

## VERMONT PENSION INVESTMENT COMMITTEE

August 18, 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 – **arrived later in the meeting**

DICK JOHANNESSEN, Governor's Delegate, term expiring June 30, 2010 – **arrived later in the meeting**

MICHAEL K. SMITH, Governor's Delegate, term expiring June 30, 2012

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

None

### **VPIC Alternate Members Present:**

ROBERT HOOPER, VSERS *Alternate*, term expiring June 30, 2012

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

### **Also attending:**

Donna Holden, Clerk

Stephen Wisloski, Director of Investment and Debt Management

Chris Levell, NEPC

Bill Griffin, Chief Assistant Attorney General

Jaye Pershing-Johnson, Assistant Attorney General

Linda Deliduka, VSTRS Board Member

### **CALL TO ORDER:**

The Chair, Steve Rauh, called the Tuesday, August 18, 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.

Mr. Rauh introduced and welcomed Mr. Wisloski to the VPIC meeting.

### **ITEM 1:      **Agenda Approval****

Hearing no objections, the August 18<sup>th</sup> and August 19<sup>th</sup> agendas were accepted.

### **ITEM 2:      **Minutes****

- **Approve the Minutes of May 26 – 27, 2009 – Regular meetings**
- **Approve the Minutes of June 29, 2009 – Special Meeting**
- **Approve the Minutes of July 23, 2009 – Telephone Meeting**

**On a motion by Mr. Altemus seconded by Mr. Smith, the Committee unanimously voted to approve the minutes of May 26, 2009 and May 27, 2009, as discussed.**

**On a motion by Mr. Hooper seconded by Mr. Altemus, the Committee unanimously voted to approve the minutes of June 29, 2009, as submitted.**

*Mr. Johannesen arrived during discussion of the above minutes.*

**On a motion by Mr. Spaulding seconded by Mr. Rauh, the Committee unanimously voted to approve the minutes of July 23, 2009, as submitted.**

*Mr. Whitney arrived during the next item.*

**ITEM 3:      Committee Action Items**

- **Discuss/Approve Revised Education Policy**

Mrs. Pershing-Johnson reviewed the proposed policy, drafted by the AG's staff. Discussion ensued.

Mr. Mackey agreed to continue work on the policy with the AG's Office and Treasurer's Office staff. The Committee also acknowledged that other policies would require updates resulting from an education policy.

*Mr. Hooper left the meeting.*

- **Discuss/Approve Contract Renewals for Burlington and State Street Bank**

**On a motion by Mr. Mackey seconded by Mr. Whitney, the Committee unanimously voted to extend the Burlington City contract for an additional one-year period.**

**On a motion by Mr. Mackey seconded by Mr. Johannesen, the Committee unanimously voted to extend the State Street Bank custody contract for an additional one-year period, and to include best efforts in reaching a resolution to discussion regarding the bank's internal Funds transfer Operating Guidelines (FTOP) policy.**

**ITEM 4:      Committee Discussion Items**

- **VHFA**

Mr. Smith advised the VPIC he was now a consultant for VHFA for the purpose of finding funding, and therefore, would disqualify himself from any future VPIC consideration.

Mr. Rauh also advised that he and Mr. Wisloski held a conference call with VHFA to discuss the Committee's decision not to undertake an investment in VHFA's private placement. Mr. Rauh did agree to talk with PIMCO to see if the VHFA private placement might fit within the portfolio they would be managing for VPIC. Mr. Rauh will keep the Committee advised.

- **Update on Contract Negotiations with New Managers**

Along with the Committee, Mrs. Pershing-Johnson reviewed and discussed the status of contract negotiations with PIMCO - core plus fixed income account, AQR - global asset allocation, Champlain Investment Partners - mid-cap equities - VT Manager, and KDP Asset Management - high yield VT Manager.

Mr. Levell advised that NEPC was still trying to arrange a mutually agreeable on-sight due diligence visit at KDP.

**The Committee discussed and agreed** that it would be at PIMCO's discretion to determine the amount of bank loans, if any, to be included in the management of the portfolio.

- **Update on Real Estate Investments – RREEF Conference Call**

Mr. Levell distributed an August 17, 2009 NEPC RREEF America III 2<sup>nd</sup> quarter update on their current valuation status. Mr. Rauh advised that he and Mr. Wisloski participated in a conference call with RREEF on August 4<sup>th</sup>. The manager proposed three alternatives to resolve their current situation and loan payment demands resulting from valuations, which were to renew or arrange for alternative lines of credit, sell new preferred stock to raise capital, or liquidate assets.

**The Committee agreed** to consider action, if any, after discussing the matter further on August 19<sup>th</sup> with Mr. Monagle, of NEPC, and upon the recommendation of NEPC.

- **Revised Investment Guidelines**

Mr. Wisloski reported the Treasurer's Office staff held an internal meeting on July 20, and met with AGO July 21, followed by a conference call with NEPC July 24 to review the latest draft of the investment guidelines (dated June 24). He said the next steps were for the Treasurer's Office to complete its review, reconvene with AGO and NEPC, and work with AGO to produce final coordinated draft for VPIC to consider.

- **Revised Domestic/International Proxy Voting Guidelines**

Mr. Wisloski reported the VPIC Subcommittee met on July 31, reviewed both Domestic and International Guidelines, and identified further questions which were to be discussed and clarified with RiskMetrics Group. He said the next steps were to meet in late August (via conference call) with RiskMetrics Group personnel, and to provide a follow-up report to VPIC describing the Domestic and International Proxy Voting Guidelines, deliverables and status.

- **Commingled vs. Separate Accounts – Pros and Cons**

The Committee reviewed and discussed the August 5, 2009, memo prepared by Mrs. Pershing Johnson.

**The Committee agreed** the choice of whether an investment would be in a commingled or separately manage account were dependent on many factors of each investment and that the decision would have to be determined on a case-by-case basis.

Mr. Rauh asked that in the future when the Committee was confronted with this choice, that Mrs. Pershing-Johnson prepares a brief commingled vs. separately managed pros/cons chart to aide in discussion.

**ITEM 5: Director of Investment and Debt Management Report**

The Committee reviewed and discussed the Director's report. Mr. Wisloski also distributed additional securities lending information.

**ITEM 6: VPIC Retreat Ideas**

- **Visit Boston-Based Managers**
- **Guest Speakers on Topics of Interest**
- **Focus on Key VPIC Issues**

**The Committee agreed** that Mr. Rauh, Mr. Spaulding, and Mr. Levell would prepare an education agenda proposal coordinating the May 2010 meetings with the NEPC Annual Client Conference, which is scheduled for May 27<sup>th</sup> & 28<sup>th</sup>. Members were also encouraged to forward other educational ideas and proposals to the Chair.

**ITEM 7: October Meeting Agenda**

- Investment Implications of FY 2009 Actuarial Reports
- Review Policies/Compliance/Conflicts of Interest
- Discuss 2010 Meeting Schedule

**The Committee discussed and agreed** to consider moving to a monthly meeting schedule, effective July 1, 2010, and would discuss the proposal further at the October meeting.

**ITEM 8: NEPC Overview of Manager Presentations**

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

*Mr. Jeffrey left the meeting.*

**ITEM 9: Manager Presentations**

- **Barclay's TIPS Index Fund**

David Schiller, Principal and Business Development Officer, appeared before the Committee and Jeff Geib, Principal and Fixed Income Strategist, via conference call, provide a presentation of their domestic Treasury Inflation Protected Securities (TIPS) fixed income product.

- **Wellington Management Co., LLC**

David Eikenberry, Senior Vice President and Director, Americas Pension Funds, James Valcone, Senior Vice President and Partner, Fixed Income Portfolio Manager and Co-Director of Fixed Income, and Michael Taylor, Vice President and Associate Director, Fixed Income Product Management, appeared before the Committee to provide a presentation of their emerging market debt product.

*Mr. Jeffrey returned during the next item.*

- **Stone Harbor Investment Partner, LP**

David Oliver, Portfolio Manager and James Craige, Senior Portfolio Manager, appeared before the Committee to provide a presentation of their emerging market debt product.

**ITEM 10:     Discuss Presentations**

**On a motion by Mr. Whitney seconded by Mr. Mackey, the Committee unanimously voted to invest in the Barclays Global Investors TIPS fund, without securities lending, pursuant to successful contract negotiations.**

*Mr. Spaulding left the meeting during the next motion's discussion.*

**On a motion by Mr. Whitney seconded by Mr. Mackey, the Committee unanimously voted to invest in Wellington Management Co., LLC emerging markets debt product, pursuant to successful contract negotiations.**

**ITEM 11:     Recess Meeting Until Next Day**

**Hearing no objection, Mr. Rauh declared the meeting recessed at 4:41 p.m.**

Respectfully submitted,

Donna Holden, Clerk