

Minutes

A meeting of the Investment Advisory Committee of the Virginia Retirement System was held on August 27, 2021 with the following members present:

Larry Kochard, Chairperson, from Virginia, under § 2.2-3708.2(A)(1)(a)
Hance West
Michael Beasley
Thomas Gayner
Deborah Allen Hewitt
Nancy Leake
Bryan Lewis
Rod Smyth, from Virginia, under § 2.2-3708.2(A)(1)(a)

The following Board members were present:

O'Kelly E. McWilliams, III
Brandon Bell
John Bennett
William Garrett
Troilen Seward

The following staff members were in attendance:

Trish Bishop, Ron Schmitz, Jennifer Schreck, John Alouf, Advait Apte, Rory Badura, Parham Behrooz, Tom Coleman, Michael Cooper, Sara Denson, Valerie Disanto, Jon Farmer, Laurie Fennell, Katherine Grawe, JT Grier, Dane Honrado, K.C. Howell, Kristina Koutrakos, Matt Lacy, Chung Ma, Curt Mattson, Jennifer MacKnight, Steve McClelland, Walker Noland, Greg Oliff, Steven Peterson, Mark Rein, Jummai Sarki-Hurd, Dan Schlussler, Kristy Scott, Jillian Sherman, Korey Turner, Lisa Turner, Scott Weaver, Dan Whitlock, Cindy Wilkinson, and Nick Zizzo.

Also in attendance was Lauren Albanese of Financial Investment News; Brian Deveney of the Virginia Auditor of Public Accounts; Cyril Espanol of Pageant Media; Latosha Johnson of the Virginia Department of Planning and Budget; Adam Rees of Pageant Media; James Rosatelli of the Virginia Senate Finance & Appropriations Committee; and Kelci Simonsen of the Virginia Auditor of Public Accounts.

Mr. West, Vice-Chairperson, conducted the meeting as Mr. Kochard was unable to attend in person under § 2.2-3708.2(A)(1)(a). Mr. West called the meeting to order at 10:07 a.m. Mr. West turned the meet over to Ms. Turner to address logistics of a meeting being conducted in-person with remote participants.

Ms. Turner served as host and walked participants through the logistics of a meeting being conducted in-person with remote participants. Ms. Turner then turned the meeting over to Mr. West to cover the items noted in the agenda.

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

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

Mr. West noted that Mr. Economou would not be joining today; and that several Trustees would be joining today.

Minutes

A motion was made by Mr. West and seconded by Mr. Beasley to approve the minutes for the April 14, 2021 Committee meeting. The motion was unanimously approved via roll call:

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

CIO Report

Mr. Schmitz presented the Performance Summary, Asset Allocation Report, and Total Fund Tracking Error as of June 30, 2021. During the review of the Performance Summary, Mr. Schmitz provided a detailed review of each Program's performance. Last, Mr. Schmitz reviewed the New Investments and Terminations Report.

**Portfolio Solutions
Group Program Reviews**

Mr. Ma provided a brief overview of the Portfolio Solutions Group (PSG), provided a preview of agenda items that each Director will be covering, and introduced the following Program reviews: Currency Management, Dynamic Strategies (DStrat), and Risk Based Investments (RBI).

Mr. Ma provided an annual review of the Currency Management program. Annual review topics included: a fiscal year 2021 review, performance, manager positioning, and summary thoughts.

Ms. Koutrakos provided an annual review of the Dynamic Strategies program. Annual review topics included: an overview of team members, markets, exposures, mandates, results, and a look forward.

Mr. Ma provided an annual review of the Risk Based Investments program. Annual review topics included: an overview of team members, program objectives, results, and a look forward.

**Forward Returns &
Scenario Analyses**

Dr. Peterson presented the VRS investment staff's 10-year and 20-year forward return estimates by asset class and for the total fund. He then focused on 10-year forward returns attributions in selected asset classes.

Due to technical difficulties the meeting paused at 11:42 a.m. and restarted at 12:17 p.m.

Dr. Peterson then presented the macro factor impact on forward returns, public pension plan discount rates through time, and external managers' 10-year forward return history and expectations. Dr. Peterson then presented four prospective median path scenarios and their implication for rates of return, funded status, contribution rates and liquidity.

Mr. West led discussion to ensure that the Committee is comfortable with the Expected Return Assumption, and all Committee members agreed that they are comfortable with the current VRS assumption.

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

Adjournment

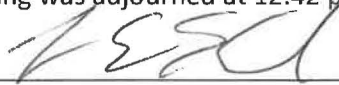
Mr. Beasley made a motion to adjourn the meeting. Dr. Hewitt seconded the motion. Mr. Kochard asked for each Committee member to vote on the motion:

Mr. Beasley – aye
Dr. Hewitt – aye

Ms. Leake – aye
Mr. Lewis – aye
Mr. Smyth – aye
Mr. Kochard – aye
Mr. Gayner – aye
Mr. West – aye

The motion to adjourn the meeting passed.

The meeting was adjourned at 12:42 p.m.



Larry Kochard, Chairperson