11.1	16.3	14.6	13.0	6.3	5.1	9.2	5.5	10/31/1997
US Equity Policy-Cap Based			4.0	11.2	18.6	14.8	13.1	6.6	5.1	9.5	7.0	12/31/1996
Domestic Equity Active	219.3	22.2	2.7	7.6	16.2	13.1	14.1	5.1	4.3	8.0	8.7	6/30/1988
Russell 3000 Index			3.9	11.1	16.3	14.6	13.0	6.3	5.1	9.2	5.5	10/31/1997
Public Equity Active	173.0	17.5	3.6	10.8	19.2	13.6	13.7	6.1	4.5	8.7	7.4	8/31/1996
Russell 3000 Index			3.9	11.1	16.3	14.6	13.0	6.3	5.1	9.2	5.5	10/31/1997
Atlanta Capital Mgmt Large Cap Growth	68.5	6.9	3.0	9.2	16.2	9.0	11.9	6.2	5.8	8.3	3.4	5/31/1989
Russell 1000 Growth			3.8	9.5	14.7	10.1	13.1	7.3	6.1	8.6	1.7	8/31/1999
Eagle Capital Management Large Cap Value	61.3	6.2	3.1	11.1	18.5	17.5	15.1	9.2	8.1	—	9.9	10/31/2003
Russell 1000 Value			4.0	12.3	21.4	18.8	12.7	4.8	4.2	—	7.6	10/31/2003
ING Investment Management Small Cap Growth	17.5	1.8	4.9	12.5	—	—	—	—	—	—	16.9	8/31/2012
Russell 2000 Growth Index			5.1	13.2	—	—	—	—	—	—	21.3	8/31/2012
SouthernSun Asset Management	25.6	2.6	5.8	13.6	30.0	18.9	—	—	—	—	23.0	9/30/2010
Russell 2500 Value Index			4.5	13.4	25.0	21.2	—	—	—	—	20.9	9/30/2010
Alternatives	71.9	7.3	0.8	0.8	9.3	12.1	14.9	5.9	—	—	8.3	2/28/2007
ALTERNATIVES - CORP	63.3	6.4	0.8	0.8	9.6	12.6	15.4	6.7	10.5	13.7	12.8	12/31/2002
ARES Corp. Opportunity Fund	1.0	0.1	(8.0)	(8.0)	25.8	26.5	10.2	5.6	7.0	—	11.1	2/28/2005
ARES Corp. Opportunity Fund II	2.4	0.2	3.6	3.6	30.2	62.8	31.7	25.6	18.4	—	16.4	4/30/2006
ARES Corp. Opportunity Fund III	6.1	0.6	2.0	2.0	24.2	35.9	27.6	—	—	—	20.8	7/31/2008
ARES Corp. Opportunity Fund IV	0.3	0.0	0.0	0.0	—	—	—	—	—	—	0.0	11/30/2012
Fairview Ventures III	8.0	0.8	0.0	0.0	9.2	13.9	11.6	1.8	—	—	0.7	7/31/2007
Landmark Ptnrs XI Private Equity	1.8	0.2	0.0	0.0	3.6	2.3	13.1	(1.8)	9.4	—	(6.2)	5/31/2003
Landmark Ptnrs XIII Private Equity	5.0	0.5	0.0	0.0	5.7	9.4	12.3	3.5	—	—	5.0	8/31/2006
Landmark Ptnrs XIV Private Equity	5.6	0.6	0.0	0.0	6.1	7.6	20.7	—	—	—	14.5	12/31/2008
Lexington Capital Partners V	2.1	0.2	0.0	0.0	2.4	(3.1)	14.7	3.0	11.4	14.8	14.3	12/31/2002
Lexington Capital Partners VI	6.0	0.6	0.0	0.0	7.8	10.1	13.5	4.0	—	—	5.0	7/31/2006
Lexington Capital Partners VII	5.3	0.5	0.0	0.0	12.5	14.4	(22.7)	—	—	—	(20.7)	12/31/2009
Parish Capital	3.2	0.3	0.0	0.0	7.0	14.7	12.8	7.9	9.0	—	0.9	4/30/2005
Parish Capital Fund II LP	7.7	0.8	0.0	0.0	2.0	(1.8)	10.8	1.4	—	—	0.4	5/31/2007
Pegasus Investment Partners LP	2.6	0.3	0.0	0.0	—	—	—	—	—	—	0.0	1/31/2013
Smith Whitley & Pelham III	2.7	0.3	5.3	5.3	8.2	8.2	11.5	—	—	—	9.4	1/31/2009
Vista Equity Partners IV	3.7	0.4	8.6	8.6	2.5	2.5	—	—	—	—	2.5	3/31/2012
Russell 3000			3.9	11.1	16.3	14.6	13.0	6.3	5.1	9.2	8.5	11/30/2002

City of Hartford MERF

Net of Fees - Final
Performance Page

Period Ending March 31, 2013

Annualized

Market Value	% of Total Fund	March	Quarter	Fiscal YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Inception to Date	Incept. Date
		%	%	%	%	%	%	%	%	%	
ALTERNATIVES - R.E.											
Cornestone Patriot Fund	\$8.6	0.9	0.5	4.1	4.1	6.8	(9.5)	(7.9)	(5.6)	(5.8)	7/31/1998
New Boston Urban Strategy Amer Fund	3.9	0.4	0.0	—	—	—	—	—	—	0.0	1/31/2013
TA Realty Associates Fund X	3.3	0.3	1.3	5.2	5.2	7.7	(10.6)	—	—	(9.8)	1/31/2007
36 Edwards St., Hartford	1.2	0.1	0.0	—	—	—	—	—	—	0.0	3/31/2013
MCREIF Property (Tarr/Arrears)	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	(2.1)	7/31/1998
			2.5	7.8	10.5	12.6	2.1	6.0	8.4	9.1	7/31/1998
International Equity											
Russell Global ex U.S. Equity Index	193.9	19.6	1.3	15.5	9.4	7.1	1.2	3.5	11.3	6.1	9/30/1997
			0.4	18.3	9.2	5.5	0.5	3.1	11.1	4.6	7/31/1999
Intl Equity Developed Mkts											
	134.4	13.6	2.0	16.0	11.0	8.0	1.5	—	—	1.5	2/28/2007
Intl Developed Markets Active											
MSCI EAFE Composite	134.4	13.6	2.0	16.0	11.0	8.0	2.0	3.5	11.5	6.0	6/30/1999
			0.9	20.0	11.8	5.5	(0.4)	2.1	10.2	4.2	6/30/1999
First Eagle Invest Mgmt Intl Small to Mid Cap	61.4	6.2	1.9	15.3	9.9	8.8	5.5	7.2	14.8	14.7	10/31/2002
First Eagle Custom Benchmark			0.8	19.8	11.3	6.0	0.4	1.8	14.0	13.1	10/31/2002
Walter Scott International Ltd Intl Large Growth	73.0	7.4	2.0	16.6	11.9	7.4	3.8	—	—	4.1	5/31/2006
MSCI EAFE Net Dividend			0.8	19.8	11.3	5.0	(0.9)	—	—	0.9	5/31/2006
Intl Emerging Active											
Mondrian Inv Partners - EME	59.5	6.0	(0.3)	14.3	4.1	3.7	(0.9)	5.0	16.3	8.9	4/30/2000
Parametric EV	24.5	2.5	0.5	17.2	—	—	—	—	—	21.9	6/30/2012
MSCI Emerging Net Dividend	35.0	3.5	(0.8)	12.4	—	—	—	—	—	16.5	6/30/2012
			(1.7)	11.9	1.9	3.3	1.1	6.4	17.1	12.3	1/31/2001
Total Global Asset Allocation											
Wellington Management Co LLP	48.9	4.9	1.0	10.4	8.0	—	—	—	—	8.0	4/30/2012
Blackrock Global Allocation Fd	24.1	2.4	0.3	9.9	6.6	—	—	—	—	6.6	4/30/2012
60 MSCI World 40 Citl WGBI	24.8	2.5	1.7	11.0	8.7	—	—	—	—	8.7	4/30/2012
			1.3	10.0	7.3	—	—	—	—	7.3	4/30/2012

City of Hartford MERF

Net of Fees - Final
Performance Page

Period Ending March 31, 2013

Annualized

	Market Value	% of Total Fund	March	Quarter	Fiscal YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Inception to Date	Incept. Date
Total Fixed Income	\$388.5	39.3 %	(0.1) %	(0.8) %	4.2 %	7.3 %	8.4 %	7.1 %	7.2 %	6.2 %	6.7 %	7/31/1997
Custom Fixed Benchmark			(0.0)	(0.9)	3.8	7.5	9.7	7.9			7.9	1/31/2007
Barclays Capital Aggregate Bond			0.1	(0.1)	1.7	3.8	5.5	5.5	5.9	5.0	6.1	7/31/1997
Comb Fixed Income Wgtd Bmk			(0.0)	(0.7)	1.4	3.0	5.3	4.7	5.9		5.1	9/30/2004
US Core/Core Plus	99.5	10.1	0.1	0.2	2.9	5.0	5.8	4.7	5.1	3.9	5.7	7/31/1996
Barclays Capital Aggregate Bond			0.1	(0.1)	1.7	3.8	5.5	5.5	5.9	5.0	6.0	12/31/1996
US Core/Core Plus Fixed Income Active	68.5	6.9	0.2	0.4	4.0	6.3	6.6	5.6	5.4	4.7	6.0	7/31/1996
AETNA (AD) GICS	0.5	0.1	0.3	0.8	2.9	3.8	6.7	6.1	6.4	5.2	5.9	8/31/1996
Barclays Capital Aggregate Bond			0.1	(0.1)	1.7	3.8	5.5	5.5	5.9	5.0	6.0	12/31/1996
Columbia Asset Management Co.	0.9	0.1	1.1	4.0	21.0	21.7	14.4	9.7	8.0	6.4	7.2	1/31/1992
Barclays Capital Aggregate Bond			0.1	(0.1)	1.7	3.8	5.5	5.5	5.9	5.0	6.0	12/31/1996
HIMCO Core Plus Fixed Income	67.1	6.8	0.1	0.3	3.8	6.2	6.5	6.1	6.1	5.4	5.6	10/31/2002
Barclays Capital Aggregate Bond			0.1	(0.1)	1.7	3.8	5.5	5.5	5.9	5.0	5.1	10/31/2002
US Core/Core Plus Passive	31.0	3.1	(0.0)	(0.1)	1.1	2.3	3.8	2.6	3.8	3.5	4.8	5/31/1998
Barclays Capital Aggregate Bond			0.1	(0.1)	1.7	3.8	5.5	5.5	5.9	5.0	5.8	5/31/1998
SSGA 1-3 YR. AAF	12.4	1.3	0.0	0.1	0.4	0.5	1.1	1.4			1.3	3/31/2008
BC U.S. Govt Treasury 1-3 Year Index			0.0	0.1	0.4	0.6	1.3	1.8			1.8	3/31/2008
SSGA Barclays Agg. IDX. AAF	18.6	1.9	(0.1)	(0.3)	1.6	3.6					4.9	5/31/2011
Barclays Capital Aggregate Bond			0.1	(0.1)	1.7	3.8					5.3	5/31/2011
Total Long Duration	84.4	8.5	(0.3)	(1.9)	1.7	9.2	11.9	11.2			11.1	3/31/2008
Barclays Capital Long Govt/Credit			(0.3)	(2.0)	1.5	8.9	12.3	10.9			9.4	3/31/2008
Long Duration Active	77.1	7.8	(0.3)	(1.8)	2.3	9.6	11.9				11.7	6/30/2008
PIMCO Long Duration Fixed	77.1	7.8	(0.3)	(1.8)	2.3	9.6	12.3				11.0	6/30/2008
Barclays Capital Long Govt/Credit			(0.3)	(2.0)	1.5	8.9	12.3				10.3	6/30/2008
Long Duration Passive	7.3	0.7	(0.8)	(3.0)	(3.5)	6.7	12.6	9.1			9.0	3/31/2008
SSGA LONG TREAS AAF	7.3	0.7	(0.8)	(3.0)	(3.5)	6.7	12.6	9.2			9.1	3/31/2008
Barclays Capital Long Govt/Credit			(0.3)	(2.0)	1.5	8.9	12.3	10.9			9.4	3/31/2008
Global Fixed	32.3	3.3	(0.7)	(3.1)	(1.5)	(1.2)	3.3	3.1			5.8	2/28/2007
Barclays Capital Aggregate Global Un-Hedged			(0.3)	(2.1)	0.6	1.2	4.5	3.7			5.7	2/28/2007
Global Fixed - Active	32.3	3.3	(0.7)	(3.1)	(1.5)	(0.9)	3.5	4.2			6.6	2/28/2007
Mondrian	32.3	3.3	(0.7)	(3.1)	(1.5)	(0.9)	3.5				3.7	10/31/1999
Barclays Global Agg. Bond-Unhedged			(0.3)	(2.1)	0.6	1.2	4.5				4.1	1/31/2010

City of Hartford MERF

Net of Fees - Final
Performance Page

Period Ending March 31, 2013

Annualized

Market Value	% of Total Fund	March	Quarter	Fiscal YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Inception to Date	Incept. Date
Inflation Linked Bonds Active											
Barclays Capital Treasury US TIPS Index	54.9	0.3	(0.1)	3.4	6.6	8.8	5.2	7.0	---	6.9	2/28/2007
Brown Brothers Harman & Co. TIPS	54.9	0.3	(0.1)	3.4	5.7	8.6	5.9	7.1	---	6.2	4/30/2005
Barclays Gbl Inv. World Gov Inflation-Linked All Maturities Index		1.2	(0.7)	3.6	3.6	7.5	---	---	---	4.3	6/30/2008
Emerging Mkts Debt Active											
Prudential Emerging Markets Debt	74.6	(0.6)	(1.6)	11.1	13.5	11.4	11.3	10.0	---	10.0	2/28/2007
JPM Emerging Mkt Bond Global	74.6	(0.6)	(1.6)	11.1	13.5	11.4	11.3	10.0	---	10.8	8/31/2005
			(2.3)	7.8	10.4	10.6	9.8	9.2	---	9.3	8/31/2005
High Yield											
Shenkman Capital	42.8	0.9	1.8	7.8	9.2	---	---	---	---	8.6	7/31/2010
Citigroup High Yield Market Index	42.8	0.9	1.8	7.8	9.2	---	---	---	---	8.6	7/31/2010
		1.1	2.8	10.6	12.6	---	---	---	---	12.2	7/31/2010
Cash - Active											
U.S. Treasury 3 Month T-bills	47.0	0.0	0.0	0.1	0.2	0.4	1.2	2.2	2.2	2.7	7/31/1997
	(14)	0.0	0.0	0.1	0.1	0.1	0.3	1.5	1.7	2.8	12/31/1996

Russell U.S. Indexes Daily Total Returns

In Percentages, Based on \$US

INDEX NAME	Daily Total Returns				Periods Ending Mar 31, 2013				Annualized Total Returns			
	Apr 17, 2013	MTD	YTD	Month	Last Three Months	YTD	2012	2012	1 Year	3 Years	5 Years	10 Years
Broad-Market Indexes												
Russell 3000®	-1.46	-1.50	9.41	3.92	11.07	11.07	11.07	16.42	14.56	12.97	6.32	9.15
Russell 3000® Growth	-1.43	-1.33	8.36	3.86	9.82	9.82	9.82	15.21	10.42	13.19	7.44	8.84
Russell 3000® Value	-1.49	-1.66	10.40	3.98	12.26	12.26	12.26	17.55	18.71	12.70	5.05	9.33
Russell 3000® Defensive	-0.98	0.14	12.04	4.08	11.88	11.88	11.88	12.91	15.79	13.98	6.78	8.51
Russell 3000® Dynamic	-1.93	-3.09	6.90	3.77	10.30	10.30	10.30	20.06	12.86	11.76	5.42	9.53
Russell 3000® Growth-Defensive	-0.99	0.06	11.86	4.33	11.79	11.79	11.79	12.95	12.85	13.63	8.39	8.37
Russell 3000® Value-Defensive	-0.96	0.25	12.26	3.77	11.98	11.98	11.98	12.89	19.53	14.54	5.05	8.74
Russell 3000® Growth-Dynamic	-2.00	-3.10	4.07	3.26	7.40	7.40	7.40	18.21	7.14	12.62	6.22	9.37
Russell 3000® Value-Dynamic	-1.89	-3.07	9.00	4.13	12.46	12.46	12.46	21.39	17.26	11.02	4.16	9.22
Russell 3000E™ (inception 6/27/05)	-1.46	-1.50	9.42	3.92	11.09	11.09	11.09	16.43	14.58	12.99	6.33	
Large-Cap Indexes												
Russell 1000®	-1.43	-1.23	9.60	3.86	10.96	10.96	10.96	16.42	14.43	12.93	6.15	8.97
Russell 1000® Growth	-1.41	-1.05	8.40	3.75	9.54	9.54	9.54	15.26	10.09	13.06	7.30	8.62
Russell 1000® Value	-1.45	-1.40	10.73	3.96	12.31	12.31	12.31	17.51	18.77	12.74	4.85	9.18
Russell 1000® Defensive	-0.93	0.49	12.45	4.05	11.90	11.90	11.90	12.75	15.70	13.87	6.64	8.29
Russell 1000® Dynamic	-1.93	-2.90	6.88	3.68	10.08	10.08	10.08	20.21	12.63	11.78	5.22	9.37
Russell 1000® Growth-Defensive	-0.95	0.39	12.22	4.29	11.78	11.78	11.78	12.67	12.51	13.32	8.21	8.10
Russell 1000® Value-Defensive	-0.91	0.63	12.74	3.75	12.03	12.03	12.03	12.88	19.86	14.69	4.88	8.59
Russell 1000® Growth-Dynamic	-2.03	-2.91	3.66	3.07	6.76	6.76	6.76	18.76	6.73	12.72	6.13	9.24
Russell 1000® Value-Dynamic	-1.86	-2.90	9.25	4.12	12.51	12.51	12.51	21.25	17.12	11.01	3.92	9.03
Russell Top 200®	-1.37	-0.73	9.31	3.69	10.12	10.12	10.12	16.04	13.20	12.23	5.28	7.75
Russell Top 200® Growth	-1.40	-0.62	8.09	3.66	8.77	8.77	8.77	15.06	9.06	12.71	7.09	7.80
Russell Top 200® Value	-1.34	-0.83	10.52	3.73	11.45	11.45	11.45	17.01	17.49	11.72	3.40	7.74
Russell Top 200® Defensive	-0.90	0.78	12.63	4.03	11.76	11.76	11.76	12.65	15.69	13.40	6.11	7.66
Russell Top 200® Dynamic	-2.08	-2.93	4.66	3.20	7.82	7.82	7.82	21.45	9.33	10.40	3.45	7.37
Russell Top 200® Growth-Defensive	-0.91	0.71	12.71	4.35	11.91	11.91	11.91	12.43	12.58	12.69	7.73	7.51
Russell Top 200® Value-Defensive	-0.89	0.85	12.53	3.65	11.58	11.58	11.58	12.89	19.80	14.50	4.31	8.12
Russell Top 200® Growth-Dynamic	-2.37	-3.21	-0.14	2.34	3.17	3.17	3.17	20.87	2.53	13.12	5.82	8.19
Russell Top 200® Value-Dynamic	-1.87	-2.73	8.26	3.82	11.30	11.30	11.30	22.13	14.74	8.81	1.19	6.35
Russell Top 50® Mega Cap	-1.43	-0.20	8.53	2.89	8.75	8.75	8.75	15.65	10.73	11.48	5.00	6.71
Mid-Cap Indexes												
Russell Midcap®	-1.58	-2.38	10.27	4.25	12.96	12.96	12.96	17.28	17.30	14.62	8.37	12.27
Russell Midcap® Growth	-1.46	-2.09	9.18	3.99	11.51	11.51	11.51	15.81	12.76	14.23	7.98	11.53
Russell Midcap® Value	-1.68	-2.62	11.21	4.48	14.21	14.21	14.21	18.51	21.49	14.95	8.53	12.57
Russell Midcap® Defensive	-1.10	-0.99	11.51	4.13	12.63	12.63	12.63	13.09	15.70	16.51	9.50	11.29

Russell Midcap® Dynamic	-1.75	-2.87	9.83	4.29	13.08	13.08	13.08	17.02	13.53	7.76	12.72
Russell Midcap® Growth-Defensive	-1.15	-1.21	9.85	3.96	11.19	11.19	11.19	13.82	12.15	10.80	12.00
Russell Midcap® Value-Defensive	-1.03	-0.67	13.97	4.38	14.73	14.73	14.73	20.84	15.98	8.11	10.32
Russell Midcap® Growth-Dynamic	-1.61	-2.53	8.84	4.00	11.66	11.66	11.66	16.60	12.78	6.77	11.25
Russell Midcap® Value-Dynamic	-1.84	-3.11	10.54	4.50	14.08	14.08	14.08	19.63	20.33	8.29	13.66
Small-Cap Indexes											
Russell 2000®	-1.78	-4.67	7.14	4.62	12.39	12.39	12.39	16.35	13.45	8.24	11.52
Russell 2000® Growth	-1.62	-4.63	7.96	5.10	13.21	13.21	13.21	14.59	14.75	9.04	11.61
Russell 2000® Value	-1.93	-4.70	6.38	4.16	11.63	11.63	11.63	18.05	12.12	7.29	11.29
Russell 2000® Defensive	-1.58	-4.06	7.13	4.44	11.67	11.67	11.67	14.76	16.85	8.43	11.21
Russell 2000® Dynamic	-1.98	-5.24	7.17	4.78	13.10	13.10	13.10	18.16	15.61	7.76	11.69
Russell 2000® Growth-Defensive	-1.60	-4.18	7.24	4.91	11.92	11.92	11.92	16.37	17.21	10.68	12.59
Russell 2000® Value-Defensive	-1.55	-3.94	7.02	3.96	11.42	11.42	11.42	13.16	12.87	6.50	10.04
Russell 2000® Growth-Dynamic	-1.64	-5.12	8.78	5.32	14.65	14.65	14.65	12.54	11.72	7.40	10.88
Russell 2000® Value-Dynamic	-2.27	-5.34	5.84	4.34	11.81	11.81	11.81	23.35	11.10	7.45	12.32
Russell 2500™	-1.69	-3.91	8.44	4.43	12.85	12.85	12.85	17.88	14.59	9.02	12.30
Russell 2500™ Growth	-1.58	-3.77	7.97	4.34	12.20	12.20	12.20	16.13	14.95	9.02	12.19
Russell 2500™ Value	-1.77	-4.01	8.81	4.49	13.35	13.35	13.35	19.21	14.16	8.81	12.14
Russell 2500™ Defensive	-1.39	-3.26	8.95	4.53	12.63	12.63	12.63	15.22	16.32	9.40	
Russell 2500™ Dynamic	-1.84	-4.21	8.20	4.38	12.96	12.96	12.96	19.22	13.52	8.68	
Russell 2500™ Growth-Defensive	-1.48	-3.77	7.98	4.58	12.21	12.21	12.21	17.69	18.01	11.09	
Russell 2500™ Value-Defensive	-1.31	-2.77	9.91	4.49	13.05	13.05	13.05	12.93	14.54	7.94	
Russell 2500™ Growth-Dynamic	-1.65	-3.77	7.97	4.20	12.20	12.20	12.20	15.18	13.09	7.97	
Russell 2500™ Value-Dynamic	-1.97	-4.51	8.36	4.50	13.48	13.48	13.48	22.14	21.59	8.94	
Russell Small Cap Completeness®	-1.62	-3.64	8.82	4.66	12.93	12.93	12.93	18.05	16.78	8.64	12.09
Russell Small Cap Completeness® Growth	-1.55	-3.48	8.64	4.79	12.56	12.56	12.56	17.61	14.19	8.86	12.25
Russell Small Cap Completeness® Value	-1.69	-3.79	8.98	4.53	13.27	13.27	13.27	18.37	13.43	8.25	11.70
Russell Microcap®	-1.65	-4.50	7.51	5.50	12.58	12.58	12.58	19.75	16.93	6.68	9.99
Russell Microcap® Growth	-1.32	-3.75	10.64	7.70	14.95	14.95	14.95	15.17	13.80	7.81	9.66
Russell Microcap® Value	-1.85	-4.97	5.61	4.16	11.13	11.13	11.13	22.81	11.68	5.33	10.27

Russell Global Indexes Daily Total Returns

In Percentages, Based on \$US



Index name	Daily total returns As of Apr 17, 2013				Annualized total returns As of Apr 17, 2013			
	Prior day	Current day	MTD	YTD	1 year	3 years	5 years	10 years
Global								
Russell Global	0.6	-1.2	-1.4	5.6	12.1	7.5	2.0	9.6
Russell Global Large Cap	0.6	-1.2	-1.2	5.6	12.1	7.5	1.9	9.3
Russell Global SMID	0.6	-1.0	-2.1	5.9	12.8	8.4	4.1	12.8
Russell Global Small Cap	0.5	-0.8	-2.7	5.8	12.4	7.2	3.2	12.4
Russell Global ex-US	-0.2	-1.0	-1.2	2.4	10.3	4.3	-0.5	11.1
Russell Global ex-US Large Cap	-0.2	-1.0	-1.2	2.1	10.1	4.1	-0.8	10.7
Russell Global ex-US Small Cap	-0.2	-0.3	-1.5	5.0	11.8	5.9	1.6	13.8
Russell Global ex-North America	-0.3	-0.9	-0.7	3.2	11.5	4.5	-0.5	11.0
Russell Global ex-Japan	0.7	-1.4	-1.9	4.6	11.5	7.6	2.1	9.8
Russell Global ex-US ex-Japan	0.0	-1.4	-2.3	0.0	8.7	4.1	-0.7	11.7
Russell Global ex-UK	0.7	-1.2	-1.3	5.9	12.2	7.5	2.2	9.7
Russell Global ex-Canada	0.6	-1.2	-1.1	6.1	12.9	7.7	2.1	9.6
Russell Global ex-Australia	0.6	-1.3	-1.4	5.5	11.8	7.4	1.9	9.5
Russell World Cap	0.6	-1.3	-1.3	5.6	12.2	7.6	2.0	9.4
Russell Developed	0.6	-1.3	-1.2	7.0	13.7	8.3	2.3	9.2
Russell Developed Large Cap	0.6	-1.3	-1.0	7.1	13.8	8.3	2.2	9.0
Russell Developed Small Cap	0.6	-1.1	-3.3	6.4	12.6	7.9	3.5	11.4
Russell Developed ex-US	-0.4	-1.1	-0.8	4.3	13.1	5.0	-0.6	10.2
Russell Developed ex-US Large Cap	-0.4	-1.1	-0.7	4.2	13.2	4.8	-0.8	9.9
Russell Developed ex-US Small Cap	-0.5	-0.4	-2.0	5.8	11.8	6.4	1.3	12.5
Russell Developed ex-North America	-0.6	-1.0	0.0	5.7	15.2	5.4	-0.6	10.0
Russell Developed ex-North America Large Cap	-0.6	-1.1	0.1	5.4	15.2	5.2	-0.8	9.7
Russell Developed ex-Japan	0.8	-1.6	-1.8	6.0	13.1	8.6	2.5	9.4
Russell Emerging Markets	0.6	-0.6	-2.6	-3.3	2.3	2.4	0.1	16.3
Russell Emerging Markets Large Cap	0.6	-0.7	-3.0	-4.4	0.7	2.0	-0.3	16.2
Russell Emerging Markets Small Cap	0.4	0.1	-0.6	3.4	11.7	4.9	2.1	17.1
Russell BRIC	0.6	-1.0	-3.6	-6.0	-4.2	-3.4	-3.6	19.4
Russell Global 1000™	0.6	-1.3	-1.0	5.7	12.2	7.3	1.4	8.6
Russell Global 1000™ ex-U.S.	-0.2	-1.2	-1.2	1.9	10.4	3.7	-1.4	9.9
Russell Global 2000™	0.6	-0.9	-2.8	6.1	13.4	8.4	3.7	12.6
Russell Global 2000™ ex-U.S.	-0.2	-0.3	-1.7	5.1	13.3	7.0	2.2	14.5
Russell Global 3000™	0.6	-1.3	-1.2	5.7	12.3	7.4	1.5	8.8
Russell Global 3000™ ex-U.S.	-0.2	-1.1	-1.2	2.2	10.7	4.0	-1.1	10.3
Asia Pacific								
Russell Asia Pacific	-0.3	0.7	1.1	7.2	14.2	5.7	2.1	12.0
Russell Asia Pacific ex-Japan	0.1	0.1	-1.3	1.3	10.7	5.9	3.1	15.6
Russell Asia ex-Japan	0.5	0.0	-1.6	-1.0	7.3	4.6	2.2	15.2
Russell Greater China	0.1	-0.2	-2.4	-2.6	5.5	2.1	0.7	12.5
Russell Greater China Large Cap	0.0	-0.3	-2.6	-3.7	4.6	2.9	1.1	13.4
Russell Greater China Small Cap	0.3	0.4	-1.2	3.4	10.1	-1.1	-0.7	9.8
Russell Developed Pacific Basin	-0.9	1.2	3.0	13.6	20.4	7.1	2.6	10.8
Russell Developed Pacific Basin ex-Japan	-0.6	0.4	-0.6	6.8	20.3	9.6	5.9	16.6
Russell Emerging Asia	0.6	0.0	-1.8	-2.0	5.3	3.7	1.5	15.1
Russell Australia High Dividend	-0.5	0.7	1.0	14.2	28.9	10.9	7.3	--



CITY OF HARTFORD

PENSION COMMISSION

MEMORANDUM

To: Pension Commission
From: *amc*
Adam M. Cloud, Secretary
Date: April 9, 2013
Subject: **Private Debt Strategy Discussion**

NEPC representatives will attend the Pension Commission meeting on April 26, to provide an update on the MERF's private debt allocation.



CITY OF HARTFORD
PENSION COMMISSION

MEMORANDUM

TO: Pension Commission
FROM: Adam M. Cloud, Secretary *AMC*
DATE: April 10, 2013
SUBJECT: Investment Policy Statement Revision Recommendation

Attached please find proposed edits to the MERF's Funding and Investment Policy Statement ("FIPS") reflecting changes to the MERF's target asset allocation and asset class policy benchmarks. These changes incorporate the recommendations proposed by the MERF's general investment consultant, NEPC, at the March 22, 2013 Pension Commission meeting.

Specifically, cash will be added to the asset allocation with a target of 1.5% and a range of 1.5% above and below this target. This will reflect the Pension Commission's requirement that a minimum two-month cash reserve be maintained for the payment of pension benefits. The policy benchmark for the cash allocation will be the return on the U.S. Treasury 3 Month Treasury Bill. To offset this addition, the long-term policy targets for the high yield bond and long government/credit fixed income asset classes will be reduced. The high yield bond target will move to 4% from 5% and the long government/credit fixed income target will move to 8.5% from 9%. The ranges around the high yield bond and long government/credit fixed income targets will remain the same at 1.5% and 2%, respectively.

The above changes, when taken together, provide a more realistic target allocation while maintaining essentially the same projected risk and reward profiles as the current long term policy targets. This was evidenced by NEPC's March 22nd presentation, an excerpt of which is included in this package for your reference.

Given the foregoing, both staff and I recommend that you approve these changes to the proposed FIPS and look forward to discussing this matter with you at our upcoming Pension Commission meeting.

Funding and Investment Policy Statement

of

**The Municipal Employees' Retirement Fund
of the City of Hartford**

Adam M. Cloud
Treasurer of the City of Hartford and Secretary of the City of Hartford
Pension Commission

Adopted by
The City of Hartford Pension Commission
March 11, 1994

Amended 1998, 2000, 2001, 2003, 2005, 2006, 2007, 2012 and 2013

City of Hartford 3/25/13 11:43 AM
Deleted: 2012

Article VII. Asset Allocation

The MERF's asset mix shall be set by the Commission from time to time based upon (1) the structure of the MERF's pension liabilities, (2) Capital Markets Theory, (3) the MERF's full funding policy and (4) MERF liquidity needs. The following table shows the current strategic policy targets and permissible ranges for the allocation of assets within asset classes, as adopted by the Commission. These ranges are intended to serve as boundaries for the MERF's individual asset classes as more particularly described in the table below. They will help signal the need to rebalance such classes when allocation weights fall outside these ranges.

The Commission believes that its adoption of these targets and ranges will provide an appropriate mechanism for maintaining the integrity of the asset allocation policy.

**City of Hartford
Municipal Employees' Retirement Fund
Strategic Asset Allocation Policy and Relative Ranges**

Asset Class	Interim Policy Target	Long-term Policy Target	Range Around Policy Target
Large Cap Equities	16	13	+/- 3%
International Equities	12	10	+/-2%
Emerging Markets Equities	9	9	+/-2%
Total Public Equity	37	32	+/-5%
Core Bonds	10	5	+/-1.5%
High Yield Bonds	4	4	+/-1.5%
Global Bonds	4	3	+/-1%
Emerging Markets Debt	5	6	+/-2%
TIPS	5	4	+/-1.5%
Long Gov't/Credit	10	8.5	+/-2%
Total Fixed Income	38	32	+/-5%
Real Estate	5	8	+/-3%
Private Equity	5	5	-2% /+3%
Private Debt	2	3	+/-2%
Hedge Funds	5	10	+/-2%

City of Hartford 3/25/13 11:49 AM
Formatted (1)

City of Hartford 3/25/13 11:49 AM
Formatted (2)

City of Hartford 3/25/13 11:49 AM
Formatted (3)

City of Hartford 3/25/13 11:49 AM
Formatted (4)

City of Hartford 3/25/13 11:49 AM
Formatted (5)

City of Hartford 3/25/13 11:49 AM
Formatted (6)

City of Hartford 3/25/13 11:48 AM
Deleted: 5

City of Hartford 3/25/13 11:49 AM
Formatted (7)

City of Hartford 3/25/13 11:49 AM
Formatted (8)

City of Hartford 3/25/13 11:49 AM
Formatted (9)

City of Hartford 3/25/13 11:49 AM
Formatted (10)

City of Hartford 3/25/13 11:49 AM
Formatted (11)

City of Hartford 3/25/13 11:49 AM
Formatted (12)

City of Hartford 3/25/13 11:49 AM
Formatted (13)

City of Hartford 3/25/13 11:48 AM
Deleted: 9

City of Hartford 3/25/13 11:49 AM
Formatted (14)

City of Hartford 3/25/13 11:49 AM
Formatted (15)

City of Hartford 3/25/13 11:49 AM
Formatted (16)

City of Hartford 3/25/13 11:49 AM
Formatted (17)

City of Hartford 3/25/13 11:49 AM
Formatted (18)

City of Hartford 3/25/13 11:49 AM
Formatted (19)

City of Hartford 3/25/13 11:49 AM
Formatted (20)

City of Hartford 3/25/13 11:49 AM
Formatted (21)

City of Hartford 3/25/13 11:49 AM
Formatted (22)

City of Hartford 3/25/13 11:49 AM
Formatted (23)

City of Hartford 3/25/13 11:49 AM
Formatted (24)

Total Alternatives	17	26	+2/-4%
Global Asset Allocation	5	7	+/-2%
Commodities	3	3	+/-1%
Total Other	8	10	+/-2%
Cash	1.5	1.5	+/-1.5%

During the period of transition from the Interim Policy Targets to the Long-term Policy Targets the range constraints shall apply relative to the Interim Policy targets.

The asset allocations will be reviewed quarterly for rebalancing purposes with the maximum interval between necessary rebalancing being one year (as of fiscal year end) such that, if an asset class exceeds the ranges noted in the preceding table, there will be at least one rebalancing transaction per fiscal year. In addition, rebalancing transactions will generally occur no more than once per quarter with a preference for no more than semi-annual activity.

It is understood that for all asset classes, exceptions to preferred policy weights may be acceptable given certain market and other conditions, providing that such exceptions are made consciously, monitored carefully by the City Treasurer and Investment Staff and reported to the Pension Commission.

The asset classes will be compared to the appropriate benchmarks on a monthly, quarterly, annual basis in addition to annualized 1, 3, 5 and since inception time periods. Appropriate policy benchmarks are indicated in the table below:

**City of Hartford
Municipal Employees' Retirement Fund
Asset Class Policy Benchmarks**

Total MERF	Custom Policy Index*
Total Equity	40% Russell 3000/ 60% Russell Global ex-U.S.
Domestic Equity	Russell 3000 Index
International Equity	Russell Global ex-U.S. Index
Total Fixed Income	Custom Fixed Income Benchmark**
Domestic Fixed Income	Barclays Aggregate Bond Index
International Fixed Income	Barclays Global Aggregate Bond Index
Total Alternatives	To Be Determined
Private Equity	Russell 3000 Index plus 300 basis points
Private Debt	Russell 3000 Index plus 200 basis points
Real Estate	NCREIF ODCE
Hedge Funds	HFRI Fund of Funds

City of Hartford 3/25/13 11:49 AM
Formatted: Centered, None, Space Before: 0 pt, Don't keep with next, Don't keep lines together

City of Hartford 3/25/13 11:49 AM
Formatted: Centered

City of Hartford 3/25/13 11:49 AM
Formatted: Centered, None, Space Before: 0 pt, Don't keep with next, Don't keep lines together

City of Hartford 3/25/13 11:49 AM
Formatted: Centered, None, Space Before: 0 pt, Don't keep with next, Don't keep lines together

City of Hartford 3/25/13 11:49 AM
Formatted: Centered

City of Hartford 3/25/13 11:49 AM
Formatted: Centered, None, Space Before: 0 pt, Don't keep with next, Don't keep lines together

City of Hartford 3/25/13 11:49 AM
Formatted: Centered

City of Hartford 3/25/13 11:46 AM
Deleted: 0

City of Hartford 3/25/13 11:49 AM
Formatted: Centered

City of Hartford 3/25/13 11:47 AM
Deleted: 0

City of Hartford 3/25/13 11:49 AM
Formatted: Centered, None, Space Before: 0 pt, Don't keep with next, Don't keep lines together

City of Hartford 3/25/13 11:55 AM
Deleted: 2

Other	To Be Determined
Global Asset Allocation	60% MSCI World/ 40% Citigroup WGBI
Commodities	Standard & Poors GSCI
Cash	U.S. Treasury 3 Month T-Bills

* The custom MERF benchmark will be comprised of the relative weights of each component of the asset allocation listed above.

** The custom fixed income benchmark will be comprised of the relative weights of each component of the fixed income portion of the asset allocation listed above

The Commission anticipates that it will revise these targets 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, or as may be necessary from time to time pursuant to the findings of a periodic asset/liability study of the MERF. Accordingly, the MERF's investment managers should pursue a strategy of being fully invested in the market consistent with the foregoing guidelines to ensure that cash-equivalent positions do not interfere with the overall asset allocation strategy. In addition, in order to meet the MERF's cash disbursement needs, the Commission may direct that dividends and interest income from the investment managers' accounts be swept into the MERF's short-term investment fund ("STIP") account.

Article VIII. Asset Class Guidelines

The permissible investments included within each asset class, and special limitations or other considerations governing the investment of any funds therein, are set forth below:

A. Domestic Equities

Investments in domestic equities are defined as commitments to U.S. dollar denominated, publicly-traded common stocks of U.S. domiciled companies and securities convertible into common stock. The domestic equity portfolio should be diversified by the number of stocks, industries, economic sectors and other appropriate investment characteristics.

The aggregate domestic equity portfolio is expected to produce, over time, a total, risk-adjusted return greater than that of the Russell 3000 Index. To accomplish this objective, a combination of different investment styles and capitalization ranges may be employed in the portfolio's management. An investment in any single issue may not exceed 5% of the outstanding shares. In the case of small or illiquid companies, the MERF's commitment to any single issue may not exceed 5% of the average daily float. The securities of any single issuer may not exceed 5% of the manager's total portfolio market value. Finally, total investment by domestic equity managers in non-U.S. holdings and American depository receipts ("ADRs") shall not exceed the level within the Russell 3000 index (or the level within an individual manager's respective benchmark).

Any cash reserve held by domestic equity portfolio managers will be counted for asset allocation and investment performance as common stock. Domestic equity portfolio managers will inform a designated person on the MERF staff of any significant changes

2013 Asset Allocation

	Allocation as of 12/31/12	Current Target	Mix C	Mix D
Cash	3%	0%	1.5%	1.5%
Large Cap Equities	16%	13%	13%	20%
Small/Mid Cap Equities	0%	0%	0%	0%
Int'l Equities (Unhedged)	13%	10%	10%	10%
Emerging Int'l Equities	6%	9%	9%	12%
Global Equity	9%	0%	0%	0%
Total Equity	44%	32%	32%	42%
Core Bonds	9%	5%	5%	3%
High-Yield Bonds	4%	5%	4%	6%
Short Treasuries (1-3 yr)	1%	0%	0%	0%
Global Bonds (Unhedged)	3%	3%	3%	2%
EMD (External)	8%	0%	0.0%	0%
EMD (Local Currency)	0%	6%	6%	6%
TIPS	0%	4%	4%	3%
Global TIPS	0%	0%	0.0%	0%
Long Govt/Credit	6%	9%	8.5%	3%
Long Treasuries	1%	0%	0%	0%
Total Fixed Income	41%	32%	30.5%	23%
Private Equity	6%	5%	5%	7%
Private Debt	0%	3%	3%	3%
Real Estate (Core)	0%	8%	8%	6.5%
Hedge Funds Mod Vol	0%	10%	10%	11%
Total Alternatives	7%	26%	26%	28%
Global Asset Allocation	5%	7%	7%	4%
Commodities	0%	3%	3%	2%
Total Other	5%	10%	10%	6%

5-7 Yr Return & Risk	Geometric Expected Return	6.1%	6.8%	6.7%	7.2%
	Asset Volatility	11.8%	11.1%	11.0%	12.7%
	Sharpe Ratio	0.45	0.54	0.54	0.51
30 yr Return	Geometric Expected Return	7.2%	7.5%	7.5%	8.0%
	Sharpe Ratio	0.35	0.41	0.41	0.39



NEPC, LLC

- **We have reviewed the asset allocation target for the City of Hartford MERF based on the following:**
 - NEPC's assessment of the capital markets and asset class assumptions going forward
 - MERF's long term target actuarial return
 - Liquidity profile and
 - Current Funding Status
 - The analysis is based on passive exposures to the various asset classes and do not consider the potential 30-50 bps of alpha generated by active managers

- **Given NEPC's 2013 Market Observations, Assumptions and Recommendations**
 - NEPC, is not recommending any significant changes to the long term target strategic allocation adopted in late 2011 (previously known as mix "B")
 - NEPC currently recommends Mix "C" shown on page 5
 - Mix "C" adjusts for cash to be included (1.5%) in the portfolio due to the ongoing liquidity needs (range of 0-3% in IPS)
 - Maintains the risk, 30 year return and Sharpe Ratio at the same level of the current "target"
 - High Yield and Long Gov't bonds are slightly reduced to allow for the cash allocation
 - Mix "D" represents a portfolio that will achieve the 8% long term return, however this is met by adding on more risk resulting in a lower Sharpe Ratio (risk adjusted return)

- **Moving forward in 2013:**
 - NEPC continues to recommend measured implementation towards the long term allocation, anticipated to take another 12-18 months
 - Areas if focus will continue to be Real Estate, Private Debt, Commodities, Hedge Funds and Emerging Market Debt (Local Currency versus External Currency)





CITY OF HARTFORD

PENSION COMMISSION

MEMORANDUM

To: Pension Commission
From: Adam M. Cloud, Secretary *AMC*
Date: April 9, 2013
Subject: Report on Annual Performance Review Meetings

Attached for your review are the reports on our recent annual performance review meetings with the following investment managers:

- **Brown Brothers Harriman & Co.**
- **Mondrian Investment Partners Limited**
- **Pacific Investment Management Company**
- **Walter Scott Global Investment Management**

**CITY OF HARTFORD MERF
MEMORANDUM**

TO: ADAM M. CLOUD, CITY TREASURER
CARMEN I. SIERRA, ASST. CITY TREASURER

FROM: GARY B. DRAGHI, DIRECTOR OF INVESTMENTS *GBD*
P.WAYNE MOORE, ASSIST. DIRECTOR OF INVESTMENTS *PM*
J. SEAN ANTOINE, PRINCIPAL ADMINISTRATIVE ANALYST *JS*

SUBJECT: BROWN BROTHERS HARRIMAN

DATE: APRIL 8, 2013

On Tuesday, March 5, 2013 the Pension Commission held an annual performance review with Brown Brothers Harriman ("BBH"), a MERF global Treasury Inflation Protected Securities ("TIPS") manager. Present from BBH was John P. Nelson, Managing Director and Relationship Manager, and John Ackler, CFA, Senior Vice President.

Mr. Ackler gave a brief overview of the firm and portfolio management team. He stated that there have been no changes to the TIPS investment strategy over the past year, but that he had assumed responsibility as BBH contact for the MERF.

Mr. Ackler briefly reviewed the MERF's guidelines, noting that the portfolio conforms to its investment guidelines; and that BBH is comfortable in continuing with the current guidelines as written.

Mr. Ackler then reviewed the investment process. He stated that BBH has consistently generated alpha from its TIPS mandates. He stated that BBH continually monitors the inflation indexed markets for opportunities to implement the three major strategies that BBH employs in TIPS portfolios: fundamental, technical, and opportunistic. He noted that BBH's experience and research in the TIPS markets has identified a number of consistent and repeatable patterns that BBH uses to position portfolios for the strongest possible performance.

Mr. Ackler stated that BBH's research is also focused on identifying specific securities with the most attractive income characteristics, followed by BBH then concentrating portfolio allocations in those securities. He stated that BBH determines position sizes

based upon the degree of the opportunity they see and the potential volatility of the strategy. Mr. Ackler noted that all strategies adhere to a strict set of internal risk parameters which are based upon the return potential and potential volatility of the strategy.

In response to a question about the history of the TIPS, Mr. Ackler stated that the first U.S. TIPS were issued in 1997 when Robert Rubin was the Secretary of the Treasury. TIPS were issued to provide a diversified source of funding for the U.S. Treasury and to provide U.S. Treasury buyers with a fixed income instrument that offers principal protection against inflation. He added that TIPS were also intended to provide policy makers with a straightforward measurement of market inflation expectations through the breakeven inflation rate. Mr. Ackler also mentioned that the U.S. was not the first country to issue inflation linked bonds, citing issuance in the U.K., Australia, Canada, and Sweden prior to the U.S.

In response to a question regarding BBH competitors BBH noted that certain managers in the TIPS universe frequently invested outside the universe in order to enhance returns. Mr. Ackler then reviewed portfolio performance. He noted the high absolute returns and stated that the portfolio outperformed the index for the calendar year ending December 31, 2012, by 51 basis points. He attributed the outperformance to both duration and yield curve positioning. Mr. Nelson added that the TIPS portfolio has outperformed the index 141 out of 154 periods since inception, with all seven BBH value-add strategies contributing to 2012 calendar year performance.

Mr. Ackler stated that the MERF's performance was in the top quartile for the one, three and five year periods. Mr. Nelson added that BBH's style is defensive, and not designed to outperform managers that venture beyond the TIPS universe, especially to add lower quality credit to their portfolios.

Treasurer Cloud asked how BBH decides which of its strategies to use and how to allocate between them. Mr. Ackler stated that BBH's investment management team evaluates past performance attribution on each strategy in order to observe the long and short term impact. He noted that there are no specific pre-determined allocations and that not all of the strategies are used all of the time.

In response to a question regarding key man risk, Mr. Ackler stated that BBH has some 30 team members who work closely with Mr. Jim Evans and Mr. Gregory Steier. He added that they function as a team and that if any one individual should leave that a seamless transition would result with no interruptions to their client portfolios. Discussion ensued.

Mr. Ackler then spoke about the TIPS market from a global perspective for 2013. He stated that BBH believes that the U.S. economy will continue to make steady progress in recovering from the effects of the 2007-2009 recessions. Mr. Ackler added that BBH outlook for growth in the U.S. is more favorable than in Europe and Japan, with the prospect for U.S. real rates to underperform European real rates, with higher inflation expectations in the U.S. Lastly, he noted that inflation expectations in the U.S., as measured by inflation breakeven rates, are in line with historic averages, indicating only moderate investor concern that the Federal Reserve's accommodative monetary policy will result in higher than normal U.S. inflation. Mr. Ackler stated that this is a very optimistic outlook, reflecting BBH's view that inflation protection is being priced attractively in the market, leading BBH to favor TIPS over nominal Treasuries.

**CITY TREASURER'S OFFICE
INTERNAL MEMORANDUM**

To: Adam. M. Cloud, Secretary
Carmen I. Sierra, Asst. Secretary

From: Gary B. Draghi, Director of Investments
P. Wayne Moore, Assist. Director of Investments
J. Sean Antoine, Principal Administrative Analyst

ABD
JMA
JSA

Date: April 5, 2013

Re: **Report on Annual Performance Review Meeting with Mondrian
Investment Partners Limited**

The Pension Commission held an annual performance review meeting with Mondrian Investment Partners, a global fixed-income manager for the MERF, on Thursday, March 21, 2013. Present from Mondrian were Daniel Philps, Senior Portfolio Manager, Boris Veselinovich, Senior Portfolio Manager and E. Todd Rittenhouse, Relationship Manager.

Mr. Rittenhouse began the meeting with a brief update on the firm. He noted that Mondrian is now 100% employee owned, with no one employee owning more than 15% of the firm. Mr. Rittenhouse reported that there have been no changes at the firm. He added that Mondrian continues to experience growth, from both new and existing clients.

In response to a question regarding how Mondrian retains talented investment professionals, Mr. Rittenhouse stated that compensation at Mondrian is based upon overall performance of the firm, allowing everyone to benefit from the profits.

Mr. Philps reported that Mondrian continues to develop junior investment professionals, who will be able to fill in when needed. He also noted that the portfolio management process is managed in a team environment, allowing ideas to be generated from any team member.

Mr. Philps then discussed the buy and sell disciplines. He noted that once an investment no longer is perceived to represent value, it will be sold. He added that poor performing investments would also be sold before they could hurt portfolio performance.

Mr. Rittenhouse then reviewed the performance of the MERF's global fixed-income portfolio. He stated that the portfolio's return of 5.4% outperformed the benchmark's return of 4.1% for the one-year period ending December 2012. He attributed the outperformance to stock selection and country allocation.

Mr. Philips addressed MERF concerns regarding the global fixed-income portfolio's peer group relative performance and risk profile. He noted that Mondrian, consistent with its value-oriented defensive approach, had avoided the debt of peripheral European issuers. These securities rallied, benefiting Mondrian's momentum driven competitors' returns and hurting Mondrian's. He noted that Mondrian would continue to avoid peripheral Europe while adding that Mondrian had very positive peer group relative returns over longer periods.

In response to a question regarding the role of Treasury Inflation Securities (TIPs) in the MERF's portfolio, Mr. Philips stated that TIPs are used opportunistically and have contributed to excess return. He then turned the meeting over to Boris Veselinovich to give a brief update on the emerging market equity ("EME") mandate awarded to Mondrian in June 2012.

Mr. Veselinovich then reviewed the EME investment process and philosophy. He stated that while there are many elements to Mondrian's investment process, it is essentially a value approach which emphasizes yield and future growth in dividends. He stated that Mondrian seeks to produce meaningful high real returns with a long term focus on low turnover and transactions cost. He added that Mondrian aims to preserve capital during global market declines, by investing in companies with strong value characteristics.

In response to a question regarding how often Mondrian visits its portfolio companies, Mr. Veselinovich stated that Mondrian analysts conduct annual visits to companies they hold in their portfolio, and sometime more frequently if circumstances warrant.

Mr. Veselinovich then reviewed the performance of the MERF's emerging markets equity portfolio. He stated that the portfolio's return of 20.9% significantly outperformed the benchmark's return of 18.1% for the six month period ending December 2012. He attributed the outperformance to stock selection. Discussion ensued.

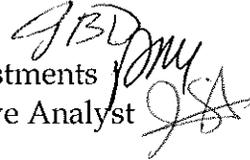
Mr. Philips concluded the meeting by summarizing Mondrian's views on the U.S. and global economies. He stated that Mondrian expects U.S. growth be subpar going forward due to large overcapacity in the economy. He stated that opportunities will continue to exist around the world, but that investors need to be cautious.

Mr. Rittenhouse then thanked the Commission for its continued business and confidence in the firm.

**CITY TREASURER'S OFFICE
INTERNAL MEMORANDUM**

To: Adam M. Cloud, Treasurer
Carmen I. Sierra, Asst. Treasurer

From: Gary B. Draghi, Director of Investments
P. Wayne Moore, Asst. Director of Investments
J. Sean Antoine, Principal Administrative Analyst



Date: April 3, 2013

Re: Report on Annual Performance Review Meeting with Pacific Investment Management Company (PIMCO)

The Pension Commission held an annual performance review meeting with Pacific Investment Management Company (PIMCO), a domestic long duration fixed-income manager for the MERF, on Tuesday, March 26, 2013. Present for PIMCO were Ignacio Galaz, CFA and Vice President and Izabella Elkis, Account Associate.

Mr. Galaz introduced his colleague, Ms. Elkis, stating that she would be working with him to help support PIMCO's management of the MERF's portfolio.

Mr. Galaz reviewed PIMCO's investment process, noting that it has been in place for the last 40 years. He noted that the process uses both secular and cyclical economic themes to define what the weightings will be in any particular investment. He added that eligible potential investments are reviewed by an eight member investment committee comprised of the most senior investment professionals in the firm. He stated that, through an interactive series of meetings, the investment committee defines a set of consistent strategies that are then implemented across PIMCO's account base. Mr. Galaz noted that the committee meets four times a week but evaluates all available data on a daily basis.

Ms. Elkis then reviewed the performance of the MERF's long duration portfolio. She stated that the portfolio's return exceeded the index for the 12 month period ending December 31, 2012, due to positive performance from mortgages, currencies and non-U.S. interest rates. Ms. Elkis reported that emerging market debt and municipal bonds detracted from performance. Ms. Elkis noted the portfolio's strong risk-adjusted return and then discussed portfolio composition. She closed by stating that PIMCO's defensive positioning hurt its peer group relative ranking as Treasury spreads continued to tighten.

Treasurer Cloud asked about the municipal bond exposure within the PIMCO strategy. Mr. Galaz stated that the strategy focuses on municipal bonds secured by revenue streams from essential services and also incorporates municipal bonds backed by the Federal government's Build America Bonds program.

In response to a question regarding the use of Treasury Inflation Protected Securities (TIPS) in the portfolio, Mr. Galaz replied that TIPS are used more as a tactical allocation, stating that PIMCO uses TIPS to diversify portfolios when appropriate, but that the current portfolio allocation to TIPS was zero.

In response to a question regarding the use of derivatives in the portfolio in relation to the MERF's guidelines and with regard to its non-U.S. exposure, Mr. Galaz stated that the MERF's investment guidelines for the portfolio allow the use of exchanged traded derivatives to invest in currency futures. He also noted that the MERF guidelines allow for up to 20% non-U.S. exposure.

Mr. Galaz noted that the firms' current outlook for the economy was that investors would see a pickup in global economic activity during 2013, tempered by the potential for inflation if interest rates remain low for an extended period.

In response to a question about the risk of higher interest rates, Mr. Galaz stated that PIMCO acknowledged that this was a significant risk to fixed income investing. He went on to note that PIMCO had three ideas for clients to mitigate such risk: (1) change their fixed income benchmark, (2) utilize derivative strategies to tactically reduce fixed income duration or (3) adopt an unconstrained/absolute return approach to fixed income investing. Discussion ensued.

Mr. Galaz closed by describing the current portfolio strategy and then thanked the Commission for its continued business and its confidence in PIMCO.

**CITY TREASURER'S OFFICE
MEMORANDUM**

To: Adam M. Cloud, Secretary
Carmen I. Sierra, Asst. Secretary

From: Gary B. Draghi, Director of Investments 
P. Wayne Moore, Asst. Director of Investments 
J. Sean Antoine, Principal Administrative Analyst 

Date: April 9, 2013

Re: Report on Annual Performance Review Meeting with Walter Scott
Global Investment Management

The Pension Commission held an annual performance review with Walter Scott Global Investment Management ("Walter Scott"), an international equities growth manager for the MERF, on Tuesday April 9, 2013. Present from Walter Scott was Margaret Foley, Relationship Manager.

Ms. Foley began the meeting by giving a brief overview of the firm. She noted that the firm has experienced very low investment professional turnover and that the average tenure is 19 years with the firm and 21 years of industry experience. She stated that the firm is wholly-owned by BNY Mellon, but that Walter Scott's investment activity is conducted autonomously. Ms. Foley added that Walter Scott does utilize BNY Mellon services such as compliance and technology.

Ms. Foley described Walter Scott's investment process as a fundamental, bottom-up, research driven, buy and hold approach that seeks profitable companies with strong balance sheets, low debt, sustainable wealth generation and the ability to grow earnings over the long term. Ms. Foley added that Walter Scott builds portfolios from the bottom-up, allowing the portfolio's sector and geographical make-up to be determined based on the process of selecting the best stocks to own. She stated that the firm has not changed its philosophy and process since inception in 1983.

In response to a question from Employee Representative Mark Nelson, Ms. Foley described Walter Scott's investment decision process for individual securities, noting that a unanimous team decision is required for a security to be bought, while a single dissenter can require a security to be sold. She added that Walter Scott's Investment Committee meets three times a week to discuss ideas and portfolio structure.

Ms. Foley then discussed investment performance. She stated that, since inception, Walter Scott's annualized portfolio return of 5.1% had outperformed the MSCI EAFE Index by 430 basis points, exceeding the MERF's performance objectives. She also noted that, for the one-year period ending December 31, 2012, the portfolio returned 21.6% outperforming its benchmark, which returned 17.3%. She attributed the outperformance to strong stock selection. She noted that the historical performance has exhibited low downside capture since the inception of the portfolio, while maintaining a relatively high level of upside capture.

Ms. Foley concluded by thanking the Commission for its continued business and confidence in Walter Scott.



CITY OF HARTFORD

PENSION COMMISSION

MEMORANDUM

To: Pension Commission
From: *AMC*
Adam M. Cloud, Secretary
Date: April 9, 2013
Subject: Other Business

- **MERF Update**
 - a. Rebalancing
 - b. BNY Mellon Custody Contract Update