



**VERMONT PENSION INVESTMENT COMMITTEE
SEPTEMBER 22, 2020**

DRAFT; NOT YET APPROVED BY COMMITTEE

Note all attendees present were connected via video or teleconference

VPIC Members Present:

TOM GOLONKA, CHAIR
BETH PEARCE, VICE-CHAIR, Vermont State Treasurer
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
ROBERT HOOPER, VSERS Representative, term expiring June 30, 2024
JOHN-HENRY HUBERT, Governor's Delegate, term expiring June 30, 2022

VPIC Members Absent:

VPIC Alternate Members Present:

JEFF BRIGGS, VSERS *Alternate*, term expiring June 30, 2024
RON PLANTE, Governor's Delegate *Alternate*, term expiring June 30, 2020
PETER AMONS, VMERS *Alternate*, term expiring June 30, 2022

VPIC Alternate Members Absent:

LINDA DELIDUKA, VSTRS *Alternate*, term expiring June 30, 2023

Also Attending:

Eric Henry, Chief Investment Officer
Katie Green, Deputy Chief Investment Officer
Andy Cook, Investment Analyst
Margaret Belmondo, NEPC, LLC
David Borsykowsky & Jesse Moorman, Vermont Attorney General's Office
Zack Cziryak, FIN News
Will Muoio, Reporter
Beth Blandford, Reporter

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, September 22nd meeting to order at 8:30 AM, which was held via videoconference.

ITEM 1: Agenda Approval and Announcements

The Chair reviewed the agenda with the Committee.

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

ITEM 2: Consent Agenda

The Chair indicated the only item on the Consent Agenda was approval of the minutes from the August 25th VPIC meeting.

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

ITEM 3: Public Comment

None.

ITEM 4: Vermont State Treasurer's Update

Treasurer Pearce presented a memo titled *ESG Initiatives for VPIC for the 2021 Proxy Season*. This memo listed the topic areas upon which the Treasurer's Office engaged with companies on VPIC's behalf. She noted that additional emphasis on Human Capital Management & Ethical Labor Practices is being proposed by this memo for the VPIC's consideration and requested other topic areas the VPIC might like to engage with companies to increase long-term shareholder value.

On a motion by Jeff Briggs seconded by Kim Gleason, the Committee approved unanimously the topics listed in the *ESG Initiatives for VPIC for the 2021 Proxy Season* memo as well as membership in the Human Capital Management Coalition.

Treasurer Pearce next presented a memo titled *DOL Proxy Voting Rule Proposal*. She provided a summary of a US Department of Labor (DOL) proposed rulemaking, which will limit the ability of fiduciaries of private pensions under ERISA to exercise shareholder rights.

On a motion by Kim Gleason seconded by Mary Alice McKenzie, the Committee unanimously agreed to submit a comment letter to the DOL regarding this rulemaking.

ITEM 5: Chief Investment Officer Report

Mr. Henry shared a chart from an article in *Pension & Investments* which detailed FY2020 investment returns for a number of U.S. Public Pension Funds. He noted the conservative portfolio changes VPIC made to the portfolio over the last 2 years. Some of those changes included terminating the hedge fund program, terminating a number of active strategies, building a significant downturn hedging position, and allocating uncalled private capital 60%/40% to

equities and the Barclay's Aggregate Bond fund respectively. He provided the Committee with an update on the PIMCO Core Plus fund transition to a Core Bond mandate.

ITEM 6: Investment Staff Report

Mr. Cook and Ms. Green reviewed the *Staff Report* with the Committee, and responded to questions posed. Mr. Cook and Mr. Henry informed the Committee of a notification that VPIC received from BlackRock related to how futures and cleared swap positions held in separately managed accounts are treated. Previously separate accounts from different investors could be aggregated together to cover futures obligations, and this change insulates individual investors such that their assets may not be used to cover the futures obligations of related investors. Mr. Henry asked the Committee for permission to accept this change related to the BlackRock S&P 500 Equal Weighted Account, and to continue to allow BlackRock to employ futures in that account.

On a motion by Treasurer Pearce seconded by Jeff Briggs, the Committee instructed Staff to allow BlackRock to continue to use futures in VPIC's S&P 500 Equal Weighted account and to accept the above referenced change to market practice for futures and cleared swap positions unanimously.

ITEM 7: NEPC Performance Review

Chair Golonka thanked Margaret Belmondo for her many years of diligent service to the State of Vermont and the Vermont Pension Investment Committee. Ms. Belmondo reviewed the *August 2020 VPIC performance report* and the *4th Fiscal Quarter 2020 Investment Performance Report* with the Committee and responded to questions.

ITEM 8: Discussion Re: Fiduciary Education Options

Chair Golonka, Mr. Henry, and Ms. Gleason reviewed 3 proposals received from firms offering to provide a Fiduciary Training session to the Committee. They responded to questions from the Committee on each of the proposals.

On a motion by Joseph Mackey seconded by Jeff Briggs, the Committee instructed Staff to hire Aon for a fiduciary training session for the Committee to be held at a future date unanimously.

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 Mondrian to present at a future VPIC meeting.
- Staff will transition the assets of the Strategic Global Advisors allocation into the Acadian International Equity Fund.
- Staff will work with PIMCO and the custodian to transition the VPIC Core Plus Fund to a defensive Core Fixed Income Fund.
- Chair Golonka will work with Bob Hooper and Kim Gleason to plan an upcoming Educational Session dedicated to Fiduciary Duty, presented by AON. All members and alternates are encouraged to submit questions or talking points for this session.

ITEM 11: Future Agenda Topics/New or Other Business

No action.

ITEM 12: Executive Session

No action.

ITEM 14: Adjournment:

Kim Gleason moved, and Mary Alice McKenzie seconded, that the meeting be adjourned. The Committee unanimously approved the motion to adjourn the meeting at 10:49 AM.

Respectfully submitted,

Investment Staff