

VERMONT PENSION INVESTMENT COMMITTEE

July 23, 2009

Conference call meeting

VPIC Members Present:

STEPHEN RAUH, CHAIR, VMERS Governor's Delegate, term expiring June 30, 2010
JEB SPAULDING, VICE-CHAIR, VT State Treasurer
JOSEPH MACKKEY, 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:

VAUGHN ALTEMUS, *Alternate* Governor's Delegate, term expiring June 30, 2010
JON HARRIS, VSTRS *Alternate*, term expiring June 30, 2011

VPIC Alternate Member(s) Absent:

ROBERT HOOPER, VSERS *Alternate*, term expiring June 30, 2012
STEVEN JEFFREY, VMERS *Alternate*, term expiring June 30, 2010

Also attending:

Donna Holden, Clerk
Stephen Wisloski, Director of Investment and Debt Management
Kevin Kondry and Joel Paula, NEPC
Bill Griffin, Chief Assistant Attorney General
Kevin Gaffney, VSERS Member

CALL TO ORDER:

The Chair, Steve Rauh, called the Thursday, July 23, 2009, conference call meeting to order at 1:02 p.m., which was held in the Treasurer's Conference Room, 109 State Street, Montpelier, VT.

The Committee briefly discussed the 6/09 Flash Report. Mr. Kondry also advised that NEPC was working on scheduling the requested follow-up due diligence meeting with KDP.

ITEM 1: **Discuss/Approve: Portfolio Risk Management RFI and advertising expense**

The Committee reviewed and discussed the DRAFT language of the RFI. The Committee agreed to move forward with searching for a vendor, if available.

On a motion by Mr. Whitney seconded by Mr. Smith, the Committee voted to approve the reasonable expenditure, as needed up to \$2,000, to advertise the RFI in P & I, and as required by Bulletin 3.5. Motion passed, 5-1, Mr. Spaulding voted no.

**ITEM 2: **Review and Discuss search materials for:
Commodities, emerging markets fixed income, and TIPS managers****

See Item #3.

ITEM 3: **Select Finalists for the August Meeting Presentations**

Along with the Committee, Mr. Kondry and Mr. Paula reviewed the managers, mandates, attributes, etc. of each of the firms selected as potential candidates.

TIPS:

The Committee affirmed the Treasury Inflation Protected Securities (TIPS) fixed income allocation would be 3%, with the investment purpose to help protect the portfolio against future inflation and potential deterioration in credit conditions.

The Committee further agreed a passive/index strategy was desirable for this type of investment and that active management would not add value in this asset class.

On a motion by Mr. Spaulding seconded by Mr. Mackey, the Committee unanimously voted to select Barclays Global Investors, N.A. to manage the TIPS portfolio, subject to a successful contract negotiations and meeting with the VPIC at the August 19, 2009 meeting.

The Committee agreed the Barclays Capital US TIPS Index was the appropriate benchmark for the investment, and the proposed commingled fund fee schedule of 0.03% was acceptable.

Emerging Market Debt:

The Committee agreed active management in this asset class would be prudent and add value. They also acknowledged the allocation would be 2%, or approximately \$50 million.

The Committee discussed and acknowledged the investment was in a volatile asset class, and that commingled or separately managed accounts were dependent on the amount of the investment. They further agreed the JP Morgan EMBI Global Diversified Index was the appropriate benchmark.

On a motion by Mr. Mackey seconded by Mr. Smith, the Committee unanimously voted to invite Wellington Management Co, LLP and Stone Harbor Investment Partners, LP to provide a presentation to the VPIC at the August 19, 2009 meeting.

Commodities:

The Committee agreed active management in this asset class would be prudent and add value. They also acknowledged the allocation would be 2%, or approximately \$50 million.

The Committee discussed and acknowledged the investment was in a volatile asset class, and that the long-term strategy was to respond to inflation and provide diversification.

Upon discussion, the Committee unanimously agreed additional education in this asset class was needed. NEPC also agreed to provide additional information including details on the four prevailing commodity benchmarks vs. a traditional 60/40 portfolio.

The Committee agreed to hold the educational meeting on Tuesday, September 22, 2009.

The subject of dollar-cost-averaging was briefly discussed, to which NEPC agreed to provide further recommendations.

On a motion by Mr. Mackey seconded by Mr. Whitney, the Committee unanimously voted to invite Wellington Management, Schroders, and Gresham Investment Management to provide in-depth presentations for the purpose of education, and potential manager selection.

ITEM 4: Any Other Business to Come Before the Committee

Mr. Kondry advised the Committee that NEPC was actively interviewing managers to provide a PPIP product, but the VPIC would have to move very quickly to participate. He agreed to provide further information on the program. The Committee agreed to discuss the matter further at the August meeting.

Adjournment

Hearing no objection, Mr. Rauh declared the meeting adjourned at 3:22 p.m.

Respectfully submitted,

Donna Holden, Clerk