

**VERMONT PENSION INVESTMENT COMMITTEE**  
**February 22, 2010**

**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

**VPIC Member(s) Absent:**

VACANT, Governor's Delegate, term expiring June 30, 2012  
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  
ROBERT HOOPER, VSERS *Alternate*, term expiring June 30, 2012

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

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

**Also attending:**

Donna Holden, Clerk  
Dick Charlton, Kevin Kondry and Chris Levell, NEPC  
Jaye Pershing-Johnson, Assistant Attorney General  
Linda Deliduka, VSTRS Board Member  
Doug Slater, Vice President, MSCI Barra  
Dan Sinnreich, Executive Director, MSCI Barra  
Rod Arends, Investor Analytics  
Samuel Won and Christian Saxman, Global Risk Management Advisors

**CALL TO ORDER:**

The Chair, Steve Rauh, called the Monday, February 22, 2010, 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.

**ITEM 1:      **Agenda Approval/Announcements****

Hearing no objections, the February 22<sup>nd</sup> and February 23<sup>rd</sup> agendas were accepted.

**ITEM 2:      **Minutes****

- **Approve the Minutes of November 23, 2009 – Regular meeting**
- **Approve the Minutes of November 24, 2009 – Regular meeting**
- **Approve the Minutes of December 16, 2009 – Special Conference Call meeting**
- **Approve the Minutes of January 25, 2010 – Special Conference Call meeting**
- **Approve the Minutes of February 1, 2010 – Special Conference Call meeting**

**On a motion by Mr. Hooper seconded by Mr. Mackey, the Committee unanimously voted to approve the minutes of November 23, November 24, December 16, 2009, January 25, and February 1, 2010, as discussed.**

*Mr. Hooper left the meeting prior to the voting on the motion.*

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

**ITEM 3: Committee Action Items**

- **Discuss/Approve New Agenda Cycles for Recurring Topics**

**On a motion by Mr. Altemus seconded by Mr. Johannesen, the Committee unanimously voted to adopt the new *Agenda Cycles for Recurring Topics* schedule, as presented.**

**The Committee agreed** that other items may be added to an agenda at any time by contacting the Chair.

*Mr. Hooper returned to the meeting.*

- **Discuss/Approve VPIC Legislative Proposal**

Mr. Rauh remained at the meeting, however, recused himself from discussion on the following item.

*Mr. Rauh temporarily stepped down as Chair. Mr. Spaulding assumed the role of Acting Chair.*

Mr. Spaulding reviewed the proposal.

*Mr. Rauh left the meeting prior to voting on the following motion. Mr. Jeffrey became the voting member.*

**On a motion by Mr. Mackey seconded by Mr. Spaulding, the Committee unanimously voted to support and recommend the VPIC Legislative Proposal, as presented.**

*Mr. Rauh returned to the meeting. Mr. Spaulding stepped down as Acting Chair and Mr. Rauh assumed his role as Chair.*

**ITEM 4: Committee Discussion Items**

- **Contract Update**

*PIMCO StocksPlus:* Ms. Pershing-Johnson advised the Committee there has been poor responsiveness on the part of PIMCO's counsel; however, she expected communication this week. She reviewed a list of business considerations including the performance fee structure, Class A vs. Class B fund selection, claw back provisions, indemnifications, and redemption schedules. Ms. Pershing-Johnson also advised the Committee of potential securities lending issues and transition options.

*SSB&T Securities Lending Agreement:* Ms. Pershing-Johnson advised the Committee the AG's Office prepared a contract for SSgA with respect to the investment advisement involved in the securities lending features, however, there was also an option to include securities lending components in the upcoming Custodian Bank RFP during 2010 and eventual new contract.

**The Committee agreed** the current custody contract contained securities lending language and that SSB&T would be responsible for the sub-contract provisions. Ms. Pershing-Johnson concurred and acknowledged this arrangement was not unique; however, the AG's Office felt the lack of investment management contract directly with the advisor was of concern to them.

- **Hedge Fund/Private Equity Legal Issues**

Ms. Pershing-Johnson had nothing new to report on this matter and stated it would depend on each manager.

Mr. Kondry advised the information provided by the AG's Office in November was being reviewed by NEPC and would be disseminated to managers for feedback for the April meeting. However, Mr. Levell reiterated that VPIC's constraints may preclude participation in a number of funds, so any proposed Hedge Fund or Private Equity investments must be a fit for investment structure and also fit with the legal structure. NEPC agreed to provide a performance comparison of recently placed investments.

- **Real Estate Update**

The Committee agreed to discuss this issue at the February 23, 2010 meeting.

- **VPIC Education**
- **Possible May Meeting/Retreat in Boston**

Mr. Mackey encouraged everyone to attend the NEPC Annual Conference May 12 and 13, 2010.

**On a motion by Mr. Mackey seconded by Mr. Altemus, the Committee unanimously voted to authorize the VPIC members, alternates, and staff to attend the NEPC Annual Conference, May 12 & 13, 2010.**

Mr. Rauh and Mr. Spaulding agreed to coordinate with NEPC the potential of holding a VPIC meeting in Boston in conjunction with the annual conference.

- **Review VPIC Education Policy/Standards of Conduct**

Mr. Rauh advised the Committee of the Policies and encouraged mindfulness considering the ongoing sensitivity to any appearance of conflict of interest.

Along with the Committee, Ms. Pershing-Johnson reviewed the policies and her October 28, 2009 memo.

**ITEM 5: Executive Session to Discuss: Investment Consultant RFP – First Draft**

**At 10:22 a.m. on a motion by Mr. Altemus seconded by Mr. Mackey, the Committee unanimously voted to enter into executive session, pursuant to Title 1 § 313, to discuss contractual matters.**

Ms. Pearce, Ms. Pershing-Johnson, Ms. Deliduka, and Ms. Holden were invited into the executive session.

**At 11:03 a.m. the Committee exited executive session.**

**On a motion by Mr. Mackey seconded by Mr. Altemus, the Committee unanimously voted to approve release of the RFP, with the amendments as discussed.**

**ITEM 6: Investment Consultant 3<sup>rd</sup> Quarter 2009 Review**

Mr. Charlton, Mr. Kondry and Mr. Levell presented the Q4/2009 report. They reported a total VPIC fund balance of \$2,918,641,143 in assets, which included assets of the three retirement systems and one

municipality. The Committee also reviewed the individual plans' current and target asset allocations, manager summaries, and plan performance.

**VSTRS:**

The fourth quarter 2009 performance reported a market value fund balance of approximately \$1.33 billion and a gross quarterly return of 3.1%, performing below the total public funds median ranking in the 62<sup>nd</sup> percentile. The one-year return was reported at 26.5% ranking in the 7<sup>th</sup> percentile, three-year return (1.2)% ranked in the 83<sup>rd</sup> percentile, and a five-year return of 2.8% reported in the 76<sup>th</sup> percentile of the median public fund universe.

**VSERS:**

The fourth quarter 2009 performance reported a market value fund balance of approximately \$1.17 billion and a gross quarterly return of 3.2%, performing below the total public funds median ranking in the 54<sup>th</sup> percentile. The one-year return was reported at 27.5% ranking in the 6<sup>th</sup> percentile, three-year return (1.5)% ranked in the 67<sup>th</sup> percentile, and a five-year return of 3.2% reported in the 57<sup>th</sup> percentile of the median public fund universe.

**VMERS:**

The fourth quarter 2009 performance reported a market value fund balance of approximately \$3.14 million and a gross quarterly return of 3.4%, performing above the total public funds median ranking in the 45<sup>th</sup> percentile. The one-year return was reported at 28.4% ranking in the 3<sup>rd</sup> percentile, three-year return (1.2)% ranked in the 55<sup>th</sup> percentile, and a five-year return of 3.6% reported in the 43<sup>rd</sup> percentile of the median public fund universe.

**BURLINGTON:**

The fourth quarter 2009 performance reported a market value fund balance of approximately \$103 million and a gross quarterly return of 3.4%, performing above the total public funds median ranking in the 42<sup>nd</sup> percentile. The one-year return was reported at 28.0% ranking in the 4<sup>th</sup> percentile of the median public fund. The inception date of this municipal deposit was November 1, 2007; therefore, further performance data was achieved prior to it joining VPIC. Burlington reported a three-year return of (2.0)% ranked in the 55<sup>th</sup> percentile, and a five-year return of 3.6% reported in the 43<sup>rd</sup> percentile of the median funds universe.

**ITEM 7: Risk Management Presentations and Discussion**

- **MSCI Barra**

Doug Slater, Vice President, and Dan Sinnreich, Executive Director, of MSCI Barra appeared before the Committee to review their risk management products.

- **Investor Analytics**

Rod Arends, Investor Analytics, and Samuel Won and Christian Saxman, of Global Risk Management Advisors appeared before the Committee to review their risk management products.

The Committee discussed the presentations, potential benefits, costs, and other options.

**ITEM 8: Review of Tuesday's Asset Allocation Discussion**

The Chair recommended Committee members review the NEPC booklets to be better prepared for the discussion scheduled for the next day.

**ITEM 9: Other Business**

Mr. Johannesen distributed worksheets that calculated total and average performance data compared to market benchmarks for the manager in the same time frame. The Committee thanked Mr. Johannesen for the useful information.

**ITEM 10: Recess Meeting for the Day**

**Hearing no objection, Mr. Rauh declared the meeting recessed at 4:48 p.m.**

Respectfully submitted,

*Donna Holden*  
Clerk