

City of Hartford Pension Commission
City Conference Room
260 Constitution Plaza
Hartford, Connecticut
Friday, June 26, 2015
9:00 a.m.

AGENDA

INVESTMENT PROGRAM

- I. **Review of Meeting Minutes**
 - Minutes of May 29, 2015

- II. **Status of the MERF Portfolio**
 - Inventory of Assets as of May 31, 2015
 - MERF's Overall Performance

- III. **Update from MERF's General Investment Consultant-NEPC**
 - Domestic Equity Structure Review
 - International Equity Structure Review
 - Fixed Income Structure Review

- IV. **Executive Session**
 - Real Estate and Private Debt Investment Recommendations**
 - Tristan European Property Investor Special Opportunities 4
 - Monroe Capital Senior Direct Loan Fund II

- V. **Securities Class Action Monitoring Services Recommendation**

- VI. **Other Business**



CITY OF HARTFORD
PENSION COMMISSION

MEMORANDUM

To: Pension Commission
From: *AMC*
Adam M. Cloud, Secretary
Date: June 17, 2015
Subject: Review of Minutes from the Meeting of May 29, 2015

Enclosed for your review are the minutes of the investment portion of the Pension Commission meeting of Friday, May 29, 2015.

City of Hartford Pension Commission
City Conference Room
260 Constitution Plaza
Hartford, CT 06103
Friday, May 29, 2015
9:00 a.m.

MINUTES

INVESTMENT PROGRAM

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

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

OTHERS PRESENT: Henri Alexandre, Acting Corp. Council; George Zoltowski, Management and Budget; Terry Williams, Senior Administrative Assistant; Chelsea Mott, City of Hartford Accountant; Kristin Finney-Cooke, of NEPC, the MERF's general consultant

I. **Review of Minutes as of April 24, 2015**

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

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

II. Status of the MERF Portfolio as of April 30, 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 April 30, 2015, the MERF portfolio had a market value of \$1.04 billion and had generated a positive 1.6% net of fees return for the month, which underperformed the benchmark return of 1.9%, by 30 basis points.

Mr. Moore then reported that the MERF's equity portfolio posted a 2.5% net return for the month, underperforming the benchmark return of 3.3%, by 80 basis points. He also reported that the MERF's global tactical allocation portfolio posted a 2.1% net return for the month, outperforming the benchmark return of 1.9%, by 20 basis points.

Mr. Moore went on to report that the MERF's fixed income portfolio posted a 0.7% net return for the month, outperforming the custom benchmark return of 0.1%, by 60 basis points. He noted that the MERF's hedge fund portfolio posted a return of -0.5%, underperforming its benchmark return. Mr. Moore also reported that the MERF's real estate and private debt both underperformed their custom benchmarks, while the private equity portfolio outperformed its respective benchmark. 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. Update from MERF's General Investment Consultant-NEPC

Quarter ended 3/31/2015 MERF Investment Performance Analysis

Chairman Steven introduced the item. Secretary Cloud asked Kristin Finney-Cooke of NEPC, the MERF's general consultant, to report to the Commission. Ms. Finney-Cooke stated that she believes that the MERF's investment objectives are being met as the MERF continues to move towards its long-term asset allocation targets.

She noted that the MERF returned 1.7% for the quarter ended March 31, 2015, which ranked in the 89th percentile in the IF Public Defined Benefit Fund Universe. On a one-year basis ending March 31, 2015, she noted that the portfolio generated a return of 5.3%, ranking in the 78th percentile amongst its peers. She attributed the peer-relative performance to the MERF's highly diversified, lower risk approach. In particular, she highlighted the MERF's lower allocation to domestic equity versus its peer universe. Discussion ensued.

The Commission accepted the report for advice.

Quarter ended 12/31/2014 Real Estate Performance Report

Ms. Finney-Cooke reported that as of December 31, 2014, the MERF had commitments totaling \$60.2 million to seven real estate funds. She noted that all but one of the funds is in the investing stage. She stated that, during the quarter, the MERF real estate portfolio funded capital calls and expenses for two investments and received distributions from four investments. Ms. Finney-Cooke reported that since inception, the MERF's real estate portfolio program has added \$3.4 million in value to the fund. Lastly, she added that the MERF's real estate portfolio is well diversified by investment strategy. Discussion ensued.

The Commission accepted the report for advice.

Quarter ended 12/31/2014 Private Debt Performance Report

Ms. Finney-Cooke reported that the MERF's private debt portfolio experienced a positive quarter, earning a nominal internal rate of return ("IRR") of 0.10%. She noted that since inception performance is positive and that the asset class was performing as planned. Discussion ensued.

The Commission accepted the report for advice.

IV. Report on Annual Performance Review Meetings: BlackRock, Wellington Asset Management and VOYA Investments

Chairman Steven introduced the item and asked staff to address the reports. Mr. Gary 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.

V. Unconstrained Fixed Income Candidate Interviews

Chairman Stevens introduced the item and asked staff to address the reports. Secretary Cloud reported that, as a follow up to last month's identification of finalist candidates for the MERF's unconstrained fixed income mandate, NEPC had scheduled interviews with Loomis Sayles, Blackrock and Standish Mellon. He then asked the Commission to enter executive session to conduct these interviews.

A motion was made, seconded and unanimously adopted to enter executive session to conduct the finalist interviews for the MERF's unconstrained fixed income mandate.

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

As the result of the finalist presentations, deliberations and related discussions, Secretary Cloud recommended that the MERF award its unconstrained fixed income mandate to Loomis Sayles.

A motion was made, seconded and unanimously adopted to authorize the Treasurer to execute an agreement with Loomis Sayles pending successful contract negotiations.

VI. Other Business

Chairman Stevens introduced the item. Secretary Cloud stated that he received materials from the Kessler Topaz ("Kessler"), a law firm that specializes in securities litigation. He added that the firm also does portfolio monitoring and claims administration and is one of the largest providers in the industry. He then recommended adding this firm to the MERF's existing lineup of securities litigation firms noting that this would not involve any cost to the MERF and that he and staff were comfortable with the firm. Mr. Draghi concurred with the Secretary adding that, while the MERF currently has retained two other securities litigation firms, Kessler could further strengthen the MERF's monitoring program. Discussion ensued.

Secretary Cloud then described a product from William Blair and Company that he had recently been informed of. He noted that it would offer insurance against extension risk for pension plans. Discussion ensued.

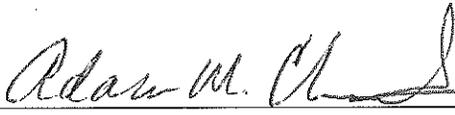
Other Business (continued)

Mr. Draghi concluded by noting that the MERF had closed its \$4 million commitment to the Mesirow Real Estate Value Fund II, L.P. that had been authorized at the previous Commission meeting. Secretary Cloud praised staff and outside legal counsel for their timely efforts in this regard.

The Commission accepted the report for advice.

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

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

ATTEST: 
Adam M. Cloud, Secretary



CITY OF HARTFORD

PENSION COMMISSION

MEMORANDUM

To: Pension Commission
From: 
Adam M. Cloud, Secretary
Date: June 17, 2015
Subject: Status of MERF Portfolio as of May 31, 2015

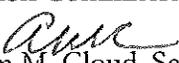
The portfolio report for the month of May 2015 will be distributed at the meeting.



CITY OF HARTFORD

PENSION COMMISSION

MEMORANDUM

To: Pension Commission
From: 
Adam M. Cloud, Secretary
Date: June 17, 2015
Subject: Update from the MERF's General Investment Consultant-NEPC

NEPC representatives will attend the Pension Commission meeting, to discuss the following. The related materials will be handed out at the meeting.

- Domestic Equity Structure Review
- International Equity Structure Review
- Fixed Income Structure Review



CITY OF HARTFORD
PENSION COMMISSION

MEMORANDUM

To: Pension Commission
From: 
Adam M. Cloud, Secretary
Date: June 17, 2015
Subject: Real Estate and Private Debt Investment Recommendations

Enclosed are recommendations and supporting materials relating to potential real estate and private debt investment commitments.

An NEPC representative will attend the Pension Commission meeting to discuss these recommendations with you and receive the benefit of your thinking.

CITY OF HARTFORD

MEMORANDUM

TO: Pension Commission
FROM:  Adam M. Cloud, Secretary
DATE: June 17, 2015
SUBJECT: **Real Estate Investment Recommendation - Tristan Capital Partners European Property Investors Special Opportunities 4, L.P**

Attached please find a report from NEPC, the MERF's investment consultant, recommending that the MERF commit to invest \$4 million in Tristan Capital Partners European Property Investors Special Opportunities 4, L.P ("EPISO 4" or the "Fund") as part of the MERF's value add/opportunistic real estate allocation.

This would be a follow on commitment with Tristan Capital Partners LLP ("Tristan"), the General Partner of EPISO 4, as the MERF previously made a \$9 million commitment to Tristan's prior fund. As you may recall, Tristan is a minority-led, employee-owned real estate investment firm that focuses on European value-add/opportunistic real estate investing. Tristan is headquartered in London and has offices in continental Europe. Tristan is on NEPC's focused placement list. For additional background, please refer to the enclosed materials.

Based on NEPC's recommendation and on Tristan's strong track record and attractive investment strategy, staff and I recommend that you approve a \$4 million commitment to EPISO 4 and that I be authorized to execute the necessary documents to consummate this commitment. As is standard practice, this commitment will be subject to staff finalizing its due diligence and outside counsel's satisfactory review of the specific business and legal terms of the Fund.

I look forward to discussing this recommendation with you next week.

CITY OF HARTFORD

MEMORANDUM

TO: Pension Commission

FROM: Adam M. Cloud, Secretary 

DATE: June 18, 2015

SUBJECT: Private Debt Investment Recommendation – Monroe Capital Senior Direct Loan Fund II

The purpose of this memorandum is to recommend that you approve a \$16 million commitment to the Monroe Capital Senior Secured Direct Loan Fund II, L.P. (“Monroe II”) This commitment is consistent with the MERF’s target asset allocation and its private debt strategic plan. The amount, however, exceeds the maximum for a direct fund investment as listed in the MERF’s Funding and Investment Policy Statement. As a result, I also recommend that you make an exception to this limit to allow for this commitment.

Monroe II is a follow up to Monroe Capital Senior Secured Direct Loan Fund, L.P. (“Monroe I”) in which the MERF committed \$10 million. To date, Monroe I has generated significant deal flow and strong results. The General Partner of Monroe II is Monroe Capital, LLC (“Monroe”). Monroe is a Chicago-based, employee-owned secured lending firm with significant experience, an impressive track record and a deep team. For additional background, please refer to the enclosed materials.

NEPC, the MERF’s consultant, has performed its due diligence on both Monroe and the Fund. These materials are enclosed for your review. As the result of this work, NEPC has included Monroe II on its focused placement list and recommended that the MERF make a \$16 million commitment to the fund. MERF staff has performed related due diligence, including a recent on site visit. As a result of this work, both NEPC and staff support this recommendation.

With regard to the commitment amount, NEPC, staff and I feel that it is appropriate in light of the need to achieve our investment plan in this asset class while simultaneously focusing on a firm that is deemed best in class and has both a strong track record and an existing relationship with the MERF.

In summary, I recommend that you support this recommendation and that I be authorized to execute the necessary documents to consummate this commitment. As is standard practice, this commitment will be subject to staff finalizing its due diligence and outside counsel’s satisfactory review of the specific business and legal terms of the Fund.

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

CITY OF HARTFORD

PENSION COMMISSION

MEMORANDUM

TO: Pension Commission

FROM: Adam M.  Cloud, Secretary

DATE: June 17, 2015

SUBJECT: **Securities Class Action Monitoring Services Recommendation**

The purpose of this memorandum is to recommend that you approve the addition of Kessler Topaz Meltzer & Check ("Kessler) to the MERF's securities class action monitoring services lineup.

As discussed at last month's Pension Commission meeting, Kessler is one of the largest securities class action services providers in the industry and will add additional depth and coverage to the MERF's existing monitoring program. There are no costs to the MERF for this service.

In conclusion, I request that the Pension Commission authorize me to execute the necessary documents to contract with the Kessler. I look forward to discussing this recommendation with you.



CITY OF HARTFORD

PENSION COMMISSION

MEMORANDUM

To: Pension Commission
From: Adam M. Cloud, Secretary *AMC*
Date: June 17, 2015
Subject: Other Business