

City of Hartford Pension Commission
City Conference Room
260 Constitution Plaza
Hartford, Connecticut
Friday, January 29, 2016
9:00 a.m.

AGENDA

INVESTMENT PROGRAM

- I. **Review of Meeting Minutes**
 - **Minutes of December 18, 2015**

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

- III. **Private Equity Consultant**
 - **2016 Private Equity Investment Plan**
 - **Vista Equity Partners Fund VI, L.P. Recommendation**

- IV. **Real Assets - Energy Recommendation**

- V. **Report on Annual Performance Review Meetings**
 - **Atlanta Capital Management**
 - **Eagle Capital Management**
 - **Prudential Investment Management**
 - **SouthernSun Asset Management**

- VI. **Other Business**



CITY OF HARTFORD
PENSION COMMISSION

MEMORANDUM

To: Pension Commission
From: *AMC*
Adam M. Cloud, Secretary
Date: January 20, 2016
Subject: **Review of Minutes from the Meeting of December 18, 2015**

Enclosed for your review are the minutes of the investment portion of the Pension Commission meeting of Friday, December 18, 2015.

**City of Hartford Pension Commission
City Conference Room
260 Constitution Plaza
Hartford, CT 06103
Friday, December 18, 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, Tad Fergusson, vice president, Pension Consulting Alliance, the MERF's private equity consultant ,Doug Moseley, partner and William Forde, senior analyst, NEPC, the MERF's general consultant, Jo Ann Price, Kola Olofinboba, Doug Boains and Michele Chow-Tai, Fairview Capital.

I. Review of Minutes as of November 21, 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 November 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 November 30, 2015, the MERF portfolio had a market value of \$992.6 million and had generated a negative 0.2% net of fees return for the month, which outperformed the benchmark return of negative 0.4%, by 20 basis points.

Mr. Moore then reported that the MERF's equity portfolio posted a negative 1.0% return for the month, trailing the benchmark return of negative 0.8%, by 20 basis points. He also reported that the MERF's emerging markets equities outperformed for the month, while domestic equities underperformed its benchmark.

Mr. Moore went on to report that the MERF's fixed income portfolio posted a negative 0.4% net return for the month, outperforming the custom benchmark return of negative 0.9%, by 50 basis points. Discussion ensued.

With regard to alternative investments, Mr. Moore noted that the MERF's private equity portfolio performed well for the month, along with the real estate, private debt and global tactical allocation portfolios.

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. Private Equity Recommendation:

Fairview Private Markets Fund IV, L.P.

Chairman Stevens introduced the item and a motion was made for the meeting to enter executive session for the purpose of discussing commercial or financial information given to the MERF in confidence, and 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 Secretary to execute the necessary documents to commit the MERF to invest 10% of total aggregate fund commitments in Fairview Private Markets Fund IV, L.P. (the "Fund"), contingent on the Fund raising a minimum of \$50 million within a year and subject to a maximum MERF commitment of \$10 million.

Vista Equity Partners Fund VI, L.P. Phase I Review

Chairman Stevens introduced the item and stated that executive session would be required for the purpose of discussing commercial or financial information given to the MERF in confidence, and 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 Secretary to instruct Pension Consulting Alliance to perform Phase II Due Diligence on Vista Equity Partners Fund VI, L.P.

IV. General Consultant Update

Large Capitalization Growth Equity Search

Chairman Stevens introduced the item. Secretary Cloud asked the representatives from NEPC to report to the Commission. Mr. Forde provided detail on NEPC's research process and development of its Large Cap Growth Focused Placement List ("FPL"). He discussed the initial phase of universe screening from two major databases: eVestment Alliance and Morningstar. Additionally, he detailed NEPC's internal quantitative scoring of products through its proprietary performance analytics software. Mr. Forde then described NEPC's Due Diligence Committee which ultimately votes on products being added to or removed from NEPC's FPL. He concluded the segment on process by noting that, specific to the MERF, NEPC refined its FPL into a short list of potential candidates that included two emerging firms NEPC felt were worthy of consideration. The finalists were then selected based on their appropriateness and variety. Discussion ensued.

Mr. Moseley then provided NEPC's recommendation, which, he noted, concurred with that of the Secretary and investment staff. This recommendation was that Edgewood

Management LLC, Holland Capital Management LLC, Wells Capital Management, Inc. and T. Rowe Price Group, Inc. be considered large cap growth equity finalist candidates for the MERF. Discussion ensued.

A motion was made, seconded and unanimously adopted to authorize the Secretary to set up interviews with Edgewood Management LLC, Holland Capital Management LLC, Wells Capital Management, Inc. and T. Rowe Price Group, Inc. for the MERF large cap growth equity manager mandate.

Road Map Update

Mr. Moseley noted that the road map is being followed and that NEPC stands ready to work with the MERF to prioritize future road map objectives in the coming months.

The Commission accepted the report for advice.

V. Deferred Compensation Plan Update

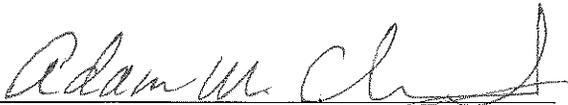
Chairman Stevens introduced the item. Secretary Cloud asked Gary Draghi, the MERF's Director of Investments, to address the Commission. Mr. Draghi stated that the deferred compensation committee had recently met to discuss making manager changes in various asset classes as well as changes to the investment policy statement. He went on to add that staff was working with Retirement Plan Advisors, the City of Hartford's deferred compensation plan investment consultant, on these matters and hoped to have recommendations ready for Pension Commission consideration at a subsequent meeting. Discussion ensued.

The Commission accepted the report for advice.

VI. Other Business

Chairman Stevens introduced the item. Secretary Cloud stated that there was no other business.

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: January 20, 2016
Subject: Status of MERF Portfolio as of December 31, 2015

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

INTEROFFICE MEMORANDUM

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

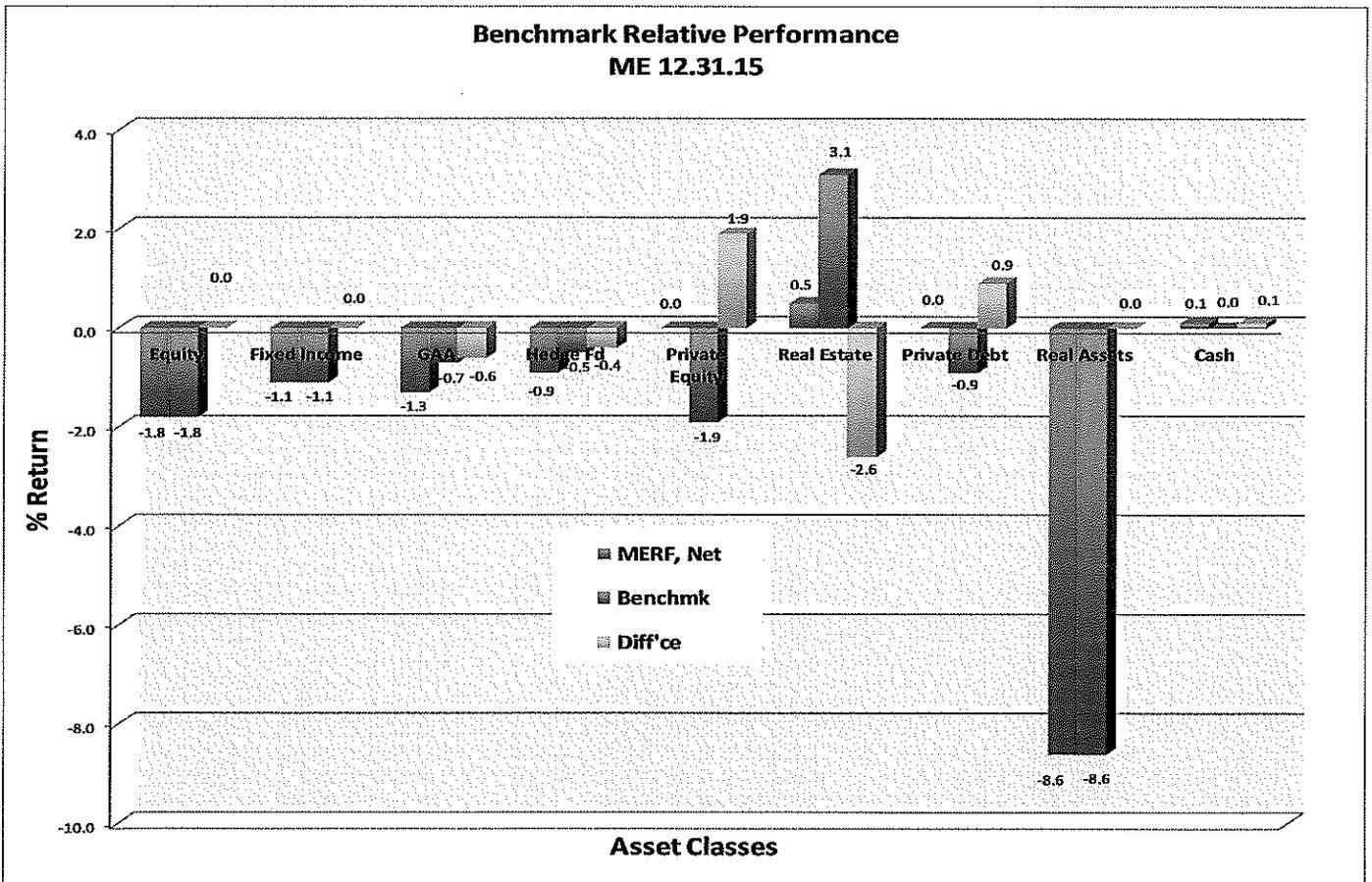
FROM: Gary B. Draghi, Director of Investments, *GBD*
P. Wayne Moore, Assistant Director of Investments *pmu*
J. Sean Antoine, Principal Investment Analyst *JS*

DATE: January 20, 2016

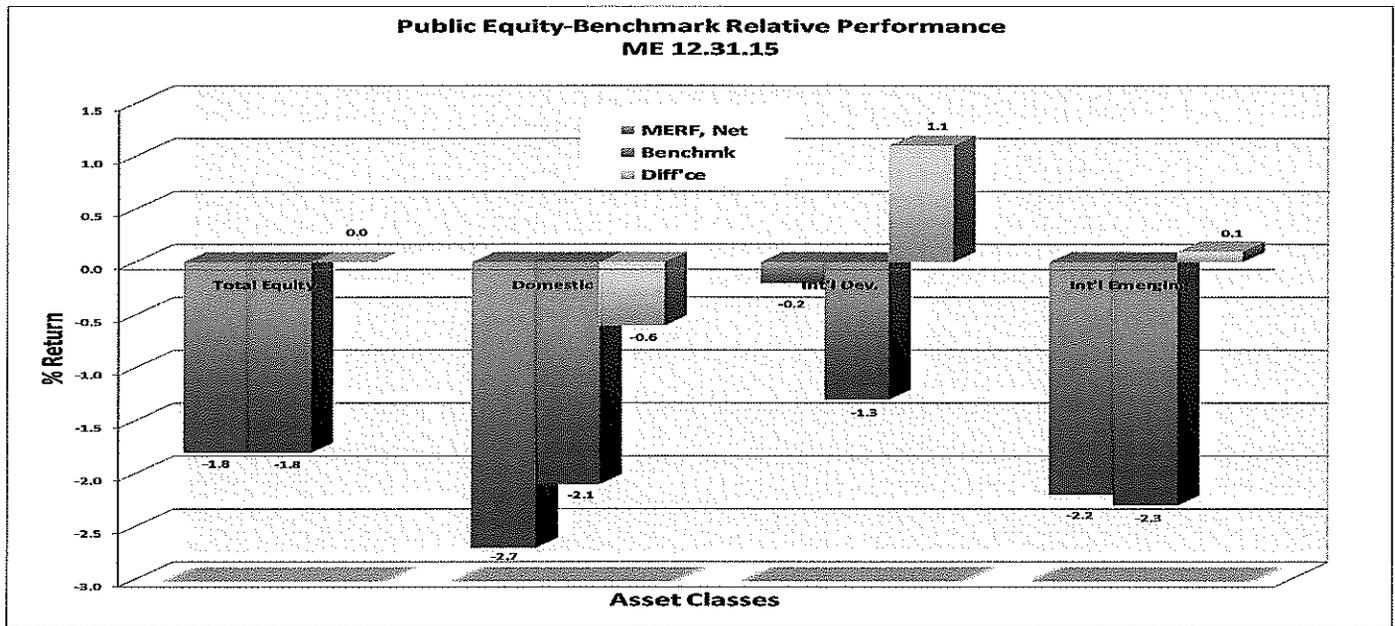
SUBJECT: MERF Investment Portfolio Status, as of December 31, 2015

PERFORMANCE:

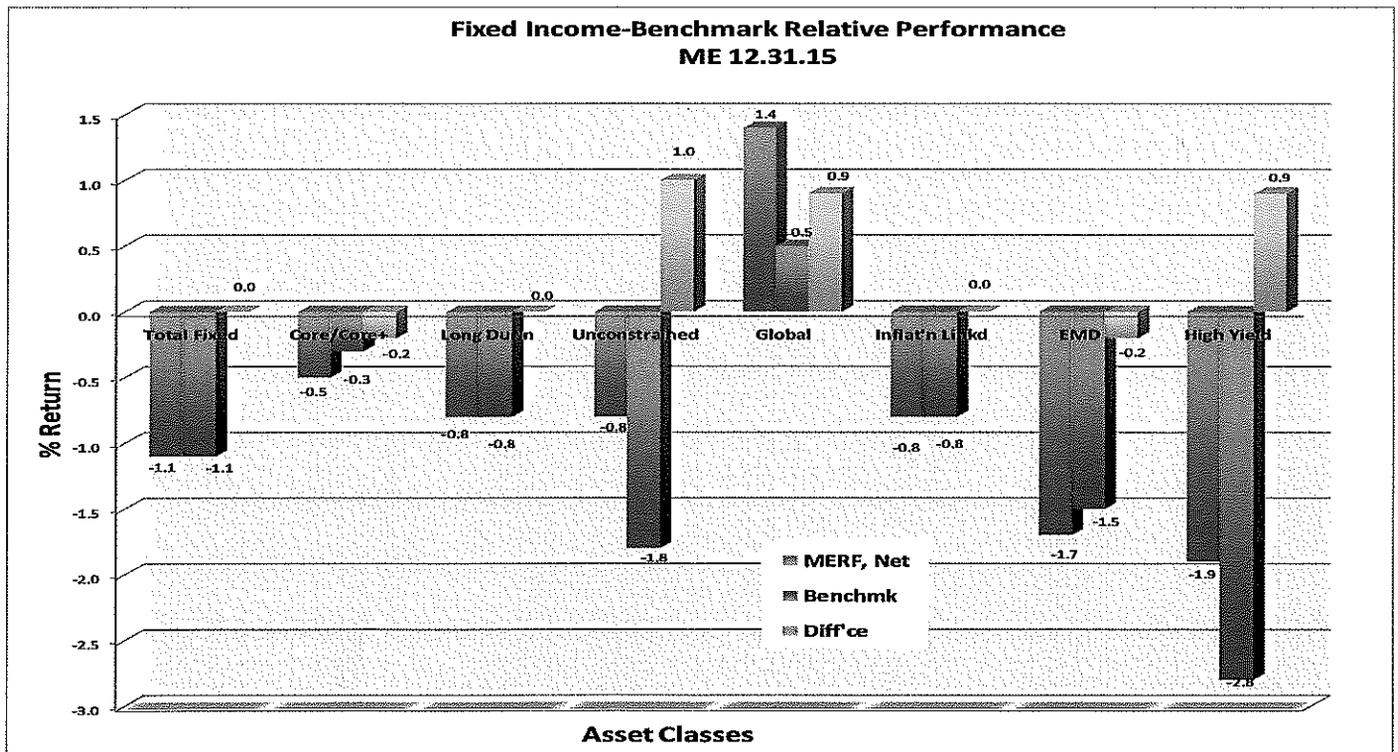
As of December 31, 2015, the MERF's net asset value totaled \$978 million. Total fund performance for the month of December, net of fees, was -1.1%, which outperformed the MERF policy benchmark return of -1.2%, by 10 basis points. The components of monthly performance are illustrated below.



The MERF's public equity portfolio posted a -1.8% net of fees return, for the month, matching the benchmark. International developed and emerging equities outperformed their respective benchmarks for the month, while domestic equities underperformed its benchmark.

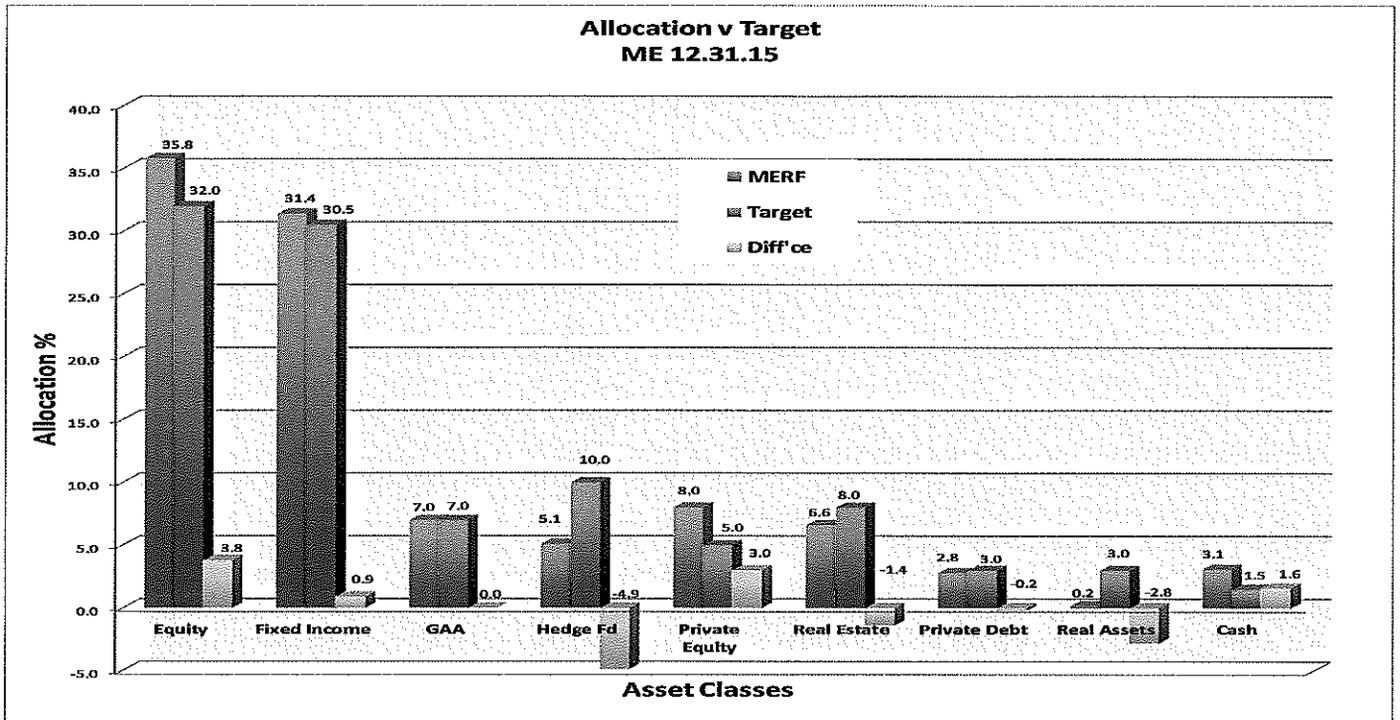


The MERF's overall fixed income performance of -1.1%, net of fees, matched the custom fixed income benchmark. Global bonds did the best, up 1.4% and 90 basis points ahead of its index. On a benchmark relative basis, unconstrained and high yield also performed well.

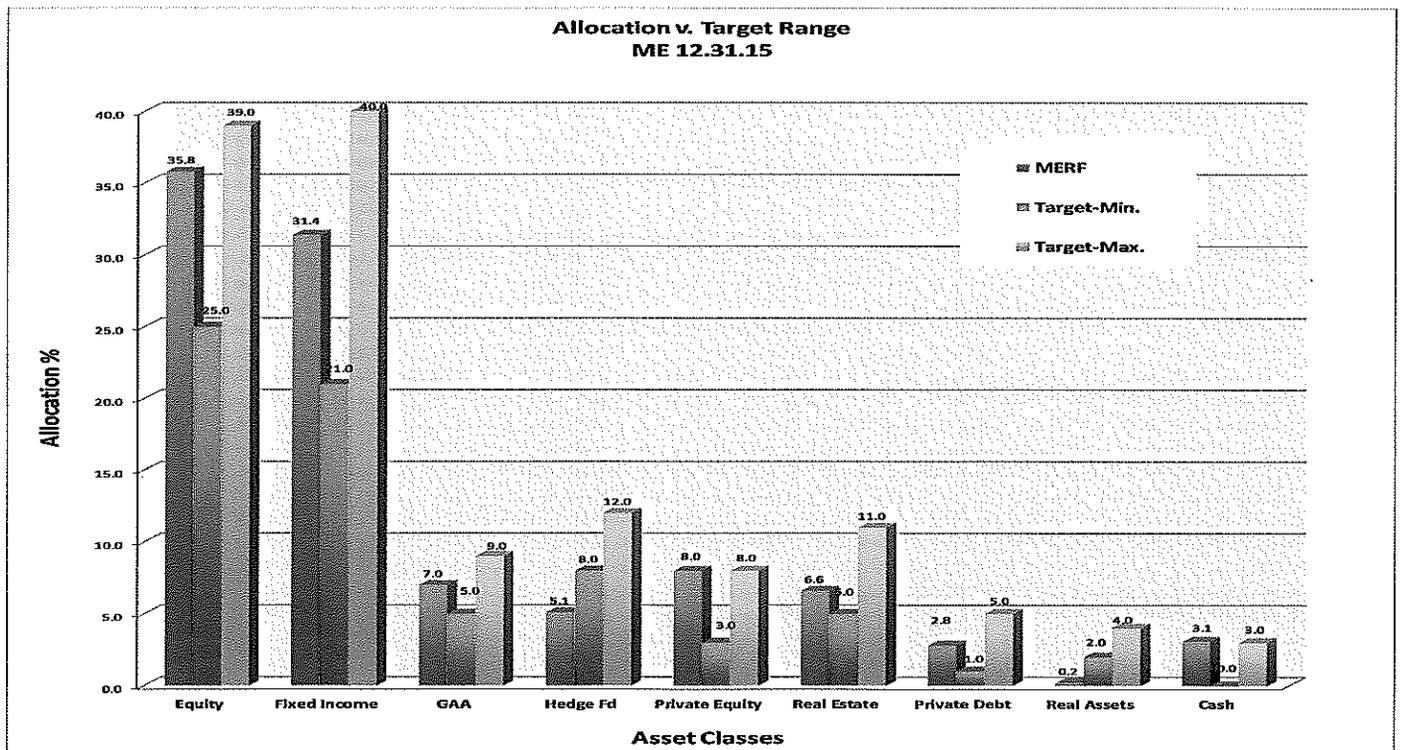


ASSET ALLOCATION:

As of December 2015, the MERF asset allocation weights are or near target levels, with only small differences present, except for hedge funds and real assets as discussed below.



The MERF was within target ranges for all asset classes except planned tactical underweights in hedge funds and real assets.



City of Hartford MERF
 Net of Fees - Final
 Performance Page
 Period Ending December 31, 2015

Annualized

Market Value	% of Total Fund	December	Quarter	Fiscal YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Inception to Date	Inception Date
\$977.5	100.0 %	(1.1) %	2.0 %	(2.5) %	(0.4) %	4.4 %	5.6 %	7.4 %	5.0 %	8.1 %	1/31/1986
		(1.2) %	1.9 %	(3.0) %	(1.7) %	4.2 %	5.6 %	9.0 %	5.5 %	8.0 %	2/28/1990
		(1.0) %	2.4 %	(2.3) %	(0.8) %	5.5 %	5.6 %	8.8 %	6.5 %	8.5 %	9/30/2004
		(1.5) %	3.2 %	(1.4) %	0.3 %	8.3 %	7.8 %	10.2 %	6.2 %	6.8 %	12/31/1996
		(0.0) %	0.3 %	0.8 %	4.2 %	4.5 %	5.0 %	5.2 %	5.4 %	5.6 %	12/31/1996
		(1.1) %	1.4 %	(3.0) %	(2.8) %	3.5 %	3.5 %	—	—	5.2 %	5/31/2009
		(1.4) %	1.8 %	(3.9) %	(3.8) %	4.3 %	4.1 %	—	—	6.8 %	4/30/2009
		(1.2) %	1.9 %	(3.0) %	(1.7) %	3.7 %	3.9 %	—	—	8.9 %	4/30/2009
		0.0 %	0.1 %	0.1 %	0.2 %	0.2 %	0.2 %	0.3 %	1.3 %	1.8 %	10/31/1996
		0.0 %	0.0 %	0.0 %	0.1 %	0.0 %	0.1 %	0.1 %	1.1 %	2.4 %	12/31/1996
		(1.8) %	4.2 %	(6.6) %	(4.2) %	5.5 %	5.4 %	10.3 %	—	2.7 %	2/28/2007
		(1.8) %	4.8 %	(5.7) %	(2.1) %	8.3 %	6.9 %	12.2 %	5.7 %	7.0 %	9/30/2004
		(2.7) %	4.8 %	(4.0) %	(1.4) %	13.0 %	11.0 %	14.4 %	—	5.6 %	2/28/2007
		(2.7) %	6.3 %	(1.4) %	0.5 %	14.7 %	12.2 %	15.0 %	7.4 %	8.0 %	7/31/1996
		(2.4) %	6.0 %	(2.3) %	(0.1) %	14.4 %	11.9 %	15.0 %	7.3 %	7.7 %	12/31/1996
		(2.7) %	4.6 %	(4.2) %	(1.6) %	12.9 %	10.9 %	14.5 %	6.5 %	7.8 %	8/31/1996
		(2.1) %	6.3 %	(1.5) %	0.3 %	—	—	—	—	—	10/31/1997
		(0.9) %	3.4 %	(9.2) %	(7.0) %	(1.0) %	0.6 %	6.7 %	2.7 %	4.8 %	9/30/1997
		(1.6) %	3.9 %	(8.5) %	(3.9) %	2.8 %	2.0 %	9.0 %	3.6 %	4.2 %	7/31/1999
		(0.3) %	5.5 %	(4.0) %	0.7 %	3.6 %	3.8 %	8.5 %	—	1.7 %	2/28/2007
		(2.2) %	(0.7) %	(0.7) %	(17.5) %	(8.0) %	—	—	—	—	2/28/2007
		(1.3) %	2.5 %	(4.1) %	(0.2) %	4.6 %	—	—	—	5.0 %	4/30/2012
		(0.7) %	2.9 %	(1.6) %	(1.4) %	5.0 %	—	—	—	5.0 %	4/30/2012
		(8.6) %	(16.7) %	(32.7) %	(32.8) %	—	—	(8.3) %	—	(43.0) %	8/31/2014
		(8.6) %	(16.6) %	(32.7) %	(32.9) %	(23.7) %	(15.2) %	(8.3) %	(10.6) %	—	—
		(1.1) %	(0.2) %	(1.9) %	(1.7) %	(0.4) %	3.7 %	5.2 %	5.0 %	5.7 %	7/31/1997
		(1.7) %	(0.6) %	(1.2) %	(1.9) %	0.5 %	4.8 %	6.2 %	—	5.7 %	1/31/2007
		(0.3) %	(0.6) %	0.7 %	0.5 %	1.4 %	3.2 %	4.1 %	4.5 %	5.4 %	7/31/1997
		(0.0) %	(0.7) %	(0.6) %	(0.6) %	0.5 %	2.5 %	3.6 %	4.2 %	4.0 %	9/30/2004
		(0.5) %	(0.5) %	0.2 %	0.3 %	1.5 %	3.4 %	4.6 %	3.9 %	5.1 %	7/31/1996
		(0.8) %	(0.2) %	(2.0) %	(4.4) %	(0.6) %	5.4 %	5.8 %	—	7.0 %	3/31/2008
		(0.8) %	(0.8) %	(2.2) %	—	—	—	—	—	(2.2) %	7/31/2015
		1.4 %	(1.4) %	(0.9) %	(3.2) %	(2.5) %	(0.3) %	1.7 %	—	3.5 %	2/28/2007
		(0.8) %	(0.6) %	(1.1) %	(1.1) %	(2.1) %	2.8 %	4.3 %	—	4.5 %	2/28/2007
		(1.7) %	1.5 %	(0.9) %	1.2 %	1.1 %	6.1 %	11.7 %	—	7.4 %	2/28/2007
		(1.9) %	(1.0) %	(5.3) %	(2.2) %	1.7 %	4.3 %	—	—	4.8 %	7/31/2010
		(0.1) %	2.1 %	4.2 %	8.4 %	10.8 %	12.5 %	9.1 %	—	9.3 %	2/28/2007
		0.3 %	2.3 %	0.5 %	4.7 %	8.9 %	8.0 %	8.0 %	—	5.1 %	2/28/2007
		(0.0) %	1.6 %	6.1 %	15.5 %	16.1 %	15.9 %	11.8 %	12.1 %	13.7 %	12/31/2002
		0.5 %	4.5 %	7.8 %	9.5 %	8.2 %	7.3 %	(2.3) %	(3.4) %	(3.7) %	7/31/1998
		0.0 %	2.4 %	5.2 %	4.5 %	10.4 %	—	—	—	10.4 %	1/31/2013
		(0.9) %	(0.2) %	(3.3) %	(1.2) %	—	—	—	—	(0.1) %	5/31/2014
		0.1 %	0.2 %	0.8 %	1.2 %	0.6 %	0.5 %	1.1 %	2.1 %	2.5 %	7/31/1997
		0.0 %	0.0 %	0.0 %	0.7 %	0.0 %	0.1 %	0.1 %	1.1 %	2.4 %	12/31/1996

Cash - Active
 90 Day T-Bills (13)

Alternatives
 Alternatives Benchmark (14)

Private Equity
 Real Estate
 Private Debt
 Hedge Fund

US Core/Core Plus
 Total Long Duration
 Unconstrained Fixed Income
 Global Fixed
 Inflation Linked Composite
 Emerging Mkts Debt
 High Yield

Commodities
 S&P GSCI

Global Asset Allocation
 60 MSCI World 40 Cit WGBI

Intl Equity Developed Mkts
 Intl Emerging Markets

US Public Equity
 Russell 3000 Index
 US Equity Policy-Cap Based

US Public Equity Active
 US Public Equity Passive

International Equity
 Russell Global Ex-US Equity

Global Public Equity
 Comb Equity Wgt'd Benchmark

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US Public Equity Active
 US Public Equity

City of Hartford MERR

Footnotes
Performance Page
Period Ending December 31, 2015

No.	Name
1	Policy Benchmark
2	Total Plan Wgtd Benchmark
3	Policy-Capitalization Based
4	CPI plus 2.5%
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 US Equity Index
11	First Eagle Custom Benchmark
12	Wellington Benchmark
13	Blackrock Benchmark
14	Custom Fixed Benchmark
15	Comb Fixed Wgtd Benchmark
16	Cash Account Short Term Cash

Footnote

July 1, 2015 to Current: 10% Russell 3000, 11% Russell Global ex-US Equity, 5% Barclays Capital Aggregate, 6% MSCI Emerging Markets, 6.5% BC Govt/Credit Long, 6% JPIM EMBI Global, 4% Citigroup HY, 4% BC Global Inflation Linked, US TIPs, 8% NOREIF Property Index, 5% Russell 3000 -300 bps, 3% Credit Suisse Leveraged Loan Index, 10% HFRI Fund of Funds, 7% 50 MSCI World/40% VWSI, 5% LBOA + 5%, 5% Russell 2000, 5% CPI + 4%, 1.5% 91 T-Bill.
 July 1, 2014 to June 2013: 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 Govt/Credit Long, 6% JPIM EMBI Global, 4% Citigroup HY, 4% BC Global Inflation Linked, US TIPs, 8% NOREIF Property Index, 5% Russell 3000 -300 bps, 3% Credit Suisse Leveraged Loan Index, 10% HFRI Fund of Funds, 7% 50 MSCI World/40% VWSI, 5% S&P GSCI Commodity, 1.5% 91 T-Bill.
 June 30, 2014: 18% Russell 3000, 12% Russell Global ex-US Equity, 10% Barclays Capital Aggregate, 9% MSCI Emerging Markets, 3% Barclays Capital Aggregate Global, 9.5% BC Govt/Credit Long, 5% JPIM EMBI Global, 4% Citigroup HY, 5% Barclays Capital Global Inflation Linked, US TIPs, 8% NOREIF Property Index, 5% Russell 3000 + 300 bps, 5% JPIM EMBI Global, 5% BC Global Inflation Linked, US TIPs, 8% NOREIF Property Index, 5% Russell 2000, 5% CPI + 4%, 1.5% 91 T-Bill.
 January 30, 2012 to December 31, 2011: 18% Russell 3000, 12% Russell Global ex-US Equity, 10% Barclays Capital Aggregate, 9% MSCI Emerging Markets, 3% Barclays Capital Aggregate Global, 9.5% BC Govt/Credit Long, 5% JPIM EMBI Global, 4% Citigroup HY, 5% Barclays Capital Global Inflation Linked, US TIPs, 8% NOREIF Property Index, 5% Russell 3000 -300 bps, 5% JPIM EMBI Global, 5% BC Global Inflation Linked, US TIPs, 8% NOREIF Property Index, 5% Russell 2000, 5% CPI + 4%, 1.5% 91 T-Bill.
 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-Bill.
 Prior to October 2007: 33% Russell 3000, 45% Barclays Capital Aggregate, 17% FTSE World Europe & Pacific, 3% Citigroup WGBI Non-US, 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, 40.825% Russell 1000, 9.375% Russell 2000.

CPI data reported with one month lag.

Consists of the Asset Allocation Fund Plus Cash.

Composed of MERR passive portfolios.

From August 1, 2014 to Current: Equals Policy Benchmark. From inception to July 31, 2014: 60% MSCI ACWI Investible Mkt Index, 30% Citigroup World Govt 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.

31.25% Russell 1000, 18.75% Russell 2000.

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

January 2012 to Current: MSCI EAFE Net Dividend. April 2007 to December 2011: 50% EAFE / 50% EAFE Small Cap. Prior to April 2007: MSCI Small Cap Index-300bps.

April 2012 to Current: 65% MSCI All Country World, 35% Barclays US Aggregate Bond Index.

April 2012 to Current: 35% S&P 500, 24% FTSE World EXUS, 24% BofA MLI, 5 Year US Treasury, 16% CR Non USD World Govt Bond

July 2014 to Current: 27.5% Barclays Capital Long Govt/Credit Index, 16.4% Barclays Capital Aggregate Index, 13.1% Barclays Capital US TIPs Index, 9.3% Barclays Central Global Aggregate Un-Hedged Index, 19.7% JP Morgan EMBI Global Index, 13.1% Citigroup High Yield Index.
 January 2012 to June 2014: 26.32% Barclays Capital Long Govt/Credit Index, 25.32% Barclays Capital Aggregate Index, 13.16% Barclays Capital US TIPs Index, 10.55% Barclays Capital Global Aggregate Un-Hedged Index, 13.16% JP Morgan 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, 20.0% Barclays Capital US TIPs Index, 12.4% Barclays Capital Global Aggregate Un-Hedged Index, 10.3% JP Morgan EMBI Global Index, 5.1% Citigroup High Yield Index.

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

Returns may have a variance from the benchmark due to return methodology treatment of high cash flows.

	Market Value	% of Total Fund	December	Quarter	Fiscal YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Inception to Date	Inception Date
	Value	%	%	%	%	%	%	%	%	%	%	%
Total Plan Consolidation	\$977.5	100.0	(1.1)	2.0	(2.5)	(0.4)	4.4	5.6	7.4	5.0	8.1	1/31/1986
Policy Benchmark			(1.2)	1.9	(3.0)	(1.1)	4.2	5.6	9.0	5.5	8.0	2/28/1990
Total Plan Wgtd Benchmark			(1.0)	2.4	(2.3)	(0.8)	5.5	5.6	8.8	5.7	6.5	9/30/2004
Policy-Capitalization Based			(3)	3.2	(1.4)	0.3	8.3	7.8	10.2	6.8	6.2	12/31/1996
CPI plus 3.5%			(4)	3.2	(1.4)	0.3	8.3	7.8	10.2	6.2	6.8	12/31/1996
Liquidity Portfolio	84.0	8.6	(1.1)	1.4	(3.0)	(2.8)	3.5	3.5	—	—	5.2	5/31/2009
Asset Allocation Fund	66.9	6.8	(1.4)	1.8	(3.9)	(3.8)	4.3	4.1	—	—	6.8	4/30/2009
Asset Allocation Benchmark			(7)	1.9	(3.0)	(1.1)	3.7	3.9	—	—	8.9	4/30/2009
Benefits Payment Fund	17.1	1.7	0.0	0.1	0.1	0.2	0.2	0.2	0.3	1.3	1.8	10/31/1996
90 Day T-Bills			0.0	0.0	0.0	0.1	0.0	0.1	0.1	2.4	2.4	12/31/1996
Global Public Equity	350.0	35.8	(1.8)	4.2	(6.6)	(4.2)	5.5	5.4	10.3	2.7	2.7	2/28/2007
Comb Equity Wgtd Benchmark			(8)	4.8	(5.7)	(2.1)	8.3	6.9	12.2	5.7	7.0	9/30/2004
US Public Equity	188.0	19.2	(2.7)	4.8	(4.0)	(1.4)	13.0	11.0	14.4	—	5.6	2/28/2007
Russell 3000 Index			(2.1)	6.3	(1.4)	0.5	14.7	12.2	15.0	7.4	6.4	10/31/1997
US Equity Policy-Cap Based			(8)	8.0	(2.3)	(0.1)	14.4	11.9	15.0	7.3	7.7	12/31/1995
US Public Equity Active	170.8	17.5	(2.7)	4.6	(4.2)	(1.6)	12.9	10.9	14.5	6.5	7.8	8/31/1996
Russell 3000 Index			(2.1)	6.3	(1.4)	0.5	14.7	12.2	15.0	7.4	6.4	10/31/1997
Atlanta Capital Mgmt Large Cap Growth	69.7	6.1	(1.0)	6.1	1.1	2.1	13.8	10.8	14.9	7.6	4.7	5/31/1999
Russell 1000 Growth			(1.5)	7.3	1.6	5.7	16.8	13.5	17.1	8.5	3.7	8/31/1999
Eagle Capital Management Large Cap Value	60.0	6.1	(1.9)	6.0	(1.9)	0.2	15.1	13.1	16.5	9.2	10.4	10/31/2003
Russell 1000 Value			(2.2)	5.6	(3.2)	(3.8)	13.1	11.3	13.0	6.2	8.1	10/31/2003
ING Investment Management Small Cap Growth	22.6	2.3	(4.7)	5.5	(8.0)	(0.9)	13.1	—	—	—	12.7	8/31/2012
Russell 2000 Growth Index			(4.8)	4.3	(9.3)	(1.4)	14.3	—	—	—	14.7	8/31/2012
SouthernSun Asset Management	28.5	2.9	(6.3)	(1.5)	(15.1)	(12.0)	8.2	9.3	—	—	12.8	9/30/2010
Russell 2500 Value Index			(4.6)	2.8	(7.1)	(5.5)	10.5	9.2	—	—	13.3	9/30/2010
US Public Equity Passive	17.2	1.8	(2.1)	6.3	(1.5)	0.3	—	—	—	—	—	10/31/1997
SSGA Russell 3000 Index			(2.1)	6.3	(1.5)	0.3	—	—	—	—	—	10/31/2002
International Equity	161.9	16.6	(0.9)	3.4	(9.2)	(7.0)	(1.0)	0.6	6.7	2.7	4.8	9/30/1997
Russell Global ex U.S. Equity Index			(1.6)	3.9	(6.5)	(3.9)	2.8	2.0	9.0	3.6	4.2	7/31/1999
Intl Equity Developed Mkts	110.0	11.3	(0.3)	5.5	(4.0)	0.7	3.6	3.8	8.5	—	1.7	2/28/2007
Intl Developed Markets Active	102.7	10.5	(0.2)	5.6	(3.8)	0.9	3.7	3.9	8.4	4.1	5.3	6/30/1999
MSCI EAFE Composite			(1.3)	4.7	(5.9)	(0.4)	5.5	4.1	8.3	3.5	4.1	6/30/1999
First Eagle Invest Mgmt Intl All Cap	47.6	4.9	0.2	4.6	(3.2)	2.6	5.4	4.8	8.9	7.0	12.4	10/31/2002
First Eagle Custom Benchmark			(1.3)	4.7	(6.0)	(0.8)	5.0	3.2	9.5	3.3	11.1	10/31/2002
Walter Scott International Ltd Intl Large Growth	55.0	5.6	(0.5)	6.6	(4.4)	(0.5)	2.3	3.1	7.9	—	3.2	5/31/2006
MSCI EAFE Net Dividend			(1.3)	4.7	(6.0)	(0.8)	5.0	3.6	7.8	—	1.7	5/31/2006
Intl Developed Markets Passive	7.3	0.8	(1.8)	3.9	(6.9)	(2.7)	—	—	—	—	—	7/31/2014
SSGA EAFE Index Fund			(1.4)	4.7	(5.9)	(0.5)	—	—	—	—	—	7/31/2014
SSGA Daily MSCI CAD Index	0.5	0.1	(7.0)	(4.9)	(18.3)	(23.6)	—	—	—	—	(22.5)	7/31/2014
Intl Emerging Markets	51.9	5.3	(2.2)	0.6	(17.1)	(17.5)	(8.0)	(4.8)	—	—	—	2/28/2007
MSCI Emerging Net Dividend			(2.3)	0.6	(17.4)	(15.0)	(6.8)	—	—	—	—	1/31/2001
Intl Emerging Active	45.3	4.6	(2.1)	0.6	(17.1)	(17.9)	(8.1)	(5.9)	5.9	2.1	5.6	4/30/2000
MSCI Emerging Net Dividend			(2.3)	0.6	(17.4)	(15.0)	(6.8)	(4.8)	7.5	3.6	8.5	1/31/2001
Woridan Inv Partners - EMIE	23.9	2.4	(2.1)	(0.4)	(19.1)	(17.0)	(9.8)	—	—	—	(3.5)	6/30/2012
Parametric EV	21.4	2.2	(2.1)	(1.4)	(17.3)	(17.0)	(7.0)	—	—	—	(1.8)	6/30/2012
Intl Emerging Passive	6.7	0.7	(2.6)	0.3	(17.3)	(14.6)	—	—	—	—	(16.6)	8/31/2014
SSGA Daily MSCI EM Index			(2.6)	0.3	(17.3)	(14.6)	—	—	—	—	(16.6)	8/31/2014

City of Hartford MIERF
 Net of Fees - Final
 Performance Page
 Period Ending December 31, 2015
 Annualized

	Market Value	% of Total Fund	December %	Quarter %	Fiscal YTD %	1 Year %	3 Years %	5 Years %	7 Years %	10 Years %	Inception to Date %	Inception Date
Total Fixed Income	\$305.6	31.4	(1.1)	(0.2)	(1.9)	(1.7)	(0.1)	3.7	5.2	5.0	5.7	7/31/1997
Custom Fixed Benchmark	(1.4)		(1.1)	(0.6)	(1.2)	(1.9)	0.5	4.8	6.2	—	5.7	1/31/2007
Barclays Capital Aggregate Bond			(0.3)	(0.6)	0.7	0.5	1.4	3.2	4.1	4.5	5.4	7/31/1997
Comb Fixed Income Wldd Bnk	(19)		(0.0)	(0.7)	(0.6)	(0.6)	0.5	2.5	3.6	4.2	4.0	9/30/2004
US Core/Core Plus	53.7	5.5	(0.5)	(0.6)	0.2	0.3	1.5	3.4	4.6	3.9	5.1	7/31/1996
Barclays Capital Aggregate Bond			(0.3)	(0.6)	0.7	0.5	1.4	3.2	4.1	4.5	5.4	12/31/1996
US Core/Core Plus Fixed Income Active	43.6	4.5	(0.6)	(0.5)	0.1	0.3	1.8	3.9	5.8	4.2	5.4	7/31/1996
AETNA (AD) GICS	0.4	0.0	0.2	0.8	1.8	3.5	3.6	5.2	5.2	5.5	5.6	8/31/1996
Barclays Capital Aggregate Bond			(0.3)	(0.6)	0.7	0.5	1.4	3.2	4.1	4.5	5.4	12/31/1996
Columbia Asset Management Co.	0.6	0.1	0.1	1.8	0.6	4.4	7.6	8.9	13.9	7.4	7.2	1/31/1992
Barclays Capital Aggregate Bond			(0.3)	(0.6)	0.7	0.5	1.4	3.2	4.1	4.5	5.4	12/31/1996
HIMCO Core Plus Fixed Income	42.5	4.4	(0.6)	(0.6)	0.1	0.2	1.7	3.9	5.6	4.7	4.8	10/31/2002
Barclays Capital Aggregate Bond			(0.3)	(0.6)	0.7	0.5	1.4	3.2	4.1	4.5	4.3	10/31/2002
US Core/Core Plus Passive	10.1	1.0	(0.3)	(0.6)	0.6	0.5	1.2	2.2	2.4	3.0	4.3	5/31/1998
Barclays Capital Aggregate Bond			(0.3)	(0.6)	0.7	0.5	1.4	3.2	4.1	4.5	5.2	5/31/1998
SSGA Barclays Agg. IDX AAF	10.1	1.0	(0.3)	(0.6)	0.6	0.5	1.3	—	—	—	2.9	5/31/2011
Barclays Capital Aggregate Bond			(0.3)	(0.6)	0.7	0.5	1.4	—	—	—	3.1	5/31/2011
Total Long Duration	60.8	6.2	(0.8)	(0.2)	(2.0)	(4.4)	(0.6)	5.4	5.8	—	7.0	3/31/2008
Barclays Capital Long Govt/Credit			(0.8)	(0.9)	1.2	(3.3)	1.7	7.0	6.7	—	7.0	3/31/2008
Long Duration Active	55.0	5.6	(0.8)	(0.1)	(2.3)	(4.6)	(0.7)	5.3	5.9	—	7.3	6/30/2008
PIMCO Long Duration Fixed			(0.8)	(0.1)	(2.3)	(4.6)	(0.7)	5.3	5.4	—	6.8	6/30/2008
Barclays Capital Long Govt/Credit			(0.8)	(0.9)	1.2	(3.3)	1.7	7.0	6.7	—	7.5	6/30/2008
Long Duration Passive	5.8	0.6	(0.8)	(0.9)	1.3	(3.1)	0.2	6.4	4.2	—	6.2	3/31/2008
SSGA Long US Govt/Credit			(0.8)	(0.9)	1.3	(3.1)	—	—	—	—	2.1	8/31/2014
Barclays Capital Long Govt/Credit			(0.8)	(0.9)	1.2	(3.3)	1.7	7.0	6.7	—	7.0	3/31/2008
Unconstrained Fixed Income	44.1	4.5	(0.8)	(0.8)	(2.2)	—	—	—	—	—	(2.2)	7/31/2015
Loomis Sayles Strategic Alpha			(0.8)	(0.8)	(2.2)	—	—	—	—	—	(2.2)	7/31/2015
Libor plus 3%	44.1	4.5	(1.8)	(1.8)	(4.6)	—	—	—	—	—	(4.6)	7/31/2015
Global Fixed	3.0	0.3	1.4	(1.4)	(0.9)	(3.2)	(2.5)	(0.3)	1.7	—	3.5	2/28/2007
Barclays Capital Aggregate Global Un-Hedged			0.5	(0.9)	(0.1)	(3.2)	(1.7)	0.9	2.4	—	3.6	2/28/2007
Global Fixed - Passive	3.0	0.3	1.4	(1.4)	0.2	(5.7)	—	—	—	—	—	6/30/2000
SSGA World Government Bond AAF			1.4	(1.4)	0.2	(5.7)	—	—	—	—	—	6/30/2000
Inflation Linked Composite	39.5	4.0	(0.8)	(0.6)	(1.7)	(1.1)	(2.1)	2.8	4.3	—	4.5	2/28/2007
Barclays Capital Treasury US TIPS Index			(0.8)	(0.6)	(1.7)	(1.1)	(2.1)	2.5	4.3	—	3.9	4/30/2005
Brown Brothers Harriman & Co. TIPS			(0.8)	(0.6)	(1.7)	(1.1)	(2.1)	2.8	4.3	—	4.0	4/30/2005
SSGA US TIPS Index			(0.8)	(0.7)	(1.7)	(1.5)	—	—	—	—	(2.6)	8/31/2014
Emerging Mkts Debt	64.8	6.6	(1.7)	1.5	(0.9)	1.2	1.1	6.1	11.7	—	7.4	2/28/2007
JPM EMBI Global			(1.5)	1.5	(0.5)	1.2	(0.1)	5.7	9.1	—	7.0	8/31/2005
Prudential Emerging Markets Debt			(1.6)	1.6	(0.4)	2.2	1.7	6.5	12.0	—	8.5	8/31/2005
SSGA Passive EMI Loc Curr			(2.3)	(0.2)	(10.9)	(15.5)	—	—	—	—	(17.7)	8/31/2014
High Yield	40.7	4.2	(1.9)	(1.0)	(5.3)	(2.2)	1.7	4.3	—	—	4.8	7/31/2010
Citigroup High Yield Market Index			(1.9)	(1.0)	(5.3)	(2.2)	1.7	4.3	—	—	4.8	7/31/2010
Shenckman Capital			(2.8)	(2.5)	(7.9)	(5.6)	1.0	4.6	—	—	6.0	7/31/2010
SSGA High Yield Bond			(1.9)	(0.9)	(5.2)	(2.0)	1.7	4.3	—	—	4.8	7/31/2010
Cash - Active	30.6	3.1	0.1	0.2	0.8	1.2	0.6	0.5	1.1	2.1	2.5	7/31/1997
U.S. Treasury 3 Month T-bills	(17)		0.0	0.0	0.0	0.1	0.0	0.1	0.1	1.1	2.4	7/31/1996



CITY OF HARTFORD

PENSION COMMISSION

MEMORANDUM

To: Pension Commission
amc
From: Adam M. Cloud, Secretary
Date: January 20, 2016
Subject: **Private Equity Consultant**

- 2016 Private Equity Investment Plan
- Vista Equity Partners Fund VI, L.P. Recommendation

Attached for your review is a presentation booklet prepared by Pension Consulting Alliance ("PCA"), the MERF's private equity consultant, containing the 2016 Investment Plan for discussion at our meeting on Friday. PCA's representative will attend the Pension Commission meeting on January 29, 2016 to discuss this report with you and receive the benefit of your thinking.

PCA will also discuss its recommendation on Vista Equity Partners Fund VI, L.P. My recommendation on this fund is enclosed.

CITY OF HARTFORD

MEMORANDUM

TO: Pension Commission

FROM: *AME*
Adam M. Cloud, Secretary

DATE: January 20, 2016

SUBJECT: Consideration of Recommendation Regarding Investment in Vista Equity Partners VI, L.P.

Attached please find a report from Pension Consulting Alliance, Inc. ("PCA"), the MERF's private equity consultant, recommending that the MERF commit to invest up to \$8 million in Vista Equity Partners VI, L.P. ("VEP VI" or the "Fund").

Vista Equity Partners ("Vista"), the General Partner of VEP VI, is a minority-owned private equity firm headquartered in Austin, Texas with offices in San Francisco and Chicago. The MERF has existing commitments to Vista Equity Partners IV, L.P. ("VEP IV") of \$10 million and Vista Equity Partners V, L.P. ("VEP V") of \$5 million.

Through September 2015, these funds have invested \$12.2 million of capital on behalf of the MERF and generated a 21.2% net IRR and a 1.5 times multiple of invested capital. While these funds are significantly unrealized, they appear to be performing well and in line with expectations. Both are rated as top quartile funds among their respective peer universes.

VEP VI will continue on with Vista's successful strategy of making control oriented investments in enterprise software technology companies using proactive deal sourcing. It should be noted that NEPC, the MERF's general consultant, is recommending the Fund to its private equity clients.

Based on the work of PCA and Vista's track record, staff and I recommend that you approve the above noted recommendation and that I be authorized, subject to final due diligence on the legal and business terms of the VEP VI partnership agreement, to execute this investment commitment.



CITY OF HARTFORD

PENSION COMMISSION

MEMORANDUM

To: Pension Commission
From: *AMC*
Adam M. Cloud, Secretary
Date: January 20, 2016
Subject: **Real Assets – Energy Recommendation**

Please review the enclosed recommendation regarding energy-related investment opportunities for the MERF's real assets asset class.



CITY OF HARTFORD

OFFICE OF THE CITY TREASURER

ADAM M. CLOUD
CITY TREASURER

MEMORANDUM

TO: Pension Commission
AMC
FROM: Adam M. Cloud, Secretary
DATE: January 21, 2016
SUBJECT: Real Assets Recommendation

The purpose of this memorandum is to recommend that you approve the MERF's commitment of \$10 million and \$5 million, to MTP Energy Opportunities Fund II, LLC (General Partner is Magnetar Capital, LLC) and Riverstone Credit Partners, LP (General Partner is Riverstone Holdings, LLC), respectively, as the MERF's first investments in its real asset mandate. As you are aware, both of these funds focus on energy related investing.

This recommendation is based on our interviews with the finalist candidates for this mandate and on the related materials presented by NEPC. MERF investment staff concurs with my recommendation, as does NEPC.

Accordingly, I request that the Pension Commission approve this recommendation and authorize me, subject to final due diligence on the legal and business terms of the related partnership agreements, to execute the necessary documents to implement these commitments. I look forward to discussing this recommendation with you.



NEPC, LLC

To: City of Hartford
From: NEPC
Date: January 21, 2016
Subject: Pros vs. Cons of Commitment Combinations For Real Assets

Introduction:

The purpose of this memo is to provide the City of Hartford with a summary of the potential positives and negatives of committing its 2016 Real Assets allocation to a combination of Riverstone Credit Partners ("Riverstone Credit"), Riverstone Global Energy Power Fund VI ("Riverstone Equity"), and Magnetar Energy Opportunities Fund II (Magnetar Credit"). In this evaluation, NEPC has provided the "risk" level for each combination (conservative, neutral, or aggressive) for consideration.

As background, NEPC recommended committing \$20 million in total across two funds. NEPC has provided an updated estimate of the expected close for each of the Funds:

Riverstone Credit – April 1st to 15th
Riverstone Equity – February 20th
Magnetar Credit – March 31st

Riverstone Credit & Magnetar Credit

Risk Profile: Conservative

Pros

- ! Allocation will be heavily weighted towards more senior debt positions which will provide higher current income with more defensive positioning; most conservative approach of the stated options
- ! Quicker investment period and life cycle as credit funds have a fixed duration that is shorter than a typical equity holding period

Cons

- ! Potential for less upside participation in a recovery due to lower equity exposure
- ! Investments will mostly be made into existing companies so less exposure to newly formed entities with clean balance sheets
- ! Potential overlap in positions; not necessarily by security but by underlying assets (multiple companies can have ownership stakes in the same asset base)



Riverstone Credit & Riverstone Equity:

Risk Profile: Neutral

Pros

- ! The firm has generated consistent results in past funds; The combination of the two funds potentially provides more diversification by region and energy sub-sector than the other options
- ! Streamlined relationship with one investment company as opposed to two; The two different teams are aligned in their thinking on the market and can share information or prospective deals, as appropriate
- ! Complementary capital structure positioning

Cons

- ! Riverstone Equity is targeting to raise a large amount of capital, relative to the other finalists, resulting in a potentially higher hurdle for the fund to achieve its target return
- ! Longer funding period and total fund term for Riverstone Equity
- ! Equity team will be spending time with existing portfolio companies that need to be managed through downturn

Riverstone Equity & Magnetar Credit:

Risk Profile: Neutral to Aggressive

Pros

- ! Higher upside potential because of higher equity concentration; most opportunistic approach towards the market opportunity providing highest return potential with the highest risk profile

Cons

- ! Riverstone Equity is targeting to raise a large amount of capital, relative to the other finalists, resulting in a potentially higher hurdle for the fund to achieve its target return
- ! Less income due to a higher equity concentration because of Magnetar equity positions
- ! Both funds will leverage similar sourcing channels and there is a potential for overlap in investments at the corporate level



CITY OF HARTFORD
PENSION COMMISSION

MEMORANDUM

To: Pension Commission
From: 
Adam M. Cloud, Secretary
Date: January 20, 2016
Subject: **Report on Annual Performance Review Meetings**

Attached for your review are the reports on our recent annual performance review meetings with the following managers.

- Atlanta Capital Management
- Eagle Capital Management
- Prudential Investment Management
- SouthernSun Asset Management

**CITY TREASURER'S OFFICE
INTERNAL MEMORANDUM**

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

From: Gary B. Draghi, Director of Investments *SBD*
P. Wayne Moore, Assistant Director of Investments *pm*
J. Sean Antoine, Principal Administrative Analyst *jsa*

Date: January 11, 2016

Re: Report on Annual Performance Review Meeting with Atlanta Capital Management

The Pension Commission held an annual performance review meeting on Thursday, December 3, 2015, with Atlanta Capital Management ("Atlanta"), a large cap growth equity manager for the MERF. Atlanta was represented by Peggy Taylor, CFA, Investment Specialist and Principal and Joe Hudepohl, CFA, Managing Director and Principal.

Ms. Taylor thanked the Commission for its business and confidence in Atlanta over the last 16 years of managing money for the MERF. Ms. Taylor gave a brief overview of the firm's current status, and introduced her colleague, Joe Hudepohl.

Ms. Taylor recapped the Commission's concerns from the previous annual performance review meeting on December 9, 2014. She then related Atlanta's understanding that the Commission was concerned with Atlanta's investment performance, which has fallen short of that of the Russell 1000 Growth Index over the last several years, and the portfolio's low peer group ranking.

Ms. Taylor discussed Atlanta's investment philosophy and approach. She noted that Atlanta seeks to invest in companies with a demonstrated history of consistent growth and stability in earnings, highlighting Atlanta's belief that such companies will generate superior long-term risk-adjusted returns. She stated that, given the long-term standard regarding these high quality companies, it is essential to judge performance over a full market cycle.

Mr. Hudepohl discussed Atlanta's performance, reporting that Atlanta's underperformance remains due to its consistent implementation of its high quality style, which has persistently underperformed as stimulative economic policies have favored lower quality issues. He pointed to continued low interest rates as a key feature of the environment which has undermined the expected advantage of high quality stocks.

More recently, Mr. Hudepohl added, investors have crowded into a narrow list of stocks, making them very expensive. Mr. Hudepohl then discussed his outlook stating that the present environment represents an attractive entry point for high quality large cap growth stocks.

Ms. Taylor discussed Atlanta's more recent performance, noting that in June 2015, Atlanta completed changes to the portfolio management team to improve performance. She added that, during the negative return months of August, September and December, the portfolio had outperformed its benchmark and provided the expected downside protection to the MERF.

Mr. Hudepohl went on to add that the style has featured solid returns in up markets and downside protection in declining markets. He stated that, given the current market environment, it was not the time to get aggressive but to instead prepare for the resurgence of the high quality large cap growth approach. Mr. Hudepohl then cited several reasons for his opinion.

In closing, Ms. Taylor thanked the Commission for its business and continued confidence in Atlanta.

**CITY TREASURER'S OFFICE
INTERNAL MEMORANDUM**

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

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

Date: January 7, 2016

Re: Report on Annual Performance Review Meeting with Eagle
Capital Management

The Pension Commission held an annual performance review meeting with Eagle Capital Management ("Eagle"), a fundamental large cap value equities manager for the MERF, on Tuesday, January 5, 2016. Present from Eagle was John Holman, Managing Director.

Treasurer Cloud began the meeting by welcoming Mr. Holman and expressing the MERF's condolences regarding the recent death of Elizabeth Curry, Co-founder of Eagle.

Mr. Holman thanked the Commission and Treasurer for their continued business and confidence in the firm and for their thoughts with regard to Ms. Curry. He then went on to explain that, due to concerns about her health, Ms. Curry's responsibilities had been transferred over time to other professionals within the firm and that she had not had any day-to-day operating responsibilities at the time of her passing. He also noted that Mr. Ravenal Curry, co-Founder, would now become the majority owner of Eagle (51%+), but that there would be no other changes to the ownership structure of the firm as the result of his wife's death. He stated that Eagle will have 10 owners, consisting of each investment professional, Mr. Curry and 3 owners from the client service team.

Mr. Holman then provided a brief overview of the firm's structure and its staff, stating that the firm continues to seek improvement in all aspects of its business. He noted that the firm manages only one investment strategy, which has low turnover and a concentrated number of holdings (25-35 stocks). Mr. Holman

also noted that, aside from Ms. Curry and one client service staffer, the employees at the firm were unchanged since last year's meeting.

In response to a question regarding the key man risk associated with Mr. Curry, Mr. Holman stated that Mr. Curry had no plans to retire. Mr. Holman then described a general framework succession plan that would govern the firm in the case of Mr. Curry's absence for any reason. Discussion ensued.

In reviewing performance over the last year, Mr. Holman stated that Eagle continues to achieve superior investment returns in both up and down markets, using its bottom-up, research-driven approach to find undervalued companies that will experience long-term positive secular change. He noted that by identifying change early, ahead of the general market, Eagle has been able to minimize risk and maximize upside potential.

Mr. Holman reported on the performance of the MERF portfolio for the year ended December 31, 2015, stating that the portfolio returned 1.01% gross of fees, outperforming its benchmark, the Russell 1000 Value Index, by 383 basis points. He noted that the outperformance was attributable to stock selection within the technology and consumer staples sectors.

Mr. Holman closed by thanking the Treasurer and Commission for their continued business and confidence in the firm.

**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 *PW Moore*
J. Sean Antoine, Principal Administrative Analyst *JA*

Date: January 7, 2016

Re: Report on Annual Performance Review Meeting with Prudential Investment Management Co.

The Pension Commission held an annual performance review with Prudential Investment Management, Inc. (Prudential), an emerging market debt manager for the MERF, on Thursday, December 10, 2015. Present from Prudential were Mariusz Banasiak, CFA, Principal; Jeffrey Alt, CFA, Principal and Antonio Casale, Senior Analyst.

Mr. Alt introduced Mr. Casale as the MERF's new day-to-day account contact. Mr. Casale then gave a brief overview of the firm and an update of its activities over the past year. He noted that the firm was very stable, incurring no significant client losses over the last year and that there were no personnel changes that impacted the investment team managing the MERF's portfolio. One notable change reported was the promotion of Michael Lillard to the position of Head of Fixed Income.

Mr. Banasiak reported that for the one year period ended October 31, 2015, the Prudential portfolio returned 4.05% gross of fees, outperforming the benchmark return of 2.66%, by 139 bps.

Mr. Banasiak then provided an overview of the investment philosophy and process. He stated that Prudential develops an overall strategic risk budget for each client portfolio reflecting the client's long-term objectives and risk parameters. Prudential also develops a tactical risk budget that permits it to incorporate its day-to-day views of market risk tolerances and opportunities within the broader strategic risk budget.

Mr. Alt added that Prudential strives to be regarded as a premier active global fixed income manager and seeks to provide consistent, superior risk-adjusted returns and top quality service to its clients. Lastly, he mentioned that Prudential's mission statement reiterates the focus on its clients, their investment performance and their business as a whole. Discussion ensued.

Mr. Banasiak added that Prudential's investment approach seeks to add value primarily through research-based country allocation, security selection and, to a lesser extent, yield curve management. Mr. Banasiak noted that Prudential's approach is duration-neutral and that its Emerging Markets Team's yield curve decisions are largely a function of Prudential's assessment of the global appetite for risk, the first step in its investment process. He stated that when Prudential interprets that the global appetite for risk is positive (i.e. global investors appear willing to assume more risk), it implements a more aggressive yield curve positioning.

In response to a question regarding how Prudential evaluates the global appetite for risk and then expresses it in the portfolio, Mr. Banasiak stated that Prudential was continuously assessing whether investors are increasing or decreasing risk in their portfolios noting the yield required by investors to compensate for credit/market risk changes over time.

Mr. Banasiak gave an overview of Prudential's current global economic outlook noting that its approach to emerging markets was selective, at best, and that it sees value in select hard currency bonds, particularly from commodity importing countries as well as in a few select exporters such as Argentina, Russia and Kazakhstan. Lastly, he noted that Prudential preferred sovereigns to corporates, although certain corporates were attractive, and that it was maintaining long duration in local currency bonds since their yields were near decade highs.

Mr. Casale closed by thanking the Secretary and Commission for their continued business and confidence in the firm and he expressed that he looks forward to working with the MERF team.

**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 *P. Moore*
J. Sean Antoine, Principal Administrative Analyst *JS*

Date: January 8, 2016

Re: Report on Annual Performance Review Meeting with SouthernSun
Asset Management

The Pension Commission held an annual performance review meeting on Thursday, November 19, 2015, with SouthernSun Asset Management ("SouthernSun"), a small to mid-cap value equity manager for the MERF. Present for SouthernSun was Richard Friary, Portfolio Specialist and Tucker Davis, Senior Associate.

Mr. Davis began the meeting by introducing himself and his colleague Mr. Friary. He then updated the group on the firm and discussed the firm's relationship with Affiliated Management Group ("AMG"). Mr. Davis stated that, while AMG has held an ownership interest in SouthernSun since March 2014, the team continues to exercise full control over day-to-day operations, including control over SouthernSun's investment philosophy and process. He added that the agreement with AMG includes long-term retention contracts for SouthernSun's management team and that Michael Cook, the firm's original founder continues to own the largest percentage of the internally held shares of the company.

Mr. Friary then described SouthernSun's investment process and philosophy. He stated that SouthernSun is a bottom-up, research-driven firm which invests in a concentrated portfolio of stocks issued by niche-dominant, attractively-valued companies with financial flexibility and strong management teams. He stated that the firm seeks companies whose dominance in niche markets, financial strength and management adaptability are being misjudged by the markets. Discussion ensued.

Mr. Friary reported that, despite its long term out performance, the portfolio managed SouthernSun returned -12.59%, gross of fees, for the one year ending September 30, 2015, underperforming the Russell 2500 Value Index return of -2.44%, by 1015 basis points. Mr. Friary stated that while security selection was positive for the period and partially helped to offset the underperformance, the

portfolio's exposure to healthcare and overweight to the durable goods sector detracted from performance. Discussion ensued.

In response to a question regarding idea generation and how long it takes to get an investment idea into the portfolio, Mr. Friary stated that it sometimes would take up to a year to add a new idea. He then noted that the positions in the portfolio have an average holding period of seven years.

In response to a question regarding the risk controls in the portfolio and firm, Mr. Friary stated that SouthernSun is a firm that makes sure that every management team member is involved with the investment process. He noted that this creates an environment of trust amongst the group as they perform due diligence checks on investments.

In response to a question regarding the growth exposure in the portfolio, Mr. Friary stated that SouthernSun's discretionary cash flow focus may lead the firm to invest in attractive securities that could be considered growth stocks by some investors. Discussion ensued

In closing, Mr. Friary thanked the Commission for its continued business.



CITY OF HARTFORD

PENSION COMMISSION

MEMORANDUM

To: Pension Commission
From: 
Adam M. Cloud, Secretary
Date: January 20, 2016
Subject: **Other Business**