



**Administration and Personnel Committee (A&P) Meeting**

**VRS, 1111 E. Main St., 3rd Floor Board Room**

**Tuesday, 2/8/2022**

**1:00 - 3:00 PM ET**

**I. Approve Minutes**

• **November 16, 2021**

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**II. RBA – Reappointment of Investment Advisory Committee Member**

*RBA - Reappoint IAC Member - Page 4*

*Bio for Bryan Lewis - Page 5*

**III. RBA – Appointment of Defined Contribution Plans Advisory Committee Member**

*RBA - Appoint DCPAC Member - Page 6*

*Resume for Arun Muralidhar - Page 7*

**IV. Quarterly Budget Update**

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## **Minutes**

A regular meeting of the Virginia Retirement System Administration and Personnel Committee was held November 16, 2021 in Richmond, Virginia with the following members participating:

O’Kelly E. McWilliams, III, Chair  
Joseph W. Montgomery, Vice Chair  
W. Brett Hayes  
Troilen G. Seward, Ed.S.

Board members present:

Hon. J. Brandon Bell, II  
John M. Bennett  
Michael P. Disharoon  
William A. Garrett  
Dr. Susan T. Gooden, Ph.D.

VRS Staff:

Patricia Bishop, Ron Schmitz, Jennifer Schreck, Caroline Caldwell, Jeanne Chenault, Michael Cooper, Harriet Covey, Juanita Cribbs, Valerie Disanto, Barry Faison, Brian Goodman, JT Grier, Robert Irving, LaShaunda King, Chung Ma, Curt Mattson, Angela Payne, Paula Reid, Mark Rein, Jillian Sherman, Leslie Weldon, Dan Whitlock and Cindy Wilkinson.

Guests:

Elizabeth Myers, Office of the Attorney General; Larry Langer, Alisa Bennett and Brad Wild, Cavanaugh Macdonald Consulting, LLC; and Latosha Johnson, Department of Planning and Budget.

The meeting convened at 12:30 p.m.

### **Opening Remarks**

O’Kelly E. McWilliams, III, called the meeting to order and welcomed everyone to the November 16, 2021 meeting of the Administration and Personnel Committee.

### **Approve Minutes**

Upon Mr. Montgomery’s motion, with a second by Ms. Seward, the Committee approved the minutes of its September 15, 2021 meeting.

### **Appointment of Defined Contribution Plans Advisory Committee Member**

Trish Bishop, VRS Director, presented the recommendation to appoint Edward N. (Ned) Smither to the Defined Contribution Plans Advisory Committee (DCPAC) to fill the unexpired term of Kathleen T. Seay, which expires on June 20, 2022.

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Upon a motion by Mr. Montgomery, with a second by Mr. Bell, the Committee recommended approval of the following action to the full Board of Trustees:

**RBA: Appointment of DCPAC Member.**

**Request for Board Action:** *The Board appoints Edward N. (Ned) Smither to the Defined Contribution Plans Advisory Committee (DCPAC) to fill the unexpired term of Kathleen T. Seay, which ends June 20, 2022.*

**Personnel Discussion**

Next, Mr. McWilliams advised the Committee of the forthcoming retirements of the Chief Investment Officer, Ron Schmitz, and the Chief Financial Officer, Barry Faison. Mr. Schmitz joined VRS in October 2011 and has overseen significant growth to the fund while navigating substantial market shifts. Mr. Schmitz will remain with VRS through the end of 2022.

Mr. Faison has served VRS for more than 42 years, including as Chief Financial Officer since December 2001. During Mr. Faison's tenure, VRS has received the prestigious Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement for Excellence in Financial Reporting for 39 consecutive years. Mr. Faison intends to retire effective July 1, 2022.

The contributions and leadership provided to VRS and the Commonwealth by Mr. Schmitz and Mr. Faison have been immeasurable. VRS is grateful for their service.

Korn Ferry has been hired to lead the national search for VRS' next CIO. An executive search firm will also be engaged to lead the national search for VRS' next CFO.

**Quarterly Budget Update**

Next, Ms. Bishop provided a quarterly budget update to the Committee.

Mr. McWilliams thanked Ms. Bishop for the update.

**Other Business**

Lastly, Mr. McWilliams noted the full Board of Trustees will meet at 1:00 p.m., following the conclusion of this meeting.

**Adjournment**

There being no further business and following a motion by Mr. Montgomery, with a second by Mr. Bell, the Committee agreed to adjourn the meeting at 12:44 p.m.

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Chair

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Date



**Reappointment of IAC Member.**

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**Requested Action**

The Board reappoints W. Bryan Lewis to the Investment Advisory Committee for a two-year term ending March 31, 2024.

**Rationale for Requested Action**

Bryan Lewis currently serves on the Investment Advisory Committee (IAC) and is willing to be reappointed for another two-year term. Mr. Lewis is Vice President & Chief Investment Officer for the United States Steel Corporation.

**Authority for Requested Action**

*Code of Virginia* § 51.1-124.26 requires the Board to appoint an Investment Advisory Committee to provide the Board with sophisticated, objective, and prudent investment advice, which will further assist the Board in fulfilling its fiduciary duty as trustee of the funds of the Retirement System.

The above action is approved.

\_\_\_\_\_  
O'Kelly E. McWilliams, III, Chair  
VRS Board of Trustees

\_\_\_\_\_  
Date



## Bryan Lewis

### Vice President & Chief Investment Officer

Bryan Lewis joined U. S. Steel in August 2019 as vice president and chief investment officer. He has executive responsibility for the company's global investments for both the defined contribution and defined benefit plans, as well as other related programs.

Mr. Lewis arrived at U. S. Steel from the Pennsylvania State Employees' Retirement System (SERS), where he served as chief investment officer and managed a \$30 billion pension fund for the prior three years. Prior to that, he served as the executive director of the \$20 billion Illinois State Universities Retirement System.

Earlier in his career, Mr. Lewis spent six years in senior investment management roles with the North Carolina Department of State Treasurer. In this capacity, he was responsible for the management, investment and operational strategy, legislative policy and regulatory compliance of the division that managed the \$90 billion North Carolina Retirement Systems. In addition, Mr. Lewis created the Emerging Manager Program, identifying high-performing asset management companies owned by minorities and women.

Mr. Lewis is a member of the board of AIF Global, National Institute of Public Finance and the Institute for Private Capital. He is also a member of the Investment Advisory Committee for the Virginia Retirement System. In addition, Mr. Lewis was a fellow of the inaugural class of the Finance Leaders Fellowship and is a member of the Aspen Global Leadership Network.

A native of Rocky Mount, N.C., Mr. Lewis earned a bachelor's degree in economics from the University of Maryland at College Park, and completed a master's degree in business administration at the University of Miami in Coral Gables, Fla.



**Appointment of DCPAC member.**

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**Requested Action**

The Board appoints Arun S. Muralidhar to the vacant seat on the Defined Contribution Plans Advisory Committee (DCPAC) for a term ending June 20, 2022 and reappoints Mr. Muralidhar for a two-year term ending June 20, 2024.

**Rationale for Requested Action**

Dr. Muralidhar is co-founder of Mcube Investment Technologies LLC. He is also co-founder and Client CIO of AlphaEngine Global Investment Solutions, an SEC registered investment advisor, a subsidiary of Mcube. Both firms assist pension funds, foundations and sovereign funds in asset allocation, currency management and external manager oversight through customized investment advice and the award-winning AlphaEngine® technology.

Dr. Muralidhar has over 25 years of asset raising, asset management/alpha generation, product innovation and portfolio advice experience.

Dr. Muralidhar earned his undergraduate degree from Wabash College in Crawfordsville, Indiana (Phi Beta Kappa) and his doctorate in managerial economics from MIT.

Dr. Muralidhar is highly qualified and willing to be appointed to the DCPAC, and it is the Board's pleasure to appoint him to the Committee.

**Authority for Requested Action**

Code of Virginia § 51.1-124.26 authorizes the Board to appoint such other advisory committees as it deems necessary. Each member appointment requires a two-thirds vote of the Board, and advisory committee members serve at the pleasure of the Board.

The above action is approved.

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

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Date

## Arun S. Muralidhar

**Summary:** Over 25 years of asset raising, asset management/alpha generation, product innovation, and portfolio advice experience. Strong communication skills and extensive relationships with CIOs/press.

### EXPERIENCE

Sep 2001-

**Mcube Investment Technologies, LLC**, Great Falls, VA ([www.mcubeit.com](http://www.mcubeit.com))  
**AlphaEngine Global Investment Solutions**, Plano, TX ([www.alphaengine.net](http://www.alphaengine.net))  
*Co-Founder and Client CIO*

- Founded firms to help investors dynamically manage multi-asset portfolios to get paid to manage risks. Primarily responsible for client acquisition, marketing and product design.
- Co-manage the award-winning SMART Rebalancing® program – multi-asset futures overlay. Is one of the few programs that made money in 2008, 2018 and Q1 2020. Also, created a unique global macro program for the Kodak US and Canadian Pension Plans.
- At its peak, AEGIS managed in excess of \$8bn in SMART Rebalancing® overlays.
- Developed AlphaEngine®, a web-based system, to help investors manage assets more efficiently. Clients added substantial value (over \$2 bn in alpha), won industry awards and been featured in *Institutional Investor*, *CIO Magazine* and *Canadian Investment Review*.
- Clients include pensions, endowments, sovereign wealth funds and insurance companies, in countries as diverse as America, Abu Dhabi, Canada, Japan, and the Netherlands.
- Only non-Dutch member of PGGM's Academic Advisory Board, advising on topics such as TFM, ESG, Factor Investing and Asset Allocation. PGGM is the 2<sup>nd</sup> largest Dutch fund.
- Deep and extensive relationships with CIOs and major press outlets (*CIO Magazine*, *P&I*).

Sep 2001- Dec 2007

**FX Concepts, Inc.**, New York, NY  
*Managing Director. Member of Product Development Committee*

- Responsible for helping grow assets under management from \$3.5 bn to over \$12 bn and client acquisition from Abu Dhabi, Bermuda, Canada, Japan, Singapore, and Switzerland. Also, responsible for signing the first ever insurance client.
- Developed the first ever “Options Overlay on an Overlay,” and raised assets for program.

Feb 1999-Sep 2001

**J.P. Morgan Fleming Asset Management, Inc.**, New York, NY  
*Managing Director, Head of Currency Research and Client Portfolio Manager*

- Promoted to Managing Director within two years of joining the firm.
- JP Morgan was the largest provider of currency products to institutional funds (\$20bn). Responsible for improving product and marketing to consultants and prospects globally.
- Helped JP Morgan win a \$10 billion OCIO mandate from the Teamsters.
- Advised the Head of U.S. on the development of a strategic advisory/OCIO business.

Jun 1992-Jan 1999

**The World Bank**, Washington, DC  
*Head of Research & Member of Investment Committee, Investments Department*

- Responsible for quantitative research for internally managed fixed income portfolios (\$40 billion) and externally managed multi-asset class pension portfolios (\$10 billion). Staff developed innovative trading models, risk management tools and asset allocation models.
- One of the youngest managers at the Bank. Managed 100% staff turnover to improve team.
- Provided financial advice and training to member countries on financial sector development, pension system reform, asset-liability management, and portfolio and risk management. Clients included central banks and state pension systems in these countries.
- Previously managed the non-US equity portfolio (\$3 billion) and developed and implemented an innovative risk-controlled currency overlay program (\$3 billion).
- Started career issuing bonds and transacting structured swaps for the World Bank.

## EDUCATION

**M.I.T. Sloan School of Management**, Cambridge, MA  
Doctorate in Managerial Economics, May 1992

**Wabash College**, Crawfordsville, IN  
Bachelor of Arts in Economics, May 1988. *Summa Cum Laude*, Phi Beta Kappa.

## ADDITIONAL INFORMATION

- Adjunct Professor, *George Washington University* – students managed \$1mn portfolio.
- Co-authored a book with Nobel Laureate Prof. Franco Modigliani and have co-developed a unique bond innovation for DC plans with Nobel Laureate Prof. Robert Merton.
- Author of *A SMART Approach to Portfolio Management* (2011) and *Innovations in Pension Fund Management* (2001)– books to help investors identify key risks and develop strategies to measure, monitor and manage these risks. *Innovations* has been translated into Chinese (over 3000 copies sold) and Japanese (by the head of the Sony Global Pension Management).
- Authored award-winning articles in *Financial Analysts Journal*, *Journal of Investment Management* (with Prof. Robert Merton), *Journal of Investment Consulting*, *Society of Actuaries Journal* and *Journal of Performance Measurement*.
- Keynote and speaker at investment conferences globally on topics ranging from investments in DB and DC plans, pension reform, asset allocation and innovation.
- Enjoy travel, tennis, golf, music, and reading.





## Virginia Retirement System (VRS) FY 2022 Budget to Actual Projections

	Current Budget <sup>1</sup> A	Expenses through 12/31/2021 B	Projected Remaining Expenses C	Projected Total Expenses <sup>2</sup> D = B + C	Projected Variance Favorable/ (Unfavorable) E = A - D	% Remaining E / A
<b>Administration</b>						
<b>Personnel</b>						
Salaries, Wages & Benefits <sup>3</sup>	24,678,000	12,547,000	11,422,000	23,969,000	709,000	2.9%
Incentive Compensation	1,137,000	749,000	-	749,000	388,000	34.1%
<b>Contractual Services</b>						
Communication Services	945,000	359,000	539,000	898,000	47,000	5.0%
Employee Development Services <sup>4</sup>	319,000	47,000	154,000	201,000	118,000	37.0%
Management & Informational Services <sup>5, 6</sup>	3,416,000	358,000	2,366,000	2,724,000	692,000	20.3%
Medical Review Services	760,000	218,000	505,000	723,000	37,000	4.9%
Support Services <sup>7</sup>	1,014,000	270,000	735,000	1,005,000	9,000	0.9%
<b>Equipment &amp; Supplies</b>	169,000	119,000	42,000	161,000	8,000	4.7%
<b>Facility</b>	1,785,000	879,000	896,000	1,775,000	10,000	0.6%
<b>Insurance, Claims &amp; Bonds</b>	94,000	55,000	35,000	90,000	4,000	4.3%
<b>Service Charges</b>	167,000	44,000	100,000	144,000	23,000	13.8%
<b>Administration Total</b>	<b>34,484,000</b>	<b>15,645,000</b>	<b>16,794,000</b>	<b>32,439,000</b>	<b>2,045,000</b>	<b>5.9%</b>
<b>Information Technology</b>						
<b>Personnel</b>						
Salaries, Wages & Benefits <sup>3</sup>	13,456,000	6,150,000	5,786,000	11,936,000	1,520,000	11.3%
Incentive Compensation	396,000	396,000	-	396,000	-	0.0%
<b>Contractual Services</b>						
Communication Services	973,000	323,000	646,000	969,000	4,000	0.4%
Employee Development Services <sup>4</sup>	55,000	-	52,000	52,000	3,000	5.5%
Management & Informational Services <sup>5</sup>	16,000	1,000	13,000	14,000	2,000	12.5%
Support Services <sup>6</sup>	12,000	-	10,000	10,000	2,000	16.7%
Technical Services	13,783,000	4,988,000	8,724,000	13,712,000	71,000	0.5%
<b>Equipment &amp; Supplies</b>	3,396,000	406,000	2,951,000	3,357,000	39,000	1.1%
<b>Facility</b>	442,000	153,000	276,000	429,000	13,000	2.9%
<b>Insurance, Claims &amp; Bonds</b>	93,000	-	91,000	91,000	2,000	2.2%
<b>Information Technology Total</b>	<b>32,622,000</b>	<b>12,147,000</b>	<b>18,549,000</b>	<b>30,966,000</b>	<b>1,656,000</b>	<b>5.1%</b>



## Virginia Retirement System (VRS) FY 2022 Budget to Actual Projections

	Current Budget <sup>1</sup> A	Expenses through 12/31/2021 B	Projected Remaining Expenses C	Projected Total Expenses <sup>2</sup> D = B + C	Projected Variance Favorable/ (Unfavorable) E = A - D	% Remaining E / A
<b>Investment Management</b>						
<b>Personnel</b>						
Salaries, Wages & Benefits <sup>3</sup>	18,767,000	8,998,000	8,342,000	17,340,000	1,427,000	7.6%
Incentive Compensation	7,983,000	7,983,000	-	7,983,000	-	0.0%
<b>Contractual Services</b>						
Communication Services	64,000	1,000	42,000	43,000	21,000	32.8%
Employee Development Services <sup>4</sup>	645,000	111,000	488,000	599,000	46,000	7.1%
Management & Informational Services <sup>5</sup>	3,377,000	765,000	1,735,000	2,500,000	877,000	26.0%
Technical Services <sup>8</sup>	9,778,000	2,567,000	6,833,000	9,400,000	378,000	3.9%
<b>Equipment &amp; Supplies</b>	200,000	65,000	129,000	194,000	6,000	3.0%
<b>Facility</b>	657,000	333,000	320,000	653,000	4,000	0.6%
<b>Insurance, Claims &amp; Bonds</b>	27,000	14,000	12,000	26,000	1,000	3.7%
<b>Investment Management Total</b>	<b>41,498,000</b>	<b>20,837,000</b>	<b>17,901,000</b>	<b>38,738,000</b>	<b>2,760,000</b>	<b>6.7%</b>
<b>VRS Total</b>	<b>108,604,000</b>	<b>48,899,000</b>	<b>53,244,000</b>	<b>102,143,000</b>	<b>6,461,000</b>	<b>5.9%</b>

<sup>1</sup> Original budget plus/minus transfers; also includes preliminary estimates of additional appropriation resulting from 5% salary increases approved for FY22

<sup>2</sup> Projected Total Expenses are best estimates as of the creation of this report and are subject to change

<sup>3</sup> Salaries, Wages, & Benefits includes expected 5% increase from Commonwealth for salary adjustment

<sup>4</sup> Employee Development Services includes organization memberships, subscriptions, employee trainings, and tuition reimbursement; although in-person training and related travel spending continue to be reduced because of the COVID-19 pandemic, online training are encouraged

<sup>5</sup> Management and Informational Services includes fiscal services, management services, legal services, media services, food services and business travel

<sup>6</sup> Includes \$300K budgeted for the Retirement Commission, which currently has no planned expenditures

<sup>7</sup> Support Services includes clerical and manual labor services

<sup>8</sup> Technical Services includes hardware/software maintenance, technology contractors and data feeds