



**VERMONT PENSION INVESTMENT COMMITTEE
AUGUST 28, 2018**

VPIC Members Present:

TOM GOLONKA, CHAIR
BETH PEARCE, VICE-CHAIR, Vermont State Treasurer
VAUGHN ALTEMUS, Governor's Delegate, term expiring June 30, 2018
KAREN PAUL, Governor's Delegate, term expiring June 30, 2018
PETER AMONS, VMERS Representative, term expiring June 30, 2022
JOSEPH MACKEY, VSTRS Representative, term expiring June 30, 2019
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, 2022

VPIC Alternate Members Absent:

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

Also attending:

Katie Green, Investments Manager
Andy Cook, Investments Analyst
David Borsykowsky, Jesse Moorman, Attorney General's Office

CALL TO ORDER:

The Chair called the Tuesday, August 28th 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 Karen Paul, seconded by Robert Hooper, the Committee unanimously approved the agenda.

ITEM 2: Consent Agenda

The Chair indicated the only item on the Consent Agenda today was approval of the minutes from the July 24nd, and August 2nd VPIC meetings.

On a motion by Vaughn Altemus, seconded by Joseph Mackey, 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 last \$10,000,000 contribution for the VSTRS pension system was recently received. She reminded the committee that this contribution was added to the FY2019 Budget, and it is over and above and the full funding of the Actuarially Determined Employer Contribution for FY2019.

The Treasurer then noted that a meeting was held with the Governor's Administration, the various Retirement Board Chairs, and Treasurer's Office Staff. The purpose of this meeting was to go over the scope of the upcoming risk assessment, which Segal Consulting will be completing. A follow up meeting is being scheduled which will include all the same parties and Segal Consulting.

ITEM 4: Director of Investments Report

Ms. Green reviewed the Director of Investments report with the Committee. Ms. Green stated that as of July 31, 2018 VPIC's composite assets under management were \$4.5 billion, and it was the first time the assets had crossed the \$4.5 billion threshold. She indicated that each of the broad asset classes remain in line with targets, with the VPIC asset allocation at the end of August (by major asset class) projected to be 56%, 31%, 6% and 7% for equities, fixed income, real assets and absolute return (respectively).

She provided an update to the Committee that GBP 22,983.44 had been received by PIMCO representing the surplus assets for the claim against Lehman Brothers International in the UK.

Ms. Green provided an update on various VPIC contracts. Specifically, she noted that the contract with Strategic Global Advisors has been completed, and the SGA International Small Cap Equity Fund is ready to be funded. The Committee instructed Staff to fund this 2% position on or around September 17th. Additionally, the Committee instructed Staff to hold the 4% allocation to Manulife until after the Committee concludes its Asset/Liability study.

Lastly, Ms. Green updated the Committee on the terminations of Guggenheim and KDP, which are nearing completion.

Chair Golonka and Treasurer Pearce then updated the Committee on the search to fill the vacant Chief Investment Officer position. They indicated 15 individuals were invited for interviews out of an applicant pool of over 150. A group of 6 finalists has been selected from the 15 interviewees.

ITEM 5: Strategic Board Discussion

The Committee entered into a strategic discussion related to overall functionality and planning for the future.

At 8:58 a.m., Treasurer Pearce moved and Joseph Mackey seconded for a finding that the Committee should enter executive session under Title 1 V.S.A. § 313(a) subsection (1) because the Committee wished to discuss matters on which they specifically find that premature public knowledge would clearly place VPIC and the investment portfolio at a substantial disadvantage; and (2) such matters relate to outside investment management and include:

- **Subsection (1)(A) – Pending and prospective contract issues, and**
- **Subsection (1)(F) – Confidential attorney-client communications made for the purpose of providing professional legal services to the Committee.**

The Committee unanimously approved this motion.

At 10:18 p.m. the Chair Thomas Golonka removed the Committee from executive session.

ITEM 6: NEPC/Staff Deliverables for Upcoming Meetings

- The Committee requested that additional information be provided indicating what percentage of each fund VPIC is invested in is represented by NEPC clients.
- 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 NEPC provide a look through correlation study at a future meeting comparing Emerging Market Equities and Commodities in general, and more specifically oil.
- The Committee requested NEPC provide them with the NEPC public fund peer group performance analysis once available in September.
- Staff will coordinate a meeting with Mike Manning and Tim Bruce to discuss NEPC's manager due diligence process.

ITEM 7: Future Agenda Topics/New or Other Business

David Starr informed the VPIC that he intends to resign his position as Alternate Governor's Delegate, citing increasing professional responsibilities which will preclude him from devoting the time to this position which he believes it deserves.

Treasurer Pearce moved and Karen Paul seconded to thank David Starr for his service to the VPIC and his incredible investment expertise and his efforts to move the VPIC portfolio forward to improve its performance on behalf of its members.

Linda Deliduka informed the board that she is considering attending 2018 Public Pension Trustees Fiduciary Conference on October 2nd and 3rd in New York City. The Committee requested she provide a formal request detailing anticipated expenses for their review.

ITEM 8: Public Comment

None.

ITEM 9: Adjournment

Treasurer Pearce moved, and Joseph Mackey seconded, that the meeting be adjourned. The Committee unanimously approved the motion to adjourn the meeting at 10:27 a.m.

Respectfully submitted,

Investments Staff