



**VERMONT PENSION INVESTMENT COMMITTEE
APRIL 28, 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, 2015

VPIC Member(s) Absent:

None

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, Chris Levell, and Richard Charlton NEPC LLC
Nancy Lynch, 350VT
Thomas Boswell, B&F Financial Analytics
Patrick McGarvey, Andrew Preda, Eric Felton, Grosvenor Capital Management
Ryan Mason and Nes Weigand, Siguler Guff & Company, LP
Aris Hatch, Michael Taylor, Jeff Keay, HarbourVest Partners
State Representative Adam Greshin
David Plants

CALL TO ORDER:

The Chair, Mr. Rauh, called the Tuesday, April 28th meeting to order at 8:30 am, which was held in the 4th 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. Mr. Rauh disclosed that he has been invited by Northern Trust to participate in their Global Economic Roundtable Luncheon on May 5th in Boston. He plans to participate as an individual and is not seeking reimbursement from VPIC for his travel expenses; VPIC approval is not required.

ITEM 2: **Consent Agenda**

- **Previous VPIC Meeting Minutes**
- **Routine Contract Amendments and Renewals (*See Attached*)**

The Chair, Mr. Rauh, indicated the items in the Consent Agenda today were the minutes and routine contract items.

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

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

- **Unconstrained Bond Fund Allocation**

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 March 31st, the VPIC composite AUM was at \$3.9 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 Mondrian Investment Partners and Allianz. Ms. Green shared with the Committee the “*iPad Update 2015*” memo. The memo provided a breakdown of costs and recommended purchases that would be associated with the Committee incorporating iPads into their meeting structure.

On a motion by Tom Golonka, seconded by Beth Pearce, the Committee unanimously approved a motion to authorize VPIC to purchase iPads in accordance with Staff’s memo.

Mr. Considine reviewed his memo titled “*Unconstrained Bond Fund Allocation.*” The memo included a review of the risk profiles for both the PIMCO and GAM products, a recommended allocation for the unconstrained mandate, and a plan for implementing the recommendation. Mr. Considine concluded by noting that due to the Committee’s desire for lower fees, the increase of transparency from having a separate account, the reduction in headline risk at PIMCO, and the benefits from diversification that the Committee could consider splitting the unconstrained mandate.

Mr. Moseley shared with the Committee a memo entitled “*Unconstrained Fixed Income Manager Search*,” which highlighted the risk characteristics and differences in strategies between the PIMCO and GAM Unconstrained products. Mr. Moseley shared with the Committee NEPC’s recommendation, which included the following:

1. VPIC retain the GAM Unconstrained Bond Fund with a target allocation of \$180 million.
2. VPIC maintain an \$80-100 million allocation to the existing PIMCO Unconstrained product via the existing separate account.
3. VPIC consider increasing the target allocation to Unconstrained Fixed income by 1% as part of reallocating capital from the Wellington Opportunistic (GAA) mandate.

On a motion by Beth Pearce, seconded by Vaughn Altemus, the Committee unanimously approved a motion to allocate \$160 million to the GAM Unconstrained Bond Fund and \$100 million to the PIMCO Unconstrained Bond Fund.

ITEM 4: NEPC Overview of Alternative Investments

Mr. Moseley reviewed with the Committee the document entitled “*Overview of Alternative Investments*” and responded to the questions posed by the Committee.

(Steve Jeffrey entered the meeting at 9:50AM)

ITEM 5: Grosvenor Hedge Fund-of-Funds Presentation

The presenters from Grosvenor were introduced and welcomed to the meeting. Mr. McGarvey provided the Committee with a brief background on Grosvenor. The presenters from Grosvenor reviewed their presentation with the Committee members. The representatives from Grosvenor responded to the questions posed by the Committee.

ITEM 6: HarbourVest Private Equity Fund-of-Funds Presentation

The presenters from HarbourVest were introduced and welcomed to the meeting. Mr. Taylor provided the Committee with a brief background on HarbourVest. The presenters from HarbourVest reviewed their presentation with the Committee members. The representatives from HarbourVest responded to the questions posed by the Committee.

On a motion by Joe Mackey, seconded by Vaughn Altemus, the Committee approved with one opposed (Tom Golonka) to allocate \$50 million to the HarbourVest Fund X, which would be allocated \$35 million towards the Buyout strategy and \$15M towards the Venture strategy.

(A recess was taken between 12:15PM – 1:00PM)

ITEM 7: Siguler Guff Real Estate Fund-of-Funds Presentation

The presenters from Siguler Guff were introduced and welcomed to the meeting. Mr. Mason provided the Committee with a brief background on Siguler Guff. The presenters from Siguler Guff reviewed their presentation with the Committee members. The representatives from Siguler Guff responded to the questions posed by the Committee.

ITEM 8: Finalize VPIC Commitment to HarbourVest Fund X.

Action taken in Item 6 above.

ITEM 9: Discussion Items and Updates

- **Vermont State Treasurer's Update**

Treasurer Pearce reminded the Committee of the Carbon Risk Forum, which VPIC members were invited to attend later that evening in Montpelier. Treasurer Pearce distributed the Vermont State Treasurer's Office "Sustainability Report: Update on ESG Issues and Actions to Address Climate Change" to the Committee. The Treasurer then updated the Board on a number of ESG and constructive engagement efforts that the Treasurer's Office is currently undertaking on behalf of the VPIC and State. Treasurer Pearce distributed a copy of the "Committee Self Evaluation" document and asked that the Committee members return the document to Staff within two weeks to allow the responses to be evaluated by the Sub-Committee on Sub-Committees. Also, Treasurer Pearce answered a variety of questions posed by the Committee.

- **March Flash Report**
- **NEPC Investment Manager Watch List: PIMCO Unconstrained Bond Fund, Schroder**

Mr. Moseley reviewed with the Committee members the March Flash Report. Treasurer Pearce asked Mr. Moseley if he knew where VPIC ranks in regards to the "InvestorForce Public DB Gross Median" Mr. Moseley responded that the data for that metric is not available yet, but that VPIC is outperforming a balanced benchmark (60% equity/40% fixed income) currently. Mr. Charlton noted that up to 2013 a balanced benchmark trailed the public funds peer group across most time periods. He noted that 2013 and 2014 were environments where a balanced benchmark would be expected to do well (low inflation, economic growth) and that is why VPIC's underperformed their peer group. Mr. Charlton noted that when excluding 2013 and 2014 NEPC's recommended asset allocation has performed quite well, and that NEPC continues to believe it will do so into the future. Treasurer Pearce responded by noting that the majority of Committee Members do not feel that way, and that the Board needs to have a longer discussion in May and June about asset allocation. Treasurer Pearce reminded the Committee that there is a limit to what the legislature will fund in regards to the ARC and that VPIC needs to locate a reasonable risk level that will accommodate that.

Mr. Moseley indicated that both the PIMCO Unconstrained Bond Fund and Schrodgers remain on the NEPC Watch List.

ITEM 10: Economic 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.

ITEM 11: New or Other Business/Public Comment

None

ITEM 12: Adjournment

Mr. Rauh adjourned the meeting at 3:05pm.

Respectfully submitted,

Nick Foss
Investments Analyst

CONSENT AGENDA

ROUTINE CONTRACT AMENDMENTS AND RENEWALS

The Treasurer's Office Director of Investments recommends that the Committee adopt the following resolution as part of the consent agenda:

1. Consolidate and Unify the Terms of the SSgA Contracts

WHEREAS, the VPIC has entered into five separate contracts over the last 10 years with State Street Bank & Trust Company, acting through its investment management division, State Street Global Advisors ("Contractor"), in order to purchase units of Contractor's (i) SSgA S&P 500 Equal Weighted Index, (ii) SSgA S&P 500 Cap Weighted Index, (iii) SSgA S&P 400 Mid-Cap Index, (iv) SSgA MSCI ACWI Ex USA Non-Lending Fund and (v) SSgA Barclays Aggregate Index ("SSgA Contracts"); and

WHEREAS, three of these contracts require renewal in June and August of 2015; and

WHEREAS, the Treasurer's Office desires to consolidate the SSgA Contracts into a single SSgA contract in order ensure consistent terms and conditions and institute a single termination date in order to facilitate administration of the SSgA Contracts.

NOW THEREFORE, in order to accomplish the consolidation of the SSgA Contracts, the Committee hereby authorizes the Treasurer's Office Director of Investments, in consultation with the Office of the Attorney General, to enter into negotiations with Contractor for a single investment contract for the Contractor's (i) SSgA S&P 500 Equal Weighted Index, (ii) SSgA S&P 500 Cap Weighted Index, (iii) SSgA S&P 400 Mid-Cap Index, (iv) SSgA MSCI ACWI Ex USA Non-Lending Fund and (v) SSgA Barclays Aggregate Index;

The contract shall be substantially in the same form as the SSgA Barclays Aggregate Index investment management agreement between the VPIC and Contractor dated December 30, 2014, with such updates to the standard State Provisions for Contracts and Grants as may be required by the State of Vermont Agency of Administration;

All applicable updated Contractor trust documents shall be attached;

The contract shall have a term which begins as of July 1, 2015 and ends June 30, 2019 with the option of renewing for successive periods as authorized by the VPIC; and

The contract, by its terms, shall terminate the SSgA Contracts.

FURTHER, the Chair, or in his absence the Vice-Chair, is, upon the advice of counsel, authorized to execute the consolidated contract.