

**INVESTMENT ADVISORY COUNCIL
WEDNESDAY, May 12, 2004**

MEETING NO. 315

Members present:

Thomas Fiore, representing
Marc S. Ryan
James Larkin
Sharon Palmer
Howard Rifkin, representing
Denise L. Nappier
Clarence (Dick) L. Roberts, Jr., Chairman
David Roth
Rosalyn Schoonmaker
Carol Thomas

Members absent:

Reginald Martin
Henry E. Parker

Others present:

Susan B. Sweeney, Chief Investment Officer
Meredith Miller, Assistant Treasurer-Policy
Greg Franklin, Assistant Treasurer-Investments
Catherine E. LaMarr, General Counsel
Patricia DeMaras, Associate Counsel

Guests:

Cynthia Steer, CRA RogersCasey
Maria Luce, State Street Corp.
Donna Trapp, State Street Corp
Harvey Kelly, Leumas Advisors
Julie Naunchek, CSEA-Retiree Council #400
Barbara Randolph, A.G. Edwards & Sons, Inc.
Vonda Brunsting, Service Employees International Union

Chairman Dick Roberts called the meeting to order at 9:00 A.M.

Approval of Minutes

Chairman Roberts asked for comments on the Minutes of the April 14, 2004 Investment Advisory Council. There being no comments, **a motion was made by Rosalyn Schoonmaker, seconded by Carol Thomas, that the Minutes of the April 14, 2004 IAC meeting be accepted. The motion was passed unanimously with abstentions by Howard Rifkin, Deputy Treasurer and Sharon Palmer who had not been present at the April meeting.**

Opening Comments by the Deputy Treasurer

Mr. Rifkin made opening comments on behalf of Treasurer Denise Nappier and extended Treasurer Nappier's apology for not being able to attend the IAC meeting.

Mr. Rifkin reported that Treasurer Nappier had selected Franklin Park as the pension fund's primary consultant for private equity; Alignment Capital was selected to perform portfolio analytics and pacing studies as needed; and KPMG was selected to provide forensic accounting services as needed. All are subject to successful contract negotiations. Mr. Rifkin noted that the 45-day comment period of the IAC for the manager of the Connecticut Horizon Fund expires May 29 and Treasurer Nappier will probably advise the IAC of the selected managers at the June IAC meeting.

Mr. Rifkin advised that the RFP for the Master Custodian is on the OTT web site and the P&I web site and that it will be advertised in the May 17, 2004, edition of P&I. He said the work plan for the master custodian would be reviewed later in the meeting.

Mr. Rifkin provided a legal update noting that the Forstmann Little jury has been selected and the trial is scheduled to begin June 1 in the Rockville Superior Court. He also provided a brief update on JDS Uniphase and the Campbell Soup securities cases.

Mr. Rifkin indicated that Meredith Miller, Assistant Treasurer-Policy would be giving a presentation on Corporate Governance today. He also provided updates regarding Safeway and Disney proxy votes on members of the board of directors.

David Roth raised the issue about the investment information that is obtainable under FOI, specifically with respect to private equity. Catherine LaMarr, General Counsel, informed the Council that she, Principal Investment Officer David Scopelliti, and Associate Counsel Robert Scott met with the FOI Commission and received a verbal opinion that underlying portfolio information is not disclosable under the current Freedom of Information Act. Ms. LaMarr has asked for a formal written opinion from the FOI Commission.

CRPTF Final Performance for March 2004

Susan Sweeney, Chief Investment Officer made comments regarding the investment returns of the combined investment funds for the period ending March 30, 2004.

Corporate Governance Quarterly Update

Ms. Miller gave a presentation on Corporate Governance and noted that the report was being presented at this meeting rather than at a regular quarterly IAC meeting based on a request that Henry Parker made that more time be allotted at an IAC meeting for Corporate Governance. Before beginning the presentation, Ms. Miller gave an overview and the history of the Corporate Governance unit. Ms. Miller provided an in-depth presentation that, along with other issues, included information on proxy voting, resolutions, board independence and diversity, annual elections of directors and separation of Chair and CEO, and climate risk.

Mr. Roth asked about the decision process for filing a resolution. Ms. Miller explained that the first concern is financial performance with an overlay of corporate governance.

James Larkin asked if the IAC would be consulted if Treasury staff had difficulty making a decision about filing a resolution. Mr. Rifkin acknowledged that consultation with the IAC could be an option should the need arise. He also noted that proxy voting guidelines are part of the Investment Policy Statement and that any revisions would come before the IAC, as well as be posted for public review and comment.

Mr. Roth asked if OTT has questioned KKR about the reason they still participate in Safeway, a company in which they are no longer invested. Ms. Miller said that the KKR investors met with KKR several months ago and KKR indicated that they have tremendous confidence in the Chairman of Safeway who was formerly with KKR and has also been a consultant to KKR.

Open Ended Real Estate Core Commingled Search Process and Screening and Selection Criteria

Ms. Sweeney said that in an effort to return to the real estate market, the RFP will be issued and that the material in the IAC package is provided for informational purposes. Chairman Roberts asked for a motion to endorse. **Mr. Larkin made a motion, seconded by Ms. Thomas to endorse the Open Ended Real Estate Core Commingled Search Process and Screening and Selection Criteria. The motion was passed unanimously.**

Project Plan for Custodian Search

Ms. Sweeney explained that CRPTF is a very large and complex fund that requires a custodian capable of managing both the size and complexity of the fund and that for this reason the RFP is quite lengthy. She invited IAC members to participate in the interviews and also to submit any potential candidate for consideration. Chairman Roberts asked for a motion to endorse. **Ms. Thomas made a motion, seconded by Ms. Schoonmaker, to endorse the Project Plan for Custodian Search. The motion was passed unanimously.**

Summer IAC Meetings (July/August)

After a discussion regarding availability of IAC members and potential agenda items for the months of July and August, it was decided that the July meeting would be held and the August date for the IAC meeting would be held for interviews for master custodian. Ms. Sweeney noted that the June meeting has been moved from June 9 to June 18.

Other Business

Status Report on Requests by IAC Members

Ms. Sweeney reported on the status of the requests that have been made by the IAC members. She said that **Best Practices** might possibly be scheduled for the July meeting. Ms. Sweeney indicated that she would be working with Reginald Martin to determine what to include in the **Parker Principles**. Mr. Rifkin said that he believes most of the issues are embedded in Best Practices on which Ms. LaMarr and Patricia DeMaras have been working. With regard to an **Attorney General Presentation**, Ms. LaMarr continues to seek a commitment from the Attorney General's office. Ms. Sweeney indicated that in order to respond to the request on **Benefit Payments**, CRPTF needs actuarial data which will not be available for quite some time. Mr. Parker's request that **Corporate Governance** be given more time on the agenda was addressed at this meeting and his request will be removed from the Status Report.

Discussion of preliminary agenda for June 18, 2004 IAC meeting

Ms. Sweeney reminded the IAC that the June meeting would be a regular quarterly meeting.

There being no further business, the meeting was adjourned at 10:40 A.M.

An audio tape of this meeting was recorded.

Respectfully Submitted,

**HOWARD G. RIFKIN FOR
DENISE L. NAPPIER
SECRETARY**