



**VERMONT PENSION INVESTMENT COMMITTEE
AUGUST 27, 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, 2023
ROBERT HOOPER (phone), VSERS Representative, term expiring June 30, 2020
PETER AMONS (phone), VMERS Representative, term expiring June 30, 2022

VPIC Members Absent:

VPIC Alternate Members Present:

LINDA DELIDUKA, VSTRS *Alternate*, term expiring June 30, 2023
KIMBERLY GLEASON, VMERS *Alternate*, term expiring June 30, 2022
JEFF BRIGGS (phone), VSERS *Alternate*, term expiring June 30, 2020
DAVID STARR (phone), Governor's Delegate *Alternate*, term expiring June 30, 2020

VPIC Alternate Members Absent:

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 & Lily Fenn (phone), NEPC, LLC
Priya Bishen, Kenneth Chambers, Ignacio Galaz, PIMCO
John Milne & Jason Klein, JKMilne Asset Management

CALL TO ORDER:

The Chair called the Tuesday, August 27th meeting to order at 8:32 am, which was held in Room 410 of 133 State Street, Montpelier VT.

ITEM 1: **Agenda Approval and Announcements**

The Chair reviewed the agenda with the Committee. He noted a request by Kim Gleason to add an agenda item to discuss a report recently requested by a VPIC member of the Treasurer's Office. This item was added as Item 3A.

On a motion by Treasurer Pearce, seconded by Joseph Mackey, 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 was approval of the minutes from the July 23, 2019 VPIC meeting.

On a motion by Treasurer Pearce, seconded by Mary Alice McKenzie, the Committee unanimously approved the consent agenda.

ITEM 3: Vermont State Treasurer's Update

Treasurer Pearce updated the Committee on the status of the Risk Assessment being completed by Segal Consulting, which is approximately 97% complete. She noted that she expects Segal to have the report issued in September. Once complete the report will be presented to VPIC as well as the three retirement system boards.

ITEM 3A: Discussion of Treasurer's Office Report Requested by a VPIC Member

Chair Golonka thanked Treasurer Pearce for the completion of a report related to Treasurer's Office and VPIC member travel expenses which was requested by Joseph Mackey. Treasurer Pearce noted that the report was treated as a Freedom of Information Act request and took more than 60 hours of Treasurer's Office staff time to complete. She noted that she will not be billing VPIC or Mr. Mackey for those hours worked. She pointed out that all expenses on the report fell within the State of Vermont guidelines under Bulletin 3.4, which are detailed at the following link: <https://humanresources.vermont.gov/compensation/expense-reimbursement> Treasurer Pearce cautioned the requesting of similar reports in the future, which detract from the time available for staff to dedicate to the important work they do, given the amount of time and expense that was required to produce this report.

Kim Gleason raised a point of clarification related to governance and suggested that requests of this nature should be made during the regular course of VPIC meetings, such that the entire Committee may have input on whether such reports are a worthwhile use of Treasurer's office's staff's time. Joseph Mackey and Jeff Briggs noted the value of VPIC members and Staff traveling to educational events and conferences and spoke to the value of this report in that regard. Kim Gleason clarified that she as well sees the value of travel for educational purposes, but reiterated that reports of this nature should be requested via the entire VPIC at a scheduled meeting as similar information has been made available in other reports and this level of detail

may not have been warranted given the rationale for the exercise. It was the consensus of the Committee that future reporting requests would be made at VPIC meetings.

ITEM 4: Chief Investment Officer's Report

Mr. Henry addressed the Committee regarding the portfolio's current investments and commitments to private equity. He noted that to date VPIC's private equity investments have been in fund-of-funds structures with HarbourVest historically, and most recently with Siguler Guff. He noted the strong performance of these funds, especially the roughly 1,000 basis points out performance versus the public market equivalent index that VPIC's HarbourVest investments have generated. He suggested that the Committee start to think about diversifying its private equity exposure by manager and fund structure. He suggested that the Committee start considering structures such as direct private equity investments with a single manager to complement the ongoing fund-of-funds investments. He cautioned that this higher level of sophistication would require additional resources as the level of due diligence and research on these fund structures initially outweighs what has historically been required of fund-of-funds investments. He spoke to the fee efficiency which may be gained by investing directly. Mr. Henry responded to questions from the Committee.

ITEM 5: Investment Staff Report

Ms. Green reviewed the *Staff Report* with the Committee, noting that the VPIC's Actual vs. Target Allocations are notably tighter to the policy targets approved in March at the end of July given the large transitions undertaken within the fund this summer. She also noted that VPIC's total AUM reached a new high watermark as of July 31, 2019. She updated the Committee on the status of the three managers on the VPIC watchlist, noting that Staff will be performing on-site due diligence with the UBS Trumbull Property Fund for performance concerns. Ms. Green then noted that GAM has returned the final tranche of VPIC's investment, resulting in a total disbursement of \$412,135 over the value of the fund on July 31, 2018 when it was gated, which was \$85,037,871.

Ms. Green noted that meeting materials are being distributed to members both via the traditional FTP Site system, as well as the newly established OneDrive System, which Investment Staff Intern Omeed Fallahi was responsible for setting up. Chair Golonka thanked Mr. Fallahi for his technical prowess and diligent work on this project and noted that he was a tremendous asset to the Investment Staff during his time with them this summer.

Ms. Green concluded by updating the Committee on recent cashflows as well as current and recently completed manager searches and contracting negotiations.

Mr. Cook addressed the Committee on a draft version of the VPIC Meeting Attendance Report for Fiscal Year 2019 and asked for any edits or corrections to the report's contents. Mr. Golonka requested that Staff provide a monthly list of relevant webinars that members may benefit from watching.

On a motion by Mary Alice McKenzie, seconded by Joseph Mackey, the Committee unanimously approved the VPIC Meeting Attendance Report for Fiscal Year 2019 as presented.

ITEM 6: NEPC Monthly Performance Update

Mr. Golonka led a discussion updating the Committee that preliminary performance results are not yet available, as NEPC is still reconciling the large number of transactions in June given the BlackRock transition. Mr. Henry noted that initial performance results that were shared with Staff by NEPC appeared to be off, and he requested they reconcile the issues before presenting the results to the Committee. He noted the main driver of this dispersion appears to be how the timing of cash flows are accounted for during the month. Discussion ensued related to the different reporting methodologies used by NEPC for their monthly and quarterly reporting and the methodologies employed by Segal Consulting for GASB reporting.

ITEM 7: Educational Presentations: Short Term Fixed Income

i. NEPC

Ms. Belmondo presented NEPC's *Short Duration Fixed Income Education* materials which provided a broad overview of the asset class for the Committee. She responded to questions from the Committee.

ii. PIMCO

Priya Bishen, Kenneth Chambers, Ignacio Galaz from PIMCO presented on Short Duration Fixed Income as an asset class. They responded to questions from the Committee.

iii. JK Milne Asset Management

John Milne and Jason Klein from JK Milne Asset Management presented on Short Duration Fixed Income as an asset class. They responded to questions from the Committee.

ITEM 8: Farmland Search Recommendation

Mr. Cook presented a memo from Investment Staff to the VPIC dated August 21, 2019, regarding the farmland manager search in conjunction with NEPC's *Agriculture Manager Search* presentation. He spoke to the research completed to date on the five managers included in the search and noted the pros and cons of each manager and their respective funds. Mr. Cook responded to questions from the Committee.

On a motion by Treasurer Pearce, seconded by Joseph Mackey, the Committee unanimously instructed Staff and NEPC to continue further research and due diligence into the International Farming Corporation Core Farmland Fund and the Nuveen Global Farmland

Fund, and pending that research coordinating onsite presentation(s) as reasonable for the September VPIC meeting.

Mr. Henry presented to the Committee an *NEPC Private Markets Investment Due Diligence Report on the Pontifax Global Food and Agriculture Technology Fund II L.P.* He responded to questions from the Committee related to the fund and firm.

On a motion by Treasurer Pearce, seconded by Joseph Mackey, the Committee unanimously instructed Staff and NEPC to continue further research and due diligence on the Pontifax Global Food and Agriculture Technology Fund II L.P. and report their findings at the September VPIC meeting.

ITEM 9: Investment Performance Data & Calculation

This agenda item was addressed during Item 6.

ITEM 10: 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 work together to perform further research on the International Farming Corporation Core Farmland Fund and the Nuveen Global Farmland Fund.
- 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.
- Staff will evaluate the allocation to UBS Trumbull Fund in line with the steps outlined in the VPIC Watch List Policy.
- The Committee instructed Staff and NEPC to work together to perform further research on Short Term Fixed Income managers and present a search book for their consideration at the September meeting.

ITEM 11: Future Agenda Topics/New or Other Business

There was no discussion regarding this agenda item.

ITEM 12: Public Comment

None.

ITEM 13: Executive Session

At 12:59 p.m., Joseph Mackey moved, and Treasurer Pearce 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 investment management and include:

Subsection (1)(A) – Pending and prospective contract issues, and

Subsection (1)(F) – Confidential attorney-client communications made for the purpose of providing professional legal services to the Committee.

The Committee unanimously approved this motion.

At 1:07 PM David Borsykowsky and Jesse Moorman left the meeting.

At 2:00 PM Chair Golonka removed the Committee from Executive Session.

Adjournment:

Treasurer Pearce moved, and Mary Alice McKenzie seconded, that the meeting be adjourned. The Committee unanimously approved the motion to adjourn the meeting at 2:01 p.m.

Respectfully submitted,

Investment Staff