



**VERMONT PENSION INVESTMENT COMMITTEE
APRIL 23, 2019**

VPIC Members Present:

TOM GOLONKA, CHAIR
BETH PEARCE, VICE-CHAIR, Vermont State Treasurer
MARY ALICE MCKENZIE, Governor's Delegate, term expiring June 30, 2022
JOHN-HENRY HUBERT, (phone) Governor's Delegate, term expiring June 30, 2022
JOSEPH MACKEY, VSTRS Representative, term expiring June 30, 2019
ROBERT HOOPER, VSERS Representative, term expiring June 30, 2020
PETER AMONS, VMERS Representative, term expiring June 30, 2022

VPIC Members Absent:

None

VPIC Alternate Members Present:

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

VPIC Alternate Members Absent:

None

Also Attending:

Eric Henry, Chief Investment Officer
Katie Green, Deputy Chief Investment Officer
Andy Cook, Investment Analyst
David Borsykowsky & Jesse Moorman, Vermont Attorney General's Office
Margaret Belmondo & Will Forde, NEPC, LLC
Judith O'Connell & Scott Brayman, Champlain Investment Partners
John Toomey, Jr., Michael Pugatch, Amanda Outerbridge, & Nathan Bishop, HarbourVest Partners, LLC
Kevin Kester, Matthew Brewer, Matthew Yannocone, Siguler Guff & Company, LP
Steven Weddle, J.P. Morgan Asset Management
Dietrich Knauth, Buyouts Insider

CALL TO ORDER:

The Chair called the Tuesday, April 23rd meeting to order at 8:33 am, which was held 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. Robert Hooper indicated that he would like to add an agenda item relating to his potential attendance at a conference at Harvard. The chair added this item to the agenda as Item 2B.

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

ITEM 2: Consent Agenda

The Chair indicated the only item on the Consent Agenda was approval of the minutes from the March 26, 2019 VPIC meeting.

On a motion by Robert Hooper, seconded by Mary-Alice McKenzie, the Committee approved the consent agenda.

ITEM 2B: Robert Hooper Travel Request

Mr. Hooper requested that the committee approve a travel request for him to attend the 2019 Trustee Leadership Forum at Harvard University sponsored by the Initiative for Responsible Investment, which will be held June 3-4, 2019.

On a motion by Joseph Mackey, seconded by Peter Amons, the Committee approved expense reimbursement not to exceed \$2,000.00 for Mr. Hooper to attend the Trustee Leadership Forum at Harvard on June 3-4, 2019.

ITEM 3: Vermont State Treasurer's Update

Treasurer Pearce discussed her report she sent out to the Committee, *VPIC Treasurer's Report April 2019*. She indicated that the FY2020 Governor's Budget and the FY2020 House Appropriations Budget both included full funding of the ADEC/ARC for the VSERS and VSTRS systems. She noted that the legislative items upon which she presented at the March 26, 2019 VPIC Meeting have passed the House and Senate committees. She also noted that her office, along with the various board chairs are still working with the administration to outline the scope and objective of the forthcoming risk assessment which Segal Consulting will be completing. Lastly, she noted that attached to her report was the *Survey of Capital Market Assumptions 2018 Edition* produced by Horizon Actuarial Service, LLC. She noted that her report also included the Treasurer's Office staff analysis that applied the Horizon assumptions to the recently adopted VPIC asset allocation and compared the output to that using NEPC's assumptions.

ITEM 4: Staff Report

Mr. Henry noted to the Committee that staff and the Attorney General's Office are still in negotiations with BlackRock regarding the passive index fund contract. As well analysis of the

illiquid asset classes within the VPIC asset allocation have been an area of focus for staff this month. Mr. Henry noted that in the coming months more research and manager recommendations will be forthcoming from staff in cooperation with NEPC for Private Equity, Private Credit, Non-Core Real Estate, and Infrastructure/Farmland. Mr. Henry responded to questions posed by the Committee.

Ms. Green and Mr. Cook reviewed the *Staff Report* with the Committee. Ms. Green gave the Committee an update on the GAM Unconstrained Bond Fund liquidation. She noted that GAM expects an 8% distribution in late April or early May. As well she noted that GAM has indicated the estimated aggregate distributions should equate to 99.6% - 101% of the July 31, 2018 NAV. Ms. Green reviewed the current VPIC Watchlist and recommended the VPIC consider adding the Global Equity managers to the Watchlist.

On a motion by Robert Hooper, seconded by John Henry Hubert, the Committee unanimously added Hosking Partners and Artisan Partners to the VPIC Watchlist for performance concerns.

ITEM 5: NEPC Monthly Performance Update

Mr. Forde reviewed the *March 2019 Preliminary Investment Summary* and responded to questions posed by the Committee.

ITEM 6: Pacing Plans

i. Non-Core Real Estate

Ms. Belmondo reviewed the *Private Non-Core Real Estate Strategic Investment Plan* report with the Committee and responded to questions posed.

On a motion by Joseph Mackey, seconded by John Henry Hubert, the Committee unanimously approved NEPC's Private Non-Core Real Estate Strategic Investment Plan, which calls for an investment of \$30,000,000 in non-core real estate.

Staff and NEPC will coordinate on a recommendation to the Committee at an upcoming meeting for where to commit the funds.

ii. Private Debt

Ms. Belmondo reviewed the *Private Credit Strategic Investment Plan* report with the Committee and responded to questions posed.

On a motion by Treasurer Pearce, seconded by Joseph Mackey, the Committee unanimously approved NEPC's Private Credit Strategic Investment Plan which calls for an investment of \$75,000,000 in private debt.

Staff and NEPC jointly recommended that the Committee allow Benefit Street Partners to present their Senior Secured Opportunities Fund II at the June meeting. It was the consensus of the Committee to have Benefit Street present in June.

ITEM 7: **Manager Presentations**

i. Champlain Investment Partners – Small/Mid-Cap Equity Fund

Judith O’Connell and Scott Brayman from Champlain Investment Partners presented on their firm’s process and the performance of the VPIC SMID Portfolio. They responded to questions posed by the Committee, NEPC, and Staff.

ii. HarbourVest Partners, LLC – Dover Street X

John Toomey, Jr., Michael Pugatch, Amanda Outerbridge, and Nathan Bishop from HarbourVest Partners, LLC presented to the Committee on their firm, performance on previous commitments made by the VPIC, and the HarbourVest Partners, LLC Dover Street X Fund. They responded to questions posed by the Committee, NEPC, and Staff.

iii. Siguler Guff & Company, LP – Small Buyout Opportunities Fund IV

Kevin Kester, Matthew Brewer, and Matthew Yannocone from Siguler Guff & Company, LP presented to the Committee on their firm and the Siguler Guff Small Buyout Opportunities Fund IV, LP. They responded to questions posed by the Committee, NEPC, and Staff.

The Committee discussed the presentations of the three managers and specifically debated the recommendation from Staff and NEPC to invest \$100,000,000 to HarbourVest Partners, LLC Dover Street X Fund and \$50,000,000 to Siguler Guff Small Buyout Opportunities Fund IV, LP.

On a motion by Joseph Mackey, seconded by Peter Amons, the Committee unanimously approved an investment of \$100,000,000 to the HarbourVest Partners, LLC Dover Street X Fund and \$50,000,000 to the Siguler Guff Small Buyout Opportunities Fund IV, LP contingent on successful contract negotiations before each fund’s next close.

The Attorney General’s Office staff indicated they would like to provide the Committee with an update related to their work for the VPIC.

At 2:06 p.m., Mary-Alice McKenzie moved and Joseph Mackey seconded for a finding that the Committee should enter executive session under Title 1 V.S.A. § 313(a) subsection (1) because the Committee wished to discuss matters on which they specifically find that premature public knowledge would clearly place VPIC and the investment portfolio at a substantial disadvantage; and (2) such matters relate to outside vendors and includes:
- Subsection (1)(A) – Pending and prospective contract issues.

The Committee unanimously approved this motion.

Mary-Alice McKenzie moved, and Treasurer Pearce seconded that the Committee enter into executive session pursuant to Title 1 § 313(a)(1)(A). The Committee unanimously voted to enter into executive session.

At 2:14 p.m. the Chair removed the Committee from executive session.

ITEM 9: NEPC/Staff Deliverables for Upcoming Meetings

- The Committee instructed NEPC to invite Benefit Street Partners to the June 25, 2019 VPIC meeting to present on their Senior Opportunities Fund II.
- A Subcommittee comprised of Jeff Briggs, Treasurer Pearce, Linda Deliduka has been tasked with reviewing the Domestic and International Proxy Voting Policies, with a report and recommendations to be brought to the VPIC at a later meeting.
- A Subcommittee comprised of Jeff Briggs, Kim Gleason, Linda Deliduka has been tasked with reviewing VPIC's Operating, Standards of Conduct and Education Policy, with a report and recommendations to be brought to the VPIC at a later meeting.
- The Committee instructed Staff and NEPC to research Infrastructure and Farmland managers to be invited to the July Education Panel.
- The Committee instructed Staff and NEPC to provide detailed research at a future meeting on the difference between the assumed rate of return for VPIC's long term target asset allocation and its current allocation.
- The Committee instructed Staff and NEPC to schedule a short-term quality credit education session at a future VPIC meeting.

ITEM 10: Future Agenda Topics/New or Other Business

There was no discussion regarding this agenda item.

ITEM 11: Public Comment

None.

Adjournment:

Peter Amons moved, and Treasurer Pearce seconded, that the meeting be adjourned. The Committee unanimously approved the motion to adjourn the meeting at 2:14 p.m.

Respectfully submitted,

Investment Staff