

City of Hartford Pension Commission
City Conference Room
260 Constitution Plaza
Hartford, Connecticut
Friday, May 29, 2015
9:00 a.m.

AGENDA

INVESTMENT PROGRAM

- I. Review of Meeting Minutes
 - Minutes of April 24, 2015

- II. Status of the MERF Portfolio
 - Inventory of Assets as of April 30, 2015
 - MERF's Overall Performance

- III. Update from MERF's General Investment Consultant-NEPC
 - Quarter ended 3/31/2015 MERF Investment Performance Analysis
 - Quarter ended 12/31/2014 Real Estate Performance Report
 - Quarter ended 12/31/2014 Private Debt Performance Report

- IV. Report on Annual Performance Review Meetings
 - BlackRock
 - Wellington
 - VOYA Investments

- V. Unconstrained Fixed Income Candidate Interviews

- VI. Other Business



CITY OF HARTFORD
PENSION COMMISSION

MEMORANDUM

To: Pension Commission
From: 
Adam M. Cloud, Secretary
Date: May 18, 2015
Subject: **Review of Minutes from the Meeting of April 24, 2015**

Enclosed for your review are the minutes of the investment portion of the Pension Commission meeting of Friday, April 24, 2015.

City of Hartford Pension Commission
City Conference Room
260 Constitution Plaza
Hartford, CT 06103
Friday, April 24, 2015
9:00 a.m.

MINUTES

INVESTMENT PROGRAM

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

MEMBER EXCUSED: Gene Goldman, Commissioner

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

OTHERS PRESENT: Lisa Silvestri, MERF's General Council; Chelsea Mott, City of Hartford Accountant; Colin London, Intern; Kristin Finney-Cooke, Will Forde and Matt Ritter, of NEPC, the MERF's general consultant

I. Review of Minutes as of March 27, 2015

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 March 31, 2015

Chairman Stevens introduced the item and asked the Investment Unit to report. P. Wayne Moore, the MERF's Assistant Director of Investments, reported that, at March 31, 2015, the MERF portfolio had a market value of \$1.03 billion and had generated a negative 0.7% net of fees return for the month, which underperformed the benchmark return of negative 0.6%, by 10 basis points.

Mr. Moore then reported that the MERF's equity portfolio posted a -1.6% net return for the month, underperforming the benchmark return of -1.3%, by 30 basis points. He also reported that the MERF's global tactical allocation portfolio posted a -0.4% net return for the month, outperforming the benchmark return of -1.3%, by 90 basis points.

Mr. Moore went on to report that the MERF's fixed income portfolio posted a -0.3% net return for the month, lagging the custom benchmark return of 0.2%, by 50 basis points. He noted that the MERF's hedge fund portfolio posted a return of 0.6%, matching its benchmark returns. Mr. Moore also reported that the MERF's real estate underperformed its custom benchmark, while private equity and private debt portfolios outperformed their respective benchmarks. Discussion ensued.

Lastly, Mr. Moore reviewed the MERF's asset allocation positioning relative to its targets and target ranges.

The Commission accepted the report for advice.

III. Funding and Investment Policy Statement Revisions

Chairman Stevens introduced the item. Secretary Cloud asked Gary B. Draghi, the MERF's Director of Investments, to report. Mr. Draghi reported that the MERF's Funding and Investment Policy Statement ("FIPS") had been updated, to address the MERF's target asset allocation changes adopted at the March 27, 2015 Pension Commission meeting. He noted other minor editorial changes were also included in the draft.

Mr. Draghi went on to describe the significant changes noting that the domestic large cap equity allocation increased to 10% from 9%, international developed markets equities increased to 11% from 10% and emerging markets equities were reduced to 6% from 9%. Discussion ensued.

Funding and Investment Policy Statement Revisions (continued)

Mr. Draghi continued, noting that an allocation to unconstrained fixed income was added with a target weight of 5%, global bonds were decreased to 0% from 3% and long government/credit fixed income was decreased to 6.5% from 8.5%. Lastly, he reported that private real assets were also added with a target of 5% and that commodities were decreased to 0% from 3%. Discussion ensued.

Mr. Draghi summarized by stating that the Secretary and investment staff recommended that the Commission approve the proposed changes to the FIPS.

A motion was made, seconded and unanimously adopted to accept the recommended changes to the MERF's Funding and Investment Policy Statement as described above.

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

Update of Road Map

Chairman Stevens introduced the item. Secretary Cloud asked the representatives from NEPC to report. Kristin Finney-Cooke, senior consultant, reviewed an updated work plan for 2015, noting the change in format, and stated that the plan was meant to serve as a guide and would likely undergo changes over time. Discussion ensued.

The Commission accepted the report for advice.

Fixed Income Manager Structure Review

Chairman Stevens introduced the item. Secretary Cloud noted that this item was being deferred to a future meeting.

The Commission accepted the report for advice.

Update from MERF's General Investment Consultant-NEPC (continued)

Unconstrained Fixed Income

Ms. Finney-Cooke began by noting that unconstrained fixed income investment strategies were essentially "best ideas" portfolios compiled by fixed income management firms with broad resources and strong research and trading capabilities. She highlighted the fact that these strategies incorporated nimble tactical positioning to pursue strong absolute returns. She then reviewed educational material on the unconstrained fixed income investment sector with the Commission. Her review included a description of how an unconstrained fixed income strategy could add value relative to core bonds and complement the MERF's overall fixed income portfolio. She noted that such an approach could also be beneficial in a rising interest rate environment such as was currently anticipated. Mr. Will Forde then provided an additional review of unconstrained fixed income, describing attributes such as the risk/return characteristics of the strategy and the methods used by managers to implement such strategies. Discussion ensued.

Ms. Finney-Cooke then moved on to discuss a list of potential investment advisors to manage the MERF's unconstrained fixed income allocation. She highlighted five candidates from NEPC's Focused Placement List ("FPL"), a listing of preferred providers that NEPC recommends to its clients, noting that each offering was classified as either a core plus fixed income replacement or a core fixed income replacement. She also highlighted the management fees charged by each candidate and provided perspective on their respective performance track records. Lastly, she added that all of the candidates were considered leaders in this space and had very strong risk control processes in place.

Mr. Draghi asked whether these strategies featured significant credit exposure and high equity correlations. Ms. Finney-Cooke responded that the unconstrained products of the candidates were intended to be uncorrelated to both equity and other fixed income sectors. Wayne Moore, the MERF's Assistant Director of Investments, asked about the limits on risk and how comfortable NEPC was with this element of the process of compiling its FPL. Mr. Forde reported that NEPC was very comfortable with the level of risk control practiced by each of the candidates and with its own evaluation process. He added that all of the managers on the FPL had proven performance track records and excellent risk controls. Discussion ensued.

Unconstrained Fixed Income (continued)

The Ms. Finney-Cooke then focused on the candidate information. She differentiated between them by noting that a core plus designation indicated a more return seeking approach while those designated as core strategies focused more on controlling volatility. She pointed out that the MERF's historical fixed income investment approach was most accurately characterized as core plus. Discussion ensued.

As the result of the discussion, and based on the MERF's existing fixed income portfolio positioning, Secretary Cloud summarized the consensus that the three unconstrained fixed income managers characterized as core plus replacements be designated finalists and be interviewed by staff and the Commission.

The Commission accepted the report for advice.

V. Report on Annual Performance Review Meetings: Mondrian Investment Partners and Shenkman

Chairman Steven introduced the item and asked staff to address the reports. Mr. Draghi stated that the reports were self-explanatory and asked if there were any questions. Discussion ensued.

The Commission accepted the reports for advice.

VI. Other Business

Chairman Stevens introduced the item. Secretary Cloud asked Mr. Draghi to discuss the Vista Equity Partners ("Vista") annual meeting that he had recently attended. Mr. Draghi began by reminding the Commission that Vista managed two technology-focused private equity fund investments for the MERF. He then described the development of Vista since the MERF's initial investment commitment, noting a significant increase in the firm's size and asset base, as well as the confident attitude of its management team. He then briefly described the status of the MERF's investments noting significant gains in the older of the two funds and the strong pace of investment in the newer fund. Discussion ensued.

The Commission accepted the report for advice.

VII. Executive Session

Chairman Stevens introduced the item and stated that the executive session would be for the purpose of discussing commercial or financial information given in confidence, not required by statute.

A motion was made, seconded and unanimously adopted to enter into executive session.

A motion was made, seconded and unanimously adopted to exit executive session.

A motion was made, seconded and unanimously adopted to authorize the Treasurer to execute the necessary documents to commit \$4 million to Mesirow Financial Real Estate Value Fund II, L.P., pending successful contract negotiations.

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

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

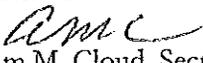
ATTEST: Adam M. Cloud
Adam M. Cloud, Secretary



CITY OF HARTFORD

PENSION COMMISSION

MEMORANDUM

To: Pension Commission
From: 
Adam M. Cloud, Secretary
Date: May 18, 2015
Subject: Status of MERF Portfolio as of April 30, 2015 Performance Report

Enclosed for your review is the portfolio report for the month of April 2015.

INTEROFFICE MEMORANDUM

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

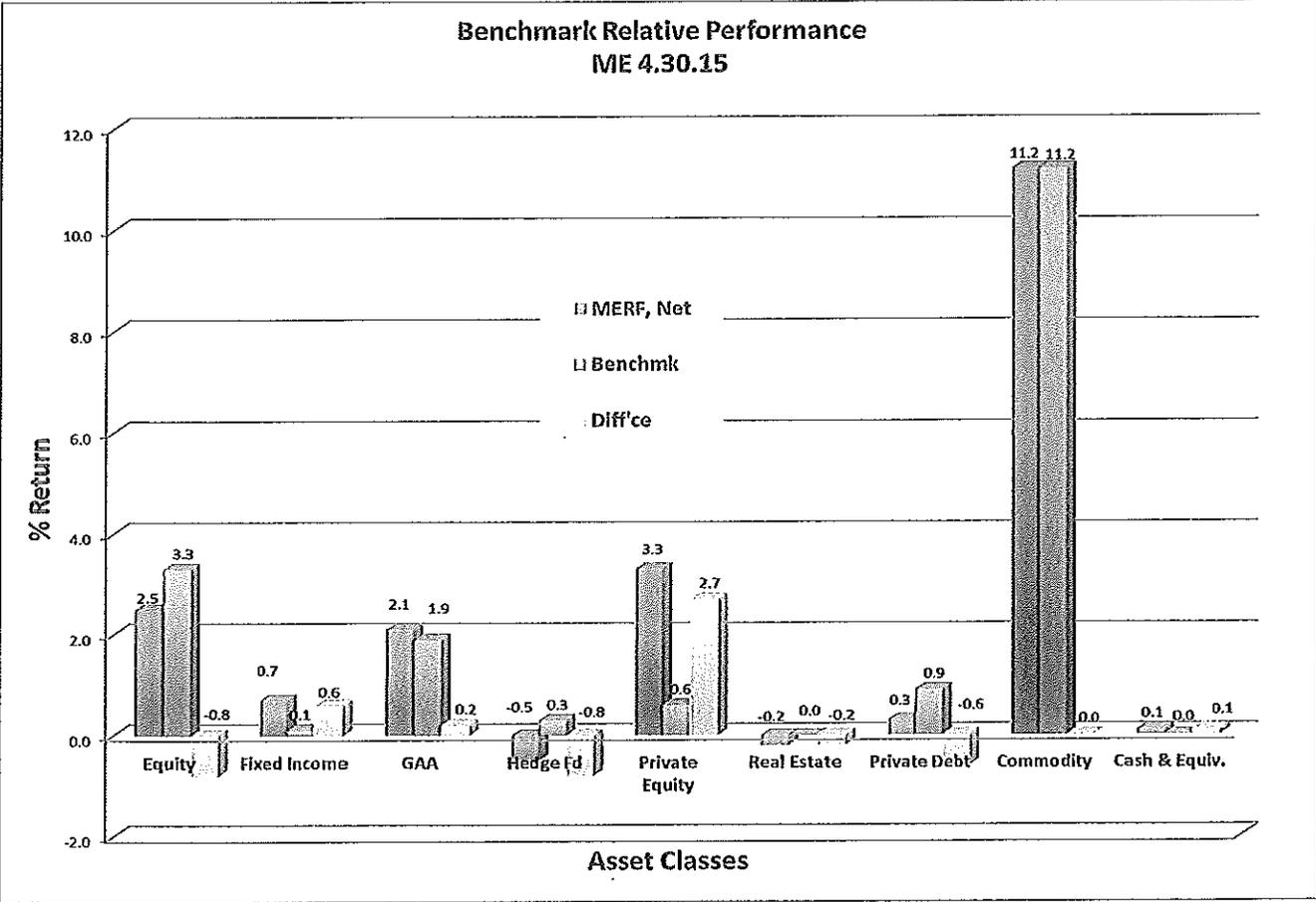
FROM: Gary B. Draghi, Director of Investments, *GSD*
P. Wayne Moore, Assistant Director of Investments *PWM*
J. Sean Antoine, Principal Investment Analyst *JS*

DATE: May 21, 2015

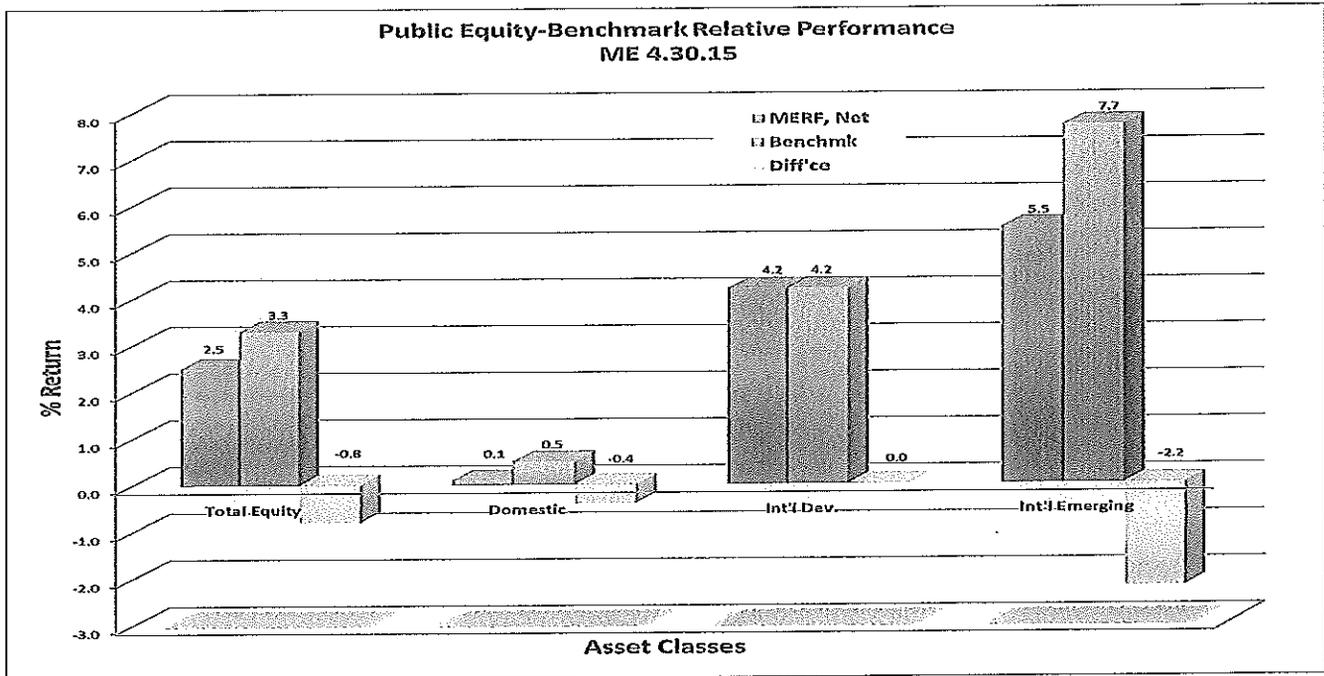
SUBJECT: MERF Investment Portfolio Status, as of April 30, 2015

PERFORMANCE:

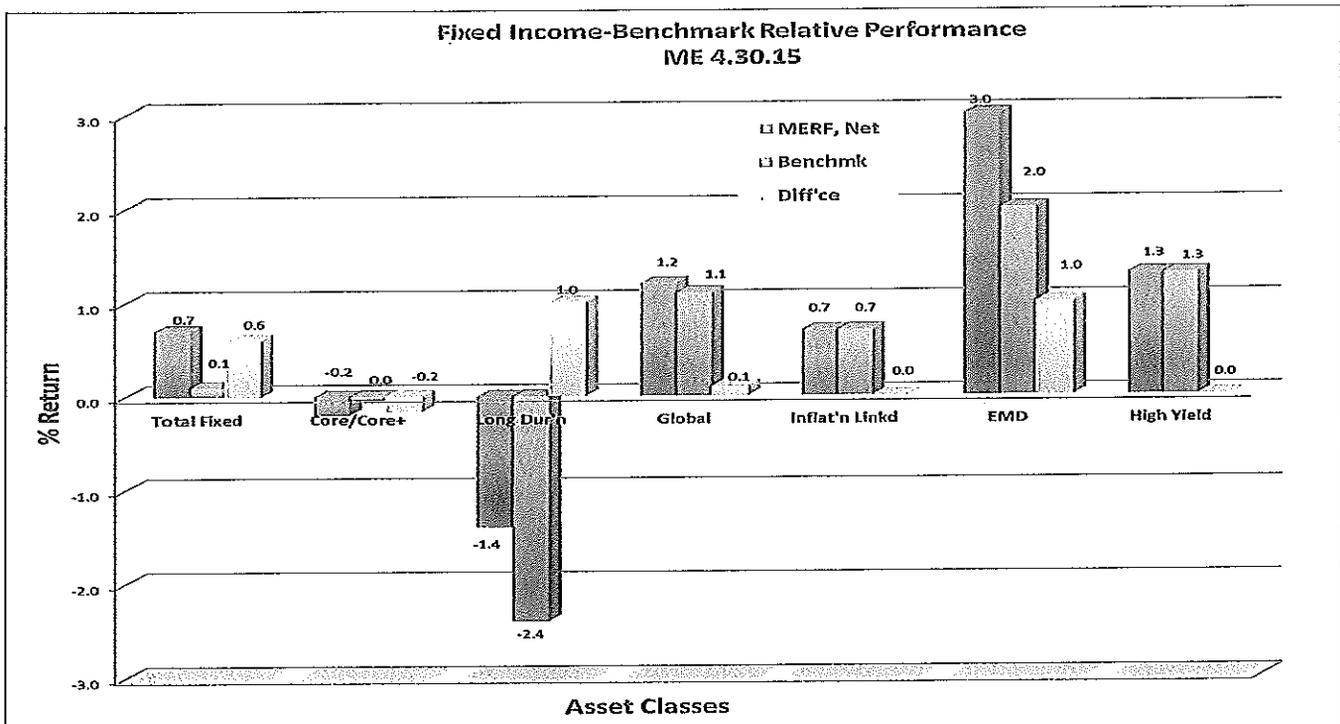
As of April 30, 2015, the MERF's net asset value totaled \$1.04 billion. Total fund performance for the month of April, net of fees, was 1.6%, which underperformed the MERF benchmark return of 1.9%, by 30 basis points. The components of monthly performance are illustrated below.



The MERF's public equity portfolio returned 2.5%, net of fees, for the month, underperforming the benchmark return of 3.3%, by 80 basis points. Domestic large cap growth and emerging markets equities both underperformed the benchmark.

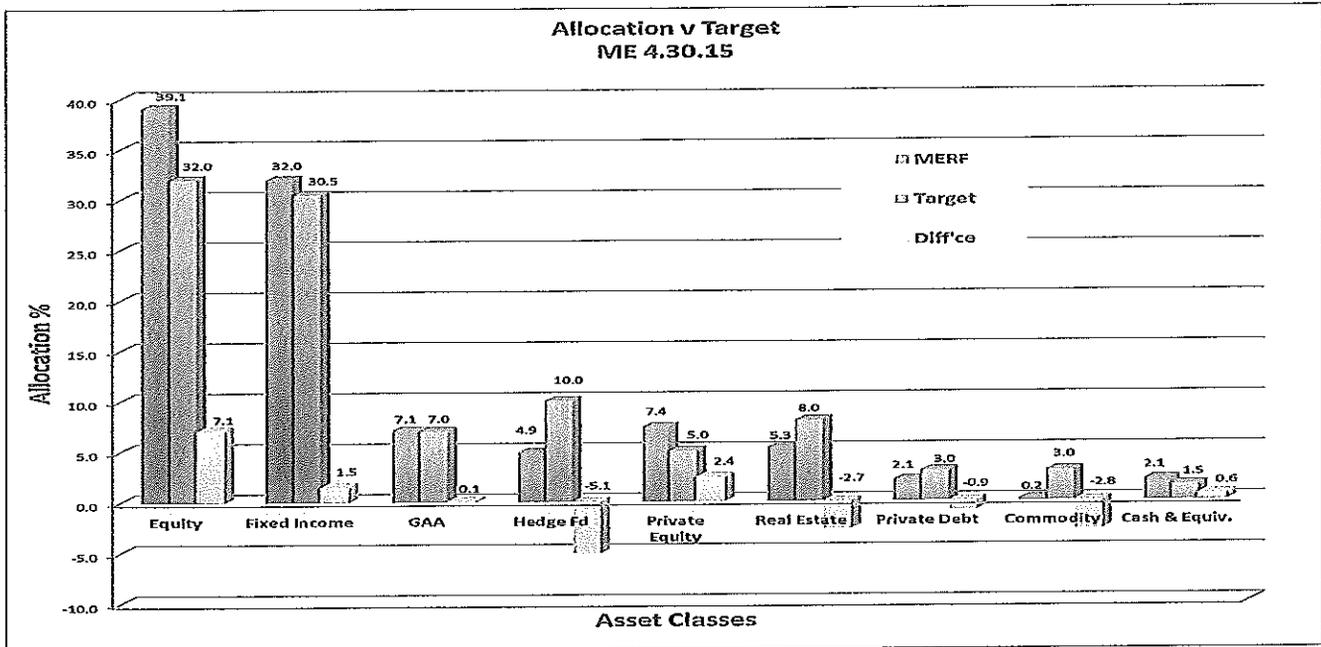


The MERF's overall fixed income performance of 0.7%, net of fees, outperformed the benchmark by 60 basis points, driven by mixed performance across sectors. Notably, long duration outperformed and emerging markets debt generated strong results, while core fixed income underperformed.

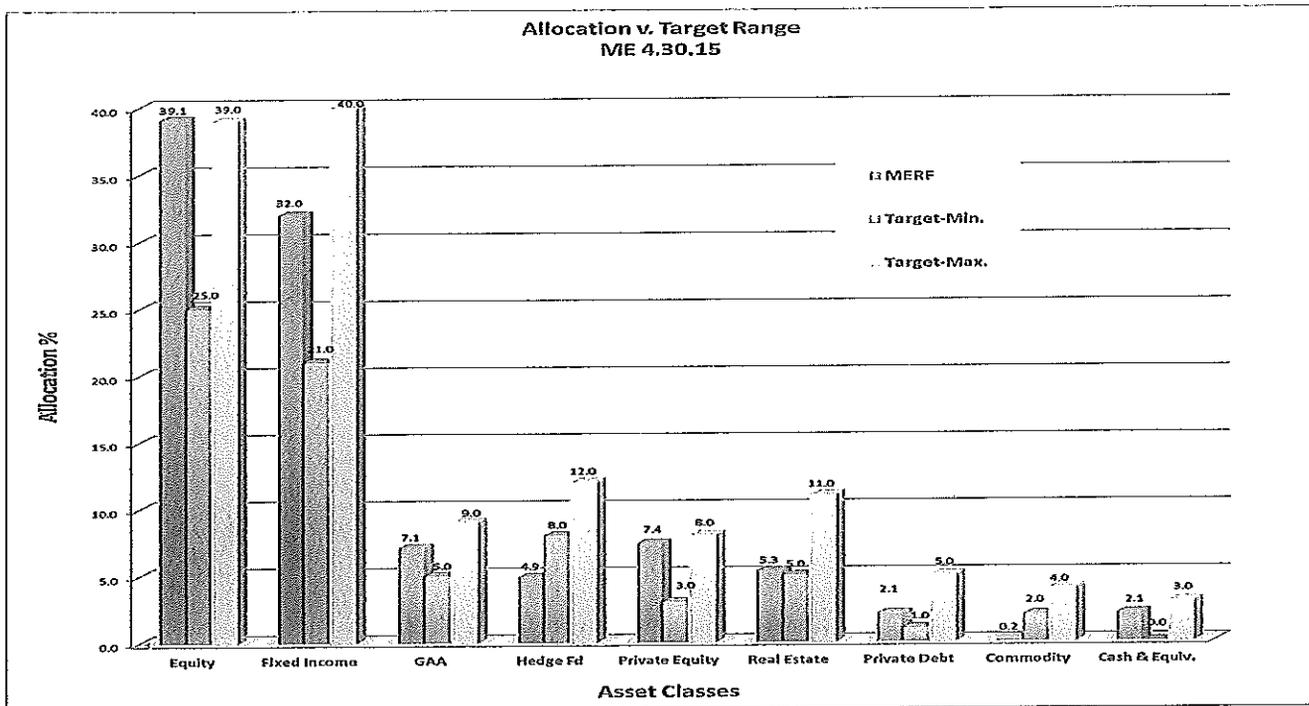


ASSET ALLOCATION:

As of April 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 equity (slightly over), hedge funds and commodities. The underweight to commodities is a tactical position.



City of Hartford MIERF
 Net of Fees - Prelim
 Performance Page
 Period Ending April 30, 2015

Annualized

	Market Value	% of Total Fund	April	3 Months	Fiscal YTD	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Inception to Date	Inception Date
			%	%	%	%	%	%	%	%	%	%	
Total Plan Consolidation	\$1042.4	100.0	1.6	3.0	2.4	3.1	5.9	7.6	8.0	5.0	6.2	8.4	1/31/1986
Policy Benchmark			1.9	3.7	2.4	3.9	5.8	7.7	8.3	5.9	6.9	8.4	2/28/1990
Total Plan Wght Benchmark			1.7	3.7	2.6	3.5	5.8	8.5	8.1	5.6	7.0	7.3	9/30/2004
Policy-Capitalization Based			0.3	3.1	4.9	2.6	8.4	10.5	9.7	6.9	7.3	7.2	12/31/1996
Liquidity Portfolio	81.9	7.9	1.0	2.0	1.2	2.4	3.7	6.4	6.0			6.7	5/31/2009
Asset Allocation Fund	64.8	6.2	1.3	2.4	1.5	3.0	4.5	8.0	7.3			8.8	4/30/2009
Asset Allocation Benchmark			1.9	3.7	1.7	3.9	4.4	6.4	6.6			10.1	4/30/2009
Benefits Payment Fund	17.1	1.6	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	2.4	12/31/1996
Global Public Equity	407.2	39.1	2.5	6.1	1.8	4.7	6.1	10.5	9.6	4.5	7.9	4.1	2/28/2007
Comb Equity Wght Benchmark			3.3	7.7	2.5	6.3	7.0	13.3	10.9	5.8	7.9	8.3	9/30/2004
US Public Equity	194.5	18.7	0.1	5.8	5.8	2.4	10.5	15.7	14.2	8.2		6.6	2/28/2007
Russell 3000 Index			0.5	5.2	7.6	2.3	12.7	16.9	14.3	8.7	8.7	6.8	10/31/1997
US Equity Policy-Cap Based			0.1	5.2	7.2	2.2	12.5	16.8	14.2	8.8	8.8	8.1	12/31/1996
US Public Equity Active	177.7	17.0	0.1	5.9	5.7	2.4	10.4	15.6	14.2	8.3	8.0	8.3	8/31/1996
Russell 3000 Index			0.5	5.2	7.6	2.3	12.7	16.9	14.3	8.7	8.7	6.8	10/31/1997
Atlanta Capital Mgmt Large Cap Growth	59.0	5.7	0.2	3.8	7.4	4.4	10.9	13.8	12.9	8.0	9.5	4.8	5/31/1999
Russell 1000 Growth			0.5	6.0	11.0	4.4	16.7	16.6	15.5	10.0	9.6	3.8	8/31/1999
Eagle Capital Management Large Cap Value	61.3	5.9	1.7	7.0	9.8	2.4	13.9	18.2	15.7	10.6	10.7	11.2	10/31/2003
Russell 1000 Value			0.9	4.4	5.0	0.2	9.3	17.2	13.4	7.1	7.5	8.9	10/31/2003
ING Investment Management Small Cap Growth	23.6	2.3	(1.5)	6.1	6.7	3.6	12.6					17.9	8/31/2012
Russell 2000 Growth Index			(2.9)	5.9	6.9	3.5	14.7					20.7	8/31/2012
SouthernSun Asset Management	33.8	3.2	(1.6)	7.4	(4.1)	4.4	2.3	16.4				19.0	9/30/2010
Russell 2500 Value Index			(1.4)	4.2	0.8	1.5	6.3	16.0				17.1	9/30/2010
US Public Equity Passive	16.8	1.6	0.4	5.1		2.2							10/31/1997
SSGA Russell 3000 Index	16.8	1.6	0.4	5.1		2.2							10/31/2002
International Equity	212.7	20.4	4.8	6.3	(1.8)	6.9	2.2	6.0	5.6	1.2	5.7	5.8	9/30/1997
Russell Global ex U.S. Equity Index			5.9	9.3	(0.6)	9.1	3.3	9.7	7.0	2.1	6.6	5.2	7/31/1999
Intl Equity Developed Mkts	117.0	11.2	4.2	7.3	1.2	8.5	4.4	8.7	7.4	2.3		2.7	2/28/2007
Intl Developed Markets Active	109.9	10.5	4.2	7.1	1.4	8.5	4.7	8.8	7.5	2.7	6.5	6.1	6/30/1999
MSCI EAFE Composite			4.2	8.8	(0.7)	9.4	2.1	11.7	7.9	1.9	6.1	4.9	6/30/1999
First Eagle Invest Mgmt Intl All Cap	50.2	4.8	3.1	5.4	0.4	8.2	3.6	9.6	8.5	6.2	9.0	13.6	10/31/2002
First Eagle Custom Benchmark			4.1	8.6	(0.9)	9.2	1.7	11.2	7.6	2.5	6.8	12.5	10/31/2002
Walter Scott International Ltd Intl Large Growth	59.7	5.7	5.0	8.6	2.3	8.0	5.6	8.0	6.7	3.4		4.5	5/31/2006
MSCI EAFE Net Dividend			4.1	8.6	(0.9)	9.2	1.7	11.2	7.4	1.4		2.9	5/31/2006
Intl Developed Markets Passive	7.1	0.7	4.4	8.9		8.5							7/31/2014
SSGA EAFE Index Fund	6.5	0.6	4.1	8.8	0.8	9.3						0.8	7/31/2014
SSGA Daily MSCI CAD Index	0.6	0.1	7.0	9.9		0.8						(8.1)	7/31/2014
Intl Emerging Markets	95.7	9.2	5.5	5.1	(5.1)	5.0	(0.1)						2/28/2007
MSCI Emerging Net Dividend			7.7	9.5	1.4	10.1	7.8	3.2	3.0	0.6	9.6	10.9	1/31/2001
Intl Emerging Active	89.2	8.6	5.4	4.7	(5.6)	4.6	(0.6)	0.9	1.5	(1.9)	8.1	7.5	4/30/2000
MSCI Emerging Net Dividend			7.7	9.5	1.4	10.1	7.8	3.2	3.0	0.6	9.6	10.9	1/31/2001
Mandarin Inv Partners - EME	36.4	3.5	3.8	1.6	(6.1)	2.5	(0.9)					3.8	6/30/2012
Parametric EV	52.8	5.1	6.5	7.0	(5.2)	6.0	(0.4)					6.4	6/30/2012
Intl Emerging Passive	6.4	0.6	7.7	9.9		10.4						(0.1)	8/31/2014
SSGA Daily MSCI EIM Index	6.4	0.6	7.7	9.9		10.4						(0.1)	8/31/2014

City of Hartford MERF
 Net of Fees - Prelim
 Performance Page
 Period Ending April 30, 2015

Annualized

	Market Value	% of Total Fund	April	3 Months	Fiscal YTD	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Inception to Date	Inception Date
			%	%	%	%	%	%	%	%	%	%	
Total Fixed Income	\$333.3	32.0	0.7	0.4	1.0	2.0	3.3	3.2	5.6	5.8	5.5	6.2	7/31/1997
Custom Fixed Benchmark	(14)		0.1	(0.5)	3.1	2.3	4.1	4.1	6.7	6.6	—	6.7	1/31/2007
Barclays Capital Aggregate Bond			(0.4)	(0.6)	3.2	1.2	5.6	2.6	4.1	4.7	4.7	5.7	7/31/1997
Comb Fixed Income Wldg Bmk	(15)		0.1	(0.8)	0.7	0.6	1.9	1.7	3.7	4.0	4.3	4.4	9/30/2004
US Core/Core Plus	54.0	5.2	(0.2)	(0.5)	3.0	1.4	4.2	3.1	4.4	4.2	3.7	5.4	7/31/1996
Barclays Capital Aggregate Bond			(0.4)	(0.8)	3.2	1.2	4.5	2.6	4.1	4.7	4.7	5.6	12/31/1996
US Core/Core Plus Fixed Income Active	44.2	4.2	(0.2)	(0.4)	2.8	1.4	4.3	3.7	4.9	4.8	4.5	5.6	7/31/1996
AETNA (AD) GICS	0.4	0.0	0.3	0.9	3.2	1.1	3.8	3.7	5.4	5.4	4.7	5.7	8/31/1996
Barclays Capital Aggregate Bond			(0.4)	(0.8)	3.2	1.2	4.5	2.6	4.1	4.7	4.7	5.6	12/31/1996
Columbia Asset Management Co.	0.8	0.1	2.4	2.8	8.4	3.2	10.3	12.9	11.2	9.6	7.4	7.3	1/31/1992
Barclays Capital Aggregate Bond			(0.4)	(0.8)	3.2	1.2	4.5	2.6	4.1	4.7	4.7	5.6	12/31/1996
HIMCO Core Plus Fixed Income	43.0	4.1	(0.3)	(0.4)	2.7	1.3	4.2	3.6	4.8	5.2	4.9	5.1	10/31/2002
Barclays Capital Aggregate Bond			(0.4)	(0.8)	3.2	1.2	4.5	2.6	4.1	4.7	4.7	4.6	10/31/2002
US Core/Core Plus Passive	9.8	0.9	(0.3)	(0.8)	3.3	1.3	4.1	2.0	3.0	2.6	3.2	4.5	5/31/1998
Barclays Capital Aggregate Bond			(0.4)	(0.8)	3.2	1.2	4.5	2.6	4.1	4.7	4.7	5.4	5/31/1998
SSGA Barclays Agg. IDX AAF	9.8	0.9	(0.3)	(0.8)	3.2	1.3	4.5	2.4	—	—	—	3.5	5/31/2011
Barclays Capital Aggregate Bond			(0.4)	(0.8)	3.2	1.2	4.5	2.6	—	—	—	3.8	5/31/2011
Total Long Duration	74.1	7.1	(1.4)	(2.3)	4.0	(0.2)	3.1	3.4	7.5	8.6	—	8.4	3/31/2008
Barclays Capital Long Govt/Credit			(2.4)	(5.2)	7.6	0.9	10.5	5.7	9.0	8.5	—	8.3	3/31/2008
Long Duration Active	68.6	6.6	(1.3)	(2.0)	0.3	(0.4)	2.3	3.4	7.5	—	—	8.7	6/30/2008
PIMCO Long Duration Fixed	68.6	6.6	(1.3)	(2.0)	0.3	(0.4)	2.3	3.4	7.5	—	—	8.2	6/30/2008
Barclays Capital Long Govt/Credit			(2.4)	(5.2)	7.6	0.9	10.5	5.7	9.0	—	—	8.9	6/30/2008
Long Duration Passive	5.5	0.5	(2.3)	(5.1)	8.1	1.0	11.4	3.4	8.5	7.6	—	7.4	3/31/2008
SSGA Long US Govt/Credit	5.5	0.5	(2.4)	(5.1)	—	1.0	—	—	—	—	—	7.3	8/31/2014
Barclays Capital Long Govt/Credit			(2.4)	(5.2)	7.6	0.9	10.5	5.7	9.0	8.5	—	8.3	3/31/2008
Global Fixed	34.7	3.3	1.2	(1.4)	(4.0)	(0.6)	(2.8)	(1.4)	1.7	2.5	—	4.1	2/28/2007
Barclays Capital Aggregate Global Un-Hodgdo			1.1	(0.7)	(5.0)	(0.9)	(3.7)	(0.2)	2.5	2.8	—	4.2	2/28/2007
Global Fixed - Active	31.8	3.0	1.2	(1.4)	(3.3)	(0.4)	(2.1)	(1.0)	1.8	3.4	—	4.8	2/28/2007
Mondrian	31.8	3.0	1.2	(1.4)	(3.3)	(0.4)	(2.1)	(1.0)	1.8	—	—	2.0	10/31/1998
Mondrian Custom Benchmark			1.1	(0.7)	(5.0)	(0.9)	(3.7)	(0.2)	2.5	—	—	2.3	1/31/2010
Global Fixed - Passive	3.0	0.3	1.9	(1.0)	—	(2.5)	—	—	—	—	—	—	7/31/2014
SSGA World Government Bond AAF	3.0	0.3	1.9	(1.0)	—	(2.5)	—	—	—	—	—	—	7/31/2014
Inflation Linked Composite	50.8	4.9	0.7	(1.0)	0.3	2.2	2.5	0.5	4.1	4.3	—	5.3	2/28/2007
Barclays Capital Treasury US TIPS Index			0.7	(0.9)	0.1	2.2	2.5	0.2	4.0	4.1	4.4	4.6	4/30/2005
Brown Brothers Harriman & Co. TIPS	48.2	4.6	0.6	(1.0)	0.4	2.2	2.6	0.5	4.1	4.3	4.5	4.6	4/30/2005
SSGA US TIPS Index	2.6	0.3	0.7	(1.0)	—	2.1	—	—	—	—	—	(0.1)	9/31/2014
Emerging Mkts Debt	76.6	7.3	3.0	3.7	2.0	4.6	6.5	6.6	8.2	9.1	—	8.5	2/28/2007
JPM EMBI Global			2.0	3.7	0.7	4.1	4.5	4.5	7.1	7.5	—	7.8	8/31/2005
Prudential Emerging Markets Debt	72.7	7.0	3.0	4.1	2.9	4.9	7.5	6.9	8.4	9.2	—	9.4	8/31/2005
SSGA Passive EMI Loc Curr	3.9	0.4	2.9	(1.5)	—	(1.3)	—	—	—	—	—	(11.4)	9/31/2014
High Yield	43.1	4.1	1.3	3.5	1.9	4.3	3.2	6.0	—	—	—	6.9	7/31/2010
Citigroup High Yield Market Index			1.3	3.3	0.3	3.8	2.0	7.1	—	—	—	8.9	7/31/2010
Shenman Capital	40.4	3.9	1.3	3.6	1.9	4.4	3.3	6.0	—	—	—	6.9	7/31/2010
SSGA High Yield Bond	2.6	0.3	1.1	2.9	—	3.9	—	—	—	—	—	2.9	8/31/2014
Cash - Active	21.4	2.1	0.1	0.2	0.6	0.3	0.7	0.4	0.5	1.0	2.0	2.5	7/31/1997
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	2.4	12/31/1996

(14)
(15)
(16)
(17)

City of Hartford MERF

Net of Fees - Prelim
Performance Page
Period Ending April 30, 2015

Annualized

	Market Value	% of Total Fund	April	3 Months	Fiscal YTD	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Inception to Date	Inception Date
			%	%	%	%	%	%	%	%	%	%	
Global Asset Allocation	\$73.6	7.1	2.1	5.1	2.3	5.5	5.6	7.9	--	--	--	8.0	4/30/2012
60 MSCI World 40 Cit/ WGBI			1.9	3.6	(0.3)	2.4	2.5	7.6	--	--	--	7.4	4/30/2012
Wellington Management Co LLP	(12)	3.5	2.5	5.6	1.4	6.4	4.9	7.5	--	--	--	7.3	4/30/2012
Wellington Benchmark			1.8	4.3	3.6	4.0	6.9	9.3	--	--	--	8.9	4/30/2012
Blackrock Global Allocation Fd	(19)	3.6	1.8	4.5	3.1	4.6	6.3	8.3	--	--	--	8.4	4/30/2012
Blackrock Benchmark			1.7	3.5	1.5	2.7	4.3	8.0	--	--	--	7.8	4/30/2012
Commodities	2.0	0.2	11.2	10.4	--	2.1	--	--	--	--	--	(31.4)	8/31/2014
SSGA S&P GSCI NL QP CTF	2.0	0.2	11.2	10.4	--	2.1	--	--	--	--	--	(31.4)	8/31/2014
S&P GSCI			11.1	10.2	(35.5)	1.9	(34.2)	(13.8)	(6.9)	(13.2)	(5.6)	--	
Alternatives	204.9	19.7	1.1	1.2	7.0	1.1	12.8	12.2	13.8	7.6	--	9.1	2/28/2007
Alternatives Benchmark			0.4	3.4	6.6	3.0	9.5	10.0	9.0	5.1	--	5.3	2/28/2007
Private Equity	76.9	7.4	3.3	3.0	11.4	2.9	21.0	15.9	16.3	9.6	14.6	13.5	12/31/2002
Russell 3000 + 300 bps			0.6	5.9	10.2	3.3	15.7	19.9	17.3	11.8	11.7	12.4	12/31/2002
Real Estate	55.0	5.3	(0.2)	(0.5)	5.7	(0.3)	9.7	6.1	6.9	(4.1)	(4.3)	(4.3)	7/31/1998
NCREIF Property (1qtr/Arrears)			0.0	3.0	8.8	3.0	11.8	11.1	12.1	4.7	8.4	9.3	7/31/1998
Private Debt	21.8	2.1	0.3	(2.0)	6.0	(2.0)	8.3	--	--	--	--	10.5	1/31/2013
Credit Suisse Leveraged Loan Index			0.9	2.7	2.3	3.0	3.5	5.4	5.3	5.4	4.8	--	
Hedge Fund Composite	51.2	4.9	(0.5)	1.7	2.4	1.4	2.4	--	--	--	--	2.4	5/31/2014
HFRJ Fund of Funds Index			0.3	2.7	4.1	2.8	6.4	5.6	3.4	1.3	3.4	--	



CITY OF HARTFORD
PENSION COMMISSION

MEMORANDUM

To: Pension Commission
From: *AMC*
Adam M. Cloud, Secretary
Date: May 18, 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:

- BlackRock
- Wellington
- VOYA Investments

**CITY TREASURER'S OFFICE
INTERNAL MEMORANDUM**

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

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

Date: May 20, 2015

Re: Report on Annual Performance Review Meeting with BlackRock

The Pension Commission held an annual performance review meeting with BlackRock, a global tactical asset allocation ("GTAA") manager for the MERF, on Thursday, April 30, 2015.

Mr. Peter Lelek opened the meeting by thanking the Commission and Treasurer for the MERF's business and continued confidence in BlackRock. He then gave a brief introduction on the firm, stating that BlackRock is the largest alternative asset manager in the world. He also mentioned that BlackRock seeks to partner with its clients to build portfolios that reflect client objectives, risk tolerances and time horizons. Mr. Lelek then introduced his colleagues, Oscar Pulido, Managing Director and Connor Quinn, Associate.

Mr. Pulido stated that Blackrock has managed the GTAA strategy for over 25 years, providing its clients with access to broadly diversified portfolios during that time. He stated that the GTAA product protects client assets during market declines while generating equity-like returns with lower volatility.

In response to a question regarding whether BlackRock had grown too large to facilitate nimble movement in the markets, Mr. Lelek stated that relative to the size of the overall market, the GTAA product is not deemed to be excessively large, but that the relative size versus competitors represents an advantage.

Mr. Pulido highlighted the fund's performance for the first quarter of 2015, where the MERF's portfolio return of 2.77% outperformed the benchmark return of 0.97%, by 180 basis points. He attributed the portfolio's outperformance to an overweight in Japanese equities, exposure to options on broad-based European equity indexes and an underweight to the United States market in general.

In responding to a question regarding the level of risk in the portfolio Mr. Pulido stated that BlackRock believes the product can provide strong risk-adjusted and peer-relative returns going forward.

In response to a question regarding the most appropriate benchmark for the GTAA product, Mr. Pulido stated that there were a number of possible benchmarks that Blackrock's product could be compared to, but that he felt that the MERF's current benchmark was appropriate. He added that over the 25 year history of the strategy, its performance characteristics were consistent with that of the current benchmark. He noted that, over the same time, some clients have periodically made minor changes to their own internal benchmarks for the GTAA product.

Mr. Pulido gave a brief outlook on the economy, stating that BlackRock continues to believe that equities provide the best prospect for total return, but that they remain selective by region and sector. He noted that BlackRock believes the equity opportunity is greatest outside the U.S. Lastly, he noted that within fixed income, Blackrock remains concerned that the low level of yields today provide inadequate total return potential and muted diversification benefits and that BlackRock continues to seek opportunities in select corporate bonds and emerging market government debt in order to realize incremental yield.

Mr. Lelek again thanked the Commission for its continued business and confidence in BlackRock.

**CITY TREASURER'S OFFICE
INTERNAL MEMORANDUM**

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

From: Gary B. Draghi, Director of Investments *GBD*
P. Wayne Moore, Assistant Director of Investments *PWM*
J. Sean Antoine, Principal Administrative Analyst *JS*

Date: May 21, 2015

Re: Report on Annual Performance Review Meeting with Wellington Management Company, LLP

The Pension Commission held an annual performance review meeting with Wellington Management Company, LLP ("Wellington"), a global tactical asset allocation manager for the MERF, on Thursday, May 14, 2015.

Ms. Alice Fong of Wellington opened the meeting by introducing her colleague, Jake T. Brown, CFA. Ms. Fong then gave a brief introduction on the firm noting its partnership structure, business model, investment model and culture, and the firm's advantages relative to other managers. She emphasized the continuity embedded in the firm's process and noted that, since the last review, that there were no changes in key investment personnel on the global tactical asset allocation team that manages the MERF's assets.

Mr. Brown then reviewed the performance of the MERF's global tactical asset allocation portfolio. He stated that, while the portfolio's since inception return of 8.5% had underperformed the benchmark index since inception in 2012, that the portfolio had nevertheless generated an attractive return on an absolute basis. He also noted that more recent performance had begun to validate Wellington's thematic style, with year-to-date ending April 30, 2015 performance of 6.7% outperforming the benchmark by 270 basis points. Mr. Brown attributed the recent gains to the portfolio's Europe exposure (e.g., Greek equities) and to its terms of trade reversal theme. Since inception, Mr. Brown noted that the portfolio had suffered due to the strong performance of the U.S. equities market, a sector typically underweighted by the strategy.

Mr. Brown then discussed various aspects of Wellington's investment process and philosophy. He stated that the portfolio's opportunistic investment approach seeks to outperform core markets by concentrating exposure in long-term themes characterized by the intersection of investor apathy and meaningful structural change. As a result, the portfolio tends to serve as an effective

diversifier that emphasizes dislocated non-core areas that are underrepresented in most traditional investor portfolios.

In response to a question regarding how often the investment team meets, Mr. Brown noted that they have a formal weekly meeting, but interact on a daily basis with each other and the rest of the firm.

Mr. Brown then provided an outlook on the global economy. He reported that Wellington continues to believe that European reform is underappreciated by the broader market, leading to investment opportunities. Mr. Brown also highlighted "India awakes" as a new theme and provided details on the investment case.

Treasurer Cloud asked the representatives from Wellington to address the key man risk as noted by staff and the MERF's investment consultant. Doug Moseley, Partner, NEPC stated that NEPC has much less concern now regarding key man risk issues given Wellington's addition of Mark Lynch and Brian Garvey, who both have been working closely with Scott Elliott. Mr. Brown mentioned that Brian Garvey had been recently elected as a Partner. Discussion ensued.

In response to a question regarding the diversity of the firm, Ms. Fong stated that approximately twenty percent of the partners are minority or women. Ms. Fong then briefly discussed the MERF's fee structure change in light of the portfolio underperformance. She stated that, Wellington had reduced its fees until such time as the portfolio began meeting the stated performance objective for the strategy. Discussion ensued.

Ms. Fong closed by thanking the Commission for its continued business.

**CITY TREASURER'S OFFICE
INTERNAL MEMORANDUM**

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

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

Date: May 20, 2015

Re: Report on Annual Performance Review Meeting with VOYA Investment Management

The Pension Commission held an annual performance review meeting with VOYA Investment Management, a small cap growth equities manager for the MERF, on Thursday, April 16, 2015. Present from VOYA were James Hasso, SVP and Portfolio Manager, Eileen Madden, VP Institutional Sales and Relationship Management and Marylou Marino, Institutional Client Service Representative.

Ms. Madden gave a brief overview of the firm, discussing organizational milestones, noting that ING Group had fully exited its remaining ownership interest in the firm. She then introduced her colleague James Hasso. Mr. Hasso began to address the upcoming transition by which he would take over the management of the portfolio from Steve Salopek, who was retiring, as well as the continued build out of the portfolio's management team.

Mr. Hasso then briefly described VOYA's investment process, noting that the process begins with a quantitative screening exercise that identifies, scores and ranks companies with solid growth characteristics. He added that VOYA then identifies and quantifies secular and cyclical themes expected to drive growth opportunities and equity risk premiums over the foreseeable time horizon.

In response to a question regarding the portfolio's underperformance since inception in August 2012, Mr. Hasso stated that the portfolio was likely to trail the benchmark during market rallies where many managers will buy stocks at extreme valuations. He also attributed underperformance to the portfolio's overweight to the energy sector, which underperformed. He noted that VOYA expects an increase in volatility in coming months that could result in lower stock prices, thereby positively impacting the portfolio's benchmark relative performance.

In response to a question regarding the portfolio turnover, Mr. Hasso stated that the turnover ratio was approximately 40% year over year, but that it would likely increase each time the Russell Index is rebalanced.

In response to a question regarding the investment markets outlook for the next 12-18 months, Mr. Hasso stated that he believes that the MERF's portfolio is well positioned as investors appear poised to focus on company fundamentals due to ongoing economic uncertainty. Discussion ensued.

Ms. Madden closed by thanking the Treasurer and the Pension Commission for their continued business and confidence in the firm.



CITY OF HARTFORD
PENSION COMMISSION

MEMORANDUM

To: Pension Commission
From: 
Adam M. Cloud, Secretary
Date: May 18, 2015
Subject: Unconstrained Fixed Income Candidate Interviews

Pursuant to the Commission's authorization, NEPC has set up interviews for the three finalist candidates for the MERF's unconstrained fixed income manager mandate. Enclosed please find the interview schedule and other materials relating to these firms and their unconstrained fixed income products.



NEPC, LLC

To: City of Hartford MERF
From: NEPC
Date: May 29th, 2015
Subject: **Unconstrained Fixed Income Finalist Presentations**

Loomis Sayles – Strategic Alpha (10:00 a.m. – 10:45 a.m.)

*Tods Vandam, CFA, Vice President & Portfolio Manager
Jamison Gagnier, Vice President, Institutional Services
John Cardinali, CFA, Vice President, Client Portfolio Manager*

Firm

Loomis, Sayles & Company was founded in 1926. Throughout its history, the firm has grown to become a primarily institutional investment manager with specialized products in domestic/international fixed income, equities and alternatives. Currently the firm is a wholly owned subsidiary of NATIXIS Global Asset Management. The firm has roughly \$230 billion in assets under management with \$200 billion in fixed income strategies. Specific to Strategic Alpha, Loomis manages roughly \$3.9 billion.

Investment Thesis

Loomis's Strategic Alpha Strategy uses a macro-oriented tactical asset allocation approach. Strategic Alpha represents a best ideas strategy sourced from Loomis' global asset allocation and credit teams with senior portfolio managers tactically allocating to sectors of the global bond markets where relative value opportunities are identified. While the Strategy has a credit bias it is intended to be uncorrelated to fixed income markets due to the extensive use of tail-risk hedging strategies and relative value long/short credit and interest rate positions. Strategy targets a return of LIBOR plus 2% to 4% with an average volatility of 4% to 6%. Drawdown risk is actively managed with extensive use of credit hedges.

BlackRock – Strategic Income Opportunities (10:45 a.m. – 11:30 a.m.)

*Matt Marra, Managing Director
Peter Lelek, Vice President
Conor Quinn, Associate*

Firm

BlackRock, Inc. was founded in 1988 by a group of investment professionals with a unique skill set in securitized bonds. The firm has since grown to be one of the largest fixed income managers in the world through a series of mergers and acquisitions and organic growth of existing product lines. The firm manages roughly \$4.7 trillion in assets with approximately \$720 billion in active fixed income strategies. Specific to Strategic Income Opportunities, BlackRock manages roughly \$24 billion.



To: City of Hartford MERF
From: NEPC
Date: May 29th, 2015
Subject: **Unconstrained Fixed Income Finalist Presentations (cont.)**

Investment Thesis

The Strategic Income Opportunities Fund is led by BlackRock's Fixed Income CIO, Rick Rieder and Managing Director, Bob Miller, who have designed a tactical risk based allocation approach that expresses BlackRock's investment views across the entire spectrum of global fixed income assets. The Strategy offers a flexible framework to adjust sector and risk allocations based on the macro investment regime, fixed income sector valuations, and global alpha opportunities utilizing both physical securities and derivatives. Central to BlackRock's investment thesis is the detailed focus on both the active risk positioning of individual positions and the tail-risk properties associated with liquidity risk, credit risk, and interest rate risk coupled with a willingness to adjust exposures with conviction. Strategy targets a return of LIBOR plus 3% to 6% with a volatility of 3% to 7%. Designed to generate consistent risk-adjusted returns across all market environments.

Standish – Opportunistic Fixed Income (11:30 a.m. – 12:15 p.m.)

*Raman Srivastava, CFA, Co-Deputy CIO & Managing Director
Daniel Lass, Senior Vice President*

Firm

Standish Mellon Asset Management Company LLC is a dedicated fixed income manager that traces its roots back to 1933. Standish currently offers a wide range of credit-based and specialty bond strategies, including structured product workout solutions. A wholly-owned subsidiary of The Bank of New York Mellon Corporation, Standish is organized into four divisions: Active Fixed Income, Cash, Stable Value and Tax Sensitive Fixed Income. The firm manages roughly \$166 billion in assets all of which are within fixed income strategies. Specific to Opportunistic Fixed Income, Standish manages roughly \$2.9 billion.

Investment Thesis

The Opportunistic Fixed Income Strategy is an unconstrained absolute return approach representing the best ideas sourced from Standish's global fixed income team. Led by CIO, David Leduc and deputies David Horsfall and Raman Srivastava, the Strategy focuses on sector rotation amongst global interest rate and credit markets. While the Strategy tends to have a greater credit bias compared to peers and gross derivative usage will be less due to a sector rotation focus, Opportunistic Fixed Income is intended to deliver positive returns independent of changes in interest rates. The unconstrained nature of the Strategy, combined with high conviction security selection to implement sector and macro views and a focus on downside risk controls are key factors for the Strategy to be a consistent alpha source. Strategy targets a return of LIBOR plus 3% to 5% with a volatility of 3% to 7%. Intended to be non-correlated to interest rate risk but drawdowns will be more exposed to changes in credit spreads.



Appendix

Net of Fee Trailing Period Return Comparison (12.31.14)

	Benchmark	Qtr	YTD	1 Year	3 Year	5 Year	7 Year	10 Year
Absolute Return Fixed Income								
BlackRock - Strategic Income Opp	1	0.6%	3.9%	3.9%	5.6%	5.8%	NA	NA
Loomis - Strategic Alpha	1	0.0%	2.4%	2.4%	4.2%	NA	NA	NA
Standish - Opportunistic FI	1	-0.7%	2.5%	2.5%	5.6%	5.5%	NA	NA
Actual Index Return								
1 BofA ML US Dollar 3-Month LIBOR Constant Maturity		0.1%	0.2%	0.2%	0.3%	0.3%	0.9%	2.0%
2 Barclays US Aggregate		1.8%	6.0%	6.0%	2.7%	4.4%	4.8%	4.7%

Net of Fee Calendar Year Return Comparison (12.31.14)

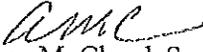
	Benchmark	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Absolute Return Fixed Income											
BlackRock - Strategic Income Opp	1	3.9%	3.3%	9.9%	-0.7%	13.4%	25.2%	NA	NA	NA	NA
Loomis - Strategic Alpha	1	2.4%	0.4%	10.2%	NA	NA	NA	NA	NA	NA	NA
Standish - Opportunistic FI	1	2.5%	2.7%	11.9%	-0.9%	11.7%	23.7%	NA	NA	NA	NA
Actual Index Return											
1 BofA ML US Dollar 3-Month LIBOR Constant Maturity		0.2%	0.3%	0.5%	0.3%	0.3%	1.0%	3.8%	5.6%	5.1%	3.1%
2 Barclays US Aggregate		6.0%	-2.0%	4.2%	7.8%	6.5%	5.9%	5.2%	7.0%	4.3%	2.4%

INVESTMENTS:
AGENDA ITEM VI



CITY OF HARTFORD
PENSION COMMISSION

MEMORANDUM

To: Pension Commission
From: 
Adam M. Cloud, Secretary
Date: May 18, 2015
Subject: Other Business

