

**VERMONT PENSION INVESTMENT COMMITTEE**  
**May 22, 2012**

**VPIC Members Present:**

STEPHEN RAUH, CHAIR

BETH PEARCE, VICE-CHAIR, Vermont State Treasurer

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

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

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

JOSEPH MACKEY, VSTRS Representative, term expiring June 30, 2015 – via telephone

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

**VPIC Member(s) Absent:**

None

**VPIC Alternate Members Present:**

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

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

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

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

KAREN PAUL, *Alternate* Governor's Delegate, term expiring June 30, 2012

**Also attending:**

Stephen Wisloski, Vermont State Deputy Treasurer

Matt Considine, CFA, Director of Investments

Katie George, Investments Manager

Jaye Johnson, Attorney General's Office

Bill Griffin, Attorney General's Office

Christopher Levell, Doug Moseley, Charles D. Tedeschi, NEPC LLC

Michael Taylor, Jeffrey Key, Brian Chiappinelli, HarbourVest Partners LLC

Kevin Howard, Lawrence Unrein, Robert Cousin, Meena Gandhi, J. P. Morgan Asset Management

Monica Chiren, Clerk

**CALL TO ORDER:**

The Chair, Mr. Rauh, called the Tuesday, May 22, 2012 meeting to order at 8:35 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 April 24, 2012 Regular Meeting****

The Chairperson, Mr. Rauh briefly reviewed the agenda. It was indicated David Coates' article would be discussed later in the day. There were no announcements.

**On a motion by Mr. Jeffrey, seconded by Mr. Altemus, the Committee unanimously approved the minutes of the April 24, 2012, Regular Meeting, as amended.**

**ITEM 2: Director of Investments Report**

- **Review April Flash Report**
- **Champlain Investment Partners Contract Amendment**
- **Contract Anniversaries for Proxy Voting and Terror Nations Monitoring (due 7/31)**

Mr. Considine reviewed with the Committee the progress of the liquidation of the Securities Lending portfolio. Mr. Considine indicated with a starting balance of \$283.7 million there is \$4.2 million in loaned securities left to be recalled. Mr. Considine indicated the final “underwater” amount was \$1.617 million, which was below the amount set aside at the beginning of April.

Mr. Considine indicated PIMCO had downgraded a security in the Core Plus portfolio, but since it was below the maximum value for which a Director approval can be granted, PIMCO was given permission to retain the holding.

Mr. Considine reviewed with the Committee the assets under management and portfolio asset allocation update. Mr. Considine indicated the portfolio asset allocations were running fairly close to the manager’s targets.

Mr. Considine indicated each year they provide a letter to the Governor and the system boards relative to the annual VPIC attendance and educational updates. Mr. Considine agreed to Mr. Rauh’s request to send a draft to the Committee members for review.

Mr. Considine reviewed with the Committee the Up-Market/Down-Market Capture Reports.

**On a motion by Ms. Pearce, seconded by Mr. Jeffrey, the Committee unanimously approved to authorize the amendment to increase the maximum fee amount of the Champlain Advisory contract up to \$5.5 million and to include the amount previously authorized in the meeting of April 24, 2012 with the term of the contract to be until September 30, 2017.**

It was indicated the proxy voting contract needed to be renewed by the end of July. It was indicated Mr. Wisloski would be contacted relative to that issue.

**ITEM 3: Discussion Items/Updates**

- **Contract Updates**
- **Legislative Update**
- **Fiduciary Liability**

- **NEPC Investment Manager Watch List Update**

Ms. Johnson indicated the contract with JP Morgan is not finalized yet and that they are still working on some of the language. Ms. Johnson indicated the contract will be finalized shortly.

Ms. Pearce indicated there is no legislative update.

Relative to fiduciary liability, Mr. Griffin reviewed with the Committee the protection the Committee members are afforded by the State of Vermont. The Committee reviewed different situations in which the Committee might be sued and the protection provided by the State of Vermont.

(Mr. Griffin and Mr. Gaffney left the meeting at this time.)

The Committee discussed the David Coates' article. It was discussed that the numbers were accurate, but that the Committee did not agree with his interpretation of the numbers. Mr. Rauh indicated he did not believe it was VPIC's responsibility to respond to the article, but that the individual system boards should reply. Ms. Pearce indicated she will bring this item up to the individual boards.

Mr. Levell indicated there was no one on the VPIC managers watch list.

**ITEM 4: NEPC Introduction to Private Equity Fund-of-Fund Presentations**

NEPC reviewed private equity fund-of-funds with the Committee. There was a discussion about the 3% target for private equity and how long it might take the Committee to reach that target. There was a discussion about primary and secondary fund-of-funds.

(Mr. Mackey left the meeting.)

There was a discussion about J.P. Morgan and HarbourVest and their investment strategies. There was a discussion about fees.

**ITEM 5: Private Equity Fund-of-Fund Presentation – HarbourVest**

(Mr. Taylor, Mr. Keay and Mr. Chiappinelli entered the meeting at this time.)

The presenters from HarbourVest were introduced and welcomed to the meeting. Mr. Taylor provided the Committee a brief background of HarbourVest. The HarbourVest representatives explained their investment strategy. The representatives from HarbourVest responded to the questions posed by the Committee.

(Mr. Gaffney returned to the meeting during this agenda item.)

(Mr. Taylor, Mr. Keay and Mr. Chiappinelli left the meeting at this time.)

(A luncheon recess was taken from 12:18 p.m. to 12:58 p.m.)

**ITEM 6: Private Equity Fund-of-Fund Presentation – J.P. Morgan**

(Mr. Howard, Mr. Unrein, Mr. Cousin and Ms. Gandhi entered the meeting at this time.)

The presenters from J.P. Morgan were introduced and welcomed to the meeting. Mr. Unrein provided the Committee a brief background of J.P. Morgan. The J.P. Morgan representatives explained their investment strategy. The representatives from J.P. Morgan responded to the questions posed by the Committee.

(Mr. Howard, Mr. Unrein, Mr. Cousin, Ms. Gandhi and Mr. McConnell left the meeting at this time.)

(A recess was taken from 2:15 p.m. to 2:30 p.m.)

**ITEM 7: Discussion/Action**

NEPC reviewed with the Committee the private equity fund-of-fund presentations. NEPC made a comparison of the two presentations. The Committee discussed the investment strategies of the two presenters. The Committee discussed the fees relative to the products.

(Mr. Wisloski entered the meeting during this agenda item.)

**On a motion by Ms. Pearce, seconded by Mr. Jeffrey, the Committee unanimously approved to direct staff to initiate and negotiate a contract with HarbourVest for \$65 million, with the friendly amendment the allocation would be \$40 million to the primary Fund IX, \$25 million to the secondary Dover VIII Fund, and \$10 million to International at a later time.**

(Ms. Pearce left the meeting at this time.)

**ITEM 8: Review April Flash Report**

Mr. Levell reviewed the April 2012 flash report with the Committee. Mr. Levell responded to the questions posed by the Committee members.

**ITEM 9: Q1 Portfolio and Investment Manager Performance Review**

NEPC reviewed with the Committee the *Investment Performance Analysis* document. The State Teachers' Retirement System section was discussed in further detail.

**ITEM 10: Economic and Financial Market Dashboard**

The Committee discussed the economic and financial market dashboard. The Committee discussed possible changes to the dashboard format. Mr. Considine indicated they will continue to work on the dashboard in order to come up with a more helpful document. The Committee decided not to set its 12-month forward expectations for the U.S. GDP and for the CPI.

**ITEM 11: Other or New Business**

None.

**ITEM 12: Adjournment**

**On a motion by Mr. Jeffrey, seconded by Mr. Altemus, the Committee unanimously agreed to adjourn at 4:20 p.m.**

Respectfully submitted,

Monica Chiren, Clerk