



**VERMONT PENSION INVESTMENT COMMITTEE  
MARCH 31, 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, Governor's Delegate, term expiring June 30, 2018  
THOMAS GOLONKA, VMERS Representative, term expiring June 30, 2016

**VPIC Member(s) Absent:**

ROBERT HOOPER, VSERS Representative, term expiring June 30, 2016  
JOSEPH MACKEY, VSTRS Representative, term expiring June 30, 2015

**VPIC Alternate Members Present:**

STEVEN JEFFREY, VMERS *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  
JEFF BRIGGS, VSERS *Alternate*, term expiring June 30, 2016

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

None

**Also attending:**

Stephen Wisloski, Deputy Treasurer  
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 and Chris Levell, NEPC LLC  
Sarah Leddy, 350VT  
Thomas Boswell, B&F Financial Analytics  
Eric Nelson and Shaun Levesque, Schrodgers Plc

**CALL TO ORDER:**

The Chair, Mr. Rauh, called the Tuesday, March 31<sup>st</sup> meeting to order at 8:30 am, 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, reviewed the agenda with the Committee and indicated the agenda was approved as written.

**ITEM 2:      Consent Agenda**

- **Previous VPIC Meeting Minutes**

The Chair, Mr. Rauh, indicated the items in the Consent Agenda today were the minutes from the February VPIC meeting.

Jaye Pershing-Johnson asked the Committee to add a contract amendment for Siguler Guff to the consent agenda and recommended that the Committee adopt the resolutions proposed.

**On a motion by Vaughn Altemus, seconded by Tom Golonka, the Committee unanimously approved to authorize the Chair, Mr. Rauh to sign the amendment as proposed by the Office of the Attorney General.**

Hearing no objections, Mr. Rauh indicated the Consent Agenda was approved as written.

**ITEM 3:      Director of Investments Report and Action Items**

- **Review/Approve Revised 2015 Agenda Cycle**

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 February 28<sup>th</sup>, the VPIC composite AUM was at \$4.01 billion and the allocations were in line with their target allocations. Mr. Considine shared with the Board that staff met with a number of investment managers throughout the month, which included Aberdeen Asset Management and KDP Asset Management. Mr. Considine reviewed with the Committee a memo from the Treasurer's office. It requested that the Committee delay the decision to transition all of the assets in the PIMCO Unconstrained Bond Fund to the GAM Unconstrained Bond Fund in order to give the Committee more time to review research conducted by Staff and NEPC on the funds' risk profiles.

**On a motion by Beth Pearce, seconded by Linda Deliduka, the Committee unanimously approved a motion to reconsider the GAM transition and defer execution of the GAM contract until the April meeting where Investments Staff will provide a recommendation.**

Thomas Boswell entered the meeting at 9:12AM

**ITEM 4:      Discussion Items and Updates**

- **Vermont State Treasurer's Update**
- **Sub-Committee on Sub-Committees Recommendations**

- **February Flash Report**
- **NEPC Investment Manager Watch List: PIMCO, Schroder**

Treasurer Pearce indicated to the Committee that the Actuarial Required Contributions and the Vermont State Teachers' healthcare model continue to be fully funded in the current budget session. Treasurer Pearce noted that the divestment bill remains in *Government Operations* and if moved forward, she will provide either verbal or written testimony. Treasurer Pearce notified the Board that the Treasurer's Office ESG and Sustainability Report was made available at last month's meeting, and shared she will be attending the ExxonMobil shareholder meeting. Treasurer Pearce notified the Board of the Carbon Risk Forum, which will be taking place in Montpelier, and said that she will not be able to attending due to conflicting appointments. Treasurer Pearce and Deputy Treasurer Steve Wisloski thanked the Board for allowing the VPIC meeting to be rescheduled due to their trip to Washington D.C. Treasurer Pearce shared the outcome from the Sub-Committee on Sub-Committees meetings and passed out the *VPIC Self-Evaluation* document. Treasurer Pearce noted that the last time the Committee had done an evaluation on governance was back in 2007, and felt it would be beneficial to complete another. Treasurer Pearce asked the Board to give their feedback on this proposal within two weeks.

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

Steve Jeffrey entered the meeting at 9:30AM

NEPC reported to the Committee that the PIMCO Unconstrained Bond Fund and Schroder remain on *NEPC's Investment Manager Watch List*, but that PIMCO as a firm has been removed.

**ITEM 5: Private Equity Program Pacing and NEPC Recommendation to Invest in HarbourVest Fund X**

Mr. Considine shared with the Committee Investment Staff's memo recommending VPIC allocate \$50 million to HarbourVest Fund X.

Mr. Moseley reviewed with the Committee the document "Private Equity Program Review & 2015 Strategic Investment Plan", and answered questions from the Committee.

Mr. Golonka shared his concerns with the fee schedules common to the private equity asset class.

**On a motion by Karen Paul, seconded by Jeff Briggs, the Committee approved with one dissent (Tom Golonka) to allocate \$50 million to the HarbourVest Fund X, subject to the April 28<sup>th</sup> presentation by HarbourVest.**

Sarah Leddy left the meeting at 10:44AM

**ITEM 6: Review/Approve VPIC Investment Policy Statement**

- **Portfolio Objectives, Composite Performance Benchmarks, Measurement Time Horizon and Core Processes**

The Chair, Mr. Rauh, went through the updated VPIC Investment Policy Statement, which included a discussion of VPIC's plan objective, mission statement, and the role of investment staff.

**On a motion by Jeff Briggs, seconded by Linda Deliduka, the Committee unanimously approved the updated VPIC Investment Policy Statement.**

**ITEM 7: Annual Asset Allocation/Portfolio Structure Review**

Mr. Considine reviewed with the Committee the document titled "Stress Test Scenarios" and answered questions posed by the Committee members.

Mr. Moseley discussed with the Committee the "NEPC 2015 Outlook: Asset Allocation Review & Discussion (Part II)" and talked to the different asset allocation mixes that NEPC has proposed.

Karen Paul left the meeting at 11:36AM

**On a motion by Beth Pearce, seconded by Jeff Briggs, the Committee unanimously approved termination of the Wellington Opportunistic Investment Fund (4% allocation) and the allocation of one percent (1%) to the International Equity asset class, one percent (1%) to the Large Cap Equity asset class, and two percent (2%) to the SSgA U.S. Aggregate Bond Index Non-Lending Fund.**

**(A recess was taken between 12:15pm – 12:45pm)**

**ITEM 8: Schroder Commodities Strategy Presentation and Discussion**

The presenters from Schrodgers Plc were introduced and welcomed to the meeting. Mr. Levesque provided the Committee with a brief review of Schrodgers Plc and indicated there had been no changes in the firm's overall structure. Mr. Nelson reviewed with the Committee the Schrodgers Commodity Fund positioning and performance and responded to the questions posed by the Committee.

Steve Jeffrey left the meeting at 2:00pm

**On a motion by Vaughn Altemus, seconded by Jeff Briggs, the Committee unanimously approved to amend the VPIC asset allocation target to make the commodities target 3% and to allocate an additional half percent (0.5%) to the PIMCO Core Plus fund and a half percent (0.5%) to the Unconstrained Bond Fund.**

**ITEM 9: Economic and Financial Market Dashboard**

Mr. Foss 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 articles provided in the VPIC board materials.

**ITEM 10: Future Agenda Topics**

Mr. Rauh shared upcoming VPIC agenda topics and reviewed the following additions with the Committee:

- Comparison of the unconstrained bond funds' risk profiles
- Review of the Mellon strategy in the GAA sector
- Review of the Commodity sector
- Review and reaffirm the long-term funding plan to private equity

**ITEM 11: New or Other Business/Public Comment**

None

**ITEM 12: Adjournment**

**Mr. Rauh adjourned the meeting at 3:07pm.**

Respectfully submitted,

**Nick Foss  
Investments Analyst**