



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

*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](mailto:treasurers.office@vermont.gov).

**CALL TO ORDER:**

The Chair called the Tuesday, March 24<sup>th</sup> 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) <sup>(2)</sup>	4.0%	4.0%	---
Private Debt	5.0%	10.0%	+5.0%
Non Core Real Estate	3.0%	3.0%	---
<b>Total Growth</b>	<b>71.0%</b>	<b>70.0%</b>	<b>(1.0%)</b>
Core Bonds	14.0%	20.0%	+6.0%
Short Gov't/Credit <sup>(1)</sup>	5.0%	---	(5.0%)
Long Treasuries	---	---	---
<b>Total Downturn Hedging</b>	<b>19.0%</b>	<b>20.0%</b>	<b>+1.0%</b>
Core Real Estate	5.0%	5.0%	---
TIPS	3.0%	3.0%	---
Private Infra/Land	2.0%	2.0%	---
<b>Total Inflation Hedging</b>	<b>10.0%</b>	<b>10.0%</b>	<b>---</b>
<b>Total Portfolio</b>	<b>100.0%</b>	<b>100.0%</b>	<b>---</b>
<b>Expected Return (10 years)</b>	<b>5.82%</b>	<b>5.97%</b>	<b>+0.15%</b>
<b>Expected Return (30 years)</b>	<b>6.93%</b>	<b>7.10%</b>	<b>+0.17%</b>
<b>Standard Deviation</b>	<b>11.96%</b>	<b>12.07%</b>	<b>+0.11%</b>
<b>Sharpe Ratio (10 years)</b>	<b>0.34</b>	<b>0.34</b>	<b>+0.01</b>
<b>Sharpe Ratio (30 years)</b>	<b>0.38</b>	<b>0.39</b>	<b>+0.01</b>
<b>Total Asset Portfolio Duration</b>	<b>1.38</b>	<b>1.47</b>	<b>+0.09</b>

### **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**