

VERMONT PENSION INVESTMENT COMMITTEE

October 29, 2009

VPIC Members Present:

STEPHEN RAUH, CHAIR, VMERS Governor's Delegate, term expiring June 30, 2010
JEB SPAULDING, VICE-CHAIR, VT State Treasurer – **arrived later in the meeting**
DICK JOHANNESSEN, Governor's Delegate, term expiring June 30, 2010
JOSEPH MACKEY, VSTRS Representative, term expiring June 30, 2011

VPIC Member(s) Absent:

WARREN WHITNEY, VSERS Representative, term expiring June 30, 2012
MICHAEL K. SMITH, Governor's Delegate, term expiring June 30, 2012

VPIC Alternate Members Present:

VAUGHN ALTEMUS, *Alternate* Governor's Delegate, term expiring June 30, 2010
ROBERT HOOPER, VSERS *Alternate*, term expiring June 30, 2012 – **via conference call**

VPIC Alternate Member(s) Absent:

STEVEN JEFFREY, VMERS *Alternate*, 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
Mike McShane, Assistant Attorney General
Dick Charlton, Kevin Kondry and Chris Levell, NEPC
Kevin Gaffney, VSERS Member
Linda Deliduka, VSTRS Member
Jonathan Berland, Gresham Investment Management, LLC - via conference call
Eric Nelson, and Shaun Levesque, Schroder Investment Management, NA Inc. – via conference call

CALL TO ORDER:

The Chair, Steve Rauh, called the Wednesday, October 29, 2009, meeting to order at 8:30 a.m., which was held in the 4th Floor Conference Room, 109 State Street, Montpelier, VT.

**ITEM 1: Minutes: September 22, 2009 – Special meeting
October 14, 2009 – Special Meeting**

On a motion by Mr. Mackey seconded by Mr. Altemus, the Committee unanimously voted to approve the minutes of September 22, 2009, as submitted.

On a motion by Mr. Mackey seconded by Mr. Altemus, the Committee unanimously voted to approve the minutes of October 14, 2009, as corrected.

Mr. Hooper joined the meeting via conference call.

ITEM 2: Agenda Approval

Hearing no objections, the agenda was accepted, as published.

ITEM 3: Commodity Manager Selection

- **Review Additional Manager Analysis from NEPC**
- **Conference Call with Gresham and Schroder**

Mr. Kondry and Mr. Levell reviewed the October 29, 2009 *Commodities Manager Finalist Analysis* book, distributed.

Ms. Pershing-Johnson advised the Committee upon preliminary discussion with one of the managers, review of comments on the State's Standard Contract, and other considerations of both of the managers, selection of either of the highly liquid, commingled products should reach successful contract negotiations.

Jonathan Berland, Managing Director, **Gresham Investment Management, LLC** joined the meeting via conference call. He reviewed the manager's strategy, investment style, and products; Enhanced Tangible Assets Program (ETAP) containing 30 commodities, and Gresham A+ Program, which containing 19 commodities. He also discussed the management fee, including the performance fee against the Dow Jones/UBS Index, and high water mark calculations. Mr. Berland confirmed liquidity would not ever be an issue, barring unforeseen circumstances.

Eric Nelson, US Alternatives Director/Portfolio Manager, and Shaun Levesque, Head of International Sales, **Schroder Investment Management, NA Inc.** joined the meeting via conference call. They reviewed the strategy of their actively managed, index unconstrained, long-only, non-leveraged, product. They also discussed their blended benchmark of the average of the Rogers International Commodity, S&P GSC, Dow Jones UBS, and CRM Commodity indexes with respect to performance and fee structure, which included management, administrative and performance components. The manager also confirmed, with 30-day notice, liquidity would not be an issue.

Mr. Levell reiterated the asset class would be volatile, however, NEPC supported VPIC's investment.

On a motion by Mr. Mackey seconded by Mr. Altemus, the Committee unanimously voted to enter into a contract with Schrodgers Investment Management, North America Inc. for a 2% commodities investment and at a maximum flat fee of 110 basis points, contingent upon successful contract negotiations.

The Committee acknowledged the maximum 110 flat fee consisted of a .95% management fee and .15% administrative fee and that the funds would likely come from the equity portion of the portfolio.

Mr. Wisloski advised he would attempt to achieve a January 1 funding schedule.

ITEM 4: Flash Report Review

Along with the Committee Mr. Kondry briefly reviewed the 9/30/09 performance report, which revealed excellent relative performance for the 3rd quarter of 2009 and year to date. However, it was noted that despite the strong rebound, the Vermont pension funds continue to trail the benchmarks over longer time periods.

ITEM 5: Action Items

- **Discuss/Approve Revised Investment Guidelines**

Along with the Committee, Ms. Pershing-Johnson reviewed the DRAFT policy/guideline representing the investment philosophies of the Committee and acknowledged that moving forward each manager's contract would contain specific manager conditions as defined in the guidelines and specific manager exceptions, as negotiated. Several edits were discussed.

On a motion by Mr. Mackey seconded by Mr. Johannesen, the Committee unanimously voted to adopt the revised Investment Guidelines, contingent upon inclusion of edits and information as discussed.

- **Discuss/Approve Amendment to Policy #2-009**

The Committee agreed to address proposed amended language in this policy at the November 23, 2009 meeting.

- **Discuss/Approve Policy # 5-009**

Mr. Rauh advised the Committee upon review of the existing policies it was determined the new policy drafted was not necessary.

He said *Policy #8-005 In-House Manager Visits and Performance Reviews* was sufficient to meet the Committee's requirement (pursuant to page 18 of the new Guidelines) to conduct systematic reviews of investment manager and custodian reporting.

- **Discuss/Approve Future Meeting Schedule – Monthly Meetings**

Mr. Rauh reminded the Committee they were asked to consider changing the current meeting schedule to a standing monthly meeting, after July 1, 2010.

The Committee agreed to delay making a decision until the November meetings.

*Mr. Spaulding arrived at the meeting during the next item.
Mr. Hooper left the meeting.*

ITEM 6: Director of Investment & Debt Management Report

Mr. Wisloski reviewed his written report, distributed. **The Committee agreed** to permit staff to work with NEPC to address the PIMCO requests addressed in #2, and prepare any contract amendments needed.

Mr. Wisloski advised the Committee his previously scheduled meeting with T. Rowe Price for November 3, 2009, was cancelled and would be re-scheduled to a later date. He agreed to keep the Committee informed of the new meeting date.

The Committee agreed to have a comprehensive discussion of the securities lending program, its contribution and continuation in the portfolio, etc. at the November meeting.

ITEM 7: Discussion Items

- **Real Estate Update**

The Committee received an update with the investment consultant's Flash Report review.

Mr. Wisloski invited members to join him in the Treasurer's Conference Room to attend a client conference call with RREEF on Tuesday, November 3, 2009, at 1:00 p.m.

- **Act 100 Legislative Report**

The Committee agreed the existing committee structure was working, the education of the members was adequate, and there was no need to expand the number of Committee numbers. **Mr. Rauh agreed** to draft a report on behalf of the Committee for the January 1, 2010 submission.

- **FY 2009 Actuarial Valuations**

The Committee held an interactive discussion regarding the FY '09 actuarial valuations, the impact on the VPIC with respect to the stress on the portfolio, and risks required to meet the actuarial rates of return for future funding requirements.

- **NEPC Client Forum Report**

Mr. Rauh reported on his experience and information gleaned from the October 26th & 27th conference. He reported a combination of public fund and private clients, along with endowments, and corporate accounts were present.

- **Clarification of VPIC Policies Regarding Disclosure and Reimbursement of Expenses for Attendance at Conferences**

Ms. Pershing-Johnson distributed a memo regarding interpretations and clarification of the policies in the areas of education, conflicts of interest, disclosure, payment of expenses, reporting, and sanctions.

ITEM 8: Any Other Business to Come Before the Committee

None

ITEM 9: Adjournment

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

Respectfully submitted,

Donna Holden, Clerk