INVESTMENT ADVISORY COUNCIL
Wednesday, March 10, 2010

MEETING NO. 374

Members present:	Thomas Barnes Thomas Fiore, representing Robert Genuario Michael Freeman David (Duke) Himmelreich** Stanley (Bud) Morten William Murray Denise L. Nappier, Treasurer* Sharon Palmer*** Joseph (Joe) D. Roxe, Chairman Carol Thomas Peter Thor
Absent:	David Roth
Others present:	Howard G. Rifkin, Deputy Treasurer Linda Hershman, Assistant Deputy Treasurer/Chief of Staff M. Timothy (Tim) Corbett, Chief Investment Officer Lee Ann Palladino, Deputy Chief Investment Officer Wayne Hypolite, Executive Assistant Donald Kirshbaum, Investment Officer Catherine LaMarr, General Counsel Shelagh McClure, Director of Compliance Meredith Miller, Assistant Treasurer-Policy Lisa Monroe, Executive Assistant Linda Tudan, Executive Assistant Lawrence Wilson, Assistant Treasurer-Cash Management Winifred (Winnie) Scalora, Administrative Assistant
Guests:	Joseph Barcic, Mercer Investment Consulting Gideon Berger, Blackstone Alternative Asset Management L.P. Afsaneh Beschloss, The Rock Creek Group, LP William Brown, UBS Global Asset Management Robert Calabrese, State Street Bank & Trust Shane Clifford, Permal Group, LTD Charles Colfer, Rogerscasey Javier F. Dyer, Permal Group, LTD Brian Gavin, Blackstone Alternative Asset Management L.P. Sean Gill, NEPC Maykala Hariharan, Rogerscasey Thomas Healey, Prisma Capital Partners LP Robin Kaplan-Cho, Connecticut Education Association Harvey Kelly, Leumas Advisors

* **Arrived at 11:50 a.m.**
** **Left at 1:50 p.m.**
*** **Left at 3:30 p.m.**

Adrian Kingshott, AdSon LLC
Alan Kosan, Rogerscasey
Sudhir Krishnamurthi, The Rock Creek Group, LP
Louis Laccavole, SOC Teachers' Retirement Board
Michael Lammers, UBS Global Asset Management
Josh Levine, Permal Group, LTD
Jacqueline Lyons, State Street Bank & Trust
Rick Nardis, UBS Global Asset Management
Lynda Petrossian, K2 Advisors, L.L.C.
Jerome Raffaldini, UBS Global Asset Management
Girish Reddy, Prisma Capital Partners LP
Brooks Ritchie, K2 Advisors, L.L.C.
Helenmarie Rodgers, Prisma Capital Partners LP
David Saunders, K2 Advisors, L.L.C.
Brian Schwartz, Blackstone Alternative Asset Management L.P.
Cynthia Steer, Rogerscasey
Alex Thomson, Woodcreek Capital Management
Kathleen Kennedy Townsend, The Rock Creek Group, LP
Eric Wolfe, Prisma Capital Partners LP

With a quorum present, Chairman Joseph Roxe called the Investment Advisory Council ("IAC") meeting to order at 10:03 a.m.

Approval of Minutes of the January 13, 2010 IAC Meeting

Chairman Roxe asked for comments on the Minutes of the January 13, 2010 IAC meeting. **There being no comments, a motion was made by Carol Thomas, seconded by William Murray, that the Minutes of the January 13, 2010 IAC meeting be accepted as drafted with the above-mentioned change. The motion was passed unanimously.**

Comments by the Deputy Treasurer

Deputy Treasurer Howard Rifkin advised the members of the IAC that their Financial Disclosure Statements would be due May 1, 2010. He then commented about a bill that was before the current session of the General Assembly, which was filed by the Office of State Ethics, that would require the electronic filing of annual financial statements by 2011. Additionally, Deputy Treasurer Rifkin said that by 2012 those financial statements would be accessible through an online database available to the public. He added that he wasn't sure whether or not this bill would become an actuality, but he wanted to advise all the members of the bill. There was discussion about the privacy option.

<u>Chief Investment Officer's Update on the Market, CRPTF Final Performance for the Months Ended December 31, 2009 and January 31, 2010, Combined Investment Funds Review as of December 31, 2009, Watch List Update and Connecticut Horizon Fund Review for the Quarter Ended December 31, 2009</u>

M. Timothy Corbett, Chief Investment Officer ("CIO"), provided an update on the capital market environment, its impact on the performance of the Connecticut Retirement Plans and Trust Funds ("CRPTF") and the economic outlook. Mr. Corbett said that one year had passed since the market bottomed. He then commented on the strong performance over the last year in almost all market sectors. Mr. Corbett stated that the economic stimulus packages that were put in place were working, with gross domestic product rising by almost 6% in the fourth quarter of the 2009 calendar year. He commented that continued high unemployment, uncertainty about the timing and affect of the changes in the Federal Reserve's monetary policy and concern about sovereign credit risks have been contributing to market volatility.

Mr. Corbett presented the overall investment results for the Combined Investment Funds for the quarter ended December 31, 2009. He stated that the CRPTF assets grew by $2.7 billion, a nearly 20% increase in 2009 and was up 15.25% during the first six months of the 2010 fiscal year, a welcomed strong recovery. Finally, he stated that the CRPTF continued to perform well over the long term in comparison to other large public pension funds.

Regarding performance attribution for the Teachers' Retirement Fund, Mr. Corbett reported positive performance with the exception of the Real Estate Fund and Private Investment Fund ("PIF") for the quarter ended December 31, 2009. Discussion ensued about the impact of manager selection and the effect of asset allocation given performance attribution reporting methods.

Mr. Corbett reported that the CRPTF was down nearly 2% for the month ended January 31, 2010 due to the stock market correction, but added that this loss had been recovered year-to-date. Finally, he commented about the progress of the restructuring of the Developed and Emerging Markets International Stock Funds on performance and the performance of the Mutual Equity Fund.

Mr. Corbett then provided an update on the CRPTF Watch List as of December 31, 2009. He reported that Trust Company of the West had been terminated. Regarding BlackRock Investment Management, LLC, Mr. Corbett stated that the fixed income mandate had been added to the Watch List due to organizational and investment process changes. He reported that Goodwin Capital Advisors, Inc. remained on watch due to an organizational change, but he added that its performance had rebounded strongly in 2009. In response to Stanley Morten's question, Mr. Corbett spoke about how quantitative easing, sovereign defaults and local, state and federal deficits would affect the U.S. economy.

Finally, Mr. Corbett presented a report on the Connecticut Horizon Fund ("CHF") for the quarter ended December 31, 2009. He reported that there weren't any material changes since the last quarter's report, but added that the public markets' portfolio had outperformed its benchmark by

53 basis points ("bps"), 92 bps and 61 bps, respectively, for the quarter ended December 31, 2009, the 2009 calendar year and since inception. Mr. Corbett stated that there were no manager changes, diversity changes or graduations, and he provided details on the individual managers' performance for the quarter. Regarding the private equity portfolio within the CHF, he stated that only 20% of available capital had been committed to underlying sub-fund managers and 10% had been invested.

Short-Term Investment Fund Review as of December 31, 2009

Lawrence Wilson, Assistant Treasurer-Cash Management, reported on the performance of the Short-Term Investment Fund ("STIF") for the quarter ended December 31, 2009. Mr. Wilson reported that the STIF had an average annualized yield of .37%, 24 bps over its benchmark, resulting in an additional $3.2 million for state and local governments that invested in STIF. He stated that for the 2009 calendar year, STIF had a return of 64 bps, 32 bps over its benchmark, resulting in an additional $13 million for state and local governments.

Mr. Wilson said STIF's conservative investment strategy continued with about 84% of the fund invested in overnight securities or securities available on a same-day basis with a weighted average maturity of 14 days, and that 50% of the fund was invested in securities issued, insured or guaranteed by the U.S. government or federal agencies or in money market mutual funds comprised of such securities or in repurchase agreements backed by such securities. Finally, he reported that STIF's reserves currently totaled $37 million or about .7% of fund assets.

Presentation of Semi-Finalists for the Absolute Return Fund of Hedge Funds Manager Search

Mr. Corbett provided opening remarks about the Alternative Investment Fund ("AIF") core Absolute Return Fund of Hedge Funds money managers. He began by commenting on an article that cited corporate and public defined benefit plans were targeting an allocation of approximately 10% and 8%, respectively, of their assets for hedge fund investing, and added that both groups were actively investing and raising their allocations to hedge funds for 2010. Mr. Corbett noted that other states were also investing in hedge funds for the first time this year. Finally, he stated that during 2009, about 80% of the institutional money that was invested in hedge funds was invested through fund of funds, which is the preferred initial vehicle for accessing absolute return strategies in the AIF.

Mr. Corbett provided a brief history of the judicious, cautious approach followed for the AIF's construction. He commented about the Asset and Liability Study that was prepared for the CRPTF and presented to the IAC in September 2006, which led to the creation of the AIF as part of the Investment Policy Statement revisions that were adopted and approved in October 2007. Mr. Corbett said that in June 2008, a consultant was retained to specifically help develop guidelines and structure for the AIF, and these guidelines were developed, adopted and approved by the IAC in February 2009. He said that Pension Funds Management ("PFM") staff along with the co-consultants had led reviews with the IAC at each step from planning to development to implementation, including the presentations of the structure and manager search plan in November 2009 and the due diligence process for selecting managers in December 2009.

In terms of the strategic fit for the CRPTF's portfolio, Mr. Corbett said that an absolute return strategy provided by a diversified portfolio of hedge funds was a more important component of an institutional quality portfolio today than it was when this process was initiated in 2006. He added that because the economic outlook was uncertain with the potential for higher rates and inflation, and greater currency and stock market volatility, a more proactive management process provided through investment in absolute return strategies was necessary. Mr. Corbett added that the managers presenting were skilled at producing the CRPTF's target returns with less volatility than stocks; returns that were not highly correlated with broad market moves, which would provide enhanced returns and diversification benefits to the portfolio.

Mr. Corbett stated that the six hedge fund of funds managers had a broad diversification strategy and best practices for manager selection and ongoing due diligence, which is critical to the risk management process, investment strategy development and execution. He added that these managers were best in class for meeting the CRPTF's needs and were chosen from over 150 hedge fund firms, with about 60 firms offering diversified fund of funds products, and 18 firms chosen for a more exhaustive due diligence including in-person interviews. Mr. Corbett stated that each of the six firms showed different strengths, complemented each other and would provide a good fit for the core Absolute Return Fund of Hedge Funds mandate. Finally, he said all six firms were nimble managers that looked forward in the markets with respect to economic outlook and strategy development, and actively repositioned their portfolios based on the emerging opportunities and risks. Discussion ensued about the number of managers that would be hired, and Mr. Corbett added that the Office of the Treasurer ("OTT") would remain cautious with the objective of gradually funding the AIF over up to the next two years.

Lee Ann Palladino, Deputy CIO, introduced the following firms that provided presentations for the AIF core Absolute Return Fund of Hedge Funds money managers: Blackstone Alternative Asset Management L.P. ("BAAM"); K2 Advisors, L.L.C. ("K2"); Permal Group, LTD ("Permal"); Prisma Capital Partners LP ("Prisma"); The Rock Creek Group, LP ("Rock Creek"); and UBS Global Asset Management ("UBS"). She began her comments by stating that the search was done on a competitive and expedited basis and that institutional quality firms were provided for consideration through the consultants' database and managers that had directly expressed interest to the OTT. Ms. Palladino said that the six best-in-class managers considered possessed the following: 1) Ability to allocate strategies within the universe of hedge fund strategies that had the best risk adjusted return over a variety of market environments; 2) Ability to undertake extensive due diligence to identify top tier managers; 3) Solid quantitative and qualitative risk management infrastructure to continually monitor the portfolio; and 4) Performance track records that demonstrated their success. In order to be best suited for the CRPTF, she said that managers were required to have experience at reducing volatility and enhancing return, the ability to manage a separate account on behalf of the CRPTF, and to customize their products to meet CRPTF's objectives. Ms. Palladino stated that the managers being considered had forward-looking strategies that would generate positive streams of income and reduce volatility by anticipating the expected future outlook. She stated that the firms were organized with separate strategy teams, risk management teams and operational due diligence teams that contributed to the investment decision. Finally, Ms. Palladino commented on the employment of best practices for measuring and managing portfolio risk. She then provided the candidates' comparative performance results for the three, five and seven year periods as of December 31, 2009, as well as the track record for risk for the six managers as measured by standard deviation. Finally, she stated that the six candidates' track records had been measured against the CRPTF's requirement to generate positive absolute returns and meet the benchmark of the U.S. Treasury Bills plus 300 bps.

Mr. Corbett added that each of the managers would bring different strengths and strategic approaches, which would be necessary in building a hedge fund portfolio. Mr. Corbett then provided comments and highlighted each firm's competitive edge. In conclusion, Ms. Palladino stated that each of the six managers was fully able to meet the requirements of the CRPTF.

Mr. Corbett described macro strategies, in response to a question posed by Chairman Roxe. He then responded to Mr. Morten's question about the PFM staff that would be responsible for overseeing the AIF, and discussion ensued about PFM's risk committee. Mr. Corbett, responding to a question from an IAC member, stated that leverage would be controlled in aggregate at the fund level. Sharon Palmer commented on the importance of considering whether the managers were officially domiciled. Mr. Corbett replied that the portfolio managers and investment staff from the firms were located within the U.S. and two were from Connecticut. Ms. Palladino and Mr. Corbett responded to questions about the AIF benchmark, the difference between absolute return strategy and multi-strategy investing, and liquidity standards for the CRPTF fund-of-funds managers. Discussion ensued about whether there were any advantages to longer lockup periods.

Presentation by Prisma Capital Partners LP

Prisma made a presentation to the IAC on its firm's absolute return fund of hedge funds investment opportunity. Prisma was represented by Thomas Healey, Founding Partner; Girish Reddy, Founding and Managing Partner; Helenmarie Rodgers, Managing Director; and Eric Wolfe, Senior Portfolio Manager. Mr. Healey provided an overview of Prisma and spoke about its track record; experienced and stable team; client base; and strong absolute and relative performance. Mr. Reddy commented about Prisma's distinctions and its unique business structure. He stated that Prisma was a fund of funds without any conflicts of interest and it worked as a fiduciary for its clients with over 40% of the company being owned by its employees. Mr. Reddy then spoke about Prisma's customized portfolios focusing on risk parameters as set by its clients, its performance versus the hedge fund of funds universe and its investment process.

Mr. Wolfe commented about Prisma's independent teams of specialists that led its deep due diligence process. With respect to manager selection, he spoke about Prisma's in-depth quantitative and qualitative manager analysis, and stressed the importance of transparency. Mr. Wolfe commented on Prisma's proprietary risk tools that could be customized for the CRPTF at both the portfolio and manager level. Finally, he spoke about Prisma's portfolio construction and monitoring.

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Mr. Morten asked what Prisma learned from the events in the financial markets over the past three years and to detail its economic global outlook. Mr. Reddy shared his views on the global economic climate. He stated that Prisma's process remained unchanged even through the most recent crises but it learned to focus more on risks, concentration and asset liability mismatch. In response to Peter Thor's question, Mr. Reddy explained Prisma's veto of manager approval process. In response to Thomas Barnes, Mr. Wolfe stated that investment risk, lackluster performance or operations reasons would lead to manager removal and about 15% to 20% of the managers were exited per year. Finally, Mr. Wolfe responded to Chairman Roxe's question about Prisma's view on distressed debt.

Presentation by The Rock Creek Group, LP

Rock Creek made a presentation to the IAC on its absolute return fund of hedge funds investment opportunity. Rock Creek was represented by Afsaneh Beschloss, President and Chief Executive Officer; Sudhir Krishnamurthi, Senior Managing Director; and Kathleen Kennedy Townsend, Senior Advisor. Ms. Beschloss provided an overview of Rock Creek's organization and commented about its team of diverse, experienced professionals. She stated that Rock Creek's team had long-term experience investing in hedge funds and customized portfolio solutions with experience in trading, due diligence, risk management, portfolio management and derivative strategies. Ms. Beschloss spoke about Rock Creek's organizational and staffing principles and then commented about its blue chip stable institutional client base, nearly 20% of which are state and public pension plans. She further elaborated about Rock Creek's team and noted that a large percentage of its resources focused on risk management and portfolio construction with attention to due diligence. Ms. Beschloss then highlighted Rock Creek's diverse portfolio with different styles of managers that had good track records. She stated that during 2009 Rock Creek's geographic exposure was predominantly in the U.S. but was shifting during the coming year.

Ms. Townsend commented about Rock Creek's diverse global culture and noted that it was women and minority owned. Ms. Beschloss then highlighted Rock Creek's investment process and stated that its global market outlook encompassed top-down macro views used to make asset allocation decisions. She then commented on asset allocation and the market environment for 2010.

Mr. Krishnamurthi further elaborated about Rock Creek's market outlook for 2010, risk management process and portfolio construction. He stressed the importance in-depth quantitative analysis and spoke about Rock Creek's analytic tools. Mr. Krishnamurthi stated that as a leader in risk management, Rock Creek has used both internal and external risk systems and provided full transparency through risk aggregation within a strong compliance environment.

In response to David Himmelreich's question, Ms. Beschloss discussed management fee structures. In response to Ms. Thomas' question about U.S. versus non-U.S. managers in terms of volatility, Ms. Beschloss stated that generally non-U.S. managers have higher volatility and higher returns. In response to Mr. Morten's questions, Ms. Beschloss said that in terms of learning experiences, she emphasized the need for extreme volatility modeling. With respect to the best and worst opportunities over the next ten years, she stated that it would be difficult to make an 8%

rate of return, investing would be heavily weighted towards hedge fund managers who were unconstrained using a macro top-down approach.

Roll Call of Reactions for Prisma Capital Partners LP and The Rock Creek Group, LP

Chairman Roxe requested the IAC members to provide feedback on Prisma and Rock Creek. Mr. Himmelreich, Thomas Fiore, Mr. Thor, Madams Palmer and Thomas, Mr. Barnes and Michael Freeman, and Mr. Murray said they were comfortable with both managers. Mr. Morten was comfortable with Prisma but not with Rock Creek. Mr. Himmelriech added that they were both good firms despite the fees. Chairman Roxe stated that Prisma's presentation and process was outstanding and he was not impressed by Rock Creek's presentation.

Presentation by UBS Global Asset Management

UBS made a presentation to the IAC on its firm's absolute return fund of hedge funds investment opportunity. UBS was represented by William Brown, Chief Investment Officer; Michael Lammers, Client Advisor; Rick Nardis, Deputy Chief Investment Officer; and Jerome Raffaldini, Global Head of Product Specialists. Mr. Lammers provided an overview of UBS. He began by noting that the firm was located in Connecticut and employed 2,500 people in the state. Mr. Lammers then highlighted UBS' corporate citizenship affairs. Mr. Raffaldini stated that because UBS Global Asset Management was wholly owned, it was regulated and subjected to all internal and external banking oversight. Mr. Nardis commented on the investment team's longevity, extensive experience and team responsibilities in the investment process. Mr. Brown spoke about UBS' investment philosophy and stated that its investment objective has been to generate risk-adjusted returns over the long term. He commented on UBS' approach to limit downside losses during difficult markets. Mr. Brown then spoke about liquidity management during 2009. He provided an explanation of UBS' investment process, risk management process and investment philosophy. In conclusion, he stated that monitoring the risks in hedge fund investing and risk avoidance were the critical components in successful hedge fund investing.

In response to Ms. Thomas' question on recent withdrawal actions, Mr. Brown responded that UBS Global Asset Management had a joint venture with UBS Wealth Management and that was where the majority of the withdrawals took place, but that it did not materially impact the business.

In response to Mr. Morten's questions on lessons learned from the recent market crisis, Mr. Brown stated that UBS learned that you can't predict the duration of asset bubbles and UBS used its corporate clout in terms of exit strategies to manage through the market volatility. He then gave his view on the market outlook over the long term.

Roll Call of Reactions for UBS Global Asset Management

Chairman Roxe requested the IAC members to provide feedback on UBS. Messrs. Fiore and Murray said they were acceptable. Mr. Morten questioned UBS' size and felt they may not be very nimble. Mr. Freeman agreed with Mr. Morten and added that UBS would diversify the manager lineup. Mr. Barnes stated that the presenters were very enthusiastic and it was acceptable. Ms.

Thomas said that the other firms had more consistent positive performance results. Ms. Palmer said she preferred the other firms that presented so far. Mr. Thor said that he was concerned about the size of UBS, but he wouldn't rule them out.

Presentation by Blackstone Alternative Asset Management L.P.

BAAM made a presentation to the IAC on its firm's absolute return fund of hedge funds investment opportunity. BAAM was represented by Gideon Berger, Senior Managing Director and Head of Risk Management; Brian Gavin, Chief Operating Officer and Senior Managing Director; and Brian Schwartz, Vice President of Investor Relations & Business Development. Mr. Gavin provided an overview of BAAM and noted that it managed about $29 billion of institutional assets with $4.2 billion from U.S. public pension plans. He also stated that BAAM was part of The Blackstone Group; it followed strict compliance rules and had a large Wall Street reach. Mr. Gavin stated that BAAM had a top-down approach, a global presence and that it was a stable hedge fund investor. Finally, he stated that BAAM had a value-added platform that includes extensive due diligence and monitoring, a long track record of fund of hedge funds management, strategic partnerships with its investors and strong risk-adjusted performance.

Mr. Berger highlighted BAAM's differentiated investment process using a top-down, bottom-up approach that included access to actionable, proprietary information flow; nimble execution; real-time risk management; and integrated hedge fund manager due diligence and monitoring process. Next, he explained BAAM's asset allocation process and how it sources managers using strategy-focused research. Mr. Berger then presented BAAM's process for identifying prospective managers and noted that once the screening has been done, an in-depth due diligence process for prospective managers begins. In conclusion, he commented about the tools BAAM uses for constant portfolio optimization and stated that 50% of the portfolio is allocated to core managers, 30% to tactical managers and 20% to custom vehicles that exploit targeted opportunities.

In response to Ms. Thomas' question, Mr. Gavin commented that BAAM's total personnel had actually grown over the past 10 years, but added that personnel was changed to meet organizational needs. Mr. Berger responded to Mr. Morten's question on lessons learned by stating that BAAM had not changed its processes, but did learn from its mistakes such as appropriately pricing liquidity. Regarding diseconomies of scale, Mr. Berger said that there were benefits with scale, both for hedge funds and for BAAM, but that required a breadth of talent and resources to invest globally. He commented that the added benefits of BAAM's size included a larger budget for investment tools and the ability to better negotiate terms. Mr. Gavin stated that about 50% of BAAM's investments were inside the U.S. and 50% outside in response to Ms. Thomas' question.

Roll Call of Reactions for Blackstone Alternative Asset Management L.P.

Chairman Roxe requested the IAC members to provide feedback on BAAM. Messrs. Freeman, Morten, Murray, Fiore, Thor and Barnes and Madams Palmer and Thomas and Chairman Roxe all said they were comfortable with BAAM. Mr. Murray added that BAAM's numbers were solid. Ms. Palmer added that the presentation was unique. Ms. Thomas added that BAAM's results were very stable over the past five years.

Presentation by K2 Advisors, L.L.C.

K2 made a presentation to the IAC on its firm's absolute return fund of hedge funds investment opportunity. K2 was represented by Lynda Petrossian and Brooks Ritchie, Managing Directors, and David Saunders, Founding Managing Director. Mr. Saunders provided an overview of K2 and stated that it was originally created to manage the founders' own money and that its mission is to preserve and grow capital by producing asymmetric returns with low correlation, reduced volatility and limited risk. He stated that TA Associates is a private equity partner that had added another level of oversight and governance, and that K2 has about 90 employees based in Connecticut and had offices throughout the world. Mr. Saunders commented about K2's institutionalized infrastructure and stated that its risk systems, risk oversight and focus on risk management were significant and that K2 pioneered the use of full transparency for hedge fund portfolios. He spoke about K2's client list with about 93% of its assets being institutional investors including large and sophisticated state and corporate pension plans. Mr. Saunders commented about K2's due diligence process and noted that it was a five-team, five-step process and that each team had veto rights to manager approval. He then spoke about K2's ongoing qualitative and quantitative manager due diligence process, and commented on the software, created internally by K2, to measure manager-by-manager direct market exposure and excess return. In conclusion, Mr. Saunders reviewed K2's investment strategies, and provided details on the portfolio allocation as of December 31, 2009.

In response to Mr. Morten's questions, Mr. Ritchie stated that K2 had been macro savvy by picking solid managers for inclusion in a portfolio that generated non-market related returns. He said that K2 reviews the macro environment, the risk of a market reversion, and hedge fund managers' strategies. Mr. Thor posed a question about Measurisk to which Mr. Saunders replied that it was formerly the internal risk system at Banker's Trust and was now a third-party risk provider owned by JP Morgan. In response to Chairman Roxe, Mr. Saunders stated that its manager turnover rate has been on average, between 5% and 10% but in 2008 the rate was about 20%.

Roll Call of Reactions for K2 Advisors, L.L.C.

Chairman Roxe requested the IAC members to provide feedback on K2. Messrs. Barnes, Freeman, Morten, Murray, Fiore and Thor, Ms. Thomas and Chairman Roxe generally felt the firm was solid, but not as impressive as the other firms. Mr. Barnes added that it was the smallest firm. Mr. Morten commented on the performance of K2. Mr. Murray added that K2 was more reactive than proactive compared to the other semi-finalists. Mr. Thor added that they were different. Ms. Thomas again stated she had a bias against long-short strategies, which were a large part of K2's strategy. Chairman Roxe concurred with the members.

Presentation by Permal Group, LTD

Permal made a presentation to the IAC on its firm's absolute return fund of hedge funds investment opportunity. Permal was represented by Shane Clifford, Vice President, Head of US Institutional; Javier F. Dyer, Portfolio Manager, Permal Fixed Income Holdings; and Josh Levine, Senior Vice President, Global Head of Institutional Markets. Mr. Clifford provided an overview of Permal and stated that it was part of the Legg Mason Group, headquartered in New York with several offices through the world. Mr. Levine then discussed Permal's resources and its long-tenured investment team. He then highlighted Permal's three-step investment process, which included manager search and due diligence, portfolio construction and asset allocation, and finally risk management and performance monitoring. Mr. Levine stated that operational risk control at Permal has been effective, and reflects the central role of the operational due diligence team. Mr. Levine then commented about Permal's corporate diversity and extensive corporate citizenship record in Connecticut.

Mr. Dyer discussed Permal's investment approach and strategies for Permal's fixed income holdings product, which was allocated between credit spread related and non-credit spread related strategies. He said that Permal uses a tactical approach in allocating capital between the two strategies based on the market outlook and the views held by the underlying managers. Mr. Dyer stated that Permal's fixed income holdings had pro-actively reduced its allocation to credit spread related strategies gradually, from a high of 83% at year-end 2002 to a low of 32% at the end of June 2007, which reflected its defensive position as the credit crisis took hold mid-2007. Finally, he stated that the bearish stance of Permal proved timely as it protected against the initial shocks and market declines, and it has subsequently gradually taken advantage of dislocations increasing its allocation to credit spread related strategies to 55% as of December 31, 2009. In conclusion, Mr. Clifford commented about Permal's largest underlying managers, its structural safeguards and its reporting and fee schedules.

In response to Ms. Thomas' question, Mr. Levine stated that Permal did face withdrawals during the financial crisis, but successfully managed all liquidity requests. In response to Chairman Roxe, Mr. Dyer stated that Permal's large team was able to monitor and maintain a large number of managers in comparison to other firms affording it added protection against downside risks.

Roll Call of Reactions for Permal Group, LTD

Chairman Roxe requested the IAC members to provide feedback on Permal. Ms. Thomas, Messrs. Thor, Fiore, Murray, Morten, Freeman, Barnes and Chairman Roxe all said they were comfortable with Permal. Mr. Thor added that Permal was quite impressive. Mr. Morten added that Permal provided a spectacular presentation and had excellent performance. Mr. Freeman added that Permal's performance was great, but expressed concern about the amount of risk. Mr. Barnes added that Permal was a very impressive fixed income manager.

Roll Call of Reactions for Semi-Finalists for the Absolute Return Fund of Hedge Funds Manager Search

Ms. Thomas recommended four managers, Blackstone, Prisma, Rock Creek and Permal to develop the portfolio. She was unsure about UBS and K2. Mr. Thor agreed with Ms. Thomas. Mr. Fiore stated that they were all acceptable, but felt that Rock Creek, UBS and K2 were less impressive.

Mr. Murray stated that all six were acceptable. Mr. Morten rated Permal as the best followed by Prisma, then Blackstone and UBS were about the same, followed by K2 and Rock Creek. Mr. Freeman preferred Prisma, followed by Permal, Blackstone, UBS, Rock Creek and finally K2. Mr. Barnes agreed with Ms. Thomas that it would be good to develop a portfolio to include several firms. In response to Mr. Barnes questions, Mr. Corbett commented about the differences between the managers, and stated that it was important to create a portfolio of managers with different strategies that complement one another. Treasurer Nappier added that there were strengths and weaknesses within these firms that facilitated less correlation from the onset and noted that monitoring issues were important over time. She stated that K2 and Rock Creek did have the tools to monitor the AIF at the fund level. Mr. Thor added that because these firms' differences were quite striking, they could not be ranked and that all of the firms could be used to create a portfolio. Chairman Roxe stated that while he could not compare the firms because they were very different, he preferred Prisma with Blackstone and Permal tied for second. He stated that the IAC could endorse all six managers and allow OTT staff to determine the allocation amounts for each of the managers. Chairman Roxe added that a huge number of managers were reviewed, followed by an extensive number of interviews by OTT staff and that resulted in the six managers that presented to the IAC.

Chairman Roxe asked for a motion to waive the 45-day comment period for Prisma Capital Partners LP; The Rock Creek Group, LP; UBS Global Asset Management; Blackstone Alternative Asset Management L.P.; K2 Advisors, L.L.C.; and Permal Group, LTD. **A motion was made by Mr. Thor, seconded by Ms. Thomas, to waive the 45-day comment period for Prisma Capital Partners LP; The Rock Creek Group, LP; UBS Global Asset Management; Blackstone Alternative Asset Management L.P.; K2 Advisors, L.L.C.; and Permal Group, LTD. The motion was passed unanimously by all present.**

Other Business

Chairman Roxe commented that the 2010 IAC Meeting Calendar had been updated to show that July 14, 2010 IAC meeting was cancelled.

Chairman Roxe stated that the members of the IAC would like to have the actuaries provide a presentation on methods used in calculating rates of return for the CRPTF's portfolio. He then invited IAC members to submit agenda items for the April 14, 2010 IAC meeting.

Comments by the Treasurer

Treasurer Denise Nappier began her comments by reporting on decisions she had made since the January 13, 2010 IAC meeting regarding two PIF offerings after considering the feedback from the IAC, the consultant and the due diligence process. She stated that she had decided to make a $100 million commitment to Landmark Equity Partners XIV, L.P., a secondary market fund, and that contract negotiations were successfully completed. Treasurer Nappier also reported that she had decided to make a $75 million commitment to Audax Mezzanine Fund III, a middle market mezzanine debt fund, pending successful contract negotiations.

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Treasurer Nappier commented about the corporate governance success with CVS and Home Depot. She stated that CVS voluntarily agreed to support Connecticut's shareholder resolution to provide an advisory opinion on executive compensation "Say on pay". Treasurer Nappier said that Home Depot agreed to set energy efficiency and reduction targets with their subsidiaries after two years of discussion. She then commented about The National Association of State Treasurers Conference in Washington, D.C., which she attended this week. Treasurer Nappier said there was discussion about the proposed Consumer Financial Protection Agency and the debate as to whether or not the agency should be independent. She added that the concern was not just for the consumer, but also for the investor and that individual sophisticated investors were hurt by the lack of transparency and accountability of opaque investments.

Treasurer Nappier commented on the pending lawsuit brought forth by Attorney General Richard Blumenthal and Commissioner of Consumer Protection Jerry Farrell, Jr. against Moody's for its ratings of structured investment vehicles. In closing, Treasurer Nappier commented that the CRPTF was one of the few local government investment pools in the country that had a reserve fund.

Comments by the Chairman

Chairman Roxe commended Mr. Corbett and Ms. Palladino for their outstanding effort in putting today's meeting together. Finally, Chairman Roxe thanked all the IAC members for participating in this month's meeting.

There being no further business, the meeting was adjourned at 4:57 p.m.

An audio tape of this meeting was recorded.

Respectfully submitted,

DENISE L. NAPPIER
CHAIRMAN

Reviewed by

JOSEPH D. ROXE
CHAIRMAN