



**VERMONT PENSION INVESTMENT COMMITTEE
NOVEMBER 24, 2015**

VPIC Members Present:

STEPHEN RAUH, CHAIR
BETH PEARCE, VICE-CHAIR, Vermont State Treasurer
VAUGHN ALTEMUS, Governor's Delegate, term expiring June 30, 2018
KAREN PAUL (PHONE), Governor's Delegate, term expiring June 30, 2018
THOMAS GOLONKA, VMERS Representative, term expiring June 30, 2016
ROBERT HOOPER, VSERS Representative, term expiring June 30, 2016
JOSEPH MACKEY, VSTRS Representative, term expiring June 30, 2018

VPIC Member(s) Absent:

VPIC Alternate Members Present:

JEFF BRIGGS, VSERS Alternate, term expiring June 30, 2016
LINDA DELIDUKA, VSTRS Alternate, term expiring June 30, 2017
DAVID STARR, Governor's Delegate Alternate, term expiring June 30, 2016

VPIC Alternate Member(s) Absent:

MEL HAWLEY, VMERS *Alternate*, term expiring June 30, 2016

Also attending:

Matt Considine, Director of Investments
Nick Foss, Investments Analyst
Katie Green, Investments Manager
Jaye Pershing-Johnson and Jesse Moorman, Attorney General's Office
Doug Moseley, Chris Levell, & Richard Charlton NEPC LLC
Stephen Wisloski, Deputy Treasurer
Chris Talbert, Teucrium Trading, LLC
Tom Boswell, B&F Financial Analytics
Austin Davis, 350VT
Brian Forest

CALL TO ORDER:

The Chair, Mr. Rauh, called the Tuesday, November 24th meeting to order at 8:30 am, which was held in the Governor's Conference Room, 109 State Street, Montpelier, VT.

ITEM 1: Agenda Approval and Announcements

The Chair, Mr. Rauh, reviewed the agenda with the Committee and, hearing no objection, indicated the agenda was approved as written

Deputy Treasurer, Mr. Wisloski, announced to the Committee that he would be leaving the Treasurer's Office at the end of the year to assume a new position as chief financial officer of the Vermont State Colleges. Mr. Wisloski was thanked for his time on the Board and for his service as Deputy Treasurer.

ITEM 2: Consent Agenda

The Chair, Mr. Rauh, indicated the items in the Consent Agenda today were the minutes and routine contract items, after pausing for Committee comment, indicated the consent agenda was approved as written.

Steve Wisloski left the meeting at 9:15AM

ITEM 3: Director of Investments Report and Action Items

Mr. Considine reviewed the Director of Investments Report with the Board. He outlined the Portfolio Asset Allocation table and notified the board that, as of October 31st, the VPIC composite AUM was at \$3.7 billion and the allocations were in line with their target allocations. Mr. Considine noted that Staff would be embarking on the liquidations of positions to satisfy the BERS withdrawal in December, and as a result small variances may result within the policy allocations. Mr. Considine mentioned that Staff was close to finishing the extension to the Grosvenor contract

- **HarbourVest Dover Street Fund IX**

Mr. Moseley reviewed with the Committee the *NEPC Private Markets Investment Due Diligence Report on HarbourVest Partners Dover Street IX*. Mr. Moseley responded to any questions and comments from the Committee.

On a motion by Joe Mackey, seconded by Vaughn Altemus, the Committee unanimously approved a motion by roll call (Karen Paul, Beth Pearce, Bob Hooper, Tom Golonka, Joe Mackey, and Vaughn Altemus – Yes) to commit \$30 million to the HarbourVest Dover Street Fund IX, per NEPC's recommendation.

ITEM 4: Discussion Items and Updates

- **Vermont State Treasurer's Update**

The Treasurer, Ms. Pearce, presented the Treasurer's Report to the Committee. Ms. Pearce outlined to the Committee a number of upcoming legislative items that would be involved in this year's upcoming legislative session. Ms. Pearce provided the Committee with a memo outlining

a number of ESG initiatives that the Treasurer's office would like to be involved in during this year's proxy season.

On a motion by Vaughn Altemus, seconded by Bob Hooper, the Committee unanimously approved a motion by roll call (Karen Paul, Beth Pearce, Bob Hooper, Tom Golonka, Joe Mackey, and Vaughn Altemus – Yes) to support the ESG initiatives outlined in the Treasurer's office ESG memo.

The Treasurer, Ms. Pearce, asked the Committee to enter into executive session in order to discuss the process of electing an interim chair for VPIC, which is a personnel matter.

On a motion by Beth Pearce, seconded by Vaughn Altemus, the Committee unanimously approved a motion by roll call (Karen Paul, Beth Pearce, Bob Hooper, Tom Golonka, Joe Mackey, and Vaughn Altemus – Yes) to enter into executive session.

The Committee entered into executive session at 9:13AM

The Committee exited executive session at 9:25AM

On a motion by Beth Pearce, seconded by Joe Mackey, the Committee unanimously approved a motion by roll call (Karen Paul, Beth Pearce, Bob Hooper, Tom Golonka, Joe Mackey, and Vaughn Altemus – Yes) to appoint Steve Jeffrey as interim chair (beginning January 1, 2016) and transition coordinator, with all fees and expenses associated with this position to be negotiated by the Treasurer's office within the current statutory limits.

- **October Flash Report**

NEPC reviewed with the Committee members the October Flash report. NEPC responded to the questions posed by the Committee members.

Treasurer Pearce reflected her concern to the Committee over VPIC's performance relative to the benchmark, and noted her continued belief that changes need to be made to the portfolio's asset allocation.

- **NEPC Investment Manager Watch List: PIMCO, Schroder**

Mr. Moseley indicated that Schroder remains on the NEPC Watch List; however because both the PIMCO *Total Return* and *Unconstrained* Funds have been removed from NEPC's Client Review status, they are no longer on the NEPC Watch List.

The Treasurer, Ms. Pearce, along with the entire Committee, recognized Mr. Charlton for his service to VPIC and thanked him for his partnership and guidance throughout the years.

ITEM 5: NEPC Overview of Commodity Manager Presentations

Mr. Moseley provided the Committee with a brief introduction to the following commodity managers presenting. Mr. Moseley responded to any questions or comments from the Committee.

ITEM 6: **Manager Presentation – Pinnacle Asset Management**

Jason Kellman and Gus Catsavis presented to the VPIC and responded to questions from the Committee about Pinnacle Asset Management and their Pinnacle Natural Resources fund.

ITEM 7: **Manager Presentation – Gresham Investment Management**

Jon Berland presented to the VPIC and responded to questions from the Committee about Gresham Investment Management and their Enhanced Tangible Asset Program fund.

ITEM 8: **Manager Presentation – Wellington Management**

David Chang, Sabre Mayhugh, Stefan Haselwandter, and Jason Law presented to the VPIC and responded to questions from the Committee about Wellington Management and their Commodities Fund.

Austin Davis and Brian Forest entered the meeting at 2:00PM

ITEM 9: **Discussion of Presentations/Action**

The Committee discussed their opinions on each of the presentations, but decided to defer any decision until January; so that NEPC's annual capital market assumptions could be included in the decision making process.

On a motion by Beth Pearce, seconded by Bob Hooper, the Committee unanimously approved a motion to defer the selection of a commodity manager pending a review of alternative asset allocation mixes to commodities and a comparative analysis of the Pinnacle Natural Resources fund within the hedge fund space.

ITEM 10: **Q3 Investment Performance Review**

The Committee decided that the Q3 Investment Performance Review had already been evaluated by members and decided to forego it as an agenda item.

ITEM 11: **Discussion of FY 2015 Actuarial Reports**

The Treasurer, Ms. Pearce, reviewed with the Committee the FY 2015 Actuarial Reports and responded to any questions and comments from the Committee.

ITEM 12: **Economic Financial Market Dashboard**

Mr. Considine presented the economic and financial markets dashboard. The Committee discussed the positive and negative factors on the economic and financial market dashboard.

ITEM 13: NEPC/Staff Deliverables for Upcoming Meetings

- Investments staff - VPIC stress test (December Meeting)
- NEPC – Alternative Asset Allocation Mixes (January Meeting)

ITEM 14: Future Agenda Topics/New or Other Business

Mr. Rauh indicated a number of upcoming agenda topics and asked the Committee if they had any topics they would like added to future agendas. Mr. Rauh indicated there was no new or other business to come before the Committee.

ITEM 15: Public Comment

Mr. Boswell delivered public comment.

Mr. Davis delivered public comment.

Mr. Forest delivered public comment.

ITEM 16: Adjourn

Mr. Rauh adjourned the meeting at 4:30pm.

Respectfully submitted,

**Nick Foss
Investments Analyst**