

VERMONT PENSION INVESTMENT COMMITTEE
December 16, 2009

SPECIAL 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 MACKEY, VSTRS Representative, term expiring June 30, 2011
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:

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
Stephen Wisloski, Director of Investment and Debt Management
Jaye Pershing-Johnson, Assistant Attorney General
Bill Monagle, NEPC Partner and Senior Strategist in our Private Markets group
Kevin Kondry, NEPC Consultant

CALL TO ORDER:

The Chair, Steve Rauh, called the Thursday, December 17, 2009, meeting to order at 9:02 a.m., which was held in the Treasurer's Conference Room, 109 State Street, Montpelier, VT.

ITEM 1: **Schroders Commodities Contract**

Ms. Pershing Johnson reminded the Board that at its October 29, 2009 meeting the VPIC voted to engage Schroders at a maximum fee of 110 bps, of which 95 bps was a flat management fee and 15 bps was an administrative fee. She said, however, during the course of contract negotiations with Schroders, it was discovered that the administrative portion of their fee was in fact a "range of up to 25 bps," versus the current 15 bps flat fee, which meant their flat fee could rise to 120 bps.

Mr. Kondry advised the Committee of his discussion with Shaun Levesque, who verified the admin fee could also go lower than the current 15 bps, as the fee was based on the asset balance. However, he reported if the assets were decreased below a certain level the fee could be adjusted upward to a maximum 25 bps, after a 60-day notice to investors. The Committee acknowledged with a 30-day liquidation provision, in essence the 60-day notice provided opportunity for investors to withdraw from the fund.

The Committee also reviewed the information provided by Ms. Pershing Johnson in her December 14, 2009 memorandum. Mr. Kondry also agreed to follow-up with the manager regarding Board questions about the use of leverage and collateralization.

On a motion by Mr. Mackey seconded by Mr. Johannesen the Committee unanimously voted to approve the maximum flat fee of 120 bps for the commodities contract with Schroders, which consists of a 95 bps fee and maximum 25 bps administration fee.

ITEM 2: RREEF America III Proxy Voting Direction

Mr. Wisloski advised the Committee that RREEF III hosted a call at noon on December 11, 2009. The call was held to ask shareholders to vote a proxy in favor of removing the fund's 60% Loan-to-Value (LTV) ratio limitation in order to permit the fund to restructure its existing line of credit with a 3-year maturity extension, and to obtain \$37 million of additional capital from Deutsche Bank. Mr. Kondry advised that the vote was needed by Thursday, December 17th, noting that no action would be considered an affirmative action.

Bill Monagle referred to and reviewed the five-page NEPC December 14, 2009 client memorandum regarding this matter, which recommended approval of the proposal.

On a motion by Mr. Johannesen seconded by Mr. Mackey, the Committee unanimously voted to approve the RREEF III restructuring and proxy proposal, as presented by NEPC.

Mr. Monagle and the Committee also further discussed the NEPC memo and recommendations regarding valuation of the assets. Mr. Wisloski agreed to discuss the matter with the Deputy Treasurer.

ITEM 3: Any Other Business to Come Before the Committee

None

ITEM 4: Adjourn

Hearing no objection, Mr. Rauh declared the meeting adjourned at 9:35 a.m.

Next Meeting:

February 22, 2010 and February 23, 2010

Respectfully submitted,

Donna Holden, Clerk