

VERMONT PENSION INVESTMENT COMMITTEE

October 14, 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

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

MICHAEL K. SMITH, Governor's Delegate, term expiring June 30, 2012 – **arrived later in the meeting**

VPIC Member(s) Absent:

JOSEPH MACKEY, VSTRS Representative, term expiring June 30, 2011

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

VPIC Alternate Members Present:

STEVEN JEFFREY, VMERS *Alternate*, term expiring June 30, 2010

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

VPIC Alternate Member(s) Absent:

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

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

Also attending:

Donna Holden, Clerk

Stephen Wisloski, Director of Investment and Debt Management

Jaye Pershing-Johnson, Assistant Attorney General

Chris Levell, NEPC

CALL TO ORDER:

The Chair, Steve Rauh, called the Wednesday, October 14, 2009, *conference call* meeting to order at 1:35 p.m., which was held in the Treasurer's Conference Room, 109 State Street, Montpelier, VT.

ITEM 1: Informational Items

- Mr. Rauh advised the Committee that he and Mr. Wisloski had reviewed the Portfolio Risk Management RFI's received. He said Mr. Wisloski would be sending a follow-up e-mail to each respondent seeking clarification and additional information.

Mr. Rauh agreed to keep the Committee informed with a matrix to summarize the evaluation, and the Committee would then discuss the next steps once the information gathering was completed.

- Mr. Rauh advised the Committee the KDP and Champlain Investment Partners (CIP) contracts were funded on September 30th. The Committee supported the suggestion that a press release be issued regarding implementation of the VT Manager Program and successful contracting with these two VT investment managers.
- Mr. Rauh advised the Committee the Barclays TIPS contract and Wellington EMD contracts were in process and expected to be completed and funded for November 1st.

- Mr. Rauh advised the Committee of a very recent invitation by NEPC to attend a Client Forum on October 26th and 27th in Boston. He said the NEPC offer included lodging and meals for invited guests; however, Mr. Rauh felt in light of the Ethics and Education policies, it was appropriate to request reimbursement of the mileage, hotel, and miscellaneous expenses from the VPIC.

On a motion by Mr. Spaulding seconded by Mr. Johannesen, the Committee unanimously voted to approve Mr. Rauh's attendance at the NEPC Client Forum on October 26th and 27th, with necessary expenses to be reimbursed by the VPIC.

Ms. Pershing-Johnson advised there was language contained in the consultant's contract for educational experiences; therefore it was possible the VPIC had technically already paid for the forum through the consultant fee. She agreed to research the matter and advise further on whether some expenses could be covered by the vendor.

- Mr. Wisloski advised the Committee the September 30, 2009 rebalancing accomplished implementation of the May 2009 approved asset allocation "Mix B", as well conforming the weighting of the allocations of the three systems, and Burlington to Mix B. He noted the rebalancing also included the funding of the new AQR, KDP, CIP, contracts and that transfer of Logan Circle's portfolio to PIMCO was achieved.

Mr. Smith joined the meeting during the next item.

ITEM 2: Discussion Items Regarding PIMCO Core Plus FI Contract

Mr. Wisloski advised the Committee of resolutions reached with the manager with respect to interpretation of the manager's investment guidelines. He said primarily question arose regarding 1.) Planned Amortization Class (PAC I and PAC II) and Sequential Collateralization Mortgage Obligations (TACs), and Very Accurately Defined Maturity (VADM) often a tranche in a CMO (Collateralized Mortgage Obligation) and 3.) Initial investment purchases with respect the 80/20 above and below investment grade requirements.

The Committee agreed requests by the manager for future amendments would be reviewed and considered at that time.

Mr. Rauh advised the Committee that when concerns were raised by PIMCO immediately following receipt of the transitioned portfolio, regarding its holdings and potential prior manager guideline non-compliance, that he raised a question with Mr. Griffin whether Logan Circle had been out of guideline compliance, and if so, whether it contributed to any of the losses experienced under its management.

Mr. Wisloski advised that upon discussion it appeared the "mechanical download" of the portfolio and interpretation of the guidelines by PIMCO created the red flags for several holdings, however, upon further consideration PIMCO conceded that Logan Circle's interpretation could well have been within the guidelines.

Mr. Rauh said that given the more recent information from PIMCO regarding guideline compliance concerns raised with the AG's Office about Logan Circle's compliance may have been premature.

Mr. Wisloski agreed to provide the Committee with further information regarding the guideline interpretation resolutions.

ITEM 3: NEPC Analysis of Commodity Manager Performance/Net of Fees

Mr. Levell and the Committee reviewed the analysis provided. Mr. Levell confirmed, and **the Committee agreed**, an active management strategy in this asset class was prudent and contributed to alpha. The Committee also discussed and questions arose regarding management tracking information and the fee structure with respect to the “high water” incentive fees, measurement period, etc.

The Committee agreed the Dow Jones Commodities Index was preferred, which would eliminate consideration of the Gresham G+ product, which uses the S&P GSCI Index.

The Committee also agreed that NEPC would provide further detailed information regarding the fees and tracking error, and ask the managers to be available for a conference call at the October 29, 2009 meeting.

ITEM 4: Commodity Manager Selection

None

ITEM 5: Any Other Business to Come Before the Committee

Mr. Wisloski announced that on October 15, 2009, at 10:00 a.m., Nedra Hadley of Brandywine would be visiting at his office. He said another manager visit with Rich Moreland of T. Rowe Price was scheduled for November 3, 2009, at 11:00 a.m. Mr. Wisloski invited any interested Committee member to join him for the visits.

Mr. Spaulding left the meeting.

ITEM 6: Adjournment

Hearing no objection, Mr. Rauh declared the meeting adjourned at 2:35 p.m.

Respectfully submitted,

Donna Holden, Clerk