

Minutes

A meeting of the Investment Advisory Committee of the Virginia Retirement System was held on November 13, 2019 with the following members present:

Larry Kochard, Chairperson
Deborah Allen Hewitt
Michael Beasley
Theodore Economou
Thomas Gayner
Bryan Lewis
Rod Smyth

The following Board members were present:

Mitch Nason (entered at 10:54am)
Brandon Bell (entered at 10:35am)
Wallace Harris
William Leighty
O'Kelly McWilliams, via telephone
Joseph Montgomery
Troilen Seward

The following staff members were in attendance:

Trish Bishop, Ron Schmitz, John Alouf, Rory Badura, Katie Baskind, Parham Behrooz, Warren Chang, Jeanne Chenault, Tom Coleman, Michael Cooper, Perry Corsello, Sara Denson, Jordan Evans, Laurie Fennell, Josh Fox, Katie Grawe, JT Grier, K.C. Howell, Robert Irving, Ross Kasarda, Matt Lacy, Chung Ma, Curt Mattson, Jennifer MacKnight, Steve McClelland, Scott Mootz, Walker Noland, Greg Oliff, Steven Peterson, Kristy Scott, Jennifer Schreck, Lisa Turner, Dan Whitlock, Cindy Wilkinson, and Steve Woodall.

Also in attendance was Jamie Bitz of JLARC; Marshall Terry and of Virginia Governmental Employees Association; and Brian Deveney of APA.

Minutes

Mr. Kochard called the meeting to order at 10:00 a.m.

A motion was made and seconded to approve the August 13, 2019 minutes. The motion was unanimously approved.

CIO Report

Mr. Schmitz began his report with a brief overview of current economic and market conditions. He then reviewed asset allocation, investment performance, and tracking error information. Mr. Schmitz concluded with a review of the New Investments and Terminations Report.

Annual Program Reviews

Mr. Howell provided an overview to the Private Market Assets Program reviews, including a summary of what VRS classifies as private assets, why VRS invests in private assets, and agenda items for the reviews.

Mr. Alouf provided an annual review of the Private Equity program. Annual review topics included: program overview, including team members, asset allocation, and philosophy; markets, exposures, and results; managers, including women and minority investments; co-investments; and forward looking plans for the program.

Mr. Noland provided an annual review of the Real Assets program. Annual review topics included: program overview, including program objectives, team members, and asset allocation; markets, exposures, and results; co-investments; managers, including women and minority investments; and forward looking plans for the program.

Mr. McClelland provided an annual review of the Credit Strategies program. Annual review topics included: program overview, including program objectives, team members, and asset allocation; markets, exposures, and results; co-investments; managers, including women and minority investments; and forward looking plans for the program.

Mr. McClelland also provided an annual review of the Private Investment Partnerships program. Annual review topics included: program overview, including program objectives, team members, and asset allocation; exposures and results; and forward looking plans for the program.

Mr. Gayner exited the meeting at 12:35pm.

Mr. Kasarda presented a review of the Risk-Based Investments (RBI) benchmark simplification plan. This review included a recap of RBI program components and goals, the current benchmark shortcomings, and the proposed benchmark.

A motion was made and seconded to provide support for changing the RBI benchmark to a blend of the RBI Diversifiers Benchmarks (80%) and the S&P Risk Parity 12% Volatility Benchmark (20%). The RBI Diversifiers Benchmark is composed of the Bloomberg Barclays US Treasury

Bellwethers: 3 month plus 250 basis points per annum. The motion was unanimously approved to support the change to the RBI benchmark.

Mr. Schmitz provided an update on the results of the Asset Liability Study. In addition, he reviewed the related Board approved changes to the long-term Defined Benefit Plan Strategic Asset Allocation and Allowable Ranges, as well as the related phase-in plan, to reflect the new Board target asset mix effective January 1, 2020. Mr. Schmitz then reviewed the Board approved changes, and the related applicable phase-in plans, to the Public Equity, Credit Strategies, and Fixed Income benchmarks

Mr. Schmitz requested the Committee concur with the benchmark implementation plan for Public Equity, Credit Strategies, and Fixed Income; endorse the phase-in plan for the long-term asset allocation policy with expanded allowable range targets for Private Investment Partnerships and Multi-Asset Public Strategies; support matching the Dynamic Strategies benchmark components to the relevant program benchmarks and the change in the Risk-Based Investments benchmark; and indicate philosophical agreement for a proposed Private Equity benchmark change. Mr. Kochard indicated the changes are consistent with what has been presented, and the Committee is in support of the changes as outlined.

Adjournment

The Committee members engaged in general discussion throughout all of the reviews provided.

The meeting was adjourned at 1:15 p.m.



Larry Kochard, Chairperson