



**VERMONT PENSION INVESTMENT COMMITTEE
AUGUST 22, 2017**

VPIC Members Present:

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

VPIC Members Absent:

JOSEPH MACKAY, VSTRS Representative, term expiring June 30, 2019

VPIC Alternate Members Present:

KIM GLEASON, VMERS *Alternate*, term expiring June 30, 2018
LINDA DELIDUKA, VSTRS *Alternate*, term expiring June 30, 2019
DAVID STARR, Governor's Delegate *Alternate*, term expiring June 30, 2020

VPIC Alternate Members Absent:

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

Also attending:

Katie Green, Investments Manager
Jesse Moorman, David Borsykowsky, Attorney General's Office
Margaret Belmondo, Chris Levell (phone), NEPC LLC
Ben Harrild, Charlie Byrne, Chris Powers, BlueBay Asset Management
Robert O'Sullivan, Greg Reynolds, Comvest Capital Advisors, LLC
David Manlowe, Allison Davi, Benefit Street Partners, LLC

CALL TO ORDER:

The Chair, called the Tuesday, August 22nd 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.

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

ITEM 3: Discussion Items and Updates

- **Vermont State Treasurer's Update**

Treasurer Pearce gave the Committee an update on the replication audit being completed to transition from Buck Consulting to Segal Consulting. She gave an overview of actuarial and mortality assumptions that have been identified as changes during the replication audit. Segal is expected to have the reports for the Boards' review by October. The Treasurer responded to questions posed by the Committee.

The Chair welcomed Kimberly Gleason to the meeting. Mr. Amons, Chairperson of the VMERS Board, introduced Ms. Gleason as the new VMERS Alternate to the VPIC.

The Treasurer updated the Committee on two new hires within the Treasurer's office. The first is a lawyer that will dedicate their time to reviewing statute relevant to the Retirement systems to ensure it is transparent and in line with best practices. The second was the hire of Erika Wolffong to fill the Deputy Director of Retirement Operations position.

- **NEPC's Update**

Ms. Belmondo presented the *July 2017 Preliminary Investment Summary* to the Committee. Ms. Belmondo responded to questions posed by the Committee.

ITEM 4: Director of Investments Report

Ms. Green reviewed the Director of Investments Report with the Committee. She updated the Committee on Staff's review of Guggenheim and notified the Board that the manager has had significant turnover at the management level. Staff requested that the Committee consider the creation of a Watchlist specific to VPIC, which Staff recommended Guggenheim be put on with review after six months.

On a motion by Vaughn Altemus, seconded by Linda Deliduka, the Committee unanimously voted to create a VPIC Watchlist that included Guggenheim, which Staff would create a process for addition/removal to/from for review by the Board at a future meeting.

Ms. Green reviewed the Hosking's Global Equity fund fee breakdown, as requested by the Committee at the July meeting. She then presented a request for consent from Mondrian to allow the manager to add exposure to Ericsson in the VPIC Mondrian International Equity portfolio. The company does business in a country identified as a State Sponsor of Terrorism by the US State Department, which requires Committee consent before an allocation can be made within the portfolio. Ms. Green requested the Committee make a determination as to whether they wish to grant the exception to Mondrian to hold Ericsson. At the Board's request Ms. Green outlined Staff's recommendation that the Board not consent to the exception, because the universe of available substitutes in the International Equity market is vast enough to avoid any material detriment to the portfolio by not holding an allocation to the company.

On a motion by Karen Paul, seconded by Vaughn Altemus, the Committee unanimously reaffirmed their VPIC Policy on Investments in Terrorist & Genocide-Linked Countries and voted not to consent to the Mondrian request.

Ms. Green reviewed the status of VPIC contracts currently under review. She notified the Committee that the ISS contract is due in December and would need to be put out to bid in September of 2017.

On a motion by Linda Deliduka, seconded by Vaughn Altemus, the Committee voted unanimously to allow the Treasurer's office to put the proxy administrator contract out to RFP on behalf of VPIC.

ITEM 5: NEPC Private Debt Overview

Ms. Belmondo gave a brief introduction of the Private Debt firms that would be presenting to VPIC. She then reviewed the *VPIC Private Debt Pacing Plan* with the Committee. Ms. Belmondo affirmed that the Attorney General's office had reviewed the State Standard Contract with the three firms ahead of these presentations and that all were on the NEPC Focused Placement List.

ITEM 6: Manager Presentations on Private Debt Search

The following managers each made separate presentations to the Committee and responded to questions posed by members of the Committee:

Ben Harrild, Charlie Byrne, Chris Powers, BlueBay Asset Management
Robert O'Sullivan, Greg Reynolds, Comvest Capital Advisors, LLC
David Manlowe, Allison Davi, Benefit Street Partners, LLC

ITEM 7: Private Debt Discussion

The Committee discussed the three (3) Private Debt Manager presentations.

On a motion by Treasurer Pearce, seconded by Robert Hooper, the Committee voted unanimously to enter into contract negotiations and upon completion commit \$70,000,000 to Benefit Street Partners, LLC.

On a motion by Vaughn Altemus, seconded by Treasurer Pearce, the Committee voted unanimously to enter into contracting discussions with BlueBay Asset Management and upon completion of the contract commit \$70,000,000.

ITEM 8: Global Equity Allocation Review

Ms. Green requested that the Committee confirm, for operational ease, their allocation as a percentage of the VPIC fund to the Global Equity asset class and between the two managers voted on at the July meeting.

On a motion by Robert Hooper, seconded by Vaughn Altemus, the Committee unanimously voted to allocate 9% of the VPIC fund to the Global Equity asset class, with 4.5% allocated to Hosking Partners, LLP and 4.5% allocated to Artisan Partners Limited Partnership following successful contract negotiations with each manager.

Ms. Belmondo presented the *NEPC Global Equity Allocation* sheet to the Committee. Ms. Belmondo and Ms. Green reviewed with the Committee the funding sources for the Global Equity allocation. They recommended to the Committee, based on the Committee's desire to consolidate the number of managers where appropriate in each asset class, that they terminate the Wellington Small Cap Value fund and allocate the dollars to the Champlain Partners fund after amending the Champlain contract guidelines to include a 50% Small Cap and 50% Mid Cap mandate allowing for a deviation of 10% above or below the aforementioned asset class splits at the manager's discretion

On a motion by Treasurer Pearce, seconded by Robert Hooper, the Committee unanimously approved the recommendation by NEPC and Staff.

On a motion by Treasurer Pearce, seconded by Robert Hooper, the Committee unanimously approved the recommendation by NEPC and Staff for sourcing the Global Equity allocation per the *NEPC Global Equity Allocation* sheet (attached).

ITEM 10: NEPC/Staff Deliverables for Upcoming Meetings

- The Committee requested that Staff work with NEPC to develop a review of 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.

- NEPC will initiate a search for an International Real Estate manager for an anticipated investment of up to \$100,000,000.

ITEM 11: Future Agenda Topics/New or Other Business

ITEM 12: Public Comment

ITEM 13: Adjournment

Treasurer Pearce moved, and David Starr seconded, that the meeting be adjourned. The Committee unanimously approved the motion to adjourn the meeting at 1:45 PM.

Respectfully submitted,

Investments Staff

Sourcing Global Equity

	A	B	C
Total Equity <i>(excludes Private Equity)</i>	Current % of Total Portfolio	Policy Target % of Total Portfolio	Trade
Large Cap Domestic Equities	18.2%	13.0%	-3.0%
Small/Mid Cap Domestic Equities	5.1%	3.0%	-2.0%
International Equities	14.8%	12.0%	-1.0%
Emerging International Equities	7.3%	4.0%	-3.0%
Global Equity	0%	9.0%	+9.0%
Total	45.5%	41.0%	