

VERMONT PENSION INVESTMENT COMMITTEE

April 8, 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 – **via conference call**
MICHAEL K. SMITH, Governor's Delegate, term expiring June 30, 2012

VPIC Member(s) Absent:

DICK JOHANNESSEN, Governor's Delegate, term expiring June 30, 2010
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:

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

Also attending:

Donna Holden, Clerk
David Minot, Director of Finance and Investments
Chris Levell and Kevin Kondry, Tim McCusker, NEPC
Don Robinski, VSERS, VSEA Alternate Board Member
Kevin Gaffney, VSERS, VSEA Member
Linda Deliduka, VSTRS, Alternate Association of Retired Teachers
Jaye Pershing-Johnson, Assistant Attorney General
Bill Griffin, Chief Assistant Attorney General

CALL TO ORDER:

The Chair, Steve Rauh, called the Wednesday, April 8, 2009, meeting to order at 8:31 a.m., which was held in the 4th Floor Conference Room, 109 State Street, Montpelier, VT.

ITEM 1: **Carryover Discussion/Action Items from April 7th**

The Committee agreed that members interested in attending the annual NEPC Client Conference, May 20th & 21st, would notify Mrs. Holden to assist in registrations.

NEPC agreed to provide follow-up, at the May meeting, further analysis and information regarding the risk management discussion held during the April 7, 2009 meeting.

NEPC also agreed to provide, at the May meeting, in-depth analysis of each manager including attributes, risks/volatility, tracking error, performance, and benchmark critiques, etc.

- **Reconsider 11/25/08 Action re: Managers Selected for RE Funding**

The Committee discussed the liquidity issues surrounding their current real estate holding, and the potential for a temporary, but required, unbalancing of the portfolio to generate funds from other asset classes if funds were called by a new real estate manager.

On a motion by Mr. Spaulding seconded by Mr. Altemus, the Committee unanimously voted to suspend, until further Committee action, any new additional real estate investments.

The Committee thanked Ms. Pershing-Johnson for her work on the contracts, and directed Mr. Minot to notify RREEF of the VPIC's temporary suspension of funding any new real estate strategies.

- **Allocations for Individual Pension Plans and Burlington**

On a motion by Mr. Spaulding seconded by Mr. Mackey, the Committee unanimously voted to establish a single asset allocation for the three retirement systems.

Following the vote there was a brief discussion clarifying that the Burlington Retirement Plan would also conform to this single allocation.

- **Asset Allocation**

The Committee discussed a number of scenarios and asset allocation mixes using a modeling spreadsheet created at NEPC and operated by Mr. Levell.

Upon discussion, Mr. Spaulding, Mr. Rauh and Mr. Mackey expressed their opinions in support of keeping the GAA allocation, Mr. Altemus was unsure and Mr. Smith expressed his option in favor of eliminating the sector.

NEPC agreed to develop historic portfolio performance scenarios compared to the Public Funds Universe using "plain vanilla" index structures of 60/40 (55.8/37.2) and 50/50 (46.5/46.5) equity vs. bonds, including the 7% current real estate component.

NEPC also agreed to distribute the asset allocation information discussed.

**ITEM 2: Risk Parity Manager Search and Finalist Selection
(Continued from March 25th Conference Call Meeting)**

Mr. McCusker from NEPC appeared before the Committee to discuss the manager search results. Mr. Levell advised that NEPC's recommendation was to balance the GAA space, therefore adding a risk parity manager would be prudent.

Mr. Levell also added bringing in managers to discuss strategies providing the Committee opportunity and ability to make fully informed decisions.

On a motion by Mr. Spaulding seconded by Mr. Mackey, the Committee voted to invite AQR Capital Management, LLC and Putnam Investments to provide their product presentations at the May meeting, subject to preliminary legal review. *Mr. Smith voted no.*

The Board requested the AG's Office aggressively pursue contract document reviews, in preparation of the meeting. Ms. Pershing-Johnson agreed.

The Committee discussed initiating a process to consider adding Commodities, TIPS, and Emerging Market Debts allocations to the portfolio. Also discussed was whether it was practical and/or feasible to set index management contracts in place, in the event a change was determined appropriate.

The Committee continued its discussion regarding the prudence in retaining active managers vs. indexing.

ITEM 3: Agenda Items for May Meeting

- **Risk Parity Manager Interviews**
- **Asset Allocation Follow-up**
- **Risk Management Follow-up by NEPC**
- **Comprehensive Manager Reviews**
 - ▶ comprehensive strategy review of each manager
 - ▶ organization issues, if any
 - ▶ performance
 - ▶ strategy and execution risks
 - ▶ benchmarks
- **Investment Guideline Proposal**
- **Education Policy**
- **Waiver Request Policy**

ITEM 4: VPIC Retreat

The Committee discussed ideas for a late summer retreat.

ITEM 5: Any Other Business to Come Before the Committee

None

Adjournment

Hearing no other business, and without objection, the Chair declared the meeting adjourned at 1:39 p.m.

Respectfully submitted,

Donna Holden, Clerk