



**VERMONT PENSION INVESTMENT COMMITTEE
MARCH 23, 2021**

Note all attendees present were connected via video or teleconference

VPIC Members Present:

TOM GOLONKA, CHAIR
BETH PEARCE, VICE-CHAIR, Vermont State Treasurer
MARY ALICE MCKENZIE, Governor's Delegate, term expiring June 30, 2022
JOHN-HENRY HUBERT, Governor's Delegate, term expiring June 30, 2022
JOSEPH MACKEY, VSTRS Representative, term expiring June 30, 2023
KIMBERLY GLEASON, VMERS Representative, term expiring June 30, 2022
ROBERT HOOPER, VSERS Representative, term expiring June 30, 2024

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:

VACANT, VSTRS *Alternate*, term expiring June 30, 2023

Also Attending:

Eric Henry, Chief Investment Officer
Katie Green, Deputy Chief Investment Officer
Andy Cook, Investment Analyst
Jim Voytko, Tony Johnson, Jordan Cipriani, Corry Walsh & Matt Sturdivan, RVK Inc.
David Borsykowsky, Vermont Attorney General's Office
Lindsay Saienni, FIN News
Steff Chavez, Financial Times
Maja Ben, Fundmap
Teddy Grant, PE Hub
Margarida Correia, Pension & Investments
Ryan Fisher, 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, March 23rd meeting to order at 8:34 AM which was held via videoconference.

ITEM 1: Agenda Approval and Announcements

The Chair reviewed the agenda with the Committee. Robert Hooper asked for Item #11 to be moved earlier in the meeting. The Chair indicated it would be moved to after Item #6.

On a motion by Robert Hooper seconded by Treasurer Pearce, the Committee unanimously approved the agenda with the above noted edit.

ITEM 2: Consent Agenda

The Chair indicated the only items on the Consent Agenda were approval of the minutes from the February 23rd VPIC meeting.

On a motion by Robert Hooper seconded by Kim Gleason, 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 as well as Chair Golonka, and the Chairs of the VSERS and VSTRS boards have all recently testified in front of the House Government Operations Committee. That testimony was related to potential changes to the VSERS and VSTRS pension systems intended to address the unfunded liabilities, and actuarially determined employer contributions of those systems. She noted a significant amount of that testimony has been focused on the fact that investment losses only account for a small portion of the current levels of underfunding in those systems.

She responded to questions posed by members of the Committee.

ITEM 5: Chief Investment Officer's Report

Mr. Henry presented a review of capital market assumptions, how the Committee can use them, and how the assumptions from RVK will be part of VPIC's broader asset allocation study which is forthcoming. He also reminded the committee of the difference between capital market assumptions, and the assumed rate of return, and that the Committee should not be designing a portfolio with the objective of hitting the assumed rate of return, rather the Committee should be designing a portfolio intended to achieve the best possible returns within acceptable levels of risk, and liquidity constraints. Lastly, he presented a chart detailing how the actual return for the portfolio for any given year can vary significantly from the assumed rate of return.

He responded to questions posed by members of the Committee.

ITEM 6: Investment Staff Report

Ms. Green presented the Investment Staff Report. She indicated that the final distribution from the Pinnacle Natural Resources Fund is anticipated to be received in July 2021, and the VPIC contract with Pinnacle expires on June 30, 2021.

On a motion by Joe Mackey seconded by Kim Gleason, the Committee unanimously approved extending the contract with Pinnacle Natural Resources to September 30, 2021.

Ms. Green along with Treasurer Pearce updated the Committee on progress related to the 2021 VPIC ESG Engagement Plan. They both responded to questions posed by the Committee.

ITEM 11: VPIC / Pension Board Structure Discussion

Chair Golonka facilitated a discussion on the governance structure of VPIC and the VSERS, VSTRS and VMERS retirement boards.

On a motion by Treasurer Pearce seconded by Kim Gleason, the Committee unanimously moved that:

Whereas the VPIC assets under management (“AUM”) is currently over \$5 Billion, and a formal governance review has not been completed since VPIC AUM was under \$3 Billion the Committee shall:

- 1. Solicit consultant proposals for a study to review VPIC governance, structure, membership, and the relationship of VPIC to the Treasurer’s Office, as well as any other recommendations of the chosen consultant;**
- 2. Inform the legislature of VPIC’s intent to complete the above study;**
- 3. Provide the findings of this study to the General Assembly of the legislature, as well as the VSERS, VSTRS and VMERS Retirement Boards.**

ITEM 7: VPIC Preliminary February Performance

Mr. Walsh presented the *Monthly Investment Performance Analysis* report for the period ended February 28, 2021. He responded to questions posed by the Committee.

ITEM 8: RVK Capital Markets Assumptions Introduction

Ms. Cipriani presented the *RVK 2021 Capital Markets Assumptions Update* report. She responded to questions posed by the Committee.

ITEM 9: RVK Asset Allocation Education

Mr. Johnson presented the *RVK Asset Allocation Education* report. He responded to questions posed by the Committee.

ITEM 10: BlackRock Low-Carbon Transition Fund Review

Ms. Green presented the *Complement to VPIC's Passive Exposure* report which detailed a proposed passive separate account investment to be managed by VPIC's passive fund manager, BlackRock, to be a global index fund strategy seeking to invest in companies that are well positioned to maximize returns and minimize risks associated with the global transition to a low carbon economy. She and Mr. Sturdivan from RVK responded to questions posed by the Committee.

On a motion by Jeff Briggs seconded by Kim Gleason, the Committee unanimously approved an investment of \$200,000,000 to a global separate account mandate managed by BlackRock that seeks to invest in companies that are well positioned to maximize returns and minimize risks associated with the global transition to a low carbon economy, contingent upon acceptable contracting terms being reached.

ITEM 12: Deliverables for Upcoming Meetings

- Chair Golonka and Staff will solicit consultant proposals for a study to review VPIC governance, structure, membership, and the relationship of VPIC to the Treasurer's Office, as well as any other recommendations of the chosen consultant
- 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:

Treasurer Pearce moved, and Kim Gleason seconded, that the meeting be adjourned. The Committee unanimously approved the motion to adjourn the meeting at 11:26 AM.

Respectfully submitted,

Investment Staff