INVESTMENT ADVISORY COUNCIL
THURSDAY, JUNE 9, 2005

MEETING NO. 327

Members present:	Michael Freeman David (Duke) Himmelreich James Larkin Reginald Martin William Murray Denise L. Nappier, Treasurer Sharon Palmer Clarence (Dick) L. Roberts, Jr., Chairman David Roth Carol Thomas Peter Thor
Absent:	Representative for Robert L. Genuario
Others present:	Susan B. Sweeney, Chief Investment Officer Robyn Belek, Deputy Director of Communication Patricia DeMaras, Associate Counsel Greg Franklin, Assistant Treasurer-Investments Donald Kirshbaum, Principal Investment Officer Catherine E. LaMarr, General Counsel Shelagh McClure, Director of Compliance Meredith Miller, Assistant Treasurer-Policy Lee Ann Palladino, Principal Investment Officer David Scopelliti, Principal Investment Officer Judy Balich, Executive Secretary Sarah Carter, Administrative Assistant Cambria Allen, Intern Michael Auger, Intern
Guests:	Donna Trapp, State Street Corp. Timothy Barron, CRA RogersCasey Cynthia Steer, CRA RogersCasey Raudline Etienne, CRA RogersCasey Daniel Schmitz, CRA RogersCasey Juan Prieto, CRA RogersCasey Michael Iodice, CRA RogersCasey Bradley Atkins, Franklin Park, LLC Nori Gerardo Leitz, Pension Consulting Alliance Marc Weiss, Pension Consulting Alliance Harvey Kelly, Leumas Advisors Julie Naunchek, CSEA-Retiree Council #400 Robyn Kaplan-Cho, Connecticut Education Association

Chairman Dick Roberts called the meeting to order at 9:10 A.M.

Approval of Minutes

Chairman Roberts asked for comments on the Minutes of the May 11, 2005 Investment Advisory Council ("IAC") Meeting. There being no comments, **a motion was made by Duke Himmelreich, seconded by David Roth, that the Minutes of the May 11, 2005 IAC meeting be accepted as drafted. The motion was passed unanimously.**

Opening Comments by the Treasurer

Treasurer Denise Nappier provided an overview of the two presentations to be made at today's meeting, including Capri Select Income Fund, a Core commingled real estate fund to which she is considering an investment of up to $30 million, and New Boston Urban Strategy America Fund, which is focused on the development and redevelopment of urban commercial properties in the eastern United States. She explained that a commitment of $50 million from the State of Connecticut Retirement Plans and Trust Funds ("CTPTF") to the New Boston Fund would mean a commitment of at least 66% of that amount to equity investments in Connecticut, which, at the maximum leverage of 65%, would translate into about $90 million of development capital for urban Connecticut real estate.

Treasurer Nappier noted that there would be a presentation today on Consultants' Pay-to Play Practices, in response to a request made at an IAC meeting some time ago. She said that on May 16, the SEC issued a report on its investigations of certain pension consultants' "pay-to-play" practices. Treasurer Nappier said that later today the General Counsel, Chief Investment Officer and the Treasury's new Director of Compliance would report on the findings of this investigation, its relevance to the consultants currently under contract for services to the CRPTF, the Treasury's existing policies and practices and what the Office of the Treasurer ("OTT") will do going forward to enhance current policies and monitor compliance with those policies.

Treasurer Nappier reported that contracts have been signed with the four fund-of-funds managers for the Connecticut Horizon Fund.

Treasurer Nappier reminded the IAC of the conversation at the May IAC meeting regarding AIG and CRPTF's paper loss since the SEC began their investigation of improper accounting practices. She said that CRPTF's loss was actually $29.7 million in equities and $19 thousand in bonds.

Treasurer Nappier explained that General Motors ("GM") has been downgraded to below investment grade by Standard & Poor's. She said that in accordance with CRPTF's Investment Policy Statement ("IPS"), there are certain managers that are not permitted to invest in companies that are rated below investment grade, and that State Street Global Advisors ("SSgA") is one of the managers with that restriction. She said that the OTT has allowed SSgA until August 1, 2005, to comply with the investment grade restrictions as they relate to GM and Ford. She then noted that effective July 1, 2005, these companies will be rated by two other agencies, and they are not expected to issue below investment grade status. However, stated Treasurer Nappier, State Street has been informed to be prepared to consult with OTT and others in taking appropriate action after the first of August should the rating agency report prove to be unfavorable. Mr. Roth asked if CRPTF suffered a loss when GM was downgraded. Susan Sweeney, Chief Investment Officer, said that CRPTF suffered an unrealized loss. Mr. Roth said that the GM downgrading was no surprise and asked why SSgA had not taken a proactive measure to sell those bonds before they were downgraded. Ms. Sweeney explained that SSgA's fixed income mandate is a passively indexed account and they are not allowed the discretion to take any proactive measures.

CRPTF Final Performance for April 2005

Ms. Sweeney said that for the month of April 2005, the CRPTF returned -1.23%, which was 6 basis points ahead of the benchmark. She said that for the fiscal year to date, the portfolio returned 6.63%, 39 basis points over the benchmark. She noted that for the 5 years ended April 30, 2005, the total fund exceeded its benchmark by 185 basis points, mostly attributable to the domestic and international equity portfolios. Ms. Sweeney noted that despite negative equity market performance in April, CRPTF was still slightly over the 60% statutory equity cap. She said that in order to make the correction, in early May CRPTF moved $300 million out of international equity to fixed income and the unaudited preliminary results for May indicate that CRPTF is below the 60% cap. Ms. Sweeney reported that the domestic equity portfolio returned -2.68% in April, which trailed the Russell 3000 by 51 basis points and the S&P 500 by 78 basis points. She indicated that April was a rocky month for small and mid cap portfolios with the Russell 2500 reporting a -4.5% return and CRPTF's small/mid cap managers returning -5.37%. Ms. Sweeney noted that in April, the only manager in this group who over performed its benchmark was Brown Capital with performance of a -4.62% versus its hybrid benchmark of -5.28%. Treasurer Nappier pointed out that CRPTF did move 50% of the assets under management by Brown Capital. Ms. Sweeney said that CRA RogersCasey ("CRARC") is working with Brown Capital to obtain an update on losses to their asset base because they have had significant withdrawals in the last 7 months for which CRARC is assembling data. Ms. Sweeney reported that for the fiscal year through April, the Mutual Equity Fund was 30 basis points behind the Russell 3000 but 19 basis points above the S&P 500; the International Stock Fund was 38 basis points ahead of its benchmark in April and 37 basis points ahead for the fiscal year to date; and the Mutual Fixed Income Fund returned 93 basis points in April, which was 1 basis point above its custom benchmark, 42 basis points below the Lehman Aggregate. Ms. Sweeney said that the two Inflation Linked Bond managers, Hartford Investment Management Company and Brown Brothers Harriman & Co. have been fully funded and that one of the Emerging Markets Debt managers, Ashmore, has been funded.
Mr. Himmelreich asked if the Russell and S&P are gross numbers. Ms. Sweeney responded that they were gross.

Update on AIG

Ms. Sweeney began the update on AIG by noting that there was an article in today's Wall Street Journal that Hank Greenberg resigned from the AIG board, which follows his resignation earlier this year as Chairman and CEO. She reported that prior to February 14, 2005, CRPTF owned approximately 1,528,000 shares at a cost of about $82 million and a market value of about $109 million, and that by April 27, the portfolio had 1,510,000 shares and the market price was down to $51.85 per share for a total market value of $78.3 million, giving the CRPTF a "paper loss" of $29.7 million between February 10 and April 27, 2005. Ms. Sweeney said that the stock has regained some value since its low of $49.91 on April 29 and that on June 8, it closed at $54.95.

Meredith Miller, Assistant Treasurer-Policy, reported that the AFSCME pension fund filed a resolution against AIG for access to the proxy and that the Securities and Exchange Commission ("SEC") allowed the company to omit that shareholder resolution from the proxy. She said that AFSCME filed a lawsuit against AIG. Catherine LaMarr, General Counsel, explained that the lawsuit was filed to compel AIG to include the shareholder resolution on the ballot, which AFSCME lost at the district court level and then filed an appeal to the decision. Ms. LaMarr said that she was informed yesterday by the attorney in the New York City law department that AFSCME has withdrawn its appeal but said that she does not have any additional information as to the reason for the withdrawal.

Donald Kirshbaum, Principal Investment Officer, provided an update regarding a meeting with the executive leadership of AIG that he attended with Treasurer Nappier. Mr. Kirshbaum noted that subsequent to that meeting, there are reports of AIG working with other shareholders on corporate governance issues and that interest was expressed by AIG to work with the OTT and other shareholder regarding climate risk and environmental issues.

Presentation by and Consideration of Capri Select Income II Fund, L.P.

Marc Weiss of Pension Consulting Alliance ("PCA") reported on the due diligence that PCA conducted on Capri Select Income II Fund, L.P. ("CSI II" or the "Fund II"). He said that the Fund is a Core commingled closed end real estate fund sponsored by Capri Capital Advisors, LLC ("Capri"), which will invest in mezzanine real estate loans. Mr. Weiss provided an overview of PCA's reasons for recommending an investment in the Fund. Mr. Roth asked if a mezzanine real estate loan is a second mortgage, to which Mr. Weiss responded that it is. Mr. Roth asked several questions relative to the reasons CSI II is considered a Core real estate investment, the rate of return versus the risk and the criteria CSI II uses when making a loan on a property. Mr. Weiss was able to satisfactorily answer Mr. Roth's questions. Mr. Roth then asked about Daryl Carter's active involvement in CSI II and Mr. Weiss noted that Mr. Carter would probably spend about one day a week actively involved in CSI II.

Presentation by Capri Capital Advisors, LLC

Capri Capital Advisors, LLC made a presentation to the IAC regarding Capri Select Income II Fund, L.P. Capri was represented by Quintin Primo, Chairman and CEO. Daryl Carter, Vice Chairman, was unable to be at the meeting due to weather delayed transportation problems. Mr. Primo talked about making a presentation to the IAC in 1994 as a very young firm by the name of Carter, Primo, Chesterton with no assets and no clients. He said that with the approval of the IAC, the State of Connecticut became their first client and remained a client until 1996 when

Treasurer Burnham decided to exit the commercial mortgage market. Mr. Primo provided an overview of Capri, noting that they are a minority owned firm, with a very diversified executive staff. He spoke at length about Capri's corporate citizenship approach. Mr. Primo discussed Capri's proven track record with the first fund, Capri Select Income I ("Fund I") noting that Fund I was established in 2001 and has realized 40% of its investment to date, generating a gross realized IRR of 20.2%. Mr. Primo reviewed the structure of CSI, the portfolio diversity, concluding with the terms of the proposed partnership.

James Larkin asked Mr. Primo to elaborate on the major reorganization of Capri and how Capri could ensure the same kind of track record for Fund II that they had seen with Fund I. Mr. Primo reviewed Capri's growth and reorganization in some detail. Mr. Primo explained that the same strategy used in Fund I would be used in Fund II.

Mr. Roth asked if Capri generates returns by using a higher stated interest rate than the pay rate. Mr. Primo said that seven out of ten times Capri would utilize a note that has a stated interest rate reflecting the total return that Capri would like to earn on the transaction and having a pay rate that is lower. He also explained other means by which Capri generates returns.

Peter Thor asked for an explanation of the bullet in the presentation brochure on page 5, "*42 total employees, with support from approximately 150 employees in affiliate offices*." Mr. Primo explained that the 150 support employees are employed by Charter Mac Mortgage Capital of which Daryl Carter is the CEO. Mr. Thor asked if the same diversity principals apply to Charter Mac Mortgage Capital. Mr. Primo said their CEO is African-American and that they are committed to diversification, but that they still have work to do.

Roll Call of Reactions for Capri Select Income II Fund, L.P.

Mr. Larkin said that he thought CRPTF should proceed with the investment. Michael Freeman said that he though CRPTF should go forward with the investment. Mr. Himmelreich said that he concurred. Reginald Martin said that he felt the same and that Capri sets a good standard and is a good investment. Sharon Palmer said that she thought Capri was impressive and that she wishes that there were more investments available like CSI. Mr. Roth said that he thinks Capri is terrific and will do exactly what they say they will, but does not feel that the return is worth the risk. Carol Thomas said that she supports the majority. William Murray said that he thinks a 12% return sounds good and he would support the majority and said this type of investment is needed. Mr. Thor said yes to the investment. Chairman Roberts said that he would support the investment based on their track record. During the roll call of reactions, there was a discussion regarding the rate of return versus the risk, which was prompted by Mr. Roth's remarks.

Chairman Roberts asked for a motion to waive the 45-day comment period. **A motion was made by Ms. Thomas, seconded by Mr. Martin, to waive the IAC 45-day comment period. The motion was passed unanimously.**

<u>Presentation by and Consideration of New Boston Urban Strategy America Fund, L.P.</u>

Mr. Weiss reported on the due diligence it conducted on New Boston Urban Strategy America Fund, L.P. ("NBUSA" or the "Fund"), noting that NBF is an existing CRPTF manager. He said that the Fund is a Value-added commingled closed end real estate fund offered by New Boston Fund ("NBF"). Mr. Weiss explained that the Fund would be focused on acquiring, repositioning, developing and redeveloping assets in the Eastern United States and, more importantly, in urban markets within those regions where their investors make investments in the Fund. He said NBUSA's plan is to ensure that 66% of funds invested by any one investor are invested in the investor's geographic region. Mr. Weiss provided an overview of PCA's reasons for recommending an investment in the Fund.

Ms. Thomas asked Ms. Sweeney for clarification regarding the 20% cap as explained in the memo dated May 31, 2005 that Ms. Sweeney sent to Treasurer Nappier. Ms. Sweeney said that the wording is directly from the IPS and that the 20% would give the OTT a seat on the advisory board but no more control than that. Ms. Thomas asked if CRPTF would be waiving the cap in violation of the IPS. Ms. Sweeney explained that it is a guideline not a mandate.

Mr. Roth noted that the cover letter to the IAC from the Treasurer indicated a net IRR of about 12%, but PCA reported a 5-year return of 3.7% and asked Mr. Weiss to explain the difference. Mr. Weiss said that PCA's report is time weighted rate of return and what is imbedded in NBF's report is an IRR, and the IRR takes into consideration future liquidations. Mr. Roth asked if Mr. Weiss is comfortable that the projected return is accurate. Mr. Weiss said that he thinks that it is a little aggressive.

Presentation by New Boston Fund

New Boston Fund made a presentation to the IAC regarding New Boston Urban Strategy America Fund, L.P. NBF was represented by Kirk Sykes, President of New Boston Urban Strategy America Fund; David Keiran, Senior Vice President of Equities; and John Dragat, Senior Vice President of Development. Mr. Sykes provided overviews of NBF and NBUSA, as well as the strategy and qualifications of NBUSA. Mr. Keiran discussed the targeted portfolio diversification and the terms of the offering. Mr. Dragat discussed the specific properties to which NBF has made commitments and the Connecticut properties with which NBUSA is negotiating commitments.

Mr. Martin asked about minority senior managers with NBUSA. Mr. Sykes said that he is the CEO and a minority and that he is actively seeking to diversity the workforce. Treasurer Nappier noted that the OTT has addressed the issue with NBF. Chairman Roberts suggested that NBF consider the In Roads Program.

Mr. Roth commented that NBF has a large presence in the Hartford area and that he personally had a previous negative experience with NBF with regard to corporate citizenship. He explained that a few years ago he had been encouraged by one of the Rappaports to talk to NBF about some non-profit work in Hartford and that the result of his meeting with NBF was "a lot of talk and no action." Mr. Roth said that his hope is that NBF will work to improve their corporate citizenship in Connecticut.

Mr. Roth asked for some elaboration on the return expected in NBUSA, when the return on earlier funds had been higher. Mr. Keiran responded that some of the differential is market related. He also noted that they were very conservative in their estimated rate of return and that if NBUSA can generate a higher rate of return, they will.

Mr. Himmelreich asked that NBF comment on investments in Indianapolis. Mr. Kerian explained NBF's presence in Indianapolis, noting that the NBUSA will be focused on the east coast and in markets in which they are currently doing business.

Mr. Larkin asked what the role of Mr. Sykes would be. Mr. Sykes explained the structure of the company and that the responsibility lies with him to ensure that the investment strategy is implemented.

Mr. Thor asked if investment in workforce housing is by chance or by design. Mr. Sykes said that they had not influenced the decision for the workforce housing but that they did support that area. Treasurer Nappier talked about the diminishing supply of affordable housing in Connecticut and noted that she had sponsored legislation to establish a $100 million housing trust fund that would provide low and no interest loans to private developers and non-profit developers to rehab and construct affordable rental units and home ownership units and it was approved by the Legislature.

Mr. Larkin asked if they would have an advisory council. Mr. Sykes said that they would and Connecticut, as one of the top 5 investors, would be represented on the council.

Roll Call of Reactions for New Boston Urban Strategy America Fund, L.P.

Ms. Thomas said she is very impressed and that since the OTT will have a seat on the NBUSA advisory board, she feels it is appropriate to exceed the 20% recommended in the IPS. Mr. Roth agreed with Ms. Thomas, but expressed his concern about the lack of minority representation in their business. Mr. Roth also expressed his pleasure of the investment in Connecticut. Ms. Palmer said she feels they would be a sound investment, but expressed her concern with their lack of diversity and their sincerity with regard to corporate citizenship in Connecticut. Mr. Martin said that he echoes those sentiments. Mr. Thor said that agrees with those remarks and does support the investment and approves of their strategy for work force affordable housing. Mr. Himmelreich agreed with the concerns expressed regarding NBF's diversity principles and expressed some minor reservations regarding two of the properties in Connecticut that they are targeting and NBF's projected returns. Mr. Murray said that he does not disagree with anything expressed by the others, but said that historically NBF is a very solid company and is in favor of the investment. Mr. Freeman said that he approves with some reservations and concerns, noting that NBF's projected return is in the range with which Mr. Roth said he would be more comfortable if Capri were projecting. Mr. Larkin said that he does approve the investment, noting that the Rappaports are always successful in their investments, that he feels hiring Mr.

Sykes was an excellent decision and that the company is committing 2.5% to the Fund. Chairman Roberts said that CRPTF should make the investment and that during contract negotiations OTT should express the IAC's concern regarding NBUSA's diversity and corporate citizenship.

Ms. Thomas said that she wondered if Connecticut, because of past presentation to the IAC by NBF, had some influence with regard to NBF hiring Mr. Sykes as the CEO for the NBUSA. Mr. Larkin asked, since NBF's past attendance at an IAC meeting was before his time, what the result was when talking to NBF in the past. Ms. Thomas said that, as she remembers, there was already an investment with NBF when they attended an IAC meeting and that they were at the meeting to review investments made by the last Treasurer. Treasurer Nappier said that they were one of the eleventh hour investments made by the previous administration. Treasurer Nappier said that when they attended the IAC meeting, corporate citizenship and workforce diversity were discussed and NBF was lacking in those areas.

Chairman Roberts asked for a motion to waive the recommended 20% investment cap in the Investment Policy Statement. **A motion was made by Ms. Thomas, seconded by Mr. Larkin, to waive the recommended 20% investment cap in the Investment Policy Statement. The motion was passed unanimously.**

Chairman Roberts asked for a motion to waive the 45-day comment period. **A motion was made by Ms. Thomas, seconded by Mr. Larkin, to waive the IAC 45-day comment period. The motion was passed unanimously.**

Real Estate Fund Review as of December 31, 2004

Mr. Weiss reported on the Real Estate Fund as of December 31, 2004. He said that the value of the fund was $416 million. Mr. Weiss provided overall fund performance, noting that the net return for the quarter was 13.5%, compared to the NCREIF Index, which posted a 4.7% return. Mr. Weiss also provided more detailed information on the overall fund performance, an investment guideline review, portfolio characteristics, and comments on the market.

Mr. Roth asked for an update on Goodwin Square. Mr. Weiss said that his understanding is that it has been put on the market, bids have been received and the abilities of the interested parties to execute a closing favorable to Connecticut are being evaluated.

Combined Investment Funds Review as of March 31, 2005

Raudline Etienne of CRARC reported on the Combined Investment Funds as of March 31, 2005. Her report included an overview of capital markets with comments on the international equity, U.S. equity, emerging, fixed income, real estate and private equity markets. Ms. Etienne reviewed the asset allocation of the fund noting that as of March 31, 2005, the assets were $20.9 billion. She also reported on the CRPTF Fund performance including the Mutual Equity Fund, the International Stock Fund and the Mutual Fixed Income Fund. Ms. Etienne noted that there were total earnings of approximately $1.97 million in the quarter for Securities Lending.

Private Investment Fund Review as of December 31, 2004

Bradley Atkins of Franklin Park reported on the Private Investment Fund for the quarter ending December 31, 2004. He provided a portfolio overview and benchmark performance. He said that as of December 31, 2005, the PIF represented 7% of CRPTF's allocation versus the IPS target of 11%. Mr. Atkins noted that at the May IAC meeting, Alignment Capital, CRPTF's other private equity consultant, presented a pacing study for the PIF to reach the 11% allocation. He also noted that relative to the sub asset classes, the portfolio is within guidelines except for international which is 17% versus the ranges of 0 to 10%. Mr. Larkin asked why the international asset class is over allocated. Mr. Atkins said that there are 4 international funds in the portfolio and as a result CRPTF is over allocated based on the guidelines, but that the over allocation is not due to any recent activity, and that, in fact, there have been no new commitments since 1998. Treasurer Nappier said that there were no guidelines at that time. Ms. Sweeney said that guidelines were instituted when Sovereign Capital was hired by Treasurer Nappier, early in her administration, and the target was set realizing that CRPTF was over allocated. David Scopelliti, Principal Investment Officer, made the point that while the international sub asset class is over allocated, the total PIF is under allocated.

Mr. Atkins said that in light of the earlier discussion regarding AIG, he would like to provide some additional information on the two AIG funds with which CRPTF is invested. He said that the AIG Altaris is a new fund, is doing very well and that the changes at AIG have not impacted this fund. He said that AIG Global Emerging Markets I fund has been impacted by the AIG management changes, but that even though the two senior lead partners were terminated, the key man language of the partnership agreement was not impacted. Mr. Roth asked if the departure of these two key partners would have an adverse impact on the performance of the fund. Mr. Atkins said that this fund is fully committed and because it is a fund-of-funds, it will not have much impact on performance.

Commercial Mortgage Fund Review as of March 31, 2005

Ms. Sweeney noted that the Commercial Mortgage Fund is a $29 million fund, in run off, and is performing adequately. She said that the report is fairly descriptive and would continue to be included in the quarterly package, but would no longer be an agenda item. Several IAC members concurred.

Short-Term Investment Fund Review as of March 31, 2005

Lee Ann Palladino, Principal Investment Officer, reported on the performance of the Short Term Investment Fund ("STIF") for the quarter ending March 31, 2005. She provided an update of the overall economy with focus on the growth, yield curve, job market, business labor and housing bubble. A discussion followed regarding the flat yield curve and the impact that it has on long term versus short-term investments. Ms. Palladino provided an overview of the management of STIF, noting that for the months of January, February and March, STIF earned an average annualized yield of 2.57%, versus 2.15% for the average benchmark, a difference of 42 basis points.

<u>Presentation Regarding SEC Report Concerning Select Pension Consultants</u>

Ms. LaMarr provided a summary of the SEC report that addresses certain allegations of conflicts of interest in the rendering of services by pension fund consultants. She reported that on May 16, 2005, the SEC issued its staff report concerning examinations of select pension consultants. Ms. LaMarr said that the purpose identified by the SEC for conducting the examination was to explore and assess risk areas related to pension consulting. She then reviewed the process by which the SEC conducted the examination, noting that they reviewed 24 pension consulting firms. Ms. LaMarr reviewed the findings of the SEC report.

Ms. Sweeney reported on the current relationships between the OTT and their existing consultants. She provided an overview of consultants' role for the OTT and their sources of compensation. Treasurer Nappier said that for a general consultant, it is not unusual that part of their compensation is obtained from means other than consulting fees. Treasurer Nappier said that often the clients of a general consultant request that the consultant provide training conferences and software programs.

Ms. LaMarr said that, in light of the SEC report, the OTT reviewed its policies, procedures, existing contract language and third party fee disclosure. She provided the IAC with the existing policies, procedures and contract language. Treasurer Nappier commented that the key element of OTT's review is whether or not its consultants' fees are either generated or paid by the investment managers they recommend. She said that there are other situations that pose a potential conflict of interest. As an example, Treasurer Nappier used the instance of a fund-of-funds manager conducting a political fundraiser and inviting all the respective sub managers and then hiring some of the sub managers as part of the fund-of-funds program. She said this could pertain to consultants also.

Ms. LaMarr introduced Shelagh McClure, Director of Compliance. Ms. McClure addressed the next steps with which the OTT will go forward as follow-up to the SEC report.

<u>Quarterly Update on CRPTF Cash Flow as of March 31, 2005</u>

Greg Franklin, Assistant Treasurer of Investments, gave an update on CRPTF Cash Flow through March 31, 2005, noting that CRPTF began the fiscal year with $365 million of cash and as of March 31, 2005, had $390 million of cash. He reported that there was a net outflow of $739 million in benefit payments, $115 million in investment purchases, $226 million in investment sales, and $652 million in sweeps. Mr. Franklin said that for the fiscal year end CRPTF cash is projected to close with $319 million, which is approximately $164 million more than what was projected. He noted that if the real estate purchases and the other flows had occurred as estimated, there would be $155 million as originally projected. Ms. Sweeney pointed out that there are always unanticipated occurrences such as the $300 million that was removed from the International Equity Fund because it had exceeded CRPTF's equity cap. Treasurer Nappier, in questioning the results of the cash flow report, pointed out that the main purpose of this exercise is to ensure that cash is being managed effectively and not at an excessive level that prevents it from being invested in other asset classes. In response to a question from Ms. Thomas regarding the amount of cash currently in the portfolio, Mr. Franklin noted that in addition to the benefit payments, cash must be available for real estate and private equity opportunities. There was a discussion regarding the cash projections, the efficiency of sweeping from the managers and the need for a liquidity analysis.

Other Business

Review of the IAC Budget for the quarter ending March 31, 2005
Ms. Sweeney reported that the IAC is well under budget by approximately 50% through March 31. Chairman Roberts said that the education budget for the IAC is seldom used and that there are many pension investment courses available. There was a discussion regarding the merits of contracting with a firm to come to the IAC and provide training versus individual IAC member choosing trainings in which they are interested. Mr. Freeman said that it would be helpful if the OTT would disseminate information on useful programs or conferences to the IAC members. Treasurer Nappier said that there are some well-known courses for trustees provided by The Institute for Financial Education, the Wharton School and the Institutional Investor Foundation. Chairman Roberts asked Ms. Sweeney to disseminate information to the IAC on those courses as they are announced.

Pension Funds Management Division's Operating Results as of March 31, 2005
Ms. Sweeney reported that unaudited results for the 9 months ended March 31, 2005 of net assets in the combined investment funds was $20.9 billion.

Status Report on Requests by IAC Members
Ms. Sweeney said that **Conference Speakers Who Pay to Speak** could now be removed. She said that she would try to have the **Diversity Principles** completed in the very near future.

Discussion of Preliminary Agenda for July 13, 2005 IAC Meeting
Ms. Sweeney said that in July there would be an update on the Watch List, a potential private equity presentation, and Corporate Governance.

Discuss August IAC Meeting
Chairman Roberts said that at the July IAC meeting, he would take a count to see if there would be a quorum available for the August IAC meeting.

There being no further business, the meeting was adjourned at 1:40 P.M.

An audio tape of this meeting was recorded.

Respectfully submitted,

DENISE L. NAPPIER
SECRETARY