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## **Minutes**

A joint meeting of the Investment Advisory Committee (IAC) and the Investment Policy Committee (IPC) of the Virginia Retirement System was held on August 13, 2019 with the following IAC members present:

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

The following IPC members were present:

Mitchell Nason  
Diana Cantor  
Brandon Bell  
Wallace Harris  
Brett Hayes  
William Leighty  
O'Kelly McWilliams  
Joseph Montgomery

The following staff members were in attendance:

Trish Bishop, Ron Schmitz, Stephen Adelaar, John Alouf, Rory Badura, Parham Behrooz, Erica Billingslea, Jeanne Chenault, Michael Cooper, Perry Corsello, Sara Denson, Josh Fox, Bryan Gardiner, Brian Goodman, Katie Grawe, JT Grier, Dane Honrado, K.C. Howell, Ross Kasarda, Kristina Koutrakos, Matt Lacy, Chung Ma, Curt Mattson, Jennifer MacKnight, Steve McClelland, Scott Mootz, Laurie Nelson, Walker Noland, Greg Oliff, Steven Peterson, Vera Pleasants, Jennifer Schreck, Lisa Turner, Dan Whitlock.

Also in attendance was Kimberly Sarte of JLARC; Marshall Terry and Rick Fowler of Virginia Governmental Employees Association; Jennifer Schoeller of APA; Adam Rosatelli of the Senate Finance Committee; and John Meier of Verus Investments.

Mr. Nason called the meeting to order at 10:01 a.m.

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<b>Minutes</b>	A motion was made and seconded to approve the April 11, 2019 Investment Advisory Committee minutes. The motion was unanimously approved.
<b>IAC Vice-Chairperson Election</b>	A motion was made to re-elect Hance West as Vice-Chairperson of the Investment Advisory Committee. The motion was unanimously approved.
<b>CIO Report</b>	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 June 30, 2019. Mr. Schmitz then reviewed the New Investments and Terminations Report.
<b>Asset Liability Study</b>	<p>Dr. Peterson introduced John Meier from Verus, and the Asset Liability Study that Verus has been conducting. Mr. Meier presented details regarding the Asset Liability study, including projections given current VRS risk and return assumptions, projections given changes to current VRS risk and return assumptions and the implications of the change to these assumptions.</p> <p>Updated possible long-term Defined Benefits Plan asset allocation and allowable ranges were also presented.</p> <p>The IAC and IPC members then discussed the projections and the implications of the various assumptions.</p>
<b>Recommended Program Benchmark Updates</b>	<p>Mr. Whitlock proposed a change to the VRS Public Equity Benchmark. Details of the current VRS Public Equity Benchmark were presented to the Committees, as well as details regarding the benchmark being proposed for the VRS Public Equity Program.</p> <p>Mr. McClelland outlined changes to the Credit Strategies program that will be implemented at January 1, 2020. Because of the changes outlined, a change to the benchmark for the program is being proposed.</p> <p>Mr. Gardiner outlined changes that are ongoing in the Fixed Income program. Because of the changes outlined, a change to the benchmark for the program is being proposed.</p>

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Members of both Committees engaged in thorough and detailed discussion throughout all of the reviews provided.

A motion was made and seconded for the IAC members to show support for the benchmark changes as proposed. The motion was unanimously approved. The proposed benchmarks will be presented to the Board of Trustees.

Larry Kochard exited the meeting at 1:18pm, turning the meeting over to Rod Smyth.

The Committee then discussed the proposed update to the long-term Defined Benefit Plan asset allocation and allowable ranges. The IAC members expressed full support for the updates presented.

Regarding a change in the assumed rate of return, the IAC members agreed that a potential change should be discussed further at the next Board meeting.

#### **Adjournment**

The meeting was adjourned at 2:52 p.m.



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Larry Kochard, Chairperson