



**VERMONT PENSION INVESTMENT COMMITTEE
FEBRUARY 27, 2018**

DRAFT; NOT YET APPROVED BY COMMITTEE

VPIC Members Present:

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

VPIC Members Absent:

VPIC Alternate Members Present:

LINDA DELIDUKA, VSTRS *Alternate*, term expiring June 30, 2019
DAVID STARR, (phone) Governor's Delegate *Alternate*, term expiring June 30, 2020
JEFF BRIGGS, VSERS *Alternate*, term expiring June 30, 2020

VPIC Alternate Members Absent:

KIMBERLY GLEASON, VMERS *Alternate*, term expiring June 30, 2018

Also attending:

Matt Considine, Director of Investments
Katie Green, Investments Manager
Andy Cook, Investments Analyst
Jesse Moorman, David Borsykowsky, Attorney General's Office
Margaret Belmondo, Will Forde, NEPC LLC

CALL TO ORDER:

The Chair called the Tuesday, February 27th 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 indicated he would like to add an Executive Session at the end of the meeting to discuss the contract with NEPC, LLC.

On a motion by Karen Paul, seconded by Vaughn Altemus, the Committee unanimously approved the agenda with the above noted addition.

ITEM 2: Consent Agenda

The Chair indicated the only item on the Consent Agenda today was the minutes from the January 30th VPIC meeting.

On a motion by Vaughn Altemus, seconded by Karen Paul, the Committee unanimously approved the consent agenda.

ITEM 3: Discussion Items and Updates

- **Vermont State Treasurer's Update**

Treasurer Pearce updated the Committee that the Legislature is still on track to fully fund the Actuarial Determined Employer Contribution (ADEC) for the VSERS and VSTRS systems. The Legislature is not involved with VMERS funding. Additionally, she indicated that there have been discussions at the Legislature regarding how to treat the normal costs within the education fund, and the Treasurer's Office is not taking a position regarding those discussions.

The Treasurer next introduced the Sustainability Accounting Standards Board (SASB) organization, and requested the Committee consider joining the SASB Alliance for a one-year membership fee of \$4,000.00.

On a motion by Robert Hooper, seconded by Vaughn Altemus, the Committee unanimously approved the request to join the SASB Alliance, with a review after one year of membership.

Lastly, the Treasurer informed the Committee that all three retirement boards have voted to adopt the Actuarial Standard of Practice, ASOP No. 51 earlier than required. Additionally, she underscored the importance of having an independent consulting actuary review VPIC's pension funding status, and her recommendation is to work with the Segal Group to complete this review.

On a motion by Linda Deliduka, seconded by Vaughn Altemus, the Committee unanimously approved the request to early implement the ASOP No. 51.

- **NEPC's Update**

Mr. Forde presented the *January 2018 Preliminary Performance Report* to the Committee. Mr. Forde and Ms. Belmondo responded to questions posed by the Committee.

Ms. Belmondo led a discussion and review of VPIC's Guggenheim High Yield position. She provided an updated firm overview, and also compared Guggenheim's recent and historical performance with a number of their peers. She replied to questions posed by the Committee. The Committee did not take any action regarding their position with Guggenheim.

ITEM 4: Director of Investments Report

Mr. Considine reviewed the Director of Investments Report with the Committee. Mr. Considine stated that as of January 31, 2018 VPIC's composite assets under management were \$4.46 billion. Additionally, he indicated that the VPIC's asset allocation at the end of February is projected to be 54%, 29%, 6%, and 11% compared to target allocations of 51%, 29%, 8%, and 12% for equities, fixed income, real assets and absolute return (respectively).

Mr. Considine then provided an update to the Committee on the status of various contracting negotiations with new VPIC managers in the sectors of Global Equity, Global Real Estate, Private Debt, and Private Equity.

Ms. Green and Ms. Belmondo next led a discussion regarding the upcoming commitment to funding HarbourVest Fund XI for \$150,000,000.00, specifically a suggestion to amend that contribution to \$125,000,000.00 to HarbourVest Fund XI, and \$25,000,000.00 to a direct co-investment fund, HCF V.

On a motion by Vaughn Altemus, seconded by Karen Paul, the Committee unanimously voted to amend the previously approved commitment of \$150,000,000.00 to the HarbourVest Fund XI. The commitment will now be \$125,000,000.00 to HarbourVest Fund XI, and \$25,000,000.00 to the HCF V.

ITEM 5: Portfolio Investment Review (Dec 2017 Qtr end)

Ms. Belmondo presented the *Second Fiscal Quarter 2018 Executive Summary* and responded to questions from the Committee.

ITEM 6: Asset Allocation Review

Ms. Belmondo presented the *2018 Asset Allocation Follow-Up* and responded to questions from the Committee.

On a motion by Treasurer Pearce, seconded by Jeff Briggs, the Committee unanimously voted to adopt the following Long-Term Asset Allocation:

Asset Class	Current Long-Term Target	Proposed Long-Term Target	Change
<i>Large Cap Equities</i>	13.0%	14.0%	1.0%
<i>Small/Mid Cap Equities</i>	3.0%	4.0%	1.0%
<i>Int'l Equities</i>	12.0%	10.0%	-2.0%
<i>Int'l Sm Cap Equities</i>	0.0%	2.0%	2.0%
<i>Emerging Int'l Equities</i>	4.0%	4.0%	0.0%
<i>Global Equity</i>	9.0%	9.0%	0.0%
<i>Private Equity</i>	10.0%	10.0%	0.0%
Total Equity	51.0%	53.0%	2.0%
<i>Core Bonds</i>	0.0%	0.0%	0.0%
<i>TIPS</i>	6.0%	6.0%	0.0%
<i>HY Bonds</i>	0.0%	2.0%	2.0%
<i>EMD</i>	5.0%	4.0%	-1.0%
<i>Long Treasuries</i>	2.0%	2.0%	0.0%
<i>Global Diversified Fixed Income</i>	7.0%	10.0%	3.0%
<i>Absolute Return Fixed Income</i>	4.0%	2.0%	-2.0%
<i>Private Debt</i>	5.0%	5.0%	0.0%
Total Fixed Income	29.0%	31.0%	2.0%
<i>Core/Non-Core Real Estate</i>	8.0%	8.0%	0.0%
Total Real Assets	8.0%	8.0%	0.0%
<i>Risk Parity</i>	4.0%	0.0%	-4.0%
<i>Hedge Funds/Absolute Return</i>	8.0%	8.0%	0.0%
Total Multi-Asset	12.0%	8.0%	-4.0%
TOTAL	100.0%	100.0%	0.0%

ITEM 7: International Small Cap Equity Manager Discussion

Mr. Forde introduced the presentation *International Small Cap Manager Search*. He and Ms. Belmondo responded to questions from the Committee on their initial recommendations.

On a motion by Treasurer Pearce, seconded by Karen Paul, the Committee unanimously voted to invite Strategic Global Advisors and The Boston Company to present at the March 27, 2018 VPIC Meeting.

ITEM 8: HarbourVest Co-Invest Discussion

This item was addressed during Item 4: Director of Investments Report.

ITEM 9: 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.
- The Committee requested that Staff work with NEPC to review the benchmarks being used to compare performance for each VPIC investment manager.
- The Committee directed NEPC to work with Segal Consulting and the Treasurer's office Staff on a recommendation whether to apply a different allocation to any of the three pension systems.

ITEM 7: Future Agenda Topics/New or Other Business

At 11:15 a.m., Treasurer Pearce moved and Vaughn Altemus seconded that the Committee have a discussion regarding the status of contractual negotiations with NEPC, LLC in executive session, with the belief that premature general public knowledge would clearly place the State and VPIC at a substantial disadvantage. Treasurer Pearce made a motion and Linda Deliduka seconded to enter executive session pursuant to Title 1 § 313(a)(1)(A). The Committee unanimously voted to enter into executive session.

At 12:10 p.m. the Chair Thomas Golonka removed the Committee from executive session.

Mr. Considine addressed a conflict on the 2018 VPIC meeting calendar with the Committee. It was the sense of the Committee to cancel the August 28, 2018 VPIC meeting and replace it with a May 22, 2018 meeting.

ITEM 8: Public Comment

None.

ITEM 9: Adjournment

Jeff Briggs moved, and Linda Deliduka seconded, that the meeting be adjourned. The Committee unanimously approved the motion to adjourn the meeting at 12:12 p.m.

Respectfully submitted,
Investments Staff