

**City of Hartford Pension Commission**  
License and Inspections Conference Room  
260 Constitution Plaza  
Hartford, Connecticut  
Tuesday, September 27, 2016  
9:00 a.m.

**AGENDA**

**INVESTMENT PROGRAM**

- I. Review of Meeting Minutes
  - Minutes of July 29, 2016
- II. Status of the MERF Portfolio
  - Inventory of Assets as of July 31, 2016 and August 31, 2016
  - MERF's Overall Performance
- III. General Consultant:
  - Asset/Liability study
  - Second quarter performance results:
    - Real estate
    - Private debt
- IV. Report on Annual Performance Review Meetings
  - Brown Brothers Harriman
  - Mondrian Investment Partners
  - Shenkman
  - BlackRock
- V. Consideration of Proposed Schedule of Annual Performance Review Meetings with Investment Managers for FY 2016-2017
- VI. Other Business
  - Batterson Park Update



**CITY OF HARTFORD**  
PENSION COMMISSION

MEMORANDUM

**To:** Pension Commission  
**From:** *AMC*  
Adam M. Cloud, Secretary  
**Date:** September 19, 2016  
**Subject:** **Review of Minutes from the Meetings of July 29, 2016**

Enclosed for your review are the minutes of the investment portion of the Pension Commission meeting of Friday, July 29, 2016.

**City of Hartford Pension Commission  
City Conference Room  
260 Constitution Plaza  
Hartford, CT 06103  
Friday, July 29, 2016  
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; Donna Parker, Plan Administrator and Wendy Bond, Assistant Plan Administrator

**STAFF EXCUSED:** J. Sean Antoine, Principal Administrative Analyst

**OTHERS PRESENT:** Darrell Hill, Finance Director; Lisa Silvestri, Assistant Corp. Council; Terry Williams, Senior Administrative Assistant; Chelsea Mott, Accountant; Tad Fergusson, Managing Director, Pension Consulting Alliance, the MERF's private equity consultant and Kristin Finney-Cooke and William Forde, both from NEPC, the MERF's general consultant.

**I. Review of Minutes as of June 24, 2016**

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

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

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## **II. Status of the MERF Portfolio as of June 30, 2016**

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 June 30, 2016, the MERF portfolio had a market value of \$990 million and had generated a 0.6% net of fees return for the month, outperforming the benchmark return by 10 basis points.

Mr. Moore then reported that the MERF's equity portfolio posted a flat return for the month outperforming the custom benchmark return of -0.9%, by 90 basis points. He also reported that the MERF's international developed and emerging markets equities portfolios both posted positive returns for the month.

Mr. Moore went on to report that the MERF's fixed income portfolio posted a 2.3% net return for the month, lagging its benchmark return by 100 basis points. Discussion ensued.

With regard to alternative investments, Mr. Moore noted that the MERF's real estate and real assets portfolios posted positive returns though only real assets outperformed its benchmark. Discussion ensued.

Mr. Moore concluded by discussing the MERF's asset allocation in terms of its asset class targets and target ranges.

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

## **III. Update from the MERF's General Investment Consultant**

### Asset/Liability Study Update

Chairman Stevens introduced the item. Secretary Cloud asked Kristin Finney-Cooke of NEPC, the MERF's general consultant, to report to the Commission. Ms. Finney-Cooke began by reminding the Commission that NEPC's asset-liability study presentation was planned for the September Pension Commission meeting. She noted that her colleague Bill Nelson, NEPC's head of asset allocation, would attend and lead the discussion. She then went on to provide a review of MERF's current allocation and policy targets before moving on to discuss additional asset mixes that would be presented for consideration in September. She highlighted opportunistic credit as a potential new area of focus within the fixed income portfolio. In response to questions from the Commissioners, Ms. Finney-Cooke noted that the study results would consider the MERF's liabilities and a variety of cash flow scenarios. Discussion ensued.

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

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### Second Quarter Performance Review

Ms. Finney-Cooke continued presenting a summary of MERF performance for the quarter ended June 30. She then introduced her colleague Will Forde. Mr. Forde provided a brief market update for the quarter including a discussion of NEPC's view on the economic impact of Brexit. He then discussed the MERF's second quarter performance and its asset class allocation weights relative to MERF policy targets. He highlighted the MERF's 2.3% return noting it ranked in the 19<sup>th</sup> percentile relative to its peer group. Mr. Forde then discussed the MERF's fiscal year ended June 30, 2016 performance, stating that, despite low absolute returns, it ranked in the top quartile of its peer universe. Discussion ensued.

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

### Large Cap Growth Managers Search Review

Ms. Finney-Cooke discussed the recently held interviews with large capitalization domestic growth equity candidates. She then described additional analyses that NEPC performed regarding correlations and fees for certain firm combinations. Secretary Cloud then stated that, based on the interviews held and the results of the original and additional analyses provided by NEPC, he was recommending the MERF hire Holland Capital Management ("Holland") and Edgewood Management ("Edgewood") to split the MERF's allocation to this mandate. Holland and Edgewood would replace Atlanta Capital Management who was to be terminated. Secretary Cloud noted that NEPC and investment unit staff supported his recommendation. Discussion ensued.

**A motion was made, seconded and unanimously adopted to authorize the Secretary to hire Holland and Edgewood to manage equal portions of the MERF's allocation to large capitalization domestic growth equity and to terminate Atlanta. The hiring of Holland and Edgewood is subject to the successful negotiation of contract terms.**

## **IV. Private Equity Consultant - Semi-annual Performance Report**

Chairman Stevens introduced the item. Secretary Cloud asked the representative from Pension Consulting Alliance ("PCA"), the MERF's private equity consultant, to report to the Commission. Tad Fergusson, Managing Director, provided a broad summary of the program noting that, as of December 31, 2015, the MERF's private equity portfolio had \$138.5 million committed for investment across seventeen active partnerships and had a market value of \$80 million.

With regard to performance, Mr. Fergusson reported that the program had generated a very strong since inception IRR of 12.4%, net of fees and a multiple of invested capital of

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1.5 times. He also reported that the program outperformed its policy benchmark, the Russell 3000 Index plus 300 basis points, over the latest one-year, ten-year and since inception time periods. Mr. Fergusson went on to note the portfolio had underperformed its benchmark over the latest three and five-year periods despite strong annualized returns of 15.4% and 13.5%, respectively, for those periods. He attributed this outcome to exceptionally strong public equity market performance.

Lastly, Mr. Ferguson reported on the underlying exposures in the MERF's private equity portfolio. He summarized by noting that the program continued to be cash flow positive and well diversified by investment type, sector, geography, industry, and vintage year. Discussion ensued.

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

**V. Other Business**

Chairman Stevens introduced the item. Secretary Cloud asked the investment unit to report. Mr. Moore reported on the MERF's securities lending program. He began by reminding the Commission that the MERF had reconstituted this program in October 2013 noting significant improvements had been made. He then reported that net income had risen to \$116,000 for fiscal year ended June 30, 2016 up from roughly \$75,000 a year in previous years. Discussion ensued.

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

Secretary Cloud then discussed the proposed Batterson Park transaction between the City and the MERF. He noted a recent meeting with City officials and thanked those in who were in attendance. Secretary Cloud then discussed potential next steps and related issues involved noting that the MERF would likely need a consultant to assist on the project in the event that it moved forward. Discussion ensued.

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

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:** September 19, 2016

**Subject:** **Status of MERF Portfolio as of July 31, 2016**  
a. **Inventory of Assets**  
b. **MERF's Overall Performance**

**Status of MERF Portfolio as of August 31, 2016**  
a. **Inventory of Assets**  
b. **MERF's Overall Performance**

The portfolio performance report for the month of July 2016 is enclosed; however, the performance report for the month of August 2016 will be distributed at the meeting. We look forward to discussing them with you.

INTEROFFICE MEMORANDUM

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

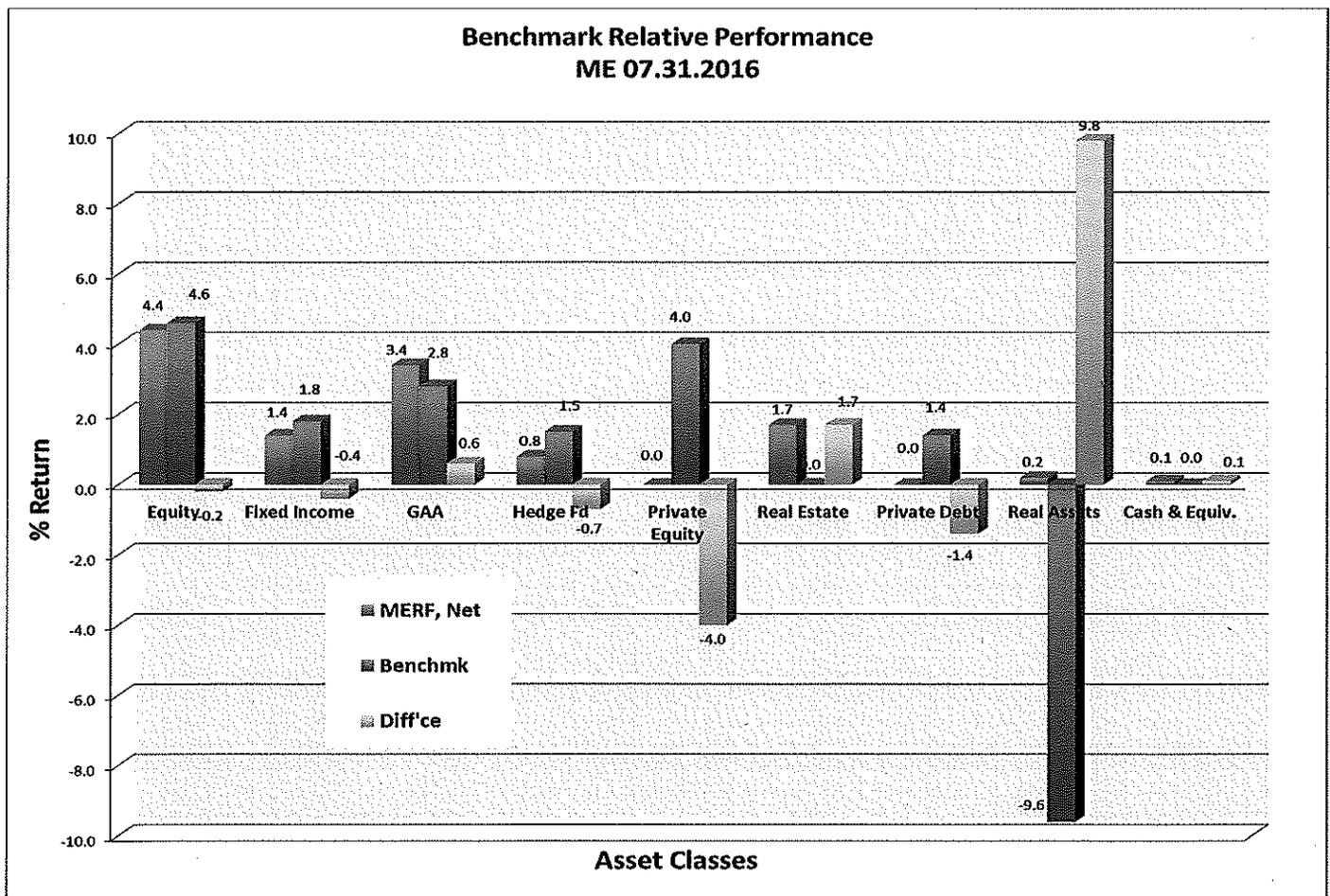
**FROM:** Gary B. Draghi, Director of Investments *[Signature]*  
P. Wayne Moore, Assistant Director of Investments *[Signature]*  
J. Sean Antoine, Principal Investment Analyst *[Signature]*

**DATE:** September 8, 2016

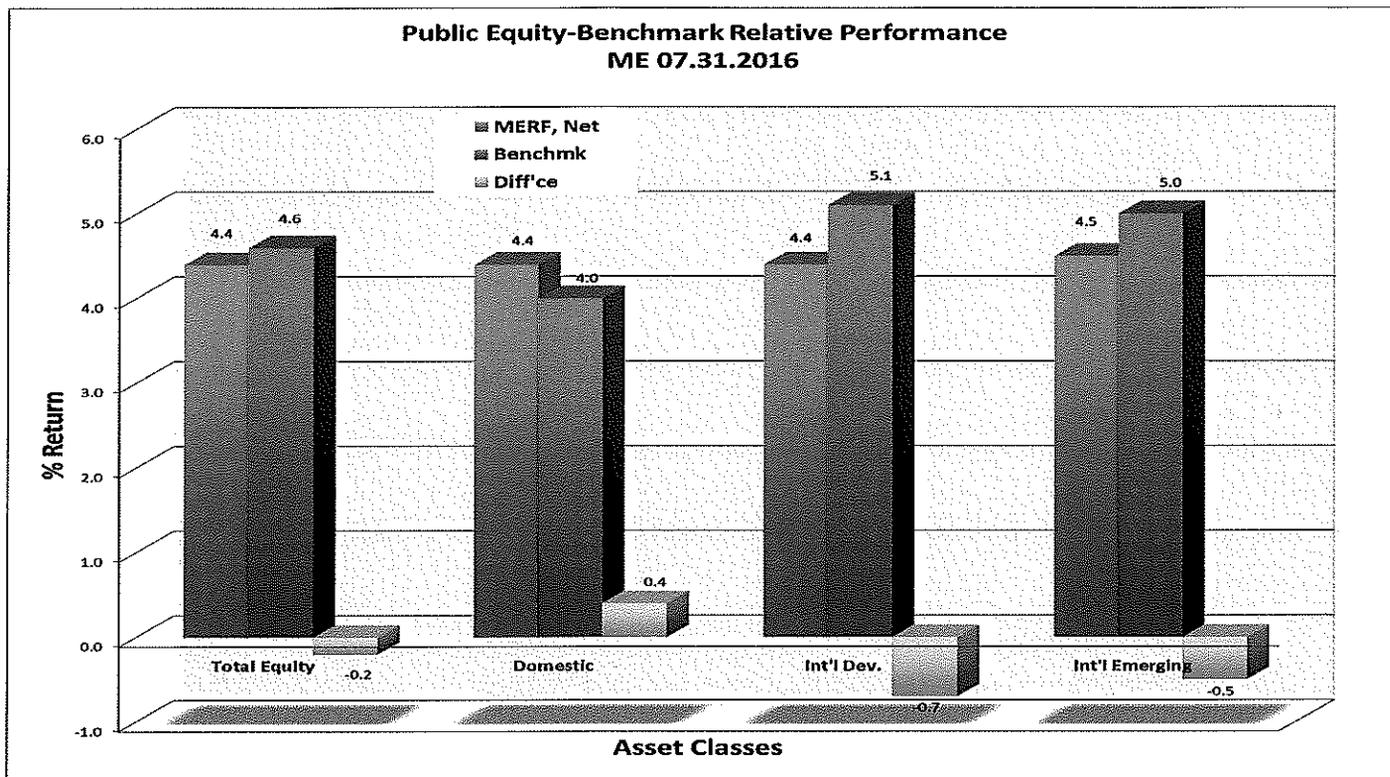
**SUBJECT:** MERF Investment Portfolio Status as of July 31, 2016

**PERFORMANCE:**

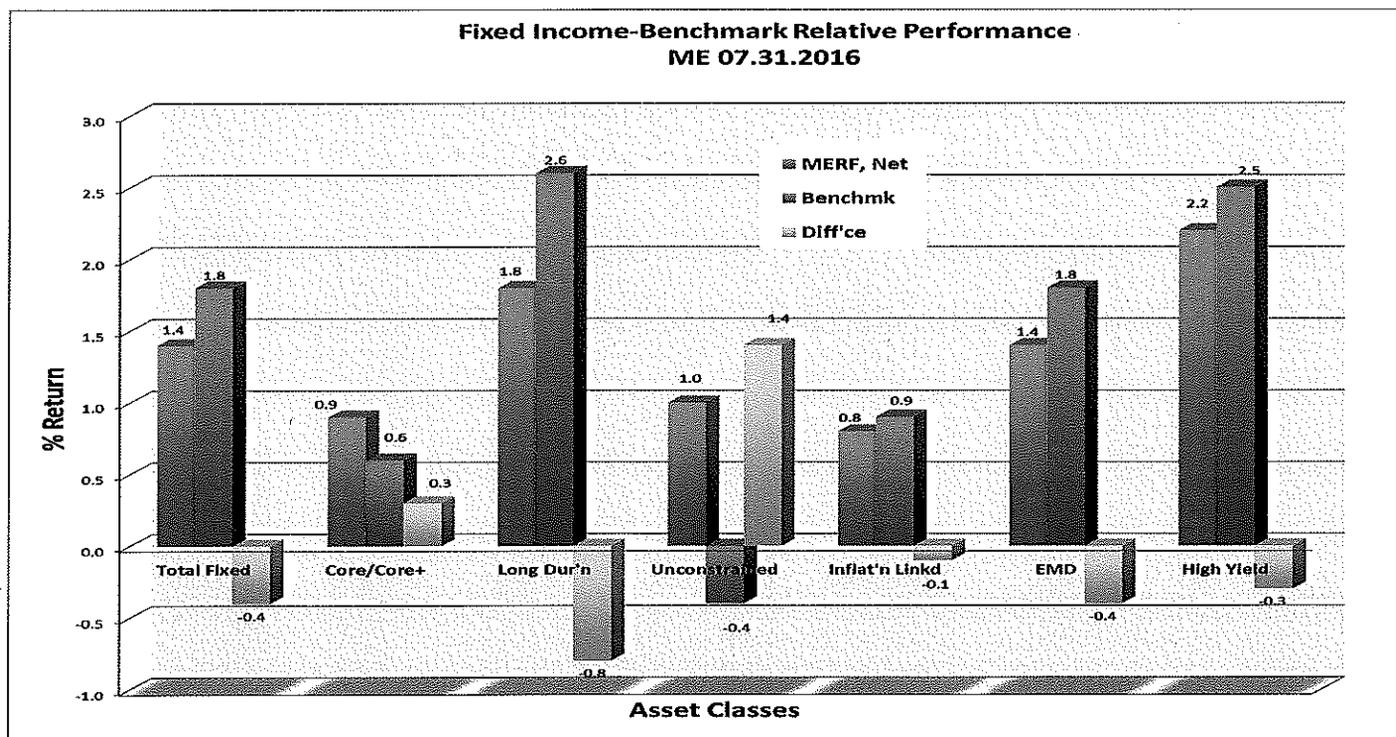
As of July 31, 2016, the MERF's net asset value totaled \$1,009.3 million. Net of fees, the fund gained 2.4% for the month, underperforming the benchmark by 20 basis points. The components of monthly performance are illustrated below.



The MERF's public equity portfolio achieved a strong absolute return of 4.4% during the month. The equity sub-sectors also performed well on an absolute basis, although non U.S. trailed their benchmarks.

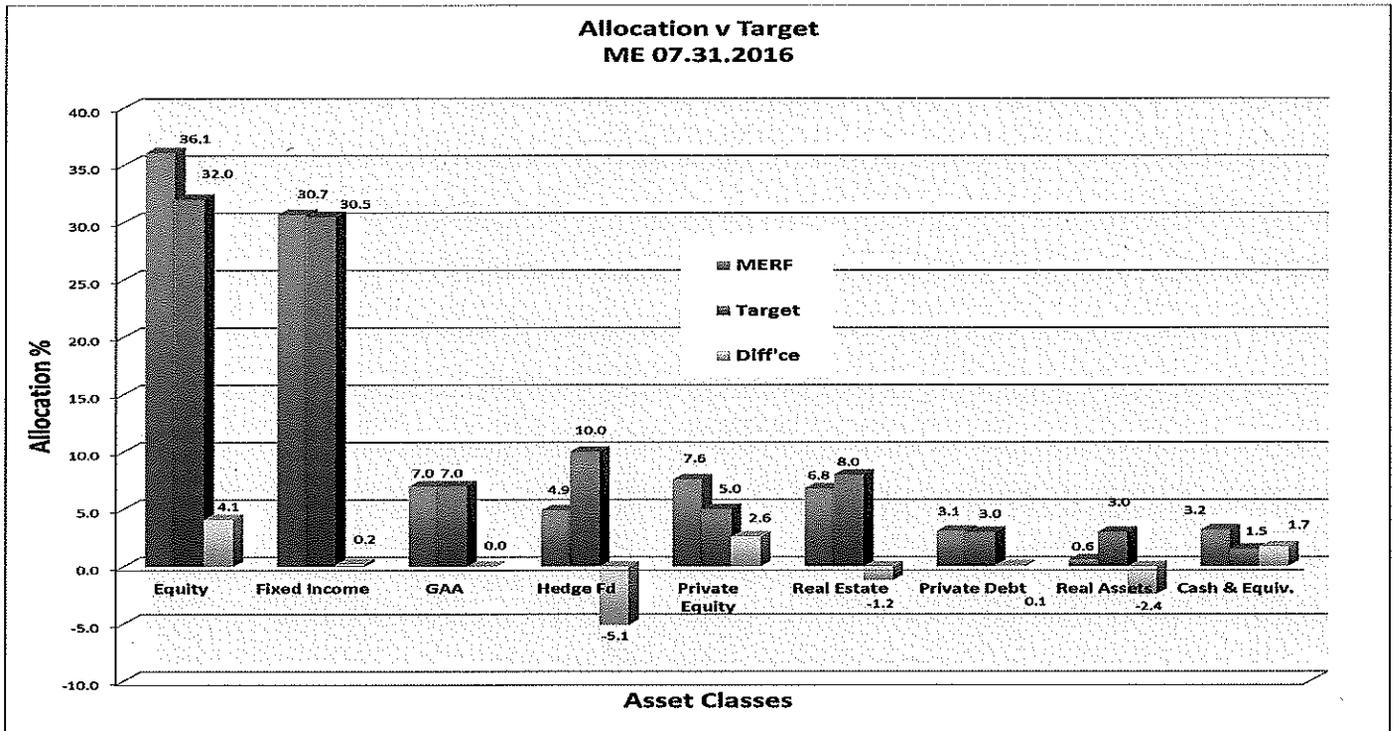


The MERF's fixed income portfolio gained 1.4% during the month, while lagging the benchmark return by 40 basis points. All sub-sectors lagged their respective benchmarks, with the exception of the Core/Core Plus and Unconstrained portfolios.

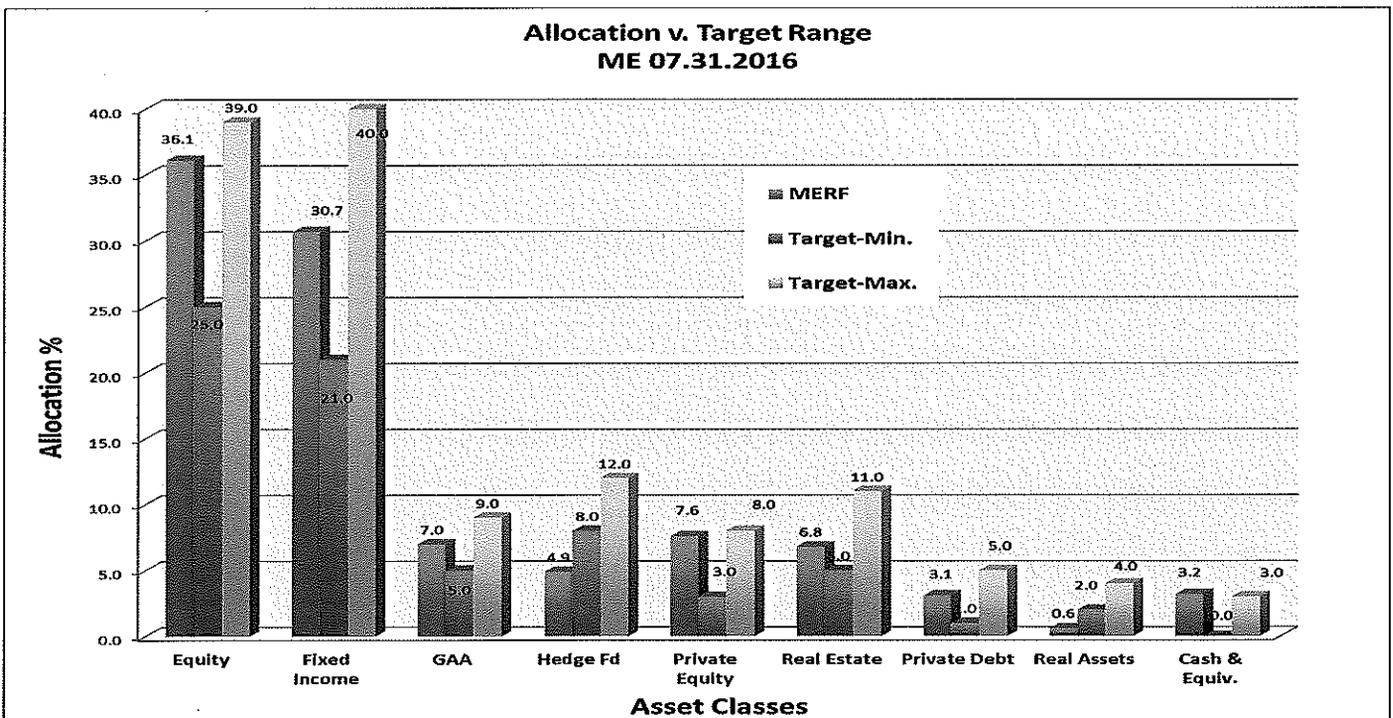


**ASSET ALLOCATION:**

All of the MERF's asset classes are at or are relatively close to target weights except for hedge funds and real assets, both by design.



The MERF was within target ranges for all asset classes except hedge funds, real assets and cash. The underweight to hedge funds is a tactical position. The real assets allocation is new to the portfolio and is being funded over time.



= Input required

Return %

Allocation Percentage

Asset Value (\$ millions)

	MERF	Benchmark	Diff'ce	MERF	Target	Diff'ce	Target-Min	Target-Max	MERF	Benchmark
Total Fund	2.4	2.6	-0.2							
Equity	4.4	4.0	0.4	36.1	32.0	4.1	25.0	39.0	364.3	
Fixed Income	1.4	1.8	-0.4	30.7	30.5	0.2	21.0	40.0	310.0	
GAA	3.4	2.8	0.6	7.0	7.0	0.0	5.0	9.0	70.4	
Hedge Fd	0.8	1.5	-0.7	4.9	10.0	-5.1	8.0	12.0	49.4	
Private Equity	0.0	4.0	-4.0	7.6	5.0	2.6	3.0	8.0	77.1	
Real Estate	1.7	0.0	1.7	6.8	8.0	-1.2	5.0	11.0	68.7	
Private Debt	0.0	1.4	-1.4	3.1	3.0	0.1	1.0	5.0	31.8	
Real Assets	0.2	-9.6	9.8	0.6	3.0	-2.4	2.0	4.0	5.7	
Cash & Equiv.	0.1	0.0	0.1	3.2	1.5	1.7	0.0	3.0	31.9	
<b>CHECK TOTAL</b>				100.0	100.0	0.0	70.0	131.0	1009.3	
Total Equity	4.4	4.6	-0.2							
Domestic	4.4	4.0	0.4							
Int'l Dev.	4.4	5.1	-0.7							
Int'l Emerging	4.5	5.0	-0.5							
Total Fixed	1.4	1.8	-0.4							
Core/Core+	0.9	0.6	0.3							
Long Dur'n	1.8	2.6	-0.8							
Unconstrained	1.0	1.0	0.0							
Inflat'n Linkd	0.8	0.9	-0.1							
EMD	1.4	1.8	-0.4							
High Yield	2.2	2.5	-0.3							

**City of Hartford Municipal**  
 Net of Fees - Final  
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	Market Value	% of Total Fund	July	Quarter	Fiscal		YTD	YTD	Annualized							Inception to Date	Inception Date
					YTD	%			1 Year	3 Years	5 Years	7 Years	10 Years	%			
<b>Total Plan Consolidation</b>	<b>\$1009.3</b>	<b>100.0 %</b>	<b>2.4 %</b>	<b>3.1 %</b>	<b>2.4 %</b>	<b>6.4 %</b>	<b>3.6 %</b>	<b>5.5 %</b>	<b>5.6 %</b>	<b>7.5 %</b>	<b>5.3 %</b>	<b>8.2 %</b>	<b>1/31/1986</b>				
Policy Benchmark	(1)	2.6	3.3	2.6	6.7	3.4	5.7	5.8	8.0	5.9	8.1	2/28/1990					
Total Plan Wgtd Benchmark	(2)	2.9	3.8	2.9	6.9	4.7	6.2	6.3	7.9	6.2	6.8	9/30/2004					
Policy-Capitalization Based	(3)	2.9	4.3	2.9	6.7	4.0	7.2	8.3	9.7	6.6	7.0	12/31/1996					
CPI plus 3.5%	(4)	0.1	1.4	0.1	3.8	4.3	4.5	4.8	5.1	5.2	5.6	12/31/1996					
<b>Liquidity Portfolio</b>	<b>79.0</b>	<b>7.8</b>	<b>2.3</b>	<b>3.4</b>	<b>2.3</b>	<b>6.7</b>	<b>3.4</b>	<b>4.1</b>	<b>4.2</b>	<b>5.2</b>	<b>5.7</b>	<b>5/31/2009</b>					
Asset Allocation Fund	(5)	6.0	3.0	4.5	3.0	8.6	4.3	5.0	5.2	6.7	7.5	4/30/2009					
Asset Allocation Benchmark	(6)	2.6	3.9	2.6	6.7	3.4	4.8	4.8	4.2	6.3	8.6	4/30/2009					
Benefits Payment Fund	(7)	0.0	0.1	0.1	0.0	0.2	0.3	0.2	0.2	0.3	1.8	10/31/1996					
U.S. Treasury 3 Month T-bills		0.0	0.0	0.1	0.0	0.2	0.2	0.1	0.1	0.9	2.3	12/31/1996					
<b>Global Public Equity</b>	<b>364.3</b>	<b>36.1</b>	<b>4.4</b>	<b>4.7</b>	<b>4.4</b>	<b>7.9</b>	<b>1.2</b>	<b>5.0</b>	<b>5.8</b>	<b>9.2</b>	<b>3.4</b>	<b>2/28/2007</b>					
Comb Equity Wgtd Benchmark	(8)	4.6	3.5	4.6	5.8	(0.5)	5.8	5.8	7.4	10.1	5.7	9/30/2004					
US Public Equity		18.7	4.4	5.2	4.4	8.1	0.4	8.5	10.7	13.6	5.9	2/28/2007					
Russell 3000 Index	(9)	4.0	6.0	4.0	7.7	4.4	10.6	10.6	13.0	14.4	8.1	7/31/1996					
US Equity Policy-Cap Based		4.2	4.2	6.3	4.2	7.8	4.0	10.2	12.7	14.3	7.8	12/31/1996					
US Public Equity Active		16.9	4.4	5.2	4.4	5.9	(0.0)	8.4	10.6	13.6	7.0	8/31/1996					
US Public Equity Passive		18.3	1.8	4.0	6.0	8.0	4.6	---	---	---	---	10/31/1997					
International Equity	(10)	17.4	4.5	4.0	4.5	10.0	2.0	1.9	1.7	5.5	2.6	9/30/1997					
Russell Global Ex-US Equity		5.0	1.8	4.0	5.0	4.4	(3.8)	2.6	2.3	5.9	2.9	7/31/1999					
Intl Equity Developed Mkts		12.0	4.4	3.8	4.4	8.6	4.5	4.7	4.6	7.4	---	2/28/2007					
Intl Emerging Markets		54.5	5.4	4.4	4.5	13.4	(1.6)	(1.8)	---	---	---	2/28/2007					
Global Asset Allocation		70.4	7.0	3.4	2.5	3.8	(0.2)	4.2	---	---	---	4/30/2012					
60 MSCI World 40 Citl WGBI		2.8	2.8	3.4	2.8	7.8	4.8	5.4	---	---	---	4/30/2012					
<b>Total Fixed Income</b>	<b>310.0</b>	<b>30.7</b>	<b>1.4</b>	<b>3.0</b>	<b>1.4</b>	<b>8.0</b>	<b>5.7</b>	<b>4.0</b>	<b>4.0</b>	<b>5.6</b>	<b>5.7</b>	<b>7/31/1997</b>					
Custom Fixed Benchmark	(11)	1.8	6.0	1.8	1.8	13.0	10.9	6.5	5.8	7.1	---	1/31/2007					
Barclays Capital Aggregate Bond		0.6	2.5	0.6	6.0	5.9	4.2	4.2	3.6	4.4	5.1	7/31/1997					
Comb Fixed Income Wgtd Bnk	(12)	0.7	2.4	0.7	7.3	7.1	3.8	2.9	4.1	4.8	4.4	9/30/2004					
US Core/Core Plus		4.8	0.9	2.7	0.9	6.4	8.0	4.4	3.9	4.9	4.5	7/31/1996					
Total Long Duration		64.5	1.8	4.3	1.8	10.5	7.8	4.9	5.9	7.0	---	3/31/2008					
Unconstrained Fixed Income		45.6	4.5	1.6	1.0	3.4	1.2	---	---	---	---	7/31/2015					
Inflation Linked Composite		42.0	0.8	2.3	0.8	7.2	5.2	2.4	2.3	4.6	---	2/28/2007					
Emerging Mkts Debt		65.8	1.4	3.5	1.4	10.7	9.2	7.0	6.8	9.9	---	2/28/2007					
High Yield		43.5	4.3	3.0	2.2	8.1	2.3	3.7	4.9	---	---	7/31/2010					
<b>Alternatives</b>	<b>227.0</b>	<b>22.5</b>	<b>0.7</b>	<b>1.7</b>	<b>0.7</b>	<b>3.3</b>	<b>6.7</b>	<b>10.2</b>	<b>10.1</b>	<b>12.4</b>	<b>---</b>	<b>2/28/2007</b>					
Alternatives Benchmark	(14)	1.5	2.7	1.5	3.6	3.7	7.4	8.0	8.0	8.0	---	2/28/2007					
Private Equity		77.1	7.6	0.2	(0.0)	2.0	8.4	14.8	13.0	14.6	11.1	12/31/2002					
Real Estate		68.7	6.8	1.7	1.7	7.8	13.4	10.4	8.3	9.1	(2.6)	7/31/1998					
Private Debt		31.8	3.1	1.9	0.0	4.4	8.7	9.2	---	---	---	1/31/1998					
Hedge Fund		49.4	4.9	1.4	0.8	(4.7)	---	---	---	---	---	5/31/2014					
Real Assets		5.7	0.6	(0.9)	0.2	6.2	(16.7)	---	---	---	---	8/31/2014					
S&P GSCI		(9.6)	(9.6)	(7.5)	(0.7)	(22.2)	(23.7)	(16.1)	(9.3)	(11.3)	(30.7)						
Cash - Active		31.9	3.2	0.1	0.1	0.7	0.9	0.7	0.5	0.5	1.9	7/31/1997					
90 Day T-Bills	(13)	0.0	0.0	0.1	0.0	0.2	0.2	0.1	0.1	0.1	0.9	12/31/1996					

**City of Hartford Municipal**  
 Net of Fees - Final  
 Performance Page  
 Period Ending July 31, 2016

Annualized

	Market Value	% of Total Fund	July	Quarter	Fiscal YTD	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Inception to Date	Inception Date
<b>Total Plan Consolidation</b>	\$1009.3	100.0 %	2.4 %	3.1 %	2.4 %	6.4 %	3.6 %	5.5 %	5.6 %	7.5 %	5.3 %	8.2 %	1/31/1986
<i>Policy Benchmark</i>			2.6	3.3	2.6	6.7	3.4	5.3	5.8	8.0	5.9	8.1	2/28/1990
<i>Total Plan Wgt'd Benchmark</i>			2.9	3.8	2.9	6.9	4.7	6.2	6.2	7.9	6.2	6.8	9/30/2004
<i>Policy-Capitalization Based</i>			2.9	4.3	2.9	6.7	4.0	7.2	8.3	9.7	6.6	7.0	12/31/1996
<i>CPPI plus 3.5%</i>			0.7	1.4	0.7	3.8	4.3	4.5	4.8	5.1	5.2	6.6	1/23/1/1996
<b>Liquidity Portfolio</b>	79.0	7.8	2.3	3.4	2.3	6.7	3.4	4.1	4.2	5.2	3.4	5.7	5/31/2009
<i>Asset Allocation Fund</i>	60.5	6.0	3.0	4.5	3.0	8.6	4.3	5.0	5.2	6.7	4.3	7.5	4/30/2009
<i>Asset Allocation Benchmark</i>			2.6	3.3	2.6	6.7	3.4	4.8	4.2	6.3	---	8.6	4/30/2009
<i>Benefits Payment Fund</i>	18.6	1.8	0.0	0.1	0.0	0.2	0.3	0.2	0.2	0.3	1.1	1.8	10/31/1996
<i>90 Day T-Bills</i>			0.0	0.1	0.0	0.2	0.2	0.1	0.1	0.1	0.9	2.3	1/23/1/1996
<b>Global Public Equity</b>	364.3	36.1	4.4	4.7	4.4	7.9	1.2	5.0	5.8	9.2	---	3.4	2/28/2007
<i>Com'd Equity Wgt'd Benchmark</i>			4.6	3.5	4.6	5.8	(0.5)	5.8	7.4	10.1	5.7	7.1	9/30/2004
<b>US Public Equity</b>	188.8	18.7	4.4	5.2	4.4	6.1	0.4	8.5	10.7	13.6	---	5.9	2/28/2007
<i>Russell 3000 Index</i>			4.0	6.0	4.0	7.7	4.4	10.6	13.0	14.4	7.8	6.7	10/31/1997
<i>US Equity Policy-Cap Based</i>			4.2	6.3	4.2	7.8	4.0	10.2	12.7	14.3	7.8	7.8	12/31/1996
<b>US Public Equity Active</b>	170.5	16.9	4.4	5.2	4.4	5.9	(0.0)	8.4	10.6	13.6	7.0	7.8	8/31/1996
<i>Russell 3000 Index</i>			4.0	6.0	4.0	7.7	4.4	10.6	13.0	14.4	7.8	6.7	10/31/1997
<i>Atlanta Capital Mgmt Large Cap Growth</i>	56.6	5.6	4.1	5.5	4.1	5.2	3.7	10.3	10.0	13.0	8.2	4.8	5/31/1999
<i>Russell 1000 Growth</i>			4.7	6.3	4.7	6.1	4.3	12.9	13.6	15.1	9.5	4.0	8/31/1999
<i>Eagle Capital Management Large Cap Value</i>	56.7	5.6	3.5	3.4	3.5	1.3	(3.8)	8.5	11.8	14.6	9.2	10.0	10/31/2003
<i>Russell 1000 Value</i>			2.9	5.4	2.9	9.4	5.4	9.0	12.7	13.7	6.2	8.4	10/31/2003
<i>ING Investment Management Small Cap Growth</i>	24.1	2.4	6.4	8.8	6.4	7.1	(1.4)	7.7	---	---	---	12.7	9/30/2012
<i>Russell 2000 Growth Index</i>			6.5	8.9	6.5	4.8	(5.3)	7.4	---	---	---	13.1	9/30/2012
<i>SouthernSun Asset Management</i>	33.1	3.3	5.1	5.2	5.1	15.8	1.4	5.3	10.8	---	---	14.3	9/30/2010
<i>Russell 2500 Value Index</i>			4.6	7.0	4.6	12.8	6.4	7.7	11.4	---	---	14.2	9/30/2010
<b>US Public Equity Passive</b>	18.3	1.8	4.0	6.0	4.0	8.0	4.6	---	---	---	---	---	10/31/1997
<i>SSGA Russell 3000 Index</i>			4.0	6.0	4.0	7.7	4.3	---	---	---	---	---	10/31/2002
<b>International Equity</b>	175.5	17.4	4.5	4.0	4.5	10.0	2.0	1.9	1.7	5.5	2.6	5.1	9/30/1997
<i>Russell Global ex U.S. Equity Index</i>			5.0	7.8	5.0	4.4	(3.8)	2.6	2.3	5.9	2.9	4.3	7/31/1999
<b>Intl Equity Developed Mkts</b>	121.0	12.0	4.4	3.8	4.4	8.6	4.5	4.7	4.6	7.4	---	2.4	2/28/2007
<b>Intl Developed Markets Active</b>	112.2	11.1	4.4	4.0	4.4	9.1	5.3	5.1	4.8	7.5	3.9	5.7	6/30/1999
<i>MSCI EAFE Composite</i>			5.1	0.8	5.1	0.8	(7.1)	2.4	3.5	5.9	2.5	4.0	6/30/1999
<i>First Eagle Invest Mgmt Intl All Cap</i>	51.8	5.1	3.6	2.0	3.6	8.7	6.6	6.2	5.7	8.6	6.7	12.5	10/31/2002
<i>First Eagle Custom Benchmark</i>			5.1	0.6	5.1	0.4	(7.5)	2.0	2.6	6.2	2.8	10.6	10/31/2002
<i>Walter Scott International Ltd Intl Large Growth</i>	60.4	6.0	5.1	5.9	5.1	9.4	4.2	4.2	4.0	6.7	4.3	3.9	5/31/2006
<i>MSCI EAFE Net Dividend</i>			5.1	0.6	5.1	0.4	(7.5)	2.0	3.0	5.4	2.0	1.6	5/31/2006
<b>Intl Developed Markets Passive</b>	8.8	0.9	4.9	0.6	4.9	2.0	(6.4)	---	---	---	---	---	8/31/1999
<i>SSGA EAFE Index Fund</i>			5.1	0.7	5.1	0.7	(7.1)	---	---	---	---	---	12/31/2003
<i>SSGA Daily MSCI CAD Index</i>	0.8	0.1	3.4	0.3	3.4	19.2	1.1	---	---	---	---	(8.9)	8/31/2014
<b>Intl Emerging Markets</b>	54.5	5.4	4.5	4.4	4.5	13.4	(1.6)	(1.8)	(2.8)	2.9	3.9	---	2/28/2007
<i>MSCI Emerging Net Dividend</i>			5.0	5.2	5.0	11.8	(0.8)	(0.3)	(2.8)	---	---	---	1/31/2001
<b>Intl Emerging Active</b>	51.4	5.1	4.5	4.4	4.5	13.6	(1.7)	(1.9)	(3.7)	2.4	2.4	6.2	4/30/2000
<i>MSCI Emerging Net Dividend</i>			5.0	5.2	5.0	11.8	(0.8)	(0.3)	(2.8)	2.9	3.9	9.0	7/31/2001
<i>Mondrian Inv Partners - EME</i>	27.1	2.7	4.6	5.6	4.6	13.2	(2.6)	(2.7)	---	---	---	(0.1)	6/30/2012
<i>Parametric EV</i>	24.4	2.4	4.4	3.1	4.4	14.1	(0.9)	(1.3)	---	---	---	1.6	6/30/2012
<b>Intl Emerging Passive</b>	3.1	0.3	5.1	5.7	5.1	11.6	(0.8)	---	---	---	---	(7.1)	8/31/2014
<i>SSGA Daily MSCI EM Index</i>			5.1	5.7	5.1	12.4	(0.1)	---	---	---	---	(6.8)	8/31/2014

**City of Hartford Municipal**  
 Net of Fees - Final  
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 Period Ending July 31, 2016

Annualized

	Market Value	% of Total Fund	July	Quarter	Fiscal YTD	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Inception to Date	Inception Date
	\$310.0	30.7 %	1.4 %	3.0 %	1.4 %	8.0 %	5.7 %	4.0 %	4.0 %	5.6 %	5.7 %	6.0 %	
<b>Total Fixed Income</b>													
<i>Custom Fixed Benchmark</i>	(14)		1.8	5.0	1.8	13.0	10.9	6.5	5.8	7.1	—	6.7	7/31/1997
<i>Barclays Capital Aggregate Bond</i>			0.6	2.5	0.6	6.0	5.9	5.6	4.4	4.4	5.1	5.6	7/31/1997
<i>Comb Fixed Income Mgd Bnk</i>	(15)		0.7	2.4	0.7	7.3	7.1	3.8	2.9	4.1	4.8	4.4	9/30/2004
<b>US Core/Core Plus</b>	48.6	4.8	0.9	2.7	0.9	6.4	6.0	4.4	3.9	4.9	4.5	5.3	7/31/1996
<i>Barclays Capital Aggregate Bond</i>			0.6	2.5	0.6	6.0	5.9	4.2	3.6	4.4	5.1	5.5	12/31/1996
<b>US Core/Core Plus Fixed Income Active</b>	36.2	3.6	1.0	2.8	1.0	6.7	6.1	4.7	4.4	5.4	4.8	5.5	7/31/1996
<i>AETNA (AD) GICS</i>	0.4	0.0	0.3	0.9	0.3	2.1	3.5	3.6	3.1	5.0	5.4	5.5	7/31/1996
<i>Barclays Capital Aggregate Bond</i>			0.6	2.5	0.6	6.0	5.9	4.2	3.6	4.4	5.1	5.5	12/31/1996
<i>Columbia Asset Management Co.</i>	0.7	0.1	0.8	1.8	0.8	1.4	1.8	6.3	8.5	10.6	7.5	7.1	1/31/1992
<i>Barclays Capital Aggregate Bond</i>			0.6	2.5	0.6	6.0	5.9	4.2	3.6	4.4	5.1	5.5	12/31/1996
<i>HIMCO Core Plus Fixed Income</i>	35.1	3.5	1.0	2.8	1.0	6.8	6.2	4.7	4.3	5.3	5.3	5.1	10/31/2002
<i>Barclays Capital Aggregate Bond</i>			0.6	2.5	0.6	6.0	5.9	4.2	3.6	4.4	5.1	4.6	10/31/2002
<b>US Core/Core Plus Passive</b>	12.4	1.2	0.6	2.4	0.6	5.8	5.8	3.7	2.8	3.3	3.5	4.5	5/31/1998
<i>Barclays Capital Aggregate Bond</i>			0.6	2.5	0.6	6.0	5.9	4.2	3.6	4.4	5.1	5.3	5/31/1998
<i>SSGA Barclays Agg. IDX AAF</i>	12.4	1.2	0.6	2.4	0.6	5.8	5.8	4.1	3.4	—	—	3.7	5/31/2011
<i>Barclays Capital Aggregate Bond</i>			0.6	2.5	0.6	6.0	5.9	4.2	3.6	—	—	3.9	5/31/2011
<b>Total Long Duration</b>	64.5	6.4	1.8	4.3	1.8	10.5	7.8	4.9	5.9	7.0	—	7.8	3/31/2008
<i>Barclays Capital Long Govt/Credit</i>			2.6	7.9	2.6	17.2	16.1	10.3	8.8	9.1	—	8.5	3/31/2008
<b>Long Duration Active</b>	60.5	6.0	1.7	4.1	1.7	9.9	7.1	4.5	5.7	6.9	—	8.0	6/30/2008
<i>PIMCO Long Duration Fixed</i>	60.5	6.0	1.7	4.1	1.7	9.9	7.1	4.5	5.7	7.1	—	7.6	6/30/2008
<i>Barclays Capital Long Govt/Credit</i>			2.6	7.9	2.6	17.2	16.1	10.3	8.8	9.1	—	9.0	6/30/2008
<b>Long Duration Passive</b>	4.1	0.4	2.5	7.8	2.5	17.2	16.2	9.6	8.5	8.2	—	7.8	3/31/2008
<i>Barclays Capital Long Govt/Credit</i>			2.6	7.9	2.6	17.2	16.1	10.3	8.8	9.1	—	8.5	3/31/2008
<i>SSGA Long US Govt/Credit</i>	4.1	0.4	2.5	7.8	2.5	17.2	16.2	—	—	—	—	9.9	Jul-2014
<i>Barclays Capital Long Govt/Credit</i>			2.6	7.9	2.6	17.2	16.1	—	—	—	—	9.6	Jul-2014
<b>Unconstrained Fixed Income</b>	45.6	4.5	1.0	1.6	1.0	3.4	1.2	—	—	—	—	1.1	7/31/2015
<i>Loomis Sayles Strategic Alpha</i>	45.6	4.5	1.0	1.6	1.0	3.4	1.2	—	—	—	—	1.1	7/31/2015
<i>Libor plus 3%</i>			(0.4)	(8.6)	(0.4)	(8.0)	(11.9)	—	—	—	—	(11.4)	7/31/2015
<b>Inflation Linked Composite</b>	42.0	4.2	0.8	2.3	0.8	7.2	5.2	2.4	2.3	4.6	—	5.0	2/28/2007
<i>Barclays Capital Treasury US TIPS Index</i>			0.9	2.2	0.9	7.2	5.0	2.4	2.0	4.4	4.7	4.4	4/30/2005
<i>Brown Brothers Harriman &amp; Co. TIPS</i>	39.5	3.9	0.8	2.3	0.8	7.2	5.2	2.5	2.3	4.6	4.8	4.4	4/30/2005
<i>SSGA US TIPS Index</i>	2.5	0.2	0.8	2.2	0.8	7.1	5.0	—	—	—	—	1.6	8/31/2014
<b>Emerging Mkts Debt</b>	65.8	6.5	1.4	3.5	1.4	10.7	9.2	7.0	6.8	9.9	—	8.1	2/28/2007
<i>JPM/EMBI Global Diversified</i>			1.8	5.0	1.8	12.3	11.2	7.4	6.4	8.6	7.8	7.8	8/31/2005
<i>Prudential Emerging Markets Debt</i>	62.0	6.1	1.5	3.7	1.5	10.5	9.4	7.5	7.1	10.1	—	8.8	8/31/2005
<i>SSGA Passive EMI Loc Curr</i>	3.8	0.4	0.6	0.6	0.6	14.2	4.6	—	—	—	—	(6.9)	8/31/2014
<b>High Yield</b>	43.5	4.3	2.2	3.0	2.2	8.1	2.3	3.7	4.9	—	—	5.7	7/31/2010
<i>Chitigroup High Yield Market Index</i>			2.5	4.4	2.5	12.4	4.4	3.9	5.8	—	—	7.4	7/31/2010
<i>Sherman Capital</i>	41.0	4.1	2.2	3.0	2.2	8.0	2.4	3.8	4.9	—	—	5.7	7/31/2010
<i>SSGA High Yield Bond</i>	2.5	0.2	2.2	3.4	2.2	9.1	1.9	—	—	—	—	1.4	8/31/2014
<b>Cash - Active</b>	31.9	3.2	0.1	0.3	0.1	0.7	0.9	0.7	0.5	0.5	1.9	2.5	7/31/1997
<i>U.S. Treasury 3 Month T-Bills</i>	(17)		0.0	0.1	0.0	0.2	0.2	0.1	0.1	0.1	0.9	2.3	12/31/1996



City of Hartford Municipal

Footnotes  
Performance Page  
Period Ending July 31, 2016

No.	Name	Footnote
1	Policy Benchmark	<p>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 Gov/Credit Long, 6% JPM EMBI Global, 4% Citigroup HY, 4% BC Global Inflation Linked, US TIPS, 8% NCREIF Property Index, 5% Russell 3000 +300 Bps, 3% Credit Suisse Leveraged Loan Index, 10% HFRI Fund of Funds, 7% SO MSCI World/ACQCH WGBI, 5% LIBOR + 3%, 5% Russell 2500, 3% CPI + 4%, 1.2% 91 T-Bill.</p> <p>July 1, 2014 to Current: 27.5% Barclays Capital Long Gov/Credit Index, 16.4% Barclays Capital Aggregate Index, 13.1% Barclays Capital US TIPS Index, 9.8% Barclays Capital Global /Aggregate Div-Hedged Index, 13.7% JPMorgan EMBI Global Index, 13.1% Citigroup High Yield Index</p> <p>January 2012 to June 2014: 25.32% Barclays Capital Long Gov/Credit Index, 26.32% Barclays Capital Aggregate Index, 13.15% Barclays Capital US TIPS Index, 10.53% Barclays Capital Global Aggregate Un-Hedged Index, 13.6% JPMorgan EMBI Global Index, 10.53% Citigroup High Yield Index</p> <p>From October 2007 to December 2011: 31% Barclays Capital Long Gov/Credit Index, 20.6% Barclays Capital Aggregate Index, 20.6% Barclays Capital US TIPS Index, 12.4% Barclays Capital Global Aggregate Un-Hedged Index, 10.3% JPMorgan EMBI Global Index, 5.1% Citigroup High Yield Index</p>
2	Total Plan World Benchmark	<p>Weighted average calculation using actual asset allocation percentages and benchmark index returns.</p>
3	Policy-Capitalization Based	<p>10% FTSE World Euro and Pacific, 40% Barclays Capital Aggregate, 40.625% Russell 1000, 9.975% Russell 2000.</p>
4	CPI plus 3.5%	<p>CPI data reported with one month lag.</p>
5	Liquidity Portfolio	<p>Consists of the Asset Allocation Fund plus Cash.</p>
6	Asset Allocation Fund	<p>Comprises of MERRI MASSIVE portfolios.</p>
7	Asset Allocation Benchmark	<p>From August 1, 2014 to Current: Equias Policy Benchmark, From Inception to July 31, 2014: 50% MSCI ACWI Investible Mkt Index, 50% Citigroup World Gov'l Bond Index</p>
8	Comb Equity Wght Benchmark	<p>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.</p>
9	US Equity Policy-Cap Based	<p>81.25% Russell 1000, 18.75% Russell 2000.</p>
10	Russell Global ex U.S. Equity Index	<p>October 2007 to Current: Russell Global Ex-US Equity Index. Prior to October 2007: FTSE All World Europe Pacific Index.</p>
11	First Eagle Custom Benchmark	<p>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.</p>
12	Wellington Benchmark	<p>April 2012 to Current: 65% MSCI All Country World, 35% Barclays US Aggregate Bond Index.</p>
13	Blackrock Benchmark	<p>April 2012 to Current: 38% S&amp;P 500, 24% FTSE World EX-US, 24% BofA ML 5 Year US Treasury, 16% CIB Non USD World Gov'l Bond</p>
14	Custom Fixed Benchmark	<p>July 2014 to Current: 27.5% Barclays Capital Long Gov/Credit Index, 16.4% Barclays Capital Aggregate Index, 13.1% Barclays Capital US TIPS Index, 9.8% Barclays Capital Global /Aggregate Div-Hedged Index, 13.7% JPMorgan EMBI Global Index, 13.1% Citigroup High Yield Index</p>
15	Comb Fixed Wght Benchmark	<p>January 2012 to June 2014: 25.32% Barclays Capital Long Gov/Credit Index, 26.32% Barclays Capital Aggregate Index, 13.15% Barclays Capital US TIPS Index, 10.53% Barclays Capital Global Aggregate Un-Hedged Index, 13.6% JPMorgan EMBI Global Index, 10.53% Citigroup High Yield Index</p>
16	Cash Account Short Term Cash	<p>From October 2007 to December 2011: 31% Barclays Capital Long Gov/Credit Index, 20.6% Barclays Capital Aggregate Index, 20.6% Barclays Capital US TIPS Index, 12.4% Barclays Capital Global Aggregate Un-Hedged Index, 10.3% JPMorgan EMBI Global Index, 5.1% Citigroup High Yield Index</p>
17	US Treasury 3 Month T-bills	<p>Weighted average calculation using actual asset allocation percentages and benchmark index returns.</p>
18	Alternatives Benchmark	<p>Returns may have a variation from the benchmark due to return methodology treatment of their cash flows.</p> <p>October 2007 to Current: US Treasury 3 Month T-bills. Prior to October 2007: Merrill Lynch Treasury 91 Day, 31% NCREIF Prop, 18% Russell 3000 plus 300bps, 12% Credit Suisse Leveraged Loan, 38% HFRI Fund of Funds</p>



**CITY OF HARTFORD**

PENSION COMMISSION

MEMORANDUM

**To:** Pension Commission

**From:** Adam M. Cloud, Secretary

**Date:** September 19, 2016

**Subject:** Update from the MERF's General Consultant

NEPC representatives will attend the Pension Commission meeting on September 27, to discuss the following:

- Asset/Liability study results
- Second quarter performance results:
  - Real estate
  - Private debt



**CITY OF HARTFORD**  
PENSION COMMISSION

**MEMORANDUM**

**To:** Pension Commission  
**From:** *AMC*  
Adam M. Cloud, Secretary  
**Date:** September 19, 2016  
**Subject:** Other Business

- Batterson Park Update



**CITY OF HARTFORD**  
PENSION COMMISSION

**MEMORANDUM**

**To:** Pension Commission  
**From:** *AMC*  
Adam M. Cloud, Secretary  
**Date:** September 19, 2016  
**Subject:** **Report on Annual Performance Review Meetings**

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

- **Brown Brothers Harriman**
- **Mondrian Investment Partners**
- **Shenkman**
- **BlackRock**

**CITY TREASURER'S OFFICE  
INTERNAL MEMORANDUM**

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

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

Date: September 15, 2016

Re: Report on Annual Performance Review Meeting with Brown Brothers  
Harriman

The Pension Commission held an annual performance review meeting with Brown Brothers Harriman ("BBH") a global Treasury Inflation Protected securities ("TIPS") manager for the MERF, on Thursday, February 5, 2016. Present from BBH was John Ackler, Senior Vice President.

Mr. Ackler began by thanking the Commission for the ongoing business relationship, now in its eleventh year. Mr. Acker restated the objective of the TIPS strategy, which is to add value by focusing on active management within the TIPS market, while achieving returns of 20-40 basis points over the benchmark (Barclays Capital U.S. TIPS) over rolling three-year periods.

Mr. Ackler also reviewed BBH's portfolio management team, noting there were no major changes over the last year. Mr. Ackler also stated that the investment decision-making team includes 29 professionals and is organized around four key competencies: portfolio management, sector management, credit analysis and quantitative analysis. He stated that this team approach provides full-time attention to both the science of constructing a portfolio and identifying the best values within different sectors and sub-sectors. He also stated BBH's belief that the team structure achieves superior, and more consistent, risk-adjusted returns for all discretionary portfolios.

Mr. Ackler discussed BBH's investment approach, which utilizes fundamental bottom-up analysis within clearly defined risk parameters to ensure that above-average returns are achieved on a consistent and repeatable basis. He also noted that BBH concentrates its resources, and directs its research efforts towards identifying pricing inefficiencies, quantifying risks, and optimizing portfolio structures within the inflation-indexed securities market. He also noted that, through independent research and proprietary modeling, BBH seeks to capitalize on technical and structural inefficiencies in the TIPS

market. He added that BBH believes that risk-aware and risk-constrained portfolios result in superior and more consistent excess returns over time. Discussion ensued.

In response to a question regarding key man risk, Mr. Ackler stated that BBH manages all of its fixed income strategies using a team-based approach. He added that, while James Evans is the named PM, there are several other professionals who are active in the daily management of the strategy, allowing BBH to continue to manage the portfolio according to its current standards, if there were a change in the lead PM. Discussion ensued.

Mr. Ackler then reviewed the performance of the portfolio. He stated that the MERF's portfolio achieved an annualized gross since inception return of 4.19% as of December 31, 2015, outperforming the Barclays Capital U.S. TIPs Index return of 3.95%, by 24 basis points. Over the last 12 months, the MERF's portfolio has returned -0.89% gross of fees, outperforming the benchmark return of -1.44%, by 55 basis points. Mr. Ackler pointed out that most of the excess return achieved over the past year was attributable to security selection.

Mr. Ackler then spoke about the TIPS market from a global perspective for 2016. He mentioned BBH's view that the U.S. economy growth remains solid but with only moderate growth due to headwinds from a stronger dollar and moderate gains in consumer spending. Discussion ensued.

Mr. Ackler concluded the meeting by thanking the Commission for its longstanding business relationship with BBH.

**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 *PM*  
J. Sean Antoine, Principal Administrative Analyst *JA*

**Date:** September 9, 2016

**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 21, 2016.

Mr. Connor Quinn 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. Quinn then introduced his colleagues, Oscar Pulido, Managing Director and Lisa Bowman, Vice President.

Mr. Pulido noted that Blackrock has managed the GTAA strategy for over 26 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. Quinn stated that BlackRock does not believe that the current assets under management in the BlackRock Global Allocation strategy is an impediment to delivering on the Fund's investment objective.

Mr. Pulido highlighted the fund's performance for the first quarter of 2016, where the MERF's portfolio returns of -0.45% underperformed the benchmark return of 1.04%, by 149 basis points. He attributed the portfolio's underperformance to an overweight in Japanese equities and a duration overweight across the fixed income portion of the portfolio. He noted that security selection was a positive contributor to performance.

In response to a question regarding market concerns and idea generation for their client's portfolios, Mr. Pulido stated that BlackRock's risk & quantitative analysis (RQA) group monitors liquidity and capacity on a regular basis. He noted that RQA's liquidity analysis is useful in terms of assessing the fund's ability to meet redemptions and aids the portfolio in taking on new investment opportunities. Lastly, Mr. Pulido added that, in addition to liquidity, RQA monitors style drift and assists with return attribution.

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 while maintaining current risk levels.

Mr. Pulido concluded his remarks by giving a brief economic outlook, stating that BlackRock believes that equities provide the best prospect for total return, but that investors must be selective by region and sector.

Mr. Quinn 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   
P. Wayne Moore, Asst. Director of Investments   
J. Sean Antoine, Principal Administrative Analyst 

Date: September 14, 2016

Re: Report on Annual Performance Review Meeting with Mondrian  
Investment Partners, Limited

The Pension Commission held an annual performance review meeting with Mondrian Investment Partners, an emerging markets equity manager for the MERF, on Thursday, March 3, 2016. Present from Mondrian were Boris Veselinovich, Senior Portfolio Manager and E. Todd Rittenhouse, Senior VP-Client Services.

Mr. Rittenhouse thanked the Commission and Treasurer for their business and then gave a brief overview of the firm. He stated that Mondrian continues to be employee owned, with approximately 80 Mondrian employees as equity owners. Mr. Rittenhouse stated that all of the firm's products utilize an income-oriented value discipline which has been consistently applied since the firm was founded in 1990.

Mr. Veselinovich then discussed Mondrian's investment process and philosophy, noting the firm's value approach that emphasizes real (after inflation) yield and future real growth in dividends. He noted that the firm also uses a consistent dividend discount methodology which compares value across all securities, markets and sectors, uncovering a diverse group of ideas for potential investments. He stated that the process is designed to preserve capital during global market declines. He added that Mondrian continues to focus on well capitalized companies with relatively strong and stable cash-flows to support growth and dividend payments.

Mr. Veselinovich then reviewed the performance of the MERF's EME portfolio. He stated that, for the one-year period ending January 31, 2016, the portfolio's -4.2% return outperformed the benchmark return of -6.5%, by 230 basis points. He attributed this to the portfolio's currency weightings, security selection and market fluctuation. Discussion ensued.

Mr. Veselinovich then turned to the firm's economic outlook. He stated that the majority of emerging market countries would embrace structural and fiscal reforms and

undertake much needed infrastructure projects, both of which would serve to drive continued economic growth within these economies.

Mr. Rittenhouse closed the meeting by again thanking the Pension Commission and the MERF for its ongoing relationship with Mondrian.

**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 *PWM*  
J. Sean Antoine, Principal Administrative Analyst *JA*

**Date:** September 14, 2016

**Re:** Report on Annual Performance Review Meeting with Shenkman Capital Management Inc.

The Pension Commission held an annual performance review meeting with Shenkman Capital Management Inc. ("Shenkman"), a high yield fixed-income manager for the MERF, on Thursday, April 7, 2016. Present from Shenkman were Steven N. Schweitzer, SVP and Portfolio Manager, Kim I. Hekking SVP, Client Services.

Ms. Hekking opened by giving a brief overview of the firm, stating that the same investment philosophy has been followed since inception of the firm. She also noted that the firm continues to be independently owned by nineteen senior managers and one outside director.

Mr. Schweitzer then discussed the firm's investment philosophy as being focused on the preservation of investor capital under all market conditions, achieved through a disciplined and rigorous process predicated on comprehensive credit analysis. He added that Shenkman's performance objective has always been to generate superior risk-adjusted returns over a full market cycle while avoiding credit defaults.

In response to a question regarding Shenkman's reliance on outside credit rating systems, Mr. Schweitzer stated that, while Shenkman observes Wall Street credit ratings, that Shenkman develops and maintains its own internal credit ratings on all investments in the portfolio. Discussion ensued.

Mr. Schweitzer then reviewed the performance of the MERF's high yield fixed-income portfolio. He stated that, for the one-year period ending February 2016, the MERF's portfolio return of -4.58% outperformed the Citigroup High Yield Index return of -9.44%, by 486 basis points. He attributed the outperformance to security selection within the BB rated sector.

In response to a question regarding defaults, Ms. Schweitzer noted that in the firm's 30 year history they have managed to avoid all but three defaults, none of which affected the MERF's portfolio. Mr. Schweitzer noted that Shenkman expects the high yield default rate to rise into the range of 3% to 5% as volatility returns to the market and consumer confidence decreases. Discussion ensued.

In response to a question regarding liquidity in the high yield market, Mr. Schweitzer stated that liquidity has changed tremendously because of new regulations. Discussion ensued.

In response to a question regarding key man risk, Ms. Hekking stated that Shenkman believes in a team approach to investing where both research analysts and portfolio managers cover the companies in the portfolio.

Mr. Schweitzer gave a brief outlook on the economy. He stated that Shenkman expected the high yield market to continue to add value during the year, especially if the stock market remains vibrant. He also noted Shenkman's view that volatility and liquidity will remain significant.

In closing, Ms. Hekking and Mr. Schweitzer both thanked the Commission for its continued business and confidence in Shenkman.



**CITY OF HARTFORD**  
PENSION COMMISSION

**MEMORANDUM**

**To:** Pension Commission  
**From:** Adam M. Cloud, Secretary *AMC*  
**Date:** September 19, 2016  
**Subject:** **Proposed Schedule of the MERF's Investment Managers Annual Performance Review Meeting Dates for FY 2016-2017**

Attached for your review is the proposed schedule of the MERF's investment management annual performance review meeting dates for FY 2016-2017. Please review and let me know if the dates are good for you.



CITY OF HARTFORD  
PENSION COMMISSION

MEMORANDUM

To: Pension Commission  
From: Adam M. Cloud, Secretary  
Date: September 14, 2016  
Re: **Consideration of Schedule of Annual Performance Review Meetings  
With Investment Managers for FY 2016-2017**

<u>Manager</u>	<u>Date</u>	<u>Location</u>
Loomis Sayles	Tuesday, October 18, 2016	Pepercorn's
HIMCO	Thursday, November 3, 2016	Max Downtown
SouthernSun Asset Mgmt.	Tuesday, November 15, 2016	Costa Del Sol
Prudential	Thursday, December 1, 2016	Carbone's
Eagle Capital Mgmt.	Tuesday, January 10, 2017	Capital Grille
Brown Brothers Harriman	Thursday, January 19, 2017	Max Downtown
PIMCO	Thursday, February 2, 2017	Costa Del Sol
First Eagle	Thursday, February 15, 2017	ON 20 Club
Mondrian	Thursday, March 2, 2017	Max Downtown
Walter Scott	Thursday, March 16, 2017	Capital Grille
Shenkman Capital	Thursday, April 6, 2017	Carbone's
VOYA	Thursday, April 18, 2017	Salute
BlackRock	Thursday, May 4, 2017	Max Downtown
Wellington	Thursday, May 18, 2017	ON 20 Club
Parametric Eaton Vance	Thursday, June 8, 2017	Capital Grille

- *Carbone's is located at 588 Franklin Avenue, Hartford (tel. 860-296-9646)*
- *Costa Del Sol is located 901 Wethersfield Ave, Hartford (tel. 860-296-1714)*
- *Max Downtown is located at 185 Asylum Street, Hartford (tel.860-522-2530)*
- *ON 20 Club is located at One State Street; Hartford (tel.860-722-5161) Parking is available in the garage.*
- *Pepercorn's is located at 357 Main Street, Hartford (tel. 860-547-1714)*
- *Salute Restaurant is located at 100 Trumbull Street, Hartford (tel. 860-899-1350)*



## CITY OF HARTFORD

OFFICE OF THE TREASURER

Adam M. Cloud  
CITY TREASURER

### Notice of Special Meeting

The Pension Commission will hold a special meeting on September 27, 2016, at 9 a.m., in the City' License & Inspections Conference Room at 260 Constitution Plaza, Hartford Connecticut.

A copy of the agendas of the special meeting is attached.

The regular meeting originally scheduled for September 30 is cancelled.