

City of Hartford Pension Commission
City Conference Room
260 Constitution Plaza
Hartford, Connecticut
Thursday, October 24, 2013
9:00 a.m.

AGENDA

INVESTMENT PROGRAM

- I. Review of Minutes: Meeting of September 27, 2013
- II. Status of the MERF Portfolio
 - Inventory of Assets as of September 30, 2013
 - MERF's Overall Performance
- III. Contract Extensions
 - Private Equity Consulting
 - Proxy Voting Services
- IV. NEPC Update
 - Real Estate Strategic Plan
 - Real Estate Investment Recommendation-Tristan
- V. Report on Annual Performance Review Meetings
 - Hartford Investment Management Company
- VI. Hedge Fund Education
- VII. Other Business

INVESTMENTS:
AGENDA ITEM I



CITY OF HARTFORD
PENSION COMMISSION

MEMORANDUM

To: Pension Commission
From: Adam M. Cloud, Secretary
Date: October 16, 2013
Subject: Review of Minutes from the Meeting of September 27, 2013

Enclosed for your review are the minutes of the investment portion of the Pension Commission meeting of Friday, September 27, 2013.

*INVESTMENTS
AGENDA ITEM I*

City of Hartford Pension Commission
Conference Room
260 Constitution Plaza
Hartford, CT 06103
Friday, September 27, 2013
9:00 a.m.

MINUTES

INVESTMENT PROGRAM

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

MEMBER EXCUSED: Frank Lord, Commissioner

STAFF PRESENT: Gary B. Draghi, Director of Investments; P. Wayne Moore, Assistant Director of Investments; J. Sean Antoine, Principal Administrative Analyst; Terry Williams, Executive Assistant to the Treasurer

OTHERS PRESENT: Kristin Finney-Cooke (via telephone) and Richard Pzenny, NEPC

I. Review of Minutes: Meeting of August 2, 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 July 31, 2013 and August 31, 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 July 31, 2013, the MERF portfolio had a market value of approximately \$972.8 million and had generated a 2.2% return net of fees for the month, underperforming the benchmark return of 2.5%, by 30 basis points. He asked if there were any questions. There were none.

Mr. Antoine then reported that, at August 31, 2013, the MERF portfolio had a market value of approximately \$952.8 million and had generated a -1.3% return net of fees for the month, matching the benchmark return.

Mr. Antoine then reported that the MERF's alternative portfolio posted a flat return for the month, outperforming the benchmark return of -2.5%, by 250 basis points. He also reported that the MERF's equity portfolio posted a net return of -1.8% for the month, slightly outperforming the benchmark return of -2.0%, by 20 basis points.

Lastly, Mr. Antoine reported that the MERF's fixed income portfolio posted a net return of -1.2% for the month, lagging the benchmark return of -1.1%, by 10 basis points. He asked if there were any questions on the report, there were none.

The Commission accepted the report for advice.

III. NEPC Update

Chairman Stevens introduced the item. Secretary Cloud asked Ms. Kristin Finney-Cooke of NEPC, the MERF's general consultant, to report to the Commission. Ms. Finney-Cooke reported on the MERF's investment performance for the periods ended June 30, 2013. After recapping the MERF's goals, objectives and recent activities, Ms. Finney-Cooke stated that the MERF's portfolio return was 8.8% for the fiscal year and -1.7% for the quarter ending June 30, 2013. These results exceeded policy benchmark returns but ranked in the 90th and 95th percentile, respectively, in the IFDB Public Fund Universe. She stated that the trailing performance ranked above the median over the 10 year time period, while the fund's lower allocation to domestic equity versus the peer universe has detracted from more recent performance.

Ms. Finney-Cooke stated that, relative to its long term targets, the fund was currently overweight to domestic equity, international equity, core fixed income and treasury inflation protected securities. She also noted that the fund is underweight

to emerging market equity, high yield, global asset allocation and alternatives strategies relative to its long term targets. Discussion ensued.

In response to a question regarding the recent change in the fixed income portfolio, Gary Draghi, the MERF's Director of Investments, reported that tactical moves recently implemented by the MERF contributed positively by helping to avert approximately \$4 million in losses. Discussion ensued.

The Commission accepted the report for advice.

IV. MERF Update - Progress on Target Asset Allocation

Chairman Stevens introduced the item. Secretary Cloud asked the staff to address the Commission. Mr. Draghi stated that NEPC and staff continue to work towards reaching the MERF's target allocation. He stated that two years into the four year rebalancing project, the MERF had moved all of its active assets class allocations closer to target levels. More specifically, he pointed out that ten out of sixteen assets classes were now within targets ranges. He stated that those asset classes that remained out of target ranges were either new areas that had been deferred, such as hedge funds, or those that would be used to fund these asset classes. Discussion ensued.

The Commission accepted the information for advice.

V. Other Business

Chairman Steven introduced the item. Secretary Cloud asked Gary Draghi to report to the Commission. Mr. Draghi updated the Commission on key activities implemented by the staff over the past two months. He stated that the securities lending agreement with BNY Mellon had been signed and that the \$10 million Monroe Capital private debt investment had closed, with a \$7.5 million commitment to Landmark Equity Partners XV set to close within the next few days. Mr. Draghi also mentioned that staff had re-negotiated the Pension Consulting Alliance contract on financial terms that represented a substantial improvement over the existing contract.

Mr. Draghi also reported that the deferred compensation committee met last week and that there was nothing notable to report except that Retirement Plan Advisors, the City's deferred compensation investment consultant, would be reviewing the current commitment to BlackRock, in light of performance concerns.

In response to a question regarding Smith Wiley, a MERF private debt fund general partner, Secretary Cloud stated that he and staff had met with the principal of the firm and expressed the MERF's concerns regarding its stability. He added that Smith Wiley informed the MERF of a change in the investment focus for the fund it was currently trying to raise. Secretary Cloud stated that he informed Smith Wiley that the MERF would discuss the matter with NEPC. Discussion ensued.

There being no further business, Chairman Stevens adjourned the meeting.

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