



**VERMONT PENSION INVESTMENT COMMITTEE  
SEPTEMBER 26, 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  
JOSEPH MACKEY, VSTRS Representative, term expiring June 30, 2019

**VPIC Members Absent:**

**VPIC Alternate Members Present:**

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

**VPIC Alternate Members Absent:**

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

**Also attending:**

Matt Considine, Director of Investments  
Katie Green, Investments Manager  
Andy Cook, Investments Analyst  
Jesse Moorman, David Borsykowsky, Attorney General's Office  
Chris Levell, Margaret Belmondo, Nina Petkova, and Michael Yang (phone) NEPC LLC

**CALL TO ORDER:**

The Chair, called the Tuesday, September 26<sup>th</sup> meeting to order at 8:36 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 Vaughn Altemus, seconded by Beth Pearce, 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 and a contract extension for Aberdeen.

**On a motion by Beth Pearce, seconded by Vaughn Altemus, the Committee unanimously approved the consent agenda as written.**

**ITEM 3:      Discussion Items and Updates**

- **Vermont State Treasurer's Update**

Treasurer Pearce updated the Committee that the three retirement boards met on 9/25/2017 and all three boards adopted the updated mortality table of RP2014 per the recommendation of the actuaries from Segal Consulting. She reminded the committee that the three boards also met in July to adopt an updated expected rate of return for the VPIC portfolio of 7.5%. Treasurer Pearce stressed that given both of those changes that the result will be upward pressures on the liabilities of all three pension systems, which will create some budgetary concerns this coming year.

Treasurer Pearce also noted that all VPIC members have been invited to a Pension Forum being held on October 10<sup>th</sup> at Champlain College, hosted by the Vermont Business Roundtable. She encouraged all members to attend that forum.

- **NEPC's Update**

Ms. Belmondo introduced Nina Petkova from NEPC, who is VPIC's Consultant Support Analyst. Ms. Belmondo then presented the *August 2017 Preliminary Investment Summary* 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. He updated the Committee on personnel updates from both AQR and KDP, as staff held periodic update meetings with both managers recently. Staff also has met with Harbourvest and was informed that there is additional capacity for the VPIC to upsize their commitment to HIPEP VIII. After discussing the opportunity with NEPC, staff recommends that VPIC increase the commitment to HIPEP VIII from \$30mm to \$60mm. The consensus of the committee was to get more information at a future meeting before acting on this recommendation.

Next Mr. Considine raised to the Committee that direction is requested on how to allocate funds which are waiting to be deployed to the Private Equity, Global Real Estate, Global Equity and Private Debt asset classes, as this represents approximately 25% of the VPIC portfolio. The Committee recognizes the importance of this decision, and requested further detailed information and proposals be brought at a future meeting before a decision can be made.

Mr. Considine next detailed a proposal for creating a VPIC Watchlist to complement the existing NEPC Watchlist. Members of the committee provided feedback to the proposal and requested that a formal policy proposal be brought forward at a future meeting for consideration. Treasurer Pearce noted that she approved of the idea in general, but wanted to be very sure that the process remains streamlined, doesn't become overly bureaucratic and doesn't create unnecessary work for staff.

Mr. Considine then reviewed the status of VPIC contracts currently under review, and new contracts being negotiated. The contract with Champlain has been extended until September 30, 2022. Additionally, per the Committee's vote in August, the guidelines for Champlain have been updated to expand the manager's mandate to SMID with a 50% Small Cap and 50% Mid Cap split. Champlain has agreed to maintain the fees at their current levels with the expanded mandate.

Lastly, Mr. Considine informed the Committee that the contract with Institutional Shareholder Services (ISS) comes due on December 31, 2017 and will need to go out to RFP. Mr. Considine suggested the committee discuss this contract during the VPIC Vendor Review during item 8 of the agenda.

**ITEM 5: Portfolio Investment Review FY4Q17**

Ms. Petkova and Ms. Belmondo reviewed the *Fourth Fiscal Quarter 2017 Executive Summary*. They both responded to questions posed by the Committee.

**ITEM 6: VPIC Manager Fees Annual Review**

Ms. Belmondo and Ms. Green presented analysis of the fees charged by all of VPIC's managers and responded to questions posed by the Committee.

**ITEM 7: International Real Estate Search Book Presentation**

Ms. Belmondo reviewed the *Global Real Estate Search Book* and responded to questions posed by the Committee. She discussed the strengths and weaknesses of both of the managers which NEPC has chosen to highlight. Ms. Belmondo and Mr. Levell responded to questions posed by the Committee. After discussion, it was the sense of the Committee to bring both managers, Brookfield Asset Management, and Centerbridge Partners in for presentations at the October 24, 2017 VPIC meeting.

**ITEM 8: VPIC Vendor Review**

**At 12:15 p.m., Treasurer Pearce moved that the Committee have the discussion regarding contractual matters and performance of the Actuary, Consultant and Custodian 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 to enter executive session pursuant to Title 1 § 313(a)(1)(A). Vaughn Altemus seconded. The Committee unanimously voted to enter into executive session.**

**At 1:00 p.m. the Chair Golonka removed the Committee from executive session.**

**Treasurer Pearce moved and Vaughn Altemus seconded a motion to extend the contract of ISS contingent upon satisfactory waiver approval and contract terms, and further to instruct Staff to investigate alternatives for providing proxy voting services**

**On a motion by Joseph Mackey, seconded by Peter Amons, the Committee unanimously approved a motion to authorize the Chair and the Treasurer to discuss with NEPC details related to NEPC's existing contract.**

**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.
- Staff will bring a formal VPIC Watchlist Policy for the Committee to review at a future meeting.

**ITEM 11: Future Agenda Topics/New or Other Business**

**ITEM 12: Public Comment**

**ITEM 13: Adjournment**

**Joseph Mackey moved, and Peter Amons seconded, that the meeting be adjourned. The Committee unanimously approved the motion to adjourn the meeting at 1:45 PM.**

Respectfully submitted,  
**Investments Staff**