

Vermont Pension Investment Committee  
Vermont Manager Program RFI  
March 19, 2009

**QUESTIONS & ANSWERS**

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- 1. What should our expectations be of this program? Could the values awarded to each manager fluctuate greatly year over year? Could the plan terminate without notice?**

*Asset amounts that may be awarded to managers will be manager specific and within the context of VPIC asset class needs. How much is awarded each year will also depend on the nature and quality of the letter proposals and associated information requests. Each year that this program is open will constitute an opportunity for Vermont managers to propose to manage assets for the VPIC.*

*Retention of Vermont managers will be based on actual and expected performance and other factors. Depending on the response to this RFI, investment results and future VPIC needs, this plan to solicit RFIs from managers could either continue indefinitely or terminate at some point in the future; however, the VPIC does not necessarily link any termination of the program to solicit RFIs with termination of a Vermont manager.*

- 2. The RFI mentions an evaluation process from NEPC. May we please have a copy of the evaluation criteria?**

*The VPIC will consider the proposing managers' investment philosophy, investment personnel, management style, historical performance including volatility, assets under management, total VPIC assets allocated to each asset class, manager firm history and current status, fees, fit with other VPIC managers, response to RFI quality, quality of finalist interviews, references and other factors used in investment manager assessment.*

- 3. How often will we be required to update performance data? How rigorous a process will this be?**

*Vermont investment managers will be subject to the same investment guidelines as other VPIC managers, including performance monitoring requirements. As instructed in the RFI letter, please see the Vermont State Treasurer's website for current investment manager guidelines which includes information on performance reporting content and periodicity.*

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- 4. How are the mechanics of this going to work? Are there hardware/software requirements? Do our folks place trades directly? How do we monitor the account?**

*Investment assets (account securities and cash) shall be held by the VPIC custodian, currently State Street Bank and Trust, Boston, MA. While trades can be entered through electronic interface with State Street, trade tickets may also be transmitted by fax. Trades settle DVP at the custodian. State Street will provide a means of account monitoring; however, it is also expected that managers will maintain their own account records of VPIC assets, and that these manager records will be reconciled against custodian data monthly.*

- 5. What should we expect for cash inflows/outflows? This could impact resource allotment depending on how frequently we would have to raise cash/invest.**

*Outside of investment income and performance, VPIC account cash inflows and outflows are impacted by semi-annual rebalancing, monthly withdrawals for benefit payments, any changes to target allocation levels, and the relative performance of investment managers and asset classes. Net withdrawals (benefit payments net of contributions) for the three systems were approximately \$72.5 million in calendar year 2008, which is less than 5% of VPIC total assets.*

*If one asset class outperforms other asset classes and materially changes its actual allocation to exceed target allocation, that outperforming asset class can expect a level of withdrawals; conversely if an asset class underperforms other asset classes and materially changes its actual allocated to be less than target allocation, that asset class can expect a level of contributions.*

*Of course, a sustained underperformance relative to benchmark will cause the VPIC to consider manager termination as opposed to continual rebalancing contributions.*

- 6. We have a substantial history and are very comfortable with our performance data. However, we do have a question regarding the AIMR compliance component. Can you tell us more?**

*At a minimum, managers selected under this program must present performance data consistent with AIMR/GIPS standards if they are not certified. In general, assuming AIMR/GIPS consistency and no negative findings regarding performance reporting in SEC, internal*

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*control or external control reviews, the data will be considered acceptable.*

7. We know that the website requests quite a bit of information. Are there any documentation requirements to back up any of the data on the system? For example, AUM?

*Initially the data submitted will be reviewed as presented. Subsequent due diligence on a manager may require substantiating data submitted, including AUM.*

8. We meet regularly with most of our clients. Will there be some meeting criteria involved with this relationship and, if so, with whom?

*A Vermont Manager should reasonably expect an in person meeting annually, and more often if the account is not progressing as anticipated. Telephonic communications will occur more often.*

9. What was the catalyst behind the Vermont Manager Program?

*As stated in the RFI letter, "The goal of the Program is to generate competitive returns for the plan assets while providing benefit to Vermont investment management firms, and indirectly to the State of Vermont." VPIC leadership shared this goal with the VPIC and the Committee agreed to initiate the program.*

10. How many institutions received the RFIs? Was there any screening?

*230 managers were sent the RFI notice. The managers were identified from a list of Vermont Investment Managers received from State sources. The list of notices was intended to be inclusive of as many potential Vermont managers as possible and to allow managers to determine themselves if they meet selection criteria.*

11. We are a Vermont State chartered Trust department with a Vermont Savings Bank having been in business now over 10 years. My question is: Do we also need to have \$100 million in assets under management?

*Yes*

12. I was unclear about whether we needed to be State chartered or have assets under management of \$100 million or both.

*Both*