



**VERMONT PENSION INVESTMENT COMMITTEE  
APRIL 24, 2018**

**VPIC Members Present:**

TOM GOLONKA, CHAIR  
BETH PEARCE, VICE-CHAIR, Vermont State Treasurer  
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  
KAREN PAUL, Governor's Delegate, term expiring June 30, 2018

**VPIC Members Absent:**

ROBERT HOOPER, VSERS, term expiring June 30, 2020

**VPIC Alternate Members Present:**

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

**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  
Kathryn DeNitto, State Street Bank & Trust

**CALL TO ORDER:**

The Chair called the Tuesday, April 24<sup>th</sup> 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. The Chair indicated that an executive session should be added at the end of the meeting to have a discussion related to Treasurer's Office staffing.

**On a motion by Joseph Mackey, seconded by Treasurer Pearce, 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 March 27<sup>th</sup> VPIC meeting.

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

**ITEM 3:      Discussion Items and Updates**

- **Vermont State Treasurer's Update**

Treasurer Pearce indicated that legislature is still on track to fully fund the Actuarial Determined Employer Contribution (ADEC) for both the VSERS and VSTRS systems. As well she relayed that a special allocation of \$10,000,000 will be made to the VSTRS system, which is a portion of the tobacco litigation settlement that state expects to receive this year.

- **NEPC's Update**

Mr. Forde presented the *March 2018 Preliminary Investment Summary* to the Committee. Mr. Forde 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 March 31, 2018 VPIC's composite assets under management were \$4.28 billion. Additionally, he indicated that the VPIC's asset allocation at the end of April is projected to be 56%, 31%, 6%, and 7% compared to target allocations of 53%, 31%, 8%, and 8% 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.

Mr. Considine provided routine manager updates on several managers. Additionally, he indicated that Guggenheim had approached staff recently with a request to purchase an equity stake in Aspect Software to protect the value of an existing bond holding in the same company. He indicated that after consultation with the Chair, Staff had granted Guggenheim this permission.

Additionally, Mr. Considine noted that there are press reports of a possible SEC investigation into Guggenheim and that Staff has followed up with the company. No details are available from the firm at this point, but judging from the reports it appears that the subject of the possible investigation is a matter unrelated to any VPIC exposure. Following discussion, it was the sense of the Committee to have Guggenheim remain on the VPIC Watchlist.

Mr. Considine indicated this would be his last Director of Investments Report as he has resigned his position, effective May 15, 2018. He thanked the Committee for giving him the opportunity to serve them for the last seven years, and that he has enjoyed working with each member of the Committee, and in doing so has learned a great deal.

Treasurer Pearce thanked Mr. Considine for his excellent service to VPIC, his high level of professionalism, and the value he has added to the VPIC portfolio during his illustrious tenure with the Treasurer's Office.

#### **ITEM 5: Fixed Income Product and Market Review**

Ms. Belmondo presented the report *Fixed Income Portfolio Analysis*. She and Mr. Forde responded to questions from the Committee.

In order to implement the asset allocation voted on by the Committee at the February 27<sup>th</sup> meeting a consensus was reached to terminate the current allocations of KDP and PIMCO Unconstrained Bond Fund.

Following a discussion, it was the sense of the Committee to invite two managers to the May VPIC meeting to present on their Global Multi-Sector Fixed Income strategies. Manulife Asset Management will present on their Strategic Fixed Income Strategy, and Fidelity Institutional Asset Management will present on their FIAM Tactical Bond Strategy.

#### **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 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.
- 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 and Staff review the geographic exposure of the existing fixed income products within the portfolio in contrast to the strategies of Manulife and Fidelity for the May meeting.

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

**ITEM 8: Public Comment**

Kathryn DeNitto from State Street Bank & Trust (SSB&T) introduced herself, and thanked the Committee for giving her the opportunity to attend and speak. She indicated that SSB&T is offering a Research Retreat in Boston in early May, and offered to provide members of the Committee more information if they were interested.

**ITEM 9: Executive Session**

**At 10:20 a.m., Treasurer Pearce moved and Karen Paul seconded for a finding that the Committee have a discussion regarding the Treasurer's Office staffing, and that it would not be appropriate to have such a discussion in an open meeting.**

**Treasurer Peace made a motion and Vaughn Altemus seconded to enter executive session pursuant to Title 1 V.S.A. § 313(a)(3). The Committee unanimously voted to enter into executive session.**

**At 11:50 a.m. the Chair Thomas Golonka removed the Committee from executive session.**

**ITEM 10: Adjournment**

**Joseph Mackey moved, and Vaughn Altemus seconded, that the meeting be adjourned. The Committee unanimously approved the motion to adjourn the meeting at 11:51 a.m.**

Respectfully submitted,

**Investments Staff**