

Minutes

A meeting of the Investment Advisory Committee of the Virginia Retirement System was held on April 11, 2019 with the following members present:

Hance West, Vice Chairperson
Deborah Allen Hewitt
Michael Beasley
Theodore Economou
Thomas Gayner
Bryan Lewis
Rod Smyth

The following Board members were present:

Brandon Bell
Wallace Harris
Joseph Montgomery
Troilen Seward

The following staff members were in attendance:

Trish Bishop, Ron Schmitz, Stephen Adelaar, John Alouf, Rory Badura, Parham Behrooz, Jeanne Chenault, Tom Coleman, Michael Cooper, Sara Denson, Josh Fox, Bryan Gardiner, Katie Grawe, JT Grier, Dane Honrado, K.C. Howell, Robert Irving, Ross Kasarda, Kristina Koutrakos, Matt Lacy, Chung Ma, Curt Mattson, Jennifer MacKnight, Steve McClelland, Taylor Melton, Scott Mootz, Laurie Nelson, Walker Noland, Steven Peterson, Kristy Scott, Jennifer Schreck, Nick Topokov, Lisa Turner, Dan Whitlock, Cynthia Wilkinson, and Olga Zozulya.

Also in attendance was Lauren Axselle of JLARC; Marshall Terry and Rick Fowler of Virginia Governmental Employees Association; Brian Deveney of APA; Maria Slowe, Vicki Rikkola, Michael Smith and Michael Nguyen of Virginia College Savings Plan; and Latasha Johnson of Virginia Department of Planning and Budget.

Mr. West called the meeting to order at 10:02 a.m.

Minutes

A request was made to update the minutes from the November 8, 2018 meeting to include language that the program reviews included discussion of women and minority activity. With no objection to update

the request, a motion was made and seconded to approve the updated November 8, 2018 minutes. The motion was unanimously approved.

CIO Report

Mr. Schmitz then gave a brief overview of current economic and market conditions. Mr. Schmitz reviewed plan performance analysis, including asset allocation, risk bucketed asset allocation, investment performance, and tracking error. Mr. Schmitz presented the Performance Summary and the Asset Allocation Report as of February 28, 2019. Mr. Schmitz then reviewed the New Investments and Terminations Report.

Forward Looking Returns

Dr. Peterson discussed with the Committee members forward returns expectations, beginning the conversation with the building blocks for expected returns and the contributions across asset classes. He also discussed forward return attribution, as well as the contributions of building blocks for expected returns, as it relates to the Total Fund and to Global Equity, Real Assets, and Internal Fixed Income. In addition, Dr. Peterson discussed the 10 year forward return expectations, as well as a summary of VRS assumed returns given various assumptions. The IAC members then discussed the forward return expectations and the various assumptions. With no formal vote needed, there was an acknowledgement that the details were fairly presented and the Committee is comfortable with the forward return expectations.

Annual Program Reviews

Mr. Gardiner provided an annual review of the Internal Fixed Income program. Annual review topics included: program overview, people, philosophy, positioning, and performance.

Mr. Whitlock provided an annual review of the Global Equity program. Annual review topics included: team and process information, market update, and results and portfolio positioning including women and minority activity.

Mr. Lacy provided an annual review of the Internal Equity Management program. Annual review topics included: overview of internal equity management, philosophy and process, and positions and performance.

Ms. Koutrakos provided an annual review of the Dynamic Strategies program. Annual review topics included: philosophy, partnerships, portfolio overview, and market update and performance, and future plans and priorities.

Mr. Kasarda provided an annual review of the Risk Based Investments program. Annual review topics included: overview, early results, and looking ahead.

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

Adjournment

The meeting was adjourned at 1:49 p.m.



Larry Kochard, Chairperson