

INVESTMENT ADVISORY COUNCIL
Wednesday, May 13, 2015

MEETING NO. 423

Members present:

Janice (Jan) Carpenter
Thomas Fiore, representing Benjamin Barnes**
Laurence Hale*
Joshua Hall
David (Duke) Himmelreich***
Steven Muench
William Murray
Denise L. Nappier, Treasurer****
Carol Thomas, Interim Chair
Peter Thor

Others present:

Christine Shaw, Deputy Treasurer
Lee Ann Palladino, Chief Investment Officer
Deborah Spalding, Deputy Chief Investment Officer
David Barrett, Director of Communications
Wayne Hypolite, Executive Assistant
Laura Jordan, Assistant Treasurer - Policy
Harvey Kelly, Pension Fund Analyst
Catherine LaMarr, Legal Counsel
Christina McGinnis, Executive Secretary
Terrence Purcell, Principal Investment Officer
Cherie Santos-Wuest, Principal Investment Officer
Linda Tudan, Executive Assistant

Guests:

Bradley Atkins, Franklin Park Associates, LLC
Seth Alvord, Connecticut Growth Capital, LLC
Doug Boains, Constitution Fund V, LLC
Laureen Costa, Nutmeg Opportunities Fund II, LLC
Michelle Davidson, TorreyCove Capital Partners, LLC
Kristin DePlatchett, StepStone Group, LP
Michael Elio, StepStone Group, LP
David Fann, TorreyCove Capital Partners, LLC
Jeff Goldberger, TorreyCove Capital Partners, LLC
Eduardo Gonzalez, Edgon Financial LL
Karl Hartmann, Franklin Park Associates, LLC
Mark Johnson, Cliffwater, LLC
Greg Jones, Legacy Fndfn
Jim Kane, Unite Here

*Arrival 9:05a.m.

**Arrival 9:08a.m.

***Arrival 9:11a.m./Departure 12:15p.m.

**** Arrival 9:14a.m.

Justin Kaplan, Connecticut Growth Capital, LLC
Robyn Kaplan-Cho, Connecticut Education Association
Kara King, TorreyCove Capital Partners, LLC
Alan Mattamana, Constitution Fund V, LLC
Ashmi Mehrotra, Nutmeg Opportunities Fund II, LLC
Neil Mowery, Franklin Park Associates, LLC
Kristine O'Connor, Franklin Park Associates, LLC
Kola Olofinboba, Constitution Fund V, LLC
JoAnn Price, Constitution Fund V, LLC
Lisa Rotenberg, Goldman Sachs
Lance Sauerteig, Connecticut Growth Capital, LLC
Claire Shaugnessy, AonHewitt Investment Consulting
Tim Weld, StepStone Group, LP

With a quorum present, Interim Chair Carol Thomas called the Investment Advisory Council ("IAC") meeting to order at 9:05 a.m.

Approval of Minutes of the March 11, 2015 IAC Meeting

Chair Thomas called for a motion to approve the minutes of the March 11, 2015 IAC meeting. **Peter Thor moved to approve the minutes of the March 11, 2015 IAC meeting as drafted. The motion was seconded by William Murray. There were two abstentions, Laurence Hale and Steven Muench. There being no discussion, the Chair called for the vote. The motion passed unanimously.**

Comments by the Treasurer

Treasurer Nappier began her opening remarks and informed the IAC members of an in-state investment initiative for the Private Investment Fund ("PIF"). She provided an overview of the program and said it earmarks capital for Connecticut based companies in various stages of development from newly formed companies through venture capital investments to more mature endeavors that required buyout capital or debt to allow for continued growth or acquisitions. Treasurer Nappier then stated that the Connecticut investment program was opportunistic and investments would be made as opportunities arose. She stated the program's objective was to make prudent, profitable investment decisions that had the added benefit of a positive economic impact on our State. Treasurer Nappier added that the policy objective was memorialized in the Investment Policy Statement ("IPS"), which dictated that the PIF had a strategic allocation to invest up to 3% of the PIF assets in partnerships focused on in-state investments. Lastly, Treasurer Nappier said the primary goal of the in-state investment program was to identify untapped and/or underserved areas of Connecticut, to provide much needed capital to promote growth in companies within these areas. She added that performance would be measured, first and foremost, by risk-adjusted returns, followed closely by other macro-economic factors such as job creation, retention and overall economic growth.

Treasurer Nappier stated that the three firms that would present are Nutmeg Opportunities Fund II, LLC (“Nutmeg II”), managed by JP Morgan Asset Management Private Equity Group (“JP Morgan”), with a commitment of up to \$150 million including up to \$50 million allocated to in-state buyout opportunities; Constitution Fund V, LLC (“Constitution V”), managed by Fairview Capital Partners (“Fairview”), with a commitment of up to \$180 million with \$20 million set aside for the in-state allocation; and Connecticut Growth Capital, LLC (“Connecticut Growth”), managed by Balance Point Capital Partners (“Balance Point”), with a commitment of up to \$75 million. She said, the in-state allocation, if fully drawn, would equate to \$145 million.

Finally, Treasurer Nappier stated that three semi-finalist firms would be presented for the IAC’s consideration for the PIF consultant mandate. Treasurer Nappier mentioned that nine firms responded to the Request for Proposal (“RFP”) and were fully vetted, and the three firms were Franklin Park Associates, LLC (“Franklin Park”); StepStone Group, LP (“StepStone”) and TorreyCove Capital Partners, LLC (“TorreyCove”). She added that all three firms were evaluated against the screening and selection criteria endorsed at the September 2014 IAC meeting, and include organizational strength, consulting experience, the fee proposal, diversity profile and corporate citizenship profile.

IAC members posed questions and commented on the merits of the in-state program, the opportunity set within Connecticut, and the timing of the program. Treasurer Nappier responded that the due diligence performed on the in-state program indicated that the current economic climate was appropriate for investing in the State of Connecticut. Further, she said that the approach of this program reduces risk by investing throughout the capital structure of Connecticut firms, thereby decreasing concentration risk by positioning funds in debt, mature equity capital and new firm venture capital. Finally, she commented that the three firms she is considering had researched and demonstrated the potential opportunity set for investment in Connecticut firms, particularly with middle market firms.

Update on the Market, the Connecticut Retirement Plans and Trust Funds’ Final Performance for Months Ended February 28, 2015 and March 31, 2015

Lee Ann Palladino, 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. Next, she reported on the investment performance for the months ended February 28, 2015 and March 31, 2015.

Ms. Palladino reported that as of February 28, the Teachers’ Retirement Fund (“TERF”) and State Employees’ Retirement Fund (“SERF”), the two largest pension plans, returned 2.45% and 2.52%, respectively, for fiscal year 2015 to date. Focusing specifically on TERF, Ms. Palladino said that the performance was driven by total global equity returns of 3.05%, representing 54% of the portfolio; total fixed income returns of -1.40%, representing 20% of the portfolio; and a 6.01% return for alternative investments, representing 21% of the TERF. Ms. Palladino said the performance remained solid over the longer term, with the TERF and SERF returning 9.37% and

9.45%, respectively, over the five-year horizon. Ms. Palladino then reported on the performance of the various trusts.

Presentation by and Consideration of the In-State Mandate

Terrence Purcell, Principal Investment Officer (“PIO”) provided opening remarks and introduced Nutmeg Fund II, Constitution Fund V and Connecticut Growth. He first discussed Nutmeg II managed by J.P. Morgan, a New York-based private equity firm, which would target private equity investments in Connecticut-based private equity firms as well as Connecticut companies on an opportunistic basis. He said J.P. Morgan was an existing CRPTF manager with a mandate to invest in Connecticut-based private equity firms. Mr. Purcell noted that the return on the existing mandate for the CRPTF was 11.7% as of December 31, 2014. He then discussed Constitution V, a fund-of-funds mandate for venture capital. He said that Fairview was a West Hartford, Connecticut-based investment firm, and an existing manager for the CRPTF, and had been successfully managing the CRPTF’s venture capital program since 2004. Mr. Purcell commented that the three venture capital funds to which the CRPTF has committed over the past decade have generated a combined return of 12.7% as of December 31, 2014. Finally, he discussed Connecticut Growth, managed by Balance Point, a Westport, Connecticut-based private investment firm. He said the mandate would leverage Balance Point’s strong credit and lending background, and would provide loans to middle-market companies in Connecticut.

Next, Mr. Purcell commented on the in-state program which was being created to help identify untapped and/or underserved areas of Connecticut and provide needed capital for growth in these district, and that it would assist Connecticut companies in various stages of development from mature to newly created, by investing in various opportunities throughout the debt and equity capital structure of Connecticut companies. He said the objective of these investments was to promote job creation and economic development within Connecticut.

Finally Mr. Purcell noted that the in-state recommendation included an IPS waiver for the 3% policy guideline dedicated to in-state investments. He noted that the 3% equated to approximately \$100 million, and the in-state program, if fully funded, could total \$145 million. He added that in any event, the waiver would not exceed \$145 million.

Presentation by Nutmeg Opportunities Fund II, LLC

Nutmeg Fund II, represented by Laureen Costa, Managing Director/Portfolio Manager and Ashmi Mehrotra, Managing Director/Portfolio Manager, made a presentation to the IAC. Ms. Costa began by introducing Ms. Mehrotra and gave a brief overview of the firm and its private equity portfolio. She added that J.P. Morgan’s private equity program had approximately \$24 billion in assets under management.

Ms. Mehrotra then discussed the firm’s opportunistic investment approach, performance, due diligence and decision-making processes. She emphasized the experienced, cohesive team of investment professionals that would oversee the portfolio. She said the mandate was similar to

the last fund, which targeted small and mid-market private equity firms located in Connecticut. She then discussed the in-state sleeve, which would co-invest directly into Connecticut companies.

Mr. Thor, Mr. Muench and Thomas Fiore posed questions regarding investing, due diligence and sourcing, to which Ms. Costa answered satisfactorily.

Presentation by Constitution Fund V, LLC

Constitution Fund V represented by JoAnn Price, Co-founder/Managing Partner, Kola Olofinboba, Managing Partner, Doug Boains, Partner, Chief Financial Officer (“CFO”) and Chief Operating Officer (“COO”), and Alan Mattamana, Principal, made a presentation to the IAC. Ms. Price introduced the team and gave a firm overview. She remarked that Fairview Capital is a 20 year old firm located in West Hartford, Connecticut. She added that they manage 22 venture capital and private equity customized programs and has been a registered institutional investor since 1994.

Mr. Olofinboba and Mr. Boains then gave an overview on investment practices, the CRPTF’s venture capital programs, and its track record performance.

Mr. Olofinboba provided an overview of Constitution V and discussed portfolio construction, expected commitments, risk management and terms of the fund offering. He said Fairview’s deep relationships in the venture capital space allowed for exposure to difficult to access venture capital managers.

Finally, Mr. Mattamana gave an overview of the Connecticut Co-Investment Program and strategy that would seek co-investments sourced through its numerous managers to find investment opportunities in Connecticut companies that sought early and late stage venture capital. He stated that Fairview would be able to identify, monitor and report on economic characteristics related to Connecticut co-investments such as company performance, demographic profile, job creation and tax revenue.

IAC members posed questions regarding sourcing, portfolio and return profile, to which Ms. Price answered satisfactorily.

Presentation by Connecticut Growth Capital, LLC

Connecticut Growth, represented by Seth Alvord, Managing Partner, Justin Kaplan, Partner and Lance Sauerteig, Partner, made a presentation to the IAC. Mr. Alvord introduced the team. He stated that Balance Point is headquartered in Westport, Connecticut and would employ its proven credit investment strategy. He said the firm was uniquely positioned to be in partnership with the State to target mezzanine debt investments in Connecticut companies. He then gave an overview on the Connecticut market opportunity set.

Next, Mr. Alvord gave an overview of Balance Point and discussed investment performance of two unlevered funds. He then spoke about the firm's investment focus and preferred portfolio company characteristics when investing in Connecticut companies as well as its investment track record.

Mr. Alvord discussed deal sourcing and summary of terms, and emphasized that Balance Point's investment thesis and approach to investing in the middle market supports the State's investment objectives.

Roll Call of Reactions of the In-State Mandate

Mr. Muench, Jan Carpenter, Mr. Murray, David Himmelreich, Mr. Fiore, Mr. Thor, Joshua Hall, Mr. Hale and Chair Thomas provided feedback on the In-State Mandate. Messrs. Muench, Murray, Himmelreich, Thor, Hall, Hale and Chair Thomas supported all three firms. Mr. Fiore least favored Fairview and Ms. Carpenter added that she would not support an investment in Fairview due to concentration risk associated with the CRPTF's private equity allocation to Fairview.

Chair Thomas called for a motion to waive the 45-day comment period. **A motion was made by Mr. Thor, seconded by Mr. Murray, to waive the 45-day comment period for the In-State Mandate. There being no discussion, the Chair put the question to a vote and the motion passed unanimously.**

Presentation by and Consideration of the Semi-Finalists for the Private Investment Fund Consultant Search

Mr. Purcell provided opening remarks and introduced semi-finalists Franklin Park, StepStone and TorreyCove, for the PIF Consultant Search. He stated that the investment consultant search had been conducted through a competitive RFP process and that nine candidates responded. Mr. Purcell gave an overview of the scope of the consultant work and added that each of the three focused exclusively on the private markets in their consulting business.

Next, Mr. Purcell remarked that the firms were evaluated on experience with large public pension funds, general understanding of public fund issues and the consulting needs of the CRPTF. He added that consideration was also given to the reference checks conducted with large public pension plans.

Several IAC members posed questions regarding terminated past clients, fees, and Environmental/Social/Governance issues, to which Mr. Purcell and Treasurer Nappier answered satisfactorily.

Presentation by Franklin Park Associates, LLC

Franklin Park, represented by Brad Atkins, Chief Executive Officer "(CEO)", Karl Hartmann,

COO, Neil Mowery, Managing Director and Kristine O'Connor, CFO, made a presentation to the IAC. Mr. Atkins began by introducing the team and gave a brief firm overview, firm history, and global manager coverage. He remarked on the firm's service to the CRPTF since 2004 and stated that there were two challenges in managing and creating a successful private equity program: 1) identifying and accessing best managers; and 2) operational challenges associated with the complexity of private fund investing.

Next, Mr. Hartmann highlighted the investment process, from sourcing to legal negotiation and deal closing. He discussed the investment, operational and legal due diligence process. He remarked that the process was collaborative across investment, legal and operational teams during each stage of due diligence.

Mr. Mowery then summarized their investment activity with the CRPTF since 2004, and stated that they helped the CRPTF commit \$3.5 billion in 50 funds, and that those investments exceeded benchmark returns in seven of nine vintage years. He commented on the development of a diversified portfolio that includes twenty commitments to Connecticut-based funds as well as emerging managers.

Next, Ms. O'Connor spoke about operational best practices and risk management controls and said that private equity was a complex asset class, and post-investment oversight was critical to the success of the investment program.

Finally, Mr. Atkins summarized and said Franklin Park had given the CRPTF unparalleled client service the past ten years and had proven the firm's ability to uncover and access high-performing managers.

Several questions were posed by the IAC members regarding future expansion of Franklin Park, and their position with continued services to the CRPTF, to which Mr. Atkins and Mr. Mowery answered to their satisfaction. Mr. Thor asked why Franklin Park was not a signatory to the United Nations Principles of Responsible Investing ("UNPRI") for Environmental/Social/Governance, given the Treasurer's longstanding interest on the matter. Mr. Atkins replied that Franklin Park had been researching the questions over the last four years, and although they had adopted many of the PRI practices in their investment process, they were still evaluating how it would be applicable and relevant to a private advisor. Ms. O'Connor then stated that Franklin Park recently scheduled a meeting with UNPRI for a presentation to better understand how it would be applicable to them as advisors and their clients.

Presentation by StepStone Group, L.P.

StepStone, represented by Kristin DePlatchett, Principal, Michael Elio, Partner, and Tim Weld, Partner, made a presentation to the IAC. Mr. Elio began by introducing the team and gave a brief firm overview. He discussed the firm's research team and proprietary databases.

Mr. Weld then gave an overview of their integrated platform and discussed their monitoring and

reporting capabilities, legal and compliance, and finance and administration. Next, Mr. Elio discussed StepStone's customized client services.

Finally, Mr. Weld spoke about Stepstone's specialized sector teams responsible for maintaining sector research and analysis and proactive investment sourcing. Lastly, Mr. Weld remarked that the firm is a signatory to the UNPRI and had incorporated most of the principles into Stepstone's due diligence process.

Mr. Fiore asked if StepStone had reviewed the CRPTF portfolio, to which Mr. Weld replied that given the size of the CRPTF, the portfolio was concentrated with fewer funds than most public pension funds, which he said was a benefit to the CRPTF.

Presentation by TorreyCove Capital Partners, LLC

TorreyCove, represented by Michelle Davidson, Managing Director, David Fann, President and CEO, Jeff Goldberger, Senior Vice President and Kara King, Managing Director, made a presentation to the IAC. Mr. Fann began by introducing the team and gave a brief firm overview. He stated that TorreyCove was established in 2011, with offices in California, Massachusetts and New York, and focused on creating a customized platform that would address each client's unique private equity needs. Mr. Fann added that TorreyCove's business model was to provide conflict-free advice and that the firm was an early adopter of Environmental/Social/Governance ("ESG") concepts.

Next, Ms. Davidson described the client-centric and collaborative approach and said their goal was to give clients complete access to the investment process. She then gave a client advisory overview and spoke about their strategic and tactical planning process and how they would determine the clients risk tolerance, return objectives, and program goals.

Mr. Goldberger next spoke about TorreyCove's capabilities related to the research process, secondary and co-investment capabilities, access, emerging manager experience and term negotiations.

Next, Ms. King gave an overview of the monitoring and reporting risk management process.

Several IAC members posed questions, including inquiries regarding the firm's lack of in-house legal resources and its external majority shareholder ownership, to which Mr. Fann answered satisfactorily.

Roll Call of Reactions to the Private Investment Fund Consultant Search

Messrs. Thor, Hall, Hale, Muench, Murray, Fiore, Ms. Carpenter and Chair Thomas provided feedback on the Private Investment Fund Consultant Search. Messrs. Hale, Muench, Murray, Ms. Carpenter and Chair Thomas most favored StepStone. Messrs. Thor, Hall, and Fiore, favored Franklin Park.

Report on Corporate Governance for quarter ended December 31, 2014

Laura Jordan, Assistant Treasurer, Policy, reported on corporate governance activities for the quarter ended December 31, 2014. She began with an overview of the proxy voting activity for the first quarter of calendar year 2015 and covered proxy voting and the upcoming 2015 shareholder engagement strategy. She stated that there were 153 domestic annual general meetings of portfolio companies and that the CRPTF cast 1,120 votes, of which 78.2% were in support of management recommendations. Ms. Jordan continued that there were 499 international meetings at which the CRPTF cast 3,256 votes, of which 88.1% were in support of management recommendations. Ms. Jordan said that since the last Corporate Governance report on December 10, 2014, the CRPTF had filed 25 resolutions with portfolio companies for inclusion in their 2015 proxy statements. She then gave an overview of the activity related to greenhouse gas emissions and sustainability, carbon asset risk and executive compensation.

Chair Thomas called for a motion to accept the report on Corporate Governance activities. **A motion was made by Ms. Carpenter, seconded by Mr. Hale, to accept the report on Corporate Governance activities. There being no discussion, Chair Thomas put the question to a vote and the motion passed unanimously.**

Other Business

Chair Thomas invited the IAC members to submit agenda items for the June 10, 2015 IAC meeting, and added that she drafted an interim committee plan for each member's review. She asked that the Education committee briefly meet following the IAC meeting. Chair Thomas then asked for the IAC members' preference for canceling either the July or August meeting. All members present agreed to cancel the August IAC meeting.

Executive Session

A motion was made by Mr. Murray, seconded by Mr. Muench, that the Investment Advisory Council adjourn the Regular Session at 1:58 p.m. and enter into Executive Session to consider a personnel matter. The motion was passed unanimously. Lee Ann Palladino, CIO and Christine Shaw, Deputy Treasurer, participated in the Executive Session.

Regular Session

Chair Thomas reconvened the regular session at 2:09 p.m. She noted that no votes were taken during the executive session.

Consideration of the Appointment of the interim Chief Investment Officer

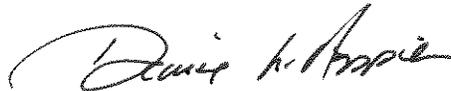
Treasurer Nappier announced that Lee Ann Palladino, CIO, announced her intention to retire

effective July 1, 2015. The IAC members congratulated Ms. Palladino on her upcoming retirement. Treasurer Nappier then presented her recommendation to appoint Deborah Spalding as Interim CIO, effective upon the retirement of Ms. Palladino. Chair Thomas asked for a motion to approve the recommendation. **A motion was made by Mr. Hale, seconded by Mr. Hall, to approve the appointment of Deborah Spalding as Interim CIO for the CRPTF, effective upon the retirement of Lee Ann Palladino. The motion passed unanimously.**

There being no further business, Chair Thomas called for a motion to adjourn the meeting. **Mr. Thor moved to adjourn the meeting and the motion was seconded by Mr. Hall. There being no discussion, the meeting was adjourned at 2:11 p.m.**

This meeting was electronically recorded.

Respectfully submitted,



**DENISE L. NAPPIER
SECRETARY**

Reviewed by



**CAROL THOMAS
INTERIM CHAIR**