

# VERMONT PENSION INVESTMENT COMMITTEE

February 11, 2009

## **VPIC Members Present:**

STEPHEN RAUH, CHAIR, VMERS Governor's Delegate, term expiring June 30, 2010  
JEB SPAULDING, VICE-CHAIR, VT State Treasurer  
JOSEPH MACKEY, VSTRS Representative, term expiring June 30, 2011  
WARREN WHITNEY, VSERS Representative, term expiring June 30, 2012  
DICK JOHANNESSEN, Governor's Delegate, term expiring June 30, 2010  
MICHAEL K. SMITH, Governor's Delegate, term expiring June 30, 2012

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

None

## **VPIC Alternate Members Present:**

STEVEN JEFFREY, VMERS *Alternate*, term expiring June 30, 2010  
ROBERT HOOPER, VSERS *Alternate*, term expiring June 30, 2012  
VAUGHN ALTEMUS, *Alternate* Governor's Delegate, term expiring June 30, 2010

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

JON HARRIS, VSTRS *Alternate*, term expiring June 30, 2011

## **Also attending:**

Donna Holden, Clerk  
David Minot, Director of Finance and Investments  
Bill Griffin, Chief Assistant Attorney General  
Jaye Pershing-Johnson, Assistant Attorney General  
Chris Levell and Kevin Kondry, NEPC  
Linda Deliduka, Association of Retired Teachers, VSTRS  
Barry Bryant, Dahab Associates  
Bradley Regier, Tuck School of Business, Dartmouth College  
Scott Waterstredt, Tuck School of Business, Dartmouth College  
Allen Coker, Tuck School of Business, Dartmouth College  
Adam Mantin, Tuck School of Business, Dartmouth College

## **CALL TO ORDER:**

The Chair, Steve Rauh, called the Wednesday, February 11, 2009, 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: Introduce Tuck Students**

Mr. Rauh introduced Allen Coker, Adam Mantin, Bradley Regier, and Scott Waterstredt, students of the Amos Tuck School of Business Administration at Dartmouth College.

Mr. Rauh advised the Committee that he met with Mr. Levell and Mr. Kondry on Tuesday evening to discuss the Committee's executive session. He said all have renewed their desire and commitment to work together, and plans to improve processes, relationships, etc.

## **ITEM 2: Economic, Political and Financial Market Backdrop**

- Federal Reserve Policy
- Economic Stimulus Programs and New Regulation
- Inflation/Deflation Outlook
- Economic Growth Prospects – US and Overseas

- Currency Relationships
- Equity Valuations/Bond Spreads – reversion to the mean?

The Committee and NEPC shared in an interactive discussion regarding the multiple topics.

**ITEM 3: Portfolio Asset Allocation**

- NEPC Asset Allocation Assumptions & Recommendations
- Implications of Asset-Liability Studies
- Purpose/Expected Behavior of Portfolio Segments
- Benchmarks
- Market Scenario Stress Testing
- Key Risk Exposures
- Allocations for the Individual Pension Plans & Burlington

The Committee resumed its asset allocation discussion and referred to the February 10, 2009 Asset/Liability Study, prepared by NEPC.

The Committee discussed whether it was appropriate to re-balance the portfolio in March pursuant to the semi-annual rebalancing schedule. **The Committee agreed** to adhere to the policy.

The Committee discussed options for changing the current asset allocation, which would eliminate the existing 2% allocation to private equity and move the 5% PIMCO All Asset allocation from the fixed income sector to a multi asset strategy sector with other GAA products.

Mr. Levell indicated the change to the current policy would generate an estimated 9% return, and position approximately 35% of the portfolio to perform in a positive market for credit risk instruments, 70% of assets poised to perform in a growth market, and approximately 18% of assets positioned for an inflation market.

The asset allocation mix considered was as follows:

	Current Policy	Current Allocation	Proposed Allocation	
Cash	0%	0%	0%	
Large cap equity	23%	25%	19%	
Small/Mid cap equity	12%	11%	8%	
International equity	11%	12%		
<i>Int'l/Developed Equity</i>			14%	new name
Emerging Int'l equity	4%	2%	4%	
<b>TOTAL EQUITY</b>	<b>50%</b>	<b>50%</b>	<b>45%</b>	
Core bonds	17%	22%		
<i>Fixed Income - US</i>			18%	new name
Global bonds	4%	5%		
<i>Fixed Income - Global</i>			5%	new name
High-Yield bonds	5%	5%	5%	
<b>TOTAL FI</b>	<b>26%</b>	<b>32%</b>	<b>28%</b>	

Real Estate	7%	8%	7%	
Private equity	2%	0%	0%	
<b>TOTAL ALTERNATIVES</b>	<b>9%</b>	<b>8%</b>	<b>7%</b>	
Global Asset Allocation	15%	10%		new name
<i>Multi Asset Strategies</i>				
Bridgewater/risk parity			10%	
PIMCO All Asset			5%	
Mellon Global Alpha			2.5%	
Wellington GAA			2.5%	
<b>TOTAL MULTI Strategy</b>	<b>15%</b>	<b>10%</b>	<b>20%</b>	

The Committee further discussed the addition of a risk parity manager. NEPC will provide further information regarding this matter, and the AG's Office will continue to pursue contracting matters with Bridgewater.

**On a motion by Mr. Spaulding seconded by Mr. Mackey, the Committee unanimously voted to authorize NEPC to initiate a database search for a risk parity manager, and the information to be disseminated to the Committee as timely as possible.**

**The Committee agreed** to hold a conference call to discuss the RFP results and potentially select managers to interview at the April meeting. **They also agreed** to defer further discussion and/or action on adopting a change in the asset allocation (until the April meeting) and whether the same allocation should be consistent across the three systems.

**ITEM 4:      Discussion Tuck School Project**

The Tuck School students discussed their independent study proposal. A final written presentation would be provided in early March, and members of the team agreed to present the results at the April meeting.

**ITEM 5:      Agenda Items for Next Meeting**

- April 7 Meeting – Risk Management
- Need for April 8 Meeting – Education/Manager Visits?
- VPIC Retreat
- Next Quarterly Meeting Tuesday & Wednesday, May 26-27, 2009

Other items added to the agenda included:

- Risk parity manager RFP presentations & education (NEPC)
- Tuck student report/presentation
- New asset allocation and implementation by three systems
- Portfolio dividend and interest stripping report/recommendation (Mr. Minot)
- Waiver Request Policy (Mr. Minot)

- International proxy voting policy & reviewed domestic policy (Mr. Minot)
- Member and vendor contact policy (Mr. Spaulding)
- VHFA subcommittee follow-up
- Investment Guidelines (AG's Office)
- PIMCO Stocks-Plus transition to SMA Commingled fund follow-up (AG's Office)
- Bridgewater All Weather/Pure Alpha update (AG's Office)

**ITEM 6: Any Other Business to Come Before the Committee**

None

**Adjournment**

**On a motion by Mr. Mackey seconded by Mr. Smith, the Committee unanimously voted to adjourn at 2:05 p.m.**

Respectfully submitted,

Donna Holden, Clerk