
Minutes

An electronic meeting, held in accordance with § 2.2-3708.2(A)(3) of the *Code of Virginia* and guidance provided in the Official Advisory Opinion 20-011 of the Virginia Attorney General, of the Investment Advisory Committee of the Virginia Retirement System was held on April 15, 2020 with the following members present:

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

The following Board members were present:

O'Kelly McWilliams
Brandon Bell
Diana Cantor
William Garrett
Wallace Harris
Brett Hayes
William Leighty
Joseph Montgomery
Troilen Seward

The following staff members were in attendance:

Trish Bishop, Ron Schmitz, Stephen Adelaar, Rory Badura, Farley Beaton, Parham Behrooz, Jeanne Chenault, Michael Cooper, Kevin Cronin, Valerie Disanto, Laurie Fennell, Josh Fox, Brian Goodman, JT Grier, Krystal Groff, Dane Honrado, K.C. Howell, Ross Kasarda, LaShaunda King, Kristina Koutrakos, Matt Lacy, Chung Ma, Curt Mattson, Jennifer MacKnight, Steve McClelland, Walker Noland, Greg Oliff, Cat Pelletier, Steven Peterson, Laura Pugliese, Dan Schlussler, Jennifer Schreck, Kristy Scott, Michael Scott, Jillian Sherman, Virginia Sowers, Lisa Turner, Dan Whitlock, Cindy Wilkinson, and Olga Zozulya.

Also in attendance was Adam Rosatelli of the Virginia Senate Finance & Appropriations Committee; Kimberly Sarte of JLARC; Robert Matule of

Acadian Asset Management; David Peligal of Brookfield Asset Management; and Evelyn Porter, resident of the Commonwealth of Virginia.

Ms. Sherman served as host and walked participants through the logistics of an electronic meeting. Ms. Sherman turned the meeting over to Mr. Kochard to call the meeting to order.

Mr. Kochard called the meeting to order at 10:08 a.m. Mr. Kochard noted that given the current circumstances related to COVID-19, the IAC was unable to meet in person. However, utilizing electronic means, the IAC could hold this meeting in accordance with § 2.2-3708.2(A)(3) of the *Code of Virginia* and guidance provided by the Attorney General as it relates to conducting business during the pandemic.

Mr. Kochard took a roll call of each IAC member for attendance purposes:

Mr. West – present
Mr. Beasley – present
Mr. Economou – present
Mr. Gayner – present
Dr. Hewitt – present
Ms. Leake – joined after roll call
Mr. Lewis – joined after roll call
Mr. Smyth – present
Mr. Kochard – present

CIO Report

Mr. Schmitz gave a brief overview of economic and market conditions for the most recent month-end prior to COVID-19. Mr. Schmitz noted that current market conditions, including March updates considering COVID-19, will be addressed at the end of the meeting. Mr. Schmitz presented the Performance Summary and the Asset Allocation Report as of February 29, 2020; and Total Fund Tracking Error as of December 31, 2019. Mr. Schmitz then reviewed the New Investments and Terminations Report.

Annual Program Reviews

Mr. Grier provided an overview to the Public Investment Program reviews, including an introduction to the Public Investment Programs, an overview of public market assets, and agenda items for the reviews.

Mr. Behrooz and Mr. Oliff, Co-Directors of Fixed Income, provided an annual review of the Fixed Income program. Annual review topics included: program overview, including team members, asset allocation, and philosophy; markets, exposures, and results; forward looking plans;

collaboration across the programs; and markets as of March 31, 2020 for the program.

Mr. Whitlock provided an annual review of the Public Equity program. Annual review topics included: program overview, including team members, process, asset allocation, philosophy, and manager evaluation framework; markets, exposures, and results; managers, including women and minority investments; and forward looking plans for the program.

Mr. Schlussler provided an annual review of the Internal Equity Management program. Annual review topics included: program overview, including team members, asset allocation, philosophy, research process, factor selection and alpha score, and portfolio and risk management; markets, exposures, and results; March update; and forward looking plans for the program.

Asset Allocation Phase-In

Mr. Schmitz led a discussion of the asset allocation phase-in and proposed changes to update the Defined Benefit Plan Strategic Asset Allocation and Allowable Ranges to reflect the new Board target asset mix that will be recommended to the Board of Trustees.

The last VRS target asset mix phase-in move toward the Long-Term Policy was effective July 1, 2019. The Board updated the long-term target asset mix effective January 1, 2020. Every year at fiscal year-end, the Chief Investment Officer (CIO) considers market conditions and progress in moving to the new policy portfolio and suggests specific target exposures to the Board for the upcoming year. Recent market action caused by the COVID-19 pandemic and related economic impacts affected the Fund so that the Fund has moved close to the expected 2021 phase-in target exposures at the current time. Therefore, Mr. Schmitz recommends new target exposures and allowable ranges to become effective April 1, 2020, and remain in effect for FY 2021.

In addition, Mr. Schmitz requested the Committee provide support for his recommendation. After discussion, the Committee supported the CIO's recommendation.

Current Conditions Dialogue

Mr. Schmitz then gave an update on current market conditions, given the current circumstances related to COVID-19. Mr. Schmitz and the Committee members engaged in a general discussion of the impact of COVID-19 on current, as well as future, market conditions.

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

Mr. Smyth exited the meeting at 11:55 a.m.

Adjournment

Mr. West made a motion to adjourn the meeting. Mr. Gayner seconded the motion. Mr. Kochard asked for each Committee member to vote on the motion:

Mr. West – aye
Mr. Beasley – aye
Mr. Economou – aye
Mr. Gayner – aye
Dr. Hewitt – aye
Ms. Leake – aye
Mr. Lewis – aye
Mr. Kochard – aye

The motion to adjourn the meeting passed.

The meeting was adjourned at 12:03 p.m.



Larry Kochard, Chairperson