

**VERMONT PENSION INVESTMENT COMMITTEE**  
**November 27, 2012**

**VPIC Members Present:**

STEPHEN RAUH, CHAIR

STEPHEN WISLOSKI, Vermont State Deputy Treasurer representing BETH PEARCE,  
VICE-CHAIR, Vermont State Treasurer

VAUGHN ALTEMUS, Governor's Delegate, term expiring June 30, 2014

ROBERT HOOPER, VSERS Representative, term expiring June 30, 2016

STEVEN JEFFREY, VMERS Representative, term expiring June 30, 2014

JOSEPH MACKEY, VSTRS Representative, term expiring June 30, 2015

**VPIC Member(s) Absent:**

DICK JOHANNESSEN, Governor's Delegate, term expiring June 30, 2014

**VPIC Alternate Members Present:**

KEVIN GAFFNEY, VSERS *Alternate*, term expiring June 30, 2016

THOMAS GOLONKA, VMERS *Alternate*, term expiring June 30, 2016

KAREN PAUL, *Alternate* Governor's Delegate, term expiring June 30, 2016

THOMAS MCCONNELL, VSTRS *Alternate*, term expiring June 30, 2013 – via  
telephone

**VPIC Alternate Member(s) Absent:**

None

**Also attending:**

Matt Considine, CFA, Director of Investments

Katie Green, Investments Manager

Jaye Pershing-Johnson, Attorney General's Office

Dick Charlton, Chris Levell and Doug Moseley, NEPC LLC

Jeff Briggs, VSERS Board member

Linda Deliduka, Alternate VSTRS Board member

Christopher Talbert and Springer Harris, Teucrium Trading, LLC

David Taube, Reporter, Times-Argus

Monica Chiren, Clerk

**CALL TO ORDER:**

The Chair, Mr. Rauh, called the Tuesday, November 27, 2012 meeting to order at 8:30 a.m., which was held in the 4<sup>th</sup> Floor Conference Room, 109 State Street, Montpelier, VT.

**ITEM 1:**      **Agenda Approval, Announcements, and Minutes of October 25, 2012  
Regular Meeting**

The Chair, Mr. Rauh, briefly reviewed the agenda. In response to Mr. Mackey's request Mr. Rauh indicated that he could give his comments concerning the Boston conference during the Dashboard discussion. Mr. Rauh indicated he had provided the information concerning the NEPC 4<sup>th</sup> Annual Public Funds Conference in Arizona via email to the Committee members.

**On a motion by Mr. Jeffrey, seconded by Mr. Hooper, the Committee unanimously approved the minutes of the October 25, 2012, Regular Meeting, as submitted.**

**ITEM 2: Director of Investments Report and Action Items**

- **Update on Fixed Income Overlay Strategies**
- **Leverage in VPIC Portfolio**
- **Benchmarks – Global 60/40 and Benchmark-Plus Portfolios**
- **Review October Flash Report**

Mr. Considine indicated as an aftermath of Hurricane Sandy he contacted the real estate managers and only one manager reported any material damage, and they indicated all damage is expected to be repairable. Mr. Considine indicated that all managers cautioned that damage assessments were ongoing and that notice would be given of any change from their initial response.

Mr. Considine indicated Ms. Green and he met with client service representatives from PIMCO in November and no particular issues were identified. Mr. Considine indicated Wellington has added an additional portfolio manager to the Opportunistic Fund. Mr. Moseley indicated he is very comfortable with this new addition to Wellington.

Mr. Considine indicated SEC has sent them a request for any information related to foreign exchange transactions while VPIC was a custody client of State Street. Mr. Considine indicated requested information has been gathered and is in the process of being forwarded.

Mr. Considine indicated they would ask the Committee to renew the annual subscription to CII (Council of Institutional Investors) of \$4,399.20.

Mr. Considine indicated to the Committee the assets under management were unchanged at \$3.57 billion as of October 31, 2012. Mr. Considine indicated the total assets are 1.0% below the "high water" mark of October 2007. The Board discussed the necessity of having the assets under management table. Mr. Considine indicated he would explore another way to keep the Committee apprised of that information.

Mr. Considine indicated to the Committee the portfolio asset allocation projected as of November 30, 2012 is 33.5% equities, 35.0% fixed income, 11.5% alternatives and 20.1% multi-strategy, compared to target allocations of 31.4%, 35%, 13.65% and 20% respectively.

Mr. Considine indicated the quarterly up/down analysis was included in the board packet.

**On a motion by Ms. Paul, seconded by Mr. Altemus, the Committee voted unanimously to extend the annual subscription to the Council of Institutional Investors in the amount of \$4,399.20.**

It was the consensus of the Committee that they would discuss the fixed income overlay strategies in conjunction with the annual asset allocation review in February.

(Ms. Deliduka arrived during this item.)

Mr. Moseley led the Committee through the *Discussion of VPIC Portfolio Leverage* handout and responded to the Committee's inquiries.

There was a discussion on benchmarks. The Global 60/40 and Benchmark-Plus Portfolio were discussed. There was a discussion how other clients of NEPC handled benchmarks. NEPC agreed to include a Global 60/40 benchmark for the VPIC Composite to see if the Committee finds this of value.

(Mr. Briggs left the meeting at this time.)

Mr. Moseley reviewed with the Committee the October flash report and responded to the Committee's inquiries.

(Mr. McConnell entered the meeting at this time via the telephone.)

It was indicated that the three Boards were going to have a joint meeting relative to the recent changes to GASB. Mr. Rauh indicated it would be helpful to also invite the VPIC members to that meeting. Mr. Wisloski indicated he will obtain the financial statements that are prepared for all three systems in response to Mr. Jeffrey's request.

**ITEM 3:      Discussion Items/Updates**

- **Vermont State Treasurer's Update**
- **Contract Updates**
- **NEPC Investment Manager Watch List Update: Post Advisory**

Mr. Wisloski indicated there are several items coming up this legislative session that Ms. Pearce would discuss when she is present at the next meeting.

Mr. Considine indicated he will have Mr. Rauh sign the HarbourVest transfers once they become available later in the day.

Mr. Wisloski indicated there were two responses to the proxy voting RFP.

**On motion by Mr. Altemus, seconded by Mr. Mackey, the Board voted unanimously to enter Executive Session at 10:22 a.m. pursuant to Title 1, § 313 for the purpose of discussing contract issues. The Board invited NEPC staff to enter Executive Session with the Board members.**

(The Board exited Executive Session at 10:26 a.m.)

**On motion by Mr. Mackey, seconded by Mr. Jeffrey, the Board voted unanimously to authorize the Treasurer's Office to move forward and negotiate the proxy voting contract with ISS, and, if needed, give the Treasurer's Office the authority to extend the current contract for three months.**

(Mr. Taube, Mr. Talbert and Mr. Springer re-entered the meeting at this time.)

Mr. Moseley indicated there was no change to the managers watch list; as Post Advisory remains on the list.

**ITEM 4: Proposed Amendment to Investment Policy and Guidelines**

- **Investment/Operating Philosophy**

Mr. Rauh reviewed with the Committee the possible additions to the *VPIC Investment Policy and Investment Manager Guidelines* that he drafted. Mr. Rauh indicated if there was interest a subcommittee could be created to further work on these possible additions.

(Mr. Taube left the meeting at this time.)

The Committee members shared their thoughts on possible changes to the document. It was the consensus of the Committee that the Committee would forward any suggestions to Mr. Rauh via email. Mr. Rauh indicated he will have a revised version for the December meeting.

**ITEM 5: Discussion of Actuarial Reports, Funded Status, Cash Flow – Implications for VPIC Portfolios**

Mr. Wisloski reviewed with the Committee the actuarial reports for the three systems, the rates of return and funding status. It was indicated the Municipal Board approved an increase to the employer contribution rates and that a motion to increase employee contribution rates did not pass.

Mr. Mackey requested the VSTRS Historical Data Trends document which Ms. Pearce provided each year. There was a discussion about the health insurance costs for the Teachers system.

Mr. Gaffney indicated there was mention to have an experience study sooner than the five-year period. Mr. Wisloski responded to the questions posed by the Committee members.

Mr. Rauh indicated they would need to discuss further if a January VPIC meeting was needed.

It was indicated the Treasurer's office would be meeting with interested parties to discuss divestment from fossil-fuel investments.

(Mr. Briggs entered the meeting during this item.)

(A luncheon recess was taken from 11:52 a.m. to 12:30 p.m.)

(Mr. McConnell, Mr. Jeffrey, and Ms. Paul were not present for the afternoon session.)

**ITEM 6: Q3 Portfolio and Investment Manager Performance Review**

NEPC presented the Q3 report. Mr. Moseley briefly went through the Market Review. Mr. Moseley reviewed the information for the Vermont State Teachers' Retirement System in detail. NEPC answered all questions posed by the Committee.

(Ms. Johnson, Mr. Wisloski and Mr. Taube returned to the meeting during this agenda item.)

There was a discussion about the VPIC Composite and a review of the executive summary of the managers. There was a discussion about the assumptions.

**ITEM 7: Economic and Financial Market Dashboard**

Mr. Considine indicated after the quarterly report there was not a whole lot that he could add. The Committee discussed the positive and negative factors on the economic and financial market dashboard.

**ITEM 8: Other or New Business**

Mr. Mackey provided the Committee his thoughts on the conference he attended in Boston.

**ITEM 8: Adjournment**

**The meeting was adjourned at 1:35 p.m.**

Respectfully submitted,

Monica Chiren, Clerk