

INVESTMENT ADVISORY COUNCIL  
Tuesday, November 10, 2015

**MEETING NO. 427**

**Members present:**

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

**Absent:**

Steven Muench

**Others present:**

Richard Gray, Deputy Treasurer  
Deborah Spalding, Chief Investment Officer  
David Barrett, Director of Communications  
Joanne Dombrosky, Principal Investment Officer  
Mary Phil Guinan, Assistant Treasurer-Policy  
Linda Hershman, Chief of Staff  
Wayne Hypolite, Executive Assistant  
Catherine E. LaMarr, General Counsel  
Christina McGinnis, Executive Secretary  
Christine Shaw, Chief Compliance Officer  
Linda Tudan, Executive Assistant

**Guests:**

Brian Anderson, Council 4 AFSCME  
MariLu Cleary, Morgan Stanley  
Mark Johnson, Cliffwater LLC  
Robin Kaplan-Cho, Connecticut Education Association  
Keith Phaneuf, CT Mirror  
Claire Shaughnessy, AonHewitt Investment Consulting

\*Arrival 9:18am

With a quorum present, Interim Chair Carol Thomas called the Investment Advisory Council ("IAC") meeting to order at 9:00a.m.

**Approval of Minutes of the September 9, 2015 IAC Meeting**

Chair Thomas called for a motion to approve the minutes of the September 9, 2015 IAC meeting. **Peter Thor moved to approve the minutes of the September 9, 2015 IAC meeting as drafted. The motion was seconded by William Murray. There was one abstention,**

INVESTMENT ADVISORY COUNCIL  
Tuesday, November 10, 2015

**Laurence Hale. There being no further discussion, the Chair called for the vote. The motion passed unanimously.**

**Comments by the Treasurer**

Treasurer Denise L. Nappier began her opening remarks by welcoming new IAC member, Michael Kramer, and also introduced Mary Phil Guinan, recently appointed to the Office of the State Treasurer as Assistant Treasurer for Policy.

Treasurer Nappier then discussed Governor Malloy's proposal to reform the state pension system. She credited the Governor's efforts to shore up the underfunded pension plans and enumerated her questions and concerns regarding the proposal. Treasurer Nappier said she would discuss the proposal in greater detail at the December IAC meeting.

Next, Treasurer Nappier discussed the agenda, and then announced that after having considered feedback from the IAC and the due diligence process conducted by the investment staff and the Real Estate Fund consultant, The Townsend Group, she had decided to proceed with a commitment of up to \$100 million to Crow Holdings Realty Partners VII, L.P., a value-add real estate investment opportunity. She added that the commitment was contingent upon successful negotiation of the partnership documents.

**Update on the Market, the Connecticut Retirement Plans and Trust Funds Final Performance for Months Ended August 31, 2015 and September 30, 2015**

Deborah Spalding, Chief Investment Officer, provided an update on the capital market environment, its impact on the Connecticut Retirement Plans and Trust Funds performance and the economic outlook. She reported that for the period ended August 31, 2015, the two largest pension plans, the State Employees' Retirement Fund ("SERF") and the Teachers' Retirement Fund ("TERF"), returned negative 3.18% and negative 3.17%, respectively.

Next, she reported that the TERF and SERF, posted results of negative 2.04% and negative 2.00%, respectively for the period ended September 31, 2015. Additionally, Ms. Spalding reported calendar year end returns of negative 1.65% and negative 1.59%, respectively for the TERF and SERF. Ms. Spalding then said that the fiscal year to date performance held up well during a volatile market driven by modest outperformance in each of the liquid asset classes with the exception of the Mutual Equity Fund which is more in line, due to the large indexed position. Total global equity returns of negative 9.07%, representing 50.89% of the portfolio; total fixed income returns of negative 2.95%, representing 21.26% of the portfolio; and a 2.93% return for alternative investments, representing 23.49% of the TERF. Ms. Spalding said the performance remained solid over the longer term, with the TERF and SERF returning 6.87% and 6.95%, respectively, over the five-year horizon.

Focusing specifically on TERF, Ms. Spalding said that the weakness in the markets continued into September and reported of negative 5.82%, representing 51.59% of the portfolio; total fixed income returns of negative 1.70%, representing 20.89% of the portfolio; and a 2.96% return for alternative investments, representing 22.59% of the TERF. Ms. Spalding said the performance

INVESTMENT ADVISORY COUNCIL  
Tuesday, November 10, 2015

remained solid over the longer term, with the TERF and SERF returning 8.49% and 8.59%, respectively, over the five-year horizon.

She reported that as of August 31, TERF and SERF were down, respectively vs. its customized benchmark of negative 4.34%. Ms. Spalding then stated that w reported on the investment performance for the months ended August 31, 2015 and September 30, 2015.

#### **Other Business**

Chair Thomas presented the draft IAC Meeting Schedule for the 2016 calendar year. **Mr. Thor moved to accept the IAC Meeting Schedule for the 2016 calendar year. The motion was seconded by Joshua Hall. There being no discussion, the Chair called for the vote. The motion passed unanimously.**

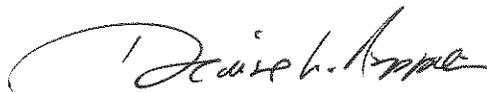
#### **Comments by the Chair**

Chair Thomas invited the IAC members to submit agenda items for the December 9, 2015 IAC meeting.

There being no further business, Chair Thomas called for a motion to adjourn the meeting. **Duke Himmelreich moved to adjourn the meeting and the motion was seconded by Mr. Hale. There being no discussion, the meeting was adjourned at 10:16 a.m.**

**This meeting was electronically recorded.**

**Respectfully submitted,**



**DENISE L. NAPPIER  
SECRETARY**

**Reviewed by**



**CAROL THOMAS  
INTERIM CHAIR**