



**VERMONT PENSION INVESTMENT COMMITTEE
DECEMBER 22, 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, Governor's Delegate, term expiring June 30, 2018
THOMAS GOLONKA, VMERS Representative, term expiring June 30, 2016
ROBERT HOOPER (PHONE), VSERS Representative, term expiring June 30, 2016
JOSEPH MACKKEY, VSTRS Representative, term expiring June 30, 2018

VPIC Member(s) Absent:

VPIC Alternate Members Present:

JEFF BRIGGS, VSERS Alternate, term expiring June 30, 2016
LINDA DELIDUKA, VSTRS Alternate, term expiring June 30, 2017
DAVID STARR (PHONE), Governor's Delegate Alternate, term expiring June 30, 2016

VPIC Alternate Member(s) Absent:

MEL HAWLEY, VMERS *Alternate*, term expiring June 30, 2016

Also attending:

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, NEPC LLC
Tom Boswell, B&F Financial Analytics
Andrew J. Haigney, Chittenden & Company
Steve Jeffrey

CALL TO ORDER:

The Chair, Mr. Rauh, called the Tuesday, December 22nd meeting to order at 8:30 am, which was held in the Governor's Conference Room, 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.

Mr. Rauh indicated that this would be his last meeting as Chair and thanked the Committee for their commitment over the years.

Karen Paul entered the meeting at 8:42AM.

ITEM 2: Consent Agenda

The Chair, Mr. Rauh, indicated the items in the Consent Agenda today were the minutes and routine contract items, after pausing for Committee comment and, hearing no objections, 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 Committee. He outlined the Portfolio Asset Allocation table and notified the Committee that, as of November 30th, the VPIC composite AUM was at \$3.8 billion and the allocations were in line with their target allocations. Mr. Considine announced that this month Staff would be initiating the BERS transition and that allocations will likely be between 20-50bps out of target until the upcoming semi-annual rebalance. Mr. Considine reiterated the BERS process to the Committee and responded to any questions posed by the Committee. In addition, Mr. Considine summarized recent meetings with investment managers conducted during the month, as well as delivered a brief introduction to a document prepared by Grosvenor on their contribution to the risk/return characteristics of the VPIC portfolio.

Mr. Considine requested approval to extend for 1 year the contract with ISS proxy voting services, as it was not included in the consent agenda.

On a motion by Joe Mackey, seconded by Vaughn Altemus, the Committee unanimously approved a motion by roll call (Karen Paul, Beth Pearce, Bob Hooper, Tom Golonka, Joe Mackey, and Vaughn Altemus – Yes) to authorize the extension of the ISS contract for 1 year.

Bob Hooper joined the meeting by phone at 9:30AM

ITEM 4: Discussion Items and Updates

- **Vermont State Treasurer's Update**

The Treasurer, Ms. Pearce, presented the Treasurer's Report to the Committee. Ms. Pearce notified the Committee that the State's audit is close to completion and that the valuations for the pension systems have been finalized. Ms. Pearce informed the Committee that there are three shareholder resolutions that will be filed during this year's proxy season. Ms. Pearce noted that Deputy Treasurer Steve Wisloski will be leaving the Treasurer's Office at the end of the month in

order to fulfill his new position as the CFO of the Vermont State Colleges. Finally, Ms. Pearce reiterated the process that will be conducted in the search for a new VPIC chair.

- **November Flash Report**

Mr. Moseley reviewed with the Committee members the November Flash report. NEPC responded to the questions posed by the Committee members.

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

Mr. Moseley indicated that Schroder remains on the NEPC Watch List.

ITEM 5: Portfolio Stress Tests

Ms. Green presented the VPIC Portfolio Stress Test document, which presented a number of historic scenarios and highlighted the effect they would likely have had on the VPIC portfolio. Ms. Green responded to the questions posed by the Committee members.

ITEM 6: Operational Risk Management Review

The Treasurer, Ms. Pearce, presented the “*Review of Operational Risk Management for VPIC*” document and responded to any questions posed by the Committee members. Ms. Pearce recommended that the Committee create an enterprise risk management dashboard in order to establish the relative risks of the pension system.

ITEM 7: Annual Review of VPIC Operating Policies and Standards of Conduct

Assistant Attorney General, Jaye Pershing-Johnson, reviewed with the Committee a memo that reviewed the VPIC Operating Policies and Member Standards of Conduct. Ms. Pershing-Johnson responded to questions posed by the Committee members.

- **Annual Member/Alternate Disclosure Forms**

Disclosure forms for the 2015 calendar year were provided to Committee members.

A brief lunch was taken from 11:45AM- 12:15PM

ITEM 8: Annual Review of Key Service Providers

The Committee discussed the key service providers that VPIC contracts with, and investments staff provided feedback on their performance.

ITEM 9: Economic and Financial Market Dashboard

Mr. Considine presented the economic and financial markets dashboard. The Committee discussed the positive and negative factors on the economic and financial market dashboard.

ITEM 10: NEPC/Staff Deliverables for Upcoming Meetings

No new deliverables were added.

ITEM 11: Future Agenda Topics/New or Other Business

Mr. Rauh indicated a number of upcoming agenda topics and asked the Committee if they had any topics they would like added to future agendas. Mr. Rauh indicated there was no new or other business to come before the Committee.

On a motion by Beth Pearce, seconded by Vaughn Altemus, the Committee unanimously approved a motion to thank Steve Rauh for his 8 ½ years of service to both the VMERS Board and VPIC for his leadership and service to the participants of the fund.

ITEM 12: Public Comment

Mr. Boswell delivered public comment.

ITEM 13: Adjourn

Mr. Rauh adjourned the meeting at 2:20pm.

Respectfully submitted,

**Nick Foss
Investments Analyst**