



**VERMONT PENSION INVESTMENT COMMITTEE
JUNE 22, 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, 2021
JOHN-HENRY HUBERT, Governor's Delegate, term expiring June 30, 2021
JOSEPH MACKEY, VSTRS Representative, term expiring June 30, 2022
KIMBERLY GLEASON, VMERS Representative, term expiring June 30, 2021
ROBERT HOOPER, VSERS Representative, term expiring June 30, 2023
JIM SALSGIVER, VSBA Representative, term expiring June 30, 2023

VPIC Members Absent:

VACANT, VLCT Representative, term expiring June 30, 2022

VPIC Alternate Members Present:

RON PLANTE, Governor's Delegate *Alternate*, term expiring June 30, 2020

VPIC Alternate Members Absent:

PETER AMONS, VMERS *Alternate*, term expiring June 30, 2021
JEFF BRIGGS, VSERS *Alternate*, term expiring June 30, 2023
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, & Jonathan Kowolik, RVK Inc.
David Borsykowsky, Vermont Attorney General's Office
Mike Middleman, Finance & Management
Ted Brady, VLCT
David Walla, Sonya Lee, Keith Ashton, & Joel Holsinger, Ares Management, LLC
Adam Rees, Pageant Media
Lindsay Saienni, FIN News
Steff Chavez, Financial Times
Margarida Correia, Pension & Investments

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 22nd 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.

On a motion by Robert Hooper seconded by Kim Gleason, the Committee unanimously approved the agenda.

The Chair welcomed Jim Salsgiver who has been appointed by the Vermont School Board Association to a newly created seat on the Vermont Pension Investment Commission. Mr. Salsgiver introduced himself.

ITEM 2: **Consent Agenda**

The Chair indicated the items on the Consent Agenda were approval of the minutes from the April 27th VPIC meeting and 3 manager contract amendments related to the collection of investment management fees.

On a motion by Mary Alice McKenzie 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 provided a summary of the conclusion of the 2021 Legislative Session, specifically on items that related to the VPIC. She detailed the passage of H. 449, which has created the Vermont Pension Investment Commission, as well as a Pension Benefits Design, and Funding Taskforce and lastly a Joint Legislative Public Pension Oversight Committee. A link to the bill as enacted [may be found here](#).

She noted that for each of the past several fiscal years, the Treasurer's Office has submitted an appropriations request to pre-fund OPEB obligations which would save the state \$1.6 billion, and each year those requests have not been approved by the Legislature.

Lastly she pointed out that she has been serving as the Vice Chair of the VPIC for administrative reasons as two signatures have been required for all VPIC contracts in the past. Going forward only the Chair's signature is required for contracts. She noted that given that change, and in the spirit of providing independence for the new Vermont Pension Investment Commission, she will not be seeking the position of Vice Chair going forward.

ITEM 5: **Chief Investment Officer's Report**

Mr. Henry presented a list of items that are required of the VPIC by H. 449 and provided a status on those items. He then presented a preview of the second reading of RVK's Asset Allocation Study. He reminded the Commission that it is not the intent of the Asset Allocation Study to provide a portfolio with an expected return that matches or exceeds the fund's discount rate which is currently set at 7%. Rather the objective of the Asset Allocation Study is to produce recommended portfolios that maximize return for the fund with acceptable levels of risk and provide an appropriate level of liquidity.

ITEM 11: Asset Allocation Study – 2nd Review

Mr. Henry, Ms. Green and Mr. Cook provided background on the Asset Allocation Study that has been undertaken with RVK. They detailed the study process, and provided a summary of VPIC's current asset class holdings for assets in the Growth, Downturn Hedging, and Inflation Hedging portfolios.

ITEM 7: Commissioner Onboarding Materials

Mr. Henry & Mr. Voytko introduced the *Board Member Education* presentation, which will be presented in more detail at the July VPIC Meeting.

A Commissioner Onboarding Subcommittee was created consisting of Kim Gleason, Mary Alice McKenzie and Bob Hooper.

ITEM 8: Ares Pathfinder Core Fund Presentation

David Walla, Sonya Lee, Keith Ashton, and Joel Holsinger from Ares Management, LLC presented on their Pathfinder Core Fund as well as the firm's strategy and structure. They responded to questions from the Committee.

On a motion by Treasurer Pearce seconded by Kim Gleason, the Commission unanimously approved an investment of \$100,000,000 in the Ares Pathfinder Core Fund, pending successful contracting negotiations.

ITEM 6: Investment Staff Report

Ms. Green presented the Investment Staff Report. 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 Commission.

On a motion by Kim Gleason seconded by Mary Alice McKenzie, the Commission unanimously approved a 5-year extension to the contract with JP Morgan while simultaneously considering opportunities to improve efficiencies, streamline operations, and reduce costs.

On a motion by Kim Gleason, seconded by Bob Hooper, the Commission unanimously approved an increase in the Chair's hourly salary from \$37.42 to \$38.97 on July 4, 2021, representing one-third of the Treasurer's salary, as allowed under 3 V.S.A. § 523 (b).

ITEM 9: Portfolio Investment Performance Review FY3Q

Ms. Cipriani presented the *Portfolio Investment Review FY3Q*. She responded to questions posed by the Commission.

ITEM 10: VPIC Preliminary May Investment Performance

Mr. Johnson reviewed the *Monthly Investment Performance Analysis* for May 2021. He responded to questions posed by the Committee.

ITEM 11: Asset Allocation Study – 2nd Review (Continued)

Ms. Cipriani, Mr. Johnson and Mr. Voytko presented the *Asset Allocation Study II* and *Liquidity Analysis* materials. They responded to questions posed by the Committee.

On a motion by Treasurer Pearce seconded by Mary Alice McKenzie the Committee unanimously approved the following asset allocation targets, as well as the a recommendation to invest uncalled private markets commitments according to the strategic targets for growth assets, downturn-hedging assets, and inflation-hedging assets, currently 71%, 19% and 10%, respectively

Asset Class	Target
Growth Assets	
Passive Global Equities	24%
Active Global Equities	5%
Large Cap US Equities	4%
Small/Mid Cap US Equities	3%
Non-US Developed Market Equities	7%
Private Equity	10%
Emerging Market Debt	4%
Private and alternative Credit	10%
Non-Core Real Estate	4%
Total Growth Assets	71%
Downturn Hedging Assets	
Core Fixed Income	19%
Total Downturn Hedging	19%
Inflation Hedging Assets	
Core Real Estate	4%
US TIPS	3%
Infrastructure/Farmland	3%
Total Inflation Hedging	10%
Total	100%

Expected Long Term Return	5.36%
Risk (Standard Dev)	10.89%
Sharpe Ratio	0.54

ITEM 12: Deliverables for Upcoming Meetings

- The Chair and Staff will work to bring a list of potential committees that should be considered for establishment at the July 27th VPIC Meeting
- Staff and RVK will work to create an onboarding training process for new VPIC members to be presented at the July 27th VPIC Meeting.
- Staff and RVK will work with the Custodian on a contract extension while simultaneously reviewing opportunities to improve efficiencies, streamline operations, and reduce costs
- 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.

Adjournment:

Bob Hooper moved, and Kim Gleason seconded, that the meeting be adjourned. The Committee unanimously approved the motion to adjourn the meeting at 12:08 PM.

Respectfully submitted,

Investment Staff