

RVK Portland Office
1211 SW 5th Avenue
Suite 900
Portland, Oregon 97204
www.RVKInc.com



January 6, 2022

Vermont Pension Investment Commission

Governance and Investment Program

Review Report by

RVK Investment Program Review Team



Table of Contents

- Foreword 3
- I. Project Objectives 4
- II. Executive Summary 6
- III. RVK IPR Project Team and Methods Employed 10
 - Our Project Team 10
 - Stakeholder Interviews 10
 - Peer Fund Evaluation 11
- IV. Our Perspective on Independent Management of Public Financial Assets 14
- V. Key Elements of the Statute Relevant to Our Task 16
- VI. Implementing Effective Independent Management of Vermont’s Public Retirement Assets 21
- VII. Issues for Future Consideration 29
- VIII. Review of Peer Fund Structures and Attributes 30
 - Montana Board of Investment (MBOI) 31
 - Oregon Investment Council (OIC or Council) 34
 - State Board of Administration of Florida (SBA) 37
 - State of Wisconsin Investment Board (SWIB) 40
 - Washington State Investment Board (WSIB) 43
- Appendices 46

RVK Investment Program Review (IPR) Team

- Jim Voytko, President, Senior Consultant, Co-Lead IPR, Principal
- Marcia Beard RVK Senior Consultant, Co-Lead IPR, Principal
- Spencer Hunter, Senior Consultant, Principal
- Samia Khan, Consultant
- Joe Ledgerwood, Director of Investment Management Research, Principal
- Kyle Hagmeier, Associate Consultant
- Jessica Goodall, Senior Executive Assistant

Foreword

The RVK Investment Program Review Team would like to thank the following State Representatives and individuals from organizations related to the Vermont Pension Investment Commission and throughout the public pension institutional investment community.

- **Members of the Vermont Pension Investment Commission**
 - Kim Gleason, Vice Chairperson of Vermont Pension Investment Commission and Vermont Municipal Employees' Retirement System Representative
 - Tom Golonka, Chairperson of Vermont Pension Investment Commission
 - Robert Hooper, Vermont State Employees' Retirement System Representative
 - Joseph Mackey, Vermont State Teacher's Retirement System Representative
 - Mary Alice McKenzie, Governor's Appointee
 - Elizabeth Pearce, Vermont State Treasurer
 - Jim Salsgiver, Vermont School Boards Association Representative
 - Lauren Wobby, Governor's Appointee
- **Staff of the Vermont Pension Investment Commission**
 - Andy Cook, Investment Analyst
 - Katie Green, Deputy Chief Investment Officer
 - Eric Henry, Chief Investment Officer
- **Vermont State Representatives**
 - John Gannon
 - Sarah Copeland Hanzas, Chairperson of House Committee on Government Operations
- **Montana Board of Investments**
 - Dan Villa, Executive Director
- **Oregon State Treasury**
 - Rex Kim, Chief Investment Officer
- **State Board of Administration of Florida**
 - Lamar Taylor, Interim Executive Director and Chief Investment Officer

The information and perspectives in this report are deemed to be accurate but could not all be independently verified. Please also note that nothing in this report should be considered legal advice. All legal issues that touch upon the subjects discussed in this report should be confirmed by appropriate counsel.

I. Project Objectives

On June 8, 2021, the Vermont legislature passed H.449 (Act 75)¹ or “Statute,” an act that created the Vermont Pension Investment Commission (“Commission”), a new and substantially more independent successor to the Vermont Pension Investment Committee.

Act 75 moved all of the prior investment authority and related responsibilities previously held by the Investment Committee to the new independent Commission. Notably, these included authority over the investment of the assets held in the State’s retirement systems. However, in establishing the new independent Commission, Act 75 created a new governance structure and added several pension related responsibilities, along with a requirement for additional formal reporting obligations.

Section 3 of the Statute states that “on or before July 1, 2021, the Commission shall hire an independent third party to review and report on the operations of the Commission and the Retirement Division of the State Treasurer’s office and make recommendations on best practices and necessary actions to transfer the Commission to an independent entity. The report shall include a review of budgetary authority, frequency of trainings, transfer or hiring of personnel, and compensation of the Commission Chair and Commission employees.”

To conduct the review and issue the final report, the Commission retained RVK, Inc.² to provide a comprehensive review of governance policies to help formulate and recommend the optimal organizational, analytic, and operating practices for the newly formed Vermont Pension Investment Commission consistent with the authority and obligations set forth in the Statute. In this report, RVK offers perspectives on institutional fund governance and investment program structures, particularly as relevant to the State of Vermont’s retirement funds and their purposes. The RVK Investment Program Review (“IPR”) Team drew significantly from our firm’s decades of experience advising and supporting more than 200 institutional investors, including many public pension plans. In addition, we provide detailed research on a group of selected peer institutions, including the governance structures, degree of independence of fiduciary oversight and management of assets, extent of autonomy in the budgetary process, and authority to execute decisions related to human resources.

This report reflects our mandate and is divided into seven major sections as follows:

- **Executive Summary** – A summary of our research and recommendations.
- **The RVK IPR Project Team and Methods Employed** – The backgrounds of the professionals who conducted this research and the methods we employed.
- **Our Perspectives on Independent Management of Public Financial Assets** – Details of our experience and research regarding governance and organizational structure in an investment organization as well as any changes the State may consider to the Commission’s structure, authorities, responsibilities, and general operation in the years ahead. This section is intended to provide context and considerations for the Commission’s deliberations.

¹ Entire body of Act 75 is in Appendix A

² One of the largest fully independent and employee-owned investment consulting firms in the US, RVK, Inc. or RVK (formerly R.V. Kuhns & Associates, Inc.) provides world-class investment advice to institutional investors, as reported by *Pensions & Investments Special Report – Consultants*. RVK consults to defined benefit and defined contribution pension plans, endowments and foundations, insurance companies, and other special purpose funds.

- **Key Elements of the Statute Relevant to Our Task** – Sections of the Statute most relevant to the study.
- **Implementing Effective Independent Management of Vermont’s Public Retirement Assets** – RVK IPR Team’s recommendations of sound practices for governance of the Commission as it moves forward to implement Act 75 and the Commission’s independent status.
- **Issues for Future Consideration** – Discussion of issues for the Commission’s future consideration.
- **Review of Peer Fund Structures and Attributes** – Illustrations of the wide range of governance and organizational structures employed by other public asset owners, which in turn illustrate the deliberate or inadvertent choices they made that shaped their respective organizations.

II. Executive Summary

The purpose of this executive summary is to synthesize all the material presented in the body of this report, particularly:

- Section IV: Our Perspective on the Independent Management of Public Financial Assets
- Section VI: Implementing Effective Independent Management of Vermont's Public Retirement Assets
- Section VII: Issues for Future Consideration
- Section VII: Review of Peer Fund Structures and Attributes

We strongly encourage readers of this report to review the observations and recommendations below along with the discussion provided in each of these sections. Our observations and recommendations are not presented in any order of priority.

RVK Observations

There is a need for legislative clarification on Act 75's reference to "independent entity." The Act itself defines "independent" only in the context of not allowing any Commissioner to have a direct or indirect material interest in the retirement plans. However, Act 75 has numerous provisions that taken together indicate to us an underlying, albeit not clearly articulated, intent to move the management of Vermont's retirement assets toward greater independence. In this report, we approached 'independent entity' as referenced under *Vermont Pension Investment Commission; Fiscal Year 2022 Reports of the Act* to imply independence beyond the Commissioners as individuals, viewing its intent that the Commission behaves as an independent investment management entity, created by the State and always ultimately subject to its direction via statutory change.

The Vermont Pension Investment Commission—the newly created investment management entity tasked under Act 75 with the duty to manage Vermont's retirement assets and make selected but significant actuarial decisions—has a difficult task. The Commission and the individual Commissioners must act in four related but distinct decision venues in the course of their work. These are:

- *Fiduciary Care* – The duty to safeguard the retirement assets and ensure they are used for the sole benefit of the beneficiaries. This duty calls for thorough knowledge of the role of a fiduciary and on-going education, policies and protocols to ensure that duty is fulfilled. It requires the Commissioners to think like guardians of the assets.
- *Investment Decision-Making* – The duty to implement and manage an investment strategy that prudently balances risk to the plans' assets versus the desire to seek returns to help fund, along with contributions, the pension benefits. This duty calls for a sustained effort to pursue shared knowledge of the investment markets and policies and methods to invest prudently on an equally sustained basis. It requires the Commissioners to think like prudent institutional investors.
- *Pension Funding Decision-Making* – The duty to develop and maintain an effective understanding of the liabilities, funding status and contribution requirements of the underlying plans in the pursuit of fully funding the benefits earned by the plans' participants. It requires the Commissioners to think like pension plan sponsors.

- *Organization Management* – The duty to build, resource and maintain an organization that can effectively implement the investment strategies the Commission chooses to pursue. It requires Commissioners to think like an operating board of directors.

Knowing that each of their duties require a different mindset and knowing when each of those mindsets is called into play is the overarching challenge for the Commission as a whole, and for each individual Commissioner.

RVK Recommendations

Recommendation #1: The Commission, in making final decisions about the creation of any standing committees and related charters, should keep these four functional areas of responsibility in mind. We believe there is a relationship between these ongoing areas and possible committee structure.

Recommendation #2: The Commission should have its own budget, separate and distinct from any other budget within Vermont State government. The merits behind a separate budget are strong in that the Commission has (1) a distinct and focused mandate, (2) resource needs that are equally distinct and unique when compared to other agencies, and (3) a funding source in the trust funds that calls for clarity in their use if effective transparency and oversight is to be achieved.

Recommendation #3: The Commission should pursue substantial latitude over the size and composition of its budget if the underlying objective we perceive of substantially independent management of the State's retirement assets is to be achieved. There are multiple means for achieving substantial budgetary autonomy and simultaneously providing effective oversight and transparency. But the authority to make investments independently on behalf of the funds can be rendered moot if the means to executing those decisions are subject to the influence of political processes, and the political issues and officials of the moment. In our opinion, sustained independence in the management of Vermont's retirement assets should not rest on informal agreements as to the Commission's budget process but rather are best reflected by addressing them in statute, perhaps in amendments to Act 75.

Recommendation #4: The Commission should pursue recommending a budget expressed as "not to exceed" percentage (basis points) of the total assets under management that would be determined on a rolling average basis to avoid the impact of changing market conditions. The budget approval process should be limited to the review of the total expense and not on the composition of the expenses. The goal should be to maintain consistency of this percentage over several budget processes to enable long-term planning. The costs will be paid proportionately from the invested retirement systems and will require complete transparency and accountability to the legislature, the Governor, and the retirement systems.

Recommendation #5: The Commission should pursue control over its personnel and their compensation—at a minimum all personnel associated with investment decision-making and execution. Successful institutional investing of multi-billion-dollar funds in the global capital markets is not an administrative task. Successful institutional investment is a challenge that requires human talent—talent that is in high demand in a national market, if not in many cases a global market.

Recommendation #6: The Commission should use all resources available to it, or acquired in the future, to address the key person risk that currently exists as the Commission takes on its new duties. The size of the Commission's investment office is small and currently effective when supplemented by external consultant(s) and support resources, but the assets to be managed are growing and will continue to do so for decades to come. Retention of current staff is, in our view, only the start. At this time, the Commission

staff of three investment professionals must divide their time between investment related challenges and administrative tasks. In our judgment, that is a misuse of the small staff capacity in place at this time—and a misapplication that will only grow as the assets increase and new investment opportunities and risks emerge. The Commission should consider conducting a review of their organizational structure and staff classifications.

Recommendation #7: The Commission should execute a compensation study focused on both the positions currently on staff as well as selected positions that are potential candidates for additional roles in the intermediate term. In our judgement, given the key person risk currently and the expansion of duties underway due to Act 75, that study should be conducted with all deliberate speed. Care should be taken, we believe, to reflect as closely as possible the full slate of responsibilities held by current staff in the interpretation of the compensation data acquired. Ideally, this study would be completed in conjunction with an organizational review.

Recommendation #8: The Commission should adopt a sustained program of Commissioner education. In our judgement, it should have the following characteristics:

- Be focused primarily, if not exclusively, on education provided to the Commission as a whole, rather than individual Commissioners.
- Utilize the Commission staff and General Consultant to the greatest extent possible to ensure the greatest degree of relevance to the Commission's investment strategy at the lowest cost.
- Utilize asset managers and other investment professionals, but do so at arm's length relying on the Commission's investment staff and General Consultant to ensure vendor presentations are truly educational in nature and not sales and marketing opportunities.
- Be largely, if not exclusively, conducted at the Commission's offices for the greatest cost efficiency and benefit to the entire Commission and all retirement plan constituents who wish to observe.
- Encompass investment and actuarial topics as both are central to the full slate of duties held by the Commission.
- An annual plan for education should be agreed upon by the Commissioners at the beginning of each fiscal year. Progress and completion should be tracked and reported.

Recommendation #9: The Commission should seek to ensure that they have guaranteed access to actuarial expertise. Of the two ways that might be accomplished:

- Via a direct contractual relationship with an actuary
- Via an amendment to the contracts between the Vermont retirement plans and actuarial firms that expand their scope of work to include education and advice to the Commission

we favor the latter. We believe it is important for the same actuarial advisor to serve both the retirement boards and the Commission, their work spanning not only the respective clients but also connecting those actuarial assumptions in the purview of the Commission with those decided by the retirement boards themselves. While this cedes the decision to select the Commission's actuarial advisor to the retirement boards, we find the likely benefits of using the same actuary compelling until proven otherwise.

Recommendation #10: We recommend the Commission establish the following standing committees and use ad hoc committees to address one-time issues that may arise and in the judgement of the Chair and the Commission warrant committee level work.

- Finance, Budget and Personnel
- ESG

Both areas require substantial and ongoing preparatory work best accomplished at the Committee level. Though the current case for standing committees in the following areas is not as strong, we suggest the Commission consider the possibility for additional standing committees such as:

- Audit
- Actuarial Assumptions

Recommendation #11: The Commission should carefully review and update its Code of Conduct with provisions governing the actions of the Commissioners and staff. The objective of the Code is to ensure that Commissioners in the conduct of their responsibilities avoid actions that create conflicts of interest, impede the deliberation and decision-making of the Commission and undermine its credibility. Though Act 75 does not specifically call for such a Code, we believe that maintaining one along with the annual affirmation to the Vermont Legislature that the Commission and all its members have adhered to its provisions reflects a true balance between independence on one hand and transparency/oversight on the other.

Recommendation #12: The Commission should ensure that, when necessary, it can function effectively outside the normal process of scheduled meetings. There are two general means for doing so. One is to create a small standing Executive Committee led by the Commission Chair and advised by the Chief Investment Officer. A second is to embed specific authorities granted by the Commission as a whole in the job description of the Chair. We tend to favor the latter for a variety of reasons: (1) efficiency and expediency, (2) Act 75 clearly distinguishes the Chair as the leader of the Commission, and (3) pragmatically, most of the actions that tend to fall between formal meetings are providing staff direction for executing decisions made by the full Commission and representing the Commission in meetings with the Executive and Legislative branches of Vermont State Government—all of which appear to fall squarely in the Chair's duties.

Recommendation #13: The Commission should consider seeking legislative changes to ensure the Commission Chair is a full voting member. We cannot find any persuasive reason why the Chair should not be a full voting member of the Commission. It is a rarity among institutional investment entities and incongruous given the special status granted the Chair under Act 75 as the only paid member of the Commission. It also eliminates a critical independent voice in key investment decisions, in apparent conflict with the perceived overall goal of Act 75 which is to increase materially the independent management of the State's retirement assets.

Recommendation #14: Though we acknowledge that providing compensation to independent trustees overseeing public funds is not the norm currently in the U.S., we believe the Commission should have a robust discussion of this concept. The decision by the Legislature in Act 75 to provide modest compensation to the Chair of the Commission given his/her independent status and duties open the door to such a discussion as does the dual responsibility of each independent Commissioner to serve as a fiduciary to the retirement assets as well as direct the investment management entity.

III. RVK IPR Project Team and Methods Employed

Our Project Team

This project was led by RVK's IPR Team and supported by the general consulting team at RVK that advises the Vermont Pension Investment Commission on an ongoing basis. The RVK IPR practice specializes in addressing the challenges institutional investors face in structuring and implementing their investment programs from governance and board operations to comprehensive organizational designs and execution. Project Team members are listed below, and their bios are included in Appendix B.

- **Jim Voytko** – President, Director of Research, Senior Consultant, Principal
- **Marcia Beard** – Senior Consultant, Principal
- **Spencer Hunter** – Senior Consultant, Principal
- **Samia Khan, CFA** – Consultant
- **Joe Ledgerwood, CFA** – Director of Investment Manager Research, Principal
- **Kyle Hagmeier** – Associate Consultant
- **Jessica Goodall** – Senior Executive Assistant

Stakeholder Interviews

The RVK IPR Team conducted stakeholder interviews during the months of August through October 2021. We conducted one-on-one interviews with key individuals to gain a robust understanding of how each think about the collective decision-making required to discharge the duties and responsibilities of the independent Commission. Stakeholder interviews were conducted with the following individuals:

- **Members of the Vermont Pension Investment Commission**
 - Kim Gleason, Vice Chairperson of Vermont Pension Investment Commission and Vermont Municipal Employees' Retirement System Representative
 - Tom Golonka, Chairperson of Vermont Pension Investment Commission
 - Robert Hooper, Vermont State Employees' Retirement System Representative
 - Joseph Mackey, Vermont State Teacher's Retirement System Representative
 - Mary Alice McKenzie, Governor's Appointee
 - Elizabeth Pearce, Vermont State Treasurer
 - Jim Salsgiver, Vermont School Boards Association Representative
 - Lauren Wobby, Governor's Appointee
- **Staff of the Vermont Pension Investment Commission**
 - Eric Henry, Chief Investment Officer
- **Vermont State Representatives**
 - John Gannon
 - Sarah Copeland Hanzas, Chairperson of House Committee on Government Operations

Peer Fund Evaluation

The RVK IPR Team identified peer funds to inform this study. The following attributes were identified as a preferable set of characteristics for the peer data set:

- Diverse enough to capture a range of investment program and governance structures
- Small enough to allow a deep and comprehensive analysis of the structure, operation, and distribution of authority at each of the peer organizations
- Relevant and applicable to the retirement funds managed by the Commission
 - Material degree of decision-making independence
 - Public retirement fund asset owner
 - Comparable in investment complexity

Based on these criteria and our firm's experience with public funds across the US, RVK established the following list of peer funds for deeper analysis:

- Montana Board of Investments
- Oregon Investment Council
- State Board of Administration of Florida
- State of Wisconsin Investment Board
- Washington State Investment Board

The RVK IPR Team conducted extensive data collection on each of the peer funds using publicly available information, focusing on the following:

- Board level structure: size, composition, selection process, and term structure
- Relevant constitutional and statutory references of the funds that describe their composition, responsibilities, and authorities
- Operating and investment cost structures and budgeting details
- Investment process: determining which governing body has decision-making authority over risk tolerance, investment policy approval, strategic asset allocation, asset class structure, investment manager selection, distribution policy, and monitoring policies
- Operational structure: leadership of investment office, number of full-time employees, autonomy over personnel decisions, autonomy over budget, and source of funding
- Other fund details: AUM, fund type, and constraints

RVK then conducted interviews with senior representatives of the peer funds, including those noted below. The Team conducted the interviews to go beyond the data that is publicly available and either clarify or, in many cases, discover how reality in operation may be functionally different than what is described in publicly available information. The peer interviews were tremendously insightful and helpful for our understanding of structures in place. Interviews included:

- Dan Villa, Executive Director, Montana Board of Investments
- Lamar Taylor, Interim Executive Director and Chief Investment Officer, State Board of Administration of Florida
- Rex Kim, Chief Investment Officer, Oregon State Treasury

Discussions with the peer fund representatives focused particularly on the degree and execution of independence and included, but were not limited to, the following topics:

- Organizational structure and placement within the government
- Investment decision-making structure and hierarchy
- Delegation of responsibilities
- Involvement of elected officials in investment decisions
- Control over budget
- Control over human resources
- Investment office staffing
- Oversight and reporting requirements

Throughout the course of the project, RVK reviewed an extensive set of documents and online resources relevant to current and prospective structure of the funds—their missions, governance, operating protocols, reporting requirements, as well as limitations and restrictions. Documents and sources included:

Montana Board of Investments

- Montana Board of Investments Official Website
- Montana Board of Investments Governance Manual, June 2021
- Montana Board of Investments 2020 Annual Report
- June 30, 2021 Montana Board of Investments Quarterly Investment Performance Analysis

Oregon Investment Council

- Oregon State Treasury Official Website
- Oregon's Budget Process, Oregon Department of Administrative Services
- Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, July 2020
- Oregon Investment Council Statement of Funds Governance, September 2014
- Statement of Oregon Investment Council (OIC) Investment and Management Beliefs, September 2020
- The Oregon Public Employees Retirement System History Oregon PERS, Third Edition, 2021
- Oregon Revised Statutes (ORS 2019 Edition)
- Oregon Laws 1999-2021 Sessions

State Board of Administration of Florida

- State Board of Administration of Florida Official Website
- June 30, 2021 State Board of Administration Performance Report to the Trustees
- Florida Retirement System Defined Benefit Plan Investment Policy Statement, October 2017
- The 2020 Florida Statutes
- Florida State Board of Administration 2019-2020 Annual Investment Report

State of Wisconsin Investment Board

- State of Wisconsin Investment Board Official Website
- State of Wisconsin Investment Board 2020 Annual Report
- Board of Trustees Wisconsin Retirement System Investment Policy, September 2021
- SWIB Investment Committee Wisconsin Retirement System Investment Guidelines, October 2021
- Wisconsin Statutes, December 2021
- State of Wisconsin Investment Board Investment Performance Report, June 30, 2021
- 2011 Wisconsin Act 32
- State of Wisconsin Agency Budget Request 2021-2023 Biennium

Washington State Investment Board

- Washington State Investment Board Official Website
- June 30, 2021 Washington State Investment Board Performance Report
- Chapter 43.33A of the Revised Code of Washington
- Washington State Investment Board Policies
- Washington State Investment Board 2020 Annual Report

IV. Our Perspective on Independent Management of Public Financial Assets

In this section we offer a series of perspectives that reflect both the specific research we conducted but also the many decades of cumulative experience in institutional investing within our project team. These are RVK perspectives offered to the Commission because we believe they merit a place in informing the Commission's work to exercise its independence as established by Act 75. The Commission, of course, will decide which, if any, it finds useful, how it chooses to include them in its work, and what weight it puts on these perspectives.

- There is no single investment entity whose governance and organizational structure that we believe the Commission should simply copy. However, there are good practices among many peer institutions that merit the Commission's consideration.
- The categorical phrase "best practices" is an overused term that lacks sufficient definition, and is inevitably subject to local circumstances. We take the view that a cohesive set of good/sound practices consistently adhered to by an asset owner is much more advantageous than inconclusive debates over "best" practices that are not actually applied.
- Successful investment program structures enable and support effective and sound investment programs but cannot produce them. In short, great investment talent can often overcome, to a material degree, a poor investment program structure, but a good program structure is useless without the ongoing engagement of highly capable and committed human talent at both the Commission and the staff level.
- There is no guarantee that structural change *alone* will improve long-term investment results and risk control, but good structure should make these desirable outcomes more likely—perhaps far more likely—to be achieved over time.
- Sound investment programs—sound in the pursuit of return within acceptable risk and fiduciary duty—are highly determined by the application of the best human talent available to investment decisions through the best investment decision-making process that can be devised.
- There are a multitude of trade-offs present in the creation of a structure for investing public assets, and that each trade-off made has the potential for both positive and negative outcomes.
- In our opinion, the "structure" of the investment program should be judged by the extent to which it (1) supports the acquisition and retention of the best human capital possible for the Commission, (2) fosters the *application* of that talent to the Commission's assets through the best investment decision-making process possible, and (3) does both with a continuity required for successful long-term investing but not commonly found in political structures, where the inherent turnover associated with democratically elected officials is at odds with continuity in investment strategy.

- Apart from structure, investment talent and the decision-making processes applied, there can be exogenous factors that powerfully influence the investment strategies and outcomes of an investment program. In our experience, in the case of public pension systems, the strength and reliability of the contribution policy is often a key influence.
- Any investment entity that the Commission or any other public asset owner might structure as its investment management entity, created with a meaningful measure of independence in investment decision-making, cannot be successful if it adopts an “advisory” mentality when executing its responsibilities. *Its own structure and operating mentality must be aligned with an investment management entity, not an advisory body.*
- Designing an effective structure for public assets involves resolving the balance between ensuring that the fiduciaries have sufficient independence from political direction and access to the expertise/experience necessary for long-term investment success **versus** the need for oversight and transparency that ensures an appropriate measure of accountability for the stewardship of public assets—particularly public assets held for exclusive benefit of pension plan participants.
- That balance between fiduciary independence and oversight/accountability is driven by the independence provided to both make investment decisions *and actually execute them*. In practical terms, this means that independence to make investment decisions without sufficient control over the resources necessary to implement those decisions is crippled independence at best. This is as true for the Commission as it is for any investment entity managing public funds.

There is a spectrum along which the management of public assets falls when balancing fiduciary independence with sufficient accountability. That balance is graphically illustrated below.



The provisions in Act 75 set the overall balance between these two desirable objectives and, from our observation, clearly move the balance toward greater independence from political control but ensuring that independence is balanced with increased statutory obligations for transparency and reporting.

In the following section, we note the key provisions in Act 75 that strike this balance and the opportunities and challenges they offer to the newly formed Commission.

V. Key Elements of the Statute Relevant to Our Task

The following are duties of the Vermont Pension Investment Commission as directly stated in H.449 (Act 75) as passed by the House and Senate of the State of Vermont. Rather than presenting the relevant duties in the order that they appear in the Statute, this section attempts to group relevant excerpts that touch upon related aspects of the Commission's duties.

Sec. 1. § 523(a): "The Vermont Pension Investment Commission shall be responsible for the investment of the assets of the Vermont State Teachers' Retirement System, the Vermont State Employees' Retirement System, and the Vermont Municipal Employees' Retirement System pursuant to section 472 of this title, 16 V.S.A § 1943 and 24 V.S.A. §5063. The Commission shall strive to maximize total return on investment, within acceptable levels of risk for public retirement systems, in accordance with the standards of care established by the prudent investor rule under 14A V.S.A. § 902. The Commission may, in its discretion, subject to approval by the Attorney General, also enter into agreements with municipalities administering their own retirement systems to invest retirement funds for those municipal pension plans. The State Treasurer shall serve as the custodian of the funds of all three retirement systems. The Commission may, in its discretion, also enter into agreements with the State Treasurer to invest the State Employees' Postemployment Benefits Trust Fund, established in section 479a of this title, and the Retired Teachers' Health and Medical Benefits Fund, established in 16 V.S.A. § 1944b."

Comment: The clear evocation of the Prudent Investor Rule strongly reinforces the breadth of the Commission's investment authority. Its broad adoption by almost all the public fund investment management entities in the US indicates that it is considered a "best practice" by these institutions and their sponsors.

Sec. 1. § 523(b)(1) (A)(B)(C): "The Commission shall have the following duties:

(1) Set the following actuarial assumptions:

- A. the investment rate of return;
- B. the inflation rate; and
- C. the smoothing rate method used for the actuarial valuation of assets and returns"

and

Sec. 1. § 523(g): "Any changes to the actuarial rate of return shall be made by the Commission."

Comment: The entity created by Act 75 in forming the Commission is best described as a "board of investment" structure. It is widely used across the US to manage the financial assets of multiple funds, typically with varying attributes and purposes. The assignment of these key actuarial assumptions to the Commission is somewhat unusual as these are typically the responsibility of retirement boards. However, this offers the opportunity to ensure consistency and arm's-length independence from the plans constituencies in setting them.

Sec. 1. § 523(d): "The Commission shall formulate policies and procedures deemed necessary and appropriate to carry out its functions, including a written statement of the responsibilities of and expectations for the Chair of the Commission and standards of conduct for members and employees of the Commission in order to maintain and promote public confidence in the integrity of the Commission. The standard of conduct policies shall prohibit members and employees from receiving or soliciting any

gift, including meals, alcoholic beverages, travel fare, room and board, or any other thing of value, tangible or intangible, from any vendor or potential vendor of investment services, management services, brokerage services, and other services to the Commission”

Comment: This is a statutory directive that seeks to balance the Commission’s independence in the management of its own work with clear obligations for transparency in structure and ethical execution.

Sec. 3. (a): “On or before January 15, 2022, the Commission shall develop a written policy for implementing asset allocation study and the asset and liability study required by 3 V.S.A § 523 and shall make the policy publicly available.”

Comment: Asset allocation is widely accepted in institutional asset management as the primary driver of both long-term risk and return. Asset/Liability studies are, in RVK’s opinion, the gold standard for assessing the current and future financial health and prospects for public retirement plans. In this provision, Act 75 requires transparency, and in our view applies that obligation to these primary tools for both the management of public assets and the oversight of that management.

Sec. 1. § 522(c)(1): “Members and alternates of the Commission may be removed only for cause. The Commission shall adopt rules pursuant to chapter 25 of this title to define the basis and process for removal.”

Comment: We interpret this power to “self-police” as a clear indication of the independence intended for the Commission and the obligation to set written rules for its execution as another feature of the intended transparency in its operation.

Sec. 1. § 522(d)(1)(A)(B) and (2):

(1)(A) “The Chair of the Vermont Pension Investment Commission shall have the financial, investment, leadership, and governance expertise as required by policies adopted by the Commission.”

(B) The Chair shall be a nonvoting member, except in the case of a tie-vote.”

and

(2) “The Vermont Pension Investment Commission shall elect a vice chair from among its members.”

Sec. 1. § 522(h): “Members and alternates of the Commission who are not public employees shall be entitled to compensation as set forth in 32 V.S.A. § 1010 and reimbursement for all necessary expenses that they may incur through service on the Commission from the funds of the retirement systems. The Chair of the Commission may be compensated from the funds at a level not to exceed one-third of the salary of the State Treasurer, as determined by the other members of the Commission.”

Sec. 1. § 522(b): “Members and alternates of the Commission shall be required to participate in onboarding and ongoing periodic training in investments, securities, and fiduciary responsibilities as directed by the Commission. The Commission shall provide an annual report to the respective authorities responsible for electing and appointing members and alternates regarding attendance at Commission meetings and relevant educational programs attended.”

Comment: Act 75 designates multiple seats to be held by representatives of the retirement plans whose assets the new Commission is empowered to invest. As investment fiduciaries, all elected and appointed Commissioners are obligated to execute the Commission’s mandate and to do so with substantial engagement and sustained pursuit of investment knowledge. RVK is supportive of establishing formal reporting to ensure steps are being taken to meet these obligations.

Sec. 1. § 523(f): “Beginning on July 1, 2022, and every three years thereafter, based on the most recent actuarial valuations of each Plan, the Commission shall study the assets and liabilities of each Plan over a 20-year period.”

Comment: As mentioned above, asset/liability studies are, in RVK’s opinion, the gold standard for assessing the current and future financial health and prospects for public retirement plans.

Sec. 1. § 523(b): “The Commission shall have the following duties:

(2) Not more than 180 days after the end of each fiscal year, conduct an asset allocation study that reviews the expected return of each fund, including a risk analysis using best practices methodologies to estimate potential risks to the fund’s asset values over a five-, 10- and 20-year period, and the remainder of the statutory amortization period. The study shall be submitted to the House and Senate Committees on Government Operations and the Office of the Governor and made publicly available within 10 days of completion.”

and

(h)(1): “Beginning on January 15, 2022, and every year thereafter, the Commission shall submit to the House and Senate Committees on Government Operations:

- a. a report on the performance of each Plan versus its demographic investment and other actuarial assumptions over a three-, five-, seven- and 10- year period and the funding ratio of each Plan to each Plan beneficiary at the end of each fiscal year; and
- b. a report on the status of the funding and investment of each Plan and any relevant information from the asset liability and scenario testing completed during the prior fiscal year.

Comment: Not only do these provisions enhance transparency, but by assigning them to the independent Commission, they foster a measure of comparability across the State’s pension plans.

Sec. 1 § 523(h)(2): “The Commission shall send to each participant or beneficiary of each Plan a written or electronic copy of the report described in subdivision (1) of this subsection, in the format authorized by the participant or beneficiary. The report shall be consolidated with any other reports required to be sent by the Commission to the participants or beneficiaries of each Plan.”

Comment: This level of transparency directly to individual participants of a pension plan is a growing trend across public retirement plans. Most often it is executed via the posting of these types of information on a website but Act 75 seems to indicate the intent to go further.

Sec. 3(b): “On or before July 1, 2021, the Commission shall hire an independent third party to review and report on the operations of the Commission and the Retirement Division of the State Treasurer’s office and make recommendations on best practices and necessary actions to transfer the Commission to an independent investment management entity. The report shall include a review of budgetary authority, frequency of trainings, transfer or hiring of personnel, and compensation of the Commission Chair and Commission employees. On or before January 15, 2022, the Commission shall submit a copy of the report to the House and Senate Committees on Government Operations.”

Sec. 1. § 523(e): “Contracts approved by the Commission and related documents may be executed by the Chair or in the Chair’s absence, the Vice Chair.”

Comment: This, in our judgement, is a foundational authority for an independent investment management entity.

Sec. 1. § 523(c): “The Commission shall keep a record of all its proceedings, which shall be open for public inspection.”

Comment: This has become a common requirement of all public investment authorities.

Sec. 5. § 472(d) and Sec. 7. § 1943(d): “The Treasurer, with the approval of the Board and the Commission, shall adopt by rule standards of conduct for trustees and employees of the board in order to maintain and promote public confidence in the integrity of the Board.”

Comment: In setting the balance between fiduciary independence from the political process and ensuring effective oversight/accountability, we believe the requirement of Act 75 to set standards of conduct is a critical element.

Besides addressing the topics of budgetary authority, frequency of trainings, transfer or hiring of personnel, and compensation of the Commission Chair and employees as set out by Sec. 3(b) of the statute for which RVK was specifically hired, our team has provided review and guidance of the following policies and procedures formulated by the Commission to carry out its functions in the interim and for the long term, including:

- Position Description for the Chair of the Commission (Sec. 1. (§) 523(d))
- Standards of conduct for members and employees of the Commission (Sec. 1. (§) 523(d))
- Rules on Removal of Members and Alternates of the Commission (Sec. 1. (§) 522(c)(1))
- Preparation and presentation of annual training materials for Commissioners (Sec. 1. (§) 522(b))
- Formation of Interim / Permanent Committees

- Types of Committees
- Committee Member Selection
- Charter for Governance Committee
- Charter for Finance Committee
- Charter for ESG Committee
- Compensation Benchmarking of Public Pension Plan Investment Office
- Evaluation of Chair and Chief Investment Officer

VI. Implementing Effective Independent Management of Vermont's Public Retirement Assets

Act 75 tasked RVK with setting forth our views on budgetary authority, frequency of trainings, transfer or hiring of personnel, and compensation of the Commission Chair and employees. In this section we cover these topics along with providing commentary on other aspects we believe merited attention for the Commission's implementation of their mandate to build an independent investment management entity for the State's retirement assets.

The Importance of a Simultaneous Board of Trustees and Board of Directors Mentality

In contrast to the Commission's predecessor organization—the Committee—we interpret Act 75 as directing the Commission to build a public entity with broad independence in structure, governance, and operation that will function as the asset management arm of the State. In this respect, Vermont is joining a growing number of private and public entities including other states within the US, universities, and sovereign wealth funds. The five peer funds we detail in Section VII of this report all reflect this trend towards independent execution of the investment function, albeit embedding that independence in diverse structures and to varying degrees.

We observe that a transition to an independent investment management entity requires that its ultimate leadership—in this case the Commission—adopt *both* the fiduciary mindset and investment focus of a board of trustees, but also alongside it, the mindset of a board of directors overseeing and directing an operating business, i.e., an investment management company.

The Importance of Substantial Amount of Control Over an Investment Focused Budget

A successful investment management organization must be truly independent, functional, and fully accountable. The Commission cannot achieve these attributes of success without a budget that is:

- tied directly to the Commission and its operations and nothing else;
- created, articulated, and managed solely by the Commission;
- funded entirely by the entities it serves—in this case the Vermont retirement funds themselves; and
- reviewed and approved in a manner that is consistent with the core realities of institutional investment management, such as the \$5.9 billion for which the Commission is now responsible for investing productively but prudently.

The *core* realities of independent investment management entity referenced above merit further discussion in the context of both the Commission's budget, authority over that budget, and execution of that budget to perform its investment mandate for Vermont. In short form and reflecting our experience, we summarize the realities faced by an institutional investment management entity like the Commission as well as its ultimate sponsor, the State of Vermont, as:

- The investment environment is dynamic and at times subject to profound change. Occasionally, those changes can be sudden and present significant risks or opportunities. For example, a new

investment opportunity may create a need for new tools, access to additional consulting support, additional onsite due diligence, the addition of new skills or capacity to the internal staff. Without a sufficiently flexible operating budget, the Commission would face a significant impediment to capitalizing on such an opportunity, detracting from the Commission's objectives of providing investment income to fund Vermont's pension benefits at prudent levels of risk.

- Successful long-term investing—and Vermont's retirement funds are perpetual institutions—is a function of the application of the best investment talent available to the best investment decision-making process that can be created and housed within the most supportive structure. The market for investment talent is not determined by Vermont's boundaries, nor the Northeast US as a region, nor even the US in its entirety. The search for investment talent takes place within a global marketplace and the competition for investment talent is not just among public pension plans but among all asset owners, including corporations, endowments, foundations, insurance companies, healthcare institutions and sovereign wealth funds.
- Successful long-term investing also requires a sustained focus on investing. While many factors may be relevant, in our opinion the structure, budget, and budget process that enables investment talent to focus on investment challenges is within an organization whose sole purpose is investing.

The Importance of Authority Over Personnel: Staff Size, Composition, Duties, and Compensation

The rationale discussed above that supports granting a substantial measure of budget control to an independent investment management entity such as the Commission, translates almost without revision to control over personnel as well. As noted above, successful institutional investing is the application of human talent through an effective investment decision-making process within a supportive, enabling organizational structure. In our view, to task an independent group of fiduciaries, like the Commission, with creating, operating, and maintaining an effective investment program without a substantial measure of control over personnel decisions, is a recipe for mediocrity over the long-term at best, but possible outright failure at worst.

There are many ways to organize the human investment talent in an independent investment management entity such as the Commission. The optimal composition of the investment staff depends on a variety of factors such as:

- **The complexity of the portfolio and the investment strategy behind it** – Though the Commission has taken steps to simplify its portfolio structure, the breadth of the capital markets and investment products necessary to implement the structure will continue to require involvement in more complex investment vehicles including private equity, infrastructure, private credit, international equity, emerging markets equity and debt, and more.
- **The size of the portfolio and its likely future growth** – The assets currently managed by the Commission stand at \$5.9 billion as of September 2021. Given that liabilities, which these assets are intended to fund, will grow steadily over time, the assets managed by the Commission must grow if Vermont's retirement systems are to retain a healthy pre-funded status. As a simple example, even if the current asset base grows at a net compound rate of just 5% over time, the total assets the Commission is responsible for investing would reach \$9.6 billion in 10 years and \$15.6 billion in 20 years. As assets grow, there is increasing need for diversification both across asset classes and investment managers which typically lead to the need for additional investment staff.

- **The human talent the Commission is able to attract** – The recruitment of able and creative investment talent is not like hiring for positions for which there is almost certain to be a broad, deep, and largely homogeneous candidate pool. Over time, all investment organizations, including the Commission in our judgement, may have to flex both the organizational structure, composition, and underlying job duties to adjust to the specific investment professionals it can recruit at any given point in time. Absent a substantial measure of control over personnel, such adjustment will be difficult at best and impossible at worst.
- **Utilization of external investment resources** – The use of external advisors such as a general investment consultant (and at times specialty consultant(s)) is a virtually standard practice throughout institutional investing but particularly so with public funds, including pension plans. The utilization of a competent and broadly skilled general consulting firm retained by the Commission can indeed both supplement and influence the necessary size and composition of the Commission's internal investment staff by supplying special expertise in a wide variety of critical areas. We caution readers from assuming that external investment consulting resources can broadly and substantially replace a capable core cadre of investment professionals working full time to execute the key mandate of the Commission.

We offer an even greater caution about adopting—deliberately or incidentally—an excessive and unmonitored reliance on asset managers to support the Commission in lieu of a strong dedicated internal investment staff. Some asset managers have valuable information to offer, but their unvarying focus is to gather assets to manage and strengthen their pricing power for that service. This focus creates the likelihood of a strong conflict of interest with fiduciaries.

A critically important comment on the current staffing of the newly independent Commission:
As it stands today, the Commission is taking up its new mandate with only three investment staff in place. A standard investment manager due diligence would consider this a situation with considerable key person risk.

The Importance of Substantial Control Over Investment Professionals Compensation

The lack of substantial control over investment professionals' compensation that carry the day in and day out burden of investing the assets under the Commission's purview can eviscerate its ability to execute its mandate. As noted earlier in this report, the State of Vermont's independent investment management entity—the Commission—competes for investment talent with asset owners and investment managers globally. The compensation and compensation structures necessary for the Commission to effectively and prudently invest the multi-billion-dollar assets under its care are not set within Vermont's borders.

Given the critical role of investment talent, if the Commission is to successfully execute its mission, it is vital that the Commission get a fix on the state of internal investment staff compensation both regionally and nationally for the reasons stated above. A relevant and useful analysis of current compensation levels and trends can only be accomplished by an effort not only to capture salary levels, but also compensation structures, and trends. Also important is to build context by not only including public funds but also other fund types who compete with Vermont for the same investment talent. And finally, some context of the organizations surveyed as they might influence compensation.

The Importance of Sustained Commissioner and Staff Education

There are few complex professional endeavors where the environment in which an entity operates and the tools and methods available for use change at a faster pace than institutional investing. This is precisely the circumstance in which the Commission must execute its mandate as the independent investment management entity of Vermont. This fact, plus the near certain growth in the asset base the Commission invests and the similarly certain turnover in Commission membership over time, makes a strong case for a material, sustained education program at the Commission.

Based on our experience with hundreds of investment boards and committees, we believe that the criteria by which a material, sustained education program at the Commission are as follows:

- The critical element is less about the dollar amount of the education and training budget and far more about the time—both frequency and duration—the Commission spends on continuing investment education.
- Training that involves *the entire Commission at the same time*, on the same topic *soundly trumps* individual, one-off attendance by individuals at conferences or conversations with individual managers. We simply cannot stress this enough.
- The benefits of visits to asset managers by individual fiduciaries are not only soundly trumped by sessions that engage the entire Commission's members but can create an appearance of partiality with current or future vendors seeking to do business with Vermont via mandates from the Commission.
- Training conducted in Vermont, ideally at the Commission's own offices, not only raises the effect by encouraging the involvement of all members, but also is certain to be the most highly cost-effective approach.
- Training conducted by staff and/or the general consultant as part of the Commission's regular meetings. This offers highly cost-effective education and also increases the likelihood that the topics addressed will be highly relevant to the investment strategy and risk posture adopted by the Commission.
- Trainings that address areas identified by a majority of the Commissioners should take priority over topics of interest to a single member.

The Importance of Extending Commission Knowledge into Actuarial Issues

The predecessor organization to the Commission created under Act 75 was exclusively focused on investment issues and decisions. Its involvement in actuarial matters was episodic and advisory in nature. Act 75 makes material changes to the relationship between the Commission and selected, but quite significant, actuarial decisions. Specifically, Act 75 assigns the authority to set the following important actuarial assumptions to the Commission:

Sec. 1. § 523(b)(1) (A)(B)(C): “The Commission shall have the following duties:

(1) Set the following actuarial assumptions:

- A. the investment rate of return;
- B. the inflation rate; and
- C. the smoothing rate method used for the actuarial valuation of assets and returns”

and

Sec. 1. § 523(g): “Any changes to the actuarial rate of return shall be made by the Commission.”

Requiring the Commission to set these actuarial assumptions, essentially extends its mandate well into two central actuarial tasks:

- Estimating the size of the liabilities represented by the earned and forecast benefits due to public employees in Vermont
- Determining how and when those liabilities will be funded under current investment market conditions and plan financial status and the substantial effect on pension contributions - their magnitude and their timing

Just as the investment mandate of the new independent Commission requires continuous monitoring, review, education, and decisions over time, so too do these actuarially related responsibilities. The latter task begins with a significant amount of actuarial knowledge of the Commissioners. However, our experience is—as is true with investments—that the actuarial environment and the general context for the Commission to set these assumptions changes continuously. Moreover, the context and goals of investment decision-making for the Vermont retirement plans are related to, but *fundamentally different than* the actuarial decisions the Commission must make. So, just as investment education for the Commission members is an indispensable element of executing their duties, so too is a similar ongoing effort to ensure a sound informational foundation in actuarial issues.

The Importance of a Sustained Program of Transparency, Communication, and Ethical Conduct

We are regularly asked about the importance of adopting policies and specific actionable commitments to further transparency, communication, and ethical standards of conduct by fiduciaries. With regard to this assignment, we strongly suggest that nowhere are these trust-building efforts more important than in the case of a newly created entity with substantial investment and operations independence like the Commission.

The adoption of specific policies and an unvarying program of action adhering to those policies, is in our judgement, a vital element in supporting the exercise of all authorities granted to the new independent Commission—and indeed, ensuring their continuation in perpetuity. We note that Act 75 obligates the Commission to execute several specific steps in this area noted immediately below. We believe this should be the minimum program addressing these areas and the Commission should over time search for additional effective means for enhancing their efforts in these areas.

Sec. 1. § 523(b): “The Commission shall have the following duties:

(2) Not more than 180 days after the end of each fiscal year, conduct an asset allocation study that reviews the expected return of each fund, including a risk analysis using best practices methodologies to estimate potential risks to the fund’s asset values over a five, 10- and 20-year period, and the remainder of the statutory amortization period. The study shall be submitted to the House and Senate Committees on Government Operations and the Office of the Governor and made publicly available within 10 days of completion.”

and **(h)(1):** “Beginning on January 15, 2022, and every year thereafter, the Commission shall submit to the House and Senate Committees on Government Operations:

- a. a report on the performance of each Plan versus its demographic investment and other actuarial assumptions over a three-, five-, seven- and 10- year period and the funding ratio of each Plan to each Plan beneficiary at the end of each fiscal year; and
- b. a report on the status of the funding and investment of each Plan and any relevant information from the asset liability and scenario testing completed during the prior fiscal year.

Sec. 1 § 523(h)(2): “The Commission shall send to each participant or beneficiary of each Plan a written or electronic copy of the report described in subdivision (1) of this subsection, in the format authorized by the participant or beneficiary. The report shall be consolidated with any other reports required to be sent by the Commission to the participants or beneficiaries of each Plan.”

Sec. 1. § 523(c): “The Commission shall keep a record of all its proceedings, which shall be open for public inspection.”

We believe an important step is for the Commission to adopt a detailed Code of Conduct, that focuses on fiduciary behavior in their individual execution of their duties—a code that addresses behavior in very actionable terms relevant to the oversight and direction of an independent investment management entity responsible for the investment of public funds.

The Importance of an Effective Productive Balance Between Operating as a Committee of the Whole Versus Reliance on Focused Subcommittees

Entities such as the Commission do not exhibit a single approach to deciding what issues are best addressed by the entire body at once—i.e., a Committee of the Whole—versus those best addressed by a subcommittee. Based on our observations of both the peer funds and our considerable larger universe of clients, we suggest that:

- Significant issues that in colloquial parlance—“move the needle”—i.e., on risk and return for the funds entrusted to the Commission are extremely strong candidates for being addressed from start to finish by the full Commission. Classic examples are asset allocation, investment policy, and setting risk parameters.
- Investment issues that require a broad understanding of their structure, characteristics, and role in the total portfolio are also strong candidates for treatment by the Commission as a whole.
- Some areas are candidates for being initially addressed by a standing subcommittee followed by ratification by the entire Commission. These are areas in the ongoing operation of an

independent investment management entity like the Commission, that (1) occur with regularity in an ongoing fashion, and (2) require a level of detail and considerable time to reach an actionable state appropriate for consideration by the full Commission. Classic examples are budget, audit, personnel, and the ESG engagement program. Noting that these regularly occurring tasks areas and their detailed time-consuming nature suggest the use of standing committees does not necessarily translate to an assumption that there must be a separate standing committee for each issue. Some areas—ESG is an example—are not tightly connected to the others. Budget and personnel, however, have a distinct overlap. The case for a standing audit committee can depend on the nature and frequency of audits conducted by the State itself.

- Ad hoc committees are best used for those instances where an issue arises that the Commission must address, an issue that for whatever reason is neither a regularly occurring matter nor easily addressed by the Commission in the normal course of business.
- In our experience with institutional investment management entities, like the Commission, use of an Executive Committee is rare and reserved for issues that require decision-making that does not allow for discussion and deliberation by the full Board. Given the structure of the Commission as set forth in Act 75, we believe the majority of these situations, particularly those involving intra-governmental interactions, are best handled by the Chair. Such responsibilities are often addressed in the Investment Policy Statement or in the Chair’s statement of responsibilities. It also makes it incumbent on the Chair to inform the full Commission of these interactions and his/her decisions as well as to be aware of the general consensus views of the Commission members over time.

The Importance of Compensation for the Commission Chair and Possible Other Commission Members

Act 75 mandates a salary for the Commission Chair. Specifically, it states that “The Chair of the Commission may be compensated from the funds at a level not to exceed one-third of the salary of the State Treasurer, as determined by the other members of the Commission.” Our view is that this is entirely appropriate. Indeed, should the Commission Chair’s actual responsibilities exceed those typical of its predecessor organization—the Vermont Pension Investment Committee—there may well be a case for increasing it.

Furthermore, we believe there is an argument in the case of the Commission for considering modest compensation for all independent members. Our rationale for suggesting this is as follows.

- For many decades, the default for the compensation of public fund trustees has been only a token per diem for meeting attendance. Indeed, to almost the same extent this has been true of other institutional fund categories. This approach reflects the “volunteerism” ethic associated with serving as a trustee. While admittedly a minority view in the world of public fund management at this point in time, we suggest at least the consideration of Commissioner compensation depending on the nature of the seat held and the intentional value and reliance on independent Commissioners.
 - Focusing on public funds, the volunteer spirit of providing only modest per diem meeting attendance seems appropriate in the case of trustees whose position is best characterized as “representative” of designated constituencies or held by virtue of their office or related paid job duties—or both.

- The case for providing compensation for independent trustees beyond meeting-based per diems is stronger—even more so in the case of an investment entity such as the Commission intended to operate as the investing arm of the State of Vermont. Where independence is specifically sought as an objective and the organizational structure and its operation are intentionally more in the hands of independent Commissioners, the case for some compensation grows stronger still.
- The case for providing compensation—indeed reasonably substantial compensation—for the Board Chair is considerable in our opinion. And the specific provisions of Act 75 and the new Commission appear to support that view:
 - Act 75 already requires that the Chair be drawn from the independent members of the Commission.
 - The duties of the Commission Chair extend well into—indeed currently nearly encompass—those associated in many funds we advise with the Executive Director position.
 - As an independent, standalone investment-focused State organization, there is a recurring stream of required interactions with both the legislative and executive branches, and beyond those, irregular ones with the Attorney General’s office and the leadership of the retirement plans themselves.
 - Given a small internal investment staff, such as is present at the Commission, the Chair is often drawn into more preparatory investment analysis and decision-making than we might otherwise be the case. That preparatory work is often the key to effective deliberation by the full Commission of investment decisions.

VII. Issues for Future Consideration

Should the significant step the State of Vermont took in establishing the new independent Commission be followed by other evolutionary steps, we offer three areas for possible consideration.

- 1) Reconsider the provision of Act 75 which states that “The Chair shall be a non-voting member, except in the case of a tie vote.”

It is unusual in our experience to have an independent member who is also the investment entity's Chair be a non-voting member. There are many reasons why this raises some concerns generally but also in the specific case of the Commission. Among these are that the critical role the Chair plays in an independent investment entity. While “facilitation” of the Commission's deliberations and decisions is without question part of the Chair's role, effective execution of the Chair's duties also calls for direct leadership. The views of the Chair and his/her reasons for holding them are part of that leadership and are more effective when combined with voting power. The same argument holds true when the Chair represents the Commission to the Legislature, the Executive Branch, the retirement boards and constituencies generally. Having an actual vote makes that representation more credible, more engaged, and furthermore makes the Chair more accountable to all the above in a manner that a facilitator cannot achieve.

- 2) Consider additional independence over the Commission's budget, personnel, and resources generally.

While we fully understand the need for cost efficiency in all respects, we stand by the comments made earlier in this report. The Commission oversees and directs one of the largest, if not the largest, pool of financial resources in the State. It competes for the resources necessary to successfully fulfill this critical mandate in a truly global marketplace. If the process for resourcing the Commission and its mandates is viewed largely as an administrative, operations-oriented function, it creates a clash between that view and the realities of effective long-term institutional investment of multiple billion-dollar portfolios.

In some cases, the ultimate sponsors of public investment management entities have either provided ongoing budget latitude in the form of a specific dollar amount calculated by a tiny percentage of the assets managed (expressed in basis points of hundredths of a percent). This represents a “cannot exceed” limit for the budget but a proposed budget can certainly fall below it. Oversight is then conducted on the *exercise of that budgetary latitude* by the entity rather than the more typical line-by-line, item-by-item review.

- 3) Consider modest compensation for independent members of the Commission.

Attracting independent members to serve on a board of an independent investment management entity such as the Commission is not necessarily difficult. Attracting the most talented and thoroughly experienced members and signaling clearly the State's expectation that this is not an ordinary volunteer position or merely an “interesting” personal opportunity can in some instances and in some periods be far more difficult.

VIII. Review of Peer Fund Structures and Attributes

A synopsis of each peer fund is included here. **Appendix C** of this report also contains in tabular format of additional data collected on each peer organization.

Organizational Name	Montana Board of Investments (MBOI)	Oregon Investment Council (OIC)	State Board of Administration of Florida (SBA)	Washington State Board of Investments (WSIB)	State of Wisconsin Investment Board (SWIB)
State of Operation	Montana	Oregon	Florida	Washington	Wisconsin
Organizational Description	Quasi-judicial Board	Quasi-Independent Investment Agency	Investment Management Organization created by the Florida Constitution	Independent Investment Board	Independent State Agency
Total AUM	\$23.4 B	\$126.7 B	\$250.5 B	\$180.9 B	\$157.9 B
Responsible for Multiple Funds?	Yes	Yes	Yes	Yes	Yes
Primary Fund Type(s)	The majority of the assets MBOI oversees are retirement funds, but it also manages a wide variety of other state and local government funds	Organized to manage pension assets as well as other miscellaneous pools of capital for the State	SBA manages more than 30 funds, but the primary fund is the Florida Retirement System Pension Plan, accounting for approximately 80% of the assets managed	WSIB is primarily charged with managing investments for 17 of the State's retirement plans. However, WSIB also manages investments for several other pools of capital for the State	The Wisconsin Retirement System is over 90% of assets managed by SWIB. However, SWIB also oversees the State Investment Fund and other State funds

Montana Board of Investment (MBOI)

In 1972, Montana ratified a new constitution instructing the State legislature to establish a Unified Investment Program. This is codified in Montana's constitution in Article VIII Section 13. Section 17-6-201, Montana Code Annotate (MCA) subsequently established MBOI, charging the Board with managing the Unified Investment Program and gave the Board sole authority to invest State funds. MBOI currently oversees three key State investment programs: the Unified Investment Program, the Coal Tax Trust In-State Investment Program, and the Municipal Bond Program. For the purposes of this report, we will focus on the Board's responsibilities as it relates to the Unified Investment Program.

Organizational / Legal Structure

The MBOI Board is comprised of 11 appointees—9 voting members and 2 ex-officio non-voting members. All voting members are appointed by the Governor, subject to confirmation by the State Senate. The Senate member is appointed by the president of the Senate, and the House member is appointed by the Speaker of the House. The Governor also has the authority to appoint the chair of the board. Voting members are comprised of 1 member of the public employees' retirement board, 1 member from the teachers' retirement board, and 7 members that provide a balance of professional expertise representing the following areas of public interest: 1) the financial community; 2) small business; 3) agriculture; and 4) labor. Members are appointed to four-year terms with 5 members appointed at the beginning of each gubernatorial term, and the remaining 4 members appointed in the middle of the Governor's term. This structure appears to encourage continuity on the Board but does allow for a new administration to more readily make changes to the investment board.

The Board has 3 standing subcommittees: 1) Audit Committee; 2) Loan Committee; and 3) Human Resources Committee. The Chair of the Board maintains authority to appoint subcommittee chairs and members. Subcommittees are limited in size to be less than a quorum of the full board. This reflects the minimal authority of subcommittees to make independent decisions for MBOI. MBOI does not have separate budget and investment subcommittees, and instead reserves these topics to be discussed as a committee of the whole.

We perceive the trade-off between accountability and expertise as it relates to the organizational/legal structure to be more weighted towards accountability as final decision-making authority over all investment strategy decisions resides with a board that is wholly appointed by Montana's governor. The presence of 2 non-voting members of the Montana legislature, combined with direct oversight of MBOI's annual budget by Montana's legislative and executive branches further indicates a tilt towards accountability.

Factors that lean more towards the expertise aspect of the trade-off include the relatively independent and autonomous structure of the Board's investment staff.

Investment Process Structure

Authority over investment strategy decisions reside with the Board of Trustees. The Board meets quarterly or more often as needed to conduct its business and is responsible for creating, maintaining, and revising the Investment Policy Statements for all of the investment pools it oversees. As part of this duty, the Board determines asset allocation, risk policy, and permissible investments for each underlying pool of assets. The board employs a staff of roughly 30 people that are charged with implementing the Board's approved investment strategy. In that charge, investment staff have been delegated a significant amount of authority over the investment of MBOI's assets. For example, the Chief Investment Officer (CIO) and Executive Director jointly can hire and terminate managers and as of FYE 2020, over 54% of MBOI's investments were managed internally by the Board's investment staff. The CIO is empowered by

the Board to perform all aspects of MBOI's investment activities, including, but not limited to, rebalancing the portfolio, hiring, and terminating investment managers, and facilitating annual asset allocation and policy reviews.

Operational Structure

Leadership of the Investment Office

The MBOI staff is led by the Executive Director and Deputy Director. However, the investment office is led by the Chief Investment Officer. The Executive and Deputy Directors are responsible for overseeing the operational and administrative tasks performed by MBOI staff, leaving the CIO to focus the majority of their time on investment related issues.

Investment Front Office

The CIO is supported by 5 asset class directors and their teams as well as the Director of Risk Management. MBOI's investment front office is comprised of 11 full-time employees.

Investment Middle and Back Office

MBOI's front office investment staff are supported by a team of 20 operational and administrative staff, including internal Legal counsel, accounting/auditing, and IT support. Middle office functions are independent from the Montana State government and operate solely in support of MBOI's front office staff.

Autonomy over Budget and Human Resources

MBOI appears to have a moderate degree of autonomy as it relates to budgetary and human resource decisions. Each year MBOI's Executive Director prepares a proposed budget and staffing level recommendations for the upcoming fiscal year. The proposed budget is then presented to the Board for review and approval. The budget is then submitted to the Department of Commerce for approval, and then to the Governor's Office of Budget and Program Planning for final approval. Any increase in the budget to fund and support the acquisition and retention of human talent and tools is subject to this process, which is similar to many other public agencies within the State of Montana. However, unlike other public agencies, MBOI's annual budget is rate-based, not dollar-bound. As such, MBOI's operational budget fluctuates with the value of invested assets.

Although MBOI is allowed to formulate its own proposed budget, there appears to be limited autonomy in practice due to the multiple layers of political review and approval in place. Despite this fact, MBOI has built a well-resourced staff capable of operating relatively independent of other governmental bodies.

Other Details

Asset Size and Other Funds Overseen

As of 6/30/2021, MBOI oversaw approximately \$23.4 billion across the State's pension funds, short-term investment pools and trust funds as shown below:

	Market Value as of June 30, 2021 (\$)
Consolidated Asset Pension Pool (CAPP)	\$14.4 B
Short Term Investment Pool	\$6.3 B
Trust Funds Investment Pool	\$2.7 B
Total	\$23.4 B

Oregon Investment Council (OIC or Council)

The OIC was established in 1968 and oversees the investment of all State of Oregon trust funds, with the Oregon Public Employees Retirement Fund being the largest at over \$90 billion, representing ~71% of total AUM.

Organizational / Legal Structure

The Council is comprised of 6 members—5 voting members and 1 non-voting member. The Governor is responsible for appointing 4 of the 5 voting members, which are subject to confirmation by the Senate. Each appointed member must have demonstrated knowledge and experience in the field of investments or finance. The elected Oregon State Treasurer serves as the last voting member of the OIC, and the Director of the Public Employees Retirement System (PERS) is an ex officio non-voting member. Governor appointed members serve 4-year terms, however, each of the 4 appointed OIC members serve at the pleasure of the sitting Governor and may be removed from the Council at any time with or without cause. The chair of the Council is elected by the members.

The investment office is wholly contained within the Oregon State Treasury (OST), led by the Oregon State Treasurer. Day-to-day operations are delegated to the Chief Investment Officer and their staff.

We perceive the trade-off between accountability and expertise as it relates to the organizational / legal structure to be moderately more weighted towards expertise as final decision-making authority over all investment strategy decisions reside with a Council where 4/5 of the members are appointed and must demonstrate substantial experience in investments.

A factor that leans more toward the accountability side of the trade-off is the Governor's ability to remove and appoint new members to the Council with or without cause.

Investment Process Structure

As it relates to investment decision-making, the Investment Council is “the primary governing fiduciary for the investment and management of the investment funds...[and] retains ultimate responsibility for Investment Program decisions.”³ Pursuant to this duty, the Council determines asset allocation, risk policy, and permissible investments for each underlying pool of assets. The Council meets quarterly or more often as needed to conduct its business and is responsible for creating, maintaining, and revising the Investment Policy Statements for all the investment pools it oversees.

Implementation of the strategic asset allocation, including internal management, is delegated by Council to OST investment staff. The Council generally retains the authority over investment manager selection, but the Council has delegated authority to staff to make commitments up to \$150 million for new alternative investment managers and up to \$250 million for existing alternative investment managers.

The Council has established a comprehensive set of governing documents to describe in detail the responsibilities of the Council, Investment Staff, and Investment Managers.

³ Oregon Investment Council Statement of Funds Governance, September 2014

Operational Structure

Leadership of the Investment Office

The Oregon State Treasurer's Office is headed by the State elected Treasurer. The investment office is led by the Chief Investment Officer who report directly to the Oregon State Treasurer.

Investment Front Office

The investment front office staff consists of asset class officers and analysts. Exact details surrounding employees are unavailable, but it is clear from our review of the Oregon State Treasury's 2021-2023 biennial budget that the Investment Office has grown over the last several years in tandem with the OIC's efforts to take more asset management activities in-house.

Investment Middle and Back Office

Middle and back-office functions are primarily handled internally by the Treasurer's office, providing direct support to the investment division in a variety of functions, included but not limited to compliance, accounting, IT, and Legal. However, middle, and back-office functions appear to be shared across the Treasurer's Office.

Autonomy over Budget and Human Resources

Budgetary and human resources decisions within OST appear to have a limited degree of autonomy, and functions similarly to many public agencies.

Like other State agencies, OST's Treasurer submits a proposed budget and staffing level recommendations for review and approval by the Oregon State Legislature. Any increase in the budget to fund and support the acquisition and retention of human talent and tools is subject to this process and requires an explanation of the purpose and amount needed.

As it relates to the trade-off between accountability and expertise, the operational structure appears significantly more weighted toward accountability, as budget and human resources are primarily determined through governmental processes. The positioning of the investment office within the office of one of the State's elected office holders also seems to introduce a degree of potential for instability into the operational structure of the investment office as the future leadership of the office is by law uncertain and subject to change with each election cycle.

Other Details

Asset Size and Other Funds Overseen

As of 6/30/2021, OIC oversaw approximately \$126.7 billion in assets as shown below:

	Market Value as of June 30, 2021 (\$)
Total OPERF Regular Account	\$90.0 B
Target Date Funds	\$3.2 B
Total OPERF Variable Account	\$0.5 B
State Accident Insurance Fund (SAIF)	\$5.2 B
Common School Fund (CSF)	\$2.2 B

Oregon Short Term Fund (OSTF)	\$26.9 B
Oregon Intermediate Term Pool (OITP)	\$0.3 B
Southern ORE Univ Endowment Fund	\$0.003 B
Western Oregon Univ Endowment Fund	\$0.002 B
Department of Admin Services	\$0.1 B
Consumer and Business Services	\$0.3 B
Elderly Housing Bond Sinking Fund	\$0.001 B
Housing	\$0.02 B
Oregon Lottery – Megabucks	\$0.1 B
Oregon Vets Bond Sinking Fund	\$0.1 B
ODOT	\$0.7 B
Oregon Local Government Intermediate Fund	\$0.2 B
OPUF-PUB Univ Core Bond	\$0.3 B
Total	\$126.7 B

State Board of Administration of Florida (SBA)

Established in 1943 as a constitutional body by the Florida Constitution, SBA is the independent investment management organization responsible for investing over 30 different pools of assets for the State of Florida, totaling over \$250 billion in AUM. Amongst the various investment pools that SBA manages, the Florida Retirement System Pension (FRS) is the largest representing more than 80% of assets. For the purpose of this report, we will focus on the Board's responsibilities as it relates to FRS.

Organizational / Legal Structure

The SBA Board is comprised of three of the State's senior elected officials—the Governor, Chief Financial Officer, and Attorney General. By law, the Board holds ultimate oversight of the SBA, but significant authority is delegated to staff to develop and implement the investment strategy as well as direct day-to-day operations. The investment office is a wholly independent organization with no explicit appropriation of public funds to support operations. Instead, all staff and operational costs are funded from fees collected from the various pools overseen through a 3.25 basis point management fee charged to most funds the SBA manages.

We perceive the trade-off between accountability and fiduciary independence as it relates to the organizational / legal structure to be more weighted towards accountability as ultimate decision-making related to investment strategy and budget rests firmly with the Board, all of whom are elected officials with no specific investment knowledge or experience requirements.

A significant element of expertise is present through the statutorily required nine-member Investment Advisory Committee (IAC) which provides oversight of investment staff and advises the trustees on investment policy and strategy. As codified in Florida Statutes Title XIV, 215.444, the Board appoints members to four-year terms and all appointees "must possess special knowledge, experience, and familiarity with portfolio management, institutional investments, and fiduciary responsibilities." However, utilization of the IAC's expertise may be potentially muted by its advisory only nature.

Another factor that leans more towards the expertise side of the trade-off is the significant ability of the ED/CIO and investment staff to influence both investment strategy and implementation. The ED/CIO has authority to hire/terminate investment managers and contract with external providers to assist in the execution of the investment staff's fiduciary responsibilities to the Board.

Investment Process Structure

As previously mentioned, the Board holds ultimate oversight of the SBA and must approve the FRS Investment Policy Statement (IPS), including the selection of asset allocation targets, asset class target ranges, and return objective. However, the ED/CIO and investment staff are responsible for implementing the Board's approved investment strategy and managing day-to-day operations. Per the IPS, the ED/CIO is empowered to deviate from the approved target within approved asset class ranges in pursuit of incremental investment returns, engage in tactical rebalancing, and make manager selection/termination decisions.

The ED/CIO is supported by a robust investment staff to aid in the investment decision-making for SBA funds. Investment staff includes several asset class officers, portfolio managers, and analysts as well as dedicated risk and operational staff.

Most investment implementation decisions are made by SBA investment staff without approval by the Board or IAC so long as the results of such decisions keep the portfolio within the bounds of the current

IPS (asset class target ranges, asset class guidelines, etc.). The ED/CIO may recommend IPS changes to the Board, but any recommendations are first reviewed by the IAC—the results of which are then presented alongside the ED/CIO's recommendation to the Board.

Operational Structure

Leadership of the Investment Office

SBA is led by the ED/CIO with support from the Deputy Executive Director, Deputy Chief Investment Officer, and Chief Operating/Financial Officer. The ED/CIO reports directly to the Board with additional oversight from the IAC.

Investment Front Office

The investment front office staff consists of individual asset class officers, portfolio managers, and analysts. SBA is a large—and growing—organization and exact details surrounding employees are unavailable.

Investment Middle and Back Office

Middle and back-office functions are largely fulfilled by internal professionals, but supplemented by external vendors. Legal, compliance, and HR are established departments with senior leadership. Middle and back-office staff appear to be completely independent from the Florida State government and operate solely in support of SBA's front office staff.

Autonomy over Budget and Human Resources

The SBA is uniquely positioned to determine its own budget and human resource decisions as the Board of Trustees is led by 3 high ranking State elected officials with final authority to set SBA's annual budget. The ED/CIO is charged with developing a budget to be presented to and approved by the Board annually. The approved budget must then be forwarded to the Legislature, but the Legislature does not have authority to make revisions.

The ED/CIO is responsible for all personnel related decisions, including adding/removing/reclassifying internal positions as well as setting compensation for each member of the SBA investment staff. Through the annual budget approval process, the ED/CIO can request additional funds for salary increases and create new full-time positions.

As it relates to the trade-off between accountability and expertise, the operational structures appear to be more weighted towards fiduciary independence, as the ED/CIO has full autonomy to make organizational and personnel decisions so long as he/she operates within the budget approved by the Board.

Other Details

Asset Size and Other Funds Overseen

As of 6/30/2021, the SBA oversaw approximately \$200 billion in pension assets and nearly \$51 billion in other funds as shown below:

	Market Value as of June 30, 2021 (\$)
FRS Pension Plan	\$199.7 B
Florida PRIME	\$16.5 B
FRS Investment Plan	\$14.8 B
Florida Hurricane Catastrophe Fund	\$12.5 B
Lawton Chiles Endowment	\$1.0 B
Other Funds	\$5.8 B
Total	\$250.5 B

State of Wisconsin Investment Board (SWIB)

Established in 1951, SWIB is an independent State agency charged with managing the Wisconsin Retirement System (WRS), State Investment Fund (SIF), and a number of other pools of State funds. For the purposes of this report, we will focus on the Board's responsibilities as it relates to WRS as retirement system assets represent nearly 90% of funds overseen by the Board.

Organizational / Legal Structure

The SWIB Board is comprised of 9 members—the Secretary of Administration; 1 member appointed by the governor who is a representative of a local government that participates in the local government pooled-investment fund; 5 additional governor appointees, 4 of whom must have at least 10 years of experience in investments; and 2 retirement system members. One retirement member must be a teacher participant appointed by the teacher retirement board, while the other must be a participant other than a teacher that is appointed by the retirement board. All members carry voting authority. All appointed Board members serve staggered 6-year terms to encourage continuity on the Board and limit turnover at any given point in time.

The investment office is a wholly independent organization with no explicit appropriation of public funds to support operations. Instead, all staff and operational costs are funded from investments.

We perceive the trade-off between accountability and fiduciary independence as it relates to the organizational/legal structure to be more weighted towards independence as SWIB maintains autonomy over its operational budget and final decision-making authority over all investment related decisions reside with a Board where 2/3 of the members are appointed and must demonstrate substantial experience in investments.

A factor that leans more towards the accountability of the trade-off is the significant role of the executive branch in nominating board members. However, this is somewhat mitigated by the fact that members are appointed to staggered 6-year terms.

Investment Process Structure

Authority over investment strategy decisions reside with the Board of Trustees. The Board meets quarterly or more often as needed to conduct its business and is responsible for creating, maintaining, and revising the Investment Policy Statements for the WRS, SIF, and Separately Managed Funds. As part of this duty, the Board determines asset allocation, active risk target and range, and permissible investments for each underlying pool of assets. The board employs a staff of 236 investment, operational, and administrative staff and has delegated authority to investment staff to make investments on their behalf in implementing their approved strategy.

Operational Structure

Leadership of the Investment Office

SWIB staff is led by the Executive Director/Chief Investment Officer ("ED/CIO"). The ED/CIO, supported by a Management Council comprised of other senior leaders from investment management and investment services, is responsible for overseeing the operational and administrative tasks performed by SWIB staff. The ED/CIO, supported by the Investment Committee, also leads the investment office.

As a result of this structure, the ED/CIO must split their time between administrative/operational and investment related issues.

Investment Front Office

The front office is led by a staff-run Investment Committee, which is chaired by the Executive Director/CIO and supported by nine additional voting members and three non-voting members drawn from the investment management staff. SWIB is committed to internal active management with more than 50% of WRS assets managed in-house by SWIB staff spanning the full spectrum of both public and private markets. The primary goal behind the use of internal management is to maximize cost savings for the Plan and its beneficiaries. As a result, SWIB's front office is substantially larger than many other public agencies with over 80 full time employees as of the end of Q2 2020.

Investment Middle and Back Office

SWIB's front office investment staff are supported by a team of operational and administrative staff, including, but not limited to, internal legal, compliance, accounting/auditing, and IT support. Middle and back-office functions appear to be completely independent from the Wisconsin State government and operate solely in support of SWIB's front office staff.

Autonomy Over Budget and Human Resources

SWIB appears to have a significantly higher degree of autonomy over budget and human resource decisions than many other public agencies RVK has observed. The 2011 Wisconsin Act 32 provided SWIB with the authority to independently determine an appropriate staffing level and operating budget.

On a biennial basis, the Board develops an operating budget to determine what resources are needed to manage the assets it oversees to fulfill its fiduciary duties. This independence does not, however, come without transparency requirements. SWIB must report operating expenditures and changes to the number of full-time equivalent positions on a quarterly basis to the Department of Administration, the Co-Chairpersons of the Joint Committee on Finance, and the Co-Chairpersons of the joint Committee on Audit. In addition, each fiscal year SWIB officials must provide updates related to budget changes, position authorization changes, and review fund performance at the first quarterly meeting of the Joint Committee on Finance.

As it relates to the trade-off between accountability and fiduciary independence, the operational structure appears significantly more weighted towards fiduciary independence, as budget and human resources are primarily controlled independent of governmental intervention. This has allowed SWIB the flexibility to add internal resources where the Board has deemed necessary to fulfill all facets of its fiduciary duty to Plan fiduciaries. This has also given SWIB the ability to hire staff to manage and research investments outside of traditional investments and develop considerable internal management capabilities.

Other Details

Asset Size and Other Funds Overseen

As of 6/30/2021, SWIB oversaw approximately \$140 billion in retirement plan assets and nearly \$18 billion in other funds as shown below:

	Market Value as of June 30, 2021 (\$)
Total WRS	\$140.2 B
SIF	\$15.4 B
Separately Managed Funds	\$2.4 B
Total	\$157.9 B

Washington State Investment Board (WSIB)

In 1981, the Washington State Investment Board was created under Chapter 43.33A of the Revised Code of Washington. WSIB currently oversees 38 different public funds including 17 retirement plans, 5 State insurance funds, and 16 permanent and other funds. WSIB maintains absolute authority over the investment of public trust and retirement funds in the State of Washington with a declared purpose to maximize returns at a prudent risk level for beneficiaries. In this report we will focus on the Board's responsibilities as it relates to the State retirement plans which together make up more than 85% of WSIB's total assets.

Organizational / Legal Structure

The WSIB Board is comprised of 15 members—10 voting members and 5 non-voting members. The five non-voting members are appointed by the voting members of the Board and must demonstrate significant experience and expertise in the field of investments. There are 3 ex-officio voting member of the Board: the State elected treasurer, the Governor appointed director of the department of labor and industries, and the Governor appointed director of the department of retirement systems. The five appointed members are nominated by either the Governor (3) or the State elected superintendent of public instruction (2) and are subject to confirmation by the State senate. There are also two legislative members; one from the State senate and one from the State house of representatives. The senate member is appointed by the president of the Senate, and the House member is appointed by the Speaker of the House. The Board elects its own chair annually, however, legislative members are not eligible to serve as WSIB's chairperson or vice-chairperson.

Non-legislative members serve three-year terms and may be re-appointed for additional terms. Legislative members are appointed to two-year terms. This structure appears to encourage continuity on the Board and does not allow for a new administration to make sweeping changes to the investment Board as only 5 of 10 voting members are directly appointed by the Governor.

The Board has four standing committees: 1) Administrative Committee; 2) Audit Committee; 3) Private Markets Committee; and 4) Public Markets Committee. The Chair of the Board may recommend members and chairs to serve on each Committee, however, final decisions must be approved by the full Board. Like other public investment boards RVK has examined, WSIB's committees have minimal authority to make decisions independent of the full Board. Instead, each Committee is tasked with gathering information and formulating recommendations for the Board's consideration.

We perceive the trade-off between accountability and fiduciary independence as it relates to the organizational / legal structure to be more weighted towards fiduciary independence. The presence of multiple paths to Board membership offers a degree of insulation from outside influence, political or otherwise. In addition, the ability of the Board to elect its own chair and vice-chair, combined with a restriction on legislative members holding these positions, speaks to the engagement of expertise. Finally, the requirement for five non-voting members with significant investment experience to advise voting members on investment and policy related issues further supports an emphasis on fiduciary independence over accountability.

Investment Process Structure

Authority over investment strategy decisions resides with the Board of Trustees. The Board meets quarterly or more often as needed to conduct its business and is responsible for determining the asset allocation, risk policy, and permissible investments for each underlying pool of assets informed by recommendations from investment staff. The Board employs a staff of roughly 115 people that are charged with implementing the Board's approved investment strategy. In that charge, investment staff have been delegated a significant amount of authority over the investment of WSIB's assets. The CIO is empowered by the Board to perform most aspects of WSIB's investment activities, including, but not limited to, rebalancing the portfolio, terminating investment managers, and facilitating annual asset allocation and policy reviews. The CIO and WSIB staff also formulate recommendations for investment manager structures within each asset class. However, the Board maintains the authority to make final contract award selections for all external money managers.

Operational Structure

Leadership of the Investment Office

The WSIB investment office is wholly contained within WSIB, and is led by its Chief Executive Officer, with day-to-day operations delegated to the CEO and their staff. The CEO is responsible for developing and recommending agency and investment policies and ensuring adherence to State policies and laws. The investment office is led by the CIO who oversees the teams charged with evaluating asset allocation and risk budgeting across the various pools of assets WSIB oversees.

Investment Office Staff

The CIO is supported by a robust staff of roughly 115 people. Staff is organized into three different units: the Investment team, the Operations team, and the Institutional Relations team.

The Investment team is led by the CIO and is comprised of investment professionals charged with managing WSIB's major asset classes. In addition to sourcing, evaluating, and recommending new external investment strategies to the Board, WSIB's ~\$47.5 billion fixed income portfolio is managed internally by the Investment team.

The Operations team supports both the investment and administrative functions (e.g. legal, accounting, trade settlement, and operational compliance). Finally, the Institutional Relations team is tasked with managing public affairs, external inquiries, the development of regular performance reports, and managing content on WSIB's website.

Autonomy over Budget and Human Resources

WSIB appears to have independent authority to determine its operating budget, organizational structure, and staffing levels. On a biennial basis, the Chief Executive Officer presents a proposed budget and staffing recommendations for the next two fiscal years to the Administrative Committee. Following the Administrative Committee's review and approval, the proposed budget is presented to the full Board for final approval. Upon approval, the Board must communicate the budget to the governor and legislature, though no outside bodies have the authority to contest WSIB's planned budget.

Other Details

Asset Size and Other Funds Overseen

As of 6/30/2021, WSIB oversaw approximately \$180.9 billion across the State's retirement plans, insurance funds, and 16 permanent and other funds as shown below:

	Market Value as of June 30, 2021 (\$)
Retirement Funds	\$156.3 B
State Insurance Funds for injured workers	\$21.4 B
Permanent and Other Funds	\$3.2 B
Total	\$180.9 B

Appendices

- A. House Bill 449 (Act 75) As Enacted
- B. RVK Team Biographies
- C. Peer Profile Summary Details

A. House Bill 449 (Act 75) As Enacted

No. 75. An act relating to the membership and duties of the Vermont Pension Investment Commission and the creation of the Pension Benefits, Design, and Funding Task Force.

(H.449)

It is hereby enacted by the General Assembly of the State of Vermont:

Sec. 1. 3 V.S.A. chapter 17 is amended to read:

~~CHAPTER 17. VERMONT STATE POLICE AND MOTOR VEHICLE~~

~~INSPECTORS' RETIREMENT SYSTEM~~ VERMONT PENSION

INVESTMENT COMMISSION

§ 521. DEFINITIONS

As used in this chapter,;

(1) ~~“Committee”~~ “Commission” means the Vermont Pension Investment ~~Committee~~ Commission.

(2) “Financial expert” means an individual with material expertise and experience in institutional fund management, or other significant pension or other relevant financial expertise.

(3) “Independent” means an individual who does not have a direct or indirect material interest in the Plans.

(A) An individual has a direct or indirect material interest in the Plans if:

(i) the individual or the individual’s spouse is a beneficiary of any of the Plans; or

(ii) the individual or the individual's spouse, parent, child, sibling, or in-law is or has been within the past five years an employee, director, owner, officer, consultant, or manager, or had another material role with an entity servicing the Plans.

(B) An individual is considered an owner of a publicly traded company if the individual owns, directly or indirectly, five percent or more of a class of the company's equity securities registered under the Securities Exchange Act of 1934 (15 U.S.C. § 78 et seq.), as amended.

(4) "Plans" means the Vermont State Teachers' Retirement System, the Vermont State Employees' Retirement System, and the Vermont Municipal Employees' Retirement System pursuant to section 472 of this title, 16 V.S.A. § 1943, and 24 V.S.A. § 5063.

§ 522. VERMONT PENSION INVESTMENT ~~COMMITTEE~~

COMMISSION

(a) Members. There is created the Vermont Pension Investment ~~Committee~~ Commission, an independent commission, to comprise seven ~~seven~~ nine members as follows:

(1) one member and one alternate, ~~who may or may not be trustees of the Board of the Vermont State Employees' Retirement System,~~ elected by the employee and retiree members of ~~that board~~ the Board of the Vermont State Employees' Retirement System;

(2) one member and one alternate, ~~who may or may not be trustees of the Board of the State Teachers' Retirement System of Vermont,~~ elected by the employee and retiree members of ~~that~~ the Board of the Vermont State Teachers' Retirement System;

(3) one member and one alternate, ~~who may or may not be trustees of the Board of the Vermont Municipal Employees' Retirement System,~~ elected by the municipal employee and municipal official members of ~~that~~ the Board of the Vermont Municipal Employees' Retirement System;

(4) two members and one alternate, who shall each be a financial expert and independent, appointed by the Governor;

(5) the State Treasurer or designee, an ex-officio voting member; ~~and~~

(6) one member, appointed by the other ~~six voting~~ eight members of the ~~Committee~~ Commission, who shall serve as Chair of the ~~Committee~~ Commission and at the pleasure of the ~~Committee~~ Commission;

(7) one member representing a municipal employer, appointed by the Executive Director of the Vermont League of Cities and Towns; and

(8) one member representing a school employer, appointed by the Vermont School Boards Association.

(b) Training. ~~An authority responsible for electing or appointing a member or alternate shall consider the experience and knowledge of potential members and alternates consistent with the purposes of the Committee, and shall inform potential members and alternates that they shall participate in~~ Members and

alternates of the Commission shall be required to participate in onboarding and ongoing periodic training in investments, securities, and fiduciary responsibilities as directed by the ~~Committee~~ Commission. The Commission shall provide an annual report to the respective authorities responsible for electing and appointing members and alternates regarding attendance at Commission meetings and relevant educational programs attended.

(c) ~~Initially, one appointee and the alternate appointee of the Governor shall serve a two-year term, and the second appointee shall serve for a four-year term. Thereafter, the Governor's appointees and alternate appointee shall serve for four-year terms. Initially, the member and alternate chosen by the Vermont Municipal Employees' Retirement Board shall serve for a two-year term, the member and alternate chosen by the Vermont State Teachers' Retirement Board shall serve for a three-year term and the member and alternate chosen by the Vermont State Employees' Retirement Board shall serve for a four-year term. Thereafter, all members and alternates shall serve for four-year terms.~~ Member terms.

(1) Except as provided in subdivision (2) of this section and for the ex-officio members of the Commission, all members and alternates of the Commission shall serve staggered four-year terms. A vacancy created before the expiration of a term shall be filled in the same manner as the original appointment for the unexpired portion of the term. A member or alternate appointed to fill a vacancy created before the expiration of a term shall not be

deemed to have served a term for the purpose of this subsection. Members and alternates of the Commission shall be eligible for reappointment and shall serve not more than three terms; provided, however, that a single term served as an alternate shall not be used to calculate a member's total term limit. Members and alternates of the Commission may be removed only for cause. The Commission shall adopt rules pursuant to chapter 25 of this title to define the basis and process for removal.

(2) The Chair shall serve not more than 20 years on the Commission as a chair or Commission member. If the Chair is unable to perform his or her duties, the Commission shall elect an interim chair who shall be a financial expert and independent.

(3) Terms shall end on June 30 with new terms beginning on July 1.

(4) Notwithstanding subdivision (3) of this subsection, members and alternates shall serve until their successors are appointed subject to the term limits provided in this subsection.

(d) Chair and vice chair.

(1)(A) The Chair of the Vermont Pension Investment Committee Commission shall have the financial, investment, leadership, and governance expertise as required by policies adopted by the Commission.

(B) The Chair shall be a nonvoting member, except in the case of a tie vote.

(2) The Vermont Pension Investment Commission shall elect a vice chair from among its members.

~~(e) The Vermont Pension Investment Committee shall elect a vice chair from among its members~~ Eligibility. No legislator who is currently serving in the General Assembly shall serve on the Commission.

(f) ~~Four~~ Meetings.

(1) Five members of the Committee Commission shall constitute a quorum.

(2) If a member is not in attendance, the alternate of that member shall be eligible to act as a member of the Committee Commission during the absence of the member.

(3) ~~Four~~ Five concurring votes shall be necessary for a decision of the Committee Commission at any meeting of the Committee Commission, except that any decision of the Commission relating to setting actuarial assumptions pursuant to subdivision 523(b)(1) of this title shall require six concurring votes. The Committee shall be attached to the Office of the State Treasurer for administrative support, and the expenses of the Committee and the Treasurer's office in support of the Committee shall be paid proportionately from the funds of the three retirement systems and any individual municipalities that have been allowed to invest their retirement funds pursuant to subsection 523(a) of this title.

(g) Leave time. Public employee members and alternates shall be granted reasonable leave time by their employers to attend ~~Committee~~ Commission meetings and ~~Committee-related~~ Commission-related educational programs.

(h) ~~The Committee shall provide an annual report to the respective authorities responsible for electing and appointing members and alternates regarding attendance at Committee meetings and relevant educational programs attended~~ Compensation and reimbursements. Members and alternates of the Commission who are not public employees shall be entitled to compensation as set forth in 32 V.S.A. § 1010 and reimbursement for all necessary expenses that they may incur through service on the Commission from the funds of the retirement systems. The Chair of the Commission may be compensated from the funds at a level not to exceed one-third of the salary of the State Treasurer, as determined by the other members of the Commission.

(i) ~~A vacancy of an elected or appointed member or alternate shall be filled for the remainder of the term by the authority responsible for electing or appointing that member or alternate~~ Assistance and expenses.

(1) The Commission shall have the administrative and technical support of the Office of the State Treasurer.

(2) The Commission may collect proportionally from the funds of the three retirement systems and any individual municipalities that have been allowed to invest their retirement funds pursuant to subsection 523(a) of this

title, any expenses incurred that are associated with carrying out its duties, and any expenses incurred by the Treasurer's office in support of the Commission.

(3) The Attorney General shall serve as legal advisor to the Commission.

§ 523. VERMONT PENSION INVESTMENT ~~COMMITTEE~~
COMMISSION; DUTIES

(a) General. The Vermont Pension Investment ~~Committee~~ Commission shall be responsible for the investment of the assets of the ~~State Teachers' Retirement System of Vermont~~ Vermont State Teachers' Retirement System, the Vermont State Employees' Retirement System, and the Vermont Municipal Employees' Retirement System pursuant to section 472 of this title, 16 V.S.A. § 1943, and 24 V.S.A. § 5063. The ~~Committee~~ Commission shall strive to maximize total return on investment, within acceptable levels of risk for public retirement systems, in accordance with the standards of care established by the prudent investor rule under 14A V.S.A. § 902. The ~~Committee~~ Commission may, in its discretion, subject to approval by the Attorney General, also enter into agreements with municipalities administering their own retirement systems to invest retirement funds for those municipal pension plans. The State Treasurer shall serve as the custodian of the funds of all three retirement systems. The ~~Committee~~ Commission may, in its discretion, also enter into agreements with the State Treasurer to invest the State Employees' Postemployment Benefits Trust Fund, established in ~~3 V.S.A. §~~ section 479a

of this title, and the Retired Teachers' Health and Medical Benefits Fund, established in 16 V.S.A. § 1944b.

~~(b) Members and alternates of the Committee who are not public employees shall be entitled to compensation as set forth in 32 V.S.A. § 1010 and reimbursement for all necessary expenses that they may incur through service on the committee from the funds of the retirement systems. The Chair of the Committee may be compensated from the funds at a level not to exceed one third of the salary of the State Treasurer, as determined by the other members of the Committee~~ Powers and duties. The Commission shall have the following duties:

(1) Set the following actuarial assumptions:

(A) the investment rate of return;

(B) the inflation rate; and

(C) the smoothing rate method used for the actuarial valuation of assets and returns.

(2) Not more than 180 days after the end of each fiscal year, conduct an asset allocation study that reviews the expected return of each fund, including a risk analysis using best practices methodologies to estimate potential risks to the fund's asset values over a five-, 10-, and 20-year period, and the remainder of the statutory amortization period. The study shall be submitted to the House and Senate Committees on Government Operations and the Office of the Governor and made publicly available within 10 days of completion.

(c) Recordkeeping. The ~~Committee~~ Commission shall keep a record of all its proceedings, which shall be open for public inspection.

(d) Policies. The ~~Committee~~ Commission shall formulate policies and procedures deemed necessary and appropriate to carry out its functions, including a written statement of the responsibilities of and expectations for the Chair of the ~~Committee~~ Commission and standards of conduct for members and employees of the Commission in order to maintain and promote public confidence in the integrity of the Commission. The standard of conduct policies shall prohibit members and employees from receiving or soliciting any gift, including meals, alcoholic beverages, travel fare, room and board, or any other thing of value, tangible or intangible, from any vendor or potential vendor of investment services, management services, brokerage services, and other services to the Commission.

(e) ~~The Attorney General shall serve as legal advisor to the Committee~~
Contracts.

(~~f~~) Contracts approved by the ~~Committee~~ Commission and related documents may be executed by the Chair; or, in the Chair's absence, the Vice Chair.

(f) Asset and liability study. Beginning on July 1, 2022, and every three years thereafter, based on the most recent actuarial valuations of each Plan, the Commission shall study the assets and liabilities of each Plan over a 20-year period. The study shall:

(1) project the expected path of the key indicators of each Plan's financial health based on all current actuarial and investment assumptions; current contribution and benefit policies, including the Plans' mark-to-market funded ratio; actuarially required contributions by source; payout ratio; and related liquidity obligations; and

(2) project the effect on each Plan's financial health resulting from:

(A) possible material deviations from Plan assumptions in investment assumptions, including returns versus those expected and embedded in the actuary's estimate of actuarially required contributions and any material changes in capital markets volatility; and

(B) possible material deviations from key plan actuarial assumptions, including retiree longevity, potential benefit increases, and inflation.

(g) Changes to actuarial rate of return. Notwithstanding any other provision of law to the contrary, Any changes to the actuarial rate of return shall be made at a joint meeting of by the Committee Commission and the appropriate Retirement Board. The Board and Committee shall review the recommendations of the actuary and the investment consultant. A change to an actuarial rate of return shall be by joint resolution of the Board and Committee. Each body shall vote according to its own procedures. In the event that the Board and Committee are unable to agree on an actuarial rate of return, the existing assumed rate of return shall remain in effect.

(h) Annual reports.

(1) Beginning on January 15, 2022, and every year thereafter, the Commission shall submit to the House and Senate Committees on Government Operations:

(A) a report on the performance of each Plan versus its demographic investment and other actuarial assumptions over a three-, five-, seven-, and 10-year period, and the funding ratio of each Plan to each Plan beneficiary at the end of each fiscal year; and

(B) a report on the status of the funding and investment performance of each Plan and any relevant information from the asset liability and scenario testing completed during the prior fiscal year.

(2) The Commission shall send to each participant or beneficiary of each Plan a written or electronic copy of the report described in subdivision (1) of this subsection, in the format authorized by the participant or beneficiary. The report shall be consolidated with any other reports required to be sent by the Commission to the participants or beneficiaries of each Plan.

Sec. 2. VERMONT PENSION INVESTMENT COMMISSION;

TRANSITION OF MEMBER TERMS

The transition of the member terms of the Vermont Pension Investment Commission, created in Sec. 1 of this act, are as follows:

(1) Beginning on July 1, 2021, members shall be appointed to fill the new member seats established in 3 V.S.A. § 522(a)(7) and (8) in Sec. 1 of this act. The member appointed pursuant to 3 V.S.A. § 522(a)(7) in Sec. 1 of this

act shall serve an initial term of one year, and the member appointed pursuant to 3 V.S.A. § 522(a)(8) in Sec. 1 of this act shall serve an initial term of two years.

(2) Members and alternates serving on the Commission as of the date of enactment of this act shall serve until the June 30 in the year prior to the expiration of their current terms or June 30, 2023, whichever is earlier. Current members and alternates may be reappointed if they meet the eligibility, qualification, and term limit requirements of 3 V.S.A. § 522 in Sec. 1 of this act.

Sec. 3. VERMONT PENSION INVESTMENT COMMISSION; FISCAL
YEAR 2022 REPORTS

(a) On or before January 15, 2022, the Commission shall develop a written policy for implementing the asset allocation study and the asset and liability study required by 3 V.S.A. § 523 and shall make the policy publicly available.

(b) On or before July 1, 2021, the Commission shall hire an independent third party to review and report on the operations of the Commission and the Retirement Division of the State Treasurer's office and make recommendations on best practices and necessary actions to transfer the Commission to an independent entity. The report shall include a review of budgetary authority, frequency of trainings, transfer or hiring of personnel, and compensation of the Commission Chair and Commission employees. On or before January 15,

2022, the Commission shall submit a copy of the report to the House and Senate Committees on Government Operations.

Sec. 4. 3 V.S.A. § 471 is amended to read:

§ 471. RETIREMENT BOARD; MEDICAL BOARD; ACTUARY; RATES
OF CONTRIBUTION; SAFEKEEPING OF SECURITIES

* * *

(j) The Retirement Board shall designate an actuary who shall be the technical advisor of the Board on matters regarding the operation of the Fund of the Retirement System, and shall perform such other duties as are required in connection therewith. Immediately after the establishment of the Retirement System, the Retirement Board shall adopt for the Retirement System such mortality and service tables as shall be deemed necessary and shall certify the rates of contribution payable under the provisions of this subchapter. At least once in each ~~five-year~~ three-year period following the establishment of the System, the actuary shall make an actuarial investigation into the mortality, service, and compensation experience of the members and beneficiaries of the Retirement System, and taking into account the results of such investigation, the Retirement Board shall adopt for the Retirement System such mortality, service, and other tables as shall be deemed necessary and shall certify the rates of contribution payable under the provisions of this subchapter.

* * *

Sec. 5. 3 V.S.A. § 472 is amended to read:

§ 472. INVESTMENTS; INTEREST RATE; DISBURSEMENTS

* * *

(d) Except as otherwise herein provided, no trustee and no employee of the Board or member of the ~~Committee~~ Commission shall have any direct interest in the gains or profits of any investment made by the ~~Committee~~ Commission; nor shall any trustee or employee of the Board or the ~~Committee~~ Commission, directly or indirectly, for himself or herself or as an agent, in any manner use the same except to make such current and necessary payments as are authorized by the Board or ~~Committee~~ Commission; nor shall any trustee or employee of the Board or the ~~Committee~~ Commission become an endorser or surety, or in any manner an obligor, for the monies loaned to or borrowed from the Board. The Treasurer, with the approval of the Board and the ~~Committee~~ Commission, shall adopt by rule standards of conduct for trustees, ~~members of the Committee~~, and employees of the Board ~~and Committee~~ in order to maintain and promote public confidence in the integrity of the Board ~~and Committee~~. Such rules shall prohibit trustees and employees from receiving or soliciting any gift, including meals, alcoholic beverages, travel fare, room and board, or any other thing of value, tangible or intangible, from any vendor or potential vendor of investment services, management services, brokerage services, and other services to the Board or ~~Committee~~ Commission.

Sec. 6. 16 V.S.A. § 1942 is amended to read:

§ 1942. BOARD OF TRUSTEES; MEDICAL BOARD; ACTUARY; RATE
OF CONTRIBUTION; SAFEKEEPING OF SECURITIES

* * *

(m) Immediately after the establishment of the System, the actuary shall make such investigation of the mortality, service, and compensation experience of the members of the System, as the actuary shall recommend and the Board shall authorize, for the purpose of determining the proper mortality and service tables to be prepared and submitted to the Board for adoption. Having regard to such investigation and recommendation, the Board shall adopt for the System such mortality and service tables as shall be deemed necessary, and shall certify the rates of contribution payable under the provisions of this chapter. At least once in each ~~five-year~~ three-year period following the establishment of the ~~system~~ System, the actuary shall make an actuarial investigation into the mortality, service, and compensation experience of the members and beneficiaries of the System, and taking into account the results of such investigation, the Board shall adopt for the System such mortality, service, and other tables as shall be deemed necessary and shall certify the rates of contribution payable under the provisions of this chapter.

* * *

Sec. 7. 16 V.S.A. § 1943 is amended to read:

§ 1943. INVESTMENTS; INTEREST RATE; DISBURSEMENTS

* * *

(d) Except as otherwise provided in this section, no trustee and no employee of the Board or member of the Vermont Pension Investment ~~Committee~~ Commission shall have any direct interest in the gains or profits of any investment made by the ~~Committee~~ Commission; nor shall any trustee or employee of the Board or ~~Committee~~ Commission, directly or indirectly, for himself or herself or as an agent, in any manner use the same except to make such current and necessary payments as are authorized by the Board or ~~Committee~~ Commission; nor shall any trustee or employee of the Board or ~~Committee~~ Commission become an endorser or surety, or in any manner an obligor, for the monies loaned to or borrowed from the Board. The State Treasurer, with the approval of the Board and the Committee, shall adopt by rule standards of conduct for trustees and employees of the Board in order to maintain and promote public confidence in the integrity of the Board. Such rules shall prohibit trustees, ~~members of the Committee~~, and employees from receiving or soliciting any gift, including meals, alcoholic beverages, travel fare, room and board, or any other thing of value, tangible or intangible, from any vendor or potential vendor of investment services, management services, brokerage services, and other services to the Board.

Sec. 8. 24 V.S.A. § 5062 is amended to read:

§ 5062. RETIREMENT BOARD; MEDICAL BOARD; ACTUARY; RATES
OF CONTRIBUTION; SAFEKEEPING OF SECURITIES

* * *

(k) Immediately after the establishment of the Retirement System, the Retirement Board shall adopt for the Retirement System such mortality and service tables as shall be deemed necessary and shall certify the rates of contribution payable under the provisions of this chapter. At least once in each ~~five-year~~ three-year period following the establishment of the System, the actuary shall make an actuarial investigation into the mortality, service, and compensation experience of the members and beneficiaries of the Retirement System, and taking into account the results of such investigation, the Retirement Board shall adopt for the Retirement System such mortality, service, and other tables as shall be deemed necessary and shall certify the rates of contribution payable under the provisions of this chapter.

* * *

Sec. 9. 24 V.S.A. § 5063 is amended to read:

§ 5063. INVESTMENTS; INTEREST RATE; DISBURSEMENTS

* * *

(e) Except as otherwise herein provided, no trustee and no employee of the Retirement Board or Vermont Pension Investment ~~Committee~~ Commission shall have any direct interest in the gains or profits of any investment made by

the ~~Committee~~ Commission, nor shall any trustee, member of the ~~Committee~~ Commission, or employee of the Board or ~~Committee~~ Commission, directly or indirectly, for himself or herself or as an agent, in any manner use the same except to make such current and necessary payments as are authorized by the Board or ~~Committee~~ Commission; nor shall any trustee or employee of the Board or ~~Committee~~ Commission become an endorser or surety, or in any manner an obligor, for monies loaned to or borrowed from the Board.

Sec. 10. PENSION BENEFITS, DESIGN, AND FUNDING TASK FORCE;

STATE EMPLOYEES' RETIREMENT SYSTEM; STATE
TEACHERS' RETIREMENT SYSTEM; REPORT

(a) Creation. There is created the Pension Benefits, Design, and Funding Task Force to review and report on the benefits, design, and funding of retirement and retiree health benefit plans for the Vermont State Employees' Retirement System and the Vermont State Teachers' Retirement System.

(b) Membership.

(1) The Task Force shall be composed of the following members:

(A) three current members of the House of Representatives, not all from the same political party, who shall be appointed by the Speaker of the House;

(B) two current members of the Senate, not from the same political party, who shall be appointed by the Committee on Committees;

(C) the Commissioner of Financial Regulation or designee;

(D) one member, who shall be appointed by the State Treasurer and who shall be a nonvoting member;

(E) three members, who shall be appointed by the President of the Vermont-NEA;

(F) two members, who shall be appointed by the President of the Vermont State Employees' Association; and

(G) one member of the Vermont Troopers' Association, who shall be appointed by the President of the Vermont Troopers' Association.

(2)(A) The members appointed pursuant to subdivisions (1)(A) and (B) of this subsection (b) shall not be direct or indirect beneficiaries of the Vermont State Employees' Retirement System or the Vermont State Teachers' Retirement System.

(B) The members appointed pursuant to subdivisions (1)(E)–(G) of this subsection (b) shall not be currently serving as a legislator or the spouse or partner of an individual currently serving as a legislator.

(c) Powers and duties.

(1) The Task Force shall make recommendations about benefit provisions and appropriate funding sources along with other recommendations it deems appropriate for consideration, consistent with actuarial and governmental accounting standards, as well as demographic and workforce trends and the long-term sustainability of the benefit programs, including the following:

(A) developing and evaluating a range of strategies to lower the actuarially determined employer contributions and unfunded actuarially accrued liability based on actuarial value of assets in the State Employees' Retirement System and the Teachers' Retirement System by between 25 and 100 percent of the size of the increases from fiscal year 2021 to fiscal year 2022, as reported in the respective Actuarial Valuation and Review for each retirement system, dated June 30, 2020, while maintaining the 2038 amortization date;

(B) a five-year review of benefit expenditure levels as well as employer and employee contribution levels and growth rates and a three-, five-, and 10-year projection of these levels and rates;

(C) identifying potential options for limiting the growth in the actuarially determined employer contributions to not more than inflation;

(D) assessing the impacts associated with any modifications to the current amortization schedule;

(E) based on benefit and funding benchmarks:

(i) proposed benefit structures with the objective of adequate benefits, including an evaluation of a shared-risk model for employer and employee contributions and cost-of-living adjustments, with a focus on reducing any future increases to the unfunded actuarially accrued liability;

(ii) an estimate of the cost of current and any proposed benefit structures on a budgetary and full actuarial accrual basis;

(iii) the State's pension contributions as a percentage of direct general spending and a comparison of other states' pension contributions; and

(iv) how proposed benefit changes for new members may reduce the impact of future actuarial assumption losses;

(F) evaluating any cross-subsidization between all groups within the Vermont State Employees' Retirement System and adjusting contribution amounts to eliminate any cross-subsidization;

(G) examining permanent and temporary revenue streams to fund the Vermont State Employees' Retirement System and the State Teachers' Retirement System;

(H) a plan for prefunding other postemployment benefits, with an evaluation of using federal funds to the extent permissible, including identifying long-term impacts of pay-as-you-go funding;

(I) evaluating the intermediate and long-term impacts to the State and local economies because of any proposed changes to current benefit structures and contribution characteristics and their potential effects on retiree spending power, including retirees who identify as female and retirees who are persons with disabilities; and

(J) an examination of the effects of current benefit structures and contribution characteristics on the recruitment and retention of public school educators and State employees and an evaluation of any proposed changes to

current benefit structures and contribution characteristics on the recruitment and retention of public school educators and State employees in the future.

(2) The Task Force shall not make recommendations on adjusting the assumed rates of return.

(d) Stakeholder input. During the course of its deliberations, and prior to any final recommendations being made, the Task Force shall:

(1) solicit input, including through public hearings, from affected stakeholders, including those impacted by issues of inequities; and

(2) consult with representatives designated by the Supreme Court acting in its constitutional role as the administrator of the Judicial Branch, Group D members of the State Employees' Retirement System, and members of the State Employees' Retirement System who are employees of the Department of Corrections.

(e) Assistance.

(1) The Task Force shall have:

(A) fiscal assistance from the Joint Fiscal Office and Office of the State Treasurer; and

(B) committee support services from the Office of Legislative Operations.

(2) The Office of Legislative Counsel and Joint Fiscal Office are authorized to contract for advisory services for the Task Force from an independent actuary, benefits expert, and legal expert, as necessary.

(f) Leave time. Public employee members of the Task Force shall be granted reasonable leave time by their employers to attend Task Force meetings.

(g) Report. On or before October 15, 2021, the Task Force shall submit an interim written report to the Governor and to the House and Senate Committees on Government Operations with an update on the work of the Task Force. The Task Force shall submit a final report with its findings and any recommendations for legislative action on or before December 2, 2021. The Task Force shall also provide the report to the Board of Trustees of the State Employees' and Teachers' Retirement Systems for their consideration and comment to the General Assembly.

(h) Meetings.

(1) The members appointed pursuant to subdivisions (b)(1)(A) and (B) of this section shall appoint a House and Senate member as co-chairs, who shall call the first meeting of the Task Force to occur on or before June 15, 2021.

(2) A majority of the membership shall constitute a quorum.

(3) The Co-Chairs may establish subcommittees within the Task Force to perform the work set forth in this section.

(4) The Task Force shall cease to exist on June 30, 2022.

(i) Compensation and reimbursement.

(1) For attendance at meetings during adjournment of the General Assembly, a legislative member of the Task Force serving in his or her capacity as a legislator shall be entitled to per diem compensation and reimbursement of expenses pursuant to 2 V.S.A. § 23 for not more than 20 meetings. These payments shall be made from monies appropriated to the General Assembly.

(2) Other members of the Task Force who are not State employees shall be entitled to per diem compensation and reimbursement of expenses as permitted under 32 V.S.A. § 1010 for not more than 20 meetings. These payments shall be made from monies appropriated to the State Treasurer.

Sec. 11. 2 V.S.A. chapter 31 is added to read:

CHAPTER 31. JOINT PUBLIC PENSION OVERSIGHT COMMITTEE

§ 1001. CREATION OF COMMITTEE

(a) Creation. There is created a Joint Public Pension Oversight Committee for the purpose of working with and providing assistance to other legislative committees on matters related to State's retirement system and other postemployment benefits.

(b) Members. The Committee shall be composed of the following members, who shall be appointed each biennial session of the General Assembly:

(1) three members of the House, who shall not be from the same party, appointed by the Speaker of the House; and

(2) three members of the Senate, who shall not be from the same party, appointed by the Committee on Committees.

(c) Powers and duties. The Committee shall evaluate and make recommendations on the following:

(1) issues of public policy related to the provision of retirement benefits to the State's public sector workforce;

(2) changes to statutory provisions regarding the provision, design, and administration of retirement benefits and the retirement systems;

(3) issues of public policy relating to health benefit design innovations, State regulatory measures, and alternative methods of providing pooled health care benefits to both active and retired school employees to lower health care costs for employees, retirees, school boards, and the State; and

(4) the appropriate annual appropriation to fund the State's retirement obligations in accordance with actuarial recommendations, statutory amortization schedules, and funding policies.

(d) Policies. The Committee shall elect a chair, vice chair, and clerk from among its members and shall adopt rules of procedures. The Chair shall rotate biennially between the House and Senate members. The Committee shall keep minutes of its meetings.

(e) Meetings.

(1) When the General Assembly is in session, the Committee shall meet at the call of the Chair.

(2) The Committee may meet six times during adjournment and may meet more often subject to approval of the Speaker of the House and the President Pro Tempore of the Senate.

(3) A quorum shall consist of four members.

(f) Assistance. The Committee shall have assistance from the Office of Legislative Counsel, the Office of Legislative Operations, and the Joint Fiscal Office.

(g) Compensation and reimbursement. For attendance at a meeting when the General Assembly is not in session, members of the Committee shall be entitled to compensations for services and reimbursement of expenses as provided under subsection 23(a) of this title.

(h) Reports. Annually, on or before December 1 each year, the Vermont Investment Pension Commission and the Boards of Trustees for the State Employees' Retirement System, Teachers' Retirement System, and Municipal Employees' Retirement, shall report to the Committee.

Sec. 12. CONFORMING REVISIONS

When preparing the Vermont Statutes Annotated for publication, the Office of Legislative Counsel shall replace "Vermont Pension Investment Committee" with "Vermont Pension Investment Commission" throughout the statutes as needed for consistency with Secs. 1–9 of this act, provided the revisions have no other effect on the meaning of the affected statutes.

Sec. 13. EFFECTIVE DATES

This act shall take effect on passage, except that Sec. 11 (Joint Public Pension Oversight Committee) shall take effect on October 1, 2021.

Date Governor signed bill: June 8, 2021

B. RVK Team Biographies



Jim Voytko – President, Director of Research, Senior Consultant, Principal

Located in our Portland office, Jim serves as President, Director of Research, and as a Senior Consultant with RVK. He joined the firm in 2004 and has over 40 years of industry experience. As a Senior Consultant, Jim has worked with both public and corporate pension plans, foundations and endowments, and insurance funds.

A sought-after public speaker, Jim has delivered original presentations on various topics at numerous institutional investment conferences. He is involved in multiple aspects of RVK's specialty consulting practices, most notably Asset/Liability studies and Board governance/investment program structural reviews. Jim's research responsibilities are focused primarily on capital markets issues and investment decision-making. He has also provided testimony on pension, investment, and financial issues to multiple state legislatures and the US Senate as well as participated in drafting legislation at both the state and federal level.

Prior to joining RVK, Jim served as the CEO/Executive Director of Oregon's statewide pension system for all employees of state and local governments, police and fire, teachers and higher education, statewide retiree health care insurance program, and statewide 457 deferred compensation program. He also served on the five-member Oregon Investment Committee, which directed the investment of all statewide funds totaling approximately \$45 billion.

Jim's experience also includes serving as Director of Research for PaineWebber, CIO and Managing Director of PNC Asset Management Group/PNC Advisors, and the Deputy Director and Chief Operating Officer of PaineWebber's Investment Banking Division. Jim earned his BA degree from Carnegie Mellon University, a Master of Public Administration degree from the University of Washington, and Master of Public Policy degree from Harvard University. Jim is a shareholder of the firm and serves on the firm's Board of Directors.



Marcia Beard – Senior Consultant, Principal

Marcia is a Senior Consultant with RVK and is located in our Portland office. She joined the firm in 1996 and has over 40 years of experience in the investment consulting and asset management industry.

As a Consultant, Marcia has extensive experience working with government entities, and endowments and foundations. Her experience includes developing investment policy statements, formulating asset allocations, developing, and implementing asset class manager structure, conducting manager searches, performance attribution and monitoring, and ongoing investment manager due diligence. In addition, Marcia is co-lead of RVK's Investment Program Review Practice.

Prior to joining RVK, Marcia worked at US Bank, Oregon Bank and US National Bank in Illinois. Marcia graduated cum laude from the University of Illinois, earning a BS degree in Agriculture Economics. She is a shareholder of the firm.



Spencer Hunter – Senior Consultant, Principal

Spencer joined RVK in 2008 and is located in our Portland office. In 2014, he was promoted to Consultant, in 2017, he was named Department Manager of our Associate Consultant/Investment Associate group, and in 2019, he was promoted to Senior Consultant.

Spencer’s career at RVK has been focused on providing investment consulting advice to many of the firm’s endowment and foundation, public fund, Taft Hartley, high-net-worth families, and corporate clients. His responsibilities include asset allocation and policy setting, investment manager research and due diligence, forward-looking capital market assumptions, asset class portfolio structuring, and many of the firm’s internal research projects.

Spencer graduated cum laude from Linfield College with a BS degree in Finance. He is a shareholder and serves on the firm’s Board of Directors.



Samia Khan, CFA – Consultant

Samia is a Consultant located in our New York office. She has 15 years of institutional investment experience and serves a diverse client base, including defined benefit and defined contribution plan sponsors, as well as endowments & foundations. Her responsibilities include asset allocation, investment manager research, portfolio structuring, risk analyses, and client education presentations.

Prior to joining RVK, Samia worked as Senior Manager of Investment Management at PricewaterhouseCoopers (PwC), LLP. Her role involved overseeing \$16B of retirement assets of the staff and partners of PwC and managing relationships with all associated external and internal parties including the custodian bank, DC recordkeeper, legal counsel, actuary, investment consultants, and asset managers.

Samia received her BA degree in Economics and Mathematics from Bryn Mawr College. Additionally, she is a CFA Charterholder and a member of the CFA Society of New York.



Joe Ledgerwood, CFA – Director of Investment Manager Research, Principal

Joe joined RVK in 2010 and is located in our Portland office. As RVK’s Director of Investment Manager Research, he leads our team of Research Consultants who serve as practice experts for their assigned asset class. Each Consultant determines the most appropriate managers for each client assignment as well as the efficacy of firms currently managing assets for clients. He previously served as Director of Equity Research with coverage across regions, both active and passive.

Prior to joining RVK, Joe worked for a Portland-based registered investment advisor as a portfolio manager, research analyst, and trader. He is a graduate of the University of Portland and has a BBA degree (*maxima cum laude*) with a concentration in Finance. He also holds the Chartered Financial Analyst designation and is a member of the CFA Society of Portland. Joe is a shareholder of the firm.



Kyle Hagmeier – Associate Consultant

Kyle joined RVK in 2015 as an Investment Analyst in our Portland office. He has held various roles at RVK, including Senior Investment Analyst, Investment Associate, and currently, Associate Consultant.

Kyle serves a diverse client base, including public and corporate pensions, endowments, foundations, Taft-Hartley, and defined contribution plans. As a member of our consulting team, Kyle works on a variety of projects including asset allocation studies, manager structure analyses, investment manager evaluation, client education presentations, and portfolio rebalancing.

He graduated *magna cum laude* from Gonzaga University with a BBA, concentrating in Finance & Economics. Kyle also earned a minor in Entrepreneurial Leadership through the Hogan Entrepreneurial Leadership Program, a four-year honors program at Gonzaga University. He has passed the CFA Level I Exam.

Jessica Goodall – Senior Executive Assistant

Jessica joined RVK in 2018 as a Senior Executive Assistant. She has over a decade of administrative experience, her most recent roles including Administrative Assistant for Figgins Family Wine Estates as well as a Special Project Assistant to the executives of Carondelet Health Network, and Executive Assistant to the VP of Human Resources at Harvard University.

Jessica holds a Master of Arts in Professional Writing from New England College as well as a BA in English from Central Washington University.

C. Peer Profile Summary Details

	Florida	Montana	Oregon	Washington	Wisconsin
Organizational / Legal Structure					
Organizational Name	State Board of Administration of Florida (SBA)	Montana Board of Investments (MBOI)	Oregon Investment Council (OIC)	Washington State Board of Investments (WSIB)	State of Wisconsin Investment Board (SWIB)
Organizational Description	Investment Management Organization created by the Florida Constitution	Quasi-judicial Board	Quasi-Independent Investment Agency	Independent Investment Board	Independent State Agency
Primary Statutory References	Florida Statutes, Section 215.44(5)	Article VIII, section 13 of the Montana Constitution; MCA 17-6-201	ORS 293.706	RCW Chapter 43.33A	Wisconsin Statute 15.76
Primary Fund Type	SBA manages more than 30 funds, but the primary fund is the Florida Retirement System Pension Plan, accounting for approximately 80% of the assets managed	The majority of the assets MBOI oversees are retirement funds, but it also manages a wide variety of other state and local government funds	Organized to manage pension assets as well as other miscellaneous pools of capital for the state	WSIB is primarily charged with managing investments for 17 of the state's retirement plans. However, WSIB also manages investments for several other pools of capital for the state	The Wisconsin Retirement System is over 90% of assets managed by SWIB. However, SWIB also oversees the State Investment Fund and other state funds
Board Size and Composition	3 members - All Elected	11 members. 9 voting members, and 2 ex-officio non-Voting legislative liaisons	6 members. 5 voting, 1 non-voting	15 members. 10 voting, 5 non-voting	9 members - All voting
Board Elected Representation	Governor, Chief Financial Officer and Attorney General	2 - non-voting legislative liaisons. 1 from the state house of representatives, and the other from the state senate	1 - State Treasurer	3 voting members - The elected state treasurer, a member of the state house of representatives, and a member of the state senate	NA
Board Non-Elected Representation	None	9 - all appointed by the Montana Governor. Appointed to provide a balance of professional expertise and public interests	4 appointed by the Oregon Governor, 1 serves by position and is non-voting (Director of Oregon PERS)	5 voting members appointed by the Washington Governor. 2 voting members appointed by superintendent of public instruction.	9 - all appointed 1 - secretary of administration (or secretary's designee) 1 - appointed member of local govt (must have 10+ years financial experience) 5 - appointed independent members (must have 10+ years financial experience) 2 - participants in WRS (1 participant teacher appointed by teacher retirement board, 1 participant non-teacher)

Board Selection Process	Elected by vote of citizenry	Governor appointments, to be approved by State legislature	Governor appointments, to be approved by State legislature	All appointments are subject to confirmation by the state senate	6 public members appointed by governor, confirmed by state senate Secretary of Administration, appointed by the governor, confirmed by the state senate 1 appointed by Teachers Retirement Board 1 appointed by Wisconsin Retirement Board
Staggered Terms	No--all three are elected on same four-year cycle	Yes - 5 are appointed at beginning of gubernatorial term. Remaining 4 are appointed midway through the gubernatorial term.	Not required by statute	Yes	Yes
Board Member Removal	Board members would be removed should they be removed from their elected office	For cause, by the Montana Governor	Board members serve at the pleasure of the Oregon Governor	For cause, by the member's respective appointing authority	Unavailable
Board Chair	Governor	Governor appointed	Elected by council members	Elected by Board members annually	Unavailable
Standing Committees	Separate Board appointed Investment Advisory Council & Audit Committee	Audit, Human Resource, and Loan Committees	NA	Administrative, Audit, Private Markets, and Public Markets Committees	Compensation, Audit and Finance, Benchmark, and Strategic Planning and Corporate Governance Committee
Selection of Committee Chairs	Annually elected by members of the separate Council/Committee	Appointed by Chair of the Board	NA	Recommended by the Chair of the Board, subject to confirmation by the full Board	Unavailable
Authority of Committees	Little to none. Committees provide research and recommendations to the Board, but final decisions are determined by the Board	Little to none. Committees provide research and recommendations to the Board, but final decisions are determined by the Board. Only exception is the loan committee, which is permitted to independently approve loans up to \$5 million	NA	Little to none. Committees provide research and recommendations to the Board, but final decisions are determined by the Board.	Little to none. Committees provide research and recommendations to the Board, but final decisions are determined by the Board.

Investment Process Structure

Primary Responsibility for:

Risk Tolerance	Board of Trustees as recommended by the Executive Director / CIO	Board of Trustees	Council	Board of Trustees	Board of Trustees
Investment Policy	Board of Trustees as recommended by the ED / CIO	Board of Trustees	Council	Board of Trustees	Board of Trustees
Strategic Asset Allocation	Board of Trustees as recommended by the ED / CIO	Board of Trustees	Council	Board of Trustees	Board of Trustees
Asset Class Structure and Manager Selection	Executive Director / CIO	ED / CIO	Council	CEO	ED / CIO delegates to professional investment staff
Economic Assumptions for Actuarial Valuations	Set by participating retirement boards	Set by participating retirement boards	Set by participating retirement boards	Washington Pension Funding Council	Set by participating retirement boards
Monitoring Mechanism	Board is required to provide an annual report to the Florida Legislature	Board is required by law to submit an annual report on all its activities to the Legislature, the Governor, and the public	Investment Council submits report to Governor and Legislative Assembly annually	Must submit quarterly written reports to the Washington Governor, the senate ways and means committee, the house appropriations committee, the department of retirements systems, and other agencies having a direct financial interest in the investment of funds by the board	Must submit quarterly and annual reports to the department of administration, the joint legislative audit committee, and the joint committee on finance.

Operational Structure

Investment Office Leadership	ED / CIO	ED with support from CIO	CIO	CEO	ED / CIO
Segregated CEO / ED and CIO duties?	No. There are deputy CIOs and EDs who support Executive Director / CIO in investment and operational duties	Yes	No	Yes	No
Total Investment FTE	64	31	50	Unavailable	Unavailable
Total Investment Exempt Employees	64	11 (Senior Investment Staff)	Not applicable	Unavailable	Unavailable
Total Investment Non-Exempt Employees	0	20	Not applicable	Unavailable	Unavailable
Significant Autonomy over HR	Yes	Yes	No. Staffing size and positions must be approved by the Legislative Assembly through the biannual budget process.	Yes. The Board is responsible for approving the basic organizational structure of the WSIB. The CEO is tasked with recruiting and retaining personnel necessary to effectively manage the WSIB.	Yes
Significant Autonomy over Budget	Yes. The SBA is self-supporting through "fees for services" and does not receive appropriations from the Legislature. The Trustees approve the budget annually. Approved budgets are forwarded to the Legislature.	Somewhat. The Legislature approves a fee rate (not a dollar amount) biannually. MBOI has significant authority over how funds are spent.	No. Operating budget must be reviewed and approved by the Legislative Assembly on a biannual basis	Yes. The Board is responsible for WSIB's operating budget based on recommendations from the CEO.	Yes
Source of Funding	Fees for services. SBA provides a variety of investment services to state and local government entities in Florida	Fees charged to the accounts it manages	A portion of funding comes from state appropriations through Oregon's biannual budget process. Fees are also charged to certain accounts it manages	Fees charged to the accounts it manages	Fees charged to the accounts it manages

Other Fund Details

Total AUM	\$250.5 B	\$23.4 B	\$126.7 B	\$180.9 B	\$157.9 B
Single or Multiple Fund Types	Multiple	Multiple	Multiple	Multiple	Multiple
Other Fund Types Managed	Pension, Defined Contribution, PRIME Fund, Hurricane Catastrophe Fund, endowment, other trust funds	Pensions, Trust Funds, Insurance Reserves, Operating Funds, and In-State Investments and Bond Guarantees	Pensions, Endowments, Lottery Funds, State Insurance Fund, Common School Fund, Defined Contribution Plan, Sinking Funds	Pensions, Insurance Programs, Permanent Funds, and other miscellaneous state funds	Retirement, State Investment Fund, Trust Funds
Mission Appropriate Asset Allocation	Yes	Yes	Yes	Yes	Yes
Multi-Asset Class Diversified vs Primarily Public Financial Assets	Multi-Asset Class Diversified	Multi-Asset Class Diversified	Multi-Asset Class Diversified	Multi-Asset Class Diversified	Multi-asset class diversified

PORTLAND

BOISE

CHICAGO

NEW YORK

