



**VERMONT PENSION INVESTMENT COMMITTEE
APRIL 28, 2015**

DRAFT; NOT YET APPROVED BY COMMITTEE

VPIC Members Present:

STEPHEN RAUH, CHAIR
BETH PEARCE, VICE-CHAIR, Vermont State Treasurer
VAUGHN ALTEMUS, Governor's Delegate, term expiring June 30, 2018
KAREN PAUL (*PHONE*), Governor's Delegate, term expiring June 30, 2018
THOMAS GOLONKA, VMERS Representative, term expiring June 30, 2016
ROBERT HOOPER, VSERS Representative, term expiring June 30, 2016
JOSEPH MACKEY, VSTRS Representative, term expiring June 30, 2015

VPIC Member(s) Absent:

None

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, Chris Levell, and Richard Charlton NEPC LLC
Nancy Lynch, 350VT
Thomas Boswell, B&F Financial Analytics
Patrick McGarvey, Andrew Preda, Eric Felton, Grosvenor Capital Management
Ryan Mason and Nes Weigand, Siguler Guff & Company, LP
Aris Hatch, Michael Taylor, Jeff Keay, HarbourVest Partners
State Representative Adam Greshin
David Plants

CALL TO ORDER:

The Chair, Mr. Rauh, called the Tuesday, April 28th 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. Mr. Rauh disclosed that he has been invited by Northern Trust to participate in their Global Economic Roundtable Luncheon on May 5th in Boston. He plans to participate as an individual and is not seeking reimbursement from VPIC for his travel expenses; VPIC approval is not required.

ITEM 2: **Consent Agenda**

- **Previous VPIC Meeting Minutes**
- **Routine Contract Amendments and Renewals (*See Attached*)**

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

Hearing no objections, Mr. Rauh indicated the Consent Agenda was approved as written.

ITEM 3: **Director of Investments Report and Action Items**

- **Unconstrained Bond Fund Allocation**

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 March 31st, the VPIC composite AUM was at \$3.9 billion and the allocations were in line with their target allocations. Mr. Considine shared with the Board that staff met with a number of investment managers throughout the month, which included Mondrian Investment Partners and Allianz. Ms. Green shared with the Committee the “*iPad Update 2015*” memo. The memo provided a breakdown of costs and recommended purchases that would be associated with the Committee incorporating iPads into their meeting structure.

On a motion by Tom Golonka, seconded by Beth Pearce, the Committee unanimously approved a motion to authorize VPIC to purchase iPads in accordance with Staff’s memo.

Mr. Considine reviewed his memo titled “*Unconstrained Bond Fund Allocation.*” The memo included a review of the risk profiles for both the PIMCO and GAM products, a recommended allocation for the unconstrained mandate, and a plan for implementing the recommendation. Mr. Considine concluded by noting that due to the Committee’s desire for lower fees, the increase of transparency from having a separate account, the reduction in headline risk at PIMCO, and the

benefits from diversification that the Committee could consider splitting the unconstrained mandate.

Mr. Moseley shared with the Committee a memo entitled “*Unconstrained Fixed Income Manager Search*,” which highlighted the risk characteristics and differences in strategies between the PIMCO and GAM Unconstrained products. Mr. Moseley shared with the Committee NEPC’s recommendation, which included the following:

1. VPIC retain the GAM Unconstrained Bond Fund with a target allocation of \$180 million.
2. VPIC maintain an \$80-100 million allocation to the existing PIMCO Unconstrained product via the existing separate account.
3. VPIC consider increasing the target allocation to Unconstrained Fixed income by 1% as part of reallocating capital from the Wellington Opportunistic (GAA) mandate.

On a motion by Beth Pearce, seconded by Vaughn Altemus, the Committee unanimously approved a motion to allocate \$160 million to the GAM Unconstrained Bond Fund and \$100 million to the PIMCO Unconstrained Bond Fund.

ITEM 4: NEPC Overview of Alternative Investments

Mr. Moseley reviewed with the Committee the document entitled “*Overview of Alternative Investments*” and responded to the questions posed by the Committee.

(Steve Jeffrey entered the meeting at 9:50AM)

ITEM 5: Grosvenor Hedge Fund-of-Funds Presentation

The presenters from Grosvenor were introduced and welcomed to the meeting. Mr. McGarvey provided the Committee with a brief background on Grosvenor. The presenters from Grosvenor reviewed their presentation with the Committee members. The representatives from Grosvenor responded to the questions posed by the Committee.

ITEM 6: HarbourVest Private Equity Fund-of-Funds Presentation

The presenters from HarbourVest were introduced and welcomed to the meeting. Mr. Taylor provided the Committee with a brief background on HarbourVest. The presenters from HarbourVest reviewed their presentation with the Committee members. The representatives from HarbourVest responded to the questions posed by the Committee.

On a motion by Joe Mackey, seconded by Vaughn Altemus, the Committee approved with one opposed (Tom Golonka) to allocate \$50 million to the HarbourVest Fund X, which would be allocated \$35 million towards the Buyout strategy and \$15M towards the Venture strategy.

(A recess was taken between 12:15PM – 1:00PM)

ITEM 7: Siguler Guff Real Estate Fund-of-Funds Presentation

The presenters from Siguler Guff were introduced and welcomed to the meeting. Mr. Mason provided the Committee with a brief background on Siguler Guff. The presenters from Siguler Guff reviewed their presentation with the Committee members. The representatives from Siguler Guff responded to the questions posed by the Committee.

ITEM 8: Finalize VPIC Commitment to HarbourVest Fund X.

Action taken in Item 6 above.

ITEM 9: Discussion Items and Updates

- **Vermont State Treasurer's Update**

Treasurer Pearce reminded the Committee of the Carbon Risk Forum, which VPIC members were invited to attend later that evening in Montpelier. Treasurer Pearce distributed the Vermont State Treasurer's Office "Sustainability Report: Update on ESG Issues and Actions to Address Climate Change" to the Committee. The Treasurer then updated the Board on a number of ESG and constructive engagement efforts that the Treasurer's Office is currently undertaking on behalf of the VPIC and State. Treasurer Pearce distributed a copy of the "Committee Self Evaluation" document and asked that the Committee members return the document to Staff within two weeks to allow the responses to be evaluated by the Sub-Committee on Sub-Committees.

- **March Flash Report**
- **NEPC Investment Manager Watch List: PIMCO Unconstrained Bond Fund, Schroder**

Mr. Moseley reviewed with the Committee members the March Flash Report. Mr. Moseley responded to the questions posed by the Committee members.

Mr. Moseley indicated that both the PIMCO Unconstrained Bond Fund and Schroders remain on the NEPC Watch List.

ITEM 10: Economic 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 11: New or Other Business/Public Comment

None

ITEM 12: Adjournment

Mr. Rauh adjourned the meeting at 3:05pm.

Respectfully submitted,

**Nick Foss
Investments Analyst**

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