
Minutes

An electronic meeting, held in accordance with § 2.2-3700 et seq. of the *Code of Virginia* and Chapter 1289 of the 2020 Acts of Assembly, of the Investment Advisory Committee of the Virginia Retirement System was held on April 14, 2021 with the following members present:

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

The following Board members were present:

O'Kelly E. McWilliams, III
Joseph Montgomery
Brandon Bell
Michael Disharoon
William Garrett
Wallace Harris
Brett Hayes
Troilen Seward

The following staff members were in attendance:

Trish Bishop, Ron Schmitz, Jennifer Schreck, Stephen Adelaar, John Alouf, Advait Apte, Rory Badura, Parham Behrooz, Ty Bowers, Jeanne Chenault, Sara Denson, Valerie Disanto, Laurie Fennell, Josh Fox, Katherine Grawe, JT Grier, Wendy Jenkins, Dane Honrado, K.C. Howell, Robert Irving, Ross Kasarda, Kristina Koutrakos, Matt Lacy, Chung Ma, Curt Mattson, Jennifer MacKnight, Steve McClelland, Walker Noland, Greg Oliff, Steven Peterson, Vera Pleasants, Garret Rhodes, Dan Schlussler, Kristy Scott, Jillian Sherman, Virginia Sowers, Korey Turner, Lisa Turner, Dan Whitlock, Cindy Wilkinson, and Nick Zizzo.

Also in attendance was Spencer Adair of Baillie Gifford; Lauren Albanese of Financial Investment News; Keith Bruch of LSV Asset Management; Sean Burns of Credit Suisse and HOLT Investment Strategy Team; John Carnegie of Baillie Gifford; Steff Chavez of Mandate Wire; Rachel Furash of Goldman Sachs; Sean Gray of Credit Suisse; Latosha Johnson of the

Virginia Department of Planning and Budget; Josef Lakonishok of LSV Asset Management; Bill Porter of DDJ Capital Management; Adam Rees of Pageant Media; James Rosatelli of the Virginia Senate Finance & Appropriations Committee; and Kimberly Sarte of the Joint Legislative Audit and Review Commission.

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

Mr. Kochard called the meeting to order at 10:05 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 § 2.2-3700 et seq. of the *Code of Virginia* and Chapter 1289 of the 2020 Acts of Assembly as it relates to conducting business during the pandemic.

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

Mr. Beasley – present
Mr. Economou – present
Dr. Hewitt – present
Ms. Leake – present
Mr. Lewis – present
Mr. Smyth – present
Mr. West – present
Mr. Kochard – present

Mr. Kochard noted that Mr. Gayner could not be in attendance due to a schedule conflict.

Public Comment

Mr. Kochard noted that the meeting is open to public comment, however, there are no public comments to be entered into the record.

Minutes

A motion was made by Mr. Kochard and seconded by Mr. Beasley to approve the minutes for the November 10, 2020 Committee meeting. The motion was unanimously approved via roll call:

Mr. Beasley – approve
Mr. Economou – approve
Dr. Hewitt – approve
Ms. Leake – approve
Mr. Lewis – approve
Mr. Smyth – approve

Mr. West - approve
Mr. Kochard - approve

**Election of Vice
Chairperson**

Mr. Kochard nominated Hance West as Vice-Chair of the IAC, and then asked for other nominations. Hearing no other nominations, Hance West was nominated to serve in the capacity of Investment Advisory Committee Vice-Chairperson, to which Mr. West agreed. The nomination was confirmed unanimously via roll call:

Mr. Beasley – approve
Mr. Economou – approve
Dr. Hewitt – approve
Ms. Leake – approve
Mr. Lewis – approve
Mr. Smyth – approve
Mr. West – approve
Mr. Kochard - approve

CIO Report

Mr. Schmitz gave a brief overview of economic and market conditions. Mr. Schmitz presented the Performance Summary and Asset Allocation Report as of February 28, 2021, and Total Fund Tracking Error as of December 31, 2020. Last, Mr. Schmitz reviewed the New Investments and Terminations Report.

**Equity Manager
Perspectives**

The Investment Advisory Committee hosted three guest speakers, two from equity managers to discuss growth and value investing and one who spoke to the Committee about discounted cash flow modeling. Mr. Grier introduced the following guest speakers: Spencer Adair, Global Alpha Investment Manager of Baillie Gifford; John Carnegie, Client Service Director of Baillie Gifford; and Josef Lakonishok, Founding Partner, CEO and CIO of LSV Asset Management. Mr. Adair and Mr. Carnegie spoke about Baillie Gifford's global alpha growth philosophy. Mr. Lakonishok spoke about current market conditions. Then Mr. Grier introduced Sean Burns, Vice President, Credit Suisse and a member of the HOLT Investment Strategy Team in New York. Mr. Burns spoke about discounted cash flow modeling. The Committee members engaged in general discussion with the presenters. Mr. Kochard thanked the guest speakers for meeting with the Committee.

**Public Market Asset
Class Reviews**

Mr. Grier provided a brief overview of Public Market Assets, provided a preview of agenda items that each Program Director will be covering, and introduced the following Program reviews: Internal Equity Management, Public Equity, and Fixed Income.

Mr. Schlussler provided an annual review of the Internal Equity Management program. Annual review topics included: an overview of factor selection and alpha score, asset allocation, performance, markets, strategies, team members, and looking forward on process and projects.

Mr. Whitlock provided an annual review of the Public Equity program. Annual review topics included: an overview of team members, markets, exposures, results, and manager hires and terminations.

Mr. Behrooz and Mr. Oliff provided an annual review of the Fixed Income program. Annual review topics included: an overview of team members, markets, exposures, and results.

**Portfolio Solutions
Group Function Review**

Mr. Ma provided a function review of the Portfolio Solutions Group (PSG) including an overview of program objectives and team members.

Mr. Kasarda provided an overview of the Risk Team. Review topics included: team members, risk function, and projects.

Dr. Peterson provided an update on the Research program. Review topics included: environmental, social & corporate governance (ESG), natural language processing (NLP), sector rotation, scenario analyses, stress tests, and liquidity model.

**Review of Investment
Belief Statements**

The Committee reviewed a revised version of the Investment Belief Statements, as requested by the Investment Policy Committee. The Committee noted that they are comfortable with the proposed draft and asked for a section on fiduciary responsibilities to be included in a future draft.

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

Adjournment

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

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

Mr. Kochard – aye

The motion to adjourn the meeting passed.

The meeting was adjourned at 12:31 p.m.



Hance West, Vice-Chairperson