

**Pension Commission
Pension Administration Conference Room
260 Constitution Plaza
Friday, March 28, 2008
9:00 a.m.**

MINUTES

INVESTMENT PROGRAM

MEMBERS PRESENT: Peter Stevens, Chairman; Gene Goldman, Commissioner; Frank Lord, Commissioner (via phone); Walter Remes, Employee Representative; Kathleen Palm Devine, Secretary

STAFF PRESENT: Gary L. Carter, Director of Investments; Gary B. Draghi, Assistant Director of Investments; Denise Aguilera, General Counsel

STAFF EXCUSED: J. Sean Antoine, Principal Administrative Analyst

OTHERS PRESENT: Scott Schwind, Rogerscasey, MERF's Investment Consultant

Chairman Peter Stevens called the Investment portion of the meeting to order.

I. Review of Minutes: Regular Meeting of February 21, 2008

Chairman Stevens introduced the item and asked if there were any comments or questions. Secretary Kathleen Palm Devine noted for the record that the fiduciary liability insurance coverage for the Pension Commission and staff that was mentioned in the minutes had gone into effect on February 27, 2008. She noted that the Commissioners and staff would be invoiced for a \$25 fee needed to be collected personally from all of the parties insured under the contract for a waiver of recourse rider under the policy.

A motion was made, seconded and adopted to accept the minutes as presented.

II. Status of the MERF Portfolio as of February 29, 2008

Chairman Stevens introduced the item. Secretary Devine asked the Investment Unit to report. Gary B. Draghi, the MERF's Assistant Director of Investments, reported that at February 29, 2008, the market value of the MERF's investment portfolio approximated \$1.1 billion. He stated that the portfolio generated a positive 0.3% return net of fees for the month, slightly outperforming the MERF policy benchmark return of positive 0.2%.

II. Status of MERF Portfolio as of February 29, 2008 (continued)

Mr. Draghi further reported that the MERF's domestic equity portfolio experienced a negative 2.3% net return for the month, outperforming the Russell 3000 Index (R3000) return of negative 3.1%. Mr. Draghi reported that the MERF's international equity portfolio generated a positive 3.2% net return for the month, essentially matching the Russell Global Ex-U.S. equity Index (Russell Global) return of positive 3.3%.

Mr. Draghi then reported that the MERF's fixed income portfolio posted a 0.4% net return for the month, essentially matching the custom fixed income benchmark return of 0.3%. Lastly, he noted that the Liquidity Fund generated a negative 0.9% net return for the month, underperforming the benchmark return of positive 0.2%. He noted that the underperformance was due to the Liquidity Fund being overweight in U.S. equities and underweight in non-U.S. equities and TIPs. He asked for questions, but there were none.

The Commission accepted the report for advice.

III. Consideration of Recommendations Regarding Portfolio Rebalancing - Long Duration and Global TIPs

Chairman Stevens introduced the item. Secretary Devine, stating that the MERF would be adding to its line-up of managers two long-duration bond managers at \$52 million each and a global TIPs manager at \$58 million, consistent with its asset allocation strategy, recommended that the Commission authorize the retention of Loomis Sayles & Co. (Loomis) and Pacific Investment Management Co. (PIMCO) for the long duration bond mandates, and Western Asset Management Co. (WAMCO) for the global TIPs mandate.

The Secretary stated that her recommendations were supported by quantitative analysis and due diligence she and staff had performed with the assistance of RogersCasey, saying that additional analysis showed the recommended managers represented the best mix of advisors in terms of risk, return and duration characteristics. The Commission indicated support for the recommendation and appreciation of the supporting analytics from RogersCasey.

A motion was made, seconded and adopted to authorize Secretary Devine to retain Loomis Sayles and Pacific Investment Management Company for the Long Duration mandates and to retain Western Asset Management for the Global TIPS mandate, subject to successful contract negotiations.

IV. Consideration of Recommendation Regarding Domestic Equity Structure

Chairman Stevens introduced the item. Secretary Devine presented to the Commission the recommended structure for the domestic equity portion of the MERF portfolio, as prepared by RogersCasey and reviewed and analyzed by her and the Investment Unit.

She stated that the recommended structure would increase the allocation to the Liquidity Fund to the desired policy weight of 25%, reduce the active large cap growth component, add a small-to-mid- cap growth component and reduce the active small-to-mid-cap value component, all pursuant to the adopted asset allocation mix. Brief discussion ensued.

A motion was made, seconded and adopted to authorize Secretary Devine to implement the recommended domestic equity structure, including the following: (1) an increase in the allocation to the Liquidity Fund to the desired policy weight of 25%, (2) a reduction of the active large cap growth component to \$55 million, (3) the addition of a small-to-mid- cap growth component of \$10 million and 4) a reduction in the active small-to-mid-cap value component to some \$40 million.

V. Consideration of Recommendation to Terminate Goldman Sachs Asset Management

Chairman Stevens introduced the item. Secretary Devine recommended that Goldman Sachs Asset Management (GSAM), an active large-cap growth manager for the MERF, be terminated for performance and asset allocation reasons. She noted that the MERF currently had \$80 million invested in active large growth, including \$34 million with GSAM and \$46 million with Atlanta Capital Management (Atlanta). With the adoption by the Commission of a \$55-million allocation to large-cap growth, Secretary Devine said, the MERF would be about \$30 million over-invested in this area.

Because GSAM had underperformed its benchmark since inception and was unable to provide compelling reasons or explanations for this underperformance during its most recent annual performance review meeting, she recommended termination and a division of the proceeds as follows: (1) an increase in the funding for Atlanta Capital management of \$9 million, to coincide with the large cap growth target, and (2) investment of the balance in the Liquidity Fund. Discussion ensued.

A motion was made, seconded and adopted to authorize Secretary Devine to terminate Goldman Sachs Asset Management and re-allocate \$9 million of the portfolio proceeds to Atlanta Capital Management and invest the remaining \$25 million in the Liquidity Fund.

VI. Consideration of Recommendation of the Deferred Compensation Committee to Add Certain Funds to Those Offered to Plan Participants

Chairman Stevens introduced the item. Secretary Devine noted that the Deferred Compensation Committee of the Pension Commission had met twice recently and was now recommending additional investment options for the City of Hartford Deferred Compensation Program participants for the commission's consideration.

She noted that the recommendations focused on the domestic equity sector, with the objective of providing access for participants to investment options for each of the Morningstar style box categories.

Secretary Devine said that the recommended fund additions were the Fidelity Advisor Leveraged Company Stock Fund and the State Street Global Advisors (SSGA) S&P Midcap Index for the Mid Cap Blend Equity Sector, the Columbia Mid Cap Value and Riversource Mid Cap Value Fund as additions to the Mid Cap Value Sector, and the addition of the Keely Small Cap Value and SSGA Russell 2000 Index Funds for the small capitalization blend equity sector.

She further said that the recommended addition of SSGA Dow Jones Target Date Funds was for the benefit of those participants who may not wish to manage their investment options actively over time.

Commissioner Goldman questioned whether the Hartford Life Insurance Company (The Hartford), third party administrator for the deferred compensation program, would have ample time to educate the City's plan participants about the new fund offerings before they became available. The secretary and staff indicated they would work with The Hartford to ensure a successful educational effort. Discussion ensued.

A motion was made, seconded and adopted to authorize Secretary Devine to add the recommended investment options to the City of Hartford Deferred Compensation Program.

VII. Consideration of Recommendation to Extend LISC Loan to July 31, 2008

Chairman Stevens introduced the item. Secretary Devine recommended that the Pension Commission authorize another extension of the MERF's loan to the Local Initiative Support Corporation (LISC), whose mission is to provide housing rehabilitation in Hartford and other cities nationwide, under the

**VII. Consideration of Recommendation to Extend LISC Loan to July 31, 2008
(continued)**

current terms and conditions. The recommended extension would be until July 31, 2008, she said.

Secretary Devine noted that the MERF has an outstanding loan to LISC of \$1.8 million, which had been scheduled to mature on December 31, 2007, and was extended by the Commission until March 31, 2008. The loan generates interest income of 4.00% per year for the MERF and enables LISC to rehabilitate various housing stock in Hartford. Discussion ensued.

A motion was made, seconded and unanimously adopted to authorize Secretary Devine to execute a three (3) month extension of the MERF's loan to the Local Initiatives Support Corporation at the original principal amount of \$1.8 million and at the original interest rate of 4.00%.

VIII. Other Business

Chairman Stevens introduced the item. Secretary Devine stated that there was none.

The Commission accepted the report for advice.

There being no further business, Chairman Stevens adjourned the meeting.

ATTEST: _____
Kathleen Palm Devine, Secretary