



**VERMONT PENSION INVESTMENT COMMITTEE
MARCH 24, 2020**

DRAFT; NOT YET APPROVED BY COMMITTEE

Note all attendees present were connected via teleconference

VPIC Members Present:

TOM GOLONKA, CHAIR
BETH PEARCE, VICE-CHAIR, Vermont State Treasurer
ROBERT HOOPER, VSERS Representative, term expiring June 30, 2020
JOSEPH MACKEY, VSTRS Representative, term expiring June 30, 2023
MARY ALICE MCKENZIE, Governor's Delegate, term expiring June 30, 2022
KIMBERLY GLEASON, VMERS Representative, term expiring June 30, 2022

VPIC Members Absent:

JOHN-HENRY HUBERT, Governor's Delegate, term expiring June 30, 2022

VPIC Alternate Members Present:

LINDA DELIDUKA, VSTRS *Alternate*, term expiring June 30, 2023
JEFF BRIGGS, VSERS *Alternate*, term expiring June 30, 2020
PETER AMONS, VMERS *Alternate*, term expiring June 30, 2022
RON PLANTE, 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
Margaret Belmondo & Will Forde, NEPC, LLC
David Borsykowsky & Jesse Moorman, Vermont Attorney General's Office
Michael Middleman, Budget Analyst Department of Finance and Management
Chris Crevier, Michael Kramer, & David Stonberg, Neuberger Berman
Lindsay Saienni, FIN News
John Pelletier, Champlain College
Mark Crow, Vermont Business Roundtable

Meeting Materials:

[Materials for this meeting can be found at this link](#), which will be supported for at least one year following the meeting date. After that time you can request public information from the Treasurer's office by sending requests to treasurers.office@vermont.gov.

CALL TO ORDER:

The Chair called the Tuesday, March 24th meeting to order at 8:30 am, which was held via teleconference.

ITEM 1: Agenda Approval and Announcements

The Chair reviewed the agenda with the Committee.

On a motion by Treasurer Pearce seconded by Robert Hooper, the Committee unanimously approved the agenda as amended by the Chair.

ITEM 2: Consent Agenda

The Chair indicated the only item on the Consent Agenda was approval of the minutes from the February 25, 2020 VPIC meeting.

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

ITEM 3: Public Comment

John Pelletier of Champlain College and Mark Crow of the Vermont Business Roundtable spoke to a whitepaper document that the Vermont Business Roundtable published.

ITEM 4: Vermont State Treasurer's Update

Treasurer Pearce updated the Committee on steps that the Treasurer's Office is taking to ensure business continuity in light of the global COVID-19 pandemic. Specifically, most Staff are working from home, utilizing secure IT connections to access their work computers. She next detailed steps her office is taking to forecast upcoming payroll contributions for the VSTRS and VMERS systems to ensure there are no interruptions to payments. She next noted that all payments her office regularly facilitates (pension benefit as well as other payments) will continue to be made on time.

She noted that an experience study is being undertaken and the results may lead to changes in the assumed rate of return for VPIC. Mary Alice McKenzie asked for an overview of the entire actuarial process and annual timeline, which Treasurer Pearce then provided.

ITEM 5: Chief Investment Officer Report

Mr. Henry reviewed his CIO report with the Committee, which outlined proposed adjustments to the asset allocation. He reviewed the significant changes which have been made to the portfolio asset allocation over the past year, and then detailed the rationale for each change which is being proposed for consideration. He noted that the portfolio has performed largely as expected during the recent downturn, and that there has been sufficient liquidity to fund benefit payments and capital calls. Members of the Committee next shared their thoughts on the proposed asset allocation changes.

Mr. Henry then responded to questions posed by the Committee and indicated that Ms. Belmondo would provide additional analysis on the asset allocation changes which are being proposed for consideration.

ITEM 6: Investment Staff Report

Ms. Green and Mr. Cook reviewed the *Staff Report* with the Committee. Ms. Green provided an overview of the current fixed income market, and reviewed VPIC manager updates and summarized recent ESG activity. Mr. Cook reviewed recent cash movements with the VPIC. Ms. Green and Mr. Cook responded to questions from the Committee.

ITEM 7: NEPC Performance Review

Ms. Belmondo reviewed the *February VPIC performance report* with the Committee and responded to questions. Treasurer Pearce noted specifically the positive performance of Vermont-based Champlain Investment Partners. Ms. Belmondo next reviewed the *30 Year Return Monte Carlo Analysis* report, and she responded to questions posed by the VPIC.

ITEM 8: Proposed Asset Allocation Changes

Ms. Belmondo and Mr. Henry responded to questions from the Committee regarding the Mix A asset allocation as presented in Mr. Henry's CIO report.

On a motion by Kim Gleason seconded by Jeff Briggs, the Committee unanimously approved the below VPIC asset allocation Mix A:

Asset Class	VPIC Current Target	Mix A	
		Allocation	Δ (+/-)
Global Equity	29.0%	29.0%	---
Large Cap Equity	4.0%	4.0%	---
Small/Mid Cap Equity	3.0%	3.0%	---
Int'l Equity	5.0%	5.0%	---
Int'l Small Cap Equity	2.0%	2.0%	---
Private Equity	10.0%	10.0%	---
Core Plus Fixed Income	6.0%	---	(6.0%)
Emerging Market Debt (Blended) ⁽²⁾	4.0%	4.0%	---
Private Debt	5.0%	10.0%	+5.0%
Non Core Real Estate	3.0%	3.0%	---
Total Growth	71.0%	70.0%	(1.0%)
Core Bonds	14.0%	20.0%	+6.0%
Short Gov't/Credit ⁽¹⁾	5.0%	---	(5.0%)
Long Treasuries	---	---	---
Total Downturn Hedging	19.0%	20.0%	+1.0%
Core Real Estate	5.0%	5.0%	---
TIPS	3.0%	3.0%	---
Private Infra/Land	2.0%	2.0%	---
Total Inflation Hedging	10.0%	10.0%	---
Total Portfolio	100.0%	100.0%	---
Expected Return (10 years)	5.82%	5.97%	+0.15%
Expected Return (30 years)	6.93%	7.10%	+0.17%
Standard Deviation	11.96%	12.07%	+0.11%
Sharpe Ratio (10 years)	0.34	0.34	+0.01
Sharpe Ratio (30 years)	0.38	0.39	+0.01
Total Asset Portfolio Duration	1.38	1.47	+0.09

ITEM 9: Proposed Neuberger Berman Investment

Chris Crevier, Michael Kramer and David Stonberg from Neuberger Berman presented on their firm and the Neuberger Berman Strategic Co-Investment Partners IV Fund. They detailed the investment team capabilities, investment philosophy, and fund structure. They then responded to questions posed by the Committee.

Ms. Belmondo relayed NEPC's view of the firm and the fund.

On a motion by Treasurer Pearce seconded by Joe Mackey, the Committee unanimously approved an investment of \$25,000,000 into the Neuberger Berman Strategic Co-Investment Partners IV Fund contingent upon satisfactory contracting negotiations.

ITEM 9: Deliverables for Upcoming Meetings

- Staff will work with the Custodian to create a detailed tax reclaim report for the Committee's review for an upcoming meeting.
- Mrs. Gleason requested either an agenda item or a Committee Retreat for the Committee to discuss ESG topics as they relate to the Committee, such as matters of gender equality and diversity.
- Staff will invite Acadian and Mondrian to present at the April VPIC meeting.

ITEM 10: Future Agenda Topics/New or Other Business

There was no discussion regarding this agenda item.

ITEM 11: Executive Session

There was no discussion regarding this agenda item.

Adjournment:

Joe Mackey moved, and Kim Gleason seconded, that the meeting be adjourned. The Committee unanimously approved the motion to adjourn the meeting at 11:40 a.m.

Respectfully submitted,

Investment Staff