

VERMONT PENSION INVESTMENT COMMITTEE
December 21, 2010

VPIC Members Present:

STEPHEN RAUH, CHAIR

JEB SPAULDING, VICE-CHAIR, VT State Treasurer

VAUGHN ALTEMUS, Governor's Delegate, term expiring June 30, 2014

ROBERT HOOPER, VSERS Representative, term expiring June 30, 2012

STEVEN JEFFREY, VMERS Representative, term expiring June 30, 2014

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

DICK JOHANNESSEN, Governor's Delegate, term expiring June 30, 2014

VPIC Member(s) Absent:

NONE

VPIC Alternate Members Present:

KEVIN GAFFNEY, VSERS *Alternate*, term expiring June 30, 2012

THOMAS GOLONKA, VMERS *Alternate*, term expiring June 30, 2012

KAREN PAUL, *Alternate* Governor's Delegate, term expiring June 30, 2012

VPIC Alternate Member(s) Absent:

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

Also attending:

Lestyn Mattison, Clerk

Steve Wisloski, Director of Investment and Debt Management

Jaye Pershing Johnson, Assistant Attorney General

Linda Deliduka, VSTRS Board Member

CALL TO ORDER:

The Chair, Steve Rauh, called the Tuesday, December 21, 2010 meeting to order at 8:31 a.m., which was held in the 4th Floor Conference Room, 109 State Street, Montpelier, VT.

ITEM 1: **Agenda Approval and Announcements**

Mr. Gaffney moved to approve the agenda, seconded by Mr. Mackey. The agenda was approved unanimously with no changes or additions.

There were no announcements.

ITEM 2: **Minutes**

- **Approve the Minutes of November 23, 2010 – Regular Meeting**

Mr. Wisloski questioned the term dates for alternate member Tom Golonka. Mr. Rauh asked Mr. Wisloski and Ms. Pershing Johnson to research whether the correct date should be June 30, 2012, which coincides with the end of Mr. Golonka's term on the VMERS board, or June 30, 2014, which coincides with a standard 4-year term for VPIC members.

On a motion by Mr. Johannesen seconded by Mr. Mackey, the Committee unanimously voted to approve the minutes of November 23, 2010 – Regular Meeting, as discussed.

ITEM 3: Committee Action Items

- Municipal Pension Investment Procedures

Mr. Rauh reported that the City of Burlington had no comments on the revised municipal pension investment procedures. The procedures will be the basis for renewal of the Burlington contract and for other municipalities to join VPIC.

Mr. Johannesen asked about minimum custodial accounts referenced in the guidelines. Mr. Wisloski stated that once funds are in VPIC there is a general amount of custodial cash. The municipality would be informed by him if they were to request an amount greater than their cash on hand which would result in liquidation of a portion of their investments.

Mr. Jeffrey moved to approve and finalize the new procedural guidelines as amended for municipalities to invest with VPIC. This was seconded by Mr. Mackey and carried unanimously.

- Approve Investment Manager Monitoring Process Policy

After a brief discussion of the policy, Mr. Hooper, seconded by Mr. Jeffrey, moved to accept the manager monitoring policy and matrix.

Mr. Jeffrey asked whether adoption of this policy changes the previous VPIC procedure of meeting with managers annually. Mr. Rauh recommended continuing to see managers whenever there is a clear need. Because some of the strategies are complex, VPIC is dependent on analysis and reporting from NEPC although there is a benefit from seeing managers in person from time to time.

The motion to approve the Management Monitoring Policy document carried unanimously.

- Approve Joe Mackey Conference Travel Reimbursement

Mr. Mackey discussed a conference that he attended in Montreal sponsored by JP Morgan Strategist Group.

Mr. Hooper moved to approve the mileage reimbursement request for Mr. Mackey's attendance at the conference, which was seconded by Mr. Altemus and carried.

ITEM 4: Discussion Items/Updates

- Contract Updates

Mr. Wisloski reported that the fund-of-funds manager contracts are complete. Grosvenor was funded in November 2010, with the others scheduled for funding at the end of January 2011. The Mondrian global bonds contract was renewed for five years, and the ISS Proxy Voting contract was extended for one year. The State Street custody contract was extended for three months, with the expectation that in March 2011 VPIC will renew for five years.

Mr. Jeffrey, seconded by Mr. Altemus, moved to approve the Mondrian Fixed Income contract renewal and the State Street extension to March 31, 2011. Motion carried unanimously.

- Monthly Meetings/Meeting Schedule for 2011

The board reviewed the meeting schedule for 2011. By consensus it was agreed that the board will continue to hold monthly meeting but whenever possible shortened monthly meetings are preferable.

Kevin Gaffney left the meeting

ITEM 5: Review VPIC Policies

- Conflicts of Interest/Standards of Conduct

Ms. Pershing Johnson reviewed the current policy with an added section on personal investment. There was a brief discussion on board member transparency and disclosure. The current VPIC policy protects individual board members, VPIC as a whole, and the members of the retirement systems. VPIC agreed to stay with the Conflicts of Interest/Standards of Conduct rules as published.

- Proposal to Restructure and Simplify VPIC Policies

After review of the proposed changes Mr. Mackey moved to rescind the old policy and accept the operating policy as rewritten and amended. Mr. Jeffrey seconded and motion passed unanimously.

- Proxy Voting Guidelines

The domestic and international proxy voting guidelines were discussed, and, given that they were reviewed extensively during 2010, approved without changes.

Karen Paul left the meeting.

ITEM 6: Review VPIC Governance

- VPIC Self-Evaluation

The committee discussed the possibility of having the ability to influence or recommend Treasurer's Office staff dedicated to VPIC. Board member collective skills and experience was also discussed in terms of public disclosure.

- Chair Evaluation

There was a brief discussion evaluating Mr. Rauh's performance in the past year. It was agreed that the evaluation should be in writing. The clerk was assigned the task of listing the evaluation points for dissemination to the members as a basis for more formal written evaluation.

- Independent Operational/Fiduciary Audit

After a brief review of the services provided by Independent Fiduciary Services it was agreed that the committee would for the time being use a self-evaluation questionnaire published by Strategic Investment Group rather than hiring an outside firm for evaluation.

Mr. Gaffney rejoined the meeting.

ITEM 7: Review Key Service Providers

- NEPC

Mr. Mackey suggested that NEPC evaluate VPIC. Mr. Hooper commented that NEPC never gave VPIC a report card based on their recommendations vs. VPIC following their advice. Mr. Johannesen commented that NEPC could educate VPIC more thoroughly with a more frequent flow of information.

- State Street

Contract extension and renewal.

- ISS/Risk Metrics

Recent renewal of their contract.

ITEM 8: 2011 Agenda Planning

- Education

There was a brief discussion on various ways to continue to improve education for the committee. Mr. Spaulding made the motion to allocate \$200 annually per VPIC member and chairman for periodicals subscriptions deemed to be worthwhile. Mr. Hooper seconded and amended the motion to include periodicals from a core list. The motion was tabled pending results of Mr. Wisloski's research on discounts available for volume orders.

ITEM 9: VPIC Financial Market Dashboard

Mr. Wisloski reviewed the Economic and Financial Markets Dashboard. He pointed out that the biggest change is that the outlook has become more positive. There are still many negatives, which will continue to create volatility.

Mr. Hooper left the meeting.

The committee recognized Vice Chairman, Jeb Spaulding for his contributions to VPIC over the years and wished him well in his new position.

Mr. Spaulding left the meeting.

ITEM 10: Director of Investment and Debt Management Report

Mr. Wisloski reviewed the contents of the Director's report, including current and projected asset allocation, Schroder's Commodity program "hard close," the State Street securities lending program status, and updated assets under management.

ITEM 11: Other or New Business

No other or new business was identified.

ITEM 12: Adjournment

The meeting was adjourned at 3:40 PM.

Respectfully submitted,

Lestyn Mattison, Clerk