



**VERMONT PENSION INVESTMENT COMMITTEE
JANUARY 30, 2018**

DRAFT; NOT YET APPROVED BY COMMITTEE

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, (phone) VMERS Representative, term expiring June 30, 2018
JOSEPH MACKKEY, VSTRS Representative, term expiring June 30, 2019
KAREN PAUL, Governor's Delegate, term expiring June 30, 2018

VPIC Members Absent:

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

VPIC Alternate Members Absent:

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
John Meyer, Loomis Sayles & Co.
Kathryn DeNitto, State Street Bank
Trish Verrochi and Bobby Brown, Rockefeller & Co.

CALL TO ORDER:

The Chair called the Tuesday, January 30th 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.

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

ITEM 2: Consent Agenda

The Chair indicated the only item on the Consent Agenda today was the minutes from the November 28th VPIC meeting. Vaughn Altemus suggested an edit to the minutes detailing that reason why representatives from Unite Here attended the November 28th VPIC meeting. The motivation for their attendance was in response to Brookfield Asset Management's investment in the Hard Rock Hotel and Casino in Las Vegas, and specifically labor issues at that particular property.

On a motion by Joseph Mackey, seconded by Karen Paul, the Committee unanimously approved the consent agenda with the above noted edit from Vaughn Altemus.

ITEM 3: Discussion Items and Updates

- **Vermont State Treasurer's Update**

Treasurer Pearce updated the Committee that Governor Scott's FY19 budget includes recommendations to fully fund the ARC for both VSERS and VSTRS. She indicated VMERS funding is not tied to the state's budget. She next clarified that while the Governor's proposal will fully fund the ARC, there is not a proposal to overfund the ARC. There was some confusion after the Governor's budget address on January 23rd about potentially over-funding the ARC by \$20,000,000 which ultimately is not being recommended.

The Treasurer lastly updated the Committee on various ESG related initiatives which have been undertaken lately by herself and her staff on behalf of VPIC. Additionally, she indicated that she will be attending the 2018 Investor Summit on Climate Risk to be held at the United Nations in New York City on January 31st.

- **NEPC's Update**

Mr. Forde presented the *December 2017 Preliminary Performance Report* 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. Mr. Considine stated that as of December 31, 2017 VPIC's composite assets under management were \$4.34 billion. Additionally, he indicated that the VPIC's asset allocation at the end of January 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).

Mr. Considine then provided an update to the committee on the status of various contracting negotiations with new VPIC managers in the sectors of Global Equity, Global Real Estate, Private Debt, and Private Equity. Mr. Considine thanked the Attorney General's Office for their hard work and accomplishments with a very significant contracting workload of late.

ITEM 5: Annual Review of VPIC Operating Policies and Standards of Conduct

Mr. Borsykowsky led a review of VPIC's Operating Policies with the committee. Discussion of the policies ensued, and Mr. Borsykowsky responded to questions from the Committee. The Committee took no action to make any changes to any of its policies at this time.

Mr. Borsykowsky lastly noted that it was the advice of the Attorney General's Office for all VPIC members to use their state issued email addresses for all VPIC related communications, and to refrain from using personal email addresses for any VPIC business.

ITEM 6: Review of Capital Market Assumptions

Ms. Belmondo presented the *NEPC 2018 Investment Outlook and Asset Allocation* and responded to questions from the Committee.

ITEM 7: Asset Allocation Review

Ms. Belmondo introduced the *NEPC 2018 VPIC Asset Allocation Policy Review*. She and Mr. Forde responded to questions from the Committee on their initial recommendations.

On a motion by Treasurer Pearce, seconded by Joseph Mackey, the Committee unanimously voted to instruct NEPC to create a search book for a new International Small Cap Equity Manager.

ITEM 8: HarbourVest Fund XI Discussion

Ms. Belmondo presented the NEPC recommendation of the HarbourVest Fund XI. NEPC and Staff recommended a commitment of \$150,000,000 to HarbourVest Fund XI.

On a motion by Joseph Mackey, seconded by Karen Paul, the Committee unanimously voted to commit \$150,000,000.00 to the HarbourVest Fund XI, pending successful contracting negotiations.

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 requested that a representative of the Treasurer's Office IT Team be available at the February meeting to assist members in setting up access to their state issued email addresses.
- The Committee directed NEPC to create a search book for an International Small Cap Equity Manager.
- The Committee requested that Staff review Guggenheim and make a final recommendation on their watch list status before the February VPIC meeting.
- The Committee directed NEPC to work with Segal Consulting and the Treasurer's office Staff on a recommendation whether to apply a different allocation to any of the three pension systems.

ITEM 7: Future Agenda Topics/New or Other Business

ITEM 8: Public Comment

Kathryn DeNitto from State Street introduced herself and detailed some educational opportunities offered by State Street Bank.

ITEM 9: Adjournment

Kim Gleason moved, and Joseph Mackey seconded, that the meeting be adjourned. The Committee unanimously approved the motion to adjourn the meeting at 11:32 a.m.

Respectfully submitted,
Investments Staff