
Minutes

A regular meeting of the Virginia Retirement System Board of Trustees was held on November 14, 2024, in Richmond, Virginia with the following members participating:

Board members:

A. Scott Andrews, Chair (*attended remotely from Hanover, VA under § 2.2-3708.3(B)(4)*)

Michael P. Disharoon, Vice Chair

Hon. J. Brandon Bell, II (*entered at 1:17 p.m.*)

John M. Bennett

Lawrence A. Bernert, III

Susan T. Gooden, Ph.D. (*entered at 1:41 p.m.*)

Jessica L. Hood

Del. Matthew James

Lindsey K. Pantele

VRS Staff:

Patricia Bishop, Jennifer Schreck, Andrew Junkin, Nikolai Abaev, John Alouf, Advait Apte, Rory Badura, Parham Behrooz, Brock Bell, Matt Bennett, Erica Billingslea, Jessica Budd, Jeanne Chenault, Michael Cooper, Perry Corsello, David Cotter, Juanita Cribbs, Sara Denson, Laurie Fennell, Laura Fields, JT Grier, Krystal Groff, Mehtab Haleem, Dane Honrado, KC Howell, Sandy Jack, LaShaunda King, Kristina Koutrakos, Chung Ma, Curt Mattson, Scott Mootz, Walker Noland, Greg Oliff, Angela Payne, Vera Pleasants, Laura Pugliese, Shawn Rabalais, Paula Reid, Mark Rein, Jummai Sarki-Hurd, Dan Schlussler, Jenny Schoeller, Kristy Scott, Michael Scott, Larry Tentor, Emily Trent and Leslie Weldon.

Guests:

Laura Albanese, Financial Investment News; Jim Anderson, Kurt Dosson and Becky Stouffer, Gabriel, Roeder, Smith & Company; Harrison Bader, Blackrock; Thomas Cosmmer, PineBridge Investments; Joe Ebisa, With Intelligence; Elizabeth Myers, Office of the Attorney General; Kimberly Sarte, Joint Legislative Audit & Review Commission; and Erin Shell, Virginia Auditor of Public Accounts.

The meeting convened at 1:00 p.m.

Opening Remarks

Mr. Andrews called the meeting to order and welcomed everyone to the November 14, 2024, meeting of the Virginia Retirement System Board of Trustees.

Approval of Minutes

Following a motion by Mr. Disharoon, and a second by Mr. James, the VRS Board of Trustees unanimously approved the minutes from its October 17, 2024, meeting.

Report of the Investment Advisory Committee

Hance West, Vice Chair of the Investment Advisory Committee (IAC), began his report by noting the IAC met on November 6, 2024, and did not approve the minutes from its August 14, 2024, meeting as the IAC did not have the legally required quorum physically present to take official action. The Committee will take up the minutes at its next meeting. The Committee received the Chief Investment Officer's report from Andrew Junkin (CIO) covering asset allocation, performance and new manager hires and terminations since the August 14th IAC meeting. A presentation on Global Equity Benchmarking was given by Mr. Junkin focusing on existing exposure to foreign adversaries as currently defined by the Secretary of Commerce. A Request for Board Action (RBA) outlining a policy proposing restrictions to the portfolio and benchmark exposures to designated foreign adversaries was presented to the IAC for discussion.

Following the CIO report, staff provided an update on the following topics:

- Outline of various fund scenarios including baseline recovery, global recession, stagflation and productivity boost.
- Case studies surrounding possible market drawdown scenarios.
- Updates on Asset Allocation and review of the current Roadmap, Expected Glide Path, and next steps.
- Annual Program Reviews for the Private Markets Team and general overview on Private Equity, Credit, and Real Assets.
- Review of the Real Assets investment program, including an overview, an update on market fundamentals and portfolio exposures, results (including the impacts of market headwinds and tailwinds), top 10 managers, Diverse Investment Manager Engagement (DIME) managers and forward-looking plans for Real Assets.
- Private Equity Program: topics included an overview, exposures, results (including VRS results relative to the investment rate of return by vintage year), VRS Co-investment program, top 10 investment managers, DIME managers, as well as forward-looking plans for Private Equity.
- Credit Strategies and Private Investment Partnership Programs: topics included an overview, asset allocation, market update, exposures, results, top 10 managers, DIME managers and a forward look for both programs.

Mr. Andrews thanked Mr. West for his report.

Report of the Chief Investment Officer

Andrew Junkin began his report with a market overview and discussed asset allocation, total fund portfolio and tracking error, concluding that risk measures are within Board-approved levels.

Next, Mr. Junkin discussed the New Investment and Terminations report, the Diverse Investment Manager Engagement (DIME) report and the External Investment Manager Referral report. Further, Mr. Junkin gave a presentation on Global Equity Benchmarking, focusing on existing exposure to foreign adversaries as currently defined by the Secretary of Commerce.

Upon a motion by Mr. Bennett, with a second by Mr. Bernert, the VRS Board of Trustees approved the following action:

RBA: Approve Policy Related to Certain Foreign Investments

Request for Board Action 2024-11-32: *The Virginia Retirement System Board of Trustees authorizes the Chief Investment Officer (CIO) to pursue a policy related to current and future investments in countries designated as foreign adversaries by the Office of the Secretary of Commerce. This policy may include restricting some or all of such investments, and the relevant benchmarks used by VRS for such investments, in the designated countries. The Board further determines that such a policy is consistent with VRS' fiduciary duty.*

Mr. Andrews thanked Mr. Junkin for his report.

CEM Cost Effective Analysis of VRS Investment Program

Chris Doll of CEM Benchmarking, Inc., presented the results of the Investment Benchmarking Analysis for the five-year period ending December 31, 2023. The presentation is a review of VRS' investment costs and performance versus a peer group. Mr. Doll advised that VRS' five-year and ten-year performance placed VRS in the positive value-added, low-cost quadrant of the cost effectiveness chart. The fund was below benchmark costs as it paid less than the peer group for similar services and had a lower cost implementation style. In summary, Mr. Doll concluded the cost-effective management of the plan is generating the appropriate results on both the value side with the top line performance and the savings managed by negotiating with external managers and managing money internally.¹

Mr. Andrews thanked Mr. Doll for his presentation and commended the Investment staff for their efforts to continue delivering positive value-added results at a lower cost.

Report of the Benefits and Actuarial Committee

The Benefits and Actuarial Committee met on November 14, 2024, and took up the following matters:

APPROVAL OF MINUTES

The Committee approved the minutes of its October 16, 2024, meeting.

GABRIEL, ROEDER, SMITH & COMPANY (GRS) 2024 ACTUARIAL VALUATION RESULTS FOR POLITICAL SUBDIVISION RETIREMENT PLANS, THE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP), THE LOCAL HEALTH INSURANCE CREDIT (HIC) PLANS, AND THE LINE OF DUTY ACT (LODA) FUND.

Jim Anderson, Becky Stouffer and Kurt Dosson from the VRS plan actuary, Gabriel, Roeder, Smith & Company (GRS), presented the June 30, 2024, actuarial valuations for the Political Subdivision Plans, the Virginia Local Disability Program (VLDP), Local Health Insurance Credit (HIC) Plans and the Line of Duty Act (LODA) Fund. The VRS actuary conducts annual valuations as of the close of the fiscal year (June 30). In odd-numbered years, the valuations are used to establish employer contribution rates. The results in

¹ Revised detailed cost and value-add information was provided to staff by CEM after the meeting and subsequently shared with the Board of Trustees.

even-numbered years are shared with the Board of Trustees to inform the Board of any emerging trends or indications of the magnitude and direction of contribution rates.

Similar to the statewide pension plans, the investment gains from the market value return for the total fund of 9.9% exceeded the long-term assumed rate of return of 6.75% for fiscal year 2024 but were partially offset by higher-than-expected cost-of-living increases and salary increases provided during the fiscal year. This resulted in an increase in funded status and a decrease in the informational contribution rate for the political subdivision pension plans in aggregate.

The other post-employment benefits (OPEB) plans experienced larger increases in funded status due to favorable demographic experience and investment gains. In addition, the HIC plans for Constitutional Officers and Social Services employees received additional cash infusions to help pay down unfunded liabilities. Informational contribution rates trended lower for the OPEB plans compared to the 2023 rate-setting valuations.

The LODA plan is a pay-as-go plan that must collect the funds required to pay the benefits expected to be incurred over the coming year. The informational premium rate is lower than the current LODA rate due in part to a change in methodology with respect to recognition of interest on employer contributions as well as favorable demographic experience. Future rates are still expected to increase due to increasing health care costs, an increasing number of beneficiaries and a static or decreasing number of full-time equivalent members over which to spread the premium costs.

GRS delivered an abbreviated version of their presentation to the full Board of Trustees.

Upon a motion by Mr. Bennett, with a second by Mr. Disharoon, the VRS Board of Trustees approved the following action:

Request for Board Action 2024-11-33: The Virginia Retirement System Board of Trustees accepts the June 30, 2024, Actuarial Valuations conducted by the VRS plan actuary, Gabriel, Roeder, Smith & Company, for the (i) Political Subdivision Retirement Plans; (ii) Health Insurance Credit (HIC) Plans for political subdivisions; (iii) State-Funded HIC for constitutional officers, social services employees and registrars; (iv) Virginia Local Disability Program, including Self-Funded Long-Term Care; and (v) Line of Duty Act Fund.

INFORMATION ITEM

Confirmed 2025 B&A Committee Meeting Schedule:

The Committee reviewed the 2025 meeting schedule.

- February 5
- April 15
- June 11
- October 15
- November 12

Mr. Andrews thanked Mr. Bennett for the report. Mr. Andrews next thanked GRS and the VRS staff actuaries for their hard work in developing, validating and delivering the results.

Corporate Governance Report

Dan Whitlock, Director, Global Equity Public Management, presented the Corporate Governance Report. He began by thanking Stephen Adelaar and David Cotter for their contributions and input. Mr. Whitlock reviewed the FY 2024 Corporate Governance Report and provided an overview of the Proxy Voting and Litigation Policy to the Board.

He advised that Institutional Shareholder Services, Inc. (ISS) continues to provide proxy research and implementation services for VRS. Mr. Whitlock advised that during 2023, VRS adopted the ISS Global Board-Aligned Voting Policy. A summary of the 2024 U.S. voting guidelines was presented to the Board. An annual examination of the relationship with ISS includes a review of any changes to the policy, managerial evaluation of any changes and feedback to ISS, and participation in a survey to voice opinions on potential policy changes.

Mr. Whitlock provided an overview on VRS securities litigation and investment organizations. Lastly, Mr. Whitlock discussed involvement in investor organizations, stating VRS continues to be a non-voting member of the Council of Institutional Investors.

Mr. Andrews thanked Mr. Whitlock for his presentation.

Report of the Director

Trish Bishop, VRS Director, began her report with a review of the FY 2025 VRS Project Portfolio and New Coverage Elections.

Ms. Bishop informed the Board that VRS received an Honorable Mention for outstanding beneficiary campaign (with MissionSquare Retirement) in fiscal year 2024. Additionally, VRS received the 2024 Public Pension Standards Award for Funding and Administration from the Public Pension Coordinating Council (PPCC), becoming the 21st consecutive award VRS received from PPCC.

Ms. Bishop then made the following announcements to the Board:

- VRS celebrated Customer Service Week October 7 – October 11, 2024.
- VRS held its annual celebration of Diwali, one of India's biggest and most important festivals, on November 6th, during which staff enjoyed learning more about the meaning of Diwali and partaking in celebratory events.
- The Agency Annual Meeting will be held at the Omni Richmond Hotel on December 17, 2024, to celebrate annual achievements and present awards.

Ms. Bishop presented an overview of Actuarial Measures and Key Indicators for fiscal year 2025. The overview included a comparison of the actual fund market value versus the expected for FY 2025, a comparison of pension cash flows for the first quarter of the fiscal year compared to the prior year, as well as the average increase in CPI year to date.

Lastly, Ms. Bishop advised the Board of upcoming committee and board meeting dates.

Mr. Andrews thanked Ms. Bishop for her report.

Other Business

Mr. Andrews reviewed the following meeting schedule:

- Defined Contribution Plans Advisory Committee – December 5 at 1:00 p.m.
- Audit and Compliance Committee – December 12 at 10:00 a.m.
- Board of Trustees – December 12 at 1:00 p.m.

Adjournment

There being no further business and following a motion by Mr. Disharoon, with a second by Ms. Pantele, the VRS Board of Trustees agreed to adjourn the meeting at 3:05 p.m.



Chair



Secretary

Report

The Benefits and Actuarial Committee met on November 14, 2024, and took up the following matters:

APPROVAL OF MINUTES

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GRS will also deliver an abbreviated version of their presentation to the full Board of Trustees.

The Committee recommended approval of the following actions to the full Board of Trustees:

Request for Board Action: The Virginia Retirement System Board of Trustees accepts the June 30, 2024, Actuarial Valuations conducted by the VRS plan actuary, Gabriel, Roeder, Smith & Company, for the (i) Political Subdivision Retirement Plans; (ii) Health Insurance Credit (HIC) Plans for political subdivisions;

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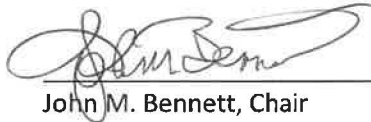
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Submitted to the Board of Trustees on November 14, 2024.



John M. Bennett, Chair
Benefits and Actuarial Committee