

VERMONT PENSION INVESTMENT COMMITTEE

March 25, 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
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:

WARREN WHITNEY, VSERS Representative, term expiring June 30, 2012

VPIC Alternate Members Present:

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

VPIC Alternate Member(s) Absent:

ROBERT HOOPER, VSERS *Alternate*, term expiring June 30, 2012
JON HARRIS, VSTRS *Alternate*, term expiring June 30, 2011

Also attending:

Donna Holden, Clerk
David Minot, Director of Finance and Investments
Jaye Pershing-Johnson, Assistant Attorney General
Kevin Kondry and Tim McCusker, NEPC

CALL TO ORDER:

The Chair, Steve Rauh, called the Wednesday, March 25, 2009, *conference call* meeting to order at 9:02a.m., which was held in the 4th Floor Conference Room, 109 State Street, Montpelier, VT.

ITEM 1: Wellington Opportunistic Contract Amendment

Ms. Pershing-Johnson reviewed the March 18, 2009, memo detailing the material changes to the Wellington Opportunistic contract #0312291.

On a motion by Mr. Johannesen seconded by Mr. Spaulding, the Committee unanimously voted to acknowledge receipt of the AG's Office memorandum regarding material changes to the Wellington Opportunistic contract, and authorize the Chair to sign the contract amendment, which changed the name of the fund and replaced Attachment E, Appendix 1: Statement of Characteristics, as discussed.

ITEM 2: Bridgewater/Pure Alpha Update – AG's Office

Ms. Pershing-Johnson advised the Committee that despite numerous conversations over a prolonged period of time, the AG's Office was not able to reach suitable final contract negotiations. She said the original 23 areas of concern were whittled down to four remaining areas: indemnifications, controlling state of incorporation governance (DE law vs. VT law), broad POA authority, and signing of agreements, however, she was not optimistic about reaching final resolution.

The Committee agreed that continued discussions with Bridgewater would cease.

ITEM 3: NEPC Risk Parity Manager Search Review and Finalist Selection

The Committee reviewed the search book prepared by NEPC, which contained information on the following managers: PanAgora Asset Management, Putnam Investments, AQR Capital Management, LLC, Barclay Global Investors, NA, and Bridgewater Associates, Inc.

The Committee agreed that given the status of prior Bridgewater negotiations the focus of the review would be on the other four managers.

The Committee asked NEPC to prepare a model showing returns as if each manager were a part of the portfolio effective July 1, 2008, and funded from equity and fixed income sectors.

Mr. Minot also questioned the appropriate timing for funding this type of strategy.

The Committee agreed that due to the depth of discussion required to understand each manager's strategy, and the untimely receipt of the search materials, that it would be best to resume discussion regarding this matter at the April 8, 2009, meeting. The Committee also acknowledged that a continuation would provide Mrs. Pershing-Johnson with ample time to review each manager's documents, and standard contract provisions.

ITEM 4: Report on March 24th meeting with key legislators to discuss investment performance and potential impact on State pension contributions

Mr. Spaulding advised the Committee that he and Mr. Rauh met with several key legislators, Board members, stake holders, and Administration to discuss the status of the pension funds, anticipated impacts, and possible mitigating steps. Mr. Spaulding agreed to distribute the PowerPoint presentation to all Board members.

ITEM 5: Any Other Business to Come Before the Committee

None

Adjournment

Hearing no other business and with no objection, the Chair declared the meeting adjourned at 10:35 a.m.

Respectfully submitted,

Donna Holden, Clerk