

City of Hartford Pension Commission
Constitution Plaza Conference Room
260 Constitution Plaza
Hartford, Connecticut
Friday, May 24, 2019
9:00 a.m.

AGENDA

INVESTMENT PROGRAM

- I. Review of Regular Meeting Minutes**
 - Minutes of April 24, 2019

- II. Status of the MERF Portfolio**
 - Inventory of Assets as of April 30, 2019
 - MERF's Overall Performance

- III. General Investment Consultant-NEPC**
 - QE 3.31.2019 Performance

- IV. Executive Session**
 - Fienemann Road Property Update

- V. Deferred Contribution Plan Update**

- VI. Other Business**



CITY OF HARTFORD

PENSION COMMISSION

MEMORANDUM

To: Pension Commission
From: *AMC*
Adam M. Cloud, Secretary
Carmen I. Sierra, Assistant Secretary
Date: May 14, 2019
Subject: Review of Minutes from the Meeting of April 24, 2019

Enclosed for your review are the minutes of the investment portion of the Pension Commission meeting of Wednesday, April 24, 2019.

**City of Hartford Pension Commission
City of Hartford
Development Services Conference Room
250 Constitution Plaza, 4th Floor
Hartford, CT 06103
Wednesday, April 24, 2019
9:00 a.m.**

MINUTES

INVESTMENT PROGRAM

MEMBERS PRESENT: Peter Stevens, Chairman; Gene Goldman, Commissioner; Adam M. Cloud, Secretary and Carmen I. Sierra, Assistant Secretary

MEMBERS EXCUSED: Nicholas Trigila, Employee Representative

STAFF PRESENT: Gary B. Draghi, Chief Investment Officer; P. Wayne Moore, Deputy Chief Investment Officer and J. Sean Antoine, Principal Administrative Analyst

OTHERS PRESENT: Lisa Silvestri, Corporation Counsel; Chelsea Mott, Principal Accountant; Attorney William Beccaro and Kristin Finney-Cooke,
NEPC

I. Review of Minutes as of March 22, 2019

Chairman Stevens introduced the item and asked for questions, comments or corrections. There were none.

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

II. Status of the MERF Portfolio as of February 28, 2019 and March 31, 2019

Chairman Stevens introduced the item and asked the investment unit to report. J. Sean Antoine, the MERF's Principal Administrative Analyst, stated that as of February 28, 2019, the MERF portfolio had a market value of approximately \$1 billion. He noted that the portfolio returned 0.9% for the month, underperforming the policy benchmark by 60 basis points. He added that individual sector performance was mixed for the month and he noted the MERF's asset allocation. Discussion ensued.

Mr. Antoine continued noting that the March 31, 2019 report was preliminary. He then stated the MERF portfolio had a market value of approximately \$1 billion at month end and returned 1.3% for the month, matching the policy benchmark. Discussion ensued.

Mr. Antoine then detailed sector performance, noting that the MERF's equity portfolio generated a net return of 1.9% for the month, outperforming its benchmark by 80 basis points. He explained that international developed equities outperformed while domestic equity underperformed. Regarding fixed income, Mr. Antoine reported a 0.9% return for the month, lagging its custom benchmark by 30 basis points. He noted that fixed income sub sector performance was mixed. Discussion ensued.

Mr. Antoine concluded by stating the MERF was at or close to its target allocation in all asset classes and that all asset class investment levels were within target ranges. Discussion ensued.

The Commission accepted the report for advice.

III. Update from MERF's General Investment Consultant-NEPC

International Equity Review

Chairman Stevens introduced the item and asked the representative from NEPC to report. Kristin Finney-Cooke reported on NEPC's review of the MERF's international equity portfolio noting it had been performed in coordination with MERF staff. She stated that the purpose of this review was to evaluate whether the MERF's international equity managers were performing as intended and without style drift.

Ms. Finney-Cooke went on to report that NEPC evaluated the risk and return contributions of each of the MERF's international equity managers as well as the correlations between them. She highlighted the high correlation of the MERF's two emerging markets equity managers. This correlation, as well as their shared low risk, low return portfolio management style, resulted in a need to rethink the MERF's approach for this mandate she

said. Ms. Finney-Cooke then reminded the Commission of the MERF's pending inclusion of small cap international equity in its asset allocation noting this will allow the MERF to capture additional opportunities on the capitalization spectrum while adding diversification. Given these factors, Ms. Finney-Cooke stated that NEPC and staff would continue this review with the intention of recommending changes in both the structure and composition of the MERF's international equity lineup. Discussion ensued.

The Commission accepted the report for advice.

Core/Core Plus Fixed Income Strategy Review

Ms. Finney-Cooke reported that, pursuant to the MERF's request, NEPC was evaluating core and core plus fixed income managers for the MERF. This was being done, she noted, in light of Hartford Investment Management Company's ("HIMCO") decision to exit the money management business for non-insurance industry clients. Ms. Finney-Cooke then stated that NEPC had identified a number of potential replacement managers for the approximately \$27.5 million core plus fixed income mandate managed by HIMCO. She highlighted the diverse nature of a number of these firms.

Ms. Finney-Cooke reported that NEPC, the Secretary and staff will conduct due diligence on the candidates and determine a short list to be considered by the Pension Commission. She went on to note that the short list will include a recommendation as to whether core or core plus will best compliment the total MERF portfolio. Discussion ensued.

The Commission accepted the report for advice.

IV. Executive Session - Fienemann Road Property Update

Chairman Stevens introduced the item and recommended that the Commission enter executive session to discuss commercial or financial information given in confidence, not required by statute.

A motion was made, seconded and adopted to enter executive session.

A motion was made, seconded and adopted to exit executive session.

The Commission accepted the report for advice.

V. Report on Annual Performance Review Meeting with Walter Scott & Partners, Ltd.

Chairman Stevens introduced the item and asked the investment unit to report. Mr. Draghi stated that the report was self-explanatory. Discussion ensued.

The Commission accepted the report for advice

VI. Other Business

Chairman Stevens introduced the item. Secretary Cloud asked the Commission to amend the MERF's 2019 budget based on MERF actuary Hooker & Holcombe's final MERF valuation calculation. The Secretary explained that Hooker & Holcombe's revised calculation included the newly adopted contribution rates negotiated with City employee unions. The Secretary noted that these changes reduced the City's budgeted pension contribution by approximately \$1.1 million. Discussion ensued.

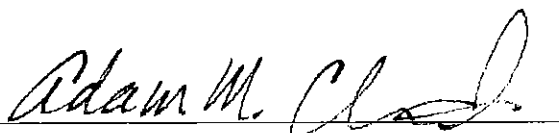
A motion was made seconded and adopted to amend the MERF's 2019 previously approved budget to include the actuarially determined reduction in the employer contribution.

Secretary Cloud then reported that the Lowey and Dannenberg law firm contacted him to gauge the MERF's interest in seeking lead plaintiff status in a class-action lawsuit involving brokerage fees on non-U.S. government bonds. The Secretary reviewed the process of applying for this status stating that, while there would be no direct costs to the MERF resulting from serving as the lead plaintiff, the process could require significant staff time over a multi-year span. Discussion ensued.

The Commission accepted the reports for advice

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

ATTEST:


Adam M. Cloud, Secretary



CITY OF HARTFORD

PENSION COMMISSION

MEMORANDUM

To: Pension Commission

From: *AMC*
Adam M. Cloud, Secretary
Carmen I. Sierra, Assistant Secretary

Date: May 14, 2019

Subject: Status of MERF Portfolio as of April 30, 2019

The portfolio reports for the month of April 30, 2019 will be distributed at the meeting.

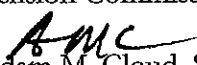


CITY OF HARTFORD

PENSION COMMISSION

MEMORANDUM

To: Pension Commission

From: 
Adam M. Cloud, Secretary
Carmen I. Sierra, Assistant Secretary

Date: May 14, 2019

Subject: **Update from the MERF's General Investment Consultant – NEPC**

NEPC representatives will attend the Pension Commission meeting on Friday, May 24, to discuss the following topics. Please see the enclosed materials which they will utilize in their presentation.

- **QE 3.31.2019 Performance**



CITY OF HARTFORD

PENSION COMMISSION

MEMORANDUM

To: Pension Commission

From: *AMC*
Adam M. Cloud, Secretary
Carmen I. Sierra, Assistant Secretary

Date: May 14, 2019

Subject: Executive Session – Fienemann Road Property Update



CITY OF HARTFORD

PENSION COMMISSION

MEMORANDUM

To: Pension Commission
From: *AMC*
Adam M. Cloud, Secretary
Date: May 14, 2019
Subject: Deferred Compensation Plan Update



CITY OF HARTFORD

PENSION COMMISSION

MEMORANDUM

To: Pension Commission
AMC

From: Adam M. Cloud, Secretary
Carmen I. Sierra, Assistant Secretary

Date: May 14, 2019

Subject: Other Business