INVESTMENT ADVISORY COUNCIL
Wednesday, May 11, 2011

MEETING NO. 385

Members present:	Thomas Barnes
	Thomas Fiore, representing Benjamin Barnes*
	David (Duke) Himmelreich
	Stanley (Bud) Morten
	William Murray
	Denise L. Nappier, Treasurer
	Sharon Palmer*
	David Roth
	Carol Thomas
	Peter Thor**
Absent:	Michael Freeman
	Joseph (Joe) D. Roxe, Chairman
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
	Joanne Dombrosky, Principal Investment Officer
	Gregory Franklin, Assistant Treasurer
	Catherine LaMarr, General Counsel
	Shelagh McClure, Director of Compliance
	Linda Tudan, Executive Assistant
	Winifred (Winnie) Scalora, Administrative Assistant
Guests:	Bradley Atkins, Franklin Park Associates
	Janine Baldridge, Russell Investments
	Joseph Barcic, Mercer Investment Consulting
	Jeanna Cullins, Hewitt EnnisKnupp
	Andrew Doman, Russell Investments
	Will Greene, Loop Capital Markets
	Robin Kaplan-Cho, Connecticut Education Association
	Harvey Kelly, Leumas Advisors
	Tamara Larsen, Russell Investments
	Cameron Lochhead, Russell Investments
	Tania Naaman, BNY Mellon
	Kevin Norton, BNY Mellon
	Mike Scotto, Hewitt EnnisKnupp
	Johnson Shum, State Street Bank & Trust
	Christopher Smith, Service Employees International Union
	Nick Stanojev, BNY Mellon
	M. Craig teDuits, State Street Bank & Trust

*** In at 9:04 a.m.**
**** In at 9:06 a.m.**

Alex Thomson, Wood Creek Capital Management
Kevin Vandolder, Hewitt EnnisKnupp
Arnold West, ING Investment Management

In the absence of Chairman Joseph D. Roxe, Carol Thomas chaired the Investment Advisory Council ("IAC") meeting. With a quorum present, Chairwoman Thomas called the IAC meeting to order at 9:01 a.m.

<u>Approval of Minutes of the April 13, 2011 IAC Meeting</u>

Chairwoman Thomas asked for comments on the Minutes of the April 13, 2011 IAC meeting. **There being no comments, a motion was made by Stanley Morten, seconded by Thomas Barnes, that the Minutes of the April 13, 2011 IAC meeting be accepted as drafted. The motion was passed with the exception of David Himmelreich who abstained due to his absence from said meeting.**

<u>Comments by the Treasurer</u>

Treasurer Denise Nappier began her remarks by stating that a budget had been passed by the General Assembly and signed by the Governor, and said budget assumed an additional $2 billion in savings that have yet to be achieved. Treasurer Nappier said that the outcome of labor discussions would impact the State Employees' Retirement Funds ("SERF"), and that the precise impact has yet to be determined.

Treasurer Nappier said that she received the Teachers' Retirement Board's Five-Year Experience Study dated April 7, 2011, which reviewed and analyzed the actuarial assumptions of the TERF and concluded that the current 8.5% long-term investment return assumption remained within the reasonable range. The Teachers' Retirement Board affirmed that finding for the next five years. Treasurer Nappier stated that it was her position that the capital market assumptions that support this conclusion need to be revisited. She added that the major credit rating agencies have noted that the TERF's current investment return assumption was an outlier when compared to plans across the country, and was inconsistent with the lower assumption of 8.25% for the SERF. Additionally, Treasurer Nappier said that while the rating agencies unfairly criticized the State by comparing Connecticut with plans that have a different demographic profile, asset allocation strategy, valuation method and funding strategy, the reality is that the rating agencies control how the State's credit is ranked, and their opinion of Connecticut Retirement Plans and Trust Funds' ("CRPTF") obligations matters. On this point, she commented on the recent analysis conducted by Fitch Ratings, which reviewed 72 government-sponsored defined benefit plans. Treasurer Nappier stated that the average return assumption was roughly 8.0%; Connecticut was one of 7 plans with an assumption of 8.5%, and 65 plans had an assumption of 8.25% or less. Finally, she stated that during the Asset/Liability Study, the capital market assumptions will be revisited, and will also take into account the State's obligation and the demographics of the plan participants.

Next, Treasurer Nappier commented on recent changes in the Pension Fund Management

("PFM") staff with M. Timothy Corbett, Chief Investment Officer ("CIO"), leaving the CRPTF to return to the private sector. She praised his expertise and contributions to the prudent management of the CRPTF. Treasurer Nappier then asked the IAC to join her in thanking Mr. Corbett for his service. She added that during Mr. Corbett's tenure as CIO, the Office of the Treasurer ("OTT") had been able to move forward on a number of initiatives and strategic decisions regarding the CRPTF. Treasurer Nappier added that she was able to once again call upon Lee Ann Palladino, Deputy CIO, to take the helm of PFM as Interim CIO, and that the CRPTF wouldn't skip a beat in this transition due to the solid professional investment staff and the CRPTF consultants. Treasurer Nappier noted that the IAC members shared the confidence that she had in Ms. Palladino serving in the role of Interim CIO.

With respect to investment decisions, Treasurer Nappier reported that after considering the feedback from the IAC and the due diligence process led by Mr. Corbett, which included input from the investment consultant, NEPC, she had made a final decision and committed $60 million to Energy Fund XV, L.P., an Alternative Investment Fund ("AIF") real asset opportunity being raised by EIG Alternative Investments, LLC, focusing on investments in energy and energy-related infrastructure projects. She added that the contract had already been successfully negotiated. With respect to the Real Estate Fund ("REF"), Treasurer Nappier announced that she had decided to select Hart Advisors ("Hart") as a preferred vendor for the existing core real estate separate account mandate and American Realty Advisors ("American") as a preferred vendor for the additional $150 million being allocated to the core separate account strategies, and that both contracts were contingent upon successful contract negotiations. Treasurer Nappier noted that Hart is Connecticut-based and that American has an office in New Canaan.

Treasurer Nappier stated that Mr. Corbett would provide a follow-up presentation for the consideration of Fairview Constitution IV, L.P. ("Fairview IV"), the successor fund to the CRPTF series of venture capital funds. She said that the presentation would address the feedback received from the IAC at the May 12, 2010 IAC meeting regarding the consideration of a commitment to Fairview IV. In particular, Treasurer Nappier stated that clarification would be provided on three points: 1) Fairview Capital Partners' ("Fairview") performance; 2) the assessment of other competitive venture capital fund-of-funds managers, and 3) the CRPTF's exposure to Fairview. She also noted that the CRPTF's relationship with Fairview dated back to May of 2004 when Fairview was hired as replacement manager for Constitution Liquidating Fund I. As had been the practice of the OTT, Treasurer Nappier stated that in order to develop and maintain strong relationships with existing managers, follow-on funds are automatically vetted for her consideration, and she added that Fairview provided the CRPTF with two important qualifications with regard to investment in the venture capital market: l) continued access to top-tier funds that are not accessible directly for investors such as the CRPTF, and 2) a broadly diversified portfolio.

Commenting on the agenda, Treasurer Nappier said that two semi-finalist firms for the general investment consultant and risk management mandate would be presented for consideration. She commented that the search committee vetted and interviewed ten firms and provided a recommendation to consider five of those firms. Of those five, three of the candidates were eliminated, and the two remaining firms - Hewitt EnnisKnupp and Russell Investments - would present to the IAC. Treasurer Nappier commented that the firms were evaluated and compared in three major areas: 1) organization and management; 2) consulting activities and relevant experience; and 3) fee proposal and other criteria specific to the CRPTF. Finally, she noted that both qualitative and quantitative analyses were performed in order to evaluate the respondents, and that the two semi-finalists possessed the necessary skill sets to provide the CRPTF with general investment consulting services. Treasurer Nappier also noted that each firm had a robust asset/liability management function, capital market assumption process, ability to provide risk management reporting, and a formal due diligence process.

Chief Investment Officer's Update on the Market and Connecticut Retirement Plans and Trust Funds Final Performance for the Month Ended March 31, 2011

Mr. Corbett provided an update on the capital market environment, its impact on the performance of the CRPTF and the economic outlook. He first stated that the S&P 500 was up almost 9% - an increase of about 2.4% - since March 31, 2011. Mr. Corbett next commented on the resilience in the financial markets; the growth within the U.S. stock and bond market and Federal Reserve Chairman Ben Bernanke's quantitative easing policy ("QE2"). Mr. Corbett added that the one unintended negative from QE2 was the spike in commodities prices, especially oil. He said that the current concern was how the dollar would be affected by the ending of QE2, and he also noted that there would likely be more volatility and price corrections for stocks, bonds and commodities. Mr. Corbett then commented on several economic risks that were possible with the ending of QE2.

With respect to the performance for the CRPTF for the month ended March 31, 2011, Mr. Corbett reported an increase of 97 basis points ("bps") for the Combined Investment Funds ("CIF"), and that pension fund assets grew $100 million for the month ended March 31, 2011 standing at $25.1 billion. He stated that the CIF's performance for Fiscal Year ("FY") 2011 was up almost 19%. Regarding fund performance and with respect to benchmarks, Mr. Corbett reported that five of eight funds outperformed in March 2011 and six of the eight outperformed for the trailing year. With respect to the TERF and SERF, Mr. Corbett reported that the Funds outperformed their relative benchmarks by 32 bps and 17 bps, respectively. He noted that there was no material change in the asset allocation activity for the TERF and SERF and that the Liquidity Fund ("LF") was currently at the low end of the range of target for both funds.

Mr. Corbett concluded his comments by discussing his views on the CRPTF's non-dollar exposure. Mr. Corbett compared the CRPTF to other state public pension plans, and noted that the CRPTF had a higher allocation to emerging market equities and debt, and non-dollar exposure within the LF.

Update on Consideration of Fairview Venture Capital

Mr. Corbett led a follow-up discussion on the IAC's feedback with respect to the Treasurer's recommendation to consider a commitment to the venture capital strategy, Fairview IV, at the May 12, 2010 IAC meeting. Bradley Atkins, Chief Executive Officer of Franklin Park

Associates, joined Mr. Corbett in the discussion. Referring to the updated analysis included in the Franklin Park report, Mr. Corbett began by first providing an update on Fairview's performance and discussed the performance in terms of the vintage year of the underlying venture capital funds that Fairview committed to over the course of the period. Mr. Corbett next commented on the two different venture capital benchmarks that are used in comparative analysis: Venture Economics and Cambridge. Mr. Atkins further clarified the slight differences between the two benchmarks. Mr. Corbett also stressed the fact that for funds less than five years old, the results are not yet conclusive. He next commented on the competitive landscape for venture capital fund-of-funds and noted that initial due diligence completed on Fairview included comparison to seven other firms, and he added that Fairview was competitively placed. Mr. Corbett commented on the limited access to venture capital funds, and he added that Fairview would continue to provide the CRPTF with the most exposure to top quartile venture capital firms. In closing, Mr. Corbett said that the CRPTF's exposure to Fairview, which included unfunded commitments and remaining value for Fairview Constitution II and III, was roughly 14% of the PIF and 2% of the CRPTF's assets. He also noted that the CRPTF's exposure was not to Fairview as a firm, but was predominantly to its well-diversified underlying sub-funds. Mr. Corbett then commented on the venture capital space and noted that while it had not done well over the course of the last ten years, consensus among consultants and other general partners was that it was now a good time to invest as investment capital was scarce and projected returns appeared more robust. Finally, he stated that a $150 million allocation to Fairview IV over a three-year period would continue to provide vintage year diversification within venture capital and would constitute roughly 10% annually of the expected PIF exposure.

Mr. Roth commented on the venture capital in general and Fairview's past performance specifically. Mr. Corbett then provided the net internal rates of return for Fairview II and III and noted that realizations were strong-posting multiples in the 2 to 3 range. Discussion continued with respect to the methodology used to measure the performance of all the funds within the PIF. Mr. Roth stated that his concern was not with Fairview, but was with respect to the venture capital allocation due to the amount of the unfunded commitment and that the allocation should be reviewed during the Asset Allocation Study. He added that if Treasurer Nappier decided to invest in venture capital, an investment with Fairview was acceptable. Chairwoman Thomas requested Mr. Corbett's recommendation, which he stated would be to commit $150 million at $50 million per year into new vintage year funds. In response to Thomas Fiore, Mr. Atkins added that there was a 40% limit to venture capital within the PIF, and currently the CRPTF's exposure was at 19%. Mr. Atkins stated that according to the Investment Policy Statement, there was a 10% limit to any one fund and 25% to any one fund manager. He added that Franklin Park's view on appropriate exposure to venture capital is a target of 10% and would advise the CRPTF that current 20% allocation should gradually be lowered over the next 10 years, and that an investment in Fairview was appropriate at this time.

<u>Presentations by and Consideration of Semi-Finalists for the General Investment Consultant</u>

Ms. Palladino provided opening remarks and introduced Hewitt EnnisKnupp and Russell

Investments ("Russell"), which would provide presentations for the General Investment Consultant and Risk Management mandates. She first provided a brief overview of the search process that led to Treasurer Nappier's consideration of the firms. Ms. Palladino then provided comments on each firm's organization, public fund investment experience, consulting processes and capabilities, differences, competitive advantages and limitations. She also highlighted each firm's asset liability capabilities, modeling results, capital market assumptions, databases, scenario testing and consulting capabilities. Ms. Palladino added that none of the ten firms that responded had a dedicated risk management function and that they all recognized that risk management evolved over time, but she added that these two firms did have dedicated in-house risk management functions. In response to Mr. Roth, Ms. Palladino stated that references were provided by both firms, and PFM staff contacted them and received favorable feedback. Further, she said that PFM staff also solicited feedback from the CRPTF's current managers and other firms, all of which was positive.

Presentation by Hewitt EnnisKnupp

Hewitt EnnisKnupp, represented by Jeanna Cullins, Mike Scotto, and Kevin Vandolder, Principals, made a presentation to the IAC on its investment consulting firm. Mr. Vandolder began by first providing an overview of Hewitt EnnisKnupp's client team. He next commented on the firm's expansive global footprint and noted that Hewitt EnnisKnupp was an advisor whose advice was based on sound financial theory and evidence. Mr. Vandolder spoke about the firm's large, complex institutional client base and its global investment management team. He then commented on Hewitt EnnisKnupp's operational due diligence process. Ms. Cullins commented on Hewitt EnnisKnupp's clients within the public fund space and their risk management views and controls. She next spoke about Hewitt EnnisKnupp's competitive advantages and distinctions, including a global reach, research depth, specialist asset class teams and high quality staff with superior tools and resources. Ms. Cullins then highlighted Hewitt EnnisKnupp's investment consulting credibility between 1981 and 2010, and Mr. Vandolder noted that the firm's thought processes were typically three to five years ahead of the market place. He also commented on Hewitt EnnisKnupp's consulting philosophy with a corporate culture that promotes: clients first, intellectual honesty and a results-oriented focus. Ms. Cullins spoke about Hewitt EnnisKnupp's view of the consultant's role as a thought leader, fiduciary, facilitator, coordinator and trusted partner.

In response to Mr. Morten, she said that the role as a consultant has evolved in that manager selection was important and that risk management and asset allocation were key drivers of performance. In response to Mr. Thor's question regarding communication, the team stated that it would discuss the portfolio, review all the investment management agreements and guidelines to insure that the CRPTF was getting the lowest possible cost and the best risk governance possible. Mr. Vandolder agreed with Mr. Roth that asset allocation was important and then commented on the CRPTF's risk profile. Chairwoman Thomas requested the team to comment on the CRPTF's upcoming Asset Allocation Study. Mr. Scotto stated that it was important for Ennis to understand the CRPTF's assets and liabilities, liquidity and investment issues, and he noted that the team had already preliminarily reviewed the CRPTF's managers. Ms. Cullins stated that it was important for the CRPTF's general consultant to work with its specialized consultants in order to harmonize the investment results. In response to Mr. Morten, Mr. Vandolder further elaborated on Hewitt EnnisKnupp's current view of opportunities in public, private and real estate markets from a tactical perspective.

Presentation by Russell Investments

Russell, represented by Janine Baldridge, Director - Investment Strategy and Global Head of Consulting and Advisory Services, Andrew Doman, President and Chief Executive Officer, Tamara Larsen, Senior Research Analyst – Real Estate, and Cameron Lochhead, Regional Director – Americas Institutional, made a presentation to the IAC on its investment consulting firm. Mr. Lochhead began by first providing an overview of Russell's client team and noted that it had worked with many state pension funds throughout the past several years. He stated that Russell's team members were practitioners of portfolio implementation and that the CRPTF would benefit from Russell's advice and practical solutions. Finally, Mr. Lochhead said that Russell's philosophy dictated that the client's best interest and non-negotiable integrity come first. Next, Mr. Doman stated that Russell invented pension fund consulting and it remained a global leader. He added that being on the client's side of the table was of the utmost importance to Russell and he then commented on Russell's service team and senior management. Ms. Baldridge stated Russell had a global practice, with offices in 12 different countries, and provided consulting services to the largest public funds in the world with $1 trillion in public funds invested world wide. Ms. Baldridge next commented on what Russell's optimal role as a general consultant would be and added that above all else, Russell balanced opportunities and risk for its clients. In closing, she stated that Russell worked with clients to identify, prioritize, report and manage to multiple risk factions, and she added that its dedicated group of strategists managed active risks, a very critical part to the implementation process. Next, Ms. Larsen stated that Russell knew managers across the full investment spectrum and it had deep and dedicated manager research capabilities. She also commented on Russell's strong reputation in manager due diligence. Ms. Larsen said that imbedded in its investment advisory framework was deep research coverage, the ability to identify and implement research strategies and practical experience, and implementation. Finally, Ms. Larsen commented on Russell's money manager oversight and its assessment of operational and compliance risks.

In response to Mr. Morten's questions, Ms. Baldridge stated that the consulting business has shifted its focus from looking at how to deploy assets to how those assets need to cover pension benefit obligations in the short term, and how longer-term obligations should be covered while taking into account market misvaluations. She added that the shift was away from the long-term policy allocation to either limiting certain risks or being opportunistic, and that this needed to be done in a very deliberate, structured way. In response to Chairwoman Thomas, Ms. Baldridge stated that the CRPTF's current portfolio was very well diversified and that it had also taken into account liquidity, and she added that there were ongoing opportunities to find more diversified exposures to risks such as sovereign risks, emerging markets and currency risks. In response to Mr. Roth, Ms. Baldridge and Mr. Doman stated that asset allocation did drive greater source of the total return of the portfolio and it was most important, but added that implementation was also critical.

Roll Call of Reactions for the General Investment Consultant Semi-Finalists

Chairwoman Thomas requested the IAC members to provide input on the General Investment Consultant semi-finalists: Hewitt EnnisKnupp and Russell Investments. Mr. Thor, Sharon Palmer, Messrs. Roth, Barnes, Morten, Murray, Himmelreich, Fiore and Chairwoman Thomas all preferred Hewitt EnnisKnupp. Mr. Thor added that either would be acceptable but he was most impressed by Hewitt EnnisKnupp. Mr. Roth agreed with Mr. Thor that either was acceptable. Mr. Barnes also agreed with Mr. Thor and added that Hewitt EnnisKnupp had greater exposure to public pension funds. Mr. Morten added that he only preferred Hewitt EnnisKnupp and would characterize them as "investors" in terms of their presentation materials and responses. Mr. Murray also agreed that Hewitt EnnisKnupp's presentation was excellent. Mr. Himmelreich stated that he preferred Hewitt EnnisKnupp, but it was important for the Treasurer and her staff to determine which firm they could best work with. Mr. Fiore and Chairwoman Thomas both agreed with Mr. Himmelreich.

Chairwoman Thomas asked for a motion to waive the 45-day comment period for the General Investment Consultant semi-finalists: Hewitt EnnisKnupp and Russell Investments. **A motion was made by Mr. Himmelreich, seconded by Mr. Thor, to waive the 45-day comment period for the General Investment Consultant semi-finalists. The motion was passed unanimously.**

<u>Discussion on the Liquidity Fund</u>

Mr. Corbett began the discussion and provided background information on the LF. He commented on presentations during the last several IAC meetings, including the biannual cash flow reports and discussions surrounding LF activities.

Joanne Dombrosky, Principal Investment Officer, provided a brief overview of the Fund, and she noted that in 2008 the Cash Reserve Account was re-structured into the three-tiered LF to enable PFM staff to strategically manage cash in order to enhance return. Since then, she reported that five new managers were hired for Tier II and Tier III, and all outperformed their benchmarks. Ms. Dombrosky commented that PFM balances the need for liquidity against the desire for increased return on an on-going basis. She said that the dual objectives require the LF to provide a liquid source of funds to make benefit payments while allowing core investment funds to remain fully invested, with the desire to maximize returns. Next, Ms. Dombrosky spoke about the balances and flows of the LF, and she commented on the four accounts used to manage the LF internally: manager cash, distributions, investment inventory cash, and plans' and trusts' cash. Ms. Dombrosky next commented on the cash instruments, characteristics and maturity and credit quality within each of the three tiers. Finally, she commented on the incremental LF tier performance and noted that Tier I had the highest quality with the lowest fees and returns, while Tier III had the highest risk with the highest returns, and she explained how the tiers added value.

In order to size the LF, she said that it was necessary to know the amount of cash needed and for what time period. Ms. Dombrosky then focused on the 12-month actuarially-predicted cash necessary to cover benefit payments and she provided sizing scenarios for periods from nine to 24-month periods. Finally, she commented on the allocation to the LF tiers for these time frames, and she noted that current targets for the LF Tiers I through III were 50%, 25%, and 25%, respectively.

With respect to rebalancing the LF, Ms. Dombrosky said that the net cash required annually for the plans and trusts is reviewed quarterly, the LF is sized within policy targets based on current market conditions, it is tactically positioned across the tiers based on the outlook for interest rates and US dollar movements, and is allocated among managers within each tier based on expertise and performance. She stated that Tier I is replenished as needed and that cash outflows emanate from this most liquid tier. In summary, Ms. Dombrosky said that the LF had many moving parts, multiple participants and daily activity and monitoring, monthly rebalancing and annual forecasting. She added that the objective was to ensure adequate cash for benefit payments and to maximize the LF return using a structure that allowed for strategic portfolio management and flexibility.

Securities Lending Review as of March 31, 2011

Johnson Shum, Vice President of State Street Bank, provided a review of Securities Lending activity for the quarter ended March 31, 2011. Mr. Shum first provided an earnings and performance review and noted that during the first nine months of FY 2011, the CRPTF's total funds earnings were down $1.2 million driven by the lowering of the investment spreads with the return on lendables at 9.81 basis points ("bps"). He reported that earnings for the first nine months of FY 2011 dropped almost 12% from FY 2010. Mr. Shum then reported earnings of $3.6 million for the quarter ended March 31, 2011. He said that expanding acceptable collateral, such as sovereign debt, had increased the total cash and non-cash collateral for the month ended March 31, 2011. In summary, Mr. Shum stated that the CRPTF's collateral investment fund was quite liquid, stood at $3.2 billion as of March 31, 2011, yielded 46 basis points, and the portfolio continued to be conservatively managed.

CRPTF Sudan Initiative Report

Shelagh McClure, Director of Compliance, provided information on the CRPTF Sudan Initiative. She began by citing Connecticut's Sudan statute, Conn. Gen. Stat. Section 3-21e. Ms. McClure then reported that during the past year, Treasurer Nappier's engagement had been focused less on Darfur and more on companies that could assist and/or significantly hamper the voting of residents in the referendum in South Sudan on the question of whether or not it would become an independent country. Ms. McClure stated that investors and non-governmental organizations tried to ensure that this vote could occur peacefully and that the will of the people would be put in place. She stated that the Conflict Risk Network (whose members include the CRPTF and other institutional investors) worked with companies in the communications and oil sectors. Ms. McClure reported that the referendum did occur peacefully and that the Government of Sudan had stated that it accepts the vote, which was overwhelmingly in favor of secession from the

North. Ms. McClure said that the current focus is on companies in the weapons sector, due to the potential for escalating violence in advance of the implementation of the referendum. Ms. McClure said that three letters had already been sent to companies that reportedly had supplied weapons to the Government of Sudan. After July 9, 2011 when the referendum will be implemented, she said that there would be a clearer picture on the oil situation and the status of the existing economic sanctions. Ms. McClure then commented on pending legislation drafted by OTT which proposes a few changes to the Sudan law, and proposes a similar law with respect to companies doing business in Iran. In response to Mr. Roth, Ms. McClure described how the CRPTF implements divestment decisions if investments are held in a commingled fund. Mr. Murray asked if the OTT or the legislature recommended the divestment from specific companies, to which Ms. McClure stated that under Connecticut's Sudan law, the decision to divest comes from the Treasurer as fiduciary. Discussion continued with respect to whether the fiduciary or the legislature should determine when divestment was necessary.

Other Business

Chairwoman Thomas invited IAC members to submit agenda items for the June 8, 2011 IAC meeting.

Comments by the Chair

Chairwoman Thomas and the IAC members unanimously thanked Mr. Corbett for his contributions and wished him well in his new endeavor. Mr. Corbett said that he enjoyed working for Treasurer Nappier and the interaction with the IAC.

Executive Session

A motion was made by Mr. Morten, seconded by Mr. Thor, that the Investment Advisory Council adjourn the Regular Session at 12:30 p.m. and enter into Executive Session to consider personnel matters. The motion was passed unanimously. Denise L. Nappier, Treasurer, and Jonathan Harris, Deputy Treasurer, participated in the Executive Session.

A motion was made by Ms. Palmer, seconded by Mr. Morten, that the Investment Advisory Council adjourn the Executive Session at 1:10 p.m. and enter into Regular Session. The motion was passed unanimously.

Chairwoman Thomas noted that no votes were taken during the Executive Session.

Consideration of the Interim Chief Investment Officer Appointment and Salary Range

Treasurer Nappier presented her recommendation regarding the appointment of Lee Ann Palladino as Interim Chief Investment Officer ("CIO") of the CRPTF and Head of the PFM Division, and asked that the IAC affirm their previous unanimous consent to said appointment rendered on April 27, 2011.

Chairwoman Thomas asked for a motion to approve the recommendation of the appointment of Lee Ann Palladino as Interim Chief Investment Officer for the Connecticut Retirement Plans and Trust Funds and Head of the Pension Fund Management Division. Mr. Thor entered a motion to approve the recommendation. Mr. Barnes seconded the motion. The motion was passed unanimously.

Treasurer Denise Nappier then presented her recommendation regarding the current salary range of $275,000 to $350,000 for the CIO of the CRPTF and reaffirmed such range for the Interim CIO, and she asked that the IAC consider approving her recommendation.

Chairwoman Thomas asked for a motion to approve the recommended salary range for the Chief Investment Officer position and for the Interim Chief Investment Officer. Mr. Barnes entered a motion to approve the recommended salary range. Mr. Murray seconded the motion. Chairwoman Thomas then asked if there was any discussion. **The motion was passed unanimously.**

There being no further business, the meeting was adjourned at 1:15 p.m.

This meeting was recorded on audio tape.

Respectfully submitted,

Denise L. Nappier

DENISE L. NAPPIER
SECRETARY

Reviewed by

Carol Thomas

CAROL THOMAS
ACTING CHAIRWOMAN