

**City of Hartford Pension Commission**  
City Conference Room  
260 Constitution Plaza  
Hartford, Connecticut  
Friday, March 27, 2015  
9:00 a.m.

**AGENDA**

**INVESTMENT PROGRAM**

- I. Review of Meeting Minutes**
  - Minutes of January 30, 2015
  - Minutes of February 27, 2015
  
- II. Status of the MERF Portfolio**
  - Inventory of Assets as of February 28, 2015
  - MERF's Overall Performance
  
- III. Update from MERF's General Investment Consultant-NEPC**
  - Asset Allocation Review
  - Emerging Markets Debt Blended Currency Manager Review
  
- IV. Report on Annual Performance Review Meetings**
  - Pacific Investment Management Company
  - Walter Scott Global Investment Management
  
- V. Other Business**
  - Proxy Voting Services Recommendation



**CITY OF HARTFORD**  
**PENSION COMMISSION**

**MEMORANDUM**

**To:** Pension Commission  
**From:** <sup>AUC</sup> Adam M. Cloud, Secretary  
**Date:** March 20, 2015  
**Subject:** Review of Minutes from the Meetings of January 30, 2015 and February 27, 2015

Enclosed for your review are the minutes of the investment portion of the Pension Commission meetings of Friday, January 30, 2015 and Friday, February 27, 2015.

*INVESTMENTS  
AGENDA ITEM I*

City of Hartford Pension Commission  
City Conference Room  
260 Constitution Plaza  
Hartford, CT 06103  
Friday, January 30, 2015  
9:00 a.m.

MINUTES

INVESTMENT PROGRAM

MEMBERS PRESENT: Peter Stevens, Chairman; Gene Goldman, Commissioner; Nicholas Trigila, Employee Representative and Adam M. Cloud, Secretary

MEMBERS EXCUSED: Frank Lord, Commissioner 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 and Terry Williams, Senior Administrative Analyst

OTHERS PRESENT: Lisa Silvestri, MERF's General Council and Chelsea Mott, City of Hartford Accountant

Chairman Steven introduced Mr. Nicholas Trigila, the MERF's newly-elected Employee Representative. The Commission congratulated Mr. Trigila on his election.

I. **Review of Minutes: Meeting of December 19, 2014**

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.

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## **II. Status of the MERF Portfolio as of December 31, 2014**

Chairman Stevens introduced the item and asked the Investment Unit to report. J. Sean Antoine, the MERF's Principal Administrative Analyst, reported that, at December 31, 2014, the MERF portfolio had a market value of \$1.03 billion and had generated a negative -0.7% return net of fees for the month, which outperformed the benchmark return of a negative -1.3%, by 60 basis points.

Mr. Antoine then reported that the MERF's private equity portfolio posted a positive 3.4% net return for the month, outperforming the benchmark return of a positive 0.1%, by 330 basis points. He also reported that the MERF's equity portfolio posted a net return of a negative -2.1% for the month, underperforming the benchmark return of negative -2.0%, by 10 basis points.

Mr. Antoine went on to report that the MERF's fixed income portfolio posted a return of negative -1.2%, lagging the custom benchmark return of negative -0.5%, by 70 basis points. He noted that the MERF's hedge fund portfolio posted a positive return of +1.1%, outperforming its benchmark returns of positive +0.3%, by 80 basis points. Lastly, he reported that the MERF's private debt portfolio posted a positive +5.5% net return for the month, outperforming its benchmark return of negative -1.1%, by 660 basis points. Discussion ensued.

Lastly, Mr. Antoine reported that the MERF's real estate portfolio posted a return of positive 4.4% net for the month, outperforming the benchmark return of positive 2.6%, by 180 basis points.

For the benefit of Mr. Trigila, Secretary Cloud gave an in-depth overview of the MERF's asset allocation. He noted that each investment serves a particular role in attempting to achieve the MERF's target return of 7.75%. Discussion ensued.

**The Commission accepted the report for advice.**

## **III. Report on Annual Performance Review Meetings: Atlanta Capital Management, Eagle Capital Management and Prudential Investment Management**

Chairman Stevens introduced the item, describing, along with Secretary Cloud, the MERF's annual manager review process. He then asked the investment staff to speak to the reports. Mr. Draghi, the MERF's Director of Investments, stated that the reports were self-explanatory and asked if there were any questions. Discussion ensued.

**The Commission accepted the reports for advice.**

**IV. Other Business**

Chairman Stevens introduced the item. Secretary Cloud informed the Commission of his recent conference presentation on public-private partnerships and updated the Commission on the status of the City's pension contribution to the MERF, noting that the City was current on its payments. In closing, Secretary Cloud stated that there was no other business.

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

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

City of Hartford Pension Commission  
Municipal Hartford Information Services Conference Room  
260 Constitution Plaza  
Hartford, CT 06103  
Friday, February 27, 2015  
9:00 a.m.

MINUTES

INVESTMENT PROGRAM

MEMBERS PRESENT: Frank Lord, Acting Chairman; Gene Goldman, Commissioner; Nicholas Trigila, Employee Representative; Adam M. Cloud, Secretary and Carmen I. Sierra, Assistant Secretary

MEMBERS EXCUSED: Peter Stevens, Chairman

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

OTHERS PRESENT: Lisa Silvestri, MERF's General Council; Chelsea Mott, City of Hartford Accountant; Kristin Finney-Cooke and William Forde, NEPC, the MERF's general consultant; Tad Fergusson, PCA, the MERF's private equity consultant

I. Review of Minutes: Meeting of January 23, 2015

Acting Chairman Lord introduced the item and asked that the item be tabled until next month's meeting since he was not present at the January 23, 2015 meeting and, as a result, the Commission lacked the necessary votes to approve.

A motion was made, seconded and adopted to table acceptance of the January 23, 2015 the pension minutes until the March meeting.

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## II. Status of the MERF Portfolio as of January 31, 2015

Acting Chairman Lord introduced the item and asked the Investment Unit to report. J. Sean Antoine, the MERF's Principal Administrative Analyst, reported that, at January 31, 2015, the MERF portfolio had a market value of \$1.02 billion and had generated a flat return for the month, which underperformed the benchmark return of 0.2%, by 20 basis points.

Mr. Antoine then reported that the MERF's private equity portfolio posted a negative 0.1% net return for the month, outperforming the benchmark return of a negative 2.4%, by 230 basis points. He also reported that the MERF's equity portfolio posted a net return of a negative 1.3% for the month, slightly underperforming the benchmark return of negative 1.2%, by 10 basis points.

Mr. Antoine went on to report that the MERF's fixed income portfolio posted a return of 1.6%, lagging the custom benchmark return of 2.9%, by 130 basis points. He noted that the MERF's hedge fund portfolio posted a return of negative 0.3%, underperforming its benchmark return of 0.3%, by 60 basis points. Discussion ensued.

Lastly, Mr. Antoine reported that the MERF's real estate portfolio posted a return of 0.3% net for the month, outperforming the benchmark return of 0.0%, by 30 basis points.

He then reviewed the MERF's asset allocation versus its targets.

The Commission accepted the report for advice.

## III. Private Equity Consultant: 2015 Private Equity Investment Plan

Acting Chairman Lord introduced the item and asked the representative from Pension Consulting Alliance ("PCA") to address the Commission. He began by noting that the nature of private equity investing required the disciplined pacing of investment commitments. He then provided a general overview of the MERF's program noting its thirteen year history and steady, strong performance over this time. Discussion ensued.

Mr. Fergusson then discussed PCA's recommendation for 2015. He reminded the Commission that the MERF had reduced its target allocation to private equity from seven percent to five percent in 2012. He then noted that, while the MERF was currently over-allocated to private equity (at approximately 7.7% versus the 5% target), continued commitment activity was required to maintain adequate vintage year diversification and achieve a "soft landing" at the target. He stated that the program

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consisted of 17 active partnerships representing approximately \$139 million of commitments. He noted that, during the last year, the MERF made only one commitment for \$5 million. Mr. Fergusson stated that, while this activity was less than was recommended in the 2014 Investment Plan, PCA believed that this level of allocation was appropriate given the strong appreciation in the portfolio for the year.

Mr. Fergusson summarized that for the 2015, PCA recommended that the MERF target \$10 million of private equity commitments with the possibility of opportunistically committing up to \$15 million if attractive opportunities presented themselves. He added that few of the entities with whom the MERF has existing relationships with are expected to be raising capital in 2015, so PCA felt that 2015 might represent an opportunity to add some new names to the portfolio. Lastly, Mr. Fergusson noted that, given current factors in the market, distressed debt strategies might prove to be desirable later in the calendar year. Discussion ensued.

**The Commission accepted the report for advice.**

#### **IV. Update from MERF's General Investment Consultant - NEPC**

##### Quarter Ending December 31, 2014 Performance Analysis

Acting Chairman Lord introduced the item and asked the representatives from NEPC to speak to the issue. William Forde, Senior Analyst, discussed the quarter ending December 31, 2014 performance analysis. He provided a brief summary of what drove the capital markets in calendar year 2014. Mr. Forde's market review focused on the strength of U.S. equities and long bonds and the poor performance of certain international investments. He also highlighted that the MERF's portfolio returned 5.0% in calendar year 2014 and 0.20% in the fourth quarter. Mr. Forde also provided peer rankings based on the Investor Force Public DB Gross Median universe, noting that the MERF's portfolio had ranked in the 70<sup>th</sup> percentile for the calendar year ending December 31, 2014. Secretary Cloud noted the broad diversification of the MERF portfolio and its defensive positioning while emphasizing the importance of the upcoming portfolio reviews in ensuring that the MERF optimized its investment structure. In closing, Mr. Forde mentioned that the MERF's portfolio was overweight domestic equity, emerging markets equity, global equity, core fixed income, global bonds emerging markets debt, Treasury inflation protected securities, private equity and cash. Discussion ensued.

**The Commission accepted the report for advice.**

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### 2015 Capital Markets Assumptions and Actions

Ms. Finney-Cooke, Senior Consultant, provided the Commission with its 2015 Capital Market Observations and Actions presentation, starting with a high level review of the markets in 2014 noting that the expected returns for 2015 for most asset classes had declined from 2014 as had the expected return for the MERF's target asset allocation. She then summarized NEPC's recommended actions for its clients. Ms. Finney-Cooke closed by discussing NEPC's estimation of expected returns for the MERF. She noted a five to seven year expected return of 6.3% and a thirty year expected return of 7.4%, based on the MERF's current target allocation and NEPC's 2015 asset class assumptions. Ms. Finney-Cooke added that these estimates did not include any incremental return from active management. Discussion ensued.

The Commission accepted the report for advice.

### Education-Real Assets

Ms. Finney-Cooke provided the Commission with an educational presentation on real assets. She described the nature and use of real assets and discussed the pros and cons of including them in a diversified investment portfolio. She stated NEPC's recommendation that the Commission consider expanding the MERF's current allocation to commodities to include real assets. She concluded by noting that potential new asset allocation mixes, some including real assets, would be reviewed at the next Commission meeting. Discussion ensued.

The Commission accepted the report for advice.

### Emerging Markets Debt Blended Currency Manager Review

Secretary Cloud recommended that the Commission table this item until next month's meeting to allow the Chairman Peter Stevens to participate. Discussion ensued.

A motion was made, seconded and adopted to table the item until the March 27<sup>th</sup> meeting.

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**V. Report on Annual Performance Review Meeting: Brown Brothers Harriman**

Acting Chairman Lord introduced the item and asked staff to report. Gary Draghi, the MERF's Director of Investments, stated that the report was self-explanatory and asked if there were any questions. Discussion ensued.

**The Commission accepted the report for advice.**

**VI. Other Business**

Fiduciary Liability Insurance

Acting Chairman Lord introduced the item and asked staff to report. Mr. Antoine noted that the MERF's current fiduciary liability insurance policy was carried by Wentworth-DeAngelis, and that the policy was due to expire on February 28, 2015 at midnight.

Mr. Antoine reported that he had worked with Assistant Corporation Counsel Lisa Silvestri to improve the transparency and coverage of the MERF's insurance policy. He reported that a request for proposal was sent out to three providers, RC Knox a division of People's United Bank, HD Segur, Incorporated and the incumbent, Wentworth-DeAngelis. He noted that, with the assistance of Ms. Silvestri, a matrix was formed and the providers were rated based on key metrics such as cost, premium and service.

Ms. Silvestri stated that all three agents' policy proposals were comparable to or better than the current policy. She noted that, following a thorough review of each policy, the RC Knox proposal stood out as the best for the MERF. Discussion ensued.

**A motion was made, seconded and adopted to authorize the Secretary to execute the policy for fiduciary liability insurance with RC Knox.**

Proxy Voting Services Update

Acting Chairman Lord introduced the item and asked staff to report. Mr. Draghi stated that the Secretary and investment staff met with two potential providers for proxy voting services and that a decision making process was underway, to determine the successful candidate. He noted that the decision would be made by the next Commission meeting. Discussion ensued.

**The Commission accepted the report for advice.**

Transition Manager Update

Mr. Draghi updated the Commission on the status of the MERF's efforts to assemble a stable of transition managers. He stated that Northern Trust had been added and that contract discussions had begun with the MERF's two other selections. Discussion ensued.

The Commission accepted the report for advice.

Private Equity Services Update

Lastly, Mr. Draghi noted investment staff's progress on the implementation of the BNY Mellon Private Investment Asset Servicing ("PIAS") capability for the MERF. He stated that a variety of paperwork had been processed and numerous calls and training sessions had occurred over the past three months and reconciliations and reviews prepared. Once operational, he noted, the PIAS unit at BNY Mellon would process the MERF's private investment capital calls and distributions, update valuations and perform the accounting relating to these activities. He stated that this would streamline the processing of the MERF's private equity investments and enhance controls. He noted that staff expected to have the new program up and running by March 3, 2015. Discussion ensued.

In closing, Secretary Cloud stated that there was no other business.

The Commission accepted the reports 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  
*AMC*  
**From:** Adam M. Cloud, Secretary  
**Date:** March 20, 2015  
**Subject:** Status of MERF Portfolio as of February 28, 2015

The portfolio report for the month of February 2015 will be distributed at the meeting.

*Gora Fern*

**INTEROFFICE MEMORANDUM**

*3/26/15 Ann*  
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**TO:** Adam M. Cloud, City Treasurer  
Carmen I. Sierra, Assistant City Treasurer

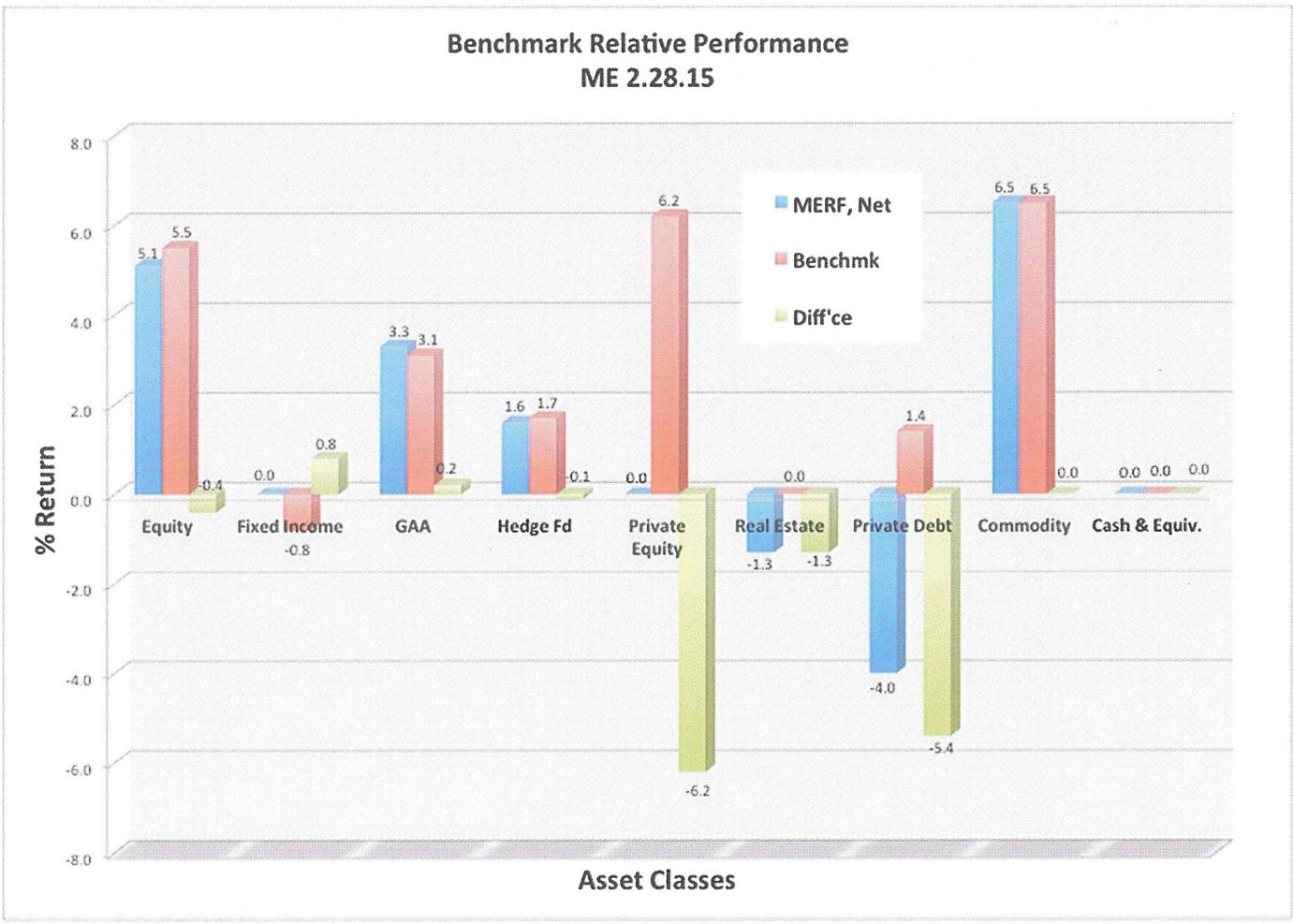
**FROM:** Gary B. Draghi, Director of Investments, *[Signature]*  
P. Wayne Moore, Assistant Director of Investments *[Signature]*  
J. Sean Antoine, Principal Investment Analyst *[Signature]*

**DATE:** March 23, 2015

**SUBJECT:** MERF Investment Portfolio Status, as of February 28, 2015

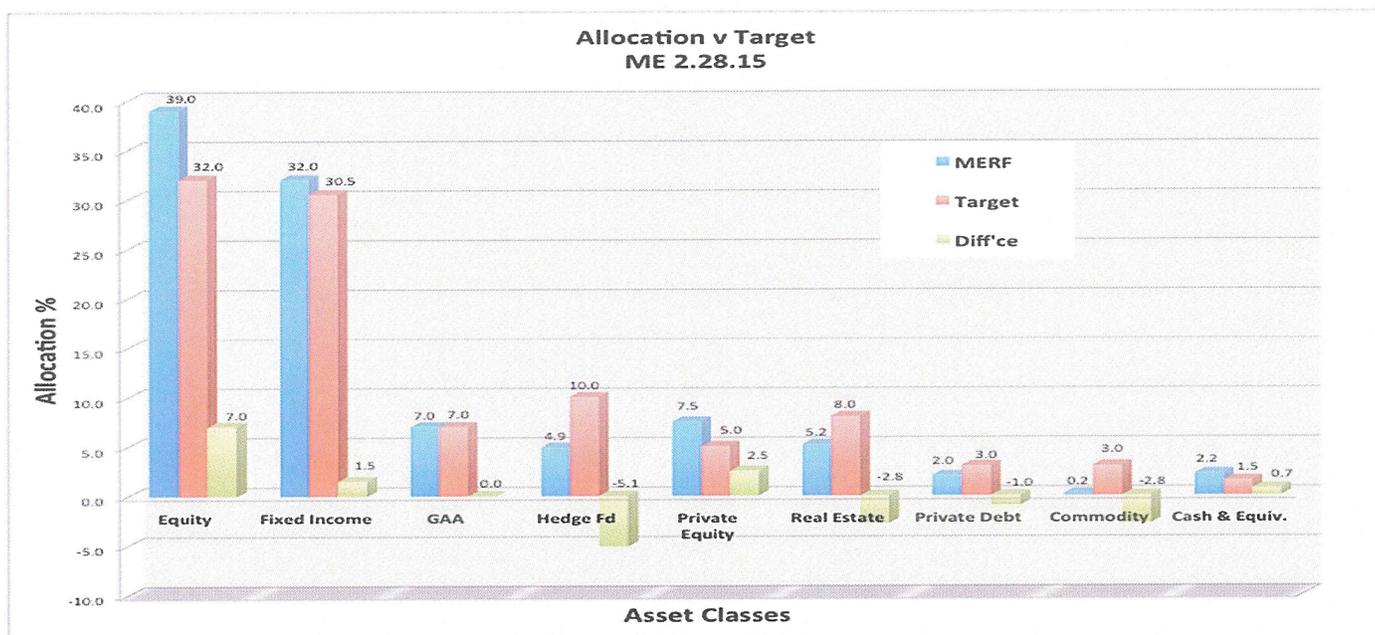
**PERFORMANCE:**

As of February 28, 2015, the MERF's net asset value totaled \$1.04 billion. Total fund performance for the month of February, net of fees, was 2.1%, which underperformed the MERF benchmark return of 2.4%, by 30 basis points. The components of monthly performance are illustrated below.

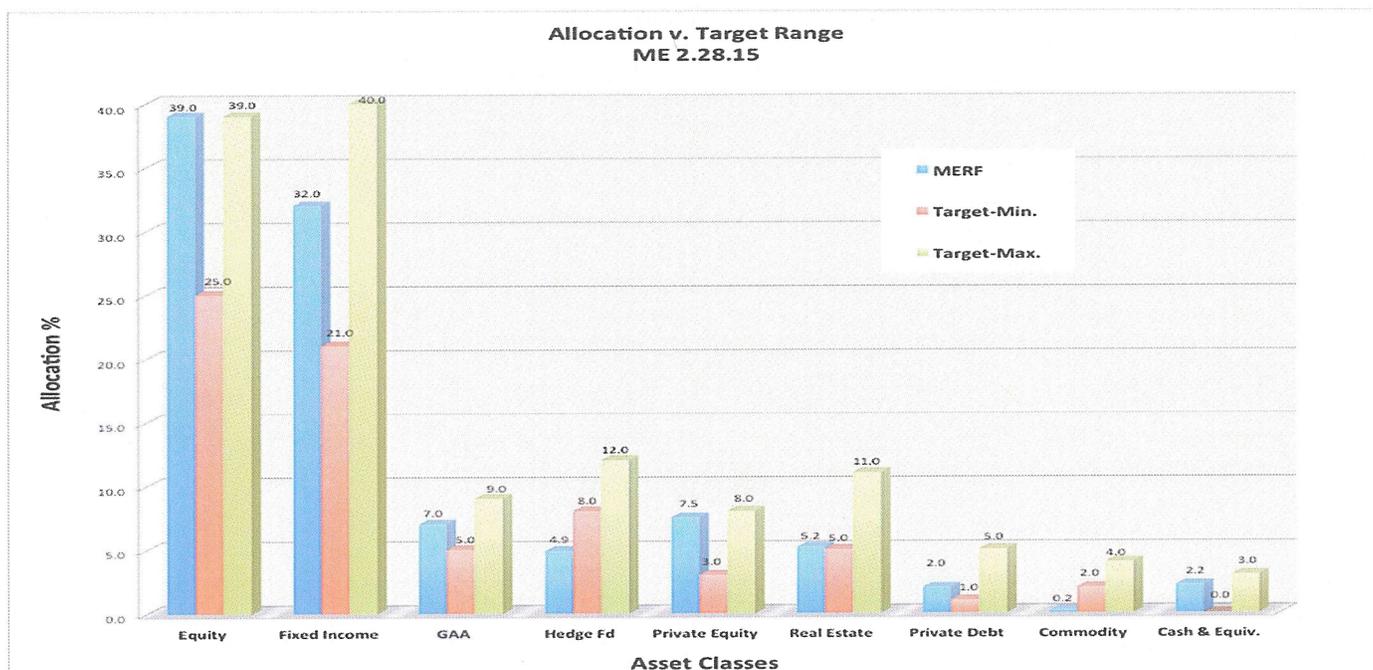


**ASSET ALLOCATION:**

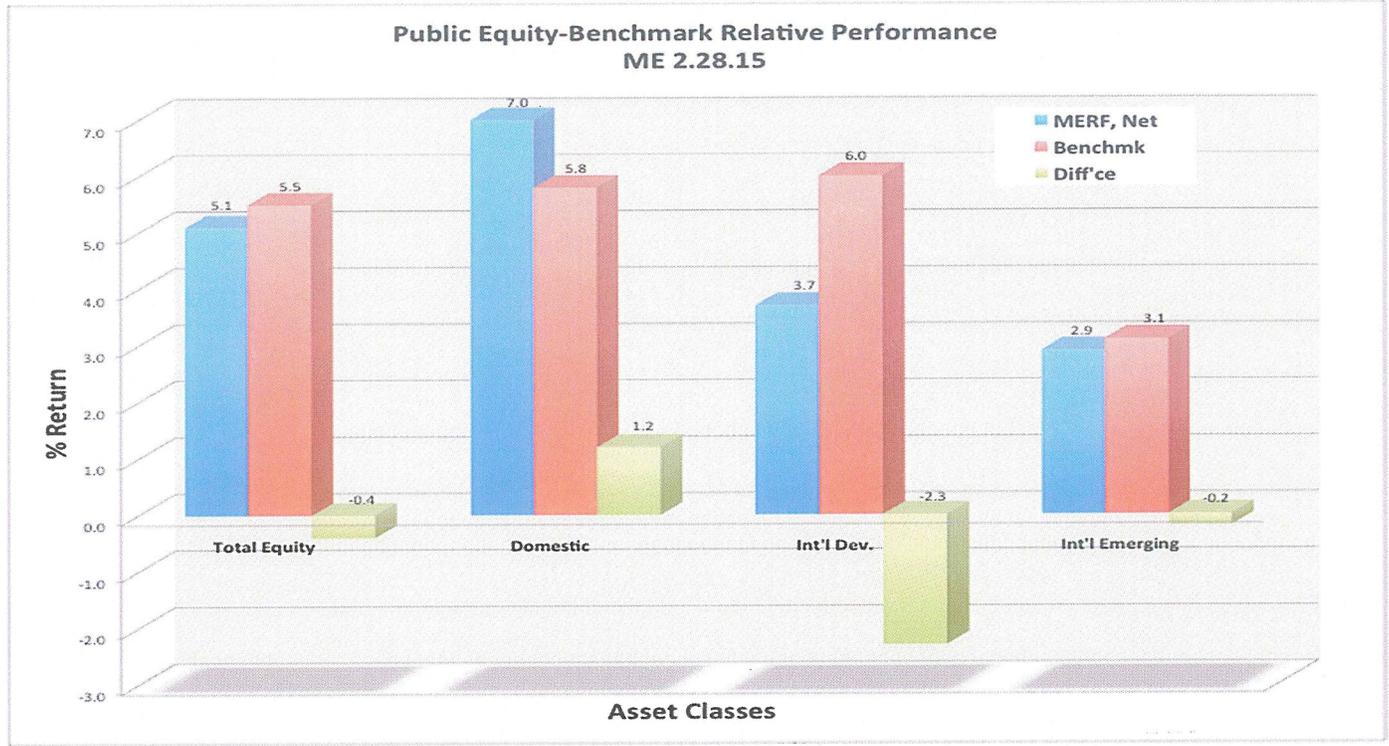
As of February 2015, the MERF continues to be overweight in equity, fixed income, private equity and cash while hedge funds, real estate, private debt and commodities are below target allocations.



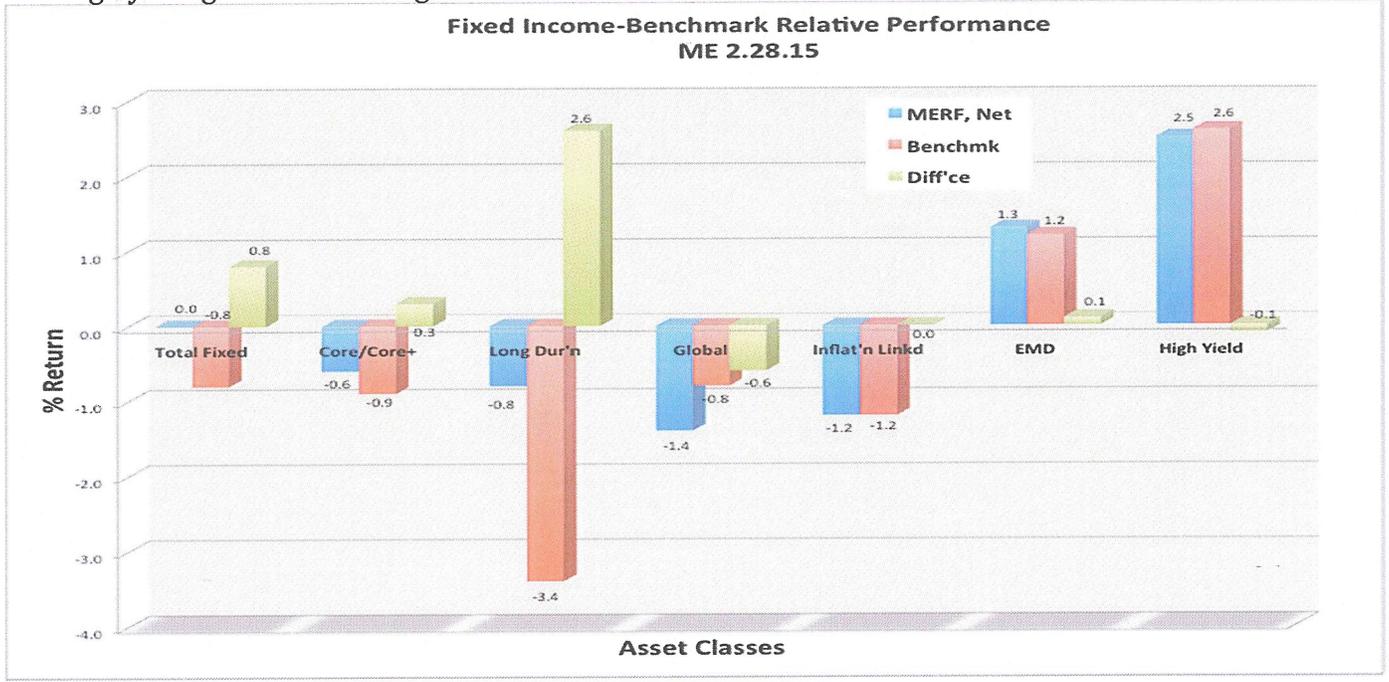
The MERF was within target ranges for all asset classes except hedge funds and commodities. The MERF's existing real estate fund commitments are expected to move the MERF into compliance as additional capital is called, while the underweight to commodities is a tactical position.



The MERF's public equity portfolio performance was positive for the month, but trailed the benchmark return by 40 basis points. Outperformance in domestic equities was offset by underperformance in developed international equities. Emerging markets performed roughly in line with the benchmark.



The MERF's overall fixed income performance was flat for the month but outperformed its benchmark by 80 basis points, helped most by the outperformance in long duration. Both emerging markets debt and high yield generated strong absolute returns for the month.



**City of Hartford MERF**  
 Net of Fees - Preliminary  
 Performance Page

Period Ending February 28, 2015

Annualized

Total Plan Consolidation Policy Benchmark Total Plan Wgtd Benchmark Policy-Capitalization Based	Market Value	% of Total Fund	February	3 Months	Fiscal		1 Year	3 Years	5 Years	7 Years	10 Years	Inception to Date	Inception Date
					YTD	YTD							
(1) Total Plan Consolidation	\$1041.2	100.0 %	2.1 %	1.4 %	1.4 %	2.1 %	6.2 %	7.4 %	8.5 %	5.0 %	5.8 %	8.4 %	1/31/1986
(2) Policy Benchmark			2.4	1.1	1.0	2.5	5.8	7.2	9.0	6.0	6.6	8.4	2/28/1990
(3) Total Plan Wgtd Benchmark			2.6	1.5	1.6	2.5	5.7	8.2	8.6	5.8	6.6	7.4	9/30/2004
(4) Policy-Capitalization Based			3.1	2.4	4.9	2.6	8.7	10.9	10.9	7.3	7.0	7.3	12/31/1996
(5) Liquidity Portfolio	87.6	8.4	1.6	0.8	0.8	2.1	4.1	6.3	6.3	---	---	6.8	5/31/2009
(6) Asset Allocation Fund	69.5	6.7	1.9	1.0	1.0	2.5	4.9	7.8	7.7	---	---	9.0	4/30/2009
(7) Asset Allocation Benchmark			2.4	1.1	0.3	2.5	4.0	6.0	6.9	---	---	10.2	4/30/2009
(8) Benefits Payment Fund	18.1	1.7	0.0	0.0	0.1	0.0	0.1	0.2	0.3	0.5	1.5	1.9	10/31/1996
(9) U.S. Treasury 3 Month T-Bills			0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.2	1.4	2.5	12/31/1996
(10) Global Public Equity	406.4	39.0	5.1	1.6	0.9	3.8	6.4	10.2	10.9	4.9	---	4.0	2/28/2007
(11) Comb Equity Wgtd Benchmark			5.5	2.1	0.5	4.2	6.0	12.5	12.1	6.1	7.2	8.2	9/30/2004
(12) US Public Equity	197.8	19.0	7.0	3.5	7.0	3.5	11.6	16.9	16.2	8.9	---	6.9	2/28/2007
(13) Russell 3000 Index			5.8	2.8	8.2	2.8	14.1	18.0	16.4	9.4	8.3	8.5	7/31/1996
(14) US Equity Policy-Cap Based			5.8	3.2	7.8	2.8	13.2	17.9	16.4	9.6	8.4	8.2	12/31/1996
(15) US Public Equity Active	179.8	17.3	7.1	3.6	6.9	3.6	11.5	16.8	16.2	8.9	7.7	8.4	8/31/1996
(16) US Public Equity Passive	18.0	1.7	5.9	2.9	---	2.9	---	---	---	---	---	---	10/31/1997
(17) International Equity	208.7	20.0	3.4	(0.1)	(4.4)	4.0	2.0	4.5	6.4	1.4	5.0	5.7	9/30/1997
(18) Russell Global Ex-US Equity			5.3	1.6	(4.2)	5.1	1.1	7.3	7.6	2.1	5.7	5.0	7/31/1999
(19) Intl Equity Developed Mkts	114.1	11.0	3.9	2.7	(2.0)	5.1	2.6	7.1	8.0	2.5	---	2.4	2/28/2007
(20) Intl Emerging Markets	94.6	9.1	2.9	(3.4)	(7.1)	2.8	2.3	---	---	---	---	---	4/30/2012
(21) Global Asset Allocation	72.5	7.0	3.3	2.0	0.5	3.7	3.7	---	---	---	---	7.8	2/28/2007
(22) 60 MSCI World 40 Cliff WGBI			3.1	0.6	(0.8)	1.9	3.1	---	---	---	---	7.6	4/30/2012
(23) Commodities	2.1	0.2	6.5	(14.5)	---	(1.5)	---	---	---	---	---	(33.8)	8/31/2014
(24) S&P GSCI			6.5	(14.9)	(37.6)	(1.5)	(35.9)	(15.6)	(6.3)	---	(6.1)	---	---
(25) Total Fixed Income	333.7	32.1	(0.0)	0.4	0.6	1.6	4.2	3.4	5.8	5.6	5.5	6.2	7/31/1997
(26) Custom Fixed Benchmark			(0.8)	1.5	2.8	2.1	7.2	4.2	7.1	6.6	---	6.8	1/31/2007
(27) Barclays Capital Aggregate Bond			(0.9)	1.2	3.1	1.1	5.1	2.8	4.3	4.7	4.8	5.7	7/31/1997
(28) Comb Fixed Income Wgtd Bnk			(0.9)	0.4	0.6	0.5	2.6	1.8	3.7	4.0	4.3	4.5	9/30/2004
(29) US Core/Core Plus	54.6	5.2	(0.6)	1.1	2.8	1.2	4.7	3.3	4.6	4.1	3.9	5.4	7/31/1996
(30) Total Long Duration	75.6	7.3	(0.8)	1.2	2.5	1.3	6.2	4.0	8.2	8.8	---	8.8	3/31/2008
(31) Global Fixed	34.9	3.3	(1.4)	(1.7)	(4.0)	(0.7)	(2.2)	(1.3)	1.3	2.5	---	4.2	2/28/2007
(32) Inflation Linked Composite	50.9	4.9	(1.2)	0.9	0.1	2.0	3.1	(0.7)	4.5	4.0	---	5.4	2/28/2007
(33) Emerging Mkts Debt	75.0	7.2	1.3	(1.1)	(0.4)	2.1	7.2	6.3	8.8	8.7	---	8.3	2/28/2007
(34) High Yield	42.8	4.1	2.5	1.9	0.9	3.3	3.0	5.9	---	---	---	6.9	7/31/2010
(35) Alternatives	203.8	19.6	(0.4)	2.8	5.3	(0.5)	13.1	11.7	13.5	7.4	---	9.1	2/28/2007
(36) Alternatives Benchmark			2.0	2.5	5.1	1.6	8.6	10.0	9.2	5.1	---	5.3	2/28/2007
(37) Private Equity	77.7	7.5	0.0	3.3	8.2	(0.1)	20.9	14.8	15.6	9.2	14.1	13.4	12/31/2002
(38) Real Estate	54.2	5.2	(1.3)	3.3	4.9	(1.1)	8.8	8.2	6.8	(5.2)	(4.3)	(4.4)	7/31/1998
(39) Private Debt	20.8	2.0	(4.0)	1.3	3.8	(4.0)	6.8	---	---	---	---	10.3	1/31/2013
(40) Hedge Fund	51.2	4.9	1.6	2.4	2.3	1.3	---	---	---	---	---	2.3	5/31/2014
(41) Cash - Active	22.5	2.2	0.0	0.3	0.5	0.2	0.6	0.4	0.5	0.9	2.1	2.5	7/31/1997
(42) 90 Day T-Bills			0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.2	1.4	2.5	12/31/1996

## City of Hartford MERF

### Footnotes

#### Performance Page

Period Ending February 28, 2015

No.	Name
1	Policy Benchmark
2	Total Plan Wgtd Benchmark
3	Policy-Capitalization Based
4	CPI plus 3.5%
5	Liquidity Portfolio
6	Asset Allocation Fund
7	Asset Allocation Benchmark
8	Comb Equity Wgtd Benchmark
9	US Equity Policy-Cap Based
10	Russell Global ex U.S. Equity Index
11	Custom Fixed Benchmark
12	Comb Fixed Wgtd Benchmark
13	US Treasury 3 Month T-bills
14	Alternatives Benchmark

**Footnote**

**July 1, 2014 to Current:** 13% Russell 3000, 10% Russell Global ex-US Equity, 5% Barclays Capital Aggregate, 9% MSCI Emerging Markets, 3% Barclays Capital Aggregate Global, 8.5% BC Gov/Credit Long, 6% JPM EMBI Global, 4% Citigroup HY, 4% BC Global Inflation Linked, US TIPS, 8% NCREIF Property Index, 5% Russell 3000 +300 bps, 3% Credit Suisse Leveraged Loan Index, 10% HFRI Fund of Funds, 7% 60 MSCI World/40Cit WGBI, 3% S&P GSCI Commodity, 1.5% 91 T-Bill.

**July 1, 2013 to June 30, 2014:** 16% Russell 3000, 12% Russell Global ex-US Equity, 10% Barclays Capital Aggregate, 9% MSCI Emerging Markets, 3% Barclays Capital Aggregate Global, 9.5% BC Gov/Credit Long, 5% JPM EMBI Global, 4% Citigroup HY, 5% Barclays Capital Global Inflation Linked, US TIPS, 5% NCREIF Property Index, 5% Russell 3000 + 300 bps, 2% Russell 3000 + 200 Bps, 5% HFRI Fund of Funds, 5% 60 MSCI World/40Cit WGBI, 3% S&P GSCI Commodity, 1.5% 91 T-Bill.

**January 2012 to June 2012:** 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 Cit WGBI, 4% BC Global Aggregate, 4% Citigroup High Yield, 3% S&P GSCI Commodity Index.

**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.

**Prior to October 2007:** 33% Russell 3000, 45% Barclays Capital Aggregate, 17% FTSE World Europe & Pacific, 3% Citiroun WGR1 Non-LIS, 2% Merrill Lynch Treasury 91 day

Weighted average calculation using actual asset allocation percentages and benchmark index returns.

10% FTSE World Euro and Pacific, 40% Barclays Capital Aggregate, 40.625% Russell 1000, 9.375% Russell 2000.

CPI data reported with one month lag.

Consists of the Asset Allocation Fund plus Cash.

Compsied of MERF passive portfolios.

50% MSCI ACWI Investible Mkt Index, 50% Citigroup World Gov't Bond Index

August 2014 to Current: 40% Russell 3000, 60% Russell Global X-US, Inception to July 2014: Weighted average calculation using actual asset allocation percentages and benchmark index returns.

81.25% Russell 1000, 18.75% Russell 2000.

From October 2007 to Current: Russell Global Ex-US Equity Index. Prior to October 2007: FTSE All World Europe Pacific Index.

**July 2014 to Current:** 27.9% Barclays Capital Long Govt/Credit Index, 16.4% Barclays Capital Aggregate Index, 13.1% Barclays Capital US TIPS Index, 9.8% Barclays Capital Global Aggregate Un-Hedged Index, 19.7% JPMorgan EMBI Global Index, 13.1% Citigroup High Yield Index.

**January 2012 to June 2014:** 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.

**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% Citiroun High Yield Index.

Weighted average calculation using actual asset allocation percentages and benchmark index returns.

October 2007 to Current: US Treasury 3 Month T-bills. Prior to October 2007: Merrill Lynch Treasury 91 Day.

31% NCREIF Prop, 19% Russell 3000 plus 300bps, 12% Credit Suisse Leveraged Loan, 38% HFRI Fund of Funds

**City of Hartford MERF**  
 Net of Fees - Preliminary  
 Performance Page  
 Period Ending February 28, 2015

	Market Value	% of Total Fund	February %	3 Months %	Fiscal YTD %	YTD %	1 Year %	3 Years %	5 Years %	7 Years %	10 Years %	Inception to Date %	Inception Date
<b>Total Plan Consolidation</b>	<b>\$1041.2</b>	<b>100.0</b>	<b>2.1</b>	<b>1.4</b>	<b>1.4</b>	<b>2.1</b>	<b>6.2</b>	<b>7.4</b>	<b>8.5</b>	<b>5.0</b>	<b>5.8</b>	<b>8.4</b>	<b>1/31/1986</b>
Policy Benchmark			2.4	1.1	1.0	2.5	5.8	7.2	9.0	6.0	6.6	8.4	2/28/1990
Total Plan Wgt'd Benchmark			2.6	1.5	1.6	2.5	5.7	8.2	8.6	5.8	7.4	8.4	9/30/2004
Policy-Capitalization Based			3.1	2.4	4.9	2.6	8.7	10.9	10.9	7.3	7.0	7.3	12/31/1996
Liquidity Portfolio			(9)	8.4	0.8	2.1	4.1	6.3	6.3	---	---	6.8	5/31/2009
Asset Allocation Fund			(6)	6.7	1.0	2.5	4.9	7.8	7.7	---	---	9.0	4/30/2009
Asset Allocation Benchmark			2.4	1.1	0.3	2.5	4.0	6.0	6.9	---	---	10.2	4/30/2009
Benefits Payment Fund			0.0	0.0	0.1	0.0	0.1	0.2	0.3	0.5	1.5	1.9	10/31/1996
90 Day T-Bills			0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.2	1.4	2.5	12/31/1996
<b>Global Public Equity</b>	<b>406.4</b>	<b>39.0</b>	<b>5.1</b>	<b>1.6</b>	<b>0.9</b>	<b>3.8</b>	<b>6.4</b>	<b>10.2</b>	<b>10.9</b>	<b>4.9</b>	<b>7.2</b>	<b>4.0</b>	<b>2/28/2007</b>
Comb Equity Wgt'd Benchmark			5.5	2.1	0.5	4.2	6.0	12.5	12.1	6.1	7.2	8.2	9/30/2004
<b>US Public Equity</b>	<b>197.8</b>	<b>19.0</b>	<b>7.0</b>	<b>3.5</b>	<b>7.0</b>	<b>3.5</b>	<b>11.6</b>	<b>16.9</b>	<b>16.2</b>	<b>8.9</b>	<b>---</b>	<b>6.9</b>	<b>2/28/2007</b>
Russell 3000 Index			5.8	2.8	8.2	2.8	14.1	18.0	16.4	9.4	8.3	6.9	10/31/1997
US Equity Policy-Cap Based			5.8	3.2	7.8	2.8	13.2	17.9	16.4	9.6	8.4	8.2	12/31/1996
<b>US Public Equity Active</b>	<b>179.8</b>	<b>17.3</b>	<b>7.1</b>	<b>3.6</b>	<b>6.9</b>	<b>3.6</b>	<b>11.5</b>	<b>16.8</b>	<b>16.2</b>	<b>8.9</b>	<b>7.7</b>	<b>8.4</b>	<b>8/31/1996</b>
Russell 3000 Index			5.8	2.8	8.2	2.8	14.1	18.0	16.4	9.4	8.3	6.9	10/31/1997
Atlanta Capital Mgmt Large Cap Growth			5.7	2.6	9.4	2.7	11.5	15.4	15.0	9.1	8.4	5.0	5/31/1999
Russell 1000 Growth			6.7	3.9	11.7	5.0	16.2	18.1	17.2	10.8	9.3	3.9	8/31/1999
Eagle Capital Management Large Cap Value			7.1	2.0	9.9	2.5	14.7	19.1	17.4	11.4	10.3	11.4	10/31/2003
Russell 1000 Value			4.8	1.3	5.5	0.6	13.5	18.1	15.5	7.8	7.2	9.1	10/31/2003
ING Investment Management Small Cap Growth			6.8	6.0	7.3	4.2	8.3	---	---	---	---	19.4	8/31/2012
Russell 2000 Growth Index			7.2	7.9	8.2	4.7	7.4	---	---	---	---	22.8	8/31/2012
SouthernSun Asset Management			9.9	6.4	(1.9)	6.8	8.4	17.0	---	---	---	20.4	9/30/2010
Russell 2500 Value Index			4.6	3.5	1.3	2.0	6.9	16.9	---	---	---	17.9	9/30/2010
<b>US Public Equity Passive</b>	<b>18.0</b>	<b>1.7</b>	<b>5.9</b>	<b>2.9</b>	<b>---</b>	<b>2.9</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>10/31/1997</b>
SSGA Russell 3000 Index			5.8	2.8	---	2.8	---	---	---	---	---	---	10/31/2002
<b>International Equity</b>	<b>208.7</b>	<b>20.0</b>	<b>3.4</b>	<b>(0.1)</b>	<b>(4.4)</b>	<b>4.0</b>	<b>2.0</b>	<b>4.5</b>	<b>6.4</b>	<b>1.4</b>	<b>5.0</b>	<b>5.7</b>	<b>9/30/1997</b>
Russell Global ex U.S. Equity Index			5.3	1.6	(4.2)	5.1	1.1	7.3	7.6	2.1	5.7	5.0	7/31/1999
<b>Intl Equity Developed Mkts</b>	<b>114.1</b>	<b>11.0</b>	<b>3.9</b>	<b>2.7</b>	<b>(2.0)</b>	<b>5.1</b>	<b>2.6</b>	<b>7.1</b>	<b>8.0</b>	<b>2.5</b>	<b>---</b>	<b>2.4</b>	<b>2/28/2007</b>
<b>Intl Developed Markets Active</b>	<b>106.4</b>	<b>10.2</b>	<b>3.7</b>	<b>2.7</b>	<b>(1.8)</b>	<b>5.0</b>	<b>2.8</b>	<b>7.2</b>	<b>8.0</b>	<b>2.8</b>	<b>5.6</b>	<b>5.9</b>	<b>6/30/1999</b>
MSCI EAFE Composite			6.0	2.9	(3.2)	6.5	0.4	9.9	8.3	2.1	5.3	4.8	6/30/1999
First Eagle Invest Mgmt Intl All Cap			3.1	3.4	(1.9)	5.8	2.6	8.0	9.3	6.1	8.5	13.6	10/31/2002
First Eagle Custom Benchmark			6.0	2.8	(3.3)	6.5	(0.0)	9.4	8.5	2.6	6.1	12.5	10/31/2002
Walser Scott International Lid Intl Large Growth			4.3	2.2	(1.8)	4.4	3.0	6.4	7.0	3.3	---	4.1	5/31/2006
MSCI EAFE Net Dividend			6.0	2.2	(3.3)	6.5	(0.0)	9.4	7.8	1.6	---	2.7	5/31/2006
<b>Intl Developed Markets Passive</b>	<b>7.7</b>	<b>0.7</b>	<b>6.0</b>	<b>2.1</b>	<b>---</b>	<b>5.6</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>8/31/1999</b>
SSGA EAFE Index Fund			6.0	2.8	(1.7)	6.5	---	---	---	---	---	---	12/31/2003
SSGA Daily MSCI CAD Index			6.1	(4.7)	---	(2.8)	---	---	---	---	---	---	8/31/2014
<b>Intl Emerging Markets</b>	<b>94.6</b>	<b>9.1</b>	<b>2.9</b>	<b>(3.4)</b>	<b>(7.1)</b>	<b>2.8</b>	<b>2.3</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>2/28/2007</b>
MSCI Emerging Net Dividend			3.1	(1.1)	(4.5)	3.7	5.0	(0.4)	3.6	0.0	7.9	10.6	7/31/2007
<b>Intl Emerging Active</b>	<b>87.6</b>	<b>8.4</b>	<b>2.9</b>	<b>(3.6)</b>	<b>(7.3)</b>	<b>2.7</b>	<b>2.2</b>	<b>(1.1)</b>	<b>3.1</b>	<b>(2.0)</b>	<b>6.8</b>	<b>7.5</b>	<b>4/30/2000</b>
MSCI Emerging Net Dividend			3.1	(1.1)	(4.5)	3.7	5.0	(0.4)	3.6	0.0	7.9	10.6	1/31/2004
Mondrian Inv Partners - EME			1.8	(3.6)	(6.0)	2.7	5.3	---	---	---	---	4.1	6/30/2012
Parametric EV			3.7	(3.6)	(8.1)	2.7	0.1	---	---	---	---	5.5	6/30/2012
<b>Intl Emerging Passive</b>	<b>7.0</b>	<b>0.7</b>	<b>3.5</b>	<b>(1.0)</b>	<b>---</b>	<b>4.0</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>(5.9)</b>	<b>8/31/2014</b>
SSGA Daily MSCI EMI Index			0.7	(1.0)	---	4.0	---	---	---	---	---	(5.9)	8/31/2014

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	Market Value	% of Total Fund	February %	3 Months %	Fiscal YTD %	YTD %	1 Year %	3 Years %	5 Years %	7 Years %	10 Years %	Inception to Date %	Inception Date
<b>Total Fixed Income</b>	<b>\$333.7</b>	<b>32.1 %</b>	<b>(0.0) %</b>	<b>0.4 %</b>	<b>0.6 %</b>	<b>1.6 %</b>	<b>4.2 %</b>	<b>3.4 %</b>	<b>5.8 %</b>	<b>5.6 %</b>	<b>5.5 %</b>	<b>6.2 %</b>	
Custom Fixed Benchmark	(14)		(0.8)	1.5	2.8	2.1	7.2	4.2	7.1	6.7	6.6	6.8	7/31/1997
Barclays Capital Aggregate Bond			(0.9)	1.2	3.1	1.1	5.1	2.8	4.3	4.7	4.8	5.7	1/31/2007
Comb Fixed Income Wldt Bnk	(19)		(0.9)	0.4	0.6	0.5	2.6	1.8	3.7	4.0	4.3	4.5	9/30/2004
<b>US Core/Core Plus</b>	<b>54.6</b>	<b>5.2</b>	<b>(0.6) %</b>	<b>1.1</b>	<b>2.8</b>	<b>1.2</b>	<b>4.7</b>	<b>3.3</b>	<b>4.6</b>	<b>4.1</b>	<b>3.9</b>	<b>5.4</b>	<b>7/31/1996</b>
Barclays Capital Aggregate Bond			(0.9)	1.2	3.1	1.1	5.1	2.8	4.3	4.7	4.8	5.6	12/31/1996
<b>US Core/Core Plus Fixed Income Active</b>	<b>44.1</b>	<b>4.2</b>	<b>(0.6) %</b>	<b>1.1</b>	<b>2.6</b>	<b>1.2</b>	<b>5.0</b>	<b>4.0</b>	<b>5.3</b>	<b>4.7</b>	<b>4.6</b>	<b>5.7</b>	<b>7/31/1996</b>
AETNA (AD) GICS		0.0	0.3	0.9	2.6	0.6	3.8	3.7	5.5	5.4	5.3	5.7	8/31/1996
Barclays Capital Aggregate Bond			(0.9)	1.2	3.1	1.1	5.1	2.8	4.3	4.7	4.8	5.6	12/31/1996
Columbia Asset Management Co.		0.1	0.3	1.8	5.8	0.7	7.4	12.5	12.0	8.5	7.2	7.3	1/31/1992
Barclays Capital Aggregate Bond			(0.9)	1.2	3.1	1.1	5.1	2.8	4.3	4.7	4.8	5.6	12/31/1996
HIMCO Core Plus Fixed Income		4.1	(0.6)	1.1	2.6	1.2	5.0	3.9	5.2	5.1	5.0	5.2	10/31/2002
Barclays Capital Aggregate Bond			(0.9)	1.2	3.1	1.1	5.1	2.8	4.3	4.7	4.8	4.7	10/31/2002
<b>US Core/Core Plus Passive</b>	<b>10.4</b>	<b>1.0</b>	<b>(0.9) %</b>	<b>1.2</b>	<b>3.2</b>	<b>1.1</b>	<b>4.3</b>	<b>2.1</b>	<b>3.0</b>	<b>2.5</b>	<b>3.3</b>	<b>4.5</b>	<b>5/31/1998</b>
Barclays Capital Aggregate Bond			(0.9)	1.2	3.1	1.1	5.1	2.8	4.3	4.7	4.8	5.5	5/31/1998
SSGA Barclays Aggr. IDX AAF		1.0	(0.9)	1.2	3.1	1.1	5.0	2.6	3.1	3.7	3.7	3.7	5/31/2011
Barclays Capital Aggregate Bond			(0.9)	1.2	3.1	1.1	5.1	2.8	4.3	4.7	4.8	4.0	5/31/2011
<b>Total Long Duration</b>	<b>75.6</b>	<b>7.3</b>	<b>(0.8) %</b>	<b>1.2</b>	<b>2.5</b>	<b>1.3</b>	<b>6.2</b>	<b>4.0</b>	<b>8.2</b>	<b>8.8</b>	<b>8.8</b>	<b>8.8</b>	<b>3/31/2008</b>
Barclays Capital Long Govt/Credit			(3.4)	4.5	9.7	2.8	16.0	6.4	9.9	8.8	8.8	8.8	3/31/2008
<b>Long Duration Active</b>	<b>69.7</b>	<b>6.7</b>	<b>(0.6) %</b>	<b>0.9</b>	<b>1.8</b>	<b>1.1</b>	<b>5.3</b>	<b>4.0</b>	<b>8.1</b>	<b>8.8</b>	<b>8.8</b>	<b>9.1</b>	<b>6/30/2008</b>
PIMCO Long Duration Fixed		6.7	(0.6)	0.9	1.8	1.1	5.3	4.0	8.3	8.8	8.8	8.6	6/30/2008
Barclays Capital Long Govt/Credit			(3.4)	4.5	9.7	2.8	16.0	6.4	9.9	8.8	8.8	9.4	6/30/2008
<b>Long Duration Passive</b>	<b>5.9</b>	<b>0.6</b>	<b>(3.4) %</b>	<b>4.5</b>	<b>10.0</b>	<b>2.8</b>	<b>16.2</b>	<b>4.1</b>	<b>9.0</b>	<b>7.9</b>	<b>7.9</b>	<b>7.9</b>	<b>3/31/2008</b>
SSGA Long US Govt/Credit		0.6	(3.4)	4.5	10.0	2.8	16.2	4.1	9.0	7.9	7.9	7.9	3/31/2008
Barclays Capital Long Govt/Credit			(3.4)	4.5	9.7	2.8	16.0	6.4	9.9	8.8	8.8	8.8	3/31/2008
<b>Global Fixed</b>	<b>34.9</b>	<b>3.3</b>	<b>(1.4) %</b>	<b>(1.7)</b>	<b>(4.0)</b>	<b>(0.7)</b>	<b>(2.2)</b>	<b>(1.3)</b>	<b>1.3</b>	<b>2.5</b>	<b>2.5</b>	<b>4.2</b>	<b>2/28/2007</b>
Barclays Capital Aggregate Global Un-Hedged			(0.8)	(1.7)	(5.1)	(1.0)	(2.8)	(0.1)	2.3	2.8	2.8	4.2	2/28/2007
<b>Global Fixed - Active</b>	<b>31.7</b>	<b>3.0</b>	<b>(1.5) %</b>	<b>(1.6)</b>	<b>(3.3)</b>	<b>(0.5)</b>	<b>(1.5)</b>	<b>(0.9)</b>	<b>1.8</b>	<b>3.4</b>	<b>3.4</b>	<b>4.9</b>	<b>2/28/2007</b>
Mondrian		3.0	(1.5)	(1.6)	(3.3)	(0.5)	(1.5)	(0.9)	1.8	3.4	3.4	4.9	2/28/2007
Mondrian Custom Benchmark			(0.8)	(1.6)	(5.1)	(1.0)	(2.8)	(0.1)	2.3	2.8	2.8	2.1	10/31/1999
<b>Global Fixed - Passive</b>	<b>3.1</b>	<b>0.3</b>	<b>(0.9) %</b>	<b>(3.6)</b>	<b>0.7</b>	<b>(2.5)</b>	<b>0.7</b>	<b>0.7</b>	<b>4.5</b>	<b>4.0</b>	<b>4.0</b>	<b>5.4</b>	<b>2/28/2007</b>
SSGA World Government Bond AAF		0.3	(0.9)	(3.6)	0.7	(2.5)	0.7	0.7	4.5	4.0	4.0	5.4	2/28/2007
<b>Inflation Linked Composite</b>	<b>50.9</b>	<b>4.9</b>	<b>(1.2) %</b>	<b>0.9</b>	<b>0.1</b>	<b>2.0</b>	<b>3.1</b>	<b>0.7</b>	<b>4.5</b>	<b>4.0</b>	<b>4.0</b>	<b>5.4</b>	<b>2/28/2007</b>
Barclays Capital Treasury US TIPS Index			(1.2)	0.8	(0.2)	1.9	3.1	0.4	4.4	3.7	3.7	4.6	4/30/2005
Brown Brothers Harriman & Co. TIPS		4.6	(1.2)	1.0	0.1	2.0	3.1	0.7	4.5	4.0	4.0	4.6	4/30/2005
SSGA US TIPS Index		0.3	(1.3)	0.6	---	1.8	---	---	---	---	---	---	8/31/2014
<b>Emerging Mkts Debt Active</b>	<b>75.0</b>	<b>7.2</b>	<b>1.3 %</b>	<b>(1.1)</b>	<b>(0.4)</b>	<b>2.1</b>	<b>7.2</b>	<b>6.3</b>	<b>8.8</b>	<b>8.7</b>	<b>8.7</b>	<b>8.3</b>	<b>2/28/2007</b>
JPM EMI Global		7.2	1.3	(1.1)	(0.4)	2.1	7.2	6.3	8.8	8.7	8.7	8.3	2/28/2007
Prudential Emerging Markets Debt		6.8	1.2	(1.3)	(1.7)	1.6	4.9	4.3	7.2	7.3	7.3	7.7	8/31/2005
SSGA Passive EM Loc Curr		0.4	(1.4)	(7.0)	---	2.3	8.0	6.6	8.9	8.8	8.8	9.3	8/31/2014
<b>High Yield</b>	<b>42.8</b>	<b>4.1</b>	<b>2.5 %</b>	<b>1.9</b>	<b>0.9</b>	<b>3.3</b>	<b>3.0</b>	<b>5.9</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>6.9</b>	<b>7/31/2010</b>
Citigroup High Yield Market Index		4.1	2.5	1.9	0.9	3.3	3.0	5.9	---	---	---	6.9	7/31/2010
Shenkan Capital		3.8	2.6	1.3	(0.4)	3.0	2.2	7.2	---	---	---	9.1	7/31/2010
SSGA High Yield Bond		0.3	2.5	1.9	0.9	3.3	3.0	5.9	---	---	---	6.9	7/31/2010
<b>Cash - Active</b>	<b>22.5</b>	<b>2.2</b>	<b>0.0 %</b>	<b>0.3</b>	<b>0.5</b>	<b>0.2</b>	<b>0.6</b>	<b>0.4</b>	<b>0.5</b>	<b>0.9</b>	<b>2.1</b>	<b>2.5</b>	<b>7/31/1997</b>
U.S. Treasury 3 Month T-Bills	(16)		0.0	0.3	0.5	0.2	0.6	0.4	0.5	0.9	2.1	2.5	7/31/1997
	(17)		0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.2	1.4	2.5	12/31/1996

Annualized





**CITY OF HARTFORD**  
PENSION COMMISSION

**MEMORANDUM**

**To:** Pension Commission  
**From:** *AMC*  
Adam M. Cloud, Secretary  
**Date:** March 20, 2015  
**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:

- Pacific Investment Management
- Walter Scott Global Investment Management

**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:** March 19, 2015

**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 Thursday, February 19, 2015. Present for PIMCO were Ignacio Galaz, CFA and Senior Vice President, Andrea Montero, Senior Account Associate and Yinyin Wu, Account Manager.

Mr. Galaz introduced his colleagues, Ms. Wu and Ms. Montero, and informed the Pension Commission that they would be supporting him in the day to day management of the MERF's account. Mr. Galaz then reviewed PIMCO's organizational changes in 2014, following the departures of both Mohamed El-Erian and Bill Gross. He stated that PIMCO has implemented a new multiple-CIO structure that was developed following the departure of Mr. El-Erian and was put in place immediately following the departure of Mr. Gross. He noted that PIMCO added 38 new hires during 2014 and that the firm's new leadership was performing well, with no investment professional departures to Janus Capital, Mr. Gross's new firm.

Mr. Galaz reported that the PIMCO portfolio manager assigned to the MERF's account remains in place and that there have been no changes to PIMCO's long duration team, which has five portfolio managers and a full staff of analysts.

Ms. Montero then reviewed the performance of the MERF's long duration portfolio. She stated that the portfolio's returned 7.69% gross of fees during calendar year 2014, underperforming the benchmark return of 7.90%, by 21 basis points. Ms. Montero attributed the underperformance in the portfolio to several factors including an underweight to the long-end of the U.S. yield curve, which rallied as longer maturity yields declined, to holdings of Treasury Inflation-Protected Securities (TIPS) while U.S. inflation expectations declined, and exposure to U.S. dollar-denominated emerging market debt, which underperformed like-duration Treasuries. She added that, year-to-date, the

portfolio returned 1.14% gross of fees, outperforming the benchmark by 3 basis points.

In response to a question regarding the current positioning of the MERF's portfolio, Mr. Galaz stated that PIMCO remained underweight U.S. duration, with a focus on intermediate maturities. He added that PIMCO expects the Federal Reserve to raise interest rates by mid-2015, although any rate hikes are expected to unfold slowly as the U.S. economy inflates. Mr. Galaz stated that PIMCO continues to be defensive regarding corporate credit and is looking to selectively invest in companies that are benefiting from increased pricing power and industry consolidation. Also, Mr. Galaz reported that non-agency mortgage-backed securities remain attractive to PIMCO, given supply constraints and the housing market recovery. Discussion ensued.

In response to a question regarding the decision to shorten the benchmark duration in 2013, Ms. Montero stated that preserving a long government/credit index while shortening duration allowed the MERF to achieve additional spread and yield versus changing to the Barclays Long Government/Credit benchmark. She added that this was particularly relevant in a time when the credit spread curve was very steep. Discussion ensued.

In response to a question regarding PIMCO's outlook, Mr. Galaz stated that the firm was focusing on divergence within emerging markets and developed markets, as well as opportunities owing to the drop in oil prices. He stated that PIMCO continues to see divergence in policy, rates and investment climate between the US, and Europe/Japan. Mr. Galaz added that the drop in oil prices should be broadly supportive for global growth. Lastly, he noted that while the Fed is poised to raise rates during 2015, the Eurozone is struggling to raise inflation expectations.

Mr. Galaz closed by thanking 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: March 19, 2015

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 growth equities manager for the MERF, on Thursday March 19, 2015. Present from Walter Scott was Alex Torrens, Investment Manager and Margaret Foley, Relationship Manager.

Ms. Foley began the meeting by introducing Mr. Torrens as one of Walter Scott's investment managers and she thanked the Commission and Treasurer Cloud for their continued confidence in Walter Scott. She then gave a brief overview of the firm, noting that the firm has experienced very low investment professional turnover. She also noted that Walter Scott is 100% owned by BNY Mellon.

Mr. Torrens then discussed Walter Scott's fundamental, bottom-up investment approach, which combines detailed financial research with business and industry analysis. He stated that the focus was on finding profitable companies with strong balance sheets, low debt, sustainable wealth generation and the ability to grow earnings over the long term. Lastly, he stated that the firm has applied this philosophy and process successfully throughout its existence. Discussion ensued.

Ms. Foley then discussed investment performance. She stated that, as of January 31, 2015, Walter Scott outperformed the MSCI EAFE Index by 280 basis points annualized, since the May 2006 inception of the portfolio. She noted that, for the one-year period ending January 31, 2015, the portfolio returned 0.2%, underperforming its benchmark return of 0.5%, by 30 basis points. She attributed the underperformance to security selection within the healthcare, technology and financial sectors, during a period when the markets were rewarding lower quality stocks.

With regard to peer group relative returns, Mr. Torrens noted that Walter Scott's style tends to capture most of up market movements and less of down market moves relative to both the benchmark and its peers. While this style has generated strong results over time, it has not kept up with peers during recent broad-based market rallies that rewarded managers with lower quality holdings.

Mr. Torrens went on to note that most developed equity markets continued on an upward trajectory in 2014 despite declines in emerging markets. He explained that the MERF portfolio's 2014 relative under performance was largely attributable to its exposure to a small number of emerging markets names as well as the market rewarding more speculative, lower quality names in Europe and Japan. Discussion ensued.

Mr. Torrens gave a brief outlook on the global economy, emphasizing that Walter Scott continues to see strong and improving fundamentals within the global economy, with strong growth expected from selected emerging markets sectors.

Ms. Foley concluded by again 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:** March 20, 2015  
**Subject:** Other Business

- Proxy Voting Services Recommendation

## CITY OF HARTFORD

### MEMORANDUM

**TO:** Pension Commission  
*AMC*  
**FROM:** Adam M. Cloud, Secretary  
**DATE:** March 19, 2015  
**SUBJECT:** Proxy Voting Services Provider Recommendation

As you are aware, the MERF has recently interviewed candidates to provide proxy voting services pursuant to a request for information (“RFI”) issued in October 2014. The two candidates, both of which met the RFI minimum requirements, were Institutional Shareholder Services (“ISS”), the incumbent, and Glass Lewis. We were impressed with each noting that both were well qualified.

A committee comprised of investment staff and Assistant City Treasurer Sierra evaluated the candidates. This group reviewed the written RFI responses and participated in candidate interviews. As a result of this process, it unanimously recommended that ISS continue on as the MERF’s proxy voting services provider. This decision was based on the better economics of ISS’ proposal as well as its proven capabilities and depth of resources. I support this recommendation.

The terms of the new ISS contract will be essentially the same as the existing contract but will reduce the annual fee for services from \$20,776 to \$16,590. The term of the contract will be three years with an option to extend for two additional years. The \$16,590 annual fee will be locked in for the three-year term. A cost of living rate adjustment would be made to this fee in year four, if extended. If further extended to year five, the annual fee would be the same as for year four.

Accordingly, I recommend that you authorize me to execute a new proxy voting services contract with ISS, subject to satisfactory negotiations of terms.

I also recommend that you authorize me to execute an extension of the existing proxy voting services contract with ISS for a period of three months from March 31, 2015 (the end of the current extension period) to allow ISS to provide uninterrupted service pending the finalization of the new contract. The fee for the extension period will be the three month pro ration of the existing contract rate.

I look forward to discussing this with you at our upcoming meeting.