

## OFFICE OF THE CONNECTICUT STATE TREASURER PENSION FUND MANAGEMENT DIVISION



### Chief Investment Officer Recruitment Specification

The State of Connecticut Treasurer's Office, Pension Fund Management Division is hiring a strategic senior investment professional to lead the Division as Chief Investment Officer (CIO) responsible for day-to-day administration and advising the Treasurer on the investment of approximately \$41 billion in assets.

#### State Treasurer's Office Overview

The Office of the Treasurer includes an Executive Office and six (6) divisions, each with specific responsibilities including: Cash Management, Debt Management, Management Services, Pension Funds Management, Second Injury Fund, and Unclaimed Property.

As sole trustee of six (6) state pension funds and nine (9) trust funds (known collectively as the Connecticut Retirement Plans & Trust Funds (CRPTF)), the Treasurer is responsible for overall policy, planning and general administration and management of the assets for retirement plans serving approximately 296,000 state and municipal employees, teachers, retirees, and survivors, as well as trust funds that support academic programs, grants, and initiatives throughout the state.

Shawn T. Wooden was sworn in as the 83<sup>rd</sup> Treasurer of the state of Connecticut in January 2019; he previously spent 21 years as an investment attorney specializing in public pension plans. Treasurer Wooden's primary objective is to generate strong risk-adjusted investment returns that meet or exceed the 6.9% annual plan objective over a market cycle, in order to address the State's unfunded pension liability. Another key priority is to engage on corporate governance issues that affect shareholder value.

The Investment Advisory Council (IAC), created by the General Assembly, advises the Treasurer in setting investment policies and procedures. The membership of the IAC consists of the State Treasurer (ex-officio), Secretary of the Office of Policy and Management (ex-officio), five public members appointed by the Governor and legislative leadership, all of whom are required to be experienced in matters relating to investments, three representatives of the teachers' unions, and two representatives of the state employees' unions.

#### Pension Fund Management (PFM) Division Overview

The PFM Division is responsible for the day-to-day administration of the CRPTF and assists the Treasurer and IAC to develop investment policy and asset allocation strategies, supervise and monitor the performance of investment managers and consultants, and source and diligence new investment opportunities and strategies. The Division also supports the Treasurer in the analysis of plan liabilities.



The CIO, appointed by the Treasurer with the consent of the IAC, leads the PFM Division and is responsible and accountable for the CRPTF investment program. The CIO leads a team of 25, including the Deputy CIO; Principal Investment Officers responsible for: Cash, Risk Management, Fixed Income, Public Equity, Private Equity/Private Credit, Real Assets, Short-Term Investment Fund & Liquidity; and the Assistant Treasurer for Corporate Governance and Sustainable Investment.

External consulting firms providing specific research and analytical expertise are retained to augment the Division's internal resources. Meketa Investment Group currently serves as the general consultant. The Bank of New York Mellon serves as the custodian and Deutsche Bank is responsible for marketing the securities lending program.

At December 31, 2020, the CRPTF net asset value was \$40.9 billion. The Teachers' Retirement Fund (TERF), with approximately \$20.5 billion of assets under management, is the largest participating plan. The State Employees' Retirement Fund (SERF) and the Connecticut Municipal Employees' Retirement Fund (CMERF) have approximately \$15.1 billion and \$3.1 billion of assets, respectively.

### Investment Policy Statement (IPS) - Asset Allocation

The asset allocation for each of the plans and trusts is established by the Treasurer, with approval of the IAC. In February 2020, the IAC approved the Treasurer's recommended modifications to the IPS. As of June 30, 2020, multiple asset classes were integrated in the IPS, including global public market equities and fixed income, as well as alternative investments such as real estate, private equity, hedge funds, private credit, and real asset investment strategies.

#### IPS Asset Allocation

Asset Class	Target Policy
<i><u>GLOBAL EQUITY 40%</u></i>	
Domestic Equity Fund	20%
Developed Market International Stock Fund	11%
Emerging Market International Stock Fund	9%
<i><u>PRIVATE INVESTMENTS 34%</u></i>	
Private Investment Fund	10%
Private Credit Fund	5%
Real Assets Fund	19%
<i><u>FIXED INCOME 23%</u></i>	
Core Fixed Income Fund	13%
Emerging Market Debt Fund	5%
High Yield Debt Fund	3%
Liquidity Fund	2%
<i><u>ALTERNATIVE INVESTMENT FUND 3%</u></i>	
Alternative Investment Fund	3%
	100%



To realize the asset allocations set forth in the IPS for each plan and trust, the Treasurer administers the Connecticut Combined Investment Funds (CIF) as a series of portfolio investment vehicles in which the various retirement plans and trusts may invest through the purchase of ownership interests. The Treasurer utilizes external investment managers to administer the portfolios underlying each CIF. Approximately 112 external investment managers are engaged to invest the pension and trust assets.

### **Investment Highlights**

The two largest pension funds in the CRPTF, the TERF and the SERF, generated net investment results of 10.97 and 11.06 percent respectively for calendar year ended December 31, 2020 (one year period). For the longer-term period of 10 years ended December 31, 2020, TERF and SERF generated net investment results of 7.72 and 7.77 percent, slightly below each plan's policy benchmark.

Over the course of the fiscal year, the CRPTF made significant new investment commitments to private markets totaling nearly \$2 billion representing 19 opportunities: 12 in the Private Investment Fund totaling \$985 million, and 7 in the Real Assets Fund totaling \$975 million.

The IPS and Asset Allocation was revised as of February 2020 to include a private credit allocation, a focus of significant ongoing research and diligence.

The Alternative Investment Fund is being restructured to reduce excessive diversification, eliminate fund-of-fund managers, and re-focus on strategies that will generate a sufficient return, yet protect the portfolio during capital market dislocations and severe equity market declines.

### **Leadership in Diversity, Equity, & Inclusion and Corporate Governance**

In August 2020, Treasurer Wooden launched the Connecticut Inclusive Investment Initiative, a new emerging and diverse manager program also known as Ci3. The program will increase allocations to diverse managers across all asset classes, provide a pathway for growth within the program, and host an annual conference to spotlight the best emerging diverse talent in the industry.

The Treasury's corporate governance activities are guided by the core principle that the exercise of shareholder rights, either through the voting of proxies or the filing of shareholder resolutions, is central to the fiduciary obligation to enhance the CRPTF's investment value.

In addition to the voting of proxies, the Treasurer also actively engages directly with companies on corporate governance best practices in an effort to positively impact shareholder value. Toward these ends, during fiscal year 2020, the Treasurer focused on a number of corporate governance initiatives, including board diversity, gender pay equity, misconduct clawback disclosure, climate risks, and deferral of bonuses for pharma executives.

The Treasurer also worked with other public pension plans and institutional investors in advocating for best practices in corporate governance and risk oversight. In furtherance of board diversity, in



October 2019, Treasurer Wooden launched the Northeast Investors' Diversity Initiative (NIDI), a regional partnership dedicated to increasing corporate board diversity inclusive of gender, race, and ethnicity at companies headquartered in the Northeast.

The 12-member alliance of institutional investors, with more than \$283 billion in assets under management, engaged with 20 companies – nine of which made changes to their boards of directors by adding women and people of color, and three of which made changes to their corporate governance charters and/or nominating committee process to reflect their company's commitment to diverse pools of candidates for board service.

## CIO Responsibilities

The CIO is appointed by the Treasurer with the approval of the IAC. Some of the CIO's key responsibilities and duties include:

- Generate strong investment results within the framework of the asset allocation, and risk and return parameters of the IPS.
- Ensure the efficient and effective operation of the CRPTF in accordance with its mission, vision and core values, and state and federal law.
- Advise and confer with the Treasurer and IAC on financial, economic, and political trends and developments affecting the CRPTF.
- Formulate and make recommendations to the Treasurer and IAC in conjunction with outside advisors, on all aspects of fund management including investment policy, asset allocation, risk and return parameters, rebalancing, manager selection and termination, etc.
- Manage the annual reporting cycle and the preparation of the PFM Division's reports as part of the Annual Report of the Treasurer.
- Serve as the Treasurer's designee on boards and commissions.
- Represent CRPTF as a subject matter expert and interact with elected officials, media, and other stakeholders, as necessary.
- The CIO will manage the PFM team to:
  - Monitor and evaluate investment managers and service providers to ensure compliance with performance expectations, guidelines, and contracts, and resolve issues, as necessary.
  - Ensure back office operations are managed effectively and efficiently, and that proper controls are in place to safeguard assets.
  - Negotiate and recommend contracts for the Treasurer's consideration with general partners, investment managers, and service providers and coordinate legal review with counsel.
  - Establish and maintain relationships with current and prospective investment managers, service providers, and peers.

## Key Objectives

As part of the ongoing effort to generate strong risk-adjusted investment returns and maintain a strong professional team culture, the Treasurer has identified the following Key Objectives to measure, in part, the CIO's performance.



### Investing

- Review and make asset allocation recommendations to increase the probability of achieving the Plan's investment return objectives.
- Work aggressively to achieve private target allocations across the portfolio while maintaining vintage year diversification.
- Lead the establishment of a private co-investment program.
- Expand the emerging and diverse manager program, also known as Ci3, to include private equity, real estate, and infrastructure asset classes.

### Team Leadership

- Continue efforts to strengthen the organizational culture to enhance team collaboration and engagement towards achieving strong investment results.
- Expand professional development programs to improve the skills and competencies of the pension management staff.
- Recommend strategies and develop and implement plans to retain key investment staff.
- Maintain a strong working relationship with IAC members.

### Management

- Review and evaluate the effectiveness of investment operations and, if necessary, make process changes to improve efficiency and reduce costs.
- Supervise and monitor the Technology Task Force evaluating solutions to upgrade the technology infrastructure; present recommendations to improve operational efficiencies.

## Leadership Competencies

The CIO is a thought partner and trusted colleague of the Treasurer. The individual must align and support the Treasurer's investment philosophy and policy objectives including his initiatives on diversity, inclusion and ESG. The CIO must have a strong work ethic, be able to maintain a strategic focus, and manage complexity in a changing environment that engages with multiple constituencies.

In addition to being intellectually sharp and curious and a critical thinker, other important skills and competencies include:

- Excellent judgment and strong analytical and problem-solving skills to identify issues proactively and present creative, practical solutions.
- Confidence and courage to put forward and defend ideas and recommendations while being open to adjusting them based on input from others.
- Social and interpersonal skills to build consensus and negotiate compromise effectively.
- Interpersonal skills to engage and build positive relationships with the Treasurer, IAC members, direct reports, outside advisors, investment managers, and others.
- Ability to conceptualize and articulate complex financial and investment information in a manner that is tailored to and understood by various groups.
- Poise and presence, and attention to detail, to expertly represent the CRPTF.

As a chief investment executive, the CIO must be a leader of the highest integrity who takes ownership of the investment program, is committed to delivering investment results that meet or exceed benchmarks, and values transparency and strong governance.



A confident, yet modest leader, is desired. The ideal candidate is one who empowers people and leads with a participative and collaborative style to drive engagement and results while establishing clear goals supported by accountabilities. This is a highly visible position and the CIO must understand and respect the requirements of operating in the public sector.

## Qualifications and Preferences

A strategic investment leader with broad asset class knowledge and institutional experience including significant experience in portfolio construction and asset allocation are required. Additional requirements and preferences include:

### Requirements

- Bachelor's degree in finance, economics, or related field of business.
- At least seven years of relevant experience in a senior leadership role.
- In-depth understanding of global economics and capital markets, investment strategies and vehicles, the principles and practices of institutional investing, investment operations, and investment policy development.
- A positive track record of investment performance as compared to benchmarks.
- Experience effectively coaching/mentoring employees.
- Demonstrated ability to communicate with the general public in writing and orally.
- Dedication to public service and understanding of defined benefit plans.

### Preferences

- Advanced degree
- CFA and/or CAIA.
- Investment experience working in or consulting to the public sector.
- Experience investing in private markets and a variety of private partnership structures.
- Understanding of the actuarial science and applications as related to pension plans.
- Legislative experience, preferably interacting with state and/or federal legislators.
- Experience interacting with local and national media.

While public pension experience is preferred, candidates with other relevant experience and a proven track record of managing in a complex environment will be considered.

## Compensation

The CIO is an exempt position and an "at will" employee serving at the pleasure of the Treasurer. The CRPTF provides competitive compensation and benefit packages that are designed to attract top talent from the national market. Relocation assistance is available within established policies and procedures.

## For Information or To Apply

For additional information or to apply, please contact Hudepohl & Associates, [info@hudepohl.com](mailto:info@hudepohl.com) or (614) 854-7300.

