

# VERMONT PENSION INVESTMENT COMMITTEE

April 10, 2007

## Members Present:

JEB SPAULDING, Chairman, VT State Treasurer  
WARREN WHITNEY, VSERS Vice-Chairman, VSEA member (term expiring September, 2008)  
JAMES REARDON, VSERS Commissioner of Finance & Mgmt  
DAVID HERLIHY Representing LINDA McINTIRE, VSERS Commissioner of Human Resources  
TOM GIFFIN, VSEA member (term expiring September 2007)  
ROBERT HOOPER, VSEA member (term expiring September 2008) - **arrived later in the meeting**  
JOE HEALY, VSERS Retired Vermont State Employees' Association, (term expiring September 2007)  
JOSEPH MACKAY, VSTRS Active No. 29334 (term expiring July 1, 2009)  
JAY KAPLAN, VSTSR 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 – **arrived later in the meeting**  
STEVEN JEFFREY, VMERS Employee Representative (term expiring July 1, 2007)  
DAVID LEWIS, VMERS Employer Representative (term expiring July 1, 2009)

## Members Absent:

DICK JOHANNESSEN, VSERS Governor's Delegate  
W. JOHN MITCHELL, II, VMERS Employee Representative (term expiring July 1, 2008)

## Also attending:

Donna Holden, Clerk  
David Minot, Director of Finance and Investments  
Bill Rice, Treasurer's Office Law and Policy Director  
William Griffin, Chief Assistant Attorney General  
Ellen Griggs, Kevin Kondry, NEPC  
Stuart Davidson

## CALL TO ORDER:

The Chairperson, Jeb Spaulding, called the Tuesday, April 10, 2007 meeting to order at 8:44 a.m., which was held at the 4<sup>th</sup> Floor Conference Room, 109 State Street, Montpelier, VT.

## ITEM 1: Committee Action Items

- A. **Approve the Minutes of November 29, 2006 and February 14, 2007**

**On a motion by Mr. Altemus seconded by Mr. Harris, the Committee unanimously voted to approve the minutes of November 29, 2006, as submitted.**

**On a motion by Mr. Altemus seconded by Mr. Whitney, the Committee unanimously voted to approve the minutes of February 14, 2007, as submitted.**

*Mr. Whitney left the meeting during the next item.*

*Mr. Candon arrived at the meeting during the next item.*

- B. **Report and Possible Action of Investment/Search Subcommittee Recommendations**

- ***Core Fixed Income Investment Recommendation for: Delaware & Mellon***

Mr. Spaulding advised the Committee of the February 13, 2007, and March 28, 2007, Investment Search subcommittee recommendations.

Ms. Griggs distributed related information and reviewed the NEPC recommendations to convert the current VPIC core fixed income mandate totaling approximately \$580M to an allocation of 50% to the Delaware Investments Core Plus fixed income strategy with a 10% bank loan overlay, and the remaining 50% to the Mellon Global Alpha II Strategy with the recommended benchmark of the Lehman Aggregate.

**Mr. Mackey made a motion seconded by Mr. Jeffrey, to allocate 50% of the current total fixed income assets (approximately \$290 million) to the Delaware Core Plus fixed income product including a 10% bank loan overlay component, and to authorize the necessary amendments to the *Investment Guidelines* to implement the change.**

Prior to the vote on the motion, the Board reviewed the amendments to Section A of the *Investment Guidelines* recommended by New England Pension Consultants as necessary to implement the change.

**Comment [SEJ1]:** Donna – we can't "approve" the amendments separate from the actual motion.

**Original motion carried, 10-2.**

Mr. Griffin advised the Committee, in the future, it would be better if the VPIC amended its *Investment Guidelines* prior to selecting a manager.

At the Chair's suggestion, the Committee agreed to discuss, and possibly act on, the Mellon Global Alpha II part of the fixed income recommendation at the May 31, 2007, meeting, including acting upon any *Investment Guideline* amendments necessary.

▪ ***Large Cap Allocation and Weightings***

Mr. Spaulding explained the large cap allocation weighting for the VSTRS was currently 33/33/33 to PIMCO, SSgA, and T Rowe, respectively, and was a decision established by the Board pre-VPIC. He said the recommendation was to move the weightings to a 40/20/40 PIMCO, SSgA, and T\_Rowe split, consistent with the allocations adopted by the State and Municipal Boards, and recommended by NEPC.

**Comment [SEJ2]:** Donna – you need to specify who are the 40's and who is the 20.

Ms. Griggs reviewed the recommendation and information provided.

**Mr. Altemus made a motion seconded by Mr. Spaulding, to amend the weightings for the VSTRS large cap assets from the current 33/33/33 split for PIMCO, SSgA, T Rowe respectively, to a 40/20/40 split, consistent with the same weightings as the VSERS and VMERS. Motion failed. 5-7.**

▪ ***International Allocation and Weightings***

**On a motion by Mr. Kaplan seconded by Mr. Reardon, the Committee unanimously voted to postpone until the May 31, 2007 meeting, discussion and/or action regarding an amendment to the VSTRS weighting for international assets from the current 60/40 split for Mondrian/Acadian respectively, to a 50/50 split, consistent with the same weightings as the VSERS and VMERS.**

▪ ***Emerging Markets Investment & Recommendation***

At the suggestion of the Chair, the Committee agreed to defer, until later in the meeting or to another meeting, discussion of the NEPC recommendation to invest 4% into a new emerging markets asset class with 2% funding from the current international equity allocation and 2% from the current domestic large cap allocation, and authorize NEPC to initiate a public, best in class, search.

**C. Report and Possible Action on Municipality Participation in VPIC**

Mr. Spaulding advised the Committee no information was currently available to act on at this time.

*Mr. Hooper and Mr. Whitney arrived at the meeting during the next item.*

Deleted: ¶

**ITEM 2: Committee Education & Discussion Items**

- *Oppenheimer Capital Absolute Yield Product  
Relative Value – Equity Index Options Strategy*

Geoff Mullen, Managing Director and Jeff Sheran, Senior Vice President and Product Specialist, appeared before the Committee to provide the presentation.

**ITEM 3: Private Equity Plan**

Mr. Spaulding reminded the Committee of the Private Equity plan previously adopted, and issues delaying implementation of the plan, i.e. contracting conflicts.

**On a motion by Mr. Kaplan seconded by Mr. Candon, the Committee unanimously voted to indefinitely postpone the implementation of the Private Equity Investment Plan, adopted at the August 15, 2006, VPIC meeting.**

**ITEM 4: NEPC 3-5 Year Proposed Asset Structure**

No discussion.

*Mr. Whitney, Mr. Hooper, and Mr. Herlihy left during the next item.*

**ITEM 5: Committee Presentation**

- A. **Fiduciary Responsibilities Guest Speaker: Stuart Davidson**

Mr. Davidson led the Committee through his presentation.

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

None

**Adjournment**

**At 4:04 p.m. hearing no objections, the Chair declared the meeting adjourned.**

**Next Meeting Date:**

May 30, 2007 – Investment Search Subcommittee meeting  
May 31, 2007 - Full VPIC meeting

Respectfully submitted,

Donna Holden, Clerk