



**VERMONT PENSION INVESTMENT COMMITTEE
JUNE 23, 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 (PHONE), VSERS Representative, term expiring June 30, 2016
KAREN PAUL (PHONE), Governor's Delegate, term expiring June 30, 2018
THOMAS GOLONKA, VMERS Representative, term expiring June 30, 2016

VPIC Member(s) Absent:

VPIC Alternate Members Present:

STEVEN JEFFREY, VMERS *Alternate*, term expiring June 30, 2016
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:

LINDA DELIDUKA, VSTRS *Alternate*, term expiring June 30, 2017

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
Roger Dumas, Vice-Chair of VSERS
Jillian Mayer, 350VT
Jenna Rice, Member of the Public
Nora Rice, Member of the Public
Tammy Leno, Member of the Public
George Plumb, Member of the Public
Bob Messing, Member of the Public
Deb Messing, Member of the Public
Robb Kidd, Sierra Club
Eric Brattstrom, Member of the Public

CALL TO ORDER:

The Chair, Mr. Rauh, called the Tuesday, June 23rd meeting to order at 8:30 am, which was held in the Pavilion Auditorium, 109 State Street, Montpelier, VT.

ITEM 1: **Agenda Approval and Announcements**

The Chair, Mr. Rauh, reviewed the agenda with the Committee and, hearing no objection 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.

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

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 May 31st, the VPIC composite AUM was at \$4 billion and the allocations were in line with their target allocations. Mr. Considine informed the Board that staff met with Morgan Stanley Investment Management and Aberdeen Asset Management for a regular review of the products held in the VPIC portfolio. In addition, Mr. Considine reviewed the previously provided Mellon Capital memo with the Committee and answered any questions they had.

- **Mondrian Global Fixed Income Contract Guideline Amendment**

Mr. Considine concluded by providing the Committee with a brief update on current contract amendments and negotiations, which included an investment guideline alteration in the Mondrian Global Fixed Income Fund.

On a motion by Joe Mackey, seconded by Beth Pearce, the Committee unanimously accepted the proposed changes to the Mondrian Global Fixed Income investment guidelines.

Discussion followed and the Committee decided to table the motion in order to clarify certain language in the proposed guidelines.

- **Annual Report to Legislature – attendance, education**

Mr. Considine presented a draft of the attendance table of the *Annual Attendance & Educational Events Report* to the Committee and asked for any edits to be submitted to Staff. A draft of the full report will be provided at the July VPIC meeting

ITEM 4: Discussion Items and Updates

- **Vermont State Treasurer’s Update**

The Treasurer, Ms. Pearce, shared with the Committee that the Experience Study meeting has been scheduled with the individual retirement boards (VMERS, VSERS, VSTRS) on July 27th. Ms. Pearce informed the Committee that the individual Boards are expected to vote on all pending items, with the exception of the assumed rate of return, which is a joint requirement that be done by the boards of trustees and the VPIC. That joint session is scheduled for the July VPIC meeting.

- **May Flash Report**

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

- **NEPC Investment Manager Watch List: PIMCO, Schroder**

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

ITEM 6: Economic and Financial Market Dashboard

The *Economic and Financial Markets Dashboard* was moved up on the agenda as Mr. Considine felt the charts were germane to the current asset allocation discussion. Mr. Considine presented the charts and responded to any questions posed by the Committee members.

ITEM 7: VPIC Asset Allocation Follow-up

- **Custom Peer Group Data**
- **Risk Layering Analysis**
- **Inflation Hedges and GAA Sector**
- **Investment Process and Core Beliefs**

Mr. Moseley and Mr. Levell reviewed with the Committee *NEPC’s Asset Allocation Recommendation & Peer Group Info* document and responded to questions posed by the Committee members. In addition, Treasurer Pearce and the Investments Staff reviewed with the Committee the document titled *Asset Allocation/Peer Group Review* and responded to questions posed by the Committee members. The Committee concluded by deciding to continue with the

current policy asset allocation until additional research and a cohesive work plan could be constructed to look at additional asset allocation mixes.

ITEM 8: Future Agenda Topics/New or Other Business

- **Format of Divestment Discussion Planned for July Meeting**

Mr. Rauh discussed a number of upcoming agenda topics and asked the Board if they had any additional items they would like added to future agendas. The format of July's discussion on fossil-fuel divestment was discussed with a decision reached that fossil fuel divestment as a whole, rather than a particular focus on coal, would be reviewed.

- **Topics for October Educational Session**

Mr. Rauh noted that Joe Mackey would be organizing VPIC's annual educational session to be held in October. Mr. Rauh requested that if other Committee members had suggestions that they be provided to Joe or himself.

ITEM 9: Public Comment

Jillian Mayer, Jenna Rice, Nora Rice, Tammy Leno, George Plumb, Bob Messing, Deb Messing, Michael Horowitz (*testimony presented by Deb Messing*), Bob Atchinson (*testimony presented by Jillian Mayer*) Robb Kidd, Eric Brattstom, Joanie Maclay, and Roger Dumas gave testimony on the topic of divestment.

ITEM 10: Adjournment

Mr. Rauh adjourned the meeting at 12:40pm.

Respectfully submitted,

Nick Foss
Investments Analyst

CONSENT AGENDA

ROUTINE CONTRACT AMENDMENTS AND RENEWALS

The Treasurer's Office Director of Investments recommends that the Committee adopt the following resolutions as part of the consent agenda:

1. Extend term of the S&P 500 Equal Weighted Index contract with the SSgA for three months.

WHEREAS, the Committee entered into a contract dated as of July 1, 2005 (the "Contract"), with State Street Bank & Trust Company, acting through its investment management division, State Street Global Advisors ("SSgA"), for investment the SSgA S&P 500 Equal Weighted Index Fund; and

WHEREAS, the current term of the Contract ends on June 30, 2014; and

WHEREAS, the Committee has authorized the Treasurer's Office to negotiate a consolidated investment contract with SSgA that, when executed, will become the governing instrument for this investment and the four other bank commingled fund investments SSgA currently manages for the VPIC; and

WHEREAS, a short term extension of the Contract will prevent inadvertent expiration during the pendency of such negotiations concerning a consolidated investment contract.

NOW THEREFORE, the Committee hereby authorizes a three-month extension of the term of the Contract.

FURTHER, the Chair, or in his absence the Vice-Chair, is, upon the advice of counsel, authorized to execute the Contract amendment.

2. Increase maximum amount payable under the SSgA S&P 500 Cap Weighted Index contract.

WHEREAS, the Committee entered into a contract dated as of September 1, 2010 (the "Contract"), with State Street Bank & Trust Company, acting through its investment management division, State Street Global Advisors ("SSgA"), for investment in the SSgA S&P 500 Cap Weighted Index Fund; and

WHEREAS, the current maximum amount payable under the Contract is insufficient to pay the full amount of SSgA's current quarterly invoice.

NOW THEREFORE, the Committee hereby authorizes a one thousand dollar increase to the maximum amount payable under the Contract, from \$200,000 to \$201,000.

FURTHER, the Chair, or in his absence the Vice-Chair, is, upon the advice of counsel, authorized to execute the Contract amendment.