



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

**VPIC Members Present:**

TOM GOLONKA, CHAIR  
BETH PEARCE, VICE-CHAIR, Vermont State Treasurer  
ROBERT HOOPER, (phone) VSERS, term expiring June 30, 2020  
VAUGHN ALTEMUS, (phone) 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  
KIMBERLY GLEASON, VMERS *Alternate*, term expiring June 30, 2018

**VPIC Alternate Members Absent:**

**Also attending:**

Matt Considine, Director of Investments  
Andy Cook, Investments Analyst  
Jesse Moorman, David Borsykowsky, Attorney General's Office  
Margaret Belmondo, Will Forde, (phone) NEPC LLC  
Gary Baierl, R. Barney Walker, Strategic Global Advisors  
Mark Bogar, Andrew Tamoney, The Boston Company

**CALL TO ORDER:**

The Chair called the Tuesday, March 27<sup>th</sup> meeting to order at 8:32 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. Mr. Considine indicated that an executive session should be added at the end of the meeting to continue discussions related to VPIC's contract with NEPC, LLC.

**On a motion by Treasurer Pearce, seconded by Peter Amons, 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 February 27<sup>th</sup> VPIC meeting.

**On a motion by Karen Paul, seconded by Peter Amons, the Committee unanimously approved the consent agenda.**

**ITEM 3: Discussion Items and Updates**

- **Vermont State Treasurer's Update**

Treasurer Pearce noted that there were no major bills under consideration by the Legislature currently which would be of impact to VPIC. She also noted that the Legislature has decided to fully fund the Actuarial Determined Employer Contribution (ADEC) for both the VSERS and VSTRS systems. Additionally, an allocation of \$10,000,000 was committed to the VSTRS system, which she indicated will save taxpayers \$20,000,000 in future interest costs.

- **NEPC's Update**

Ms. Belmondo presented the *February 2018 Preliminary Performance Report* to the Committee. Ms. Belmondo responded to questions posed by the Committee.

**ITEM 4: Director of Investments Report**

Mr. Considine reviewed the Director of Investments Report with the Committee. Mr. Considine stated that as of February 28, 2018 VPIC's composite assets under management were \$4.33 billion. Additionally, he indicated that the VPIC's asset allocation at the end of March 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). He indicated that after a rebalance which is currently taking place, the actual asset allocation numbers should move closer to their respective targets.

**ITEM 5: International Small Cap Manager Presentations**

Gary Baierl and R. Barney Walker from Strategic Global Advisors presented on The SGA International Small Cap Equity Strategy fund's process and performance. The representatives then answered questions from the Committee.

Mark Bogar and Andrew Tamoney from The Boston Company presented on The International Small Cap Equity fund's process and performance. The representatives then answered questions from the Committee.

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

**On a motion by Treasurer Pearce, seconded by Linda Deliduka, the Committee approved an allocation of \$89,000,000 to the Strategic Global Advisors International Small Cap Equity Fund contingent upon successful contract negotiations. (Vote For: Treasurer Pearce, Robert Hooper, Vaughn Altemus, Joseph Mackey, Karen Paul; Abstain: Peter Amons).**

**ITEM 6: 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 asset allocation to any of the three pension systems.

**ITEM 7: Future Agenda Topics/New or Other Business**

**At 11:35 a.m., Treasurer Pearce moved and Karen Paul 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 11:49 a.m. the Chair Thomas Golonka removed the Committee from executive session.**

**On a motion by Treasurer Pearce, seconded by Vaughn Altemus, the Committee approved an extension of the contract with NEPC for 5 years, contingent upon Margaret Belmondo being the lead consultant on VPIC's account so long as she remains employed by NEPC, LLC, further contingent upon NEPC, LLC representatives attending 10 VPIC meetings per year, with a contract value of \$400,000 per year, adjusted annually by the CPI.**

**ITEM 9: Public Comment**

None.

**ITEM 10: Adjournment**

**Treasurer Pearce moved, and Jeff Briggs seconded, that the meeting be adjourned. The Committee unanimously approved the motion to adjourn the meeting at 12:36 p.m.**

Respectfully submitted,

**Investments Staff**