

City of Hartford Pension Commission  
City Conference Room  
260 Constitution Plaza  
Hartford, Connecticut  
Friday, December 18, 2015  
9:00 a.m.

**AGENDA**

**INVESTMENT PROGRAM**

- I. Review of Meeting Minutes
  - Minutes of November 20, 2015
  
- II. Status of the MERF Portfolio
  - Inventory of Assets as of November 30, 2015
  - MERF's Overall Performance
  
- III. Private Equity Recommendations:
  - Fairview Private Markets Fund IV, L.P.
    - Recommendation
    - Fairview Capital Presentation
  - Vista Equity Partners Fund VI, LP Phase I Review
  
- IV. General Consultant Update
  - Road Map
  - Large Capitalization Growth Equity Search
  
- V. Deferred Compensation Plan Update
  
- VI. Other Business



**CITY OF HARTFORD**  
PENSION COMMISSION

**MEMORANDUM**

**To:** Pension Commission  
**From:**   
Adam M. Cloud, Secretary  
**Date:** December 10, 2015  
**Subject:** Review of Minutes from the Meeting of November 20, 2015

Enclosed for your review are the minutes of the investment portion of the Pension Commission meeting of Friday, November 20, 2015.

City of Hartford Pension Commission  
City Conference Room  
260 Constitution Plaza  
Hartford, CT 06103  
Friday, November 20, 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; J. Sean Antoine, Principal Administrative Analyst; Donna Parker, Plan Administrator and Rebecca Crowley, Assistant Plan Administrator

OTHERS PRESENT: Lisa Silvestri, Corp. Council; Terry Williams, Senior Administrative Assistant; Chelsea Mott, City of Hartford Accountant and Doug Moseley, of NEPC, the MERF's general consultant

I. Review of Minutes as of October 23, 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 October 31, 2015

Chairman Stevens introduced the item and asked the Investment Unit to report. J. Sean Antoine, the MERF's Principal Administrative Analyst, reported that, at October 31, 2015, the MERF portfolio had a market value of \$998.2 million and had generated a 3.4% net of fees return for the month, underperforming the benchmark return of 3.7%, by 30 basis points.

Mr. Antoine reported that the MERF's equity portfolio posted a 7.1% net return for the month, underperforming the benchmark return of 7.6%, by 50 basis points. He also reported that the MERF's global tactical allocation portfolio posted a 4.2% net return for the month underperforming the benchmark return of 4.8%.

Mr. Antoine went on to report that the MERF's fixed income portfolio posted a 1.4% net return for the month, equaling that of its benchmark. He noted that the MERF's hedge fund portfolio posted a net return of 0.8%, underperforming its benchmark return of 0.9%. Mr. Antoine also reported that the MERF's private equity portfolio underperformed for the month, while real estate and private debt both outperformed for the same period. Discussion ensued.

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

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

## III. NEPC Update

### September 30, 2015 Quarterly Performance Report

Chairman Stevens introduced the item. Secretary Cloud asked Doug Moseley of NEPC, the MERF's general consultant, to report to the Commission. Mr. Moseley reported on the MERF's investment performance for the periods ended September 30, 2015. After recapping the MERF's goals and objectives and recent activities, Mr. Moseley reviewed the MERF's performance results, reporting that the MERF had generated a -4.3% return for the quarter ended September 30, ranking in the 21<sup>st</sup> percentile of its peer group universe (the IFDB Public Fund Universe). He noted that it had been an extremely volatile quarter with negative performance across most asset classes but that markets (and the MERF portfolio) generally recovered the lost ground since the end of the quarter. He went on to state that the MERF portfolio generated returns of 5.1% and 6.4%, respectively, for the annualized three and five year periods

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**September 30, 2015 Quarterly Performance Report (continued)**

ending September 30. He then described the MERF's defensive asset allocation positioning noting that the MERF portfolio featured between 10% and 20% less volatility relative to its peers and highlighting its lower equity exposure and use of alternatives. Discussion ensued.

In response to a question regarding the potential for rising U.S. interest rates to further impact emerging market asset prices, Mr. Moseley stated that, despite problems in the emerging economies, NEPC does not believe interest rate hikes will have a significant negative impact on emerging market securities as this affect appears to have been priced in already.

Mr. Moseley continued addressing on the potential impact of higher U.S. interest rates noting that, because the MERF is well diversified and well funded, it has been able to invest in a way that reduces volatility and risk. This, in turn, limits the potential negative impact on MERF returns if yields rise quickly.

Mr. Moseley reported on the MERF's real estate portfolio for the quarter ended June 30, 2015. He stated that the portfolio experienced a positive quarter, earning an internal rate of return ("IRR") of 3.38% and that the annualized IRR since inception was 6.04%. He added that, since inception, the total value to paid in capital (TVPI) multiple (current valuation plus cumulative distributions divided by total capital called) was 1.12. In addition to performance, Mr. Moseley reviewed the portfolio in terms of vintage year and investment pacing. Discussion ensued.

Mr. Moseley then presented the MERF's private debt portfolio performance report through June 30, 2015 noting that the performance was positive for the quarter, generating a 2.62% IRR and a since inception IRR of 8.43% and a TVPI multiple of 1.13. Discussion ensued.

**Road Map Update**

Mr. Moseley closed by reviewing the MERF's updated work plan road map, noting the significant number of completed items since 2011. He then highlighted the proposed order of searches and other action items.

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

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**IV. Report on Annual Performance Review Meeting with Hartford Investment Management Company**

Chairman Stevens introduced the item and asked staff to speak to the 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 reports for advice.**

**V. Other Business**

Chairman Stevens introduced the item. Secretary Cloud asked Mr. Matthew Jasinski, an attorney from Motley Rice, one of the MERF's class action litigation monitoring firms, to address the Commission on the Valeant Pharmaceuticals ("Valeant") class action law suit. Mr. Jasinski began by noting that Valeant had become notorious for a number of reasons, most notably due to public outrage over astronomic increases in its drug prices. He then provided an extensive description of the allegations against Valeant, including that the company made false and misleading statements that caused damage to investors, including the MERF. Accordingly, Motley Rice recommended that the MERF file a motion for appointment as lead plaintiff in the Valeant securities fraud class action suit. He noted that taking this step would put the MERF in a position to control the litigation and seek the maximum possible recovery for itself and the class of harmed investors. Discussion ensued.

In response to questions regarding costs to and actions required of the MERF with regard to this action, Mr. Jasinski stated that there would be no costs to the MERF because Motley Rice would represent the MERF on a contingency basis through the entire litigation process. He also stated that Motley Rice would handle virtually all of the duties required should the MERF be appointed as lead plaintiff. Discussion ensued.

**A motion was made, seconded and unanimously adopted to authorize the Secretary to file a motion via Motley Rice for appointment as lead plaintiff in the Valeant Pharmaceuticals securities fraud class action lawsuit.**

Mr. Draghi then reported that, HIMCO, a MERF fixed income manager, was pursuing a similar lawsuit against Petrobras, and that the MERF had agreed to be a part of the HIMCO suit. Mr. Draghi stated that HIMCO believed that this approach would be beneficial to the MERF. Discussion ensued

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

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In closing, Treasurer Cloud stated that there was no further business.

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:** December 10, 2015  
**Subject:** **Status of MERF Portfolio as of November 30, 2015**

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



**CITY OF HARTFORD**  
PENSION COMMISSION

**MEMORANDUM**

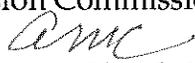
**To:** Pension Commission  
**From:** *AMC*  
Adam M. Cloud, Secretary  
**Date:** December 10, 2015  
**Subject:** Private Equity Recommendations

Enclosed for your review is a recommendation regarding the potential investment in Fairview Private Markets Fund IV, L.P. ("Fairview IV").

Also enclosed is a recommendation regarding Phase II due diligence on Vista Equity Partners Fund VI, L.P.

**CITY OF HARTFORD**

**MEMORANDUM**

**TO:** Pension Commission  
**FROM:**   
Adam M. Cloud, Secretary  
**DATE:** December 10, 2015  
**SUBJECT:** Recommendation Regarding Fairview Private Markets Fund IV,  
L.P.

Attached please find a report from Pension Consulting Alliance, Inc. ("PCA"), the MERF's private equity consultant, relating to Fairview Private Markets Fund IV, L.P. ("Fairview IV", or the "Fund"). PCA recommends that the MERF commit \$5 million to \$10 million to the Fund while not representing more than 10% of aggregate commitments. PCA's recommendation is contingent upon the Fund achieving a minimum of \$50 million in aggregate commitments within one-year of approval for an initial \$5 million MERF commitment.

Fairview Capital Partners, Inc., the General Partner of Fairview IV, is a minority-owned venture capital fund of funds private equity firm headquartered in West Hartford, Connecticut. As you will remember, the MERF has an existing \$10 million investment in Fairview Ventures III ("Fairview III"). As of June 30, 2015 (the most recent period available), Fairview III has generated very strong returns as evidenced by a net internal rate of return of 16.4% and a total value multiple of 1.8 times invested capital. These returns currently rank in the top quartile of a representative peer universe.

Based on our review of the work of PCA, strong past performance and staff's due diligence, both staff and I recommend that the Pension Commission authorize me to make a commitment to Fairview IV at 10% of the total aggregate fund commitments. This commitment is contingent on the Fund raising a minimum of \$50 million within one year. The maximum MERF commitment will be \$10 million.

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

**CITY OF HARTFORD**

**MEMORANDUM**

**TO:** Pension Commission  
**FROM:** *AMC*  
Adam M. Cloud, Secretary  
**DATE:** December 10, 2015  
**SUBJECT:** **Consideration of Recommendation Regarding Vista Equity Partners Fund VI, L.P. Due Diligence**

Enclosed please find a report from Pension Consulting Alliance, Inc. ("PCA"), the MERF's private equity consultant, recommending that the MERF authorize PCA to proceed with Phase II due diligence on Vista Equity Partners Fund VI, L.P. ("Vista VI").

This is a potential re-up commitment as the MERF has invested in the two prior Vista funds. These investments have a combined current market value of over \$14 million and an aggregate net internal rate of return of 21.2% and a multiple of invested capital of 1.5 times. Despite this strong performance, there are a few areas of concern relating to this offering noted by PCA that require additional review and evaluation. Accordingly, additional due diligence will focus on these and other issues. As always, there is no additional cost to the MERF for PCA's Phase II due diligence work.

Based on PCA's report, staff and I recommend that the Pension Commission authorize me to instruct PCA to perform Phase II due diligence on Vista VI.

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



**CITY OF HARTFORD**  
PENSION COMMISSION

**MEMORANDUM**

**To:** Pension Commission  
**From:** *amc*  
Adam M. Cloud, Secretary  
**Date:** December 10, 2015  
**Subject:** **General Consultant Update**

NEPC representatives will attend the Pension Commission meeting on December 18, to discuss the updated road map and the MERF's large cap growth search process and potential manager candidates.



**CITY OF HARTFORD**  
PENSION COMMISSION

MEMORANDUM

**To:** Pension Commission  
*AMC*  
**From:** Adam M. Cloud, Secretary  
**Date:** December 10, 2015  
**Subject:** **Deferred Compensation Plan Update**

The deferred compensation committee recently met and the committee will update the Commission on its deliberations.



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

**MEMORANDUM**

**To:** Pension Commission  
**From:** *Amc*  
Adam M. Cloud, Secretary  
**Date:** December 10, 2015  
**Subject:** **Other Business**



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

**MEMORANDUM**

**To:** Pension Commission c: Distribution  
**From:**   
Adam M. Cloud, Secretary  
**Date:** December 10, 2015  
**Subject:** *Pension Commission Agenda for the Meeting of Friday, December 18, 2015*

Enclosed, please find the agenda package for the Pension Commission Meeting scheduled for Friday, December 18, 2015.

The meeting will begin promptly at 9:00 a.m. in the City of Hartford Conference Room, located at 260 Constitution Plaza, Hartford, Connecticut.

As always, I look forward to seeing you.

**Distribution:**

- \*Mayor
- \*Council President
- \*Majority Leader
- \*Minority Leader
- \*Chief Operating Officer
- \*Corporation Counsel
- \*Chief Internal Auditor
- \*Director of Management and Budget
- \*Finance Director
- \*Director of Human Resources
- \*Town and City Clerk
- \*City Treasurer's and Pension Commission Staff
- \*NEPC
- \*PCA

\*Please be reminded in the event that a hard copy is preferred, please contact the Treasurer's Office and we would be glad to provide one for you.