

**VERMONT PENSION INVESTMENT COMMITTEE**  
**February 25, 2014**

**VPIC Members Present:**

STEPHEN RAUH, CHAIR

BETH PEARCE, VICE-CHAIR, Vermont State Treasurer

JOSEPH MACKEY, VSTRS Representative, term expiring June 30, 2015

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

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

**VPIC Member(s) Absent:**

ROBERT HOOPER, VSERS Representative, term expiring June 30, 2016

THOMAS GOLONKA, VMERS Representative, term expiring June 30, 2016

**VPIC Alternate Members Present:**

KAREN PAUL, *Alternate* Governor's Delegate, term expiring June 30, 2016 – via telephone

LINDA DELIDUKA, VSTRS *Alternate*, term expiring June 30, 2017

STEVEN JEFFREY, VMERS *Alternate*, term expiring June 30, 2014

KEVIN GAFFNEY, VSERS *Alternate*, term expiring June 30, 2016

**VPIC Alternate Member(s) Absent:**

None

**Also attending:**

Stephen Wisloski, Vermont State Deputy Treasurer

Matt Considine, Director of Investments

Katie Green, Investments Manager

Jaye Pershing-Johnson and Jesse Moorman, Attorney General's Office

Doug Moseley and Chris Levell - via telephone, NEPC LLC

Representatives from BERS

Michael Mendelson and Mirella Lang, AQR Capital Management, LLC

Monica Chiren, Clerk

**CALL TO ORDER:**

The Chair, Mr. Rauh, called the Tuesday, February 25, 2014 meeting to order at 8:30 a.m., which was held in the 4<sup>th</sup> Floor Conference Room, 109 State Street, Montpelier, VT.

**ITEM 1: Agenda Approval and Announcements**

The Chair, Mr. Rauh, indicated the agenda was approved as written. Mr. Considine indicated he would forward information to the VPIC committee members concerning the

NEPC conference once it became available. Ms. Pershing-Johnson introduced Jesse Moorman from the Attorney General's Office.

**ITEM 2: Consent Agenda**

- **Minutes of January 28, 2014 – Regular Meeting**
- **Director of Investments Report**
- **Contract Amendments and Renewals**
- **Vermont State Treasurer's Report**

Ms. Pearce requested the Treasurer's Report and minutes be removed from the Consent Agenda.

**On a motion by Mr. Jeffrey, seconded by Mr. Johannesen, the Committee unanimously approved the Consent Agenda with the understanding the Vermont State Treasurer's Report and minutes of January 28, 2014 would be discussed under Other Business.**

**ITEM 3: Updates**

- **January Flash Report**
- **NEPC Investment Manager Watch List: Wellington EMD, PIMCO**
- **SEC Municipal Advisor Registration**

Mr. Moseley indicated the January Flash Report should be available by lunchtime.

Mr. Moseley provided the Committee members the update on Wellington, EMD and PIMCO. Mr. Moseley responded to the questions posed by the Committee members.

Ms. Pershing-Johnson provided the Committee members the update on the SEC Municipal Advisor Registration indicating public pension appointees were expressly exempt.

**ITEM 4: Review VPIC Investment Strategy Framework**

The Chair, Mr. Rauh, briefly reviewed with the Committee members the VPIC Investment Strategy framework. The Committee discussed the rate of return. There was a discussion concerning the volatility of the VPIC portfolio.

**ITEM 5: Annual Portfolio Asset Allocation Review**

Mr. Moseley reviewed with the Committee members the *Asset Allocation Review & Discussion* document.

(Mr. Altemus left the meeting for a short period of time during this agenda item.)

There was a discussion concerning liquidity, correlation, the select and ultimate methodology and risk. There was a discussion concerning the assumptions. Mr. Moseley and Mr. Levell responded to the questions posed by the Committee members.

**ITEM 6: Discussion/Action – Real Estate Manager Candidates**

The Committee briefly reviewed the real estate manager presentations from the January VPIC meeting.

(Ms. Pearce left the meeting during this agenda item.)

**On motion by Mr. Mackey, seconded by Mr. Johannesen, the Board voted unanimously to enter Executive Session at 11:35 a.m. pursuant to Title 1, § 313 for the purpose of discussing potential contract negotiations.**

(The Board exited Executive Session at 11:52 a.m.)

**On a motion by Mr. Mackey, seconded by Mr. Jeffrey, the Committee unanimously agreed to invest \$40 million in the Siguler Guff Distressed Real Estate Opportunities Fund II with the source of the funds being moved from equities and subject to successful contract negotiations.**

(Ms. Pearce returned to the meeting at this time.)

**ITEM 7: New or Other Business/Public Comment**

Ms. Pearce indicated she needed to leave the meeting early to go to Burlington today and inquired whether they could discuss the Treasurer's Report and minutes at this time. The Chair, Mr. Rauh indicated they would take these items out of order to accommodate Ms. Pearce.

The Chair, Mr. Rauh, discussed with the Committee the success limitations of using a Consent Agenda and how he plans to handle it for the March agenda.

**On a motion by Mr. Jeffrey, seconded by Mr. Altemus, the Committee unanimously agreed to approve the minutes of January 28, 2014, as amended.**

Ms. Pearce reviewed with the Committee members Bill H. 773.

**On a motion by Mr. Jeffrey, seconded by Mr. Altemus, the Committee unanimously agreed to support the Treasurer's position on Bill H. 773**

(A luncheon recess was taken from 12:20 p.m. to 12:45 p.m.)

(Mr. Wisloski and Mr. Levell were not present at this time.)

(Ms. Paul entered the meeting at this time via the telephone.)

**ITEM 8: Risk Parity Overview and Introduction to AQR Presentation**

Mr. Moseley reviewed risk parity with the Committee members. Mr. Moseley responded to the questions posed by the Committee members.

(Mr. Mendelson and Ms. Lang entered the meeting at this time.)

**ITEM 9: AQR Global Risk Premium Presentation and Discussion**

The presenters from AQR were introduced and welcomed to the meeting. Ms. Lang provided the Committee a brief background of AQR. The presenters from AQR reviewed their presentation with the Committee members. The representatives from AQR responded to the questions posed by the Committee.

(Mr. Mendelson and Ms. Lang left the meeting at this time.)

(A recess was taken from 2:45 p.m. to 2:55 p.m.)

Mr. Moseley reviewed with the Committee members the AQR presentation.

**ITEM 10: Q4/2013 Investment Performance Review**

Mr. Moseley reviewed with the Committee the *Fourth Quarter Investment Performance Analysis* document. Mr. Moseley responded to the questions posed by the Committee members. There was a discussion about PIMCO.

(Ms. Pearce and Mr. Mackey left the meeting during this agenda item.)

(Mr. Wisloski returned to the meeting at this time.)

**ITEM 11: Economic and Financial Market Dashboard**

Ms. Green 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. Ms. Green reviewed with the Committee the charts on the economic and financial market dashboard.

**ITEM 12: New or Other Business/Public Comment (cont'd)**

Mr. Wisloski indicated the Treasurer's Staff have moved ahead with the RFP for investment consultants.

**ITEM 13: Adjournment**

**On a motion by Mr. Jeffrey, seconded by Mr. Johannesen, the Committee unanimously agreed to adjourn the meeting at 4:15 p.m.**

Respectfully submitted,

Monica Chiren, Clerk