

**INVESTMENT ADVISORY COUNCIL
WEDNESDAY, March 14, 2007**

MEETING NO. 342

Members present:

Thomas Fiore, representing
Robert L. Genuario
Michael Freeman
James Larkin
William Murray
Sharon Palmer
Clarence (Dick) L. Roberts, Jr., Chairman
Carol Thomas
Peter Thor

Absent:

David (Duke) Himmelreich
George Mason
Denise L. Nappier, Treasurer
David Roth

Others present:

Susan B. Sweeney, Chief Investment Officer
Patricia DeMaras, Associate Counsel
Greg Franklin, Assistant Treasurer-Investments
David Holmgren, Principal Investment Officer
David Johnson, Principal Investment Officer
Catherine E. LaMarr, General Counsel
Shelagh McClure, Director of Compliance
Lee Ann Palladino, Principal Investment Officer
Jason Price, Investment Officer
Linda Tudan, Executive Assistant to the Treasurer
Judy Balich, Executive Secretary

Guests:

Bradley Atkins, Franklin Park, LLC
Laura Backman, State Street Bank
Raudline Etienne, RogersCasey
Seth Hannant, RogersCasey
Harvey Kelly, Leumas Advisors
Jacquelyn Lyons, State Street Corporation
Julie Naunchek, CSEA-Retiree Council #400
Daniel Schmitz, RogersCasey
Christopher Smajdor, Alliance Bernstein
Marc Weiss, Pension Consulting Alliance

Chairman Dick Roberts called the meeting to order at 9:10 A.M.

Approval of Minutes

Chairman Roberts asked for comments on the Minutes of the February 21, 2007 Investment Advisory Council (“IAC”) Meeting. Carol Thomas requested that the words “thoughtfully and succinctly” be deleted from the last sentence on page 9 of the minutes. **A motion was made by James Larkin, seconded by William Murray, that the Minutes of the February 21, 2007 IAC meeting be accepted with the edit as requested by Ms. Thomas. The motion was passed unanimously.**

CRPTF Final Performance for January 2006

Susan Sweeney, Chief Investment Officer, reported that the total fund returned 1.06% for the month of January, which was 9 basis points below its benchmark return. She reported that the Mutual Equity Fund (“MEF”) gained 1.92% in January, matching the Connecticut Retirement Plans and Trust Funds’ (“CRPTF”) Russell 3000 benchmark which rose 1.90%. She said that for the trailing year, the MEF gained 12.73% versus 14.11% for its benchmark, a lag of 138 basis points and for the longer-term seven-year period, the MEF has annualized 4.27% versus 2.98% for the Russell 3000, a 129 basis point relative outperformance. Ms. Sweeney indicated that the International Stock Fund (“ISF”) advanced 1% in January, modestly outperforming its customized benchmark by 6 basis points. She said that for the past year, the ISF gained 15.85% versus 18.46% for its customized benchmark, a lag of 261 basis points and for the longer term seven-year period, annualized 7.97% versus 6.66% for the benchmark, a 131 basis point relative outperformance. Ms. Sweeney reported that the Mutual Fixed Income Fund (“MFIF”) returned 5 basis points for the month which was 9 basis points ahead of the Lehman Brothers Aggregate and 4 basis points behind the custom benchmark. She noted that there was not much activity in the Private Investment (“PIF”) and Real Estate Funds (“REF”) and the Cash Reserve Account outperformed its benchmark by 3 basis points.

Ms. Sweeney said that last month there was a discussion about the five-year performance and the observation that performance was down a little. She said that a numbers of efforts have been initiated in order to better understand this trend. She said that, as an example, 80% of the MEF is benchmarked to the S&P 500, yet the overall benchmark for the MEF is the Russell 3000. Ms. Sweeney said that there are also some anomalies in the ISF benchmark that PFM will investigate further and report on at a future meeting. She said that Bradley Atkins of Franklin Park and Marc Weiss of Pension Consulting Alliance (“PCA”) would each address the mismatch of liquid benchmarks against illiquid investments in PIF and REF.

Ms. Sweeney said that she had been in touch with senior investment officers at other state funds in an effort to address Mr. Larkin’s question about how CRPTF compares, by asset class, with other public funds the same size. She said that she has received a survey that Pennsylvania conducts, but that more research and analysis is required and she will report at a future meeting.

Combined Investment Funds Review as of December 31, 2006

Raudline Etienne and Daniel Schmitz of RogersCasey reported on the Combined Investment Funds (“CIF”) as of December 31, 2006. Ms. Etienne began the report with a market overview, remarking on the U.S. equity, international equity, fixed income, real estate and private equity markets. She also reported on CRPTF fund performance, including the MEF, ISF and MFIF. Mr. Schmitz provided an overview of some of the reasons for the underperformance of the CIF for the quarter and year ending December 31, 2006.

Ms. Sweeney, Ms. Etienne and Mr. Schmitz responded to questions from the IAC regarding the performance of the active managers; whether performance is gross or net of fees; the impact of currency overlay; the negative five-year percentage of manager value added; and the inverted yield curve.

Private Investment Fund Review as of September 30, 2006

Mr. Atkins reported on the PIF for the quarter ending September 30, 2006. His report consisted of an executive summary, portfolio snapshot, benchmark performance, commitments made during calendar year 2006 and current allocation versus the Investment Policy Statement. Mr. Atkins distributed and reviewed an attribution analysis that compared CRPTF’s recent performance of its private equity commitments to legacy performance. Mr. Atkins also reported on how the lack of private equity commitments during 1999, 2000 and 2001 impacted CRPTF’s PIF portfolio.

Real Estate Fund Review as of September 30, 2006

Mr. Weiss reported on the REF as of September 30, 2006. His report included a review of the fund’s overall performance, the third quarter and one-year performance, the portfolio diversification versus investment guidelines and versus the NCREIF Property Index. Mr. Weiss also talked about the unfunded commitments, new commitments and noted that there are several other investment opportunities currently under review.

David Johnson, Principal Investment Officer, and Mr. Weiss responded to questions from the IAC regarding Westport Senior Living operations; Starwood Global VII’s use of proceeds from the sale of Taittinger Champagne to reduce the leverage on the Société du Louvre investment; how CRPTF monitors its investments in the Rockwood Capital Real Estate Partners partnerships; the sale of Union Station; the climate of the apartment and hotel sectors of the real estate market; CRPTF’s geographic alignment in the office space market; and the impact of the sub-prime residential loan crisis on apartments.

Short-Term Investment Fund Review as of December 31, 2006

Lee Ann Palladino, Principal Investment Officer, reported on the performance of the Short Term Investment Fund ("STIF") for the quarter ending December 31, 2006. She provided an update of the overall economy including the Gross Domestic Product growth rate, mortgage delinquencies, sub prime mortgage delinquencies, and the inflation outlook. Ms. Palladino noted that as of the end of December, STIF had an overall exposure of securities backed by mortgage collateral of 19% with 13% in securities backed by sub prime mortgage collateral, and as of March 13, 2007 that exposure had been reduced to 12% overall with 3% in sub prime mortgages. The high quality mortgage securities, like those held in STIF, have not been affected by the decline of the sub prime market.

Ms. Palladino said that for the quarter, STIF returned 5.44% versus its benchmark return of 5.03%, an outperformance of 41 basis points. She said that STIF also outperformed its benchmark for the fiscal year to date by 38 basis points with a return of 5.40%

Other Business

Review of the IAC Budget for the quarter ending December 31, 2006

Ms. Sweeney reported that the IAC is under budget for the fiscal year to date.

Pension Funds Management Division's Operating Results as of December 31, 2006

Ms. Sweeney reported that standard fund financials for the six months ending December 31, 2006 are included in the package of materials.

Status Report on Requests by IAC Members

Ms. Sweeney said that there is nothing to report on the **Staffing Support** update.

Investment Commitment Update

Ms. Sweeney reported that Treasurer Denise Nappier decided to commit \$100 million to Thomas H. Lee Equity Fund VI, L. P. and \$75 million to Boston Ventures Limited Partnership VII. She said that Treasurer Nappier also made a \$20 million commitment to RFE Investment Partners VII, L. P. ("RFE VII") under the condition that the General Partner ("GP") raise a minimum of \$80 million of capital from other limited partners and that if the GP experiences great success in their fundraising efforts, Connecticut may commit additional capital up to a total of \$40 million to RFE VII. However, she noted that in no event would Connecticut commit more than 20% of the ultimate fund size. Ms. Sweeney said that the Treasurer also made a \$25 million commitment to Covenant Apartment Fund V, L. P., the real estate partnership based in Nashville, Tennessee.

Consultant Update

Ms. Sweeney reported on the organizational change of PCA that would allow PCA to expand into the international real estate market. Ms. Sweeney also noted that the CRPTF's contract with PCA would expire September 30, 2007 and that the RFP process for a real estate consultant would begin soon.

Ms. Sweeney said that the internal committee has been appointed to review the responses to the Investment Consultant RFP and the review process is behind schedule by about one week. She said that the IAC would be notified when the interviews are scheduled and that the semi-finalists would probably make presentations to the IAC at the May meeting.

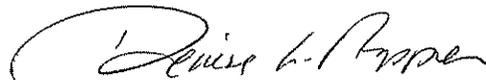
Discussion of Preliminary Agenda for April 11, 2007 IAC Meeting

Ms. Sweeney said that there are a couple of REF and PIF investment opportunities in the works that would possibly be presenting to the IAC in April and that she hoped to have an analysis of CRPTF's performance versus other public funds' performance.

There being no further business, the meeting was adjourned at 10:35 A.M.

An audio tape of this meeting was recorded.

Respectfully submitted,



**DENISE L. NAPPIER
SECRETARY**