

# VERMONT PENSION INVESTMENT COMMITTEE

October 10, 2006

## **Members Present:**

JEB SPAULDING, Chairman, VT State Treasurer  
ROBERT HOOPER, VSEA member (term expiring September 2008)  
DOUG PINE, Representing LINDA McINTIRE, VSERS Commissioner of Human Resources  
JAMES REARDON, VSERS Commissioner of Finance & Management  
DICK JOHANNESSEN, VSERS Governor's Delegate  
JOE HEALY, VSERS Retired Vermont State Employees' Association, (term expiring September 2007)  
STEVEN JEFFREY, VMERS Employee Representative (term expiring July 1, 2007)  
DAVID LEWIS, VMERS Employer Representative (term expiring July 1, 2009)  
MARIE DUQUETTE, VMERS Governor's delegate  
JOSEPH MACKEY, VSTRS Active No. 29334 (term expiring July 1, 2009)  
JAY KAPLAN, VSTRS Association of Retired Teachers of Vermont, (term expiring July 1, 2008)  
JON HARRIS, VSTRS Active No. 25669 (term expiring July 1, 2007)  
VAUGHN ALTEMUS, VSTRS representing Commissioner of Education  
THOMAS CANDON, VSTRS representing Commissioner of BISHCA

## **Members Absent:**

WARREN WHITNEY, VSERS Vice-Chairman, VSEA member (term expiring September, 2008)  
TOM GIFFIN, VSEA member (term expiring September 2007)  
W. JOHN MITCHELL, II, VMERS Employee Representative (term expiring July 1, 2008)

## **Also attending:**

Donna Holden, Clerk  
David Minot, Director of Finance and Investments  
Cynthia Webster, Director of Retirement Operations  
Bill Rice, Law and Policy Director  
NEPC – Ellen Griggs and John Minahan  
Keith Johnson and Jussi Snellman, Reinhart Boerner VanDeuron  
William Fornia, Gabriel Roeder Smith

## **CALL TO ORDER:**

The Chairperson, Jeb Spaulding, called the Tuesday, October 10, 2006 meeting to order at 1:05 p.m., which was held in the 4<sup>th</sup> Floor Conference Room at 109 State Street, Montpelier, VT.

## **ITEM 1: Investment/Search Subcommittee Private Equity Recommendation**

Mr. Kaplan asked for clarification of the expectations and contractual limits of Reinhart's counsel, expressing his desire to have access to, and ability to obtain, legal counsel more widely experienced and versed in retirement matters.

Mr. Rice explained, and Mr. Johnson verified, that Reinhart's legal services were contracted through the Attorney General's Office and were currently limited to consultation request by the Attorney General's Office, on select investment matters. Mr. Spaulding affirmed that current VPIC statute provided for the Attorney General's Office only to be the Retirement Systems' legal counsel.

**On a motion by Mr. Altemus seconded by Mr. Jeffrey, the Committee unanimously voted to accept the Investment Search subcommittee recommendation for the VPIC to make a \$10 million investment into the private equity Pantheon Global Secondary Fund III.**

It was understood and agreed that the contracting would be contingent upon appropriate due diligence, final contract negotiations and contractual approvals and funding would be consistent with each of the system's asset allocation plans.

Mr. Spaulding also agreed that staff would provide NEPC's and Reinhart's due diligence materials to the VPIC members.

**ITEM 2: Actuarial Review Presentation – Gabriel Roeder Smith**

William Forna appeared before the Board to provide the results of the actuarial review, which was reported to have no major concerns, extremely close liability matches, reasonable assumptions and methods, and fair and accurate reports.

**ITEM 3: Investment/Search Subcommittee Custodian Bank Recommendation**

Mr. Kaplan reviewed the RFP and selection process.

**On a motion by Mr. Jeffrey seconded by Mr. Harris, the Committee unanimously voted to accept the Investment Search subcommittee recommendation to retain State Street Bank & Trust Company as the VPIC's custodian bank, contingent upon final contract fee negotiations including securities lending, and other contractual approvals, and with the expectation that SSB&T provide their Global Solutions analysis at no charge.**

*Mr. Reardon left the meeting.*

**ITEM 4: Other Business**

**A. Custodian Contract**

Mr. Kaplan stated he believed, based on the RFP's writing, that the custodian contract would require approval by each Board. Mr. Rice advised that the custodian RFP was issued by the VPIC and the contract was a VPIC matter, therefore did not require action by each Board.

**B. August 15, 2006 Tabled Item**

Mr. Kaplan expressed his desire and preference to discuss an item tabled on August 15<sup>th</sup>, which required the seeking of an IRS ruling, however, based on referral to the meeting minutes and clarification of the meeting schedule's intent, he deferred further comment to the next quarterly meeting.

**C. Legislative Action and Authority to Spend Trust Fund**

Mr. Kaplan said, despite Chief Assistant Attorney General Bill Griffin's prior opinion, he asked Mr. Rice to research the authority of the Legislature to approve the spending of up to \$100K of the VSTRS and VSERS funds for a retirement benefit and health care study.

Mr. Rice stated in his opinion, which was consistent with Mr. Griffin, that the Legislature did have the authority to authorize expense payments by the trust funds for retirement related activities, such as the benefit and health care study.

Stating the matter was not a VPIC issue, Mr. Spaulding referred further discussion, if warranted, to the individual Boards.

*Mr. Healy left during the next item.*

**ITEM 5: NEPC Education – Asset Class Overlays-Portable Alpha**

Mr. Minahan, NEPC Director of Research, appeared before the Committee to provide the Portable Alpha education session. NEPC was requested and agreed to provide retroactive and prospective benefit/risk simulations for the FI sector of alpha sources available, but not including hedge funds.

The Committee also agreed a future education topic should be "Asset Allocation Structures", which would compare traditional allocations vs. allocations including innovative investments of today.

**ITEM 6: Any New or Other Business to Come Before the Board**

None

**Adjournment**

**On a motion by Mr. Jeffrey seconded by Mr. Harris, the Board unanimously voted to adjourn at 4:45 p.m.**

**Next Meeting Date:**

November 28, 2006 – Investment/Search Subcommittee

November 29, 2006 – Full VPIC meeting

Respectfully submitted,

Donna Holden, Clerk