



The Office Of State Treasurer
Denise L. Nappier

News

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CONNECTICUT'S PENSION PLAN NAMED BY *INSTITUTIONAL INVESTOR* MAGAZINE AS LARGE PUBLIC PLAN OF THE YEAR

HARTFORD, CT – The Connecticut Retirement Plans and Trust Funds ("CRPTF") has won a national award for the outstanding performance of its hedge fund portfolio for the past year, State Treasurer Denise L. Nappier announced today.

In its 12th annual Hedge Fund Industry Awards, *Institutional Investor* magazine has selected the CRPTF as the winner in the category of Large Public Plan of the Year.

Accepting the award, at a ceremony in New York City on Thursday, June 26, were the Treasury's Chief Investment Officer, Lee Ann Palladino, and Principal Investment Officer for Alternative Investments and Private Equity, Terrence Purcell. They thanked the magazine and said, "We appreciate the support of our peers who recognized that the Connecticut Treasury is dedicated to ensuring the soundness of our long-term investment strategy."

CRPTF won as a public plan with greater than \$15 billion in assets that demonstrated excellence in absolute return investing in 2013. Each year, the magazine recognizes public funds that were distinguished in their innovation, achievements and contributions to the hedge fund industry over the previous year.

"This recognition by *Institutional Investor* magazine is humbling. I heartily commend the professionals in the Treasury, particularly within the Pensions Funds Management Division, for their consistent hard work and dedication to serving the CRPTF's 194,000 beneficiaries and Connecticut's taxpayers," said Treasurer Nappier.

"Lee Ann and Terry deserve credit for their leadership in the build-out of our hedge fund program to a point where our peers in the industry have voted us as number one in the nation. I also want to thank the State's independent Investment Advisory Council ("IAC") and the fund's external investment advisors for their support in helping the portfolio exceed our own customized and industry benchmarks," Treasurer Nappier added.

Connecticut made its first allocation to hedge funds in February of 2011 after a comprehensive asset allocation and liability study. The study reflected in-depth participation and feedback from the IAC, and the results were formally incorporated into the Investment Policy Statement, the

CONTACT: DAVID BARRETT, DIRECTOR OF COMMUNICATIONS, (860) 702-3164

DAVID.S.BARRETT@CT.GOV

pension fund's governing document. Three years later, the CRPTF is reaping the rewards of the careful analysis. The hedge fund portfolio is designed to improve the CRPTF's overall risk/return profile by generating positive absolute returns, reducing the plan's volatility, and providing downside protection in falling markets.

Connecticut's hedge fund portfolio stood at \$1.11 billion as of December 31, 2013. The hedge fund portfolio returned 11.36 percent in 2013, net of fees, outperforming its customized benchmark by 11.29 percent during 2013, and by 4.07 percent since the program's inception. This return also meaningfully outperformed comparable industry benchmarks -- HFRI Fund Weighted Composite Index showed a 9.13 percent gain and the HFRI Fund of Funds Composite Index had a return of 8.96 percent in 2013. In addition, the level of volatility of the portfolio was lower than the public markets.

The hedge fund portfolio is managed by Stamford, CT-based K2 Advisors; and by Permal Group, Prisma Capital Partners and Rock Creek Group. K2 Advisors has a staff of 94 in its Connecticut office. Permal is a subsidiary of Legg Mason, which has a principal office in Stamford. The Treasury's consultant for alternative investments, including the hedge fund portfolio, is Cliffwater LLC.

Institutional Investor magazine is a leading international finance publisher of two magazine editions - Americas and international - with a global circulation of 115,000. It offers a host of proprietary research and rankings that serve as industry benchmarks.

In the Large Public Plan of the Year category, consideration also is given to long-term performance and overall ability to construct and manage a hedge fund portfolio. Other nominees were the New York City Retirement System Pennsylvania Public Schools Employees' Retirement System; and Texas County & District Retirement System.

About the CRPTF

The CRPTF is comprised of six State pension plans and nine State trust funds. It invests and safeguards assets held on behalf of the Teachers' Employees Retirement Fund; State Employees' Retirement Fund; Connecticut Municipal Employees' Retirement Fund; Probate Court Retirement Fund; State Judges' Retirement Fund; State's Attorneys' Retirement Fund; Soldiers' Sailors' & Marines' Fund; Endowment for the Arts; Agricultural College Fund; Ida Eaton Cotton Fund; Andrew Clark Fund; School Fund; Hopemead Fund; Police & Fireman's Survivors' Benefit Fund; and State of Connecticut Other Post-Employment Benefits Trust Fund.

For the 2013 calendar year, the State's two largest pension funds -- the Teachers' Retirement Fund and the State Employees' Retirement Fund -- generated robust investment returns, net of expenses, of 14.23 percent and 14.11 percent, respectively. In doing so, they essentially matched their benchmarks and far exceeded their actuarial investment assumptions of 8.5 percent and 8 percent, respectively.

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