

VERMONT PENSION INVESTMENT COMMITTEE

March 16, 2010

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

VPIC Member(s) Absent:

WARREN WHITNEY, VSERS Representative, term expiring June 30, 2012
VACANT, Governor's Delegate, 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:

ROBERT HOOPER, VSERS *Alternate*, term expiring June 30, 2012
JON HARRIS, VSTRS *Alternate*, term expiring June 30, 2011

Also attending:

Donna Holden, Clerk
Steve Wisloski, Director of Investment & Debt Management
Dick Charlton and Kevin Kondry, NEPC
Bill Griffin, Chief Assistant Attorney General

CALL TO ORDER:

The Chair, Steve Rauh, called the Tuesday, March 16, 2010, *special conference call* meeting to order at 10:02 a.m., which was held in the Treasurer's Conference Room, 109 State Street, Montpelier, VT.

ITEM 1: **Aberdeen structure change – AG's Office**

The Board referred to Ms. Pershing-Johnson's memo dated March 4, 2010, regarding the change in Aberdeen's legal structure. Mr. Griffin advised there were no outstanding issues regarding the matter from the AG's Office.

On a motion by Mr. Altemus seconded by Mr. Spaulding, the Committee unanimously voted to approve amendment to the contract based on the details provided and the recommendation of Ms. Pershing-Johnson.

ITEM 2: **Follow-up on Risk Management presentations – Steve Wisloski**

Mr. Wisloski advised the Committee that given the fact that the Investment Consultant RFP was pending and included a risk management component, he recommended the firms that visited be thanked for their presentations and that the Committee wait to see what the RFP responses provided.

Mr. Rauh concurred and reiterated his conversation with the on-staff Risk Manager at MassPRIM, who is also looking at risk management service providers.

The Committee unanimously agreed to postpone any further action/discussion regarding risk management vendors, until a later date, if warranted.

ITEM 3: Action - Reinvest Real Estate cash distributions – NEPC/Steve Wisloski

Mr. Rauh reminded the Committee of their 2008 real estate restructuring plan and queried the Committee on their input and support for a return to the prior practice of reinvesting real estate distributions vs. taking them in cash.

Discussion ensued, and Mr. Charlton suggested the Committee consider alternatives such as “secondary market” investments being sold by trusts and endowments to increase their liquidity, some at dramatically discounted prices,. NEPC agreed to provide further educational information on the topic, and the Committee agreed to consider this option in the future.

On a motion by Mr. Spaulding seconded by Mr. Altemus, the Committee unanimously voted to return to the practice of reinvestment of real estate distributions vs. receiving cash distributions.

Mr. Wisloski advised the Board of a recent notification from UBS Realty regarding a redemption distribution request placed by Mr. Minot in 2008 or later. He noted at that time the VPIC was raising funds and placing redemption requests into queue to fund other real estate contracts which since have been suspended.

The Committee discussed, and NEPC agreed, it was not prudent to take this redemption, which would further erode/reduce VPIC’s new 5% real estate target allocation.

On a motion by Mr. Johannesen seconded by Mr. Altemus, the Committee unanimously voted to leave the \$10M in UBS and cancel the pending receipt of the redemption distribution.

Mr. Mackey left the meeting.

ITEM 4: NEPC recommendations to implement revised asset allocation

The Committee initiated discussion with NEPC regarding the review and recommendations for new manager target allocations.

At 10:34 a.m. on a motion by Mr. Spaulding seconded by Mr. Johannesen, the Committee unanimously voted to enter into executive session, pursuant to Title 1 § 313 to discuss contractual matters.

Mr. Charlton, Mr. Kondry, Mr. Griffin, Mr. Wisloski, and Mrs. Holden were invited into the executive session.

Mr. Jeffrey left the meeting during the executive session.

At 11:35 a.m. the Board exited executive session.

On a motion by Mr. Altemus seconded by Mr. Spaulding, the Committee unanimously voted to table implementation of the new asset allocation adopted at the February 23rd meeting, and authorized Mr. Wisloski to use the previous Mix B allocations for March 31st semi-annual rebalancing.

ITEM 5: Any Other Business to Come Before the Committee

Mr. Johannesen questioned the accuracy and prudence of keeping the 8¼% actuarial rate of return, given the economic market and expected rate of return from the new asset allocation adopted in February.

Mr. Spaulding responded stating the change to even 8% was not an emergency, and in his opinion, believed the best method would be to reduce the rate incrementally over the next 10 (or so) years.

The Committee agreed the topic was both a financial and political issue, with changes to the assumed rate of return affecting the amount of future State contributions. The Committee also agreed; however, the sooner the dilemma was faced the better.

Mr. Spaulding also reminded the Committee that any changes in the actuarial assumptions required Retirement Board collaboration and support.

ITEM 6: Adjournment

Hearing no objection, Mr. Rauh declared the meeting adjourned at 11:45 a.m.

Respectfully submitted,

Donna Holden
Clerk