INVESTMENT ADVISORY COUNCIL
WEDNESDAY, June 10, 2009

MEETING NO. 367

Members present:	Thomas Fiore, representing Robert Genuario Michael Freeman David (Duke) Himmelreich Stanley (Bud) Morten William Murray Denise L. Nappier, Treasurer Sharon Palmer Joseph (Joe) D. Roxe, Chairman Carol Thomas Peter Thor
Absent:	Thomas Barnes David Roth
Others present:	Howard G. Rifkin, Deputy Treasurer Linda Hershman, Assistant Deputy Treasurer/Chief of Staff Lee Ann Palladino, Acting Chief Investment Officer Joanne Dombrosky, Principal Investment Officer Gregory Franklin, Assistant Treasurer-Investments David Holmgren, Principal Investment Officer Wayne Hypolite, Executive Assistant David Johnson, Principal Investment Officer Catherine LaMarr, General Counsel Shelagh McClure, Director of Compliance Lisa Monroe, Executive Assistant Christine Shaw, Director of Government Relations Linda Tudan, Chief Executive Assistant Winifred (Winnie) Scalora, Administrative Assistant
Interns:	Genevieve Anderson-Krengel, Office of the Treasurer Shadine Gibbs, Office of the Treasurer Patrick Murphy, Office of Policy and Management Nicole Toney, Office of the Treasurer
Guests:	Bradley Atkins, Franklin Park Associates, LLC Joseph Barcic, Mercer Investment Consulting Scott Booth, The Townsend Group Makaiya Brown, Mercer Investment Consulting David F. Carney, Lincoln Educational Services Corporation Steven Davies, State Street Bank & Trust Sean Gill, New England Pension Consultants Maykala Hariharan, Rogerscasey Steven Hart, Hart Capital LLC

Rashid Hassan, Mercer Investment Consulting
Robin Kaplan-Cho, Connecticut Education Association
Harvey Kelly, Leumas Advisors
Oberon Knapp, State Street Bank & Trust
Louis Laccavole, SOC Teachers' Retirement Board
Jacqueline Lyons, State Street Bank & Trust
Michael McDonald, Bloomberg News
Julie Naunchek, CSEA-Retiree Council #400
Barry Schwimmer, Stoney Brook Capital
Claire Shaugnessy, Rogerscasey
Johnson Shum, State Street Bank & Trust
William Triant, Hart Capital LLC
Dominic Williams, Service Employees International Union

With a quorum present, Chairman Joseph Roxe called the Investment Advisory Council ("IAC") meeting to order at 9:04 a.m.

Approval of Minutes of the May 13, 2009 IAC Meeting

Chairman Roxe asked for comments on the Minutes of the May 13, 2009 IAC meeting. **There being no comments, a motion was made by Michael Freeman, seconded by Carol Thomas, that the Minutes of the May 13, 2009 IAC meeting be accepted as drafted. The motion was passed unanimously.**

Comments by the Treasurer

Treasurer Denise Nappier began her opening comments by stating that while the economy was showing some signs of improvement, the job prospects for many people of all ages and education levels remained less than opportune, but added that the Office of the Treasurer ("OTT") has continued its efforts to help support the future generation of workers through its internship program. She welcomed and introduced the summer interns who were present at today's meeting.

Treasurer Nappier announced her decision to make a $75 million commitment to TA XI, a private equity middle market buyout fund investment. She also reported that she decided to commit up to $375 million to Aberdeen Asset Management ("Aberdeen"), a money manager for the Emerging Markets International Stock Fund ("EMISF") mandate. Treasurer Nappier said that both of these decisions were made after considering the feedback from the IAC, the consultant and the due diligence process and both were contingent upon successful contract negotiations.

Turning to today's agenda, Treasurer Nappier stated that Steven Hart, Founder and Managing Partner of Hart Capital LLC ("Hart Capital"), would provide a presentation to the IAC on Hart Capital Education Fund L.P. ("Hart Capital Fund I"). She said that Hart Capital Fund I was being formed to target a niche of investing in small, for-profit education firms. While she had not decided to recommend a direct investment in Hart Capital Fund I, Treasurer Nappier stated that her purpose for placing this fund offering on the agenda was to gauge the degree of receptivity for further due diligence on a proposal to have the Connecticut Retirement Plans and Trust Funds ("CRPTF") serve as lead investor by making a direct commitment of no more than $20 million. Notwithstanding the outcome of any further due diligence, Treasurer Nappier stated that she was mindful of the possibility that some IAC members might have feedback on a Connecticut-based firm whose general partner was a former Chair of the IAC, which might trump the investment merits and/or the suitability of the General Partner's investment strategy for the CRPTF. Therefore, she stated that she was seeking IAC feedback prior to proceeding with any further due diligence. Treasurer Nappier also commented that her primary interest in this fund-offering was driven by its attractive investment proposition in the education sector and that it was a Connecticut-based firm. She continued that the principal had previous experience in two investments, one of which was the acquisition of Lincoln Educational Services Corporation ("LES") operating nine Connecticut campuses, as well as other out-of-state campuses, and had generated an impressive return for its investors. She stated that the prospects of this fund-offering securing required additional investors was more likely with the CRPTF as lead investor instead of limiting its indirect investment to $4 million as part of the Connecticut Horizon Fund's ("CHF") fund-of-funds program, with fund manager Muller and Monroe Asset Management ("Muller Monroe"). Finally, she stated that it was not uncommon for the home state of an emerging fund to take the lead by investing pension funds, which in turn helped to attract other investors. Treasurer Nappier commented on the many barriers to entry for emerging funds, which had only grown in intensity during the current difficult economic environment. Ultimately, she said that the decision to make a direct investment must rest on the investment merits and the technical strength of Hart Capital's General Partner and that if she decided to move forward on this investment opportunity, further due diligence would be required and the opportunity would once again be presented to the IAC with a formal recommendation.

Treasurer Nappier commented that the discussion on the EMISF mandate, which she tabled at last month's IAC meeting in order to gather additional information to address some of the concerns raised by IAC members would continue. In particular, she stated that OTT staff and the consultant, Mercer Investment Consulting, Inc. ("Mercer"), would discuss the emerging market stock assumptions used in the CRPTF's asset allocation; provide more in-depth information on the structure for the EMISF, including incumbent managers, Emerging Markets Management, LLC ("EMM") and Grantham, Mayo, Van Otterloo & Co. ("GMO"); and finalize the discussions on the remaining emerging market manager candidates with the intention of hiring one or more managers from the candidate pool in addition to Aberdeen.

Treasurer Nappier stated that a project plan timeline and evaluation/selection criteria for the Mutual Equity Fund ("MEF") Small/Mid Cap ("SMID") money manager search and for a passive money manager search would be provided today. She added that the last time a passive manager search was conducted was in 1995; therefore, procurement practices required a competitive search rather than expanding the existing mandate with the CRPTF's existing passive manager State Street Global Advisors ("SSgA"). Treasurer Nappier said that the goal for this mandate was to increase the flexibility for managing the CRPTF, and the mandate would allow the CRPTF to engage in all types of passive investment. Finally, she stated that the CRPTF would also benefit from being able to quickly position the portfolio from an asset allocation perspective or to opportunistically gain market exposure.

In conclusion, Treasurer Nappier stated that the various quarterly reports would be reviewed and an update on the status of cash flow in the Teachers' Retirement Fund ("TERF") would be provided in response to a request from IAC member William Murray.

CRPTF Final Performance for the Month of April 2009

Lee Ann Palladino, Acting Chief Investment Officer, provided a quarterly report on the April 30, 2009 performance results for the CRPTF. Ms. Palladino commented on the significance of the global stock market rally and its impact on the CRPTF performance and reported that the market value of the CRPTF was $19.8 billion as of April 30, 2009 and $20.6 billion as of June 8, 2009, an increase of $800 million since the end of April. She also reported that as of April 30 and June 6, 2009, respectively, the market value decline for the CRPTF was at 20.82% and 17.15%, showing an improvement of 367 basis points ("bps").

Regarding the TERF, Ms. Palladino reported that the market value was at $11.1 billion, earning 42 bps calendar year-to-date, outperforming the benchmark for the fiscal year-to-date, three, five and seven year horizons.

Ms. Palladino then made a few comments regarding the EMISF. She stated that the CRPTF had been under allocated to the EMISF, which had been beneficial when the markets were declining. However, she said that because the EMISF had risen significantly, the under allocation would hurt performance. Ms. Palladino then discussed the different methods of calculations used to formulate the assumptions, annual returns and compound returns and commented specifically on the assumptions for the EMISF.

Regarding the State Employees' Retirement Fund ("SERF"), she reported that the market value was at $ 7.1 billion as of April 30, 2009. She noted that the SERF had the highest allocation to equities and was down 21.78% fiscal year-to-date, but was at 6.36% for the month and 3.56% for the three-month period. Ms. Palladino reported that the SERF had adequate liquidity at 6.1% of total assets. Finally, she reported that the Municipal Employees' Retirement Fund ("MERF") was at $1.3 billion, posted a positive return for the calendar year-to-date, and had adequate liquidity at 5.8% of total assets. Ms. Palladino responded to IAC questions regarding the market value declines in the private equity real estate funds.

Chairman Roxe commented that there was a rebound in the world equity markets since being oversold and reaching a bottom on March 9, 2009. He added that there had been recognition of the oversold levels with a substantial recovery of 30% to 40%. Going forward, Chairman Roxe added that global productivity and plant utilization figures were still weak, and therefore, continued recovery was still questionable.

Combined Investment Funds Review as of March 31, 2009

Joseph Barcic, Principal, and Makaiya Brown, Senior Associate, of Mercer provided the overall investment results for the Combined Investment Funds for the quarter ended March 31, 2009. Mr. Barcic began his comments by introducing Rashid Hassan, Associate, to the members of the IAC. He stated that Mr. Hassan worked on all facets of equity matters with David Holmgren, Principal Investment Officer. Mr. Barcic then reported that all of the assets in the CRPTF had beaten their reference index for the one and three-year periods. He added that the MEF had not carried its weight but noted that the current restructuring of the CRPTF would rectify this.

Ms. Brown stated that during the first quarter of 2009, U.S. stocks fell across the board, with large cap stocks outperforming small cap stocks and mid caps performing the best. Against that backdrop, Ms. Brown stated that the MEF posted a quarterly loss of 11.1% and underperformed the Russell 3000 by 30 bps; she further commented on the managers within the MEF. Ms. Brown reported that the Developed Markets International Stock Fund underperformed U.S. equities and that the EMISF underperformed its benchmarks due to stock selection and country allocation, but noted that the currency overlay program has added value. She concluded her remarks by providing an overview of the various fixed income funds performance versus their respective benchmarks.

Mr. Barcic responded to Duke Himmelreich's and Chairman Roxe's questions regarding rank and the overall performance of the CRPTF stating that the total fund results were largely attributable to the MEF, which was currently being restructured. There was continued discussion about manager selection, rankings, performance and asset allocation. Chairman Roxe stated that this discussion should continue at another meeting. Treasurer Nappier added that Mercer's report was a snapshot of performance and there were measures in place for monitoring managers' performance.

Update on CRPTF Watch List

Ms. Palladino provided an overview on the Watch List process and noted that the procedure is included in the Investment Policy Statement.

Ms. Palladino then gave an update on the status of the managers on the CRPTF Watch List as of March 31, 2009. She reported that Trust Company of the West, within the MEF, was on the Watch List due to performance concerns. Also on watch due to performance concerns, she reported on Western Asset Management and Goodwin Capital Advisers, within the Core Fixed Income Fund.

Finally, Ms. Palladino reported that one consultant, New England Pension Consultants, LLC ("NEPC"), was on the Watch List for organizational concerns. She said that while NEPC was in the midst of litigation with the town of Fairfield, Connecticut, there was concern about the consultant's ability to maintain its focus on the OTT. Ms. Palladino said that more due diligence would be conducted on this matter.

In response to Mr. Himmelreich's question, Ms. Palladino commented on why a manager might remain on watch for a length of time and reasons for termination.

Presentation by and Consideration of Hart Capital Education Fund L.P.

Ms. Palladino provided opening remarks and introduced Hart Capital Fund I. Treasurer Nappier reiterated her earlier comments that this was an attractive proposition to invest in the for-profit education sector and that while Hart Capital was fairly new in this industry, it did acquire LES, which had nine Connecticut campuses as well as campuses outside of the state. Finally, Treasurer Nappier said that the IAC's feedback would weigh very heavily as to whether the OTT would proceed with further due diligence, and her decision would ultimately be based on the merits and strength of Hart Capital and that Hart Capital Fund I would also have to come before the IAC for review provided the fund offering was kept in play. Treasurer Nappier stated that Hart Capital was a minority partner in the LES investment in response to Chairman Roxe's question.

Presentation by Hart Capital, LLC

Hart Capital provided a presentation of Hart Capital Fund I. Hart Capital was represented by Steven Hart, Founder and Managing Partner, and William Triant, Partner. David F. Carney, Executive Chairman, of LES, was available for questions. Mr. Hart began by providing an overview of Hart Capital. Mr. Triant commented on the fastest growing and declining occupations within Connecticut and the strong economic drivers for investing in education. He noted that the fastest growing occupations all required higher education and that President Obama's economic stimulus package included funding for higher education. Mr. Triant then spoke about the higher education industry and provided an overview of the investment strategy for Hart Capital Fund I. Mr. Hart spoke about LES, commented on its track record, strategic plan, acquisitions and its transformation under Hart Capital. Mr. Triant commented on key investment considerations in the education industry, the advantages to an exclusive education focus and the excellent timing for initiation of the fund in light of the continued need for training and retraining. Finally, Mr. Hart commented on Hart Capital's strong commitment to Connecticut and LES' strong investment track record within Connecticut.

In response to Mr. Morten's questions, Mr. Hart stated that Hart Capital had all the back office systems necessary to manage funds and it would continue to add staff as needed. In response to Mr. Murray's question about whether LES had an advantage over State technical schools, Mr. Carney stated that LES could make larger investments to bring its schools up to a higher standard with programs that runs 12 to 15 months and a payback within one year. He added that LES was attractive because it offered programs that were intensive and short in length with placement systems in place. Mr. Carney addressed IAC members' questions regarding grants and student aid by stating that the Obama administration's stimulus package had increased Pell Grants and student loan limits, and because LES had a stronger value proposition its students were able to get aid more easily. Finally, Mr. Hart replied to Mr. Morten's question regarding other investments for Hart Capital Fund I.

Roll Call of Reactions for Hart Capital

In response to Thomas Fiore's questions, Treasurer Nappier stated that the CHF had decided to make a $4 million commitment, without input from the CRPTF, contingent upon Hart Capital's ability to raise $50 million. There was further discussion about investment limitations within funds.

Chairman Roxe asked the IAC members to provide feedback on Hart Capital Fund I. Ms. Thomas recused herself before the presentation. Mr. Fiore stated that the CHF commitment was adequate. Mr. Murray stated that pursuing investments in Connecticut education was good and while he would approve of continuing with the due diligence he added that he was satisfied with the CHF commitment. Messrs. Himmelreich, Morten, Freeman, and Thor, Ms. Palmer and Chairman Roxe did not want to proceed with further due diligence. Messrs. Himmelreich, Freeman and Thor added that they deferred to Franklin Park's report. Sharon Palmer stated that she wanted to provide disclosure information on her relationship with Mr. Hart and her representation of the American Federation of Teachers' Union, which advocates for the teachers at both the vocational technical high schools and the technical colleges. She stated that there was a market niche for retraining so an investment in the CHF would be appropriate.

Treasurer Nappier clarified that the question on the floor was not whether or not to make a direct investment commitment to Hart Capital, but whether or not there was interest in conducting further due diligence. She added that the due diligence presented today was preliminary as the consultant was not instructed to do a full due diligence. Treasurer Nappier added that she appreciated the feedback of the IAC. Chairman Roxe stated that the consensus of the IAC was not to proceed with further due diligence.

Discussion and Consideration of the Emerging Markets International Stock Fund Managers

Mr. Hassan, of Mercer, and David Holmgren, Principal Investment Officer, led a discussion on the structure and strategy of the EMISF; regional versus country managers; performance of the existing managers; Aberdeen; and further consideration of the three remaining money managers that presented at the May 13, 2009 IAC meeting: Capital Guardian Trust Company ("Capital Guardian"), GE Asset Management, Inc. ("GEAM") and Schroders Investment Management, NA ("Schroders"). Mr. Hassan highlighted the typical characteristics of emerging markets managers and commented on the different style biases. Mr. Hassan said that the current managers, EMM and GMO, had a core style with a value tilt and their performance results were similar; therefore, the goal was to find managers with different styles to improve the quality characteristics relative to the current portfolio to provide a consistent level of out-performance. Treasurer Nappier commented that GMO had been restricted from investing in certain companies due to the Sudan Divestiture Legislation and that going forward, all the CRPTF's managers were to be restricted. She added that the benchmarks did not adjust for policy restrictions and this needed to be considered when evaluating the managers' performance. In conclusion, Mr. Hassan stated that the managers being considered for the EMISF were solid performers with different styles that would complement the portfolio structure.

Discussion ensued in response to Mr. Morten's comments regarding dedicated regional managers, global managers and asset allocations. In response to Deputy Treasurer Howard Rifkin's question, Mr. Hassan provided an explanation as to why other large institutional investors in the emerging market stock space did not hire region specific managers. Chairman Roxe commented that the four managers who presented last month were chosen in context with the two existing managers. He reiterated the IAC's consensus in rating the managers that Aberdeen was the strongest, with Schroders next, followed by Capital Guardian and lastly GEAM. Discussion continued about the EMISF's potential structure and how much of a role style diversification should play in making manager choices. Ms. Palladino stated that the asset allocation was increasing from 4% to 9% for the EMISF and this should also be considered in the decision making process.

Roll Call of Reactions for the Finalists for the Emerging Market International Stock Fund Money Managers

Treasurer Nappier noted that the 45-day comment period began on May 13, 2009. Chairman Roxe reiterated that it was the consensus of the IAC that the members would not recommend an investment in GEAM. As concurred at the May 13, 2009 meeting, Chairman Roxe stated that the IAC members preferred Aberdeen and they would be willing to support Schroders and Capital Guardian.

Consideration for the Search Process for the Mutual Equity Fund Small/Mid Cap Money Managers

Mr. Holmgren provided a project plan timeline and evaluation/selection for the MEF SMID money manager searches. He stated that the goal was to recapture the CRPTF's bench strength of active management opportunities in the SMID segment of the MEF. Mr. Holmgren then provided the proposed action plan to the IAC members for approval. In response to Mr. Morten's request, Mr. Holmgren stated that while the historical performance was analyzed, the focus was on the expectation of a firm's ability to perform in the future. He said that the target allocation to the MEF was just under $1.5 billion. Mr. Morten stated that he would like to revise the selection criteria to include future expectation for performance and risk versus historic levels, and an assessment of the key factors of success for an active SMID manager. Treasurer Nappier stated that the information regarding expectations of a manager's future performance has always been critical in the vetting process and that the OTT would be sure to clarify the criteria and the reports would be included in the presentations to the IAC, in response to Mr. Morten's request.

Chairman Roxe then asked for a motion to endorse the Search Process for the MEF SMID money managers. **Ms. Thomas entered a motion to move forward with this search. Mr. Himmelreich seconded the motion. The motion was passed unanimously.**

Consideration for the Search Process for the Passive Mandate Money Managers

Gregory Franklin, Assistant Treasurer-Pension Fund Management, presented a project plan timeline and evaluation/selection for the passive mandate money manager search. Mr. Franklin provided an overview on the reasons for creating a passive manager pool. He stated that this mandate would allow for flexibility to change asset allocation, replace terminated managers and enhance the CRPTF's ability to access a wider spectrum of the types of market exposure. Treasurer Nappier commented that the IAC's focus needed to be on the selection criteria and it was time for the members to make their concerns and requests known. Discussion ensued about selection criteria for the passive mandate.

Chairman Roxe then asked for a motion to endorse the Search Process for the passive mandate Money Manager. **Mr. Himmelreich entered a motion to move forward with this search. Bud Morten seconded the motion. The motion was passed unanimously.**

Update on Teachers' Retirement Fund and State Employees' Retirement Fund Cash Flow Reports as of March 31, 2009

Mr. Franklin provided an update on the TERF and the SERF cash flow for the quarter ended March 31, 2009. He reported that both the TERF and SERF had adequate cash on-hand and respectively, the TERF and SERF were at $922 million and $407 million as of December 31, 2008, and at $993 million and $544 million as of March 31, 2009. Mr. Franklin commented on investments made during the fourth quarter of 2008 and stated that from a cash standpoint, as of April 2009, cash on-hand was 1.5 times the benefit payments and added that there would be rebalancing as more investments were made.

Mr. Murray commented on the potential increased number of teachers retiring in July 2009 and Treasurer Nappier stated that an estimated 3,000 State employees were also retiring. Mr. Franklin stated that the last asset liability study did show significant benefit payments and, therefore, the Liquidity Fund was created to isolate 1.5 times the benefit payments to assure that cash needs would be met. He added that adjustments would be made to set aside more cash as needed given potential early retirement. Treasurer Nappier also stated that according to the State Employees Bargaining Agent Coalition ("SEBAC") agreement, a portion of the State's contributions would be suspended for 2009 and 2010. In closing, Mr. Franklin stated that the cash set aside to meet benefit payments was an absolute number and as the market value fluctuated the percentage would also fluctuate.

Short-Term Investment Fund Review as of March 31, 2009

Lawrence Wilson, Assistant Treasurer-Cash Management, reported on the performance of the Short-Term Investment Fund ("STIF") for the quarter ended March 31, 2009. He began by providing an overview of the primary cash flow system for the TERF, SERF and MERF. Mr. Wilson stated that the TERF's primary cash flows were from the teachers via the towns into TERF bank accounts that were then transferred into accounts within the state cash pool. He noted that Cash Management employees make decisions on a daily basis regarding the funds needed for disbursement and the remaining funds are then invested in the STIF. For the 2009 fiscal year, Mr. Wilson reported that the State made quarterly contributions totaling $539 million to the TERF. On a monthly basis, he said funds were drawn from the Pension Funds Management Division to cover benefit payments based on the actual and expected incoming and outgoing flows.

In terms of the STIF, Mr. Wilson reported that for the quarter ended March 31, 2009 the average annual yield was at 1.07% or 37 bps above the benchmark, representing an additional $3.9 million in income earned for the State and the local government participants within the STIF. He added that this yield was earned despite maintaining a fairly cautious investment strategy, which had been in place since the summer of 2007, while maintaining a high degree of one-day liquidity and also keeping a short average maturity within the portfolio. Mr. Wilson reported that the portfolio's one-day liquidity is in excess of 70% with an average maturity of 14 days. In conclusion, he stated that the reserves were at $33 million and the current yield was about 60 bps.

Securities Lending Review as of March 31, 2009

Oberon Knapp, CFA, and Johnson Shum, Vice Presidents of State Street Bank, provided a review of Securities Lending activity for the quarter ended March 31, 2009. Mr. Knapp began his presentation by commenting on the markets in general during the current economic crisis and noted that he was cautiously optimistic. Mr. Shum provided a summary of the earnings and performance results and stated that the 2009 fiscal year was a record year for the CRPTF with total earnings from securities lending activity at over $29 million, which surpassed the total for the 2008 fiscal year, and the total return on lendables improved 77% for the 2009 fiscal year. Mr. Shum said that lending activity was quite strong and discussed the top ten borrowers for the CRPTF's program.

In conclusion, Mr. Shum stated that the fund had maintained a lot of liquidity. In response to Treasurer Nappier's request, Mr. Knapp commented on the long-term ratings.

Connecticut Horizon Fund Review as of March 31, 2009

Claire Shaugnessy, Managing Director, and Maykala Hariharan, Associate Director, Rogerscasey; and Bradley Atkins, Chief Executive Officer of Franklin Park Associates LLC, reported on the Connecticut Horizon Fund ("CHF") for the quarter ended March 31, 2009. The Rogerscasey team began by reporting on the CRPTF's public markets exposure or Phase I of the CHF. Ms. Hariharan stated that the CHF outperformed its benchmark by 105 bps for the quarter, fiscal year, calendar year, two-year and three-year horizons, as well as since inception. She commented on the manager additions during this time period and noted that no manager changes occurred during the quarter ended March 31, 2009. Ms. Hariharan then reported on the performance for the four underlying fund-of-fund managers within the CHF and noted that three outperformed their benchmarks and the fourth kept pace. She discussed the manager allocations and classifications by diversity. Finally, Ms. Hariharan reported on the total fund attribution of performance noting that asset allocation and manager selection both added value for the quarter and asset allocation added value while manager selection did detract fiscal and calendar years-to-date. In conclusion, she provided a listing of all sub-advisors as of March 31, 2009. In response to Chairman Roxe's question, Ms. Shaugnessy commented on firms that ran blended fund-of-fund mandates.

Mr. Atkins provided a report about the private equity portfolio or Phase II of the CHF as of December 31, 2008. He reported that three CHF fund-of-funds managers were hired: Aldus Equity ("Aldus"), JP Morgan Asset Management ("JP Morgan") and Muller Monroe with respective commitments of $65 million, $35 million and $55 million. Mr. Atkins stated that the three had slightly different strategies with Aldus focused on women and minority funds, JP Morgan focused on Connecticut-based managers as well as emerging strategies within the state and Muller Monroe focused on emerging women and minority funds as well as Connecticut-based managers. He then commented on the investment performance of the funds and noted that Aldus was terminated by Treasurer Nappier so the mandate was being restructured and wound down, JP Morgan has had no commitments to date and Muller Monroe had made three private equity fund commitments to date totaling $16 million. In conclusion, Mr. Atkins said that because these were young funds, positive returns probably wouldn't occur for approximately four to five years.

Private Investment Fund Review as of December 31, 2008

Mr. Atkins reported on the Private Investment Fund ("PIF") for the quarter ended December 31, 2008. He stated that the current economic crisis caused five large impacts on the private equity market including: a significant slow down in deal flow; a sharp decline in deal pricing and leverage; difficult operating quarters for existing portfolio companies during the last quarter of 2008 and the first quarter of 2009; big defaults on debt with Standard & Poor's forecasting a 14% default rate; a 26% increase in bankruptcies for 2008 and a similar rate expected for 2009; a 15% markdown in portfolio valuations for the fourth quarter of 2008 and 22% for the 2008 calendar year; and finally, private equity firms have had portfolio issues, team turmoil and difficulty raising new funds. Mr. Atkins commented on the most exposed firms and stated that, in flight to quality, firms that would benefit were those that had success during past recessions and those that showed discipline during the last five years.

Regarding the CRPTF portfolio, Mr. Atkins reported that the value declined 18% for the 2008 calendar year and 12.5% during the fourth quarter of 2008. He added that since inception, the portfolio returned 7.5% in spite of 2008's difficulties and it outperformed the market broadly. Mr. Atkins then stated that ten out of 68 funds incurred losses during the last quarter of 2008 and noted that these markdowns were attributable primarily to the public markets decline of 30%, lower earnings due to economic softening and company specific issues. He then provided more in-depth analyses of the ten managers. In response to Chairman Roxe's question, Mr. Atkins stated that those who entered into the distressed debt market in 2008 prior to the fourth quarter lost about 50% across the industry and theoretically, now was a good time to enter into the distressed debt market. Historically, he noted there was a fairly high correlation between buyout returns and distressed debt returns and; therefore, he said that in this environment, all strategies would make sense including distressed debt and buyout deals. Mr. Atkins responded to several questions posed by Mr. Morten regarding valuations, the impact of buyout exposure and return expectations for the PIF. Discussion then ensued about first quartile managers, the quality of the PIF as a whole and the fact that investments made during 1996, '97 and '98 hurt the portfolio.

Other Business

Chairman Roxe stated that there would not be a July 8, 2009 IAC Meeting.

<u>Comments by the Chairman</u>

Chairman Roxe commented on today's meeting.

There being no further business, the meeting was adjourned at 1:20 p.m.

An audio tape of this meeting was recorded.

Respectfully submitted,

DENISE L NAPPIER
SECRETARY

Reviewed by

JOSEPH D. ROXE
CHAIRMAN