



**VERMONT PENSION INVESTMENT COMMITTEE
JUNE 23, 2020**

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

VPIC Members Absent:

ROBERT HOOPER, VSERS Representative, term expiring June 30, 2020

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:

None

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
Lindsay Saienni, FIN News
Jen Sachs, Marlene Shaw, Harry Gakidis, Acadian Asset Management

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, June 23rd 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 Jeff Briggs seconded by Joe 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 April 28, 2020 VPIC meeting.

On a motion by Treasurer Pearce seconded by Jeff Briggs, the Committee approved the consent agenda unanimously.

ITEM 3: Public Comment

None.

ITEM 4: Vermont State Treasurer's Update

Treasurer Pearce informed the Committee that Legislature has committed to fully fund the Actuarially Determined Employer Contribution for the VSTRS plan in the FY2021 budget. She noted that an additional \$3,000,000 which had been requested by the VSTRS Board was not funded. She noted that the Experience Study has been delayed due to COVID-19, but a lowering of the assumed rate or return is expected following the conclusion of that study.

ITEM 5: Chief Investment Officer Report

Mr. Henry reminded the Committee that as discussed at the March and April VPIC meetings, a cash balance equal to 3 months' worth of benefit payments for each system is being held in short term investment funds. This is being done on a recommendation by Staff and NEPC in case of a period of constricted liquidity due to heightened market volatility. He noted that markets have stabilized since the spring and provided an overview for the Committee of the liquidity currently in the VPIC Portfolio. He noted that following continued analysis and monitoring, Staff now recommends redeploying cash reserves and raising 1 month's benefit payments several weeks in advance to avoid pressures of a any future liquidity strains in the market. The consensus of the Committee was to accept this recommendation. Mr. Henry responded to questions posed by the Committee.

ITEM 6: Investment Staff Report

Ms. Green and Mr. Cook reviewed the *Staff Report* with the Committee. Ms. Green updated the Committee on recent ESG related work performed by Staff and noted that the date for the October 27th VPIC Meeting will need to be changed and the most likely alternative date is November 10th at noon. A final decision will be announced at a future meeting. Mr. Cook reviewed recent cash movements with the Committee. Mr. Cook presented a memo titled

International Equity Manager Search Recommendation. Ms. Green and Mr. Cook responded to questions from the Committee.

ITEM 7: NEPC Performance Review

Ms. Belmondo reviewed the *Third Fiscal Quarter 2020 Investment Performance Report* and *May 2020 VPIC performance report* with the Committee and responded to questions.

ITEM 8: International Equity Manager Presentation

Marlene Shaw, Jen Sachs, and Harry Gakidis from Acadian Asset Management presented on the firm and strategy that they manage for the VPIC. They detailed the investment team capabilities, investment philosophy, and fund strategy. They responded to questions posed by the Committee.

On a motion by Jeff Briggs seconded by Treasurer Pearce, the Committee unanimously approved the termination of Strategic Global Advisors with funds to be transitioned to Acadian Asset Management, as well as the extension of the Acadian Asset Management contract for 5 years to September 30, 2025 including a modified fee schedule, and a modification to the Investment Guidelines in Acadian Asset Management's mandate to increase exposure to small-cap stocks.

ITEM 9: Private & Alternative Credit Fund Recommendation

Ms. Green reviewed a presentation titled *Staff & NEPC Private & Alt Credit 2020 Recommendation*. She noted that following due diligence on several private and alternative credit fund options, Staff and NEPC recommend VPIC invite private credit manager Angelo Gordon and alternative credit manager Kennedy Lewis to the July VPIC meeting to present on the funds each firm is currently raising.

On a motion by Joe Mackey seconded by Mary Alice McKenzie, the Committee unanimously approved inviting Angelo Gordon to present on their Direct Lending Fund IV and Kennedy Lewis to present on their Capital Partners Master Fund II at the July VPIC meeting.

ITEM 10: Active Core Fixed Income Manager Recommendation

Ms. Green and Mr. Henry reviewed a presentation titled *Staff & NEPC Private & Active Core Fixed Income Recommendation*. They recommended that the Committee modify the investment guidelines of the existing VPIC PIMCO Core Plus Fund to a defensive Core Fixed Income strategy. **On a motion by Kim Gleason seconded by Jeff Briggs, the Committee unanimously approved a transition of the VPIC PIMCO Core Plus Fund to a defensive Core Fixed Income Strategy.**

ITEM 11: Deliverables for Upcoming Meetings

- Per request of Mr. Mackey, Staff will issue a brief market update via email each Friday.
- 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 invite Kennedy Lewis and Angelo Gordan to present at the July VPIC meeting.
- Staff will work with PIMCO and the custodian to transition the VPIC Core Plus Fund to a defensive Core Fixed Income Fund.

ITEM 12: Future Agenda Topics/New or Other Business

There was no discussion regarding this agenda item.

ITEM 13: Executive Session

At 12:04 p.m., Jeff Briggs 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 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 12:42 p.m. Chair Golonka removed the Committee from Executive Session.

ITEM 14: Adjournment:

Jeff Briggs moved, and Mary Alice McKenzie seconded, that the meeting be adjourned. The Committee unanimously approved the motion to adjourn the meeting at 12:43 p.m.

Respectfully submitted,

Investment Staff