



**VERMONT PENSION INVESTMENT COMMITTEE
FEBRUARY 24, 2015**

DRAFT; NOT YET APPROVED BY COMMITTEE

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

VPIC Member(s) Absent:

KAREN PAUL, Governor's Delegate, term expiring June 30, 2018
THOMAS GOLONKA, VMERS Representative, term expiring June 30, 2016

VPIC Alternate Members Present:

STEVEN JEFFREY, VMERS *Alternate*, term expiring June 30, 2016
LINDA DELIDUKA, VSTRS *Alternate*, term expiring June 30, 2017
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:

None

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

CALL TO ORDER:

The Chair, Mr. Rauh, called the Tuesday, February 24th 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 that the item on the agenda titled “*Private Equity Program Pacing and NEPC Recommendation to Invest in HarbourVest Fund X*” would be removed from the agenda and reviewed in July’s meeting. Despite the removal of that item the Chair, Mr. Rauh, indicated the agenda was approved as written.

Mr. Jeffrey informed the Board that he would be retiring in July, and would be relinquishing his seat in the VPIC. Treasurer Pearce thanked Mr. Jeffrey for his years of service to the Board and wished him an enjoyable retirement.

ITEM 2: Consent Agenda

- **Previous VPIC Meeting Minutes**

The Chair, Mr. Rauh, indicated the items in the Consent Agenda today were the minutes and indicated the consent agenda was approved as written.

On a motion by Bob Hooper, seconded by Joe Mackey, the Committee unanimously approved the Consent Agenda.

ITEM 3: Director of Investments Report and Action Items

- **Review/Approve Revised 2015 Agenda Cycle**

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 January 31st, the VPIC composite AUM was at \$3.9 billion and the allocations were in line with their target allocations. Mr. Considine informed the Board that staff met with Wellington Management Co., Mellon Capital, Guggenheim Investment Partners, and Allianz for a regular review of the products held in the VPIC portfolio. Finally, Mr. Considine informed the Board of a number of quarterly contracts, which are in the process of being negotiated at this time, which included investment managers GAM and BlackRock.

Jaye Pershing-Johnson entered the meeting at 9:50AM

On a motion by Joe Mackey, seconded by Vaughn Altemus, the Committee unanimously approved to authorize staff to do a one year amendment with any necessary update to standard terms as contemplated under the original 2013 contract for ISS and MSCI.

The Chair, Mr. Rauh, shared with the Board the VPIC Annual Agenda Cycle and received comments on the timing and selection of items.

On a motion by Joe Mackey, seconded by Bob Hooper, the Committee unanimously approved to accept the VPIC Annual Agenda as presented.

ITEM 4: Discussion Items and Updates

- **Vermont State Treasurer's Update**
- **Reports by Conference Attendees**
- **January Flash Report**
- **NEPC Investment Manager Watch List: PIMCO, Schroder**

The Treasurer, Ms. Pearce shared with the Board that the Annual Required Contribution (ARC) has remained as planned according to the current budget. In addition, Treasurer Pearce informed the Board that testimony was received last week by fossil fuel divestment proponents, and that the Treasurer's Office would be delivering testimony in the coming days. Treasurer Pearce also informed the Board that the *Vermont State Treasurer's Sustainability & ESG Report* has been made available to the Board.

Mr. Hooper, Mr. Altemus, and Mr. Considine all reported to the Committee on recent conferences they had attended in the last two months.

NEPC reviewed with the Committee members the January Flash report. NEPC responded to the questions posed by the Committee members.

NEPC reported to the Committee that both PIMCO and Schroder remain on NEPC's *Investment Manager Watch List*.

ITEM 5: Q4/Calendar Year Performance Review

NEPC reviewed with the Committee the *VPIC Fourth Quarter 2014 Investment Performance Analysis* document. Both Mr. Moseley and Mr. Levell responded to the questions posed by the Committee members.

ITEM 6: Review/Approve VPIC Investment Policy Statement

- **Portfolio Objectives, Composite Performance Benchmarks, Measurement Time Horizon and Core Processes**

The Chair, Mr. Rauh, went through the updated VPIC Investment Policy Statement, which included a discussion of VPIC's plan objective, mission statement, and the role of investment staff.

ITEM 7: Portfolio Strategy Discussion

- **Portfolio Alignment with Plan Funded Status, Cash flow and Actuarial Assumptions**
- **Role of Fixed Income**
- **Active versus Passive**

The Committee discussed portfolio strategy, which included a discussion of risk characteristics and appropriate allocations to asset classes. Doug Moseley and Chris Levell shared NEPC's assumptions and recommendations on the portfolio based on the NEPC market outlook.

(A recess was taken between 12:15pm – 12:45pm)

ITEM 8: Annual Asset Allocation/Portfolio Structure Review

- **Risk Management Framework**

Mr. Moseley reviewed with the Committee members the Asset Allocation Review & Discussion document. The six asset allocation mixes presented by NEPC were discussed in detail. NEPC discussed the portfolio work plan. Mr. Moseley and Mr. Levell responded to the questions posed by the Committee members.

ITEM 9: 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.

ITEM 10: Future Agenda Topics

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

ITEM 11: New or Other Business/Public Comment

None

ITEM 12: Adjournment

Mr. Rauh adjourned the meeting at 3:30pm.

Respectfully submitted,

**Nick Foss
Investments Analyst**