



STATE OF VERMONT
OFFICE OF THE STATE TREASURER

TO: House Committee on Government Operations
FROM: Vermont Pension Investment Committee
DATE: April 9, 2021
RE: Recommended changes to VPIC House Bill

The VPIC has reviewed the proposal 1.1 in House Committee on Government Operations and VPIC believes in principle it is a good direction, taking issue with the following items outlined in this memo, with recognition that discussion related to term limits and participation by Legislators on the Committee has been deferred for future discussion as soon as practicable.

1. Section 523 on page 7 indicates that VPIC is “attached to the Office of the State Treasurer for administrative support.” This section does not give VPIC the authority to hire and fire a Chief Investment Officer, nor does it give the Chief Investment Officer the authority to hire a staff. We believe that VPIC should have a separate appropriation, staffing, and transition to separate offices, independent of the Treasurer’s Office. While some functions would still need to be provided by Treasury staff, at least in the interim, VPIC’s budget could then reimburse the Treasury for those services. We suggest adding these provisions explicitly and clarifying that, rather than being “attached to the Office of State Treasurer”, instead VPIC “negotiate a memorandum of agreement with the Office of State Treasurer to provide administrative support as outlined in the agreement.” This change would clarify that VPIC is independent from the Office of the State Treasurer and that the investment staff report to VPIC, not to the State Treasurer.
2. Section 522 (e) (2) on page 5 indicates that all VPIC members “shall be state residents.” We recommend removing this requirement as it could narrow the pool of financial experts available to serve.
3. Section 522 (f) (3) on page 6 indicates that “six concurring votes shall be necessary for a decision of the Committee at any meeting of the Committee.” This is effectively a supermajority requirement that, we believe, could delay time-critical investment manager decisions. We suggest eliminating it and allowing for a simple majority vote of those present with a quorum. If the House Government Operations Committee feels strongly that a supermajority vote is necessary for strategic decisions like the assumed rate of return, we suggest at least carving out investment manager hiring and firing decisions for a simple majority vote.
4. Numerous sections throughout the bill call for reports to be issued “not more than 90 days after the end of the fiscal year.” We suggest increasing this period to 180 days to allow for accurate valuation of illiquid assets such as private equity and real estate. 180 days would still allow for reporting prior to the opening of the legislative session.
5. The VPIC feels the definition of “independent” is confusing and requests clarification on whether participation in the Plan is material under this definition to their independence.

Vermont Model

Goal is to move VPIC to a separate legal entity with Investment staff reporting to the Committee

