



**VERMONT PENSION INVESTMENT COMMITTEE
OCTOBER 24, 2017**

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, VSTRS Representative, term expiring June 30, 2019

VPIC Members Absent:

KAREN PAUL, Governor's Delegate, term expiring June 30, 2018

VPIC Alternate Members Present:

KIMBERLY GLEASON, VMERS *Alternate*, term expiring June 30, 2018
LINDA DELIDUKA, VSTRS *Alternate*, term expiring June 30, 2019
DAVID STARR, Governor's Delegate *Alternate*, term expiring June 30, 2020

VPIC Alternate Members Absent:

JEFF BRIGGS, VSERS *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
Margaret Belmondo, Will Forde, NEPC LLC
Sophie Fallman, Chase Fitzsimmons, Brian Kingston, Brookfield Asset Management
Alexandra Heyburn, Keith Merrill, William Rahm, Centerbridge Partners
Jason Kellman, Gus Catsavis, Pinnacle Investments
Kathryn DeNitto, State Street Bank & Trust
Frederick Burkhardt, Kenneth Clark, Emily Coffin, Zhomart Dairov, Kohlfield Davis, Amber Ghera, Carolyn Harnois, Kristiansen Spencer, Cole St. Francis, August Stevens, Nyjah Strange, Jack Thomas, Champlain College

CALL TO ORDER:

The Chair called the Tuesday, October 24th meeting to order at 8:38 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 Joseph Mackey, 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 from the September 26th VPIC meeting.

On a motion by Treasurer Pearce, seconded by Peter Amons, 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 actuarial reports for all three boards would be available for the various retirement board meetings on October 25, 2017. The committee requested that a summary of those reports be made available to the VPIC prior to the next meeting.

Treasurer Pearce also noted that she sat on a panel at the Pension Forum held on October 10th at Champlain College, hosted by the Vermont Business Roundtable. She acknowledged that several Committee members and the Chair attended.

Treasurer Pearce updated the Board on the annual audit process and indicated that no issues of materiality have been identified to date.

- **NEPC's Update**

Ms. Belmondo introduced Will Forde from NEPC, who is joining her as VPIC's Consultant. Ms. Belmondo thanked the VPIC for their confidence in her as she has been named the lead Consultant for NEPC on VPIC's account going forward. Mr. Forde then presented the *September 2017 Preliminary Investment Summary* to the Committee. Mr. Forde and 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 a request by Acadian to open access through the Custodian the China A market and StockConnect market for trading. Acadian's benchmark will be including these markets and their guidelines allow them to invest in these markets. The Custodian needed to open the markets Given Acadian manages a separate account for VPIC the custodian needs to be instructed to open foreign markets for trading by the VPIC.

Mr. Considine reviewed the requested draft Watchlist Policy and requested the Committee's feedback and approval. He answered questions posed by the Committee.

On a motion by Vaughn Altemus, seconded by Joseph Mackey, the Committee unanimously approved the VPIC Watchlist policy as written.

Ms. Green reviewed the Staff report *Fund-of-Fund Fees* with the Committee. The report was in response to a request by the VPIC to perform a "deep dive" of management fees associated with the fund of fund structures VPIC invests. Ms. Green reviewed the benefits of the fund of funds structure and then addressed the fees as detailed in the report. She then responded to questions by the Committee.

As a follow-up to the discussion at the September 26th VPIC meeting, Staff reviewed with the Committee the report *HIPEP VIII Commitment Size*. The Staff recommendation was to increase the total commitment to the HIPEP VIII fund from \$30mm to \$60mm given the new VPIC policy allocation has increased its Private Equity exposure by 5% since the initial commitment was made. Ms. Green reviewed the fee structure and methodology with the Board for the additional \$30mm commitment.

On a motion by Vaughn Altemus, seconded by Joseph Mackey, the Committee unanimously accepted the Staff's recommendation to increase the HIPEP VIII capital commitment to \$60mm from \$30mm.

Mr. Cook reviewed the *2018 Proposed VPIC Meeting Dates* report with the Committee and requested they vote to approve the calendar as outlined in the report.

On a motion by Vaughn Altemus, seconded by Joseph Mackey, the Committee unanimously adopted the 2018 VPIC meeting calendar as presented in the report.

ITEM 5: Pinnacle Natural Resources, L.P. Manager Presentation

Pinnacle Investments' Jason Kellman and Gus Catszvis addressed the Pinnacle Natural Resources fund's investment process and underperformance. The managers addressed questions posed.

ITEM 6: Manager Presentations on Global Real Estate

Brian Kingston, Sophie Fallman, and Chase Fitzsimmons from Brookfield Asset Management presented on the Brookfield Strategic Real Estate Partners III fund's process and performance. The representatives then answered questions.

William Rahm, Alexandra Heyburn and Keith Merrill from Centerbridge Partners presented on the Centerbridge Partners Real Estate Fund, L.P.'s process and performance. The representatives then responded to questions.

ITEM 7: Global Real Estate Allocation Discussion

The Committee discussed the merits of the two managers. NEPC and Staff responded to questions posed by the Committee.

On a motion by Joseph Mackey, seconded by Robert Hooper, the Committee approved an allocation of \$100,000,000 to the Brookfield Strategic Real Estate Partners III fund contingent upon successful contract negotiations. (Vote For: Robert Hooper, David Starr, Vaughn Altemus, Peter Amons, Joseph Mackey; Vote Against: Treasurer Pearce).

At 1:25 p.m., Treasurer Pearce moved that the Committee have a discussion regarding the status of contractual negotiations with potential VPIC Managers 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 2:15 p.m. the Chair Thomas Golonka removed the Committee from executive session.

ITEM 8: 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.

ITEM 11: Future Agenda Topics/New or Other Business

ITEM 12: Public Comment

ITEM 13: Adjournment

Treasurer Pearce moved, and Joseph Mackey seconded, that the meeting be adjourned. The Committee unanimously approved the motion to adjourn the meeting at 2:20 PM.

Respectfully submitted,
Investments Staff