



**VERMONT PENSION INVESTMENT COMMITTEE
DECEMBER 13, 2016**

VPIC Members Present:

TOM GOLONKA, CHAIR
BETH PEARCE, VICE-CHAIR, Vermont State Treasurer
VAUGHN ALTEMUS, Governor's Delegate, term expiring June 30, 2018
PETER AMONS, VMERS Representative, term expiring June 30, 2018
JOSEPH MACKEY, VSTRS Representative, term expiring June 30, 2019
ROBERT HOOPER, VSERS, term expiring June 30, 2020
KAREN PAUL, Governor's Delegate, term expiring June 30, 2018

VPIC Alternate Members Present:

LINDA DELIDUKA, VSTRS *Alternate*, term expiring June 30, 2019
DAVID STARR, Governor's Delegate *Alternate*, term expiring June 30, 2016
STEVE JEFFREY, VMERS *Alternate*, term expiring June 30, 2018

VPIC Alternate Members Absent:

JEFF BRIGGS, VSERS *Alternate*, term expiring June 30, 2020

Also attending:

Matthew Considine, Director of Investments
Katie Green, Investments Manager
Andy Cook, Investments Analyst
Jaye Pershing-Johnson and Jesse Moorman, Attorney General's Office
Margaret Belmondo, Chris Levell, NEPC LLC
Guy Page, Page Communications
Kathryn DeNitto, State Street Bank & Trust

CALL TO ORDER:

The Chair, called the Tuesday, December 13th meeting to order at 8:30 am, which was held in the Governor's Conference Room, 109 State Street, Montpelier, VT.

ITEM 1: Agenda Approval and Announcements

The Chair reviewed the agenda with the Committee and asked if any members of the Committee would like to add or amend any agenda items.

On a motion by Treasurer Pearce, seconded by Vaughn Altemus, the Committee unanimously approved the agenda as written.

ITEM 2: Consent Agenda

The Chair indicated the items in the Consent Agenda today were the minutes and routine contract amendments and renewals.

On a motion by Joseph Mackey, seconded by Vaughn Altemus, the Committee unanimously approved the consent agenda as written.

ITEM 3: Discussion Items and Updates

- **Vermont State Treasurer's Update**

The Treasurer, Ms. Pearce, presented the Treasurer's Report to the Committee. She updated the Committee on an RFP for an actuary for the retirement boards and announced one member from each Board has agreed to review the proposals once received. Ms. Green updated the Committee on the three shareholder resolutions, the Committee received notification of by email, that the Treasurer's office staff submitted on behalf of the VPIC to ExxonMobil Corporation and Chevron Corporation per the Committee's vote to delegate this authority to Staff under specific guidelines outlined during the October 25, 2016 VPIC meeting.

- **NEPC's Update**

Ms. Belmondo presented the *November 2016 Flash Report* to the Committee. Ms. Belmondo and Mr. Levell responded to questions posed by the Committee.

ITEM 4: Director of Investments Report

Mr. Considine reviewed the Director of Investments Report with the Board. He notified the Committee that after the November cash flows the VPIC allocations were in-line with their target allocations. Mr. Considine provided an update to the Committee on current contracts in progress and in-house meetings with managers. Mr. Considine requested the Committee vote to extend the ISS contract until December 31, 2017 contingent on a waiver from the Secretary of Administration.

On a motion by Vaughn Altemus, seconded by Treasurer Pearce, the Committee unanimously authorized the Investments Staff to work with the Attorney General's office to extend the ISS contract until December 31, 2017.

ITEM 5: VPIC Policies Review

Ms. Johnson from the Attorney General's office reviewed the *VPIC Investment Policy Statement*, *VPIC Operating Policy*, *VPIC Terrorist and Genocide Linked Nations Policy*, and the *Vermont Manager Program* with the Committee. Ms. Johnson and Mr. Moorman responded to questions posed by the Committee.

On a motion by Treasurer Pearce, seconded by Vaughn Altemus, the Committee unanimously authorized amendment of the VPIC Operating Policy, Article 4, Section (E), sub-clause (iii) to read as follows:

(iii) all votes during the meeting shall be taken by roll call if the vote is not unanimous.

ITEM 6: Service Provider/Chair Review

Mr. Golonka turned the Committee over to the Vice-Chair, Treasurer Pearce, for the period the Committee needed to review Mr. Golonka's performance as Chair.

On a motion by Vaughn Altemus, seconded by Joseph Mackey, the Committee unanimously approved a motion to enter executive session for the purpose of discussing personnel matters.

The Committee entered Executive Session at 10:05 am.

The Committee exited Executive Session at 10:25 am.

On a motion by Joseph Mackey, seconded by Vaughn Altemus, the Committee unanimously approved with one abstention (Thomas Golonka) a motion to set the VPIC Chair's salary at 1/3rd of the Treasurer's salary.

ITEM 7: HIPEP VII Discussion

Ms. Belmondo reviewed the *VPIC PE-HIPEP VIII Review* and *VPIC HIEPPE VIII Memo* with the Committee. The Committee posed questions regarding the HIPEP VIII recommendation and Ms. Belmondo responded.

On a motion by Treasurer Pearce, seconded by Vaughn Altemus, the Committee unanimously approved a motion to allocate \$30 million to the HarbourVest HIPEP VIII fund, contingent on successful contract negotiations by the Attorney General's office and the Treasurer's office Staff.

Break 11:00 – 11:20 am.

ITEM 8: Asset Class Review: Risk Parity

Mr. Levell reviewed with the Committee the *VPIC Risk Parity Overview*. The Committee posed questions and Mr. Levell responded. Mr. Considine referenced the *AQR Firm Materials* to add additional context to the discussion. The Committee posed questions to Mr. Considine, which he responded.

ITEM 9: NEPC/Staff Deliverables for Upcoming Meetings

- NEPC will present on the implementation of the asset allocation across investment managers at a meeting after the Capital Markets Assumptions for 2017 are presented to the Board in January.
- NEPC, the Treasurer's office Staff and the Attorney General's office will review the rebalancing policy and bring back to the Committee implementation recommendations.
- The Committee requested that Staff work with NEPC to develop a review analyzing various fixed income allocation options that would best fit the three sub-plans' asset/liability profiles. The Committee requested that the review include a joint recommendation by Staff and NEPC for an allocation to fixed income specific to each sub-plan, which could possibly take the form of a long term glide path. The Committee requested this review be presented during the January – March VPIC meetings addressing the VPIC asset allocation.
- Treasurer's office Staff will organize a Risk Parity panel discussion for a calendar year 1Q17 VPIC Meeting.

ITEM 9: Future Agenda Topics/New or Other Business

ITEM 10: Public Comment

Kathryn DeNitto from State Street Bank & Trust introduced herself to the Board and offered to send educational materials related to Risk Parity to the Treasurer's Staff for the Committee's review.

ITEM 11: Adjournment

The Committee unanimously approved a motion to adjourn the meeting at 1:00 PM.

Respectfully submitted,

Investments Staff