



**VERMONT PENSION INVESTMENT COMMITTEE
MAY 22, 2018**

DRAFT; NOT YET APPROVED BY COMMITTEE

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, (phone) VMERS Representative, term expiring June 30, 2018
JOSEPH MACKEY, VSTRS Representative, term expiring June 30, 2019
KAREN PAUL, (phone) Governor's Delegate, term expiring June 30, 2018
ROBERT HOOPER, VSERS, term expiring June 30, 2020

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
KIMBERLY GLEASON, VMERS *Alternate*, term expiring June 30, 2018
JEFF BRIGGS, VSERS *Alternate*, term expiring June 30, 2020

VPIC Alternate Members Absent:

Also attending:

Katie Green, Investments Manager
Andy Cook, Investments Analyst
Jesse Moorman, David Borsykowsky, Attorney General's Office
Margaret Belmondo, Will Forde, NEPC LLC
Thomas Goggins, David Zielinski, Nancy Irving, Manulife Asset Management
Ed Schollmeyer, Beau Coash, Jeffrey Moore, Fidelity Investments

CALL TO ORDER:

The Chair called the Tuesday, May 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. The Chair indicated that an executive session should be added at the end of the meeting to have a discussion related to Treasurer's Office staffing.

On a motion by Treasurer Pearce, 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 April 24th VPIC meeting.

On a motion by Treasurer Pearce, seconded by Joseph Mackey, the Committee unanimously approved the consent agenda.

ITEM 3: Discussion Items and Updates

- **Vermont State Treasurer's Update**

Treasurer Pearce indicated that the Miscellaneous Retirement Bill passed through the Legislature and is anticipated to be signed by the Governor. She then discussed ongoing legislative initiatives with respect to potential additional contributions to the unfunded liability in the teachers' system. The Treasurer noted ongoing discussions between the Treasurer's Office and Segal Consulting with respect to a risk assessment for the pension systems. She ended with a discussion regarding the current legislative budget process.

- **NEPC's Update**

Mr. Forde presented the *April 2018 Preliminary Investment Summary* to the Committee. Mr. Forde responded to questions posed by the Committee.

ITEM 4: Director of Investments Report

Ms. Green reviewed the Director of Investments report with the Committee. Ms. Green stated that as of April 30, 2018 VPIC's composite assets under management were \$4.30 billion, after experiencing a small rebound in April. She indicated that following the semi-annual rebalance completed in March, VPIC's asset allocation at the end of May is projected to be 56%, 31%, 6%, and 7% for equities, fixed income, real assets, and absolute return (respectively) which is in line with the policy target allocations.

Ms. Green noted that Staff conducted routine manager reviews with Wellington and Mondrian since the last VPIC meeting. In addition, Staff had a call with KDP to discuss the logistics of liquidating that portfolio. She explained it is anticipated the majority of funds will be available by

the end of May and a small portion of bank loans may take until the end of August to liquidate. Lastly, she indicated that the contract with VPIC's custodial bank, JP Morgan, would be coming due at the end of June and would require an amendment to extend the term.

On a motion by Joseph Mackey, seconded by Vaughn Altemus, the Committee unanimously approved an extension to the JP Morgan contract for custodial bank services.

ITEM 5: Portfolio/Investment Review FY 3Q18

Ms. Belmondo presented the *NEPC FY 3Q2018 Investment Performance Analysis Executive Summary* as well as the *April 2017 Flash Report*. Ms. Belmondo and Mr. Forde responded to questions posed by the Committee.

ITEM 6: NEPC Conference Recap

Members of the Committee and Staff who attended the recent NEPC Conference shared their experiences at the Conference with those who did not attend.

ITEM 7: Global Multi-Sector Manager Presentations

Thomas Goggins, David Zielinski, and Nancy Irving from Manulife Asset Management presented on their Strategic Fixed Income Strategy's process and performance. The representatives then answered questions from the Committee.

Ed Schollmeyer, Beau Coash, and Jeffrey Moore from Fidelity Institutional Asset Management presented on their Tactical Bond Strategy's process and performance. The representatives then answered questions from the Committee.

ITEM 8: Global Multi-Sector Manager Discussion

The Committee discussed the merits of the two strategies. Ms. Belmondo and Ms. Green responded to questions from the Committee about both managers.

On a motion by Treasurer Pearce, seconded by Vaughn Altemus, the Committee unanimously approved an allocation of up to 5% of the VPIC Portfolio to Manulife Asset Management's Strategic Fixed Income Strategy, contingent upon a discussion at a future meeting regarding VPIC's allocation to Long Treasuries, and further contingent upon contracting being completed within 3 months.

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 conduct a benchmarking review. This includes those being used to compare performance for each VPIC investment manager, the asset class composites, and the VPIC portfolio, as well as the peers with which VPIC ranks itself.
- The Committee directed NEPC to work with Segal Consulting and the Treasurer's office Staff on a recommendation whether to apply a different asset allocation to any of the three pension systems.
- The Committee requested that representatives from Aberdeen Asset Management be invited to the July 24th meeting to discuss the Aberdeen Emerging Market Equity fund's performance, investment process, and market outlook.
- The Committee requested a review of the fixed income allocation as it pertains to the Global Diversified Fixed Income and Long Treasury asset allocation, to be presented at a future meeting.
- The Committee requested the Attorney General's Office work with Staff on a strategic plan to streamline the contracting process for the July 24th meeting.
- The Committee requested NEPC include a correlation study in the quarterly Investment Performance Analysis going forward.

ITEM 10: Future Agenda Topics/New or Other Business

ITEM 11: Public Comment

ITEM 12: Executive Session

At 12:10 p.m., Treasurer Pearce moved and Joseph Mackey seconded for a finding that the Committee have a discussion regarding the Treasurer's Office staffing, and that it would not be appropriate to have such a discussion in an open meeting.

Treasurer Peace made a motion and Joseph Mackey seconded to enter executive session pursuant to Title 1 V.S.A. § 313(a)(3). The Committee unanimously voted to enter into executive session.

At 1:05 p.m. the Chair Thomas Golonka removed the Committee from executive session.

ITEM 13: Adjournment

Joseph Mackey moved, and Vaughn Altemus seconded, that the meeting be adjourned. The Committee unanimously approved the motion to adjourn the meeting at 1:05 p.m.

Respectfully submitted,

Investments Staff

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