



**VERMONT PENSION INVESTMENT COMMITTEE
JANUARY 26, 2021**

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

VPIC Members Absent:

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

VPIC Alternate Members Present:

JEFF BRIGGS, VSERS *Alternate*, term expiring June 30, 2024
RON PLANTE, Governor's Delegate *Alternate*, term expiring June 30, 2020
LINDA DELIDUKA, VSTRS *Alternate*, term expiring June 30, 2023

VPIC Alternate Members Absent:

PETER AMONS, VMERS *Alternate*, term expiring June 30, 2022

Also Attending:

Eric Henry, Chief Investment Officer
Katie Green, Deputy Chief Investment Officer
Andy Cook, Investment Analyst
Jim Voytko, Tony Johnson, Jordan Cipriani, Steve Hahn, Austin Head-Jones & Kirby Francis
RVK Inc.
David Borsykowsky, Vermont Attorney General's Office
Maureen O'Brien, Segal Marco Advisors
Lindsay Saienni, FIN News
Steff Chavez
Maja Ben, Fundmap
Will Muoio
Ryan Fisher & Jason Bourgea, Man Group

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, January 26th 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 Joe Mackey seconded by Ron Plante, the Committee unanimously approved the agenda.

ITEM 2: Consent Agenda

The Chair indicated the only items on the Consent Agenda were approval of the minutes from the December 8th VPIC meeting.

On a motion by Joe Mackey seconded by Ron Plante, the Committee approved the consent agenda unanimously.

ITEM 3: Public Comment

None.

ITEM 4: Vermont State Treasurer's Update

Treasurer Pearce noted that the Treasurer's Office was directed by the retirement boards to produce a report providing options for reducing the Unfunded Liability and Actuarially Determined Employer Contribution (ADEC) for the VSERS and VSTRS pension systems, and that report was provided on January 15, 2021, [and has been posted at this link](#). She noted that she has started discussing the various options outlined in that report with the many related stakeholders.

Further she detailed increases to the Unfunded Liability for both plans as a result of the experience study which has been completed, and she noted that specifically for the VSTRS system much of that increase was driven by demographic changes in the plan. She responded to questions posed by members of the Committee.

ITEM 5: Chief Investment Officer's Report

Mr. Henry presented information on the sources of funding for public pension plans nationwide from 1998-2018, indicating that 63% of that funding came from investment returns, compared to 26% and 11% for employer and employee contributions, respectively. He underscored that given that information, it is imperative that the VPIC have an investment program that is strategically aligned with the pension liabilities it is designed to fund. Next, he reviewed the portfolio design process, from analyzing capital market assumptions, and evaluating risk appetite, to an annual asset liability study. He noted that nowhere in that process does the plan's actuarially assumed rate of return drive portfolio design, rather the portfolio is designed to provide maximum returns given prudent levels of risk and liquidity. He responded to questions posed by members of the Committee.

ITEM 6: Investment Staff Report

Ms. Green provided updates on the existing VPIC private credit commitments which have been made to 5 various funds. She then presented an overview of an opportunity that VPIC has to seed a passive, global commingled index fund which seeks to invest in companies that are well-positioned to maximize returns and minimize risks associated with the transition to a global, low carbon economy. Funding this investment would accomplish VPIC ESG Goal #2. It was the consensus of the Committee to direct Staff and RVK to complete further due diligence on this fund and provide additional information at a future VPIC meeting. She next presented on the Ares Pathfinder Fund, as a potential private credit investment for the Committee to consider.

Mr. Cook presented on the HarbourVest HIPEP IX Fund as a potential private equity investment for the Committee to consider.

ITEM 7: Private Markets Pacing Study & Recommendations

Mr. Hahn and Mr. Francis from RVK presented the *Private Markets Pacing Analysis* and *Private Equity Strategic Plan* reports and responded to questions from the Committee.

On a motion by Kim Gleason seconded by Mary Alice McKenzie, the Committee unanimously accepted the *Private Markets Pacing Analysis* and the *Private Equity Strategic Plan*.

Ms. Head-Jones, Mr. Hahn and Mr. Francis next presented recommendations memos on the Ares Pathfinder Fund and the HarbourVest HIPEP IX fund and responded to questions from the Committee.

On a motion by Joe Mackey seconded by Robert Hooper, the Committee unanimously instructed Staff to invite HarbourVest Partners to present at the February 23rd VPIC meeting on their HIPEP IX Fund.

On a motion by Kim Gleason seconded by Mary Alice McKenzie, the Committee unanimously instructed Staff to invite Ares to present at the February 23rd VPIC meeting on their Pathfinder Fund.

ITEM 8: Portfolio Investment Review FY1Q2021

Ms. Cipriani and Mr. Johnson reviewed the *Quarterly Investment Performance Analysis* for September 30, 2020 and responded to questions posed by the Committee. They then presented the *Monthly Investment Performance Analysis as of December 31, 2020* and responded to questions posed by the Committee.

ITEM 9: Benchmark Review

Ms. Cipriani presented the *Benchmarking Review* report which analyzed all benchmarks historically utilized in VPIC consultant reporting. She provided recommendations for several manager benchmarks to be updated and responded to questions posed by members of the Committee.

On a motion by Kim Gleason seconded by Mary Alice McKenzie, the Committee unanimously accepted the recommended changes presented in the *RVK Benchmarking Review*.

ITEM 10: VPIC Preliminary December Performance

This item was covered during the presentation in Item #8.

ITEM 11: Domestic Proxy Voting Policy Recommended Changes

Ms. O'Brien from Segal Marco Advisors and Ms. Green presented the memo *2021 VPIC Proxy Voting Policies Review* and responded to questions posed by members of the Committee.

On a motion by Kim Gleason seconded by Mary Alice McKenzie, the Committee unanimously accepted the recommended changes to the VPIC Domestic Proxy Voting Policy as presented in the *2021 VPIC Proxy Voting Policies Review* memo.

ITEM 12: Deliverables for Upcoming Meetings

- Staff will work with RVK to provide an educational overview of currency risk, and how it impacts the VPIC portfolio at the February meeting.
- Staff will work with the Custodian to create a detailed tax reclaim report for the Committee's review for an upcoming meeting.
- Ms. 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.

ITEM 13: Future Agenda Topics/New or Other Business

No action.

ITEM 14: Executive Session

No action.

ITEM 15: 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 12:36 PM.

Respectfully submitted,

Investment Staff