



**VERMONT PENTION INVESTMENT COMMITTEE
OCTOBER 3, 2014**

VPIC Members Present:

STEPHEN RAUH, CHAIR
BETH PEARCE, VICE-CHAIR, Vermont State Treasurer
JOSEPH MACKEY, VSTRS Representative, term expiring June 30, 2015
VAUGHN ALTEMUS, Governor's Delegate, term expiring June 30, 2014
THOMAS GOLONKA, VMERS Representative, term expiring June 30, 2016
KAREN PAUL, Governor's Delegate, term expiring June 30, 2016

VPIC Member(s) Absent:

ROBERT HOOPER, VSERS Representative, term expiring June 30, 2016

VPIC Alternate Members Present:

LINDA DELIDUKA, VSTRS *Alternate*, term expiring June 30, 2017
STEVEN JEFFREY, VMERS *Alternate*, term expiring June 30, 2014
DAVID STARR, Governor's Delegate *Alternate*, term expiring June 30, 2016
JEFF BRIGGS, VSERS *Alternate*, term expiring June 30, 2016

VPIC Alternate Member(s) Absent:

Also attending:

Stephen Wisloski, Deputy Treasurer
Matt Considine, Director of Investments
Nick Foss, Investments Analyst
Katie Green, Investments Manager
Jaye Pershing-Johnson Attorney General's Office
Doug Moseley, Chris Levell, & Dick Charlton NEPC LLC

CALL TO ORDER:

The Chair, Mr. Rauh, called the Friday, October 3rd meeting to order at 8:30 a.m., which was held in the 4th Floor Conference Room, 109 State Street, Montpelier, VT.

ITEM 1: **Agenda Approval and Announcements**

The Chair, Mr. Rauh, reviewed the agenda with the Committee and indicated the agenda was approved as written.

ITEM 2: **PIMCO Update from NEPC and Staff**

Mr. Moseley began the meeting with a brief summary to the Board of the recent changes that have occurred over this past week at PIMCO. He outlined the broad effects these changes could have on the overall fixed income market and on PIMCO's culture and characteristics as a firm. He also listed the possible variable impacts, if any, on the VPIC position that could result from these changes, and that the timeline for measuring these effects are best done over a 12 month period. Mr. Moseley notified the Board that NEPC's rating for PIMCO had been re-examined and changed to "Client Review", and gave a backdrop as to what the rating signifies, and why it was appropriate for PIMCO currently. Mr. Moseley shared with the Board the latest asset outflow amounts that have occurred at PIMCO, and how often that information will be publicly shared. Finally, Mr. Moseley, Mr. Levell, and Mr. Charlton shared the appropriate direction they believe VPIC should take in order to decrease the amount risk that has been placed on this position in the portfolio.

ITEM 3: Identify Path for Fixed Income Management

The Committee and NEPC discussed the process of developing a contingency plan for the PIMCO position. After discussing alternatives the Committee agreed to locate an indexed product that could serve as a lower risk alternative should the PIMCO position become unsuitable for the VPIC portfolio.

On a motion by Beth Pearce, seconded by Vaughn Altemus, the Committee unanimously approved to direct investment staff to commence negotiations with both BlackRock and State Street Global Advisors to identify an index product within the Barclay's Aggregate space.

Mr. Rauh suggested to the Committee an additional measure in order to potentially diversify the PIMCO position, which included identifying another fixed income active manager within the Barclay's Aggregate and Barclay's Aggregate Plus space.

On a motion by Beth Pearce, seconded by Jeff Briggs, the Committee unanimously approved to direct NEPC to begin a search for an active manager within both the Barclays aggregate and Barclays aggregate plus space, and in addition the materials of the search be delivered to the Committee prior to the October meeting.

Mr. Considine disclosed to the Committee that he had worked for BlackRock from 1998-2003 on the equity side.

ITEM 4: New or Other Business/Public Comment

No new or other business was brought before the Committee. There was no public comment provided by any participants.

ITEM 5: Adjourn

Steve Rauh adjourned the meeting at 9:40 a.m.

Respectfully submitted,

Nick Foss
Investments Analyst