



**VERMONT PENTION INVESTMENT COMMITTEE
JUNE 24, 2014**

VPIC Members Present:

STEPHEN RAUH, CHAIR
BETH PEARCE, VICE-CHAIR, Vermont State Treasurer
JOSEPH MACKEY, VSTRS Representative, term expiring June 30, 2015
THOMAS GOLONKA, VMERS Representative, term expiring June 30, 2016
ROBERT HOOPER, VSERS Representative, term expiring June 30, 2016

VPIC Member(s) Absent:

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

VPIC Alternate Members Present:

KAREN PAUL, *Alternate* Governor's Delegate, term expiring June 30, 2016
STEVEN JEFFREY, VMERS *Alternate*, term expiring June 30, 2014

VPIC Alternate Member(s) Absent:

KEVIN GAFFNEY, VSERS *Alternate*, term expiring June 30, 2016
LINDA DELIDUKA, VSTRS *Alternate*, term expiring June 30, 2017

Also attending:

Matt Considine, Director of Investments
Nick Foss, Investments Analyst
Jesse Moorman, Attorney General's Office
Doug Moseley and Chris Levell, NEPC LLC
Jeff Briggs, VSERS Board member
JT Lukens, Deborah Messing 350VT.org

CALL TO ORDER:

The Chair, Mr. Rauh, called the June 24, 2014 meeting to order at 8:30 a.m., which was held in the 4th Floor Conference Room, 109 State Street, Montpelier, VT.

Mr. Rauh introduced JT Lukens and Deborah Messing from 350VT.org

ITEM 1: Agenda Approval and Announcements

The Chair, Mr. Rauh, reviewed the agenda with the Committee. Joe Mackey indicated he would be attending a conference in July on indexing.

On a motion by Bob Hooper, seconded by Joe Mackey, the Committee unanimously approved the Agenda.

ITEM 2: Consent Agenda

- **Previous VPIC Meeting Minutes**
- **Routine Contract Amendments**

The Chair, Mr. Rauh, indicated the items in the Consent Agenda today were the minutes and a request for an increase in the SSgA ACWI maximum amount.

On a motion by Beth Pearce, seconded by Bob Hooper, the Committee unanimously approved the Consent Agenda.

Chris Levell from NEPC arrived at 8:45 a.m.

ITEM 3: Director of Investments Report and Action Items

Mr. Considine reviewed the Asset Allocation table and explained the maximum amount extension request for one manager.

Mr. Considine reviewed with the Committee his communication with PIMCO management about the variation in calendar Q1 performance between the PIMCO Unconstrained model portfolio and the VPIC implementation of the Unconstrained portfolio, noting that the differences are due to VPIC investment guidelines.

Mr. Considine gave his recommendation that the VPIC guidelines for PIMCO Unconstrained should not be altered.

Mr. Considine reviewed with the Committee the investment staff's meetings with Champlain Investment Partners, noting that there were no unusual takeaways.

Mr. Considine explained to the Committee the guideline waiver that Guggenheim requested, which was approved as a "Consensus Waiver" per VPIC policy.

Finally, Mr. Considine noted that a rough draft of the annual letter to the legislature, along with an attendance table was included in the packet for members' review. Being a draft, it was requested that any omissions or errors be pointed out, with the goal being a final draft to be presented at the July meeting.

ITEM 4: Discussion Items and Updates

- **Vermont State Treasurer's Update**
- **Vermont Open Meeting Law Update**
- **Draft VPIC Annual Reports to Legislature**

- **Content/Format for Fixed Income Education Meeting**
- **May Flash Report**
- **NEPC Investment Manager Watch List: PIMCO, Schroder**

Ms. Pearce mentioned to the Committee that the Treasurer's staff has begun the annual audit process and that the investment staff will begin to cover the logistics of the VPIC meetings.

Ms. Pearce recommended to the Committee that Monica Chiren be acknowledged for her hard work in the clerking the

On a motion by Beth Pearce, seconded by Joe Mackey, the Committee unanimously moved to thank Monica Chiren for her commitment to public service and to VPIC and to wish her the best in her future endeavors.

Jeff Briggs entered the meeting at 8:55AM

Jesse Moorman discussed with the Committee the changes in the Vermont Open Meeting Law, specifically as it pertains to entering into executive session, electronic meeting participation and e-mail communication, agenda and meeting minutes, and penalty and enforcement.

Mr. Mackey reviewed his proposed fixed income educational session that is planned to be scheduled in October.

Mr. Rauh noted that the annual reports to the legislature were covered by Mr. Considine in the discussion of the Director's report.

Mr. Moseley reviewed the previous month's Flash Report with the Committee. Tom Golonka noted the absence of net-of-fee information and NEPC replied that that would be supplied.

NEPC commented that PIMCO and Schroder remain on the NEPC watch list.

ITEM 5: Asset/Liability Risk Management Project Work Plan

Mr. Rauh and Mr. Considine reviewed a proposed workflow aimed at answering questions related to the suitability of asset allocations to different liability and funded-level profiles.

Mr. Considine gave an overview of the 2013 CALSTRS Asset Liability Study included in the VPIC packet.

Mr. Hooper left the meeting at 10:22AM and re-entered at 10:24AM

NEPC and the Committee discussed risk objectives, philosophies and tolerances in regards to the CALSTRS article. The asset allocation scheme and relevance of different market scenarios were also discussed.

NEPC recommended to the Committee that they revisit the risk tolerance level of the VSTRS plan's asset allocation.

Bob Hooper left the meeting at 11:07AM and returned at 11:09AM

Beth Pearce introduced and distributed to the Committee an article titled *Setting the Discount Rate for Valuing Pension Liabilities* by Daniel Wade.

Joe Mackey left the meeting at 11:25AM and returned at 11:28AM.

Steve Jeffrey left the meeting at 11:31AM and returned at 11:35AM.

ITEM 6: Economic and Financial Market Dashboard

Mr. Considine reviewed with the Committee the economic and financial market dashboard. The Committee discussed the positive and negative factors on the economic and financial market dashboard. The Committee discussed the charts on the economic and financial market, in particular the role of payment-in-kind issuance in the high-yield market.

ITEM 9: New or Other Business/Public Comment

350VT.org (JT Lukens) spoke about an article that appeared in the New York Times. They also spoke of the divestment movement and the stranded asset theory. They urged the committee to find different investments within the energy sector that are not involved in the production of oil, gas, or coal.

ITEM 9: Adjournment

On a motion by Karen Paul, seconded by Joseph Mackey, the Committee unanimously approved to adjourn the meeting at 12:00 p.m.

Respectfully submitted,

Matthew Considine, CFA
Director of Investments