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## Minutes

*A special meeting of the Virginia Retirement System Board of Trustees was held on January 14, 2019 in Richmond, Virginia with the following members present:*

*Board members present:*

*Mitchell L. Nason, Chair*

*Diana F. Cantor, Vice Chair*

*Hon. J. Brandon Bell, II (by phone under § 2.2-3708.2(D))*

*Wallace G. Harris*

*W. Brett Hayes (by phone under § 2.2-3708.2(D))*

*William H. Leighty*

*O'Kelly E. McWilliams, III (by phone under § 2.2-3708.2(D))*

*Joseph W. Montgomery*

*Troilen G. Seward*

*Also present were: Patricia Bishop, Ron Schmitz, John Alouf, Suja Amir, Rory Badura, Farley Beaton, , Jeanne Chenault, Harriet Covey, Sara Denson, Jordan Evans (by phone), Barry Faison, Bryan Gardiner, Brian Goodman, JT Grier, Robert Irving, Dane Honrado, KC Howell, Ross Kasarda, LaShaunda King, Kristina Koutrakos, Matt Lacy, Chung Ma, Jennifer MacKnight, Curt Mattson, Taylor Melton, Walker Noland, Andrea Peeks, Steve Peterson, Jennifer Schreck, Kristy Scott (by phone), Capri Stanley-Smith, .Dan Whitlock, Cindy Wilkinson and Nick Zizzo.*

*Guests present were: Dylan Bishop, Rick Fowler, Gale Grant, and J. Marshall Terry, Virginia Governmental Employees Association; Lauren Axselle and Kimberly Sarte, Joint Legislative Audit and Review Commission; Justin Ferrell (by phone), Auditor of Public Accounts; Preeti Singh (by phone) Buyout Insiders and Bea Snidow, Virginia Education Association.*

*The meeting convened at 1:03 p.m.*

### **APPROVAL OF MINUTES**

*Mr. Nason made a motion to approve the minutes of the December 13, 2018 meeting. Upon a motion by Mr. Montgomery with a second by Mr. Harris, the Board approved the minutes of the December 13, 2018 meeting upon the following roll call vote:*

*Mr. Nason: Aye*

*Ms. Cantor: Aye*



*Mr. Bell: Aye*  
*Mr. Harris: Aye*  
*Mr. Hayes: Aye*  
*Mr. Leighty: Aye*  
*Mr. McWilliams: Aye*  
*Mr. Montgomery: Aye*  
*Ms. Seward: Aye*

**REPORT OF THE CHIEF  
INVESTMENT OFFICER**

*Mr. Schmitz began his report with a market overview. Next, he discussed asset allocation, tracking error and fund volatility. Mr. Schmitz stated he plans to provide a more thorough review of calendar year 2018 performance at the next Board meeting when the December performance numbers are finalized. Mr. Schmitz then reviewed the New Investments and Terminations Report, the WaM Quarterly Report and the Quarterly External Investment Manager Referral Report with the Board. Lastly, Mr. Schmitz highlighted the first Brown Bag Session of the year, which will take place on February 14th with a focus on the asset liability study.*

*Mr. Nason thanked Mr. Schmitz for his report.*

**Proof of Claim in Fortis Settlement  
(Netherlands)**

*Brian Goodman, VRS Legal Affairs and Compliance Coordinator, presented on a proof of claim in the Fortis Settlement in the Netherlands. The case involved events that occurred in 2007 and 2008, and when the foreign securities litigation commenced in 2010, VRS was not inclined to participate in the case since, at the time, there was uncertainty regarding the risk of a "loser pays" rule. However, under the settlement, thousands of investors that had previously taken no action (such as VRS) are eligible to make a claim on the settlement fund. This is not the same as VRS' previous experience with foreign cases. The only action VRS needs to take is to file a proof of claim, the same as in a case based in the United States. The deadline is July 28, 2019 and there is no risk to filing the proof of claim. Because it is a foreign case, the Proxy Voting and Litigation Policy requires approval by the Board.*

*Mr. Nason made a motion to authorize VRS staff, and asset recovery counsel, to take the steps necessary to file a proof of claim and participate in the Fortis Settlement Fund, with a second by Ms. Seward. The Board approved authorization for VRS Staff to file a Proof of Claim upon the following roll call vote:*



*Mr. Nason: Aye*  
*Ms. Cantor: Aye*  
*Mr. Bell: Aye*  
*Mr. Harris: Aye*  
*Mr. Hayes: Aye*  
*Mr. Leighty: Aye*  
*Mr. McWilliams: Aye*  
*Mr. Montgomery: Aye*  
*Ms. Seward: Aye*

*Mr. Nason thanked Mr. Goodman for his presentation.*

#### **LEGISLATIVE UPDATE**

*Ms. Bishop reviewed VRS-related legislation presented in the 2019 General Assembly session.*

#### **2019 Budget Language: Board of Trustees Item 486-G**

*She then presented Item 486, paragraph G of the introduced budget, which would increase the membership of the Board of Trustees to 12 members, including three ex-officio non-voting members: the Secretary of Finance, the staff director of the Senate Finance Committee and the staff director of the House Appropriations Committee, or their designees. A robust discussion among the board members followed.*

*Mr. Nason recommended sending a letter informing the Governor and the Chairs of the Committees of the Board's position on Item 487, paragraph G. A consensus emerged among the Board that such a letter should be sent. Further discussion commenced regarding items that should be addressed in the letter, including but not limited to the extensive JLARC review conducted in the early 1990s, the 1994 legislation re-codifying and reconstituting VRS, fiduciary responsibility and accountability, legislative intent creating VRS' structural independence, and the Board's ongoing commitment to open dialogue, communication and transparency. Mr. Nason made a motion to that effect with a second by Ms. Cantor. The Board approved sending the position letter regarding Item 486, paragraph G upon the following roll call vote:*

*Mr. Nason: Aye*  
*Ms. Cantor: Aye*  
*Mr. Bell: Aye*  
*Mr. Harris: Aye*  
*Mr. Hayes: Aye*

*Mr. Leighty: Abstained*  
*Mr. McWilliams: Aye*  
*Mr. Montgomery: Aye*  
*Ms. Seward: Aye*

#### **REPORT OF THE DIRECTOR**

*Mrs. Bishop then presented additional information from the Governor's proposed budget, including:*

- *2% base increase for all state employees.*
- *2% merit increase for state employees with three or more years of continuous service, effective June 10, 2019.*
- *2% increase for all state-supported local employees, effective July 1, 2019.*
- *1% bonus added, payable in December 2019.*

*She highlighted that all VRS requests for the 2019-2020 budget were included in the Governor's proposed budget.*

*Ms. Bishop briefed the Board on the New VRS Coverage for January 2019.*

*She reminded the Board that the annual Conflict of Interest Act filing deadline is Friday, February 1, 2019, with a late filing fee of \$250 for any submissions after that date, and encouraged the Board members to file as soon as possible.*

*Mrs. Bishop announced that VRS has won an Eddy Award from Pension and Investments for the Financial Wellness Program. Winners will be notified of placement category (1<sup>st</sup>, 2<sup>nd</sup> or 3<sup>rd</sup>) on March 11, 2019.*

*She concluded her presentation stating that the CAFR, PAFR and Auditor of Public Accounts audit are available to view on the VRS website, and advised the Board of the upcoming meeting dates:*

- *Benefits and Actuarial Committee meeting will be held on Tuesday, February 12, 2019 at 1:30 p.m.*
- *IPC Brown Bag Lunch Session will be held on Thursday, February 14, 2019 at 12:00 p.m.*
- *The Board of Trustees meeting will be held on Thursday, February 14, 2019 at 1:00 p.m.*

*Mr. Nason thanked VRS staff for their attention to this meeting. He then thanked Ms. Bishop for her report.*



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***ADJOURNMENT***

*There being no further business, the meeting adjourned at  
2:45 p.m.*

  
A handwritten signature in black ink, appearing to be "J. A. [unclear]".

*Chair*

  
A handwritten signature in black ink, appearing to be "Patricia [unclear]".

*Secretary*