



**VERMONT PENSION INVESTMENT COMMITTEE
NOVEMBER 27, 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, (phone) Governor's Delegate, term expiring June 30, 2018
PETER AMONS, (phone) VMERS Representative, term expiring June 30, 2022
JOSEPH MACKEY, (phone) VSTRS Representative, term expiring June 30, 2019

VPIC Members Absent:

ROBERT HOOPER, VSERS, term expiring June 30, 2020

VPIC Alternate Members Present:

LINDA DELIDUKA, (phone) VSTRS *Alternate*, term expiring June 30, 2019
KIMBERLY GLEASON, (phone) VMERS *Alternate*, term expiring June 30, 2022
JEFF BRIGGS, VSERS *Alternate*, term expiring June 30, 2020
DAVID STARR, (phone) Governor's Delegate *Alternate*, term expiring June 30, 2020

VPIC Alternate Members Absent:

None.

Also attending:

Eric Henry, Chief Investment Officer
Katie Green, Investments Manager
Andy Cook, Investments Analyst
Margaret Belmondo & Will Forde, NEPC, LLC
David Borsykowsky & Jesse Moorman, Vermont Attorney General's Office

CALL TO ORDER:

The Chair called the Tuesday, November 27th meeting to order at 8:30 am, which was held in the 4th Floor 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 Treasurer Pearce, 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 approval of the minutes from the October 23rd, 2018 VPIC meeting.

On a motion by Treasurer Pearce, seconded by Vaughn Altemus, the Committee unanimously approved the consent agenda.

ITEM 3: Vermont State Treasurer's Update

Treasurer Pearce informed the Committee that her office will be undertaking an Enterprise Risk Management (ERM) project over the coming months. Newly hired Treasurer's Office employees Eric Henry, Chief Investment Officer, and Will Kriewald, Chief Financial Officer both have extensive ERM experience, which will be utilized during this project. This process will cover both pension risk and operational risk.

Treasurer Pearce next presented a summary of the 6/30/2018 Actuarial Reports for the VSERS, VMERS, and VSTRS systems. She specifically noted changes in the report values from 2017 to 2018. Links to those reports may be found on the Treasurer's Office website at the following locations:

<https://www.vermonttreasurer.gov/content/retirement/vmers/financial-reports>

<https://www.vermonttreasurer.gov/content/retirement/state/financial>

<https://www.vermonttreasurer.gov/content/retirement/teacher/financial-reports>

Members of the Committee noted that the reports produced this year by Segal Consulting were very clear and easy to read.

ITEM 4: Actuarial Report Update

This update was covered by Treasurer Pearce in Item 3 above.

ITEM 5: Chief Investment Officer Report

Mr. Henry presented the *Chief Investment Officer Report* dated November 20, 2018. He responded to questions posed by members of the Committee. Attachment A to these minutes includes this report.

Ms. Green reviewed the *Staff Report* with the Committee. Ms. Green stated that as of October 31, 2018 VPIC's composite assets under management were \$4.3 billion. She indicated that each

of the broad asset classes remain in line with targets, with the VPIC asset allocation at the end of October (by major asset class) projected to be 53%, 34%, 6% and 7% for equities, fixed income, real assets and absolute return (respectively). As a further point of detail, she noted that VPIC's current private equity exposure is 2.4%, while the long-term target allocation for that asset class is 10%.

On a motion by Treasurer Pearce, seconded by Karen Paul, the Committee unanimously approved maintaining the current allocations to the SSgA Barclay's Aggregate Bond Index and the PIMCO High Yield Fund.

Ms. Green provided an update on the Benefit Street Partners Senior Secured Opportunities Fund (SOF), including an update that the manager is being acquired by Franklin Resources, Inc. Ms. Green responded to questions from the Committee regarding the manager and the proposed acquisition.

Ms. Green provided an update on the Pinnacle Natural Resources, L.P. Fund.

On a motion by Vaughn Altemus, seconded by Treasurer Pearce, the Committee unanimously instructed Staff to redeem the current value of VPIC's July 1st, 2016 contribution to the Pinnacle Natural Resources, L.P. Fund, at that contribution's anniversary date of July 1, 2019.

Mr. Cook provided an update to the Committee on recent cash flows processed by Staff.

ITEM 6: Discussion Items and Updates

- **NEPC, LLC Update**

Mr. Forde presented the *October 2018 Preliminary Investment Summary* and responded to questions from the Committee.

- **Fee Review**

Ms. Belmondo presented the *NEPC Manager Fee Review* and responded to questions and concerns raised by the Committee. Ms. Green then presented the Staff compiled *VPIC Fee Study* and responded to questions from the Committee.

- **Portfolio Investment Review FY1Q19**

Ms. Belmondo presented the *First Fiscal Quarter 2019 Investment Performance Analysis* and responded to questions from the Committee.

- **Proxy Voting Policy Review**

Ms. Green presented the *2018 Proxy Voting Experience* as compiled by Institutional Shareholder Services, VPIC's proxy voting vendor. She then requested direction from the Committee regarding the proposed changes to both the VPIC International and Domestic Proxy Voting Policies.

Chair Golonka created an ad hoc Sub Committee to review VPIC's domestic and international proxy voting guidelines, Treasurer Pearce, Joseph Mackey, and Jeff Briggs were appointed to this Sub Committee.

ITEM 7: 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 NEPC, LLC bring a revised Benchmarking Review to a later meeting providing a detailed presentation of the asset allocations employed by the top quartile of fund performers in the Investor Force <\$5 Billion Public Fund Universe. Further the Committee requested that Staff update a Peer Review which was undertaken several years ago with the objective of investigating the possibility of creating a custom benchmark of funds that have similar characteristics to VPIC.
- The Committee requested that NEPC and Staff work together to present a detailed Index Provider Search Book focused on Blackrock, Mellon Capital, Northern Trust and State Street Global Advisors to be presented at a future VPIC meeting.

ITEM 7: Future Agenda Topics/New or Other Business

There was no discussion regarding this agenda item.

ITEM 8: Public Comment

None.

ITEM 9: Adjournment

Treasurer Pearce moved, and Jeff Briggs seconded, that the meeting be adjourned. The Committee unanimously approved the motion to adjourn the meeting at 11:34 a.m.

Respectfully submitted,

Investments Staff