



**VERMONT PENTION INVESTMENT COMMITTEE
NOVEMBER 25, 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, 2018
ROBERT HOOPER, VSERS Representative, term expiring June 30, 2016
THOMAS GOLONKA, VMERS Representative, term expiring June 30, 2016

VPIC Member(s) Absent:

KAREN PAUL, Governor's Delegate, term expiring June 30, 2018

VPIC Alternate Members Present:

LINDA DELIDUKA, VSTRS *Alternate*, term expiring June 30, 2017
STEVEN JEFFREY, VMERS *Alternate*, term expiring June 30, 2016
DAVID STARR, *Alternate* Governor's Delegate, 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 and Jesse Moorman, Attorney General's Office
Doug Moseley and Chris Levell, NEPC LLC
Adria Hall and Adam Gerentine – HGK Asset Management
JT Lukens – 350VT

CALL TO ORDER:

The Chair, Mr. Rauh, called the Tuesday, November 25th meeting to order at 8:30 am, 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: **Consent Agenda**

- **Previous VPIC Meeting Minutes**
- **Routine Contract Amendments and Renewals**

The Chair, Mr. Rauh, indicated the items in the Consent Agenda today were the minutes and routine contract items.

On a motion by Linda Deliduka, seconded by Beth Pearce the Committee unanimously approved the Consent Agenda.

ITEM 3: Director of Investments Report and Action Items

Mr. Considine reviewed the Director of Investments Report with the Board. He outlined the Portfolio Asset Allocation table and notified the board that, as of October 31st, the VPIC composite AUM was at \$4.01B. Mr. Considine informed the Board that during the month staff had conducted a meeting with VPIC's commodity manager Schroder. This was brought on by a need to review the portfolio due to recent performance declines, their inclusion on NEPC's watch list, and the sector wide softness that has occurred. The meeting concluded with staff remaining confident in Schroder process and organizational structure. Mr. Considine also delivered to the Board staff's recommendation that the Board approve a 1% allocation, which would be sourced from the PIMCO Core Plus strategy position, to the SSgA U.S. Aggregate Bond Index Non-Lending Fund pending satisfactory contract negotiations.

On a motion by Vaughn Altemus, seconded by Bob Hooper the Committee unanimously approved a 1% allocation to the SSgA U.S. Aggregate Bond Index Non-Lending Fund contingent upon satisfactory contract negotiations.

ITEM 4: Discussion Items and Updates

- **Vermont State Treasurer's Update**
- **October Flash Report**
- **NEPC Investment Manager Watch List: PIMCO, Schroder**

ITEM 5: Q3 Investment Performance Review

Doug Moseley and Chris Levell from NEPC presented the Q3 report. There was a discussion concerning the strategy of the VPIC portfolio and the rates of returns.

ITEM 6: Review of GAA Allocation

Doug Moseley and Chris Levell led the Committee through the *NEPC Global Asset Allocation Manager Analysis*, which concluded with a discussion on the performance and purpose of VPIC's GAA allocation.

ITEM 7: Large Cap Equity Manager Search

Doug Moseley and Chris Levell led the Committee through the *NEPC Large Cap Core Equity Manager Search*. The Committee discussed the managers included and whether VPIC should engage in a passive or active strategy in the large cap space. The Committee also discussed if the decision to go passive was decided, which index fund in the VPIC portfolio would receive the funds.

On a motion by Vaughn Altemus, seconded by Joe Mackey the Committee unanimously approved to terminate T.Rowe Price and move the balance to the SSgA S&P 500 Flagship Non-Lending Fund.

(A luncheon was taken between 12:00 and 12:30)

ITEM 8: Annual Policy Review and Recommended Amendments

- **Review of VPIC Operating Policies and Investment Guidelines**
- **Review of VPIC Standards of Conduct/Conflict Disclosure**
- **Review of VPIC Proxy Voting Guidelines**

Jaye Pershing-Johnson and Jesse Moorman led the Committee through the following: VPIC Operating Policies, Investment Guidelines, Standards of Conduct/Conflict Disclosure, and Proxy Voting Guidelines. Both Mrs. Johnson and Mr. Moorman shared with the VPIC their recommended changes to the prior mentioned policies and received feedback from the Committee.

On a motion by Beth Pearce, seconded by Bob Hooper the Committee unanimously approved to accept the changes to the VPIC Policy on Investments in Terrorist or Genocide Linked Countries and Proxy Voting Policy Statement and Guidelines recommended by the Attorney General's Office.

ITEM 9: Discussion of VPIC Position on Fossil Fuel Divestment

Mr. Rauh delegated time to the Director of Investments Matt Considine, VSERS member Bob Hooper, Doug Moseley, Treasurer Pearce, and JT Lukens. Each member shared their material and opinion on Fossil Fuel Divestment, and then the Committee engaged in a discussion on the topic. At the end of the discussion the Committee agreed to leave VPIC's position against Fossil Fuel Divestment unchanged.

ITEM 10: Economic and Financial Market Dashboard

Mr. Foss reviewed with the Committee the economic and financial market dashboard. The Committee discussed the positive and negative factors on the economic and financial market dashboard. Mr. Foss reviewed with the Committee the charts on the economic and financial market dashboard.

ITEM 11: Future Agenda Topics

Mr. Rauh shared upcoming VPIC agenda topics and asked for feedback from the Committee members.

ITEM 12: New or Other Business/Public Comment

None.

ITEM 13: Adjournment

On a motion by Ms. Pearce, seconded by Mr. Mackey, the Committee unanimously approved to adjourn the meeting at 3:30 p.m.

Respectfully submitted,

Nick Foss
Investments Analyst