



**VERMONT PENSION INVESTMENT COMMITTEE
JUNE 25, 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, Governor's Delegate, term expiring June 30, 2022
JOSEPH MACKEY, VSTRS Representative, term expiring June 30, 2023
ROBERT HOOPER, VSERS Representative, term expiring June 30, 2020

VPIC Members Absent:

PETER AMONS, VMERS Representative, term expiring June 30, 2022

VPIC Alternate Members Present:

LINDA DELIDUKA, VSTRS *Alternate*, term expiring June 30, 2023
KIMBERLY GLEASON, VMERS *Alternate*, term expiring June 30, 2022

VPIC Alternate Members Absent:

JEFF BRIGGS, VSERS *Alternate*, term expiring June 30, 2020
DAVID STARR, Governor's Delegate *Alternate*, term expiring June 30, 2020

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, NEPC, LLC
Allison Davi, Vivian Lee & Blair Faulstich, Benefit Street Partners

CALL TO ORDER:

The Chair called the Tuesday, June 25th meeting to order at 8:35 am, which was held in the Pavilion Building Auditorium, 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 Joseph Mackey, seconded by Mary Alice McKenzie, 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 April 23, 2019 VPIC meeting.

On a motion by Joseph Mackey, seconded by Treasurer Pearce, the Committee approved the consent agenda.

ITEM 3: Vermont State Treasurer's Update

i. Chairman Compensation Adjustment

Mr. Golonka turned the meeting over to Treasurer Pearce to lead a discussion regarding the salary of the chair.

On a motion by Mary Alice McKenzie, seconded by Kim Gleason, the Committee unanimously approved an increase in the Chair's hourly salary from \$35.75 to \$36.92 on July 7, 2019 and further from \$36.92 to \$37.42 on January 5, 2020, representing one-third of the Treasurer's salary, as allowed under 3 V.S.A. § 523 (b), based on the Chair's satisfactory review by the VPIC at the December 11, 2018 meeting.

The Treasurer turned the meeting back over to the Chair.

ITEM 4: VPIC Statute Review Re: Staffing & Travel Expenses (requested by Joe Mackey)

The Chair invited Joe Mackey to speak on this item, which he had requested be added to the agenda. A discussion ensued. The Committee took no action.

Joe Mackey next raised questions regarding expensing of travel costs for Committee members to VPIC meetings. Discussion ensued and the VPIC Operating Policy was referenced. Treasurer Pearce reminded the Committee that per the VPIC Operating, Standards of Conduct & Education Policy the *VPIC Consent and Education-Related Expense Request Form* needs to be submitted to the Committee for approval ahead of any travel to qualify for reimbursement. After further discussion, the Committee took no action.

ITEM 5: Manager Hiring Process (requested by Joe Mackey)

The Chair invited Joe Mackey to speak on this item which he had requested be added to the agenda. A discussion ensued relating to the current procedure for Staff and the Investment Consultant to bring investment managers in front of the Committee for consideration of potential investment. Mr. Henry reviewed a memo he drafted dated June 13, 2019 titled *Prospective Investment Manager Interview and Hiring Process*. The Committee discussed the recommended process and it was the sense of the Committee to adopt the memo as a new policy.

On a motion by Joseph Mackey, seconded by John-Henry Hubert, the Committee unanimously approved the *VPIC Manager Selection Process Policy* as presented by Eric Henry in a memo dated June 13, 2019, subject to technical edits administered by Staff.

ITEM 6: Chief Investment Officer Report

Mr. Henry reviewed his June 18, 2019 report regarding historical inflation and noted the 2% allocation to the VPIC portfolio of either Infrastructure or Farmland as an inflation hedge. Mr. Henry responded to questions posed by the Committee.

ITEM 7: Investment Staff Report

Ms. Green and Mr. Cook reviewed the *Staff Report* with the Committee. Ms. Green referenced the status of items on the VPIC Watch List. She spoke to a Staff memo dated June 7, 2019 recommending action on the VPIC Global Equity Managers (Hosking Partners and Artisan Partners) who are currently on the VPIC Watch List.

On a motion by Treasurer Pearce, seconded by Joseph Mackey, the Committee unanimously instructed staff to terminate VPIC's position with Hosking Partners.

On a motion by Kim Gleason, seconded by Mary Alice McKenzie, the Committee unanimously instructed staff to remove Artisan Partners from the VPIC Watch List.

Ms. Green reviewed a Staff memo dated June 7, 2019 relating to the VPIC Non-Core Real Estate manager search. She responded to questions from the Committee. Following Ms. Green's presentation, it was the sense of the Committee to invite Blue Vista Real Estate Partners to the July 23, 2019 VPIC meeting to present on their Fund V, LP.

Mr. Cook provided the Committee with a comprehensive update regarding the status of the implementation of the asset allocation policy approved on March 26, 2019. This transition has incorporated the consolidation of \$2.125 billion from 12 legacy managers to two new index funds managed by BlackRock.

Ms. Green and Mr. Cook presented on Infrastructure and Farmland as an inflation hedging asset class to the Committee. Staff noted that Macquarie, NEPC, and International Farming Corporation will be providing an educational panel on the two asset classes at the July 23, 2019 VPIC meeting.

ITEM 8: NEPC Monthly Performance Update

Ms. Belmondo reviewed the *May 2019 Preliminary Investment Summary* and responded to questions posed by the Committee.

ITEM 9: Benefit Street Partners Presentation

Allison Davi, Vivian Lee and Blair Faulstich from Benefit Street Partners presented on their *Senior Secured Opportunities Fund II*. They responded to questions from the Committee.

The representative from Benefit Street Partners left the meeting and the Committee discussed the strategy. Staff and Ms. Belmondo responded to questions posed by the Committee.

On a motion by Joseph Mackey, seconded by John-Henry Hubert, the Committee unanimously approved an investment of \$75,000,000.00 to the Benefit Street Senior Secured Opportunities Fund II, subject to successful contracting negotiations to be completed by the Fund's first close.

ITEM 10: Portfolio Investment Review – FY3Q

Ms. Belmondo reviewed the *Third Fiscal Quarter 2019 Executive Summary* and responded to questions posed by the Committee.

ITEM 11: Investment Policy Statement Review

Mr. Henry reviewed proposed edits to VPIC's Investment Policy Statement, and responded to questions posed by the Committee.

On a motion by Mary Alice McKenzie, seconded by Kim Gleason, the Committee unanimously approved edits to the Vermont Pension Investment Committee Investment Policy Statement as presented by Mr. Henry.

ITEM 12: Subcommittee Update: Operating, Standards of Conduct & Education Policy Review.

Kim Gleason and Linda Deliduka presented edits recommended by the Operating, Standards of Conduct & Education Policy Subcommittee to the VPIC Operating, Standards of Conduct & Education Policy. They responded to questions posed by the Committee.

On a motion by Mary Alice McKenzie, seconded by John-Henry Hubert, the Committee unanimously approved edits to the VPIC Operating, Standards of Conduct & Education Policy provided by the Subcommittee.

ITEM 9: NEPC/Staff Deliverables for Upcoming Meetings

- 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.
- The Committee instructed Staff and NEPC to schedule a short-term quality credit education session at the August VPIC meeting.

- Kim Gleason requested either an agenda item or a Committee Retreat specifically for the Committee to discuss ESG related issues as they relate to the Committee, such as matters of gender equality and diversity.

ITEM 10: Future Agenda Topics/New or Other Business

There was no discussion regarding this agenda item.

ITEM 11: Public Comment

None.

Adjournment:

Mary Alice McKenzie moved, and Joseph Mackey seconded, that the meeting be adjourned. The Committee unanimously approved the motion to adjourn the meeting at 1:52 p.m.

Respectfully submitted,

Investment Staff