



Board of Trustees Annual Retreat
Westin Richmond Hotel
6631 West Broad Street Richmond, VA
Tuesday, 12/7/2021
12:00 - 5:30 PM ET

I. 2021 Board of Trustees Retreat - Day 1

2021 Board of Trustees Retreat Presentation Day 1 - Page 2



Virginia
Retirement
System

2021 Board of Trustees Retreat

December 7-8, 2021

*The Westin Richmond
6631 West Broad Street
Richmond, Virginia 23230*

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Virginia Retirement System Board of Trustees Retreat

December 7-8, 2021

Westin Richmond Hotel ♦ Chesapeake Salon: A & B

Tuesday, December 7

12:00 pm. Box Lunches (Chesapeake Salon Foyer)

12:45 p.m. Welcome & Opening Remarks

O’Kelly E. McWilliams, III, Chairman, VRS Board of Trustees
Ronald Schmitz, Chief Investment Officer, VRS
Patricia Bishop, Director, VRS

1:00 p.m. Guest Speaker: Fiduciary & Governance Training

Von Hughes, Managing Director & Partner
PAAMCO Prisma

2:30 p.m. Fireside Chat: Private Equity

Mark Anderson, Managing Director
GTCR

3:00 p.m. 15-Minute Break

3:15 p.m. Guest Speaker: Outlook for the Market & Economy

Anirban Basu, Chairman & CEO
Sage Policy Group, Inc.

4:15 p.m. Fireside Chat: Real Assets

Adebayo Ogunlesi,
Founding Partner, Chairman & Managing Partner
GIP

4:45 p.m. Guest Speaker: Political Science Insights

Stephen Farnsworth
Professor of Political Science
University of Mary Washington

5:30 p.m. Day 1 Closing Remarks

Ronald Schmitz, Chief Investment Officer, VRS

*Reception – Sponsored by BNY Mellon
Chesapeake Salon C*

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Welcome

O'Kelly E. McWilliams, III
Chairman, VRS Board of Trustees



Welcome

Ronald D. Schmitz

Chief Investment Officer, VRS



Welcome

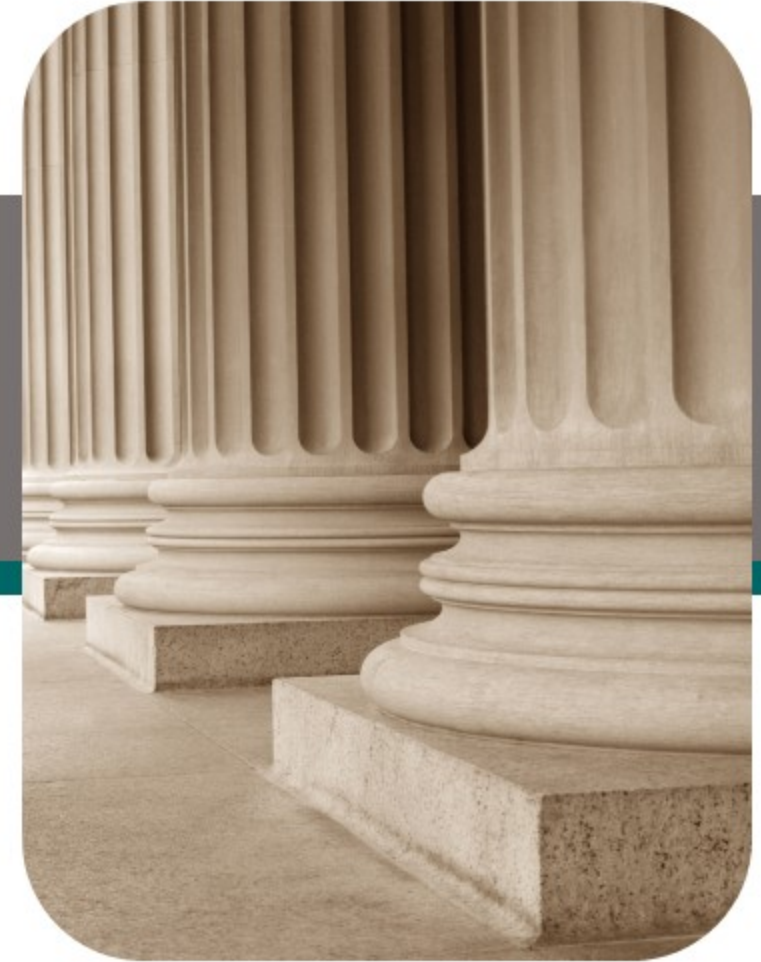
Patricia S. Bishop
Director, VRS



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Guest Speaker: Von Hughes

Managing Director & Partner
PAAMCO Prisma



Von Hughes ● Managing Director & Partner

PAAMCO Prisma



Von M. Hughes JD, MPP, CAIA (New York), Managing Director and Partner, joined PAAMCO in 2003. Von serves on the PAAMCO Prisma Executive Committee and manages the firm’s global Strategic Advisory effort. Von specializes in pension plan governance and is a frequent speaker on the topics of pension policy and investment program implementation. He is the author of the award-winning [U.S. Public Pension Handbook: A Comprehensive Guide for Trustees and Investment Staff](#) (McGraw-Hill 2019), a practical guide for the public pension trustee specifically and pension professionals in general. He began his career at Goldman, Sachs & Co. in New York as an Associate in the Mergers & Acquisitions Group and then as a Vice President in the Equity Capital Markets Group. Von is an independent director on the board of Tradeweb Markets Inc. (NASDAQ: TW). Von is a trustee of the Greenwich Roundtable, a non-profit research and educational organization for investors allocating to alternative investments. He is a trustee of the National Association of Investment Companies, a Washington, DC-based trade association that serves as the largest network of diverse-owned and emerging private equity firms and hedge funds. Von is also an adjunct professor at Columbia Business School, where he teaches the course “Public Pensions and Retirement Security in the U.S.” Von received his JD from Harvard Law School, where he was selected as an editor of the Harvard Law Review; his MPP from the John F. Kennedy School of Government at Harvard University, where he received a distinguished master’s thesis nomination; and his BA (cum laude) from Yale University, majoring in philosophy.

VIRGINIA RETIREMENT SYSTEM



DECEMBER 2021

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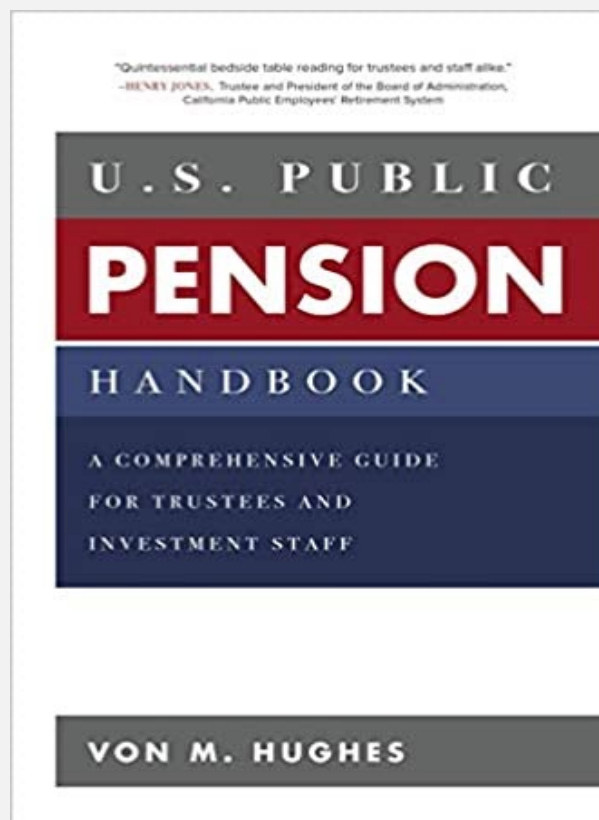
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He began his career at Goldman, Sachs & Co. in New York as an Associate in the Mergers & Acquisitions Group and then as a Vice President in the Equity Capital Markets Group. Von is an Independent Director on the Board of Tradeweb Markets Inc. (NASDAQ: TW) and a member of its Audit Committee. Von is a Trustee of the Greenwich Roundtable, a non-profit research and educational organization for investors allocating to alternative investments. He is also a Trustee of the National Association of Investment Companies, a Washington, DC-based trade association that serves as the largest network of diverse-owned and emerging private equity firms and hedge funds.

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VON M. HUGHES



Von M. Hughes, JD, MPP, CAIA
Partner and Managing Director
PAAMCO Prisma

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GOVERNANCE

GOVERNANCE: LEGISLATIVE AUTHORIZATION

- ❖ Public pensions in the U.S. are created by legislative action
 - State public pensions are created through state legislation

- ❖ Article X, Section 11, Constitution of Virginia requires that the General Assembly maintain a retirement system:
 - State employees and employees of school divisions and participating political subdivisions
 - Separate and independent trust funds
 - Invested and administered solely in the interests of members and beneficiaries
 - For benefits, refunds, and administrative expenses
 - Funded using methods consistent with generally accepted actuarial principles

- ❖ VRS is established in Title 51.1 of the Code of Virginia as an independent agency that is not under a Cabinet Secretariat

GOVERNANCE: LEGISLATIVE OVERSIGHT

- ❖ State legislatures provide oversight of state pension systems
- ❖ Legislative oversight of public pensions can take various forms:
 - Legislative Committee dedicated to pensions
 - Other Legislative Committee (usually Public Finance or Ways and Means)
 - Independent Pension Committee
 - Temporary Pension Committee
 - Legislative Auditing Authority
- ❖ Virginia Retirement System Oversight Act places VRS oversight and evaluation in the hands of the Joint Legislative Audit and Review Commission (JLARC) which reviews:
 - Structure and governance
 - Structure of investment portfolio
 - Investment practices, policies, and performance
 - Actuarial policy and soundness
 - Administration and management
- ❖ The Virginia Auditor of Public Accounts is responsible for auditing the system's financial statements

GOVERNANCE: VRS BOARD OF TRUSTEES

Title 51.1, Chapter 1, Article 2.1, of the Code of Virginia establishes the Board of Trustees of the Virginia Retirement System as an independent board in state government that shall consist of the following:

Nine board members:

- Governor appoints five members, including the chair



- Joint Rules Committee appoints four members



- General Assembly confirms all appointments

Areas of expertise:

- Four investment experts



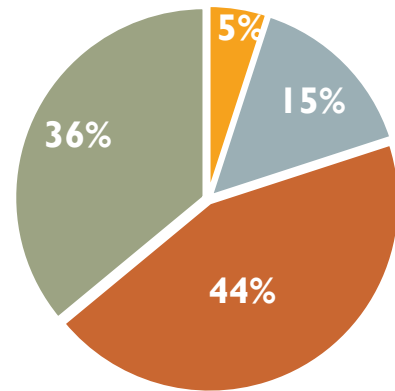
- One experienced in employee benefit plans
- One local government employee
- One higher education employee
- One state employee
- One teacher



GOVERNANCE: BOARD COMPOSITION IN CONTEXT

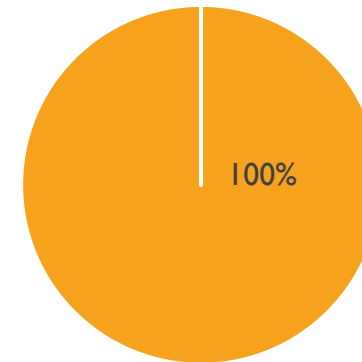
- ❖ Average size public pension board of trustees: 8.5, with range from 3 to 32 trustees
- ❖ State employees and teachers: 9.2 and 10, on average, respectively
- ❖ Public safety and general local: 7.5 and 7.6, on average, respectively

Average Trustee Selection



■ Other ■ Ex Officio ■ Appointed ■ Elected by Beneficiaries

VRS Trustee Selection



■ Appointed

Source: U.S. Public Pension Handbook: A Comprehensive Guide For Trustees and Investment Staff (McGraw-Hill 2019), p.264.

GOVERNANCE: RESEARCH ON IMPACT OF BOARD COMPOSITION*

Impact on Funding

- ❖ Larger pension boards associated with lower plan funding levels (Harper (2008))
- ❖ Mere existence of an Investment Committee has positive impact on funding (Groves (2014))

Impact on Asset Allocation

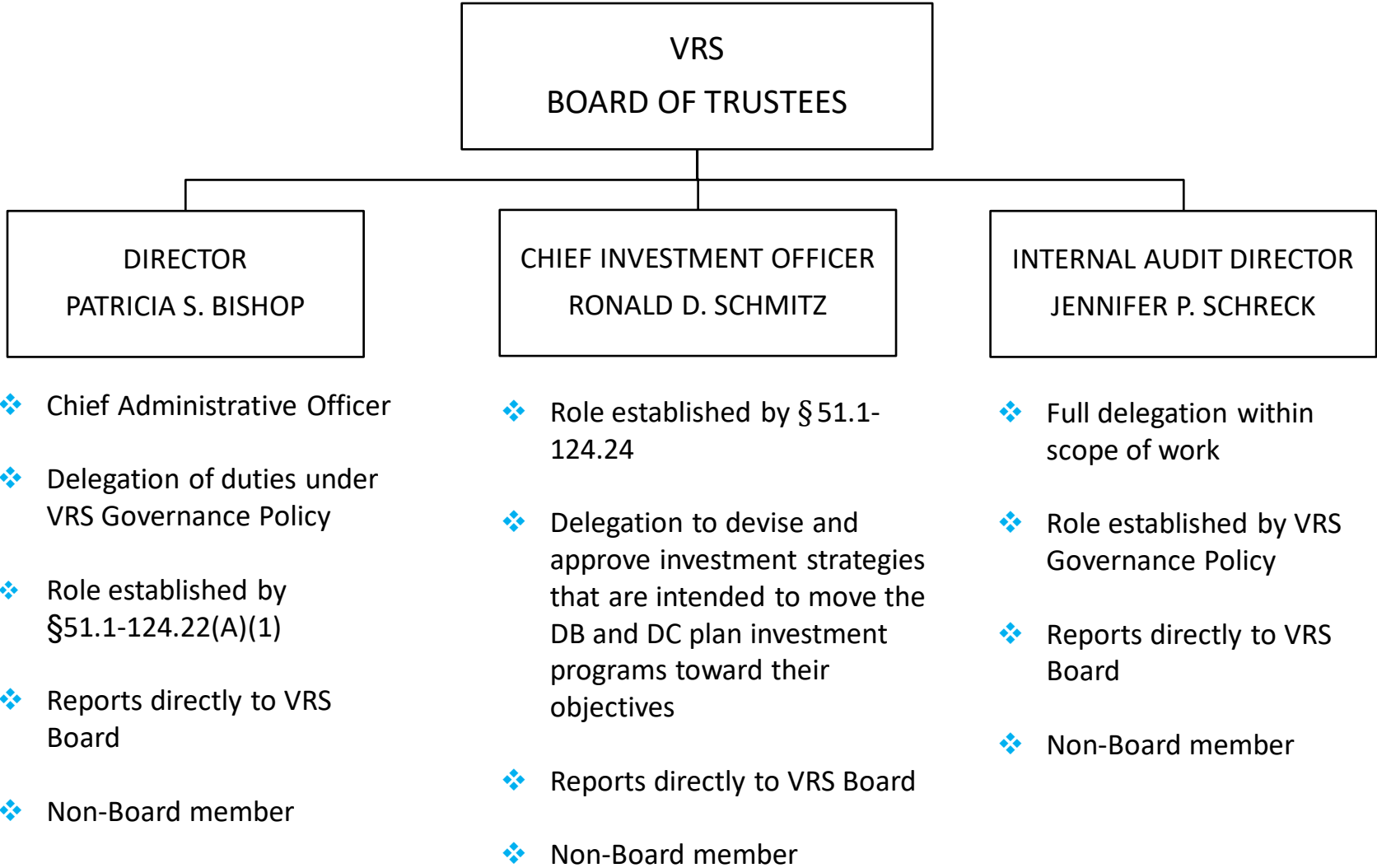
- ❖ Greater number of plan participant trustees and elected trustees both had a negative impact on the size of equity allocation (Useem and Hess (2001))
- ❖ Greater number of political appointees had negative impact on equity allocations (Harper (2008))
- ❖ Political appointees more willing to invest in higher returning strategies (Hess (2005))

Impact on Performance

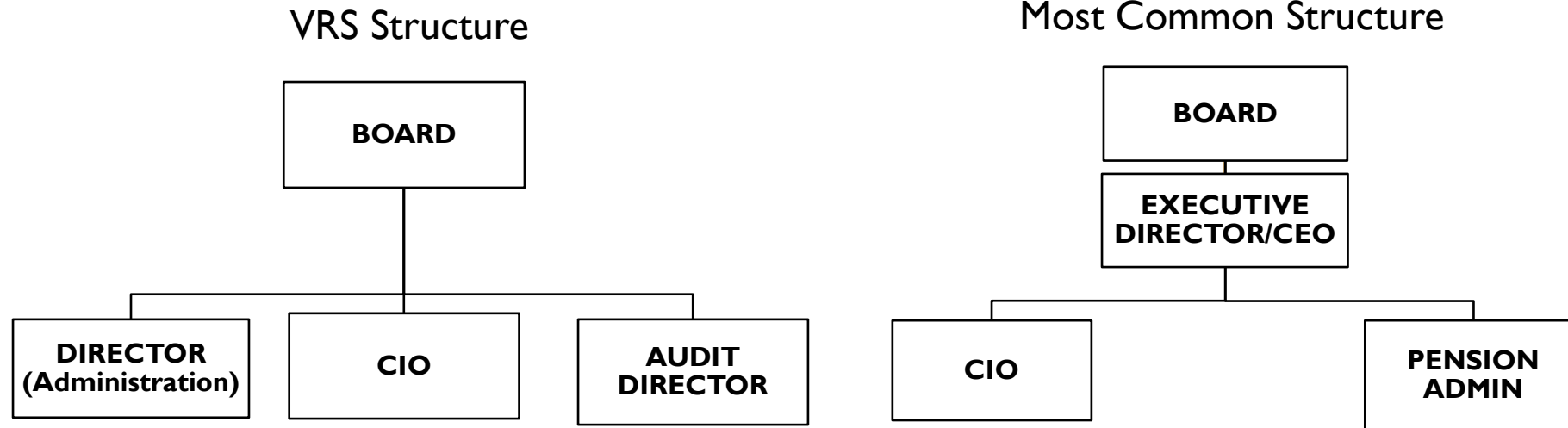
- ❖ Greater number of elected members had negative impact on performance (Mitchell and Hsin (1994))
- ❖ Greater number of retiree representation had negative impact on performance (Mitchell and Hsin (1994); Yang and Mitchell (2004))
- ❖ Greater number of political appointees had positive impact on performance (Hess (2005))

*Full discussion of these sources found in U.S. Public Pension Handbook: A Comprehensive Guide for Trustees and Investment Staff (McGraw-Hill 2019), Chapter 12, "Why Governance Matters," p.281-292.

GOVERNANCE: VRS STRUCTURE

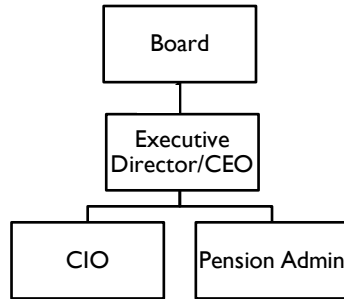


GOVERNANCE: VRS STRUCTURE IN CONTEXT*

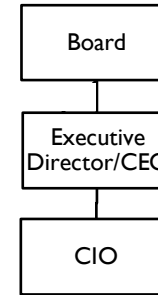


- Separate investment and pension administration organizations reporting to the same fiduciary board
 - Model used by only 13% public plans in U.S.
 - Distinct audit reporting line less common as well
 - VRS structure is a result of a Joint Legislative Audit and Review Commission Study
- Integrated investment and pension administration organization with a single fiduciary board
 - Most common model implemented by 60% of public plans in the U.S.

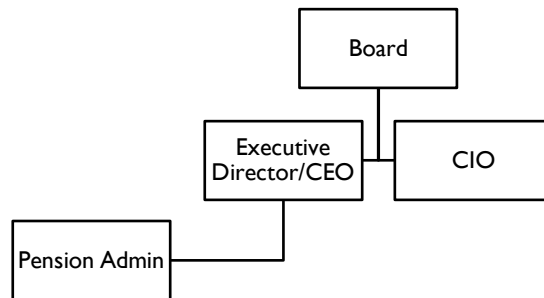
GOVERNANCE: COMMON STRUCTURES*



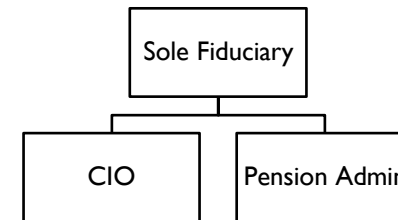
- ❖ Integrated fund management and pension administration under a single board of trustees
- ❖ Most common model (60%)



- ❖ Pension fund management reports to its own board
- ❖ Pension administration has separate organizational structure
- ❖ Second most common model (20%)



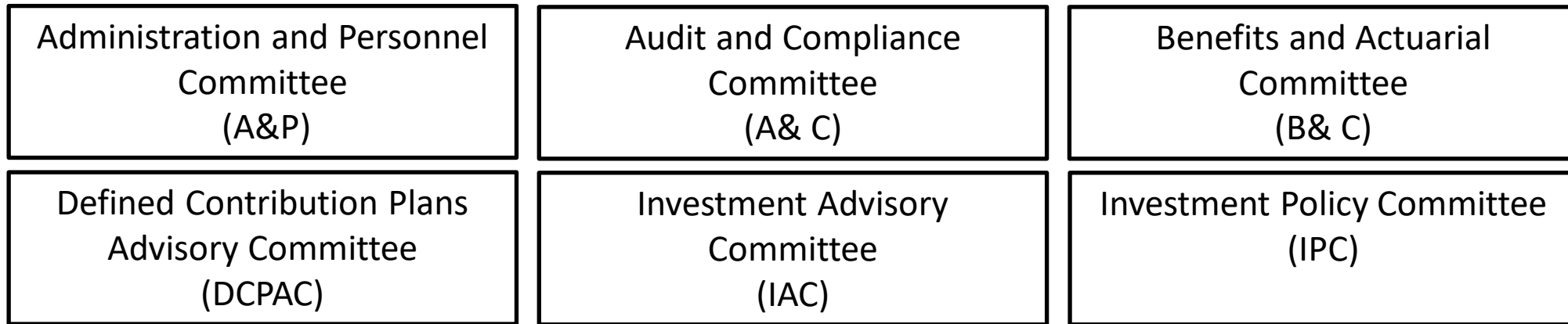
- ❖ Separate fund management and pension administration under a board of trustees
- ❖ Board delegates fund management to CIO and administration to CEO/Executive Director



- ❖ Sole fiduciary, elected or appointed, usually state treasurer or controller
- ❖ Fund management delegated to CIO (various degrees in practice)
- ❖ Pension administration has separate organizational structure

*U.S. Public Pension Handbook: A Comprehensive Guide For Trustees and Investment Staff (McGraw-Hill 2019), p.256-260.

GOVERNANCE: VRS COMMITTEE STRUCTURE*



VRS Committee Structure In Context*

- ❖ Effective committee structures have:
 - Well-defined lines of committee Authority
 - Clear definition of the scope of responsibility
 - Clear understanding of decisions members have final Authority vs. providing Board recommendations
- ❖ Committee structures vary dramatically across public pensions
- ❖ Most common committees: governance, investment, audit, administration, and legal/legislative.

FIDUCIARY RESPONSIBILITY

FIDUCIARY RESPONSIBILITY: WHAT IS A FIDUCIARY*?

- ❖ A fiduciary is any person or entity who makes, or has the authority to make, discretionary administrative or investment decisions related to the retirement plan
- ❖ A fiduciary is any person or entity who is named in a retirement plan or trust document as a fiduciary
- ❖ An entity or individual may be a fiduciary either by designation or by function:
- ❖ Usually a functional test to determine whether a person has the necessary discretion, authority, or control over the administration of the plan or management of the assets

*Internal Revenue Code § 4975 (e)(3); ERISA § 3(21).

FIDUCIARY RESPONSIBILITY: WHO IS FIDUCIARY?

- ❖ All Board members and trustees are fiduciaries, without exception, to each of the retirement plans they are responsible for administering
- ❖ Key internal executive staff are fiduciaries through Board delegation of responsibility:
 - CIO
 - Directors (Administration and Audit)
- ❖ Other internal staff can have delegated authority
- ❖ A person's fiduciary duty is limited to the scope of their delegated responsibility
- ❖ External service providers who are usually fiduciaries:
 - Investment managers
 - Investment consultants, under ERISA rendering investment advice for a fee
- ❖ Custodian banks (for certain functions)
- ❖ But some external service providers (actuaries, attorneys, auditors, brokers, etc.) are not ordinarily considered fiduciaries
- ❖ Usually those performing ministerial tasks are not fiduciaries

FIDUCIARY RESPONSIBILITY: SOURCES OF FIDUCIARY STANDARDS

❖ Primary Sources for VRS:

- Article X, Section 11 of the Constitution of Virginia
- Code of Virginia § 51.1-124.30

Additional Sources

❖ General trust law

❖ Restatement of the Law Third (Trusts), American Law Institute (hereinafter “Restatement (Third)”)

❖ Employee Retirement Income Security Act (ERISA)

- Does not apply to governmental plans
- Public fund fiduciary standards are typically modeled after ERISA
- It is very influential in providing guidance about how fiduciaries should act

❖ Internal Revenue Code §401(a)

❖ VRS Governance Policy

❖ VRS Code of Ethics and Conduct

❖ Uniform Management of Public Employee Retirement Systems Act (UMPERSA)

FIDUCIARY RESPONSIBILITY: CODE OF VIRGINIA

General standard of care established by Code of Virginia § 51.1-124.30:

“The Board shall discharge its duties with respect to the Retirement System **solely in the interest of the beneficiaries** thereof and shall invest the assets of the Retirement System **with the care, skill, prudence, and diligence** under the circumstances then prevailing that **a prudent person acting in a like capacity and familiar with such matters** would use in the conduct of an enterprise of a like character and with like aims. The Board shall also **diversify such investments so as to minimize the risk of large losses unless under the circumstances it is clearly prudent not to do so.**”

FIDUCIARY RESPONSIBILITY: PRIMARY DUTIES*

DUTY OF PRUDENCE

DUTY WITH RESPECT TO
CO-TRUSTEES

DUTY OF LOYALTY

DUTY TO FURNISH INFORMATION
TO BENEFICIARIES

DUTY OF IMPARTIALITY

DUTY TO SEGREGATE AND
IDENTIFY TRUST PROPERTY

DUTY WITH RESPECT
TO DELEGATION

DUTY TO FOLLOW THE
LAW AND PLAN DOCUMENTS

*As outlined in Restatement (Third) of Trusts (2003).

FIDUCIARY RESPONSIBILITY: PRUDENCE

Duty of Care

- ❖ Make reasonable effort and diligence in administering and monitoring the trust
- ❖ Review relevant information
- ❖ Conduct appropriate investigation concerning a particular action
- ❖ “Do your homework” rule

Duty of Skill

- ❖ Exercise the skill of an individual of ordinary intelligence
- ❖ Understand the basic duties of prudent trusteeship
- ❖ Possess the necessary skill or rely on competent guidance to satisfy the standard of care
- ❖ Required to use the specialized skill (financial or legal)
- ❖ “If you have it use it; if not, hire it” rule

Duty of Caution

- ❖ Exercise the caution of a prudent person managing similar assets for similar purposes
- ❖ Level of caution considered reasonably appropriate, given the circumstances
- ❖ “Proceed with caution in decision-making” rule

FIDUCIARY RESPONSIBILITY: BEING PRUDENT

- ❖ Duty of prudence is a test of a trustee's conduct, not the result of that conduct
 - Evaluated under the circumstances at the time of behavior
 - Not with hindsight or by taking account of developments that occurred after the trustee action
 - ❖ Depends on whether a trustee can demonstrate that he or she engaged in appropriate due diligence before acting
-

Example 1

- ❖ Trustees found to have acted imprudently in a real estate purchase because they neither obtained a property valuation/appraisal nor participated in any of the negotiations (U.S. v. Mason Tenders District Council of Greater, N.Y., 909 F. Supp. 882 (S.D.N.Y. 1995))

Example 2

- ❖ Trustees acted imprudently in their attempts to commit 23% of the plan's total assets in a single loan (Marshall v. Glass/Metal Assoc. & Glaziers & Glassworkers Pension Plan, 507 F. Supp. 378 (D. Haw. 1980))

Example 3

- ❖ Imprudence cannot be established by evidence only of a loss in investment value of an asset (White v. Martin, 286 F. Supp. 2d 1029 (D. Minn. 2003))
-

FIDUCIARY RESPONSIBILITY: PRUDENCE EXAMINED

- ❖ Subtle trend toward standards of care higher than a simple prudent person standard
- ❖ The most common fiduciary principles explicitly stated by public pensions (typically in their Investment Policy Statements):*
 - Prudent Person 63%
 - Exclusive Benefit Principle 56%
 - Prudent Expert 17%
 - Prudent Investor 10%
- ❖ In fact, higher standard incorporated by the Prudent Investor Rule for the investing function
- ❖ Current VRS Code prudence standard is potentially higher than a simple prudent person standard? Compare:
 - VRS Code: “...prudent person acting in a like capacity and familiar with such matters...”
 - Restatement Third (Trusts) : “...as a prudent person would, in light of the purposes, terms, and other circumstances of the trust

*U.S. Public Pension Handbook: A Comprehensive Guide For Trustees and Investment Staff (McGraw-Hill 2019), p.129.

FIDUCIARY RESPONSIBILITY: THE PRUDENT INVESTOR RULE*

- ❖ The Prudent Investor Rule is the practical application of the duty of prudence to the investing activity
- ❖ The Prudent Investor Rule established and codified three key provisions in Restatement (Third):
 - First, the Rule replaced the ordinary prudence standard of the Restatement (Second) with a “prudent investor” standard
 - Second, the Rule created a positive duty to diversify the investments of the trust
 - Third, the Rule imposed additional affirmative duties on trustees, requiring “ongoing duty to monitor investments and to make portfolio adjustments if and as appropriate”
- ❖ One of the most significant developments of trust law and public pension portfolio management

*U.S. Public Pension Handbook: A Comprehensive Guide For Trustees and Investment Staff (McGraw-Hill 2019), p.366-367 discussing Restatement (Third) of Trusts (2003), §90.

FIDUCIARY RESPONSIBILITY: DUTY OF LOYALTY*

Undivided Loyalty

- ❖ Heart of the fundamental relationship between trustee and beneficiary
- ❖ A trustee must act “solely in the interest of the members and beneficiaries”
- ❖ A trustee is required to put beneficiary interest before self
- ❖ “It’s all about the beneficiaries” rule

Fair Dealing

- ❖ Trustees required to deal with beneficiaries fairly
- ❖ Communicate to beneficiaries all material facts on matters
- ❖ Applies to all trustee/beneficiary interaction, including personal or outside of scope of trust relationship
- ❖ At issue is the trustee’s position of influence/ability to exert influence over beneficiary
- ❖ “Don’t hustle the beneficiaries” rule

No Self Dealing

- ❖ No transactions involving trust property, or affecting trust property, if the transaction is for the trustee’s personal benefit
- ❖ Avoid conflicts of fiduciary duty and personal interest
- ❖ Must avoid transactions that may cause future conflict between fiduciary duty and personal gain
- ❖ “Trusteeship is not for personal gain” rule

*U.S. Public Pension Handbook: A Comprehensive Guide For Trustees and Investment Staff (McGraw- Hill 2019), p.318-320 discussing Restatement (Third) of Trusts (2003), §78.

FIDUCIARY RESPONSIBILITY: DUTY OF IMPARTIALITY*

Impartiality

- ❖ Administer trust in a manner impartial to the various beneficiaries in a trust
- ❖ Guide to manage the unavoidable conflicting duties to beneficiaries with potentially competing economic interests
- ❖ Requires a balancing that shows due regard for, and is consistent with, terms and purposes of trust
- ❖ Applies to consulting and communicating with beneficiaries
- ❖ Prevents personal favoritism (or animosity) toward individual beneficiaries in decision-making
- ❖ “No beneficiary favoritism” rule

Income Productivity

- ❖ Must invest and administer trust to produce income reasonably appropriate to the present and future interest of beneficiaries
- ❖ Duty not to retain or purchase unproductive or underproductive property causing inadequate income yield
- ❖ Duty applies to whole trust portfolio, not individual assets
- ❖ “Invest for today’s and tomorrow’s beneficiaries” rule

Examples

- ❖ Duty of impartiality breached by adopting a pension plan amendment that was drafted by a union representative with no independent review that conferred benefit primarily to that union (*Deak v. Masters, Mates & Pilot Pension Plan*, 821 F.2d 572 (11th Cir. 1987))
- ❖ Duty of impartiality not breached when trustees approved benefit increases greater for employees still working than those already retired and receiving a pension. Court reasoned there could be a good business and actuarially sound reason for the proposed increase (*Mahoney v. Bd. of Trs.*, 973 F.2d 968 (1st Cir. 1992))

FIDUCIARY DUTY: DELEGATION*

Prudent Delegation

- ❖ Trustee must perform his/her responsibilities personally, except as a prudent person of comparable skill might delegate those responsibilities to others
- ❖ Prudent delegation is a matter of fiduciary judgment and discretion
- ❖ Prudence may actually require trustee delegation
- ❖ Trustee action based on consultation with and/or advice from others is not delegation
- ❖ Limitations on delegation do not apply to delegation among and between trustees
- ❖ “Delegation requires prudence” rule

Monitor and Supervise

- ❖ A post-delegation responsibility
- ❖ Requires same fiduciary discretion in monitoring and supervising of a trustee’s delegate (agent) as was used in the decision to delegate
- ❖ “Watch your agents” rule

Examples

- ❖ Trustee violated duty to properly delegate by delegating Authority for the management of a real estate fund to a trust officer with neither the experience nor expertise in managing real estate (Krug v. Krug, 838 S.W. 2d 197 (Tenn. App. 1992))
- ❖ Trustees abused discretion in delegating the responsibility to monitor an investment fund to internal staff when that staff was without sufficient size or expertise to effectively monitor. Court concluded that delegation to external assistance with necessary expertise would have been necessary to satisfy duty (Harley v. Minnesota Mining & Mfg., 42 F. Supp. 2d 898 (D. Minn. 1999))

*U.S. Public Pension Handbook: A Comprehensive Guide For Trustees and Investment Staff (McGraw-Hill 2019), p.321-324, discussing Restatement (Third) of Trusts (2003), §78.

FIDUCIARY RESPONSIBILITY: PRUDENT DELEGATION

- ❖ Trustees delegate the performance of specific duties, functions, or powers of trusteeship
- ❖ Common forms of trustee delegation:
 - Internal investment staff
 - Internal administrative staff
 - External investment managers
- ❖ Five parameters of prudent delegation:
 - FIRST, certain functions cannot be delegated, must still be personally done
 - SECOND, prudent only if would have been a prudent decision by someone of comparable skill
 - THIRD, delegation may be an affirmative duty
 - FOURTH, must exercise reasonable care, skill, and caution in selecting agents and determining the terms/scope of delegation
 - FIFTH, must act with prudence in supervising and monitoring agent's performance and compliance
- ❖ Pension evolution will turn on how pensions address the duty of prudent delegation within the context of increasing plan size and portfolio complexity

*U.S. Public Pension Handbook: A Comprehensive Guide For Trustees and Investment Staff (McGraw-Hill 2019), Chapter Fifteen "Delegation and Pension Evolution," p.365-378.

FIDUCIARY RESPONSIBILITIES: CO-TRUSTEES*

- Active Participation
- ❖ Both a duty and a right
 - ❖ Requires active trustee participation in affairs of the trust
 - ❖ Prevents a trustee from being excluded from decision-making
 - ❖ “Participate and not exclude” rule

- Reasonable Cooperation
- ❖ Maintenance of effective trustee working relationship a must
 - ❖ Establishes a need for basic levels of civility and decorum among trustees
 - ❖ “Can we all just get along” rule

- Co-Trustee Breach
- ❖ Prevents knowingly allow a co-trustee to breach that co-trustee’s fiduciary responsibility
 - ❖ If breach occurs, trustee must take reasonable steps to compel co-trustee to remedy breach
 - ❖ “I am my brother’s keeper” rule

- Example
- ❖ Court found that co-trustees should conduct themselves so as to “foster a spirit of mutual trust, confidence, and cooperation to the extent possible” (Ball v. Mills, 376 So.2d 1174 (Fla. App. 1979))

*U.S. Public Pension Handbook: A Comprehensive Guide For Trustees and Investment Staff (McGraw-Hill 2019), p.324-325 discussing Restatement (Third) of Trusts §81.

FIDUCIARY RESPONSIBILITY: INFORMATION & PROPERTY SEGREGATION*

<p>Information To Beneficiaries</p>	<ul style="list-style-type: none"> ❖ Must promptly inform fairly representative beneficiaries of basic trust information, their status (and any changes) as beneficiaries, and any other information material to their interests ❖ “Fairly representative beneficiary” means cross-section of beneficiaries reflecting diverse interests and concerns ❖ Must promptly respond to beneficiary requests for information ❖ Must keep and maintain clear, complete, and accurate books regarding trust property (periodic reporting) ❖ Must permit beneficiaries to inspect trust document, records, and holdings ❖ “Keep beneficiaries in the know” rule
<p>Segregation & Property Identification</p>	<ul style="list-style-type: none"> ❖ Must segregate, and not commingle, trust property from the trustee’s own property and other property not subject to the trust ❖ Identification requirement is primarily for fraud protection ❖ Requiring identification focuses on making trustee misconduct or abuse easier to detect ❖ “Keep trust property separate” rule
<p>Example</p>	<ul style="list-style-type: none"> ❖ Court found that a trustee who invested plan employee benefit assets without separating the investments from his own breached duty to segregate (Rodrigues v.Herman, 121 F.3d 1352(9th Cir.1997)) ❖ Trustees violated duty to segregate when trustees misused assets of one trust for the fees and operating expenses of another trust (unauthorized and undocumented cross-usage of funds) (In Re Will of Crabtree, 865 N.E. 2d 1119(2003))

*U.S. Public Pension Handbook: A Comprehensive Guide For Trustees and Investment Staff (McGraw-Hill 2019), p.325-27, discussing Restatement (Third) of Trusts §82 and §84 .

DUTY TO FOLLOW THE LAW AND PLAN DOCUMENTS

- ❖ “The Trustee has a duty to administer the trust diligently and in good faith, in accordance with the terms of the trust and applicable law” (Restatements (Third) §76)
 - Commonly the duty to follow the law and plan documents
- ❖ An affirmative duty: breach of trust for improperly failing to act or improperly exercising the powers of trusteeship
- ❖ Other state and federal laws and regulations may be applicable (Internal Revenue Code, securities law related to investing, disclosure requirement, open meeting and records law, etc...)
- ❖ Plan documents may also include other documents that the Board has formally adopted or are issued by an entity that has jurisdiction over the Board:
 - Governance Policy
 - Code of Ethics and Conduct
 - Policies and procedure (i.e., Investment Policy Statement)
 - DC Plan documents
- ❖ “Be by the book” rule

FIDUCIARY RESPONSIBILITY: SUMMARY*

Primary Duty	Specific Obligations	“Short-Hand” Rule
I. Duty of Prudence		“Prudence is paramount”
	i. Duty of Care	“Do your homework” rule
	ii. Duty of Skill	“If you have the skill, use it; if not, hire it” rule
	iii. Duty of Caution	“Proceed with caution in decision-making” rule
II. Duty of Loyalty		“Loyalty is a must”
	i. Duty of Undivided Loyalty	“It’s all about the beneficiaries” rule
	ii. Prohibition Against Self-dealing	“Trusteeship is not for personal benefit” rule
	iii. Duty of Fair Dealing	“Don’t hustle your beneficiaries” rule
III. Duty of Impartiality		“No beneficiary favoritism”
	i. Duty of Income Productivity	“Invest for today’s and tomorrow’s beneficiaries” rule
IV. Duty with Respect to Delegation		“Trustees need to help too”
	i. Duty of Prudent Delegation	“Delegation requires prudence” rule
	ii. Duty to Monitor and Supervise	“Watch your agents” rule
V. Duty with Respect to Co-Trustees		“Trusteeship is a team sport”
	i. Duty and Right to Active Participation	“Participate and don’t exclude” rule
	ii. Duty of Reasonable Cooperation	“Can we all just get along” rule
	iii. Duty to Prevent Co-Trustee Breach	“I am my brother’s keeper” rule
VI. Duty to Furnish Information to Beneficiaries		“Keep beneficiaries in the know”
	i. Duty to Keep Records and Provide Reports	“Keep, report, and then report again” rule
VII. Duty to Segregate and Identify Trust Property		“Keep trust property separate”
VIII. Duty to Follow the Law and Plan Documents		“Be by the book” rule

*U.S. Public Pension Handbook: A Comprehensive Guide For Trustees and Investment Staff (McGraw-Hill 2019), p.315 .

FIDUCIARY RESPONSIBILITY: TRUSTEE LIABILITY*

- ❖ In general, trustee will not be held liable for investment losses if he or she fulfills their fiduciary obligations
- ❖ Common breaches involve misconduct in which:
 - Trustee performed an act not empowered to perform, by law or terms of trust
 - Trustee exercised power inconsistent with standards of fiduciary conduct
- ❖ Personal liability for breach of fiduciary duty:
 - Restore to the plan any losses resulting from a breach of fiduciary duty
 - Restore to the plan any profits made by fiduciary through use of plan assets
 - Other equitable or remedial relief as a court may deem appropriate
- ❖ May be liable for a co-fiduciary's breach of fiduciary duty if a fiduciary enables another fiduciary to commit the breach, knowingly participates in or conceals the breach, or discovers the breach but does not take steps to remedy
- ❖ Will trustee liability cause changes in governance?

*U.S. Public Pension Handbook: A Comprehensive Guide For Trustees and Investment Staff (McGraw-Hill 2019), p.327, discussing trustee liability.

TRUSTEE FOCUS AND GOVERNANCE BEST PRACTICES

TRUSTEE FOCUS: EMERGING GOVERNANCE RESEARCH*

- ❖ Governance as an academic discipline bloomed in the early 1990s
 - Critical eye of public pension corporate activism turned back at pensions themselves

- ❖ Available research focusing on:
 - Impact on performance
 - Impact on asset allocation
 - Impact on funding
 - Trustee challenges
 - Trustee priorities
 - Public pension infrastructure

- ❖ Sample best practices:
 - National Conference for Public Employee Retirement Systems (NCPERS)
 - Government Finance Officers Association (GFOA)
 - Stanford Institutional Investors Forum Committee on Fund Governance (Clapman Report 2.0)

*U.S. Public Pension Handbook: A Comprehensive Guide For Trustees and Investment Staff (McGraw-Hill 2019), Chapter Twelve “Why Governance Matters,” surveying governance research and its history.

TRUSTEE FOCUS: COMMON CHALLENGES*

2005	PRESENT
<ul style="list-style-type: none"> ❖ Strategic planning and execution <ul style="list-style-type: none"> • Resource planning • Organization design • Compensation • Effective information management ❖ Agency context issues <ul style="list-style-type: none"> • Balancing shareholders' interest • Understanding legal/regulatory environment ❖ Board effectiveness <ul style="list-style-type: none"> • Appropriate trustee skill/knowledge • Clear delegation to management ❖ Investment/risk management <ul style="list-style-type: none"> • Investment beliefs (relevance) • Shift to risk budgeting 	<ul style="list-style-type: none"> ❖ Compensation <ul style="list-style-type: none"> • Shift to performance-based • Making more competitive ❖ Board effectiveness <ul style="list-style-type: none"> • Selecting, developing, terminating trustees • Improving effectiveness ❖ Investment management <ul style="list-style-type: none"> • Hiring/firing investment managers • Role of Board in process • Investment infrastructure versus goals

*U.S. Public Pension Handbook: A Comprehensive Guide For Trustees and Investment Staff (McGraw-Hill 2019), p.289-292 discussing research by Keith P. Ambachtsheer and John McLaughlin.

TRUSTEE FOCUS: COMMON PRIORITIES*

Priorities (ranked by frequency of mention)	Number of Trustees Identifying as 1 of Current Top 5
1. Risk Management	15
2. Organizational leadership, culture, or talent	9
3. Asset allocation	9
4. Governance structure	7
5. Relationship with key stakeholders	7
6. Internal systems	5
7. Cost effectiveness	5
8. Innovation	5
9. Infrastructure or natural resources	4
10. Compensation structures	4

*U.S. Public Pension Handbook: A Comprehensive Guide For Trustees and Investment Staff (McGraw Hill 2019), p.291-292, discussing research by Jody Macintosh and Tom Scheibelhut.

TRUSTEE FOCUS: “BEST PRACTICES” IN GOVERNANCE*

<u>WHY IT MATTERS</u>	<u>GFOA</u>
❖ Leads to better fund performance	❖ Governance Manual
❖ NCPERS up to 2.4% annually	❖ Governing Board
❖ 50-66bps “excellence shortfall”(Keith P. Ambachtsheer)	❖ Governance Policy
<u>NCPERS</u>	<u>CLAPMAN 2.0</u>
❖ Governance Manual	❖ Transparency
❖ Board Practices/Priorities	❖ Governing Body and Executive Staff
❖ Risk Oversight	❖ Trustee Core Competencies
❖ Strategic Planning	❖ Conflicts of Interest
❖ Reporting	❖ Delegation
❖ Stakeholder Communications	

*Find full reports in U.S. Public Pension Handbook: A Comprehensive Guide For Trustees and Investment Staff (McGraw-Hill 2019), Chapter Twelve, “Why Governance Matters” (Appendix).

Fireside Chat: Private Equity

Mark Anderson, Managing Director
GTCR



Mark Anderson ● Managing Director

GTCR



Mark joined GTCR in 2000 and is currently a Managing Director of the firm. He previously worked at Gracie Capital and at Bowles Hollowell Conner & Co. He holds an MBA from Harvard Business School and a BS from the McIntire School of Commerce at the University of Virginia.

Mark currently is a Director of CommerceHub, Gogo, Inc., Jet Support Services Inc., Point Broadband and Vivid Seats. In addition, Mark was previously a Director of GTCR's past investments including Beeline, CAMP Systems, Cision, Global Traffic Network, Land Lease Group, Landmark Aviation, Lytx and XIFIN and was instrumental in other GTCR investments including Skylight Financial, Solera and Transaction Network Services.

Mark is a member of the Chicago-area Jefferson Scholars Selection Committee for the University of Virginia.

Fireside Chat: Private Equity

Mark Anderson
Managing Director
GTCR

*Hosted by John Alouf
Program Director*



Virginia
Retirement
System

Notes

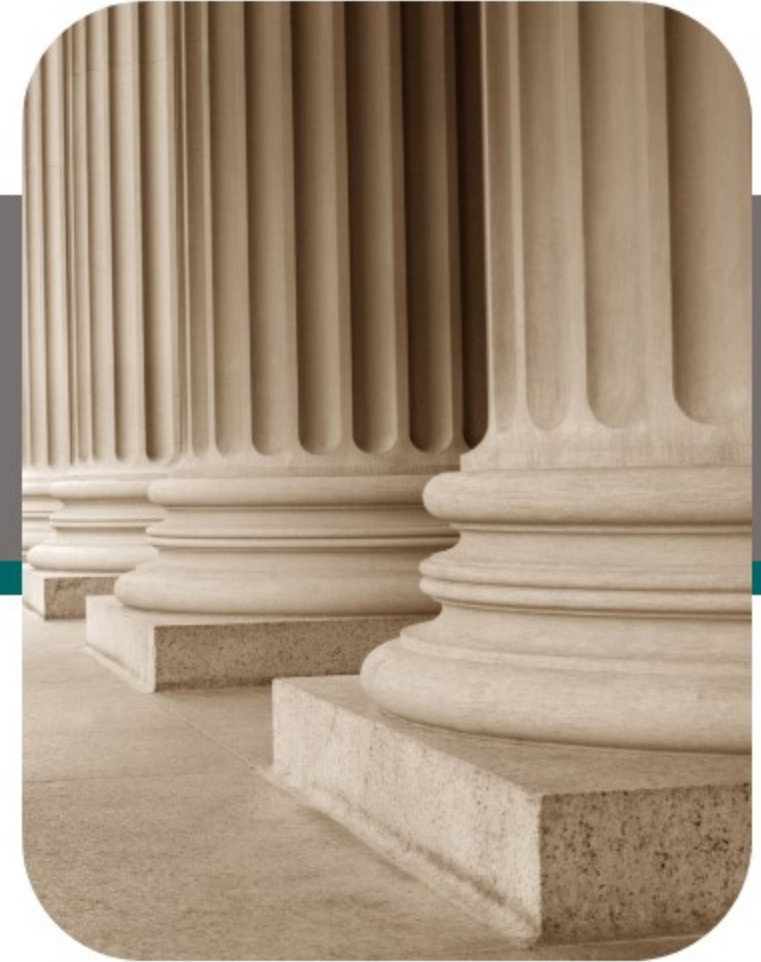
Break: 3:00 – 3:15 p.m.

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Guest Speaker: Anirban Basu

Chairman & CEO

Sage Policy Group, Inc.



Anirban Basu ● Chairman & CEO

Sage Policy Group, Inc.



Anirban Basu is Chairman & CEO of Sage Policy Group, Inc., an economic and policy consulting firm headquartered in Baltimore, Maryland with an office in Indonesia. The firm provides strategic analytical services to energy suppliers, law firms, medical systems, government agencies, and real estate developers among others.

In 2014, Maryland Governor Larry Hogan appointed him Chair of the Maryland Economic Development Commission (2014-2021). He also serves as chairman of the Baltimore County Economic Advisory Committee. He is also the Chief Economist to Associated Builders and Contractors and Chief Economic Advisor to the Construction Financial Management Association. He serves or has served similar functions for Visit Baltimore, Maryland Realtors, and Marcum, LLP.

He has lectured at Johns Hopkins University, most recently in Global Strategy, and has also taught international economics, urban economics, micro- and macroeconomics at Hopkins. His radio show can be heard weekdays on 88.1FM, WYPR, Baltimore.

In both 2007 and 2016, the Daily Record newspaper selected Mr. Basu as one of Maryland's 50 most influential people. The Baltimore Business Journal named him one of the region's 20 most powerful business leaders in 2010.

Mr. Basu has been on many boards over time, including First Mariner Bank, the Baltimore City Public School System, Port Discovery, the Baltimore School for the Arts, and Union Memorial Hospital. He is currently on the boards of the University of Maryland School of Law, St. Mary's College, the University System of Maryland Foundation, the Center for Emerging Media, the Lyric Opera House and the Archdiocese of Baltimore School System.

Mr. Basu earned his B.S. in Foreign Service at Georgetown University in 1990. He earned his Master's in Public Policy from Harvard University's John F. Kennedy School of Government, and his Master's in Economics from the University of Maryland, College Park. His Juris Doctor was earned at the University of Maryland School of Law. His doctoral work was completed at UMBC with a concentration in health economics.

Anirban Basu & The Chamber of Data



Photo: Fandom

Toward the Post-Pandemic World

Page 58 of 121

By: Anirban Basu

MPP, MA, JD, PhD

Sage Policy Group, Inc.

On Behalf of

**Virginia Retirement System
Board of Trustees Retreat**

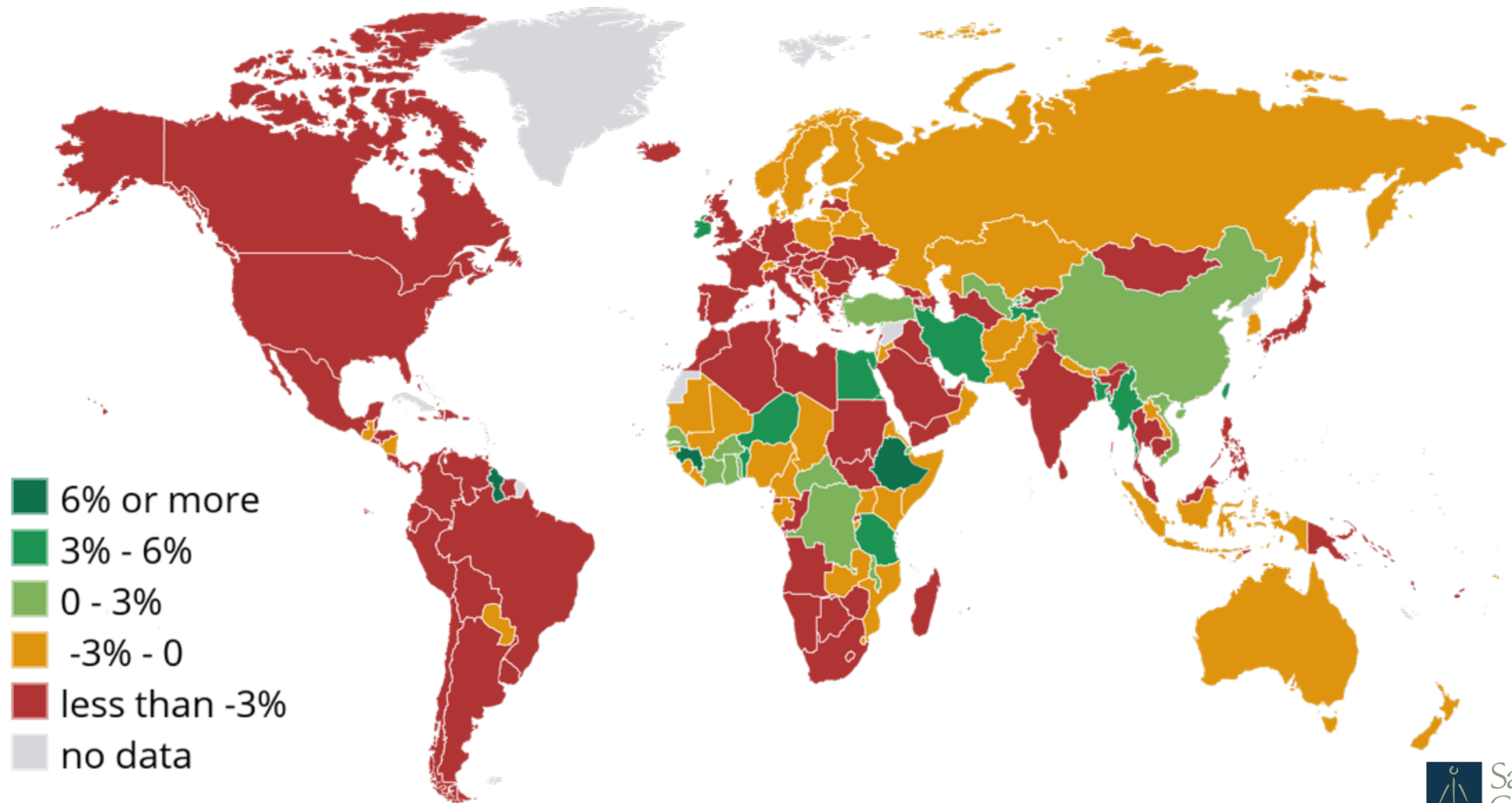
December 7th, 2021

The Prisoner of My-house-kaban



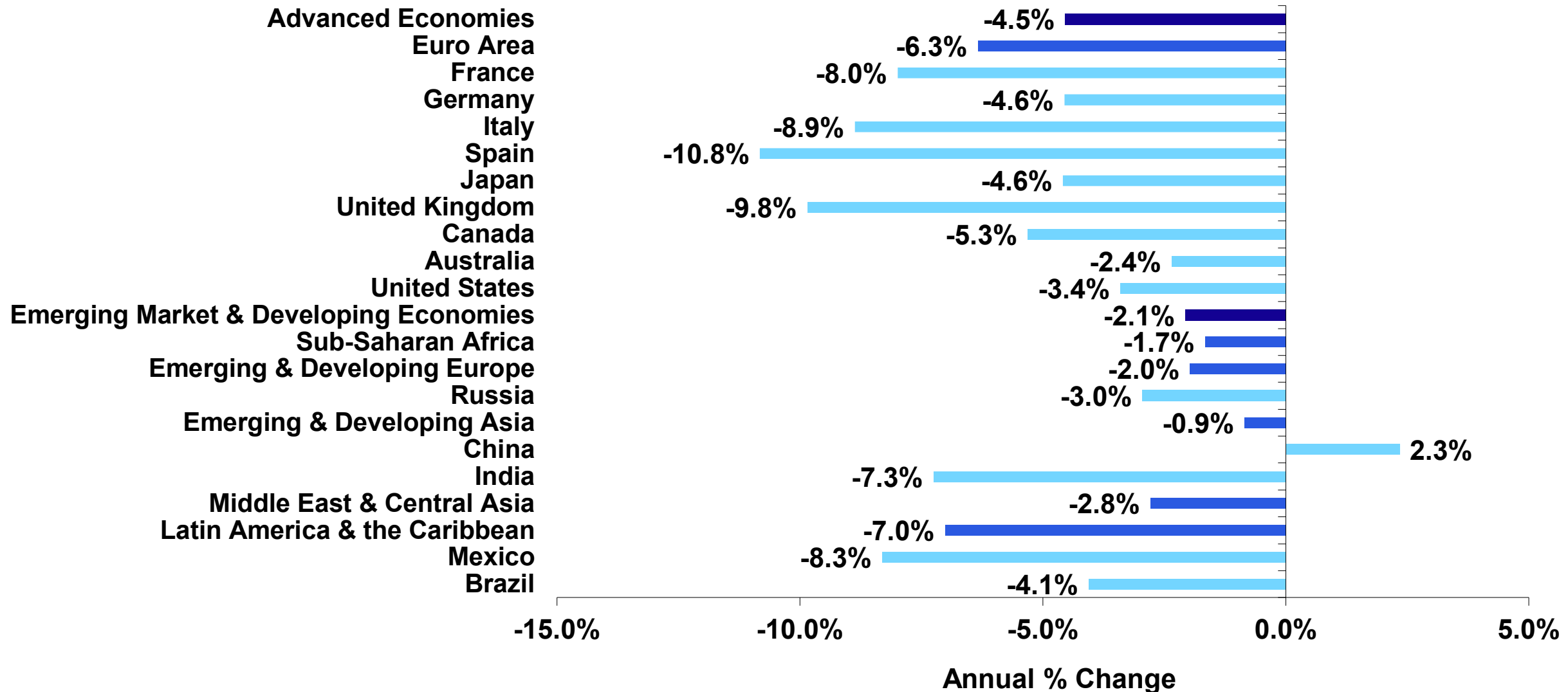
A Global Economy Transfigured

Real GDP Growth 2020, Estimated Annual Percent Change



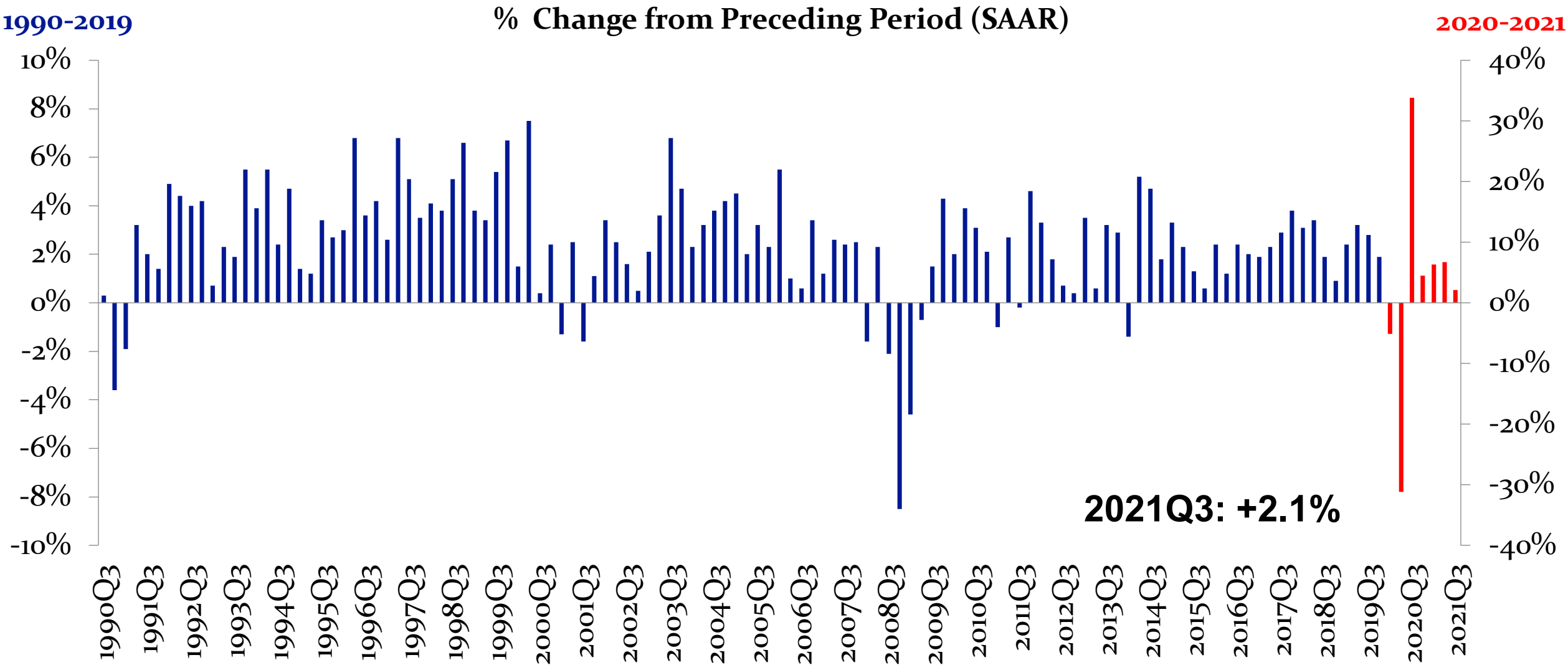
Economicus Destructus!

Estimated Growth in Output by Select Global Areas, 2020



2020 Global Output Growth: -3.1%

Gross Domestic Product 1990Q3 – 2021Q3*



The Goblet of Lost Jobs

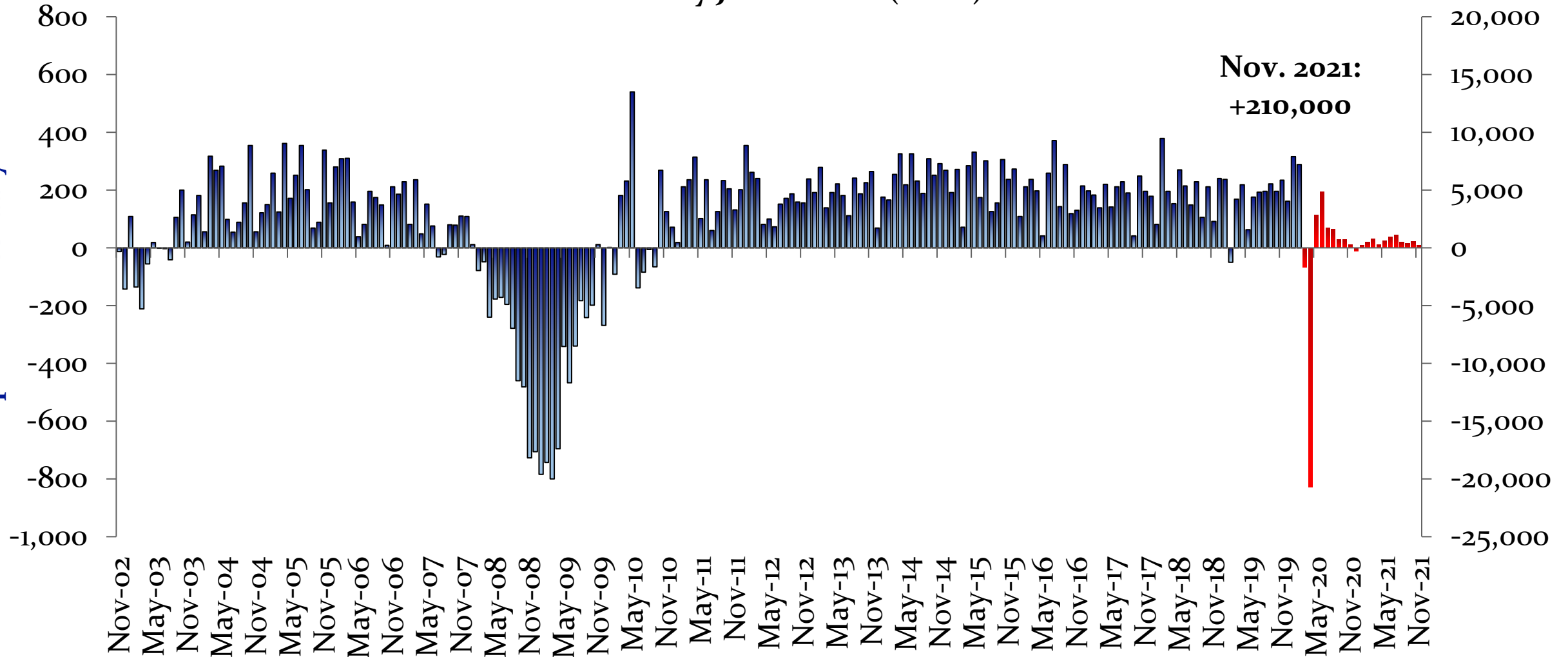


Help Not
Wanted

Net Change in U.S. Jobs

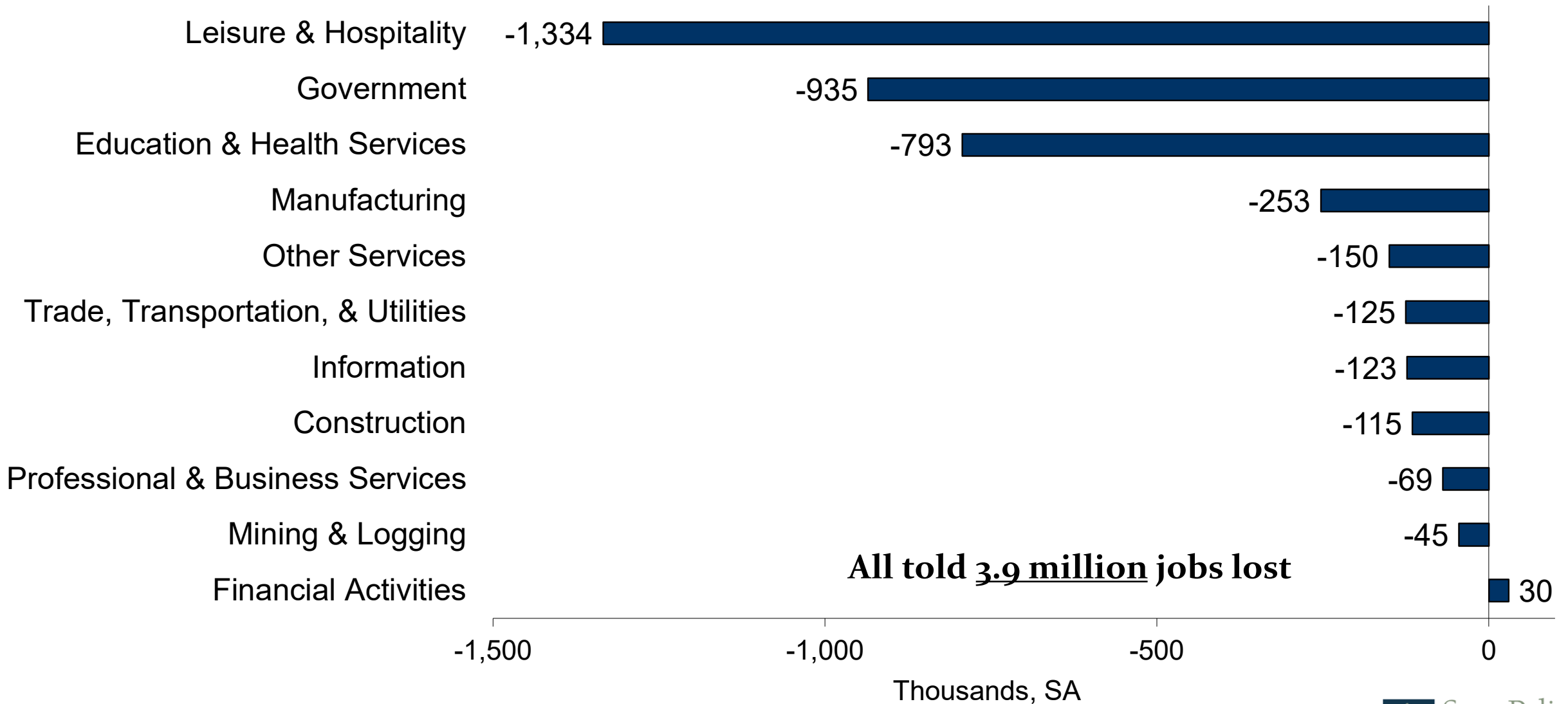
November 2002 – November 2021

Monthly Job Growth (ooo's)



U.S. Nonfarm Employment by Industry Sector

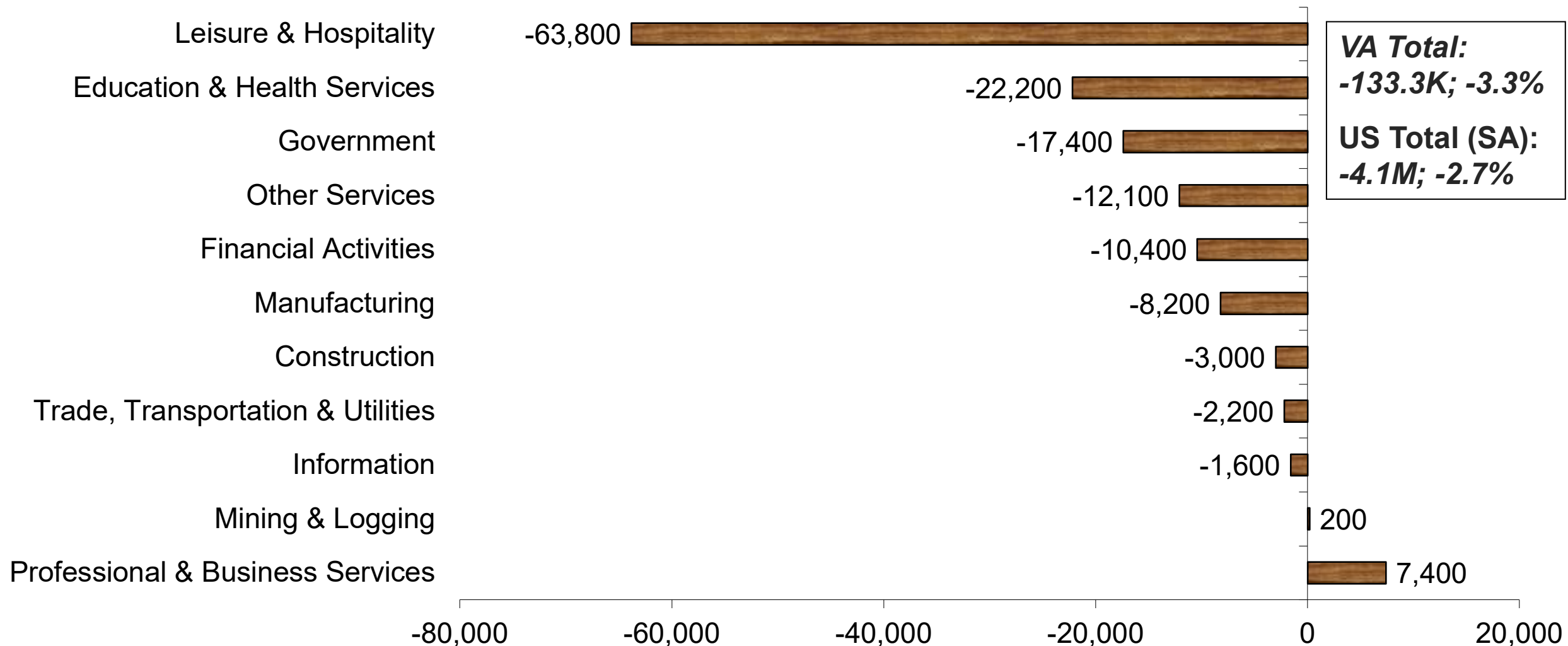
February 2020 v. November 2021



Virginia Nonfarm Employment

by Industry Sector Groups (SA)

February 2020 v. October 2021 Absolute Change



*According to the Local Area Unemployment Statistics (LAUS) program
VA lost 234,581 jobs between February 2020 and October 2021.

Employment Growth, 25 Largest Metros (NSA)

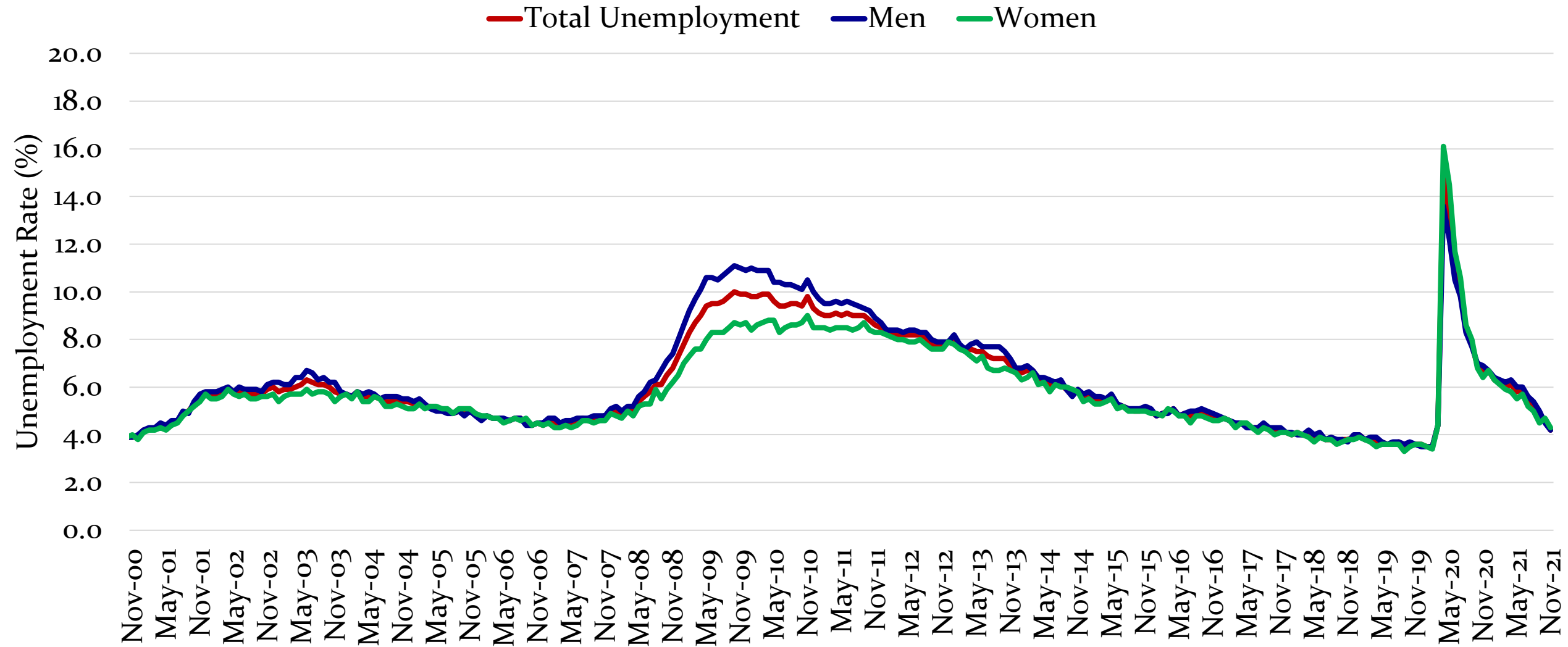
February 2020 v. October 2021 Percent Change

Rank	MSA	%	Rank	MSA	%
1	Phoenix-Mesa-Scottsdale, AZ	1.2%	13	Detroit-Warren-Dearborn, MI	-2.9%
2	Dallas-Fort Worth-Arlington, TX	1.0%	13	Houston-The Woodlands-Sugar Land, TX	-2.9%
3	San Antonio-New Braunfels, TX	0.9%	15	Chicago-Naperville-Elgin, IL-IN-WI	-3.0%
3	Tampa-St. Petersburg-Clearwater, FL	0.9%	15	St. Louis, MO-IL	-3.0%
5	Denver-Aurora-Lakewood, CO	-0.1%	17	Boston-Cambridge-Nashua, MA-NH	-3.2%
6	Atlanta-Sandy Springs-Roswell, GA	-1.0%	17	Philadelphia-Camden-Wilm., PA-NJ-DE-MD	-3.2%
6	Charlotte-Concord-Gastonia, NC-SC	-1.0%	19	Minneapolis-St. Paul-Bloomington, MN-WI	-3.3%
8	Riverside-San Bernardino-Ontario, CA	-1.6%	20	Miami-Fort Lauderdale-West Palm Beach, FL	-4.0%
8	Seattle-Tacoma-Bellevue, WA	-1.6%	21	San Diego-Carlsbad, CA	-4.7%
10	Baltimore-Columbia-Towson, MD	-1.9%	22	Los Angeles-Long Beach-Anaheim, CA	-5.9%
11	Washington-Arlington-Alexandria, DC-VA-MD-WV	-2.1%	23	Orlando-Kissimmee-Sanford, FL	-6.1%
			24	San Francisco-Oakland-Hayward, CA	-6.3%
12	Portland-Vancouver-Hillsboro, OR-WA	-2.3%	25	New York-Newark-Jersey City, NY-NJ-PA	-6.4%

U.S. Percent Change: -2.7%

U.S. Unemployment Rate

November 2000 – November 2021



Unemployment Rates, 25 Largest Metros (NSA)

October 2021

Rank	MSA	%	Rank	MSA	%
1	Atlanta-Sandy Springs-Roswell, GA	2.4	13	Detroit-Warren-Dearborn, MI	4.5
2	Minneapolis-St. Paul-Bloomington, MN-WI	2.6	13	San Francisco-Oakland-Hayward, CA	4.5
3	Phoenix-Mesa-Scottsdale, AZ	3.2	15	Denver-Aurora-Lakewood, CO	4.6
3	St. Louis, MO-IL	3.2	15	Seattle-Tacoma-Bellevue, WA	4.6
5	Portland-Vancouver-Hillsboro, OR-WA	3.4	17	Boston-Cambridge-Nashua, MA-NH	4.7
6	Charlotte-Concord-Gastonia, NC-SC	3.6	18	Baltimore-Columbia-Towson, MD	4.9
7	Tampa-St. Petersburg-Clearwater, FL	3.8	19	Chicago-Naperville-Elgin, IL-IN-WI	5.1
8	Washington-Arlington-Alexandria, DC-VA-MD-WV	3.9	19	Philadelphia-Camden-Wilm., PA-NJ-DE-MD	5.1
9	Miami-Fort Lauderdale-West Palm Beach, FL	4.0	21	San Diego-Carlsbad, CA	5.3
10	Dallas-Fort Worth-Arlington, TX	4.2	22	Houston-The Woodlands-Sugar Land, TX	5.4
11	San Antonio-New Braunfels, TX	4.3	23	New York-Newark-Jersey City, NY-NJ-PA	6.3
12	Orlando-Kissimmee-Sanford, FL	4.4	23	Riverside-San Bernardino-Ontario, CA	6.3
			25	Los Angeles-Long Beach-Anaheim, CA	7.1

U.S. Unemployment Rate

Oct: 4.6% Nov: 4.2%

The Ministry Speaks



COVID-19 Stimulus Packages I

- **Coronavirus Aid, Relief, and Economic Security (CARES) Act (3/27/2020)**

- More than \$2T total
- Direct payments to Americans: \$1,200
- Extended/enhanced unemployment insurance program: \$600/week enhanced federal benefit
- Loans and grants for small businesses: \$377B
- Loans and grants for large businesses: \$510B
- Direct aid to state/local governments: \$150B
- Health care system: more than \$150B

- **Paycheck Protection Program and Health Care Enhancement Act (4/24/2020): \$483B**

- **Consolidated Appropriations Act, 2021 (12/27/2020)**

- More than \$900B for coronavirus assistance
- Direct payments to Americans: \$600
- Extended/enhanced unemployment insurance program: \$300/week enhanced federal benefit
- Rental assistance: \$25B and eviction moratorium extension
- Loans and grants for small businesses: Approx. \$285B for Paycheck Protection Program; \$15B in grants for theaters and other live venues
- Aid for schools and childcare: \$82B for K-12 schools and colleges; \$10B for childcare providers
- SNAP: raises benefits by 15% for 6 months
- Vaccine funding: \$28B for purchase and distribution of vaccine; \$20B to states for testing/contact tracing
- Direct aid to state and local governments: No

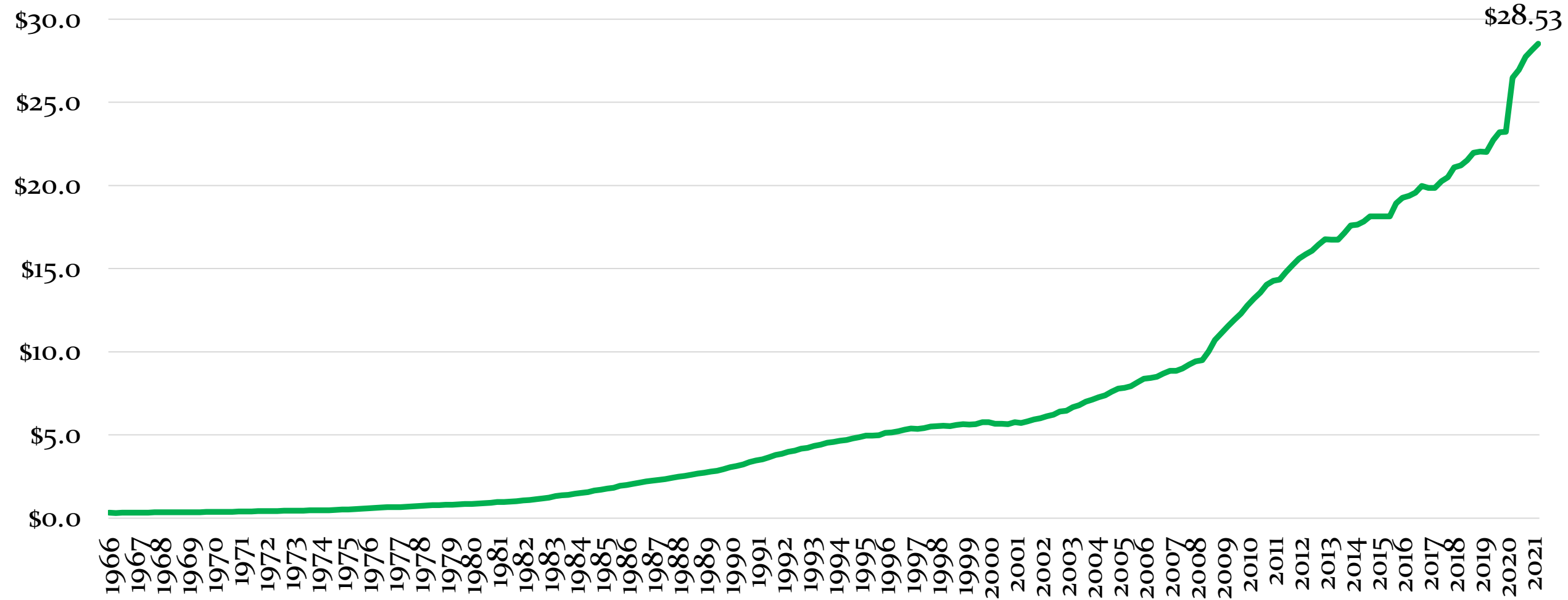
COVID-19 Stimulus Packages II: American Rescue Plan Act of 2021

- Signed into law on 3/11/2021
- Total of **\$1.9 trillion**
- Direct payments to Americans: \$1,400
- Extended federal unemployment assistance: \$300/week
- Direct aid to state and local governments: \approx \$350B
- Education: \approx \$170B for K-12 schools and higher ed
- Small businesses: \approx \$49B in loans/grants for several programs for small businesses, restaurants/bars, and venue operators
- Public health: \approx \$92B for COVID-19 vaccine, testing, and workforce efforts
- Tax provisions: expands/increases Child Tax Credit, Earned Income Tax Credit (EITC), dependent care tax credit, employee retention credit, and paid leave credits
- More: Nutrition assistance; housing aid; health insurance subsidies; changes to Medicaid/Medicare policy funding; aviation/railway/transit funding

Are We Being Dumbledore?

U.S. Federal Debt (Total Public Debt), 1966 – 2021

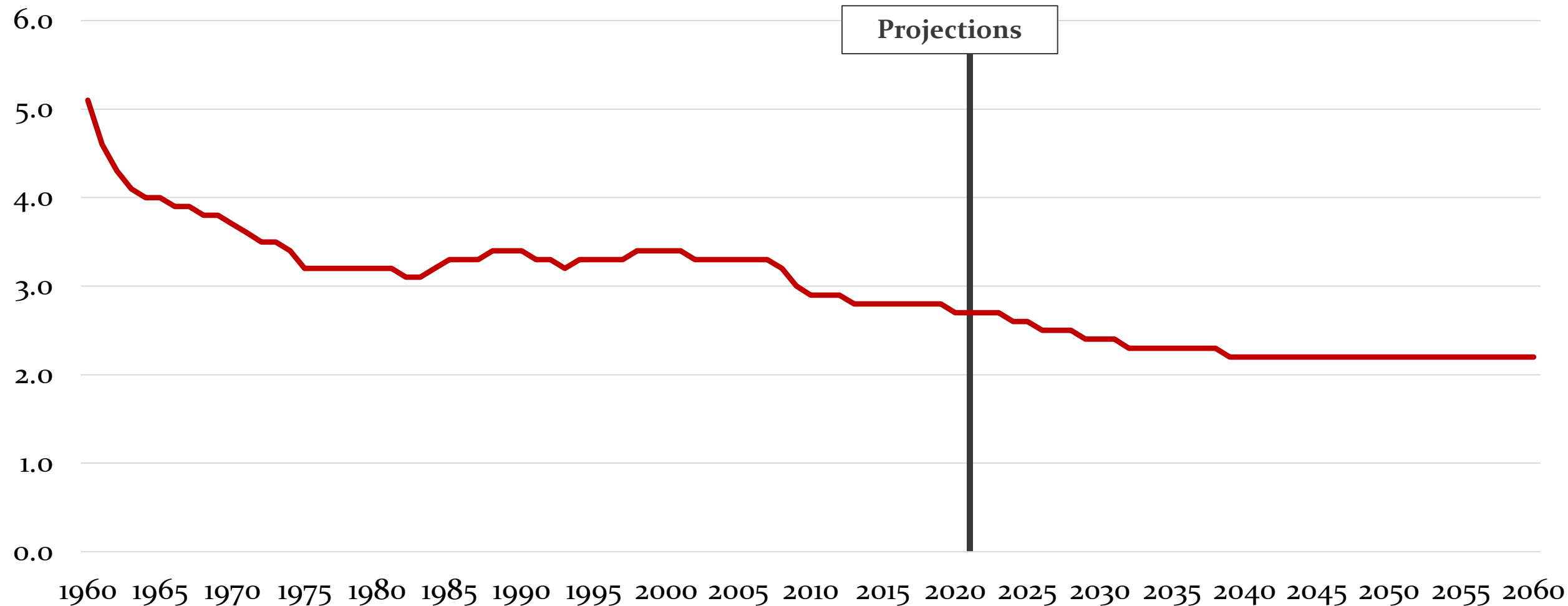
Federal Debt: Total Public Debt (\$ Trillions)



U.S. Workers Per Social Security Beneficiary

1960 – 2060 Projected

Covered Workers Per Beneficiary



Source: Social Security Administration, "The 2021 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds".

Beneficiaries: beneficiaries of *Old-Age, Survivors Insurance, and Federal Disability Insurance (OASDI)*.

COVID's Commercial Curse



Large Retail Bankruptcies in the U.S. in 2020

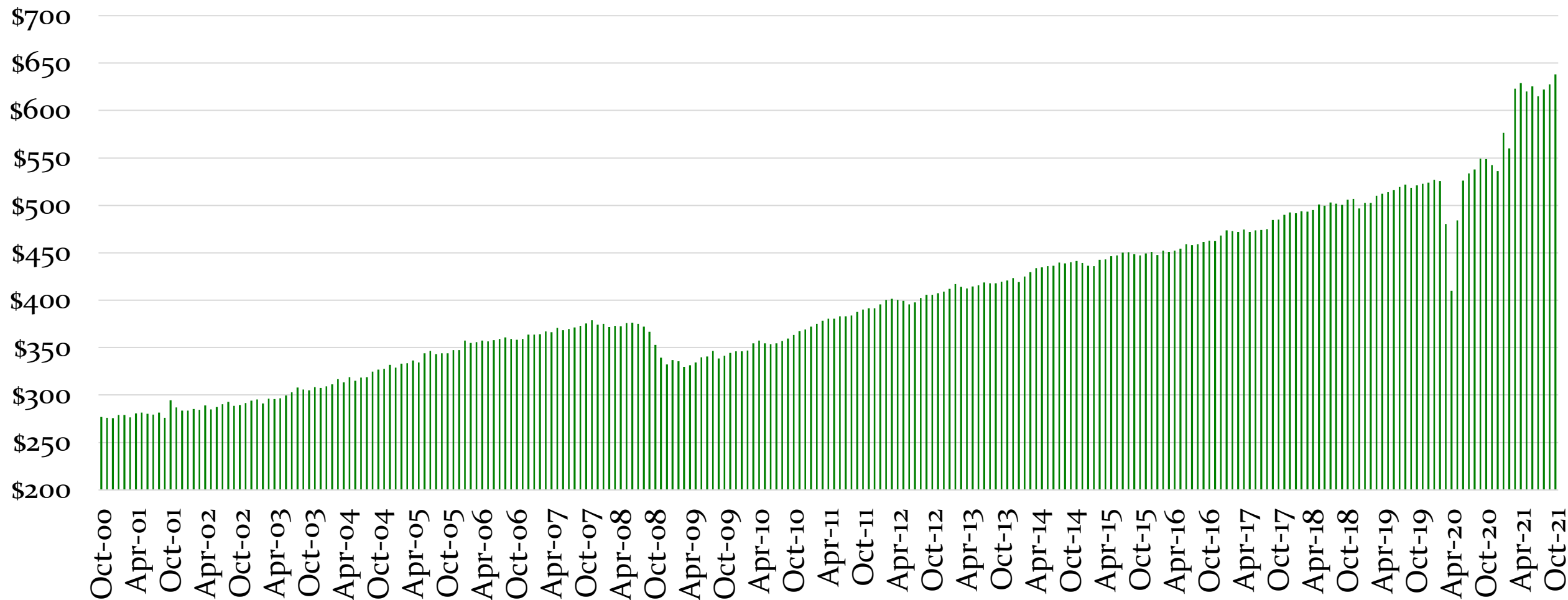
Retailer/Company	Date	Retailer/Company	Date	Retailer/Company	Date
Francesca's	12/3/20	Brooks Brothers	7/8/20	Rubie's Costume Co.	4/30/20
Guitar Center	11/21/20	Lucky Brand	7/3/20	Roots USA	4/29/20
Furla	11/6/20	Old Time Pottery	6/28/20	N B L Textiles	4/24/20
Furniture Factory Outlet	11/5/20	BHS Foodservice Solutions	6/26/20	True Religion	4/13/20
Emerald Health Bioceuticals	10/20/20	GNC	6/23/20	Castella Imports	4/13/20
Century 21	9/10/20	Fairn & Swanson	6/2/20	Donghia	3/30/20
Interstate Commodities	8/26/20	Liftoptia	6/2/20	CHIEF Supply	3/20/20
Stein Mart	8/12/20	Libbey Glass	6/1/20	Paddle8	3/16/20
Lord & Taylor	8/2/20	Tuesday Morning	5/27/20	Generation Zero Group	3/13/20
Tailored Brands	8/2/20	Centric Brands	5/18/20	Modell's Sporting Goods	3/11/20
Ascena	7/23/20	J.C. Penney	5/15/20	Bluestem Brands	3/9/20
NTS W. USA	7/22/20	Stage Stores	5/10/20	Art Van Furniture	3/8/20
Occasion Brands	7/22/20	Neiman Marcus	5/7/20	Pier 1 Imports	2/17/20
The Paper Store	7/14/20	John Varvatos	5/6/20	The Worth Collection	2/14/20
RTW Retailwinds	7/13/20	CD II Fashions	5/4/20	Must Cure Obesity	1/31/20
Muji USA	7/10/20	J. Crew	5/4/20	Papyrus	1/23/20
Sur La Table	7/8/20	J. Hilburn	4/30/20	Armadio	1/15/20

Source: S&P Global Market Intelligence. Notes: 1. S&P Global Market Intelligence's bankruptcy coverage is limited to public companies or private companies with public debt where either assets or liabilities at the time of bankruptcy filing are greater than or equal to \$2 million, or private companies where either assets or liabilities at the time of bankruptcy filing are greater than or equal to \$10 million.

U.S. Retail Sales

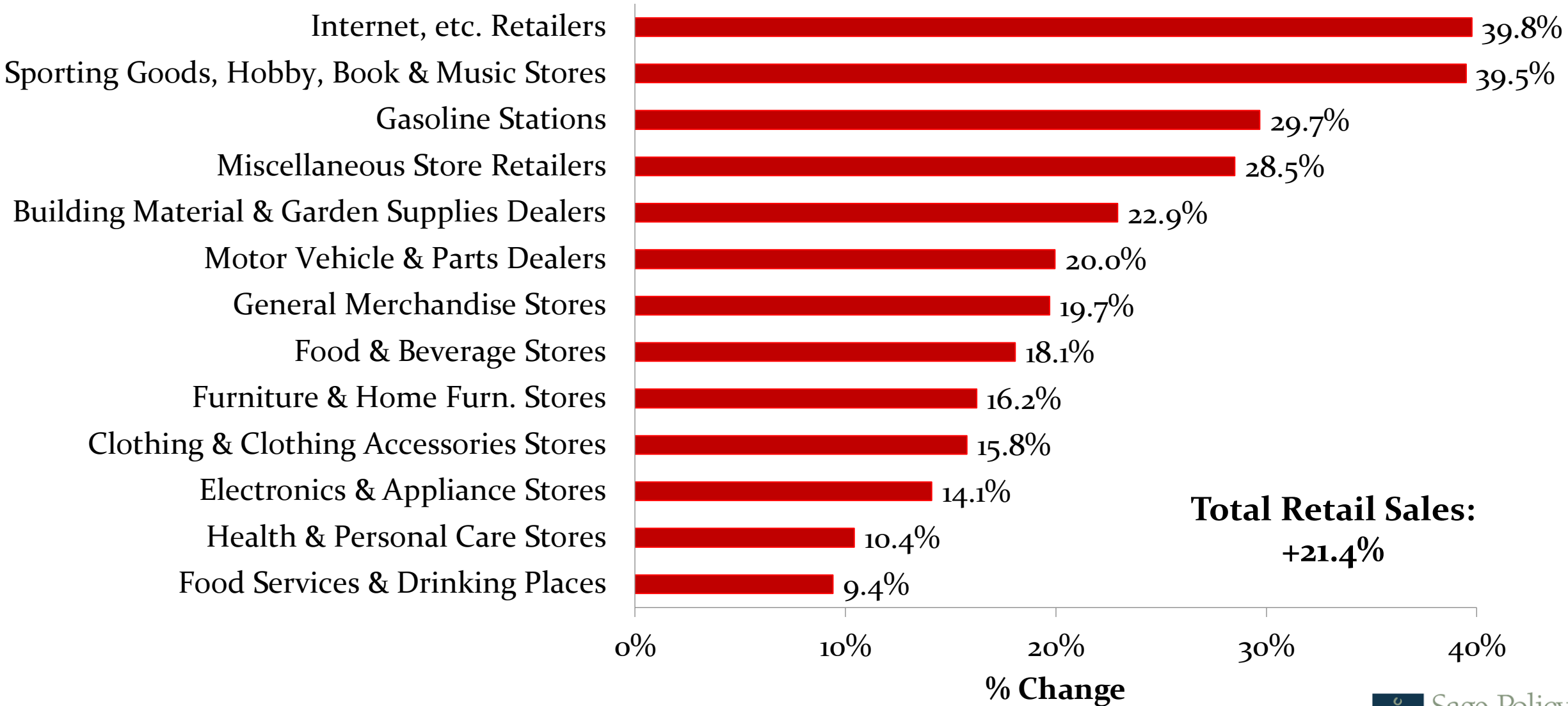
October 2000 – October 2021

Retail Sales (\$Billions)



U.S. Retail Sales by Type of Business

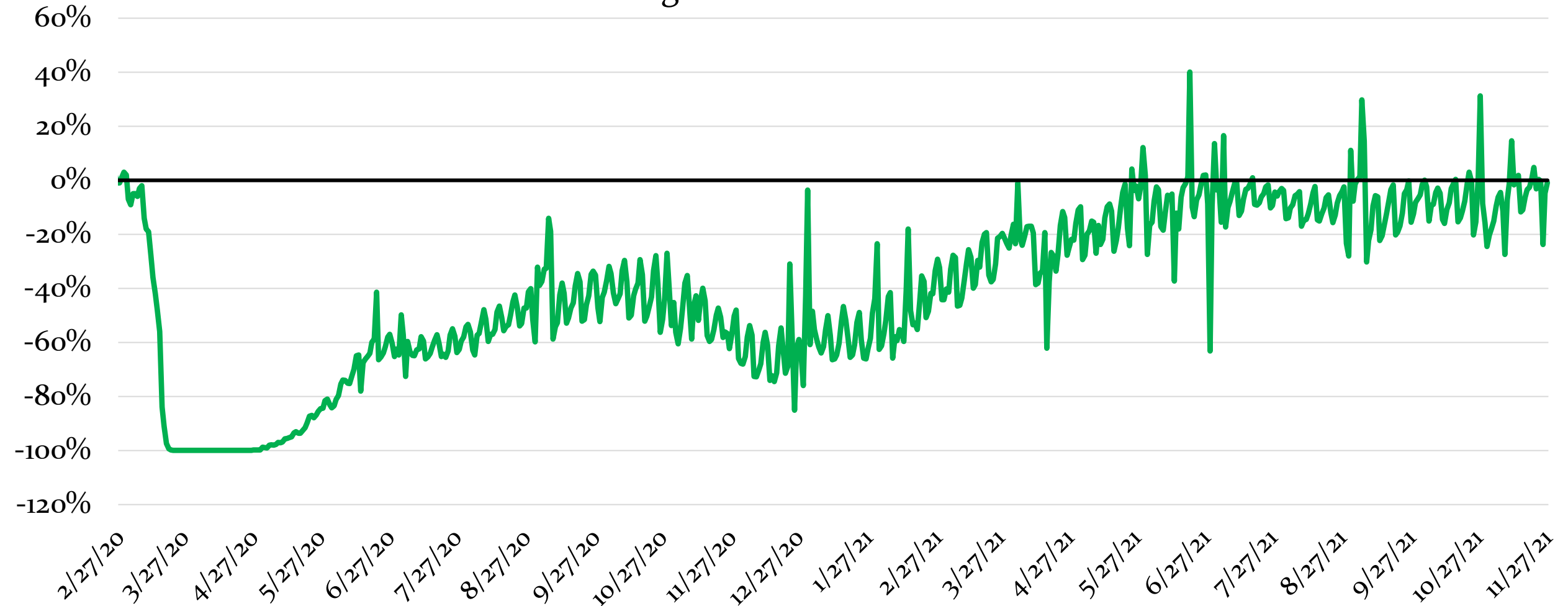
February 2020 v. October 2021 % Change



U.S. Restaurant Reservations (Seated Diners)

% Change Compared to 2019

% Change in Seated Reservations

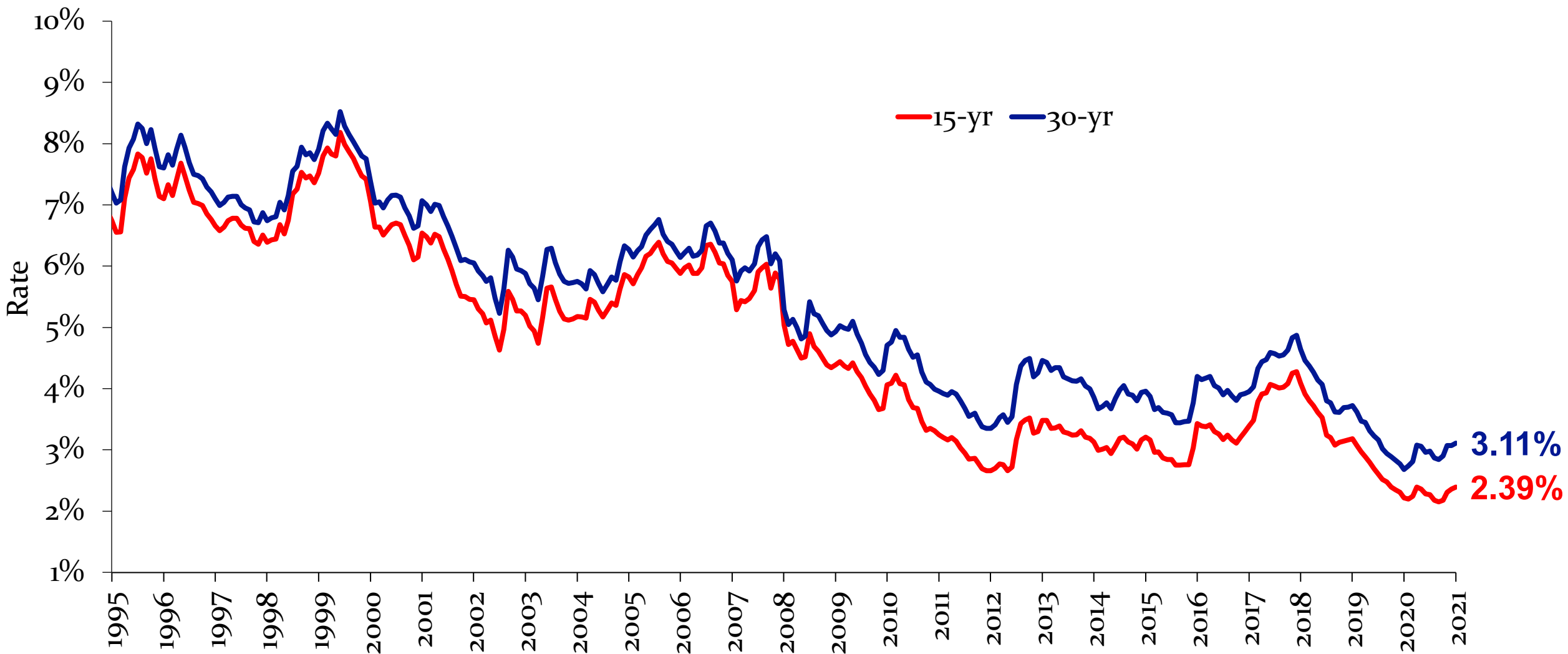


I'm in
Ravenclaw
House!



15-Year & 30-Year Fixed Mortgage Rates

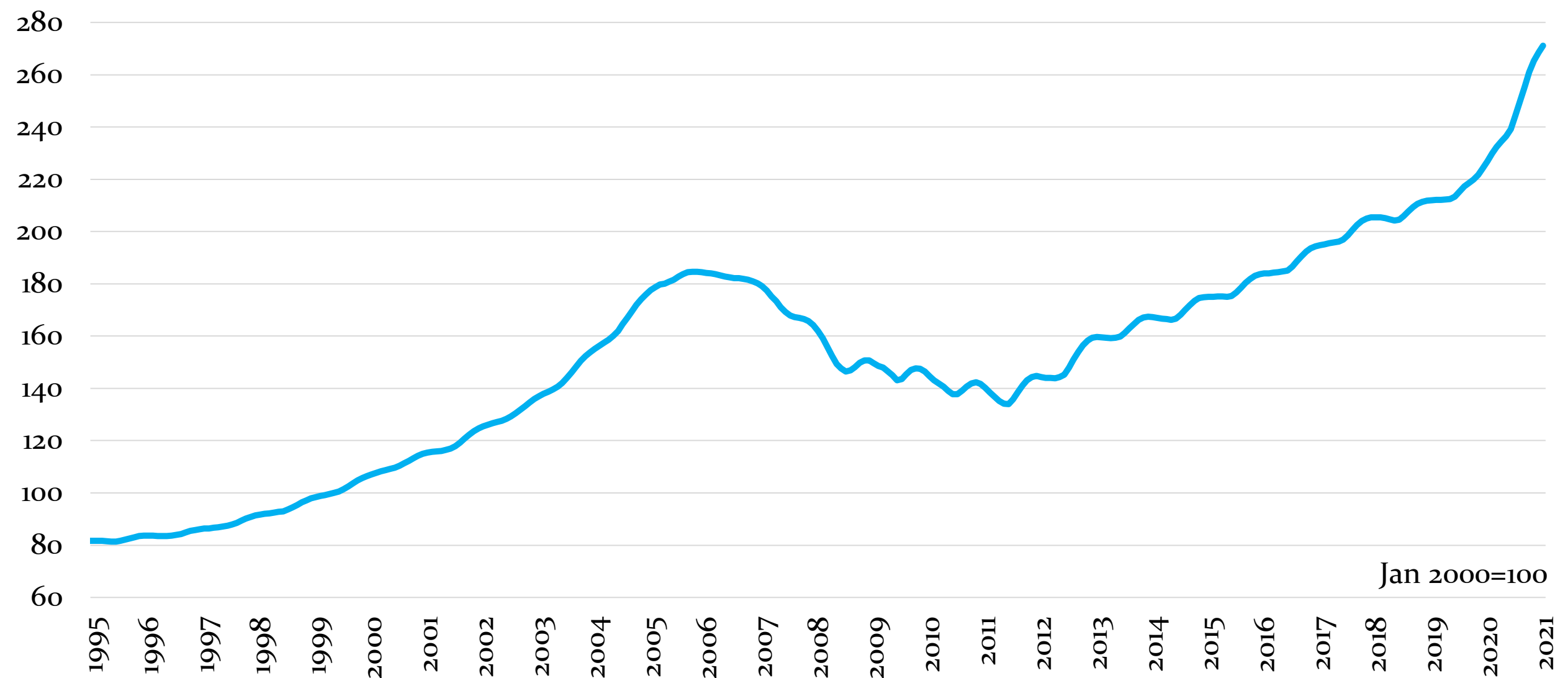
December 1995 – December 2021*



*Week ending 12/2/2021

S&P Case-Shiller U.S. National Home Price Index

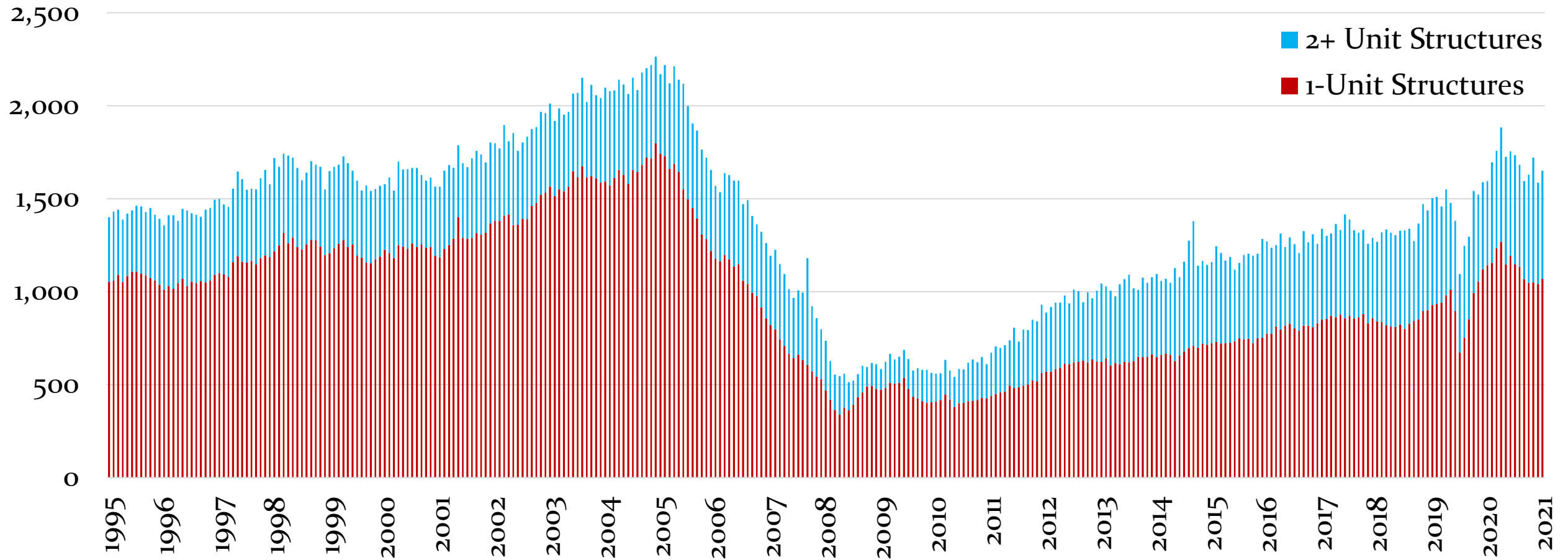
September 1995 – September 2021



U.S. Residential Building Permits

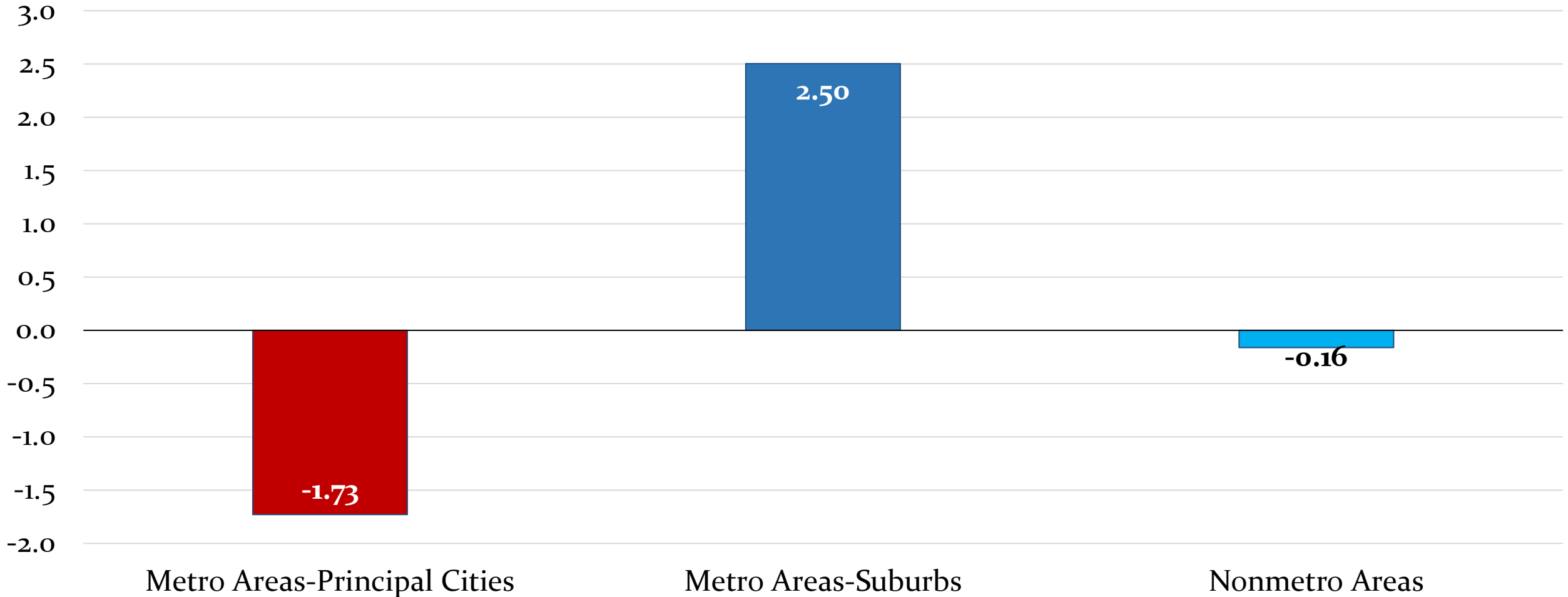
October 1995 – October 2021

Building Permits (ooo's of Units)



U.S. Net Migration in Metropolitan Areas, 2020 to 2021

2020 to 2021 net migration including movers from abroad (millions)



Observed Rent Declines in Major U.S. Cities

Rent Changes in Select U.S. Cities, March to December 2020

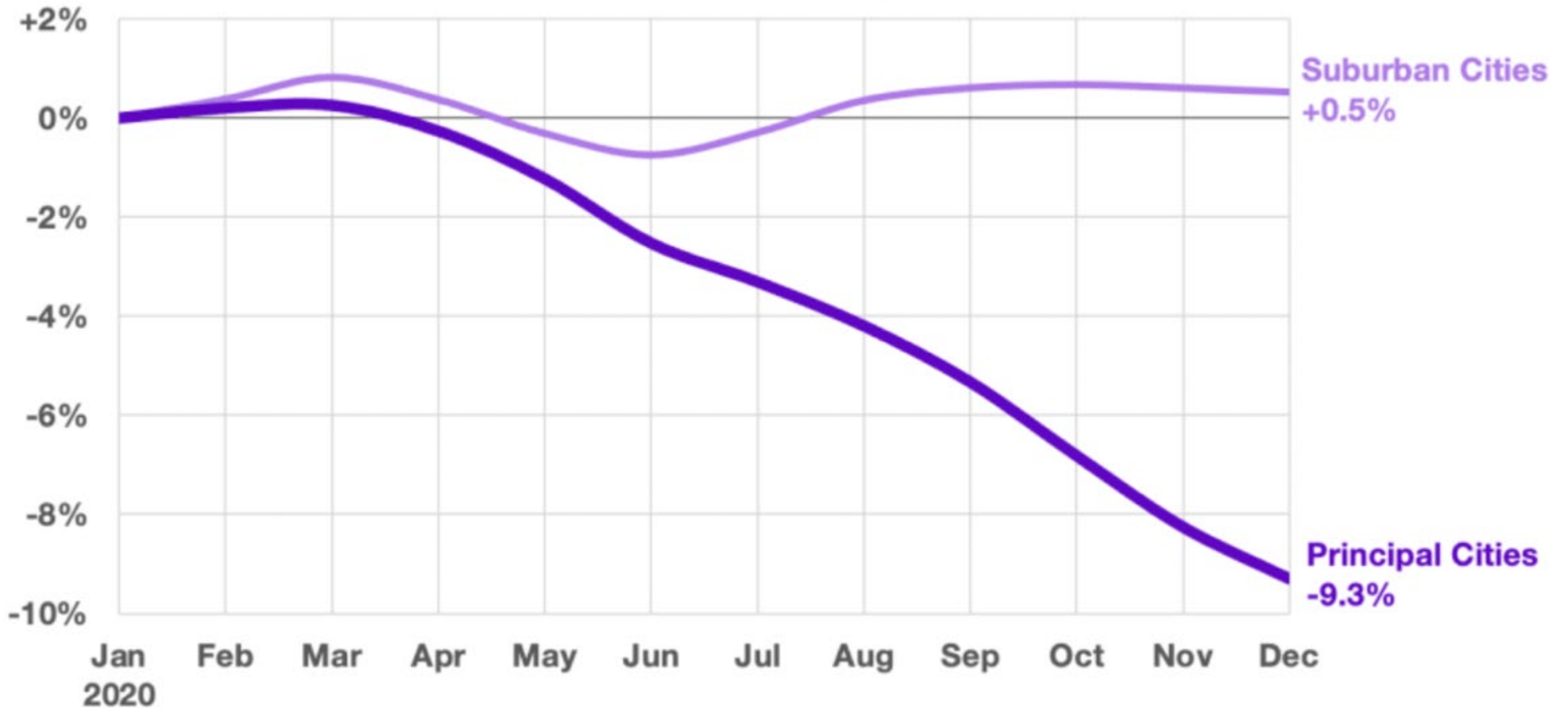
Largest Rent Declines/Increases among 50 largest U.S. cities by population

City	Rent Growth	City	Rent Growth
San Francisco, CA	-26.7%	Fresno, CA	7.9%
Seattle, WA	-22.0%	Albuquerque, NM	7.1%
Boston, MA	-20.6%	Memphis, TN	6.7%
New York, NY	-19.9%	Tucson, AZ	6.1%
Washington, DC	-15.3%	Virginia Beach, VA	5.7%
San Jose, CA	-15.2%	Las Vegas, NV	5.2%
Oakland, CA	-14.2%	Arlington, TX	4.7%
Chicago, IL	-13.2%	Colorado Springs, CO	4.4%
Minneapolis, MN	-12.8%	El Paso, TX	4.1%
Los Angeles, CA	-7.9%	Tulsa, OK	4.0%

Rent declines are concentrated in large, expensive markets, while in affordable midsize cities, rent growth accelerates...

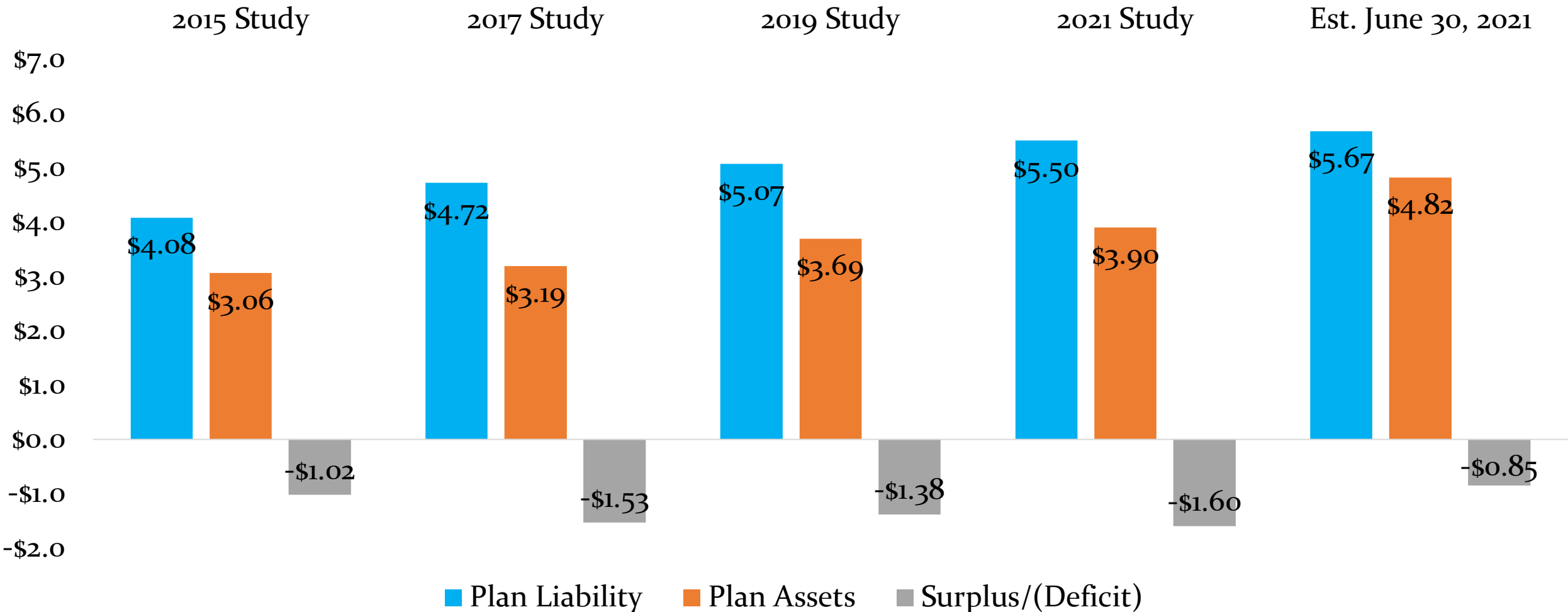
Observed Rent Declines in Cities v. Suburbs

Cumulative Rent Change in 2020



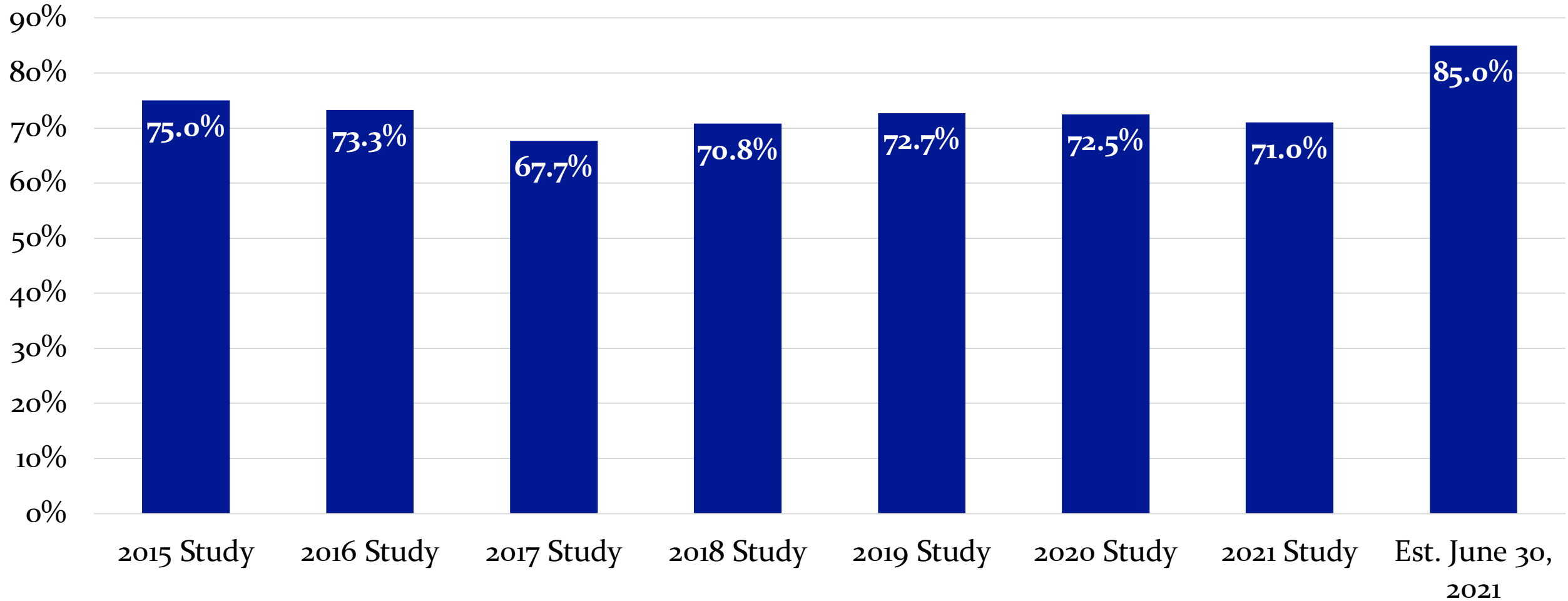
100 Largest U.S. Public Pension Plans: Aggregate System-Reported Funded Status (\$Trillions)

Milliman Public Pension Funding Study



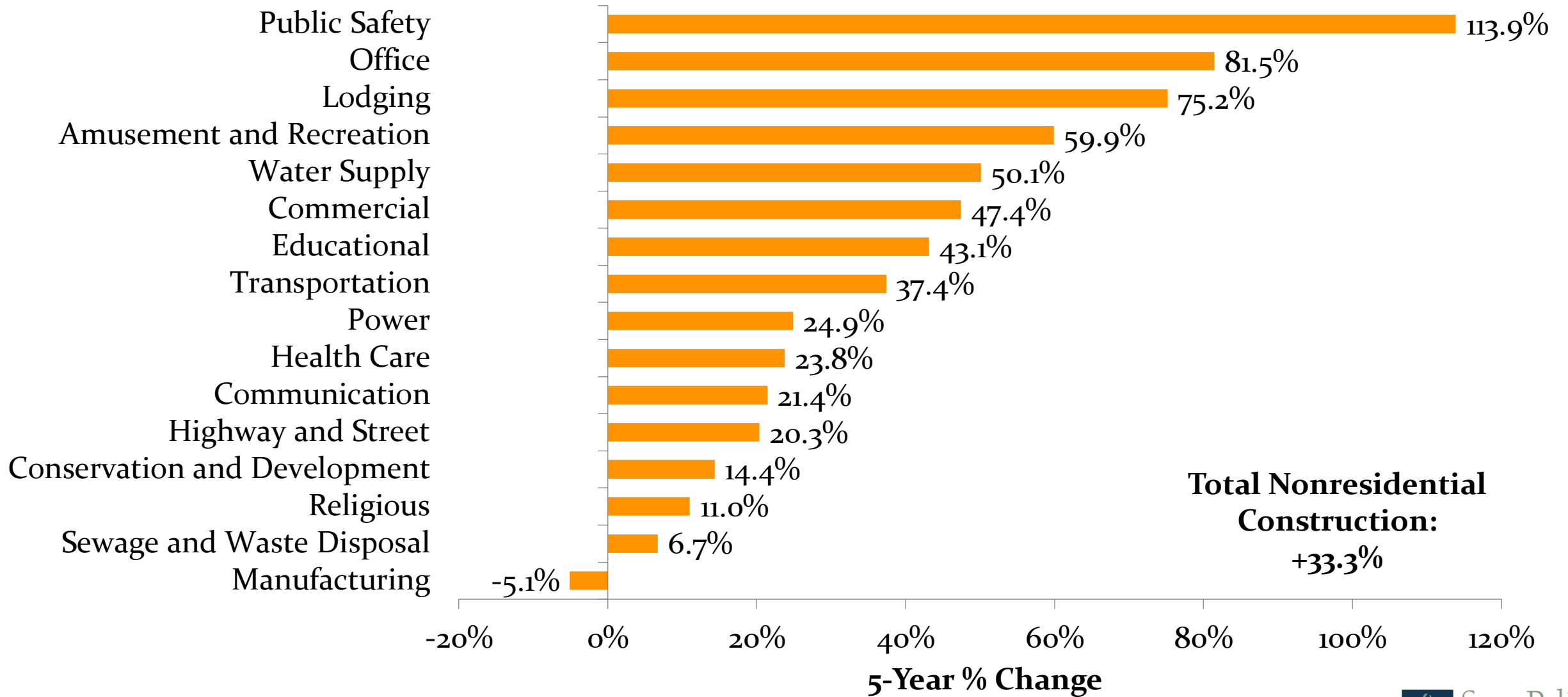
100 Largest U.S. Public Pension Plans: Aggregate System-Reported Funded Ratio

Milliman Public Pension Funding Study: Funded Ratio



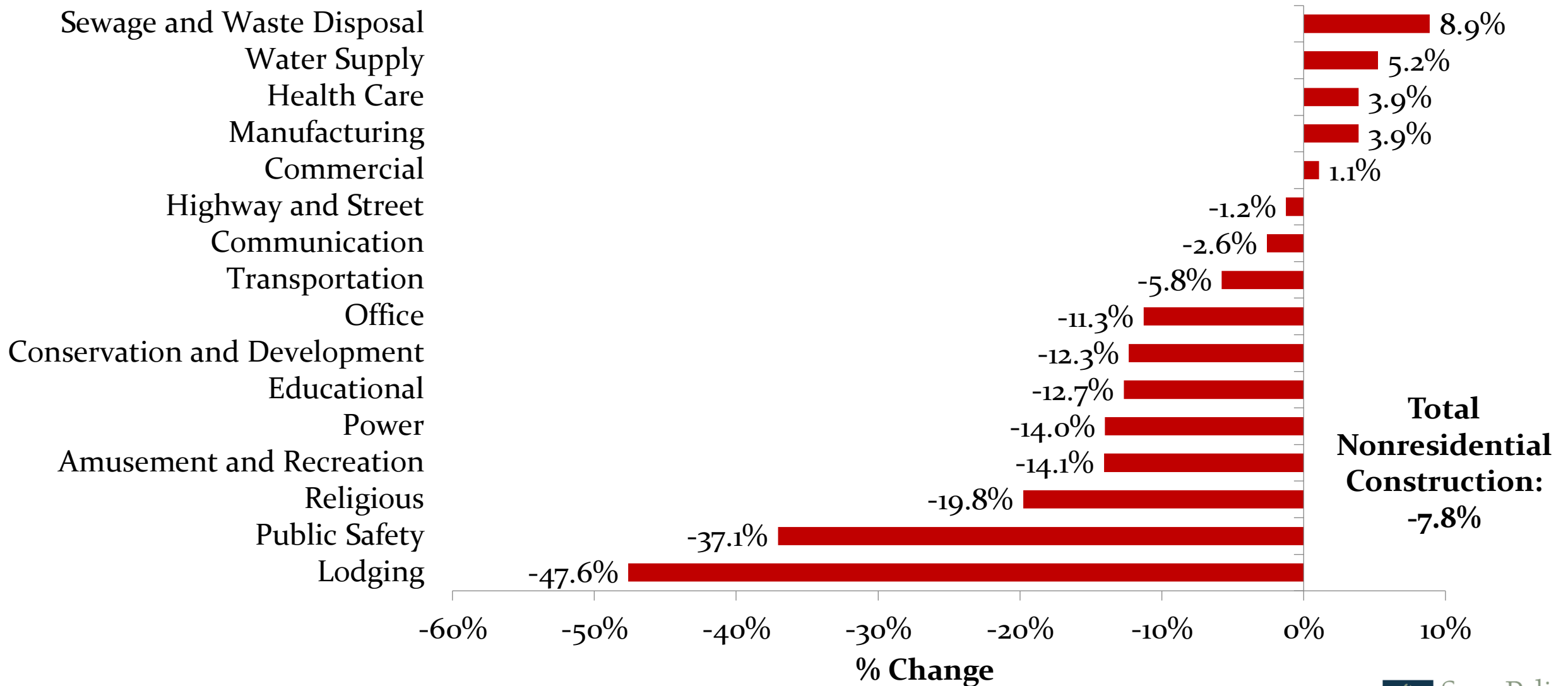
Nonresidential Construction Spending by Subsector

February 2015 v. February 2020



Nonresidential Construction Spending by Subsector

February 2020 v. October 2021

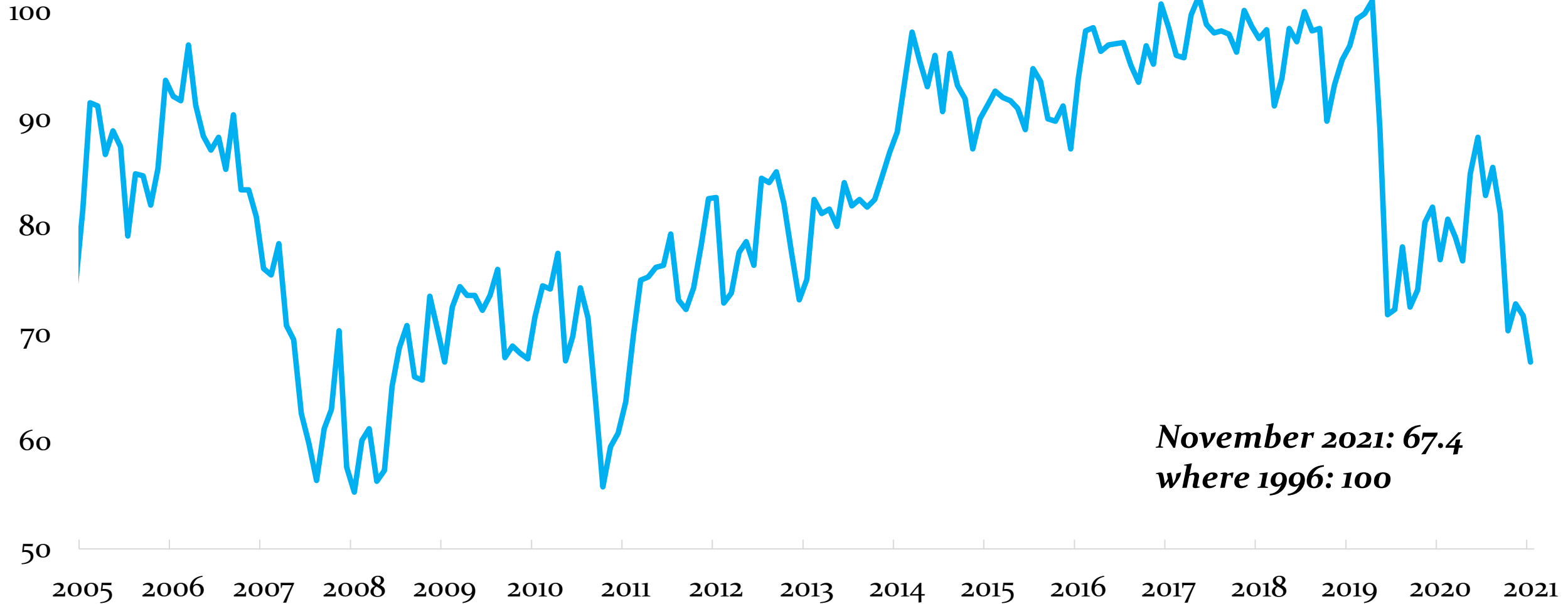


The Crystal Ball



University of Michigan Index of Consumer Sentiment

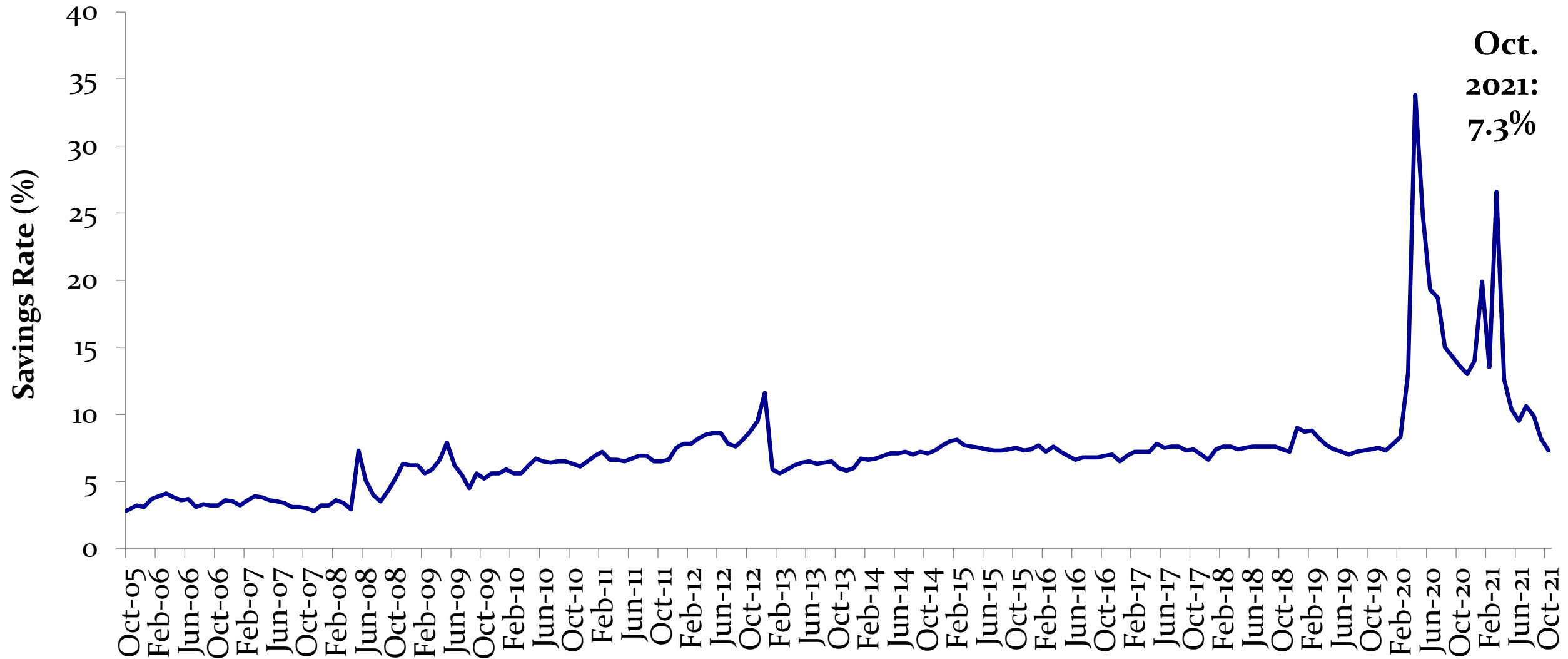
2005 – 2021



**November 2021: 67.4
where 1996: 100**

U.S. Saving Rate, October 2005 – October 2021

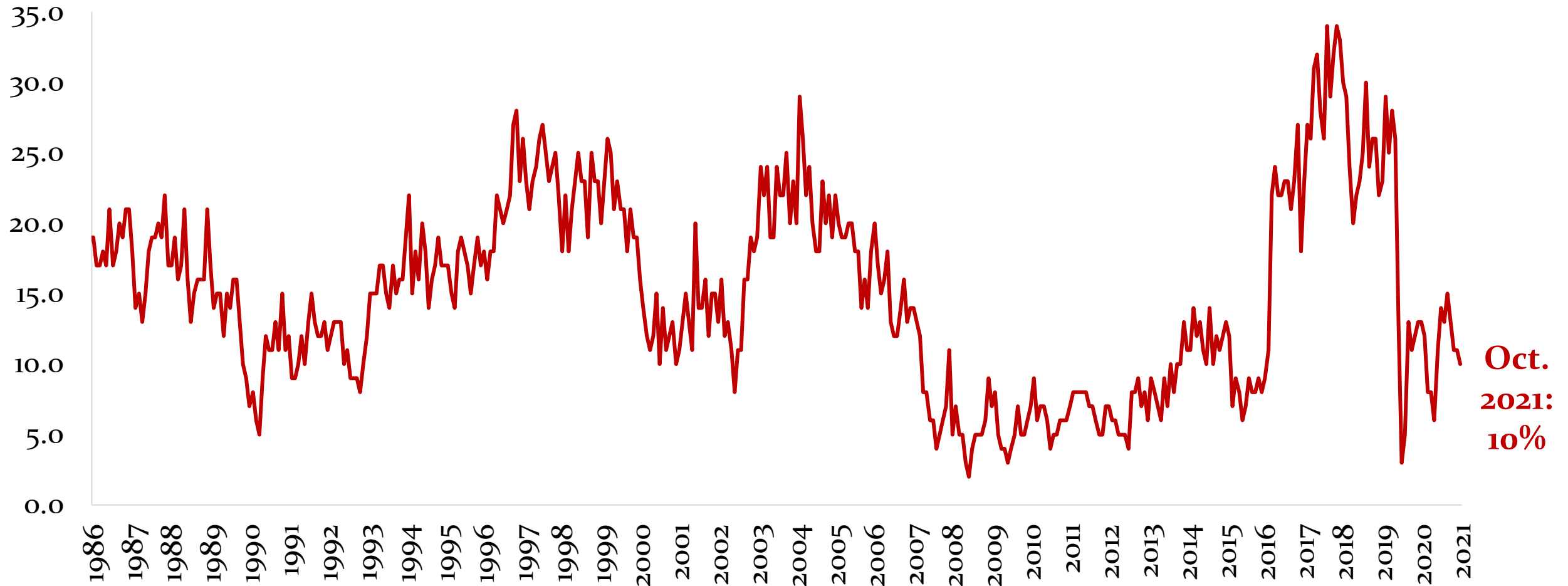
(Savings as Percentage of Personal Disposable Income)



**Oct.
2021:
7.3%**

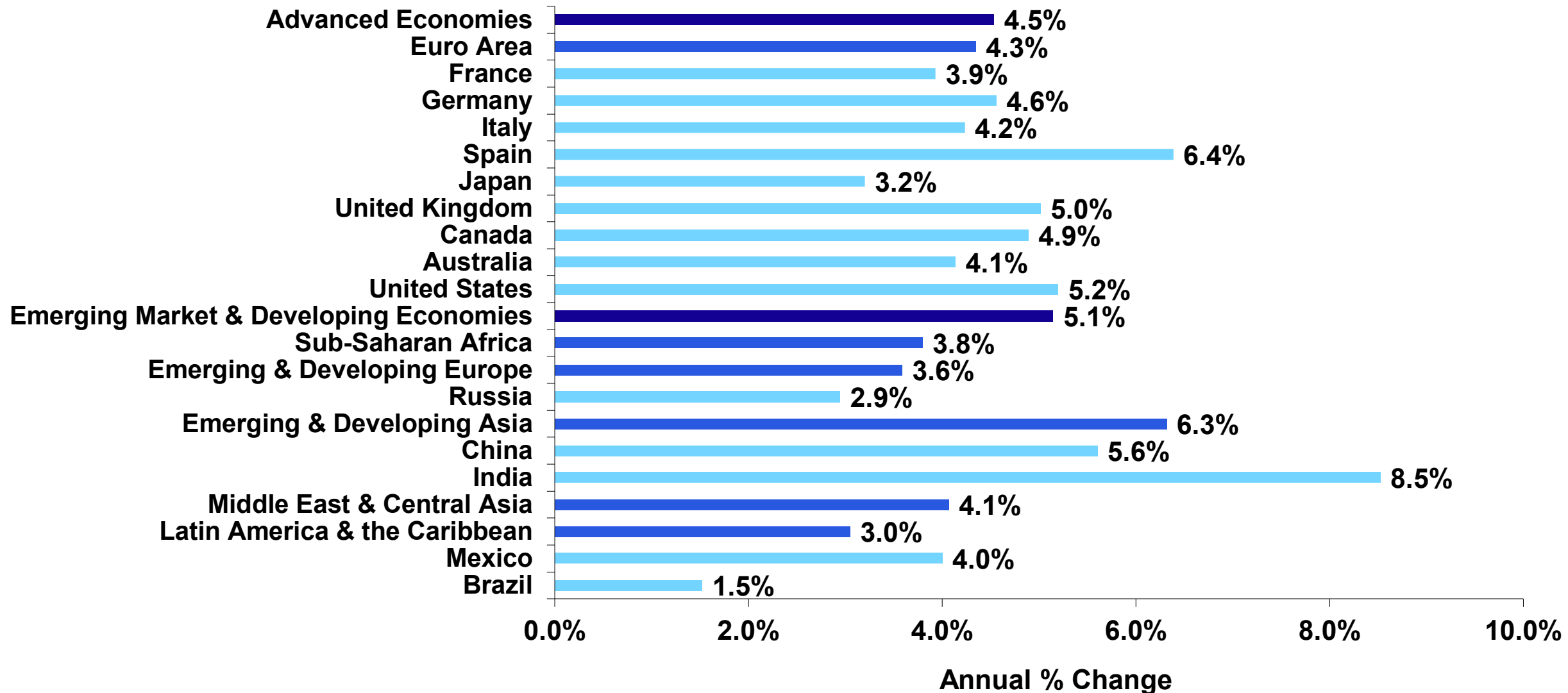
NFIB Index of Small Business Optimism: Good Time to Expand 1986 – 2021

% of respondents who think the next 3 months will be a good time to for small business to expand



**Oct.
2021:
10%**

Projected Growth in Output by Select Global Areas, 2022



2022 Global Output Growth Forecast: +4.9%

The Sorcerer's Outlook

- For an economy to flourish, both demand and supply sides of economy must participate.
- With ongoing stimulus, demand gets a further boost, but supply will be constrained by numerous factors, and not just in America.
- The result is that household savings will remain elevated, spring loading the economy for ongoing growth as supply chains continue to heal.
- The back half of 2021 should have been spectacular for economic growth – now only Q4:2021 will be.
- And there will be a day of reckoning as deficit hawks come back into fashion, creating the possibility of greater austerity during the years ahead.

Thank You

Please follow me on Twitter -- @sageanirban

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Please contact us when you require economic research & policy analysis.

Fireside Chat: Real Assets

Adebayo Ogunlesi

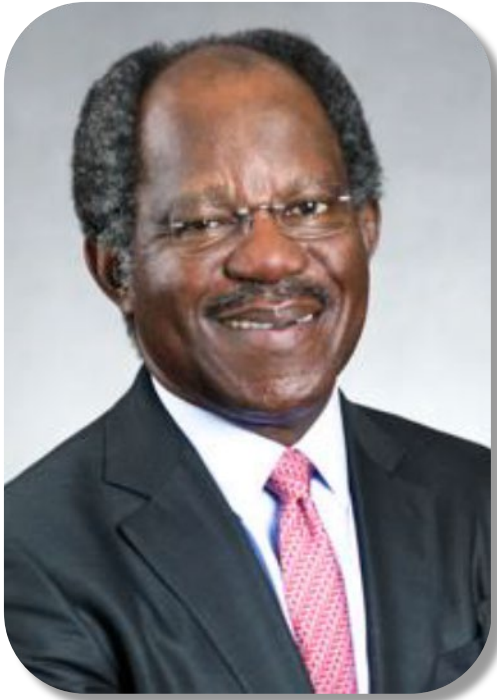
Founding Partner, Chairman & Managing Partner

GIP



Adebayo Ogunlesi ● Founding Partner, Chairman & Managing Partner

GIP



Bayo Ogunlesi is a Founding Partner, and the Chairman and Managing Partner of GIP. He is based in New York.

Prior to the formation of GIP in 2006, Mr. Ogunlesi spent 23 years at Credit Suisse, where he held several senior positions including Executive Vice Chairman and Chief Client Officer of the Investment Banking Division. From 2002 to 2004, he was Head of the Global Investment Banking Division and a Member of the Executive Board and Management Committee.

Previously, Mr. Ogunlesi was an attorney with the New York law firm of Cravath, Swaine & Moore. He also served as a Law Clerk to the Honorable Thurgood Marshall, Associate Justice of the United States Supreme Court. He has been a Lecturer at the Harvard and Yale Law Schools and the Yale School of Management where he taught courses on Transnational Investment Projects.

Mr. Ogunlesi holds a B.A. (First Class Honors) in Politics, Philosophy and Economics from Oxford University, a J.D. (magna cum laude) from Harvard Law School and an M.B.A. from Harvard Business School. He is the Lead Director of Goldman Sachs Group, Inc. and a member of the Boards of Directors of Callaway Golf Company, Kosmos Energy Holdings, Terminal Investment Limited and Freeport LNG. He is a Member of the Dean's Advisory Boards of the Harvard Law and Business Schools and the Harvard University Global Advisory Council.

Fireside Chat: Real Assets

Adebayo Ogunlesi

Founding Partner, Chairman & Managing Partner

GIP

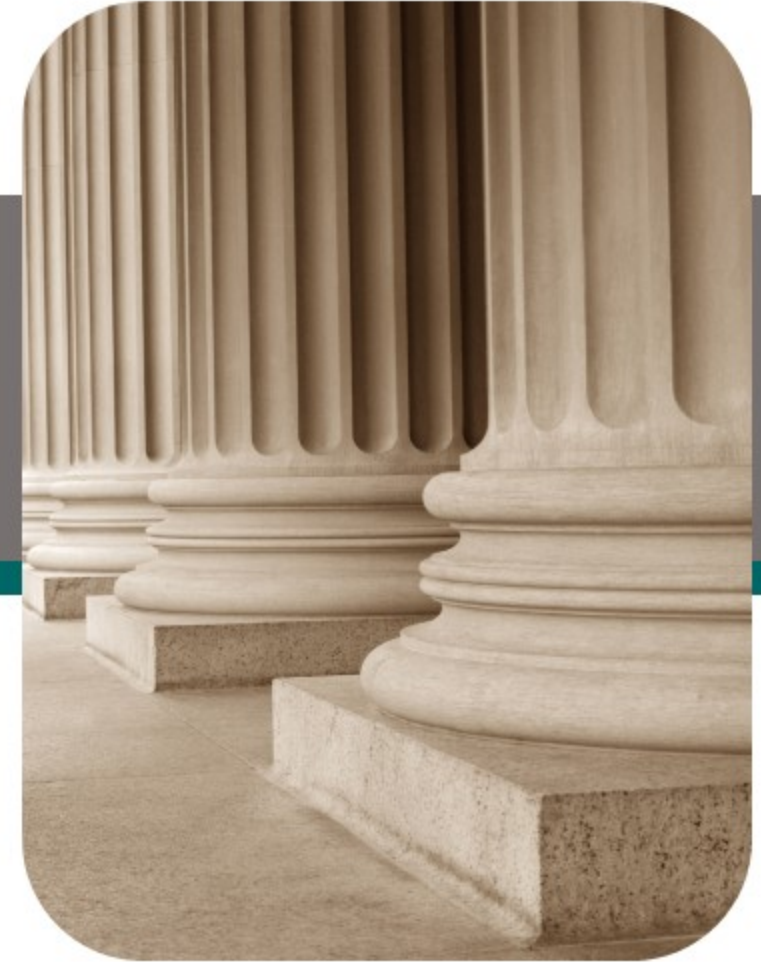
*Hosted by Walker Noland
Program Director*



Notes

Guest Speaker: Stephen Farnsworth

Professor of Political Science & International Affairs
University of Mary Washington



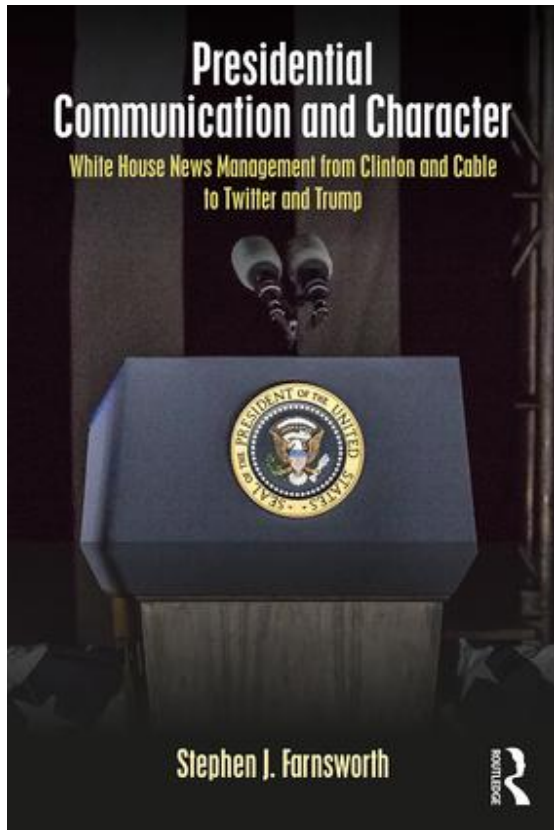
Stephen Farnsworth ● Professor of Political Science & International Affairs

University of Mary Washington



Stephen J. Farnsworth is Professor of Political Science and International Affairs and Director of the Center for Leadership and Media Studies at the University of Mary Washington. Dr. Farnsworth is the author or co-author of seven books on the presidency, the mass media and public opinion. He is a 2017 recipient of the Virginia Outstanding Faculty Award, the Commonwealth's highest award for university teaching. Dr. Farnsworth is a former Canada-U.S. Fulbright Research Chair in Public Policy at McGill University in Montreal, a former Malaysia-US Fulbright Specialist at Methodist College in Kuala Lumpur, and a former chair of the political communication section of the American Political Science Association. He received a Ph.D. and an M.A. in government from Georgetown University, a B.A. in history from the University of Missouri-Kansas City, and a B.A. in government from Dartmouth College.

Virginia Politics 2021 Post-Election Report VRS Meeting



Stephen J. Farnsworth, Ph.D.
Professor of Political Science
Director, Center for Leadership & Media Studies
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The Campaign for Governor: Exit Polls, November 2021

	Youngkin	McAuliffe	Northam (2017)
Overall Result	50.7	48.6	54
[48] Men	56	44	48
[52] Women	46	53	61
[73] White	62	38	42
[16] African American	13	86	87
[5] Hispanic/Latino	32	66	--
[3] Asian	33	67	--
[30] Independents	54	45	47

Source: Virginia 2021 Exit Poll. N=3889 <https://www.washingtonpost.com/elections/interactive/2021/exit-polls-virginia-governor/?itid=sf-local-virginia/politics#h-Y5IF6NZDJZFT3PK2ZNXGJRNMMQ>

The Campaign for Governor: Exit Polls, November 2021

	Youngkin	McAuliffe
Overall Result	50.7	48.6
[10] 18-29	45	53
[22] 30-44	50	50
[43] 45-64	51	49
[26] 65+	55	45
[49] College graduates	42	58
[51] Less than college graduate	59	40
[42] Remove Confederate monuments	12	87
[51] Monuments should be left in place	82	18

Source: Virginia 2021 Exit Poll. N=3889 https://www.washingtonpost.com/elections/interactive/2021/exit-polls-virginia-governor/?itid=sf_local-virginia/politics#h-Y5IF6NZDJZFT3PK2ZNXGJRNM MQ

Virginia Exit Polls, Most Important Issue (2017 v. 2021)

Q: Which issue was most important to your vote today?

<u>2021</u>	Youngkin	McAuliffe
[33] Economy/Jobs	55	44
[24] Education	53	47
[15] COVID Pandemic	16	84
[15] Taxes	68	32
[8] Abortion	58	41
<u>2017</u>	Northam	Gillespie
[39] Health Care	77	23
[17] Gun policy	49	49
[15] Taxes	31	64
[12] Immigration	26	74

Source: Virginia 2021 Exit Poll. N=3889 https://www.washingtonpost.com/elections/interactive/2021/exit-polls-virginia-governor/?itid=sf_local-virginia/politics#h-Y5JF6NZDJZFT3PK2ZNXGJRNM MQ

Northern Virginia Votes: 2013-2021

Location	D 2021	D 2017	D 2013
Fairfax	65	68	58
Prince William	57	61	52
Loudoun	55	59	50
Arlington	76	80	72
Alexandria	75	78	72
Manassas	54	57	49
Fairfax City	64	65	55
Falls Church	77	79	71
Manassas Park	60	64	54

Source: Virginia Department of Elections

Virginia Votes: Outer Ring NOVA Jurisdictions, 2013-2021

Location	D 2021	D 2017	D 2013
Clarke	37	43	41
Frederick	31	34	31
Warren	27	34	35
Fauquier	34	39	35
Stafford	44	47	40
Spotsylvania	39	43	39
Culpeper	33	37	33
Winchester City	50	54	46
Fredericksburg City	60	64	57

Source: Virginia Department of Elections

Virginia Votes: Other Key Jurisdictions, 2013-2021

Location	D 2021	D 2017	D 2013
Lynchburg	44	47	40
Amherst	28	36	33
Bedford	20	25	23
Campbell	21	25	23
Richmond City	77	81	73
Henrico	58	61	52
Chesterfield	47	49	41
Hanover	31	34	28
Virginia Beach	45	52	46
Chesapeake	47	53	49

Source: Virginia Department of Elections

Virginia Evaluates Officials (UMW Survey), September 2021

BIDEN “Do you approve or disapprove of the way Joe Biden is handling his job as president?”

	Approve	Disapprove	NET
2021	44	48	-4
2019 (Trump)	39	54	-15
2018 (Trump)	37	58	-21
2017 (Trump)	37	55	-18
2016 (Obama)	50	45	5

NORTHAM “Do you approve or disapprove of the way Ralph Northam is handling his job as governor?”

	Approve	Disapprove	NET
2021	42	42	0
2019	47	35	12
2018	55	24	31
2017 (McAuliffe)	50	33	17
2016 (McAuliffe)	53	35	18

UMW Survey conducted by Research America Inc. September 7-13, 2021. N=1,000, N=600 phone (80 percent cell; 20 percent landline), N=400 web. The margin of error +/- 3.1%.

Virginia Evaluates Issues (UMW Survey), September 2021

IMMIGRATION “Thinking about Illegal immigration in the United States...Do you [support][oppose] providing a way for Illegal immigrants currently in the country to gain legal citizenship if they pass background checks, pay fines and have jobs?”

	Support	Oppose
2021	59	26
2019	79	17
2015	71	25

RACE1. Do you think race relations in the US are (rotate options):

	Generally good	Generally Bad
2021	31	55

RACE2. Do you think race relations in the US are (rotate first two options):

	Getting better	Getting Worse	Staying about the same
2021	19	45%	29%

UMW Survey conducted by Research America Inc. September 7-13, 2021. N=1,000, N=600 phone (80 percent cell; 20 percent landline), N=400 web. The margin of error +/- 3.1%.

Virginia House of Delegates: The Impact of Gerrymandering

<u>House</u>	R	D	2-Party?	<10 points?
2021	52	48	90	20
2019	45	55	64	21
2017	51	49	59	20
2015	66	34	29	6
2013	67	33	44	14
2011	68*	32	37	6
2009	61*	39	69	15
2007	56*	44	41	9
2005	57	40	50	12
2003	61	37	38	10

*Includes independents who generally aligned with Republicans.

Note: 2021 results includes candidates leading in current counts (up to three races may enter recounts)

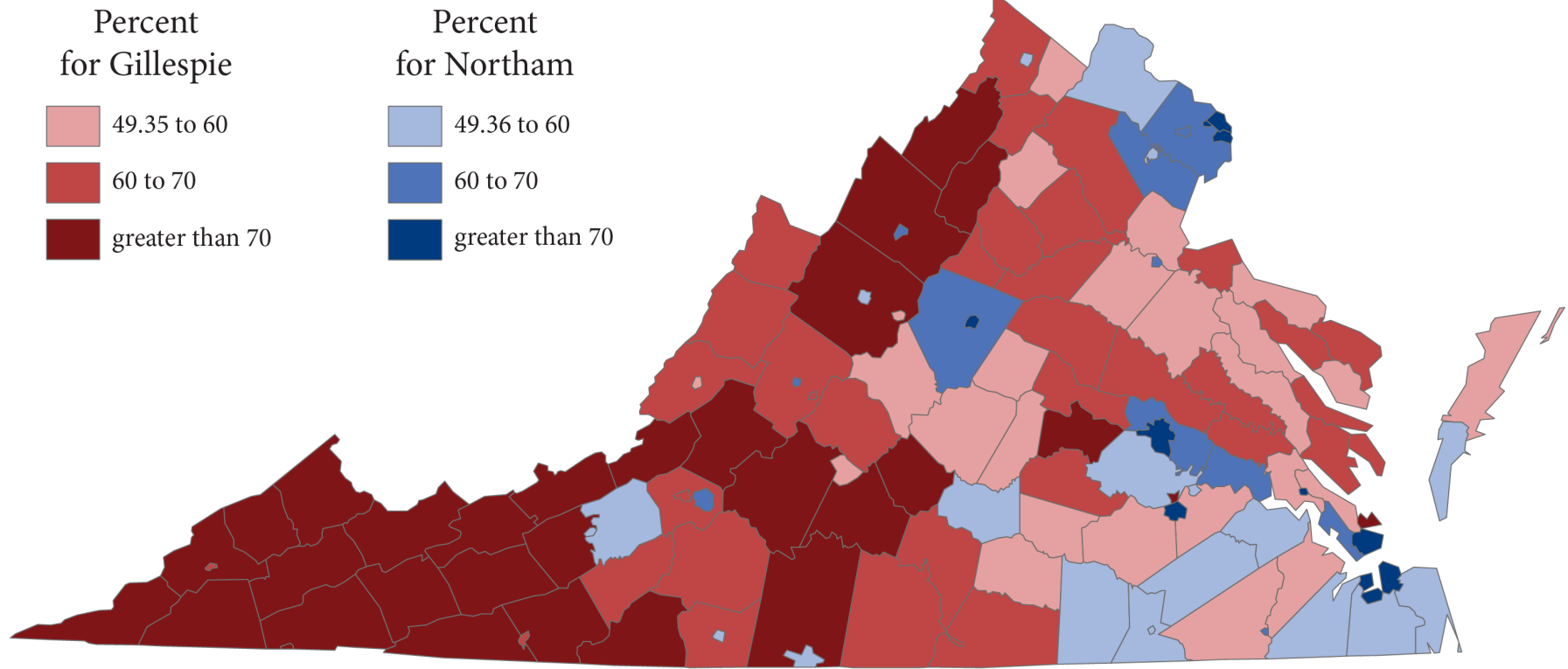
Sources: Virginia Department of Elections, Virginia Public Access Project (VPAP)

Senate of Virginia: The Impact of Gerrymandering

<u>Senate</u>	R	D	2-Party?	<10 points?
2019	19	21	21	6
2015	21	19	20	5
2011	20	20	26	7
2007	19	21	23	8
2003	24	16	20	4

Sources: Virginia Department of Elections, Virginia Public Access Project (VPAP)

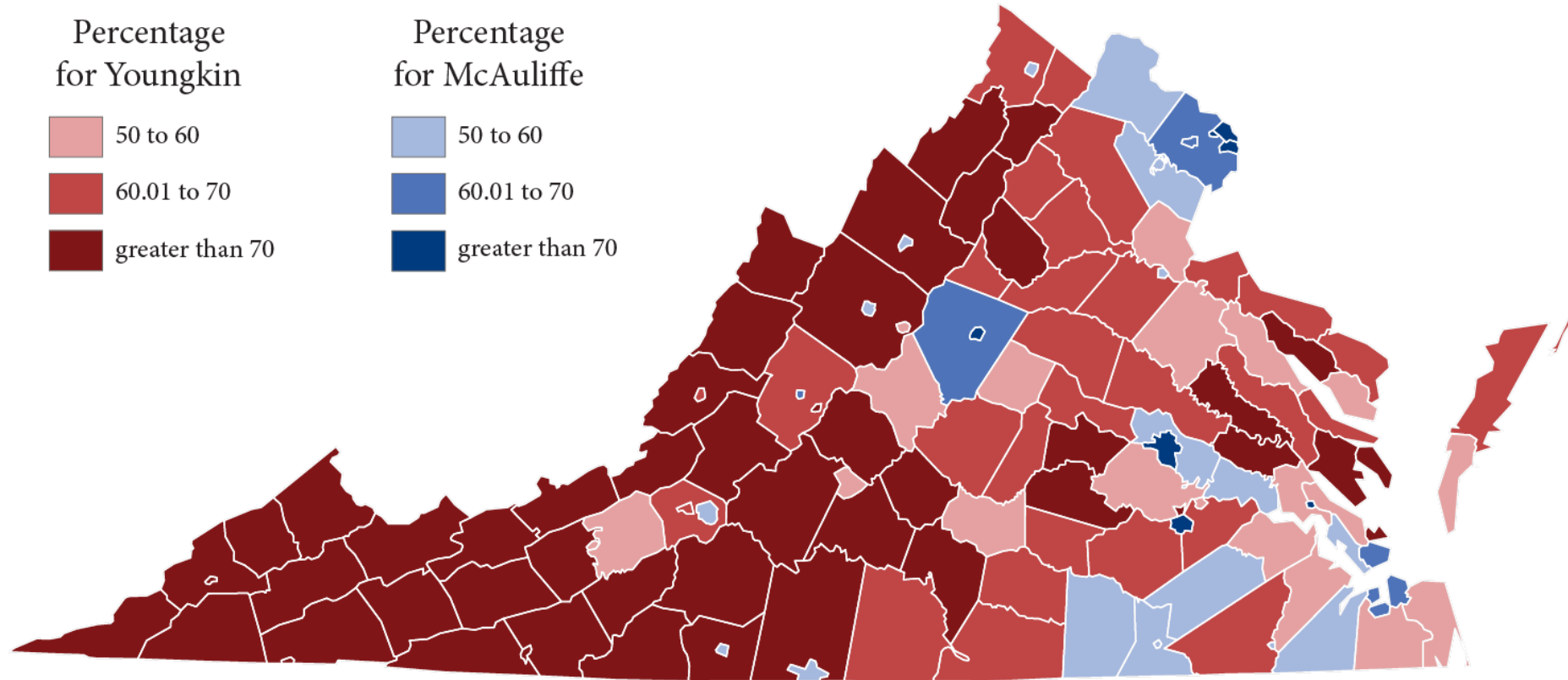
2017 Gubernatorial Election Results (by county and independent city)



Source: Electoral data are from the Virginia State Board of Elections website (www.sbe.virginia.gov/cms/Election_Information/Election_Results/Index.html).

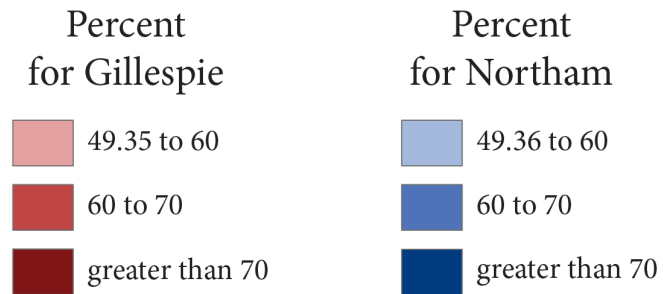
Map by Stephen P. Hanna, UMW Geography Department.

2021 Gubernatorial Election Results (by county and independent city)

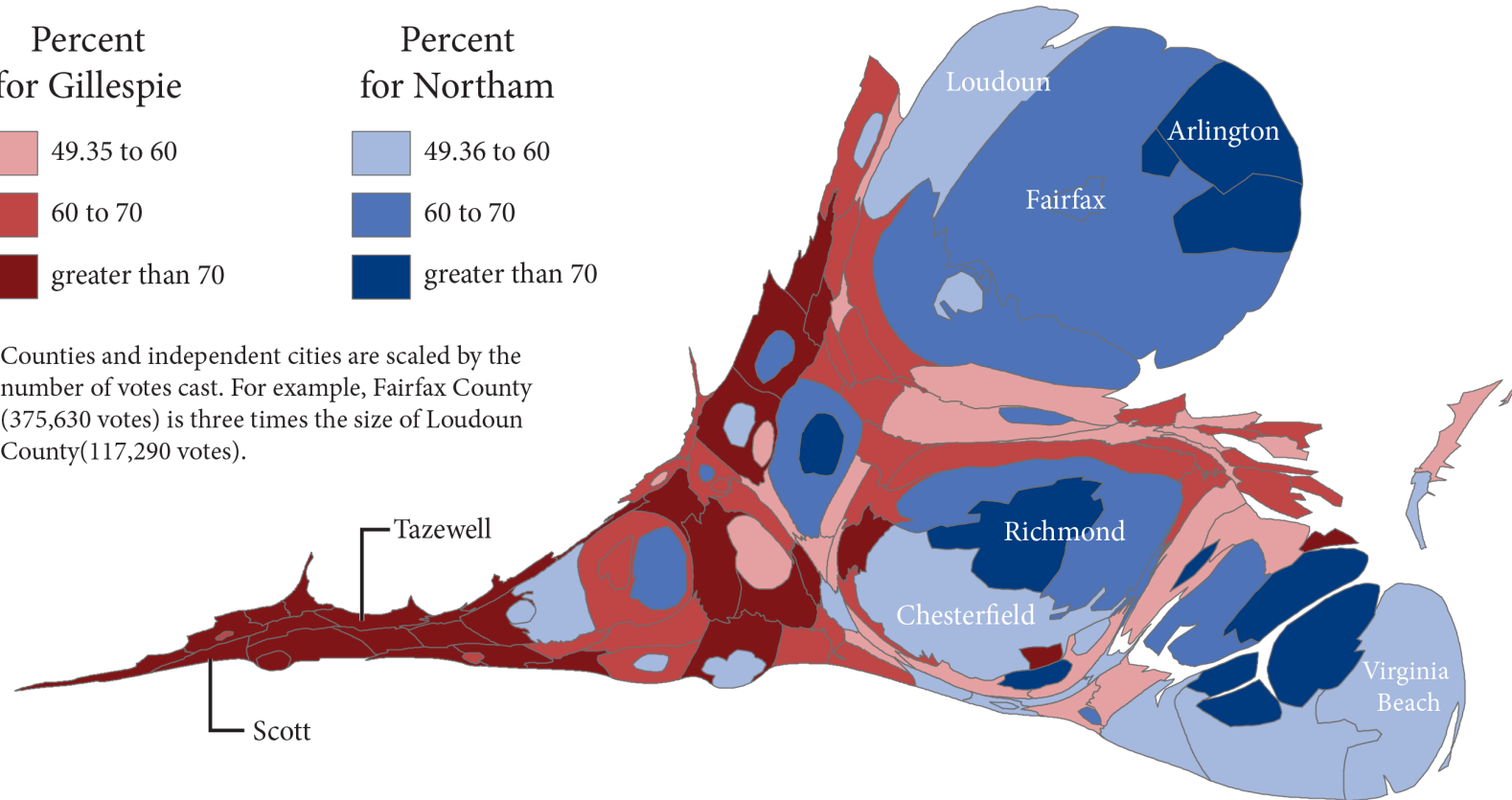


Source: Electoral data are from the Virginia State Board of Elections website (<https://www.elections.virginia.gov/2021-election-results/>).

Cartogram of Gubernatorial Election Results (by county and independent city)



Counties and independent cities are scaled by the number of votes cast. For example, Fairfax County (375,630 votes) is three times the size of Loudoun County (117,290 votes).

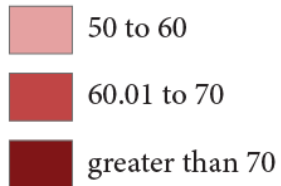


Source: Electoral data are from the Virginia State Board of Elections website (www.sbe.virginia.gov/cms/Election_Information/Election_Results/Index.html).

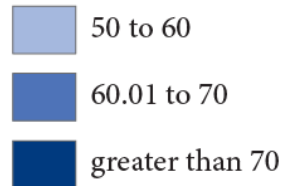
Map by Stephen P. Hanna, UMW Geography Department.

Cartogram of 2021 Gubernatorial Election Results (by county and independent city)

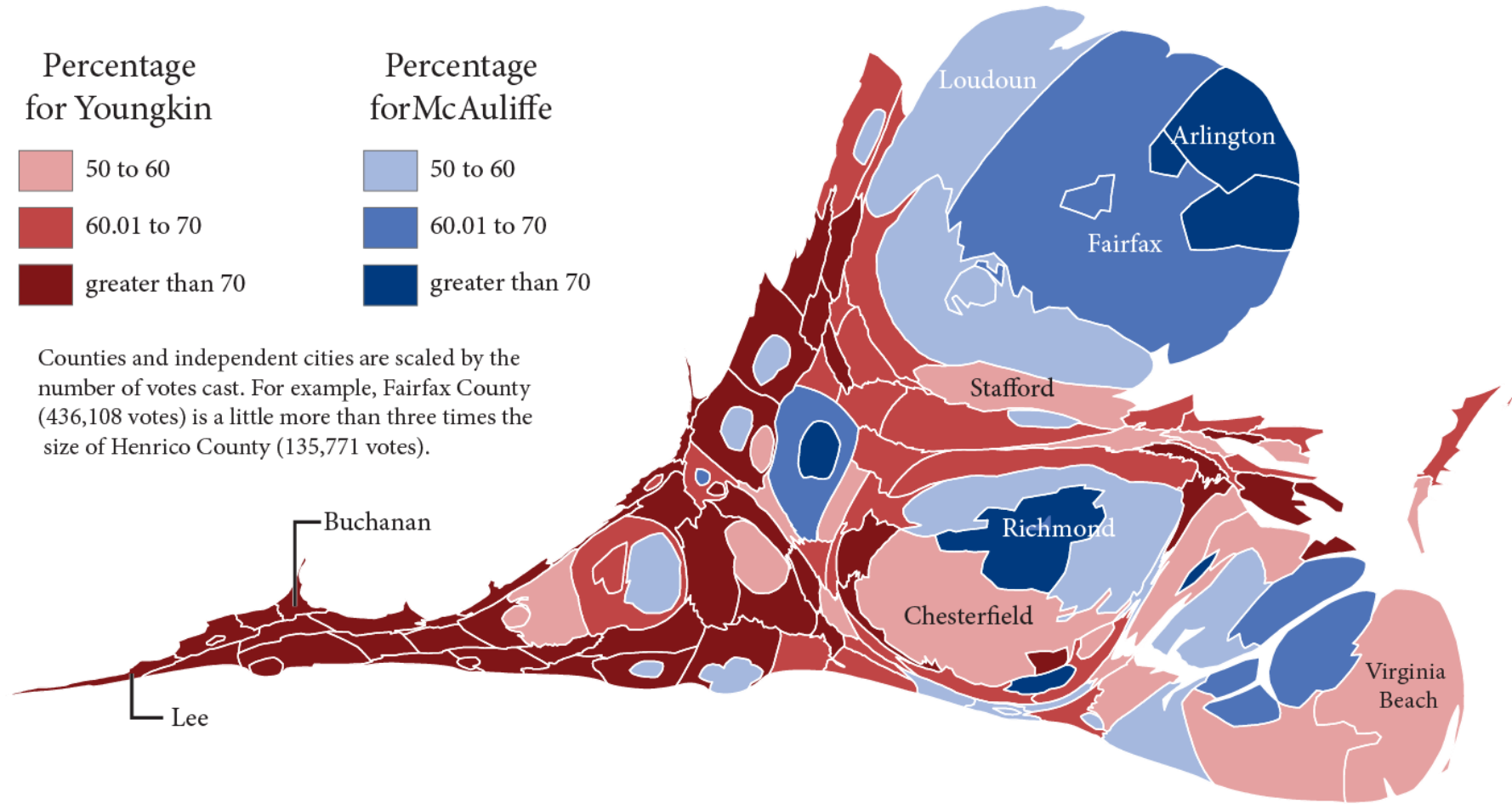
Percentage
for Youngkin



Percentage
for McAuliffe



Counties and independent cities are scaled by the number of votes cast. For example, Fairfax County (436,108 votes) is a little more than three times the size of Henrico County (135,771 votes).



Source: Electoral data are from the Virginia State Board of Elections website (<https://www.elections.virginia.gov/2021-election-results/>).

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Day 1 Closing Remarks

Ronald D. Schmitz

Chief Investment Officer



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