

MINUTES OF THE VLCT JOINT INVESTMENT COMMITTEE MEETING
FRIDAY, JANUARY 29, 2016
9:30 AM
VLCT OFFICES, MONTPELIER, VERMONT

Committee Members Present:

PACIF- Carl Rogers, Walker James, John Lawe and Pete Johnson

VERB- Bill Shepeluk, Joe Colangelo

VLCT- Brendan Whittaker

Staff Present: Ken Canning, David Sichel, Mike Gilbar, Jeremiah Breer, Maura Carroll

Others Present: Dan Smereck and John Mohr (Strategic Assets Advisors (SAA)), Amanda Abdella and Jason Bilodeau (Standish)

Chairman Lawe called the meeting to order at 9:30 am.

Upon motion (James/Rogers) duly adopted, the Committee voted unanimously to approve the agenda as presented.

Upon motion (Rogers/Johnson) duly adopted, the Committee voted unanimously to approve the minutes of the August 28, 2015 meeting as presented.

John Mohr and Dan Smereck from SAA reviewed the trusts' investment performance during 2015. Total returns for the year, net of fees, were 0.04% for PACIF and 0.29% for VERB.

Jason Bilodeau and Amanda Abdella reviewed the fixed income portfolio performance during 2015. They also reviewed Standish's investment outlook for 2016.

The committee discussed the investment outlook for 2016 and its impact on the trusts' investment portfolios.

Dan Smereck reviewed the peer group analysis completed by SAA for the investment performance and styles of public sector pools that use SAA for investment advisory services. PACIF is near the middle of the pack within its peer group. PACIF's fixed income duration is longer than average and that has benefitted investment returns over the most recent three and five year periods.

The Committee discussed the pending reduction in PACIF's net position and how it might impact the amount of investment in the risk assets portfolio. The expected reduction in net position is a result of PACIF moving to a new actuary and strengthening reserves based on their recommendations. The Committee will update the PACIF Board and once the final numbers are in adjustments in the Investment Policy and/ or the investment portfolio can be made, if necessary.

Jeremiah Breer presented the results of the custodial services bank RFP process. All Vermont banks that provide custodial services were contacted. Twelve RFPs were sent out and eight banks responded. Four finalists were selected and interviewed, including the incumbent custodial services provider, Peoples Bank. Based on the proposals and interviews, staff recommends that the committee recommend to the PACIF and VERB boards that U.S. Bank become the custodial bank for the trusts. Their proposal offered the best service and the lowest price. Custodial services costs would drop from the current \$35,000 to \$10,000.

The target date for the transition to U.S. Bank is April 1, 2016.

Upon motion (Colangelo/James) duly adopted, the Committee voted unanimously to recommend that PACIF and VERB appoint U.S. Bank as the custodial services bank for the trusts.

Upon motion (Shepeluk/Johnson) duly adopted, the Committee voted unanimously, by roll call, to adjourn the meeting at 12:27 p.m. PM.

Respectfully submitted,

David Sichel
Assistant Secretary