



**VERMONT PENTION INVESTMENT COMMITTEE
SEPTEMBER 23, 2014**

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, 2014
ROBERT HOOPER, VSERS Representative, term expiring June 30, 2016
THOMAS GOLONKA, VMERS Representative, term expiring June 30, 2016
KAREN PAUL, Governor's Delegate, term expiring June 30, 2016

VPIC Member(s) Absent:

VPIC Alternate Members Present:

LINDA DELIDUKA, VSTRS *Alternate*, term expiring June 30, 2017
STEVEN JEFFREY, VMERS *Alternate*, term expiring June 30, 2014
KEVIN GAFFNEY, VSERS *Alternate*, term expiring June 30, 2016
DAVID STARR, *Alternate* Governor's Delegate, term expiring June 30, 2016

VPIC Alternate Member(s) Absent:

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
David Plants, Vermont Resident

CALL TO ORDER:

The Chair, Mr. Rauh, called the Tuesday, September 23rd meeting to order at 8:30 a.m., which was held in the 4th Floor Conference Room, 109 State Street, Montpelier, VT.

ITEM 1: Agenda Approval and Announcements

The Chair, Mr. Rauh, reviewed the agenda with the Committee and indicated the agenda was approved as written. Mr. Hooper indicated he would like to attend the Mayor's Conference on Climate Change in Boston on September 29 with a cost not to exceed \$1,000.

On a motion by Joe Mackey, seconded by Vaughn Altemus, the Committee unanimously approved the request for Mr. Hooper to attend the Mayor's Conference on Climate Change with a cost not to exceed \$1,000.

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.

On a motion by Beth Pearce, seconded by Vaughn Altemus, the Committee unanimously approved the Consent Agenda.

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 August 31st, the VPIC composite AUM was at \$4.09B. Mr. Considine informed the Board that one of the biannual rebalances had taken place during the month, and that this will bring the weights for the VPIC portfolio back in line with its policy allocations over the coming months. Mr. Considine also explained that staff continues to work on the VPIC Asset/Liability study, and that he is targeting the next VPIC meeting to present the updated study to the Board. Mr. Considine presented to the Board the completed Investment Managers Fee Study conducted by the Treasurer's Investments staff during the month, which showed the amount of "net alpha dollars", for both the VPIC gross of fee, and net of fee managers. Finally, Mr. Considine told the Board that both he and Deputy Treasurer Steve Wisloski attended a meeting with members of the Burlington Employees' Retirement System (BERS), in which they answered questions on behalf of the VPIC.

ITEM 4: Discussion Items and Updates

- **Vermont State Treasurer's Update**
- **Previous Month's Flash Report**
- **NEPC Investment Manager Watch List: Schroder, PIMCO**

Ms. Pearce shared with the Board that the Treasurers' Office had completed the preliminary financial statements and submitted them to both the Vermont auditor's office and the Vermont Department of Finance & Management to complete the year end financials. She also updated the Board that the Treasurers' Office is on target to complete the new GASB requirements for the new pension accounting standards.

Since the August Flash Report was not available, Mr. Moseley reviewed with the Committee the *J. P. Morgan VPIC Performance Summary for Period Ending August 2013 Gross of Fee* report and indicated the August Flash Report would be provided to the Committee when it became

available. The Board discussed having a Flash Report that was based off of preliminary data, so that the report would be available on time from NEPC.

ITEM 5: Open Forum for VPIC Members & Alternates

Mr. Rauh introduced the Open Forum, to allow members to share their ideas about the current structure of the VPIC meetings, the VPIC portfolio and investment process.

Members shared their feedback with Mr. Rauh and, at the end, agreed that all the feedback could be put into five groupings:

1. Tactical (Simple vs. Complex, Active vs. Passive, More vs. Less)
2. Overarching Strategic Framework (Does the Committee believe it is useful to engineer principles?)
3. Subcommittee/Committee Structure
4. Actuarial Assumed Rate of Return
5. Other (ESG, Economy, Blank Slate Scenario for VPIC portfolio)

On a motion by Beth Pearce, seconded by Vaughn Altemus, the Committee unanimously approved a Sub-Committee on Committee Structure to be comprised of Beth Pearce, Tom Golonka, Karen Paul, and Jaye Pershing-Johnson and for them to report back in three months with a recommendation to the Committee.

ITEM 6: Net-of-Fees Investment Manager Performance Review

Mr. Moseley and Mr. Levell reviewed in detail with the Committee the *Manager Performance Evaluation*, and both responded to the questions posed by the Committee members.

On a motion by Beth Pearce, seconded by Karen Paul, the Committee unanimously approved to direct investment staff to work with NEPC and deliver a recommendation on the VPIC's T. Rowe Price position.

ITEM 7: Asset/Liability Risk Management Project

The *Asset Liability & Risk Discussion* was deferred until the October meeting.

ITEM 8: Economic and Financial Market Dashboard

Mr. Considine reviewed with the Committee the economic and financial market dashboard. The Committee, staff and NEPC discussed the ebb and flow of the markets during the month of August and September. Mr. Considine shared charts with the Committee that outlined the recent increased share repurchase activity, and what, if any, effect this could have on the broader market.

ITEM 9: Discussion of Future Agenda Topics

Committee members shared their preferences as to what topics they would like to see added to the agenda going forward.

ITEM 10: New or Other Business/Public Comment

David Plants encouraged the Board to consider one another's competitive advantage as a means of adding alpha to the VPIC.

Mr. Altemus and Mr. Hooper indicated they would be attend the Super Bowl of Indexing.

On a motion by Joe Mackey, seconded by Beth Pearce, the Committee unanimously approved the expenses for Vaughn Altemus and Bob Hooper to attend the Super Bowl of Indexing up to an amount of \$2,000.

ITEM 11: Adjournment

On a motion by Beth Pearce, seconded by Joe Mackey, the Committee unanimously approved to adjourn the meeting at 12:42p.m.

Respectfully submitted,

**Nick Foss
Investments Analyst**