

**VERMONT PENSION INVESTMENT COMMITTEE**  
**February 26, 2013**

**VPIC Members Present:**

STEPHEN RAUH, CHAIR  
BETH PEARCE, VICE-CHAIR, Vermont State Treasurer  
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  
VAUGHN ALTEMUS, Governor's Delegate, term expiring June 30, 2014  
DICK JOHANNESSEN, Governor's Delegate, term expiring June 30, 2014

**VPIC Member(s) Absent:**

None

**VPIC Alternate Members Present:**

THOMAS GOLONKA, VMERS *Alternate*, term expiring June 30, 2016  
KEVIN GAFFNEY, VSERS *Alternate*, term expiring June 30, 2016  
KAREN PAUL, *Alternate* Governor's Delegate, term expiring June 30, 2016

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

THOMAS MCCONNELL, VSTRS *Alternate*, term expiring June 30, 2013

Also attending:

Stephen Wisloski, Vermont State Deputy Treasurer  
Matt Considine, CFA, Director of Investments  
Katie Green, Investments Manager  
Jaye Pershing Johnson and Bill Griffin, Attorney General's Office  
Chris Levell and Doug Moseley, NEPC LLC  
Jeff Briggs, VSERS Board member  
Linda Deliduka, VSTRS Board alternate member  
Benjamin O'Brien, City of Burlington Retirement Board  
Barry Bryant, Dahab & Associates – via telephone  
Christopher Talbert, Teucrium Trading, LLC  
Monica Chiren, Clerk

**CALL TO ORDER:**

The Chair, Mr. Rauh, called the Tuesday, February 26, 2013 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, Minutes of January 22, 2013  
Regular Meeting**

The Chair, Mr. Rauh, briefly reviewed the agenda.

**On a motion by Mr. Mackey, seconded by Mr. Hooper, the Committee unanimously accepted the agenda as written.**

Mr. Rauh advised the Committee members if they are going to attend the NEPC conference they would need to register and then contact Mr. Considine to arrange the hotel arrangements.

**On a motion by Mr. Altemus, seconded by Mr. Jeffrey, the Committee unanimously moved to allow any member of VPIC or related staff to attend the NEPC conference along with related costs.**

Mr. Rauh indicated if anyone is interested in attending the PIMCO conference they should let the Committee know.

**On a motion by Mr. Jeffrey, seconded by Mr. Altemus, the Committee unanimously approved the minutes of the January 22, 2013, Regular Meeting, as submitted.**

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

**• Review January Flash Report**

Mr. Considine indicated as of January 31, 2013 the total VPIC assets under management were \$3.672 billion, 73% above the low point of January 2009 and he indicated the assets were above the “high water” mark of October 2007. Mr. Considine indicated as of February 28<sup>th</sup> VPIC’s portfolio allocation is projected to be 34.1% equities, 34.2% fixed income, 11.6% alternatives and 20.1% multi-strategy, compared to target allocations of 31.5%, 35%, 13.5% and 20% respectively. Mr. Considine reviewed with the Committee members the asset allocations by manager and asset class. Mr. Considine discussed with the Committee the up/down market analysis of the VPIC portfolio. Mr. Considine indicated three managers were contacted this month relative to the potential divestment legislation, in addition to updates on any fund-related issues, which he indicated there were none. Mr. Considine indicated this will be discussed further when the divestment item is discussed.

Mr. Moseley reviewed with the Committee the January Flash Report and responded to the questions posed by the Committee. In response to Mr. Rauh’s request Mr. Moseley indicated they will show the global 60/40 under the composite benchmark.

**ITEM 3: Discussion Items/Updates**

- Vermont State Treasurer’s Update**
- Contract Updates**
- Proxy Voting Guidelines Sub-Committee Update**
- NEPC Investment Manager Watch List Update: Post Advisory**

Ms. Pearce provided the Committee an update on the items that are being addressed during this legislative session and some items that were raised that she didn't think would go very far.

(Mr. Briggs, Ms. Deliduka and Mr. Bryant arrived during this agenda item.)

Ms. Johnson and Mr. Considine provided an update concerning the proxy voting contract with ISS and contacting J.P. Morgan about monitoring terror nations.

Mr. Mackey and Ms. Green provided the Committee with an update on the proxy voting guidelines sub-committee. Ms. Green indicated a set of revisions would be provided in the future.

Mr. Moseley provided the Committee members an update on Post Advisory and indicated they remain on NEPC's watch list due to recent personnel changes.

**ITEM 4:      Asset Allocation and Portfolio Structure Review**

• **2013 Work Plan**

Mr. Levell reviewed the *Asset Allocation Review and Discussion* document with the Committee. NEPC reviewed with the Committee Mix A, B, C and D. Mr. Levell provided the recommendations of NEPC. The Committee members discussed the recommendations. NEPC responded to the questions posed by the Committee members.

(Mr. Griffin and Ms. Pearce left the meeting during this agenda item.)

(Mr. Jeffrey briefly left the meeting during this agenda item and then returned to join the discussion.)

The Committee discussed Mix B in detail.

**On a motion by Mr. Jeffrey, seconded by Mr. Mackey, the Committee unanimously moved to adopt Mix B as set forth on page 9 of the NEPC Asset Allocation Review document and as soon as practicable reduce the high yield bond holdings in Post to reach the 4% high yield bond holdings recommended and transferring the proceeds to the Schroder's commodity vehicle and to have staff and NEPC propose a specific plan to reduce small/mid cap equities by .5% and diversified fixed income by 1% and to increase the real estate holdings to 6%.**

It was indicated the funds transferred from Post will be as of April 1<sup>st</sup>. It was indicated the implementation of the other parts of the motion will be discussed in further detail at the March and future meetings. Mr. Levell indicated NEPC will create a one-page document to include these changes in the policy document. Ms. Johnson indicated she will research if these changes will necessitate a change to any contracts.

**ITEM 5: Economic and Financial Market Dashboard**

The Chair, Mr. Rauh indicated they would move the dashboard report up on the agenda. The Treasurer's staff 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.

(A luncheon recess was taken from 11:50 a.m. to 12:45 p.m.)

(Ms. Paul entered the meeting and Ms. Pearce returned to the meeting after the luncheon recess.)

(Mr. Bryant, Mr. O'Brien, Mr. Golonka and Mr. Hooper were not present after the luncheon recess.)

**ITEM 6: Q4/Year-end Portfolio and Investment Manager Performance Review**

NEPC reviewed with the Committee the *Investment Performance Analysis* document. NEPC reviewed the performance of the Teachers' system in detail. NEPC responded to the questions as posed by the Committee members.

(A recess was taken from 1:50 p.m. to 2:00 p.m.)

(Mr. Hooper and Mr. Griffin entered the meeting after the recess.)

(Mr. Gaffney was not present after the recess.)

**ITEM 7: Fossil Fuels Divestment Bill**

- **Presentation of Staff and NEPC Draft Reports on Divestment**
- **Discussion**
- **Public Comment**
- **Adopt VPIC Position on Divestment Bill**
- **Consider Development of VPIC Divestment Policy**

The Chair, Mr. Rauh indicated how this agenda item would proceed. Ms. Pearce provided the Committee members background information on Bill H.271. It was discussed how VPIC's recommendation should be presented to the legislature. NEPC and Mr. Considine presented their draft reports on divestment indicating the one-time and ongoing costs and the performance and risk penalties that would likely be incurred if the bill were to pass into law.

(Mr. Mackey left the meeting during this agenda item.)

The Committee members provided their thoughts on the draft reports. The Committee members discussed divestment. Ms. Pearce shared with the Committee a statement she wrote concerning this issue.

**On a motion by Mr. Altemus, seconded by Mr. Hooper, the Committee unanimously moved to accept both the NEPC and Treasurer's Office report, with the stated revisions to the Treasurer's Office report, and the Treasurer is to convey to the appropriate legislative committees the recommendation of VPIC to not go forward with this bill.**

For the record Ms. Paul indicated she was informing VPIC that the Burlington City Council voted for a resolution that recommended divestment. (Ms. Paul later clarified to Mr. Considine that the Burlington City Council vote was with respect to tar-sands-related companies.)

It was the consensus of the Committee to review the larger policy issues concerning divestment. It was indicated staff would continue to work on this.

**ITEM 8: Other or New Business**

None.

**ITEM 9: Adjournment**

**The meeting was adjourned at 3:40 p.m.**

Respectfully submitted,

Monica Chiren, Clerk