INVESTMENT ADVISORY COUNCIL
Wednesday, April 13, 2011

MEETING NO. 384

Members present:	Thomas Barnes*
	Thomas Fiore, representing Benjamin Barnes**
	Michael Freeman***
	Stanley (Bud) Morten
	William Murray
	Denise L. Nappier, Treasurer
	Sharon Palmer****
	David Roth
	Joseph (Joe) D. Roxe, Chairman
	Carol Thomas
	Peter Thor***
Absent:	David (Duke) Himmelreich
Others present:	Jonathan Harris, Deputy Treasurer
	Christine Shaw, Chief of Staff
	M. Timothy (Tim) Corbett, Chief Investment Officer
	Lee Ann Palladino, Deputy Chief Investment Officer
	Adrian Kingshott, Principal Investment Officer
	Donald Kirshbaum, Investment Officer - Policy
	Catherine LaMarr, General Counsel
	Shelagh McClure, Director of Compliance
	Linda Tudan, Executive Assistant
	Winifred (Winnie) Scalora, Administrative Assistant
Guests:	Joseph Barcic, Mercer Investment Consulting
	Scott Booth, The Townsend Group
	Marquette Chester, Invesco Real Estate
	Scott Darling, American Realty Advisors
	Peter Feinberg, Invesco Real Estate
	Sean Gill, NEPC, LLC
	Will Greene, Loop Capital Markets
	Peter Grzybala, Hart Realty Advisers
	David Hart, Hart Realty Advisers
	William Holmes, Hart Realty Advisers
	Stanley L. Iezman, American Realty Advisors
	Robin Kaplan-Cho, Connecticut Education Association
	Kevin Kearns, Loomis, Sayles & Company
	Harvey Kelly, Leumas Advisors
	Louis Laccavole, SOC Teachers' Retirement Board
	Kevin Leonard, NEPC
	Paul Michaels, Invesco Real Estate

*In at 9:06 a.m., left at 11:15 a.m.
**In at 9:06 a.m., left at 12:45 p.m.
***In at 9:10 a.m.
****In at 9:11 a.m.

John Molloy, Hart Realty Advisers
Kevin Norton, BNY Mellon
Michael Reardon, Russell Investments
Christopher Smith, Service Employees International Union
Michael Stark, The Townsend Group
M. Craig teDuits, State Street Bank & Trust
Blair Thomas, EIG Alternative Investments, LLC
Terrell Weatherl, Invesco Real Estate

Chairman Joseph Roxe called the Investment Advisory Council ("IAC") meeting to order at 9:05 a.m. Chairman Roxe welcomed Treasurer Denise Nappier back. Treasurer Denise Nappier thanked everyone for the outpouring of good wishes that were extended to her. A quorum was present at 9:06 a.m.

Approval of Minutes of the March 9, 2011 IAC Meeting

Chairman Roxe asked for comments on the Minutes of the March 9, 2011 IAC meeting. **There being no comments, a motion was made by Stanley Morten, seconded by David Roth, that the Minutes of the March 9, 2011 IAC meeting be accepted as drafted. The motion was passed with the exceptions of Thomas Barnes and William Murray who abstained due to their absence from the last meeting.**

Comments by the Treasurer

Treasurer Nappier began her comments by announcing that she had appointed Jonathan Harris as Deputy Treasurer and Christine Shaw as Chief of Staff. She welcomed Deputy Treasurer Harris and noted that he brings an impressive background of public service and the private practice of law to the Office of the Treasurer ("OTT") including serving on the Town Council and as Mayor of West Hartford. She noted that Deputy Treasurer Harris was most recently State Senator representing West Hartford, Farmington, Bloomfield and Burlington. Treasurer Nappier also welcomed Christine Shaw, a 12-year veteran of the OTT who holds both a JD and an MBA, and whose entire public service career has prepared her well for the Chief of Staff position in which she will oversee the operating divisions of the OTT. Next, she expressed her appreciation to Assistant Treasurer Lawrence Wilson for his steadfast and capable support during his service as Deputy Treasurer during the interim period. Chairman Roxe joined Treasurer Nappier in welcoming the new Deputy Treasurer and Chief of Staff, and in thanking Assistant Treasurer Wilson.

Treasurer Nappier then commented on the National Association of State Treasurers' annual legislative conference, which she recently attended. She noted that more than half of the nation's state treasurers were in attendance, and most shared keen interest in the focused discussion about the Governmental Accounting Standards Board's ("GASB") preliminary proposal to use a market discount rate rather than the expected long-term rate of return in the valuation of pension liabilities. Treasurer Nappier said that the standards were not expected to be finalized until July

2012 at the earliest and implementation of the final standards may be later than 2012. She added that under the GASB proposal, the total unfunded accrued pension liability would have to be placed on the Government's balance sheet and that would likely increase the size of liabilities and expenses for reporting purposes. Treasurer Nappier said there was also discussion regarding the SEC's efforts to implement the provisions of the Dodd/Frank Act.

Treasurer Nappier then announced that after considering the feedback from the IAC, the recommendation of the Chief Investment Officer ("CIO") and the due diligence process performed by Pension Fund Management ("PFM") staff with the consultant, she had decided to make a $75 million commitment to Lone Star Real Estate Fund II, a real estate investment opportunity focused on distressed commercial real estate investments, contingent upon successful contract negotiations.

Finally, Treasurer Nappier commented on today's agenda. She said that semi-finalist candidates for the management of the Connecticut Retirement Plans and Trust Funds' ("CRPTF") existing core real estate separate account would be presented, and she noted that allocations to core separate account mandates allowed the CRPTF the flexibility of 100% ownership of the underlying properties, control over investment guidelines and a competitive fee structure. Treasurer Nappier said that the CRPTF's core real estate strategy was designed to accommodate both separate account and open-end core diversified vehicles that target income-producing properties in primary, secondary and tertiary markets. She noted that the managers presenting today have solid real estate teams, long-term experience in the management of core separate accounts, and they bring forth a unique approach to investing in this market segment. Treasurer Nappier then thanked Mr. Roth and Mr. Murray for their participation in the interviews of the candidates and for providing their feedback during the due diligence process. She said that two of the managers: American Realty Advisors, a California firm with a local presence in New Canaan; and Hart Realty Advisers, a Connecticut-based firm; both have focused expertise in core real estate properties located in primary and secondary markets and provide customized platforms for separate account investors. Treasurer Nappier said that the third candidate, Invesco Real Estate, specializes in both public and private real estate with a focus on core properties located in primary markets. She added that the candidates possess complementary approaches and represented a good fit for the CRPTF. Finally, Treasurer Nappier noted that she was considering adding an additional $150 million in core separate accounts, which was consistent with the Real Estate Fund's ("REF") pacing plans that call for an increase in the lower risk, core real estate holdings as the real estate portfolio grows toward its 5% target allocation.

Next, Treasurer Nappier said that the first Alternative Investment Fund ("AIF") opportunity in the real assets space would be presented: EIG Energy Fund, XV, L.P., focused on investments in energy and energy-related infrastructure projects. She noted that real assets have low correlation to equities and fixed-income, provide a long-term hedge against inflation, create both current income and potential for capital appreciation, and that this investment opportunity represents the planned extension of the CRPTF's strategy in the AIF.

Chief Investment Officer's Update on the Market, CRPTF's Final Performance for the Month Ended February 28, 2011 and Watch List Update

M. Timothy Corbett, CIO, provided an update on the capital market environment, its impact on the performance of the CRPTF and the economic outlook. Mr. Corbett began by stating that the first quarter of 2011 was the best for the S&P 500 since 1998, up almost 6%. Mr. Corbett said that the biggest driver of the economy was the booming manufacturing sector, and he noted that the manufacturing index in March almost matched its highest level since 1983. Mr. Corbett also noted that the unemployment rate declined to 8.8%. He added that he is concerned as to whether inflation would be a threat to the economy; but on balance, he said that the first quarter economic data provided evidence that there were more downside risks to economic growth from higher commodity prices than temporary upside risks to inflation. Finally, Mr. Corbett commented on the anticipated slowdown of global growth and noted that the world economic recovery remained fragile.

With respect to the performance for the CRPTF for the month ended February 28, 2011, Mr. Corbett reported an increase of 191 basis points ("bps") for the Combined Investment Funds ("CIF"), and he noted that pension fund assets grew $400 million for the month ended February 28, 2011 and were at $25 billion. He stated that the CIF's performance for Fiscal Year ("FY") 2011 was up to 17.8%. Regarding fund performance, Mr. Corbett noted that seven of the eight public funds outperformed their benchmarks and that rising inflation and spreading unrest in the Middle East had caused emerging market equities to lag the developed markets in FY 2011. Finally, Mr. Corbett commented on the AIF and noted that currently $400 million had been invested in four hedge fund-of-funds. Chairman Roxe commented on the need to be aware of the potential downside risk in terms of strategy and investment allocation because the market seemed to be ignoring the negative trends. He added that the U.S. was still flooding money into the market, which was propping up the value of assets. Mr. Corbett stated that the hedge fund-of-funds vehicles would provide support on the upside when the market rallies and downside protection in the event of a market correction. Discussion continued regarding potential risks during the near term market conditions.

Mr. Corbett then provided an update on the CRPTF Watch List as of December 31, 2010 noting that there were two changes in the Watch List from last quarter's report: BlackRock Financial Management, Inc.'s ("BlackRock") Scientific Equity Risk Controlled, formerly Barclays Large Cap Core – Alpha Tilts, mandate had been terminated; and BlackRock's Core Fixed Income mandate had been removed from watch.

Finally, Mr. Corbett provided an update on the anticipated items for discussion at the IAC meetings for the remainder of the 2011 calendar year.

Discussion on Inflation and Its Investment Implications

Mr. Corbett began by stating that the aggregate global fiscal and monetary policies in place during the past two years had produced the need for global monetary tightening. He said that the current strength in the global economy was producing inflation pressure on emerging market countries that had less experienced and non-independent monetary policies. Mr. Corbett then introduced Kevin Kearns, Vice President of Loomis, Sales & Company, who provided a presentation entitled, “Characteristics of Inflation.”

Mr. Kearns began his presentation by commenting that there was no single indicator to predicting inflation. He stated that inflation was global in nature unless there was an idiosyncratic event: a war or economic malfunction such as a sovereign credit crisis. Mr. Kearns then commented on the fact that the U.S. had not dealt with inflation since the 1970s and he noted that it trends over long cycles. He then spoke about global business cycles versus the U.S. business cycle and he commented on the current inflation rates within different countries. Mr. Kearns stated that the U.S. debt was high and unsustainable; and therefore, the only two viable options were inflation or austerity. He said that items with the best correlation to inflation were a rise in commodities prices and a decline of sovereign credit quality. Next, he commented on the economies of several countries noting that these sources of volatility would affect the global markets. Finally, Mr. Kearns said that politics would play a key role in determining how pain would be distributed on a global scale in order to correct the current macro imbalances. In closing, Mr. Kearns stated that no single factor or investment could consistently identify and protect against inflation; inflation was global in nature, instances of global inflation were likely to rise, inflation cycles were long, inflation tended to have momentum and that understanding the cause of inflation was crucial.

In response to Chairman Roxe’s question regarding how the CRPTF should position itself against “debtflation” in the U.S., Mr. Kearns said he was an advocate of decreasing long-only investments and investing capital in products with downside protection such as hedge funds. He added that a multi-asset solution was best. Mr. Morten asked how real estate performed in particularly higher and different inflationary environments to which Mr. Kearns stated that most of the statistics had indicated that real estate had traditionally protected against inflation.

Presentations by and Consideration of Semi-Finalists for the Core Real Estate Separate Account Managers

Lee Ann Palladino, Deputy CIO, provided opening remarks and introduced the following firms that provided presentations for the Core Real Estate Separate Account: American Realty Advisors (“American”), Hart Realty Advisers (“Hart”) and Invesco Real Estate (“Invesco”). Ms. Palladino also introduced the real estate consultants, Scott Booth, Principal, and Michael Stark, Associate, The Townsend Group. She began by providing an overview of the competitive search process. Ms. Palladino stated that the managers presenting today met the search criteria and were all experienced in the four property types associated with core: industrial; retail; office; and residential. She added that the firms also had demonstrated experience in executing against customized benchmarks with a value-add to their performance over many economic environments.

With respect to the REF, Ms. Palladino said that core separate account and commingled vehicles provide great diversity and flexibility in managing the REF portfolio. She stated that advantages of the core separate account included a dedicated team to manage CRPTF's real estate assets with lower fees and more flexibility in execution of the core real estate strategy.

Mr. Booth commented on The Townsend Group's process in selecting the core separate account managers. Of the qualified managers, he said that candidates which met the CRPTF's specific needs were screened and interviewed by OTT staff. Chairman Roxe commented on the existing properties within the REF. Discussion ensued about the number of candidates that would be hired, appropriate portfolio size for diversification, the number of separate accounts a manager should have, whether money can be reinvested by the managers when the property has been sold, the typical rotation policy for purchasing properties, performance data, and the advantages to investing in the secondary and tertiary markets.

Presentation by American Realty Advisors

American, represented by Stanley L. Iezman, Chairman and CEO, and Scott Darling, President/Executive Managing Director, Portfolio Management, made a presentation to the IAC on its firm's core real estate separate account investment opportunity. Mr. Iezman began by providing an overview of American, and he noted that it was one of the largest privately held investment managers in the U.S. that focused exclusively on real estate investment management for domestic pension plans. Next, Mr. Iezman commented on American's stable management team, clients and separate accounts; and he stated that risk management was the foundation of the firm. He then spoke about American's client composition and the competitive advantage of its focused and opportunity driven core real estate investment strategy. Mr. Darling commented on American's investment process. He added that American had consistently outperformed its benchmark for the last 15 years. In closing, Mr. Iezman commented on American's competitive advantage which included its skill set, a 22-year history of real estate investing, a culture of compliance and that selection and risk control have been the foundation of the organization.

With respect to Mr. Morten's question regarding American's cash-on-cash performance, Mr. Darling stated that actual capital paid in by the client and distributions paid out to the client were constantly tracked. Discussion ensued regarding American's ability to manage allocations for its 22 separate accounts. In response to Chairman Roxe, Mr. Darling stated that the CRPTF's portfolio included a fair amount of large, single tenant exposure, but for the most part it was a good portfolio that needed more diversified exposure. Discussion continued regarding the benefits of separate accounts versus commingled funds.

Presentation by Hart Realty Advisers

Hart, represented by Peter Grzybala, Managing Director, Investment Management, David Hart and William Holmes, Senior Managing Partners, and John Molloy, Managing Partner, Portfolio Management, made a presentation to the IAC on its firm's core real estate separate account investment opportunity. Mr. Holmes began by commenting on Hart's Connecticut-based organization and its experienced team; the firm is 100% owned and operated by residents of the State of Connecticut. Mr. Hart then provided details on Hart's organizational structure and he noted that it was a privately-held, real estate investment manager specializing in the development, acquisition and management of domestic private equity real estate, consisting of core, value-added and opportunistic investment strategies. Next, he commented on Hart's historical performance versus the benchmarks, its portfolio performance and attribution, and its assets under management. Mr. Holmes spoke about Hart's competitive advantages and noted that it had a long-term performance history that exceeded industry benchmarks investing in core institutional quality real estate exclusively in separate account formats for large public pension funds. Hart's team members commented on its existing clients and noted similarities with CRPTF's fund size, portfolio and cash earned.

In response to Ms. Thomas' question, Mr. Grzybala stated that while the Hart team was experienced in industrial properties, it was not in this market for the last five years due to client specific guidelines. Mr. Holmes commented on Hart's performance and fee schedule. Mr. Holmes responded satisfactorily to Mr. Morten's questions regarding cash-on-cash performance for the longer term periods and the amount of real estate sold during the last 17 years. In response to Chairman Roxe, Mr. Hart stated that the CRPTF had a good portfolio that included industrial property with a bit of risk, well-developed and well-located multi-family property, retail property that could perform better and overall good office property.

Presentation by Invesco Real Estate

Invesco, represented by Marquette Chester, Managing Director, Public Funds; Peter Feinberg, Portfolio Manager; Paul Michaels, Director of North American Real Estate; and Terrell Weatherl, CPM, Senior Asset Manager; made a presentation to the IAC on its firm's core real estate separate account investment opportunity. Mr. Chester began by providing an overview of Invesco and its worldwide team that helped investors to achieve their financial objectives, and he noted that Invesco was only in the asset management business. Next, Mr. Michaels spoke about Invesco's global real estate platform. He stated that Invesco was a separate account specialist which also managed an open-end core fund and two closed-end value-added funds. Next, Mr. Michaels commented on Invesco's selective client list and noted that its clients were managed one at a time and it had never been terminated by a client. He also noted that Invesco had no layoffs and actually added staff during the recent economic downturn. Finally, Mr. Michaels commented on Invesco's investment philosophy and stated that it aimed to maximize the predictability and consistency of investments returns, minimize the risk of capital loss and deliver agreed-upon risk-adjusted returns.

Mr. Feinberg spoke about Invesco's management of its separate account business which included strategic planning, implementation and execution, and performance evaluation in order to provide manager accountability, alignment of interest, manager communication and portfolio control by plan sponsors. He next commented on Invesco's takeover experience and provided a client list of Invesco's takeovers. Ms. Weatherl commented on Invesco's well-defined asset transfer management process and emphasized its protocols and processes for all steps in the management process. Finally, Ms. Weatherl commented on Invesco's sustainability and energy guidelines in its strategic approach to the investment process and asset management. In conclusion, Mr. Feinberg commented on the performance of Invesco's separate accounts noting consistent outperformance of the indexes over all time periods, often with wide margins due to prudent use of leverage, and he commented on Invesco's ability to leverage a large global real estate platform.

Messrs. Feinberg and Michaels responded to several questions posed by Mr. Morten regarding Invesco's cash-on-cash reporting. With respect to Invesco's 21 separate accounts, Mr. Michaels responded to Mr. Roth's questions regarding property allocation and rotation schedules. In response to Mr. Morten, Mr. Michaels stated that it was a good time to invest in real estate, and Mr. Feinberg commented on the investment opportunities within the different sectors of real estate.

Roll Call of Reactions for the Core Real Estate Separate Account Managers

Chairman Roxe requested the IAC members to provide input on the Core Real Estate Separate Account managers: American Realty Advisors, Hart Realty Advisers and Invesco Real Estate. First, IAC members posed questions about the current mandate, which was valued at approximately $150 million, and the additional $150 million mandate for a new Core Real Estate Separate Account. Mr. Corbett said that the existing portfolio would be taken over by a new manager which may determine that some of the properties need to be sold, and the proceeds would be reinvested. Discussion ensued about the number of managers necessary to manage both the existing and new mandates, and it was noted that the maximum amount that a firm could manage was $250 million, per the Investment Policy Statement ("IPS"). Chairman Roxe said the theory is that two of the three firms would be hired; one to take over the existing mandate and the other to manage the new mandate. Mr. Roth, Ms. Thomas, Sharon Palmer, Peter Thor and Chairman Roxe all ranked Hart first, followed by American, followed by Invesco. Thomas Fiore ranked American first, followed by Hart, followed by Invesco. Mr. Murray ranked Hart first with American and Invesco tied at second. Mr. Morten and Michael Freeman only approved of Hart. Chairman Roxe added that all three firms were excellent, and the consensus of the IAC favored Hart and American.

Chairman Roxe asked for a motion to waive the 45-day comment period for the Core Real Estate Separate Account managers: American Realty Advisors, Hart Realty Advisers and Invesco Real Estate. **A motion was made by Ms. Thomas, seconded by Mr. Freeman, to waive the 45-day comment period for the Core Real Estate Separate Account managers. The motion was passed unanimously.**

<u>Presentation by and Consideration of Energy Fund XV, L.P.</u>

Adrian Kingshott, Principal Investment Officer, provided opening remarks and introduced Energy Fund XV, L.P. ("Fund XV" or the "Fund"), an alternative investment opportunity. He also introduced the AIF consultant, Sean Gill, Partner and Head of Alternatives at NEPC. Mr.

Kingshott began his comments by noting that EIG, which stands for Energy and Infrastructure Group, has been investing in energy related projects for 29 years, investing over $10 billion globally. Mr. Kingshott commented that EIG displayed a disciplined approach to investing with a sharp focus on preserving capital while having some upside potential, and the vast majority of investments had been in high yielding debt securities with significant pre-payment penalties and usually with some form of equity kicker. He said that the current income derived from this approach was important, as it significantly reduced the J-Curve effect and the investments were in entities with hard assets with long useful life. Mr. Kingshott said that EIG XV, a mezzanine strategy, will replicate strategies used in Funds X and XIV, which were successful, top quartile funds that provided annual net returns of 14% and 16% respectively with current income representing 9% to 10% of those returns. Mr. Kingshott made the point that these figures represented a multiple of cost of 1.3 times and 1.4 times, respectively. Mr. Kingshott added that the current secular trends in the energy and energy related infrastructure market require very large amounts of capital to be deployed, and at this time the credit crisis has reduced the amount of credit available for this type of project**.**

Mr. Gill commented on NEPC's due diligence process. He said that NEPC was positive on the energy space; and specifically positive on project finance and mezzanine debt. Mr. Gill then commented on the overall process NEPC utilized in its due diligence. In response to Mr. Roth, Mr. Gill stated that EIG typically invested in first lien in the capital structure. Mr. Kingshott stated that generally most investments were first lien and/or moderately subordinated; and that EIG's position in the capital structure was generally more senior than traditional mezzanine. Chairman Roxe said that EIG provided project financing and it was important to understand its debt seniority. Discussion ensued regarding the fact that EIG predominantly invested in oil and gas, and Treasurer Nappier stated that it reported very little exposure to environmental issues.

Presentation by EIG Global Energy Partners

EIG represented by R. Blair Thomas, Group Managing Director and Chief Executive Officer made a presentation to the IAC. Mr. Thomas began by providing a brief history on EIG's energy and infrastructure group, and he noted that it was among the leading institutional providers of capital to the energy sector globally. He next commented on its global investment platform; its strong and consistent 29-year track record, which was the longest in the industry and world; and its disciplined, value-oriented approach to investing. Mr. Thomas highlighted EIG's highly qualified technical team, and he noted that its internal technical capability had been very beneficial to investing throughout its global platform. Regarding the target market, he stated that EIG actively invested throughout the energy value chain on a global basis using sub-sector diversification. Next, Mr. Thomas spoke about downside protection, and he commented on EIG's disciplined, value-oriented approach to investing. He said that EIG's focus on preservation of capital was demonstrated in the positive performance associated with defaulted investments. Mr. Thomas stated that energy was a cash-flow generating business and EIG's investment style captured that benefit with its debt and equity components. He next highlighted distribution rates for Fund X and Fund XIV. In closing, Mr. Thomas stated that the transaction fees generated go to the Fund and to offset the management fees, which in turn lowers the effective management fee; and that EIG does not take any carried interest until all the capital has been returned to the investors with an 8% return. In response to Chairman Roxe, Mr. Thomas explained how EIG was spun off from TCW and became independent. Regarding Mr. Roth's question on EIG's place in the capital structure, Mr. Thomas said that it was an asset-based mezzanine firm that invested up and down the capital structure. Mr. Thomas stated that EIG had been investing in unconventional gas sources for about 17 years; however, he said that EIG was currently bearish on domestic gas and was more biased towards oil versus gas. Discussion continued regarding expected prices for oil and gas and hydraulic fracking.

Roll Call of Reactions for Energy Fund XV, L.P.

Chairman Roxe requested the IAC members to provide input on Energy Fund XV, L.P. Messrs. Morten, Freeman, Murray, Thor and Roth, Madams Palmer and Thomas and Chairman Roxe all were in favor of the investment. Chairman Roxe added that based on his past experience in oil and gas, he fully supported this investment.

Chairman Roxe asked for a motion to waive the 45-day comment period for Energy Fund XV, L.P. Chairman Roxe asked for a motion to waive the 45-day comment period for Energy Fund XV, L.P. **A motion was made by Mr. Morten, seconded by Ms. Thomas, to waive the 45-day comment period for Energy Fund XV, L.P. The motion was passed unanimously.**

<u>The Role of IAC with Respect to Corporate Governance</u>

Catherine LaMarr, General Counsel, led a discussion on the role of the IAC with respect to Corporate Governance. Ms. LaMarr began her presentation by first stating that the role of the IAC is outlined in the Connecticut General Statutes and in the IPS and that it is manifested both formally and informally. She stated that the formal role of the IAC is approval of the IPS, which includes the guidelines for corporate citizenship and proxy voting and that these guidelines are in Part 1, Article XII and Appendix B of the IPS. With respect to the informal role, Ms. LaMarr stated that the IAC offers feedback and suggestions to the Treasurer. She noted that the IPS includes a number of statutory requirements that inform the Treasurer's obligations concerning corporate governance matters, and the IAC can make recommendations or suggestions with respect to implementation of the Treasurer's fiduciary duties. Ms. LaMarr then provided the following examples of the Treasurer's corporate governance duties, pursuant to state law: consideration of social, economic and environmental implications of investments; consideration of the implications of investments in relation to foreign policy and the national interests of the U.S.; compliance with investment restrictions; and consideration of employment demographics and policies. She stated that it was within the Treasurer's boundary to develop and implement policy and to exercise her rights and duties as a fiduciary and that the Treasurer shares information concerning her fiduciary activities with the IAC through monthly and quarterly reports, which do not necessarily imply any particular endorsement of the Treasurer's shareholder activities.

In response to Mr. Morten, Ms. LaMarr agreed that the members should review the above-mentioned sections of the IPS regarding the IAC's role in the approval process. Per Chairman Roxe's request, Ms. LaMarr agreed to forward this presentation to the IAC members. Mr. Morten reiterated that the IAC's role was to monitor the compliance of the CRPTF within the quidelines of the IPS, but questioned as to whether the IAC had any oversight responsibilities with respect to MacBride Compliance. Treasurer Nappier noted that the State auditors had determined that the IAC should receive a quarterly informational report with respect to the status of the CRPTF's compliance with MacBride. Discussion continued regarding the Treasurer's fiduciary responsibility and the IAC member's advisory roles. Ms. LaMarr stated that Treasurer Nappier had access to the OTT's two contracted law firms, which provided fiduciary opinions on several matters including corporate governance issues to assist the Treasurer.

Corporate Governance and MacBride Compliance

Mr. Kirshbaum provided a report on Corporate Governance and MacBride Compliance for the quarter ended December 31, 2010. He reported that there were 721 domestic proxy votes cast on behalf of the CRPTF of which 33% were voted against directors and 31% were voted against management, and that the domestic proxies for the quarter were posted on the Website. With respect to the directors, Mr. Kirshbaum said that the largest portion of no votes were votes against members of the audit committee due to CRPTF's proxy voting guidelines limitation of 10% for non-audit services paid to the accounting firm doing the audit. He also reported that there were 729 international proxy votes cast, 6.9% were voted against management and that all of the international managers voted in compliance with the CRPTF proxy voting policies.

With respect to the 2011 proxy season, Mr. Kirshbaum said that the OTT continued to focus on executive compensation, board independence, classified boards, board diversity, climate risk and sustainability issues. Next, he stated that since reporting in February, productive discussions had led to additional resolution withdrawals at HMS Holdings, Goldman Sachs, Southern Company and Wellpoint. Mr. Kirshbaum commented on risk management issues that the Treasurer has been engaged in. In closing, he stated there were no violations during the fourth quarter of the statutory provisions relating MacBride Principles.

Other Business

Chairman Roxe invited IAC members to submit agenda items for the May 11, 2011 IAC meeting. He then announced that Ms. Thomas will chair the May 11th IAC Meeting in his absence. Chairman Roxe reminded the IAC members that their financial statements for holdings as of December 31, 2010 are due by May 1, 2011. Chairman Roxe thanked Mr. Morten for his paper that he shared. He then stated that the Asset Allocation Study was to begin shortly and that he would appoint a sub-committee to assist Treasurer Nappier on the study.

Comments by the Chairman

There being no further business, the meeting was adjourned at 2.30 p.m.

This meeting was recorded on audio tape.

Respectfully submitted,

Denise L. Nappier

DENISE L. NAPPIER
SECRETARY

Reviewed by

J Roxe

JOSEPH D. ROXE
CHAIRMAN