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## State pensions looking good with Vermont firms

By Ted Tedford

Two Vermont investment firms are managing a share of the state's pension system and they are doing well, according to the official in overall charge of state investments.

"It's early yet, but indications are they are doing fine," said Vermont Treasurer Jeb Spaulding.

Under an amendment last year of a six-year-old law designed to improve results of pension investments to give in-state firms a boost and to create more local jobs, the two firms are managing a total of \$43.5 million in state pension funds. That is a small amount of the \$2.9 billion in assets held for three public pension funds and one for the City of Burlington, but it may be the start of a much larger share, said Spaulding.

The Vermont Pension Investment Committee (VPIC) late last year contracted with KDP Asset Management of Montpelier and Champlain Investment Partners LLC of Burlington. They are managing some of the retirement assets of the Vermont State Employees', Vermont State Teachers' and the Vermont Municipal Employees' retirement systems and the City of Burlington's retirement system.

KDP Asset Management is managing \$21.8 million in pension funds while Champlain Investment Partners is managing \$21.7 million. Spaulding said the state's goal is to attract qualified Vermont investment companies to join the pool of investment managers. He said this "buy local" approach means the state can support businesses in Vermont, benefit local communities and provide good-paying jobs.

"We adopted a policy a year and a half ago and said we are going to start with requests for proposals [from several investment firms]. We narrowed them down and chose those two," Spaulding said. "We spent a great deal of time on this because we really can't make investments that are not competitive with alternatives available elsewhere."

He said there are a growing number of investment managers in Vermont, most of them focused on individuals, library endowment funds and so forth. He said that if the two Vermont firms continue to manage the funds satisfactorily, VPIC may contract with more firms. Other commercial firms such as PIMCO, a global investment firm, and Wellington Investment Management, handle the bulk of the pension funds' assets.

The Vermont Pension Investment Committee was created by the Legislature six years ago. Previously, each of the three state pension funds and the Burlington pension fund operated independently and hired their own consultants, said Stephen Rauh, chairman of the VPIC investment committee. "It was inefficient and unnecessary," he said. "The Vermont Manager piece started about a year ago," Rauh said. "We got a list of every investment company in Vermont, some 200-plus registered advisors."

VPIC sent each firm a request for proposal and then whittled the list down to nine firms, ultimately choosing two. He said Champlain Investment Partners is a "quite capable firm," mostly managing small stocks while KDP invests in high-yield bonds.

"In the past, I have tried several times to encourage people to think about Vermont investment managers, said Kingman Penniman, president of KDP Asset Management. "Lots of other states have manager programs. In Vermont, it was quite a stringent test to qualify as an investment manager," Penniman said. "I'm happy we were one of the ones accepted. I'm very excited about it."

Penniman said KDP has added three new employees in its Vermont office and a marketing person who works in New York City.

Judith O'Connell, managing partner of Champlain Investment Partners declined to be interviewed, although in a press release from the state Treasurer's office announcing the names of the two firms, O'Connell said: "We applaud the initiative to assist in the growth of Vermont money managers by developing this program."

The VPIC Committee consists of six voting members and four alternates. The boards of trustees of the three pension funds each appoint one member and one alternate to the committee. Two members and an alternate are appointed by the governor. The sixth member is the state treasurer.