
Minutes

A meeting of the Investment Advisory Committee of the Virginia Retirement System was held on August 23, 2023 with the following members present:

Larry Kochard, Chairperson
Hance West
Michael Beasley
Theodore Economou, joined remotely under § 2.2-3708.3
Palmer Garson
Tom Gayner
Nancy Leake
Bryan Lewis

The following Board members were present:

A. Scott Andrews
Joseph Montgomery
Brandon Bell
John Bennett
Michael Disharoon

The following staff members were in attendance:

Trish Bishop, Andrew Junkin, Jennifer Schreck, Stephen Adelaar, John Alouf, Advait Apte, Rory Badura, Daniel Ball, Parham Behrooz, Erica Billingslea, Jeanne Chenault, Michael Cooper, Sara Denson, Michael Desai, Laurie Fennell, Laura Fields, Josh Fox, Jay Gentry, Holly Glass, Katherine Grawe, JT Grier, Mehtab Haleem, Greg Hines, Dane Honrado, K.C. Howell, Ross Kasarda, Jeannie Kim, Kristina Koutrakos, Matt Lacy, Chung Ma, Jennifer MacKnight, Curt Mattson, Moses Maxfield, Kidus Molla, Peter Murphy, Teresa Nguyen, Walker Noland, Greg Oliff, Steven Peterson, Vera Pleasants, Jummai Sarki-Hurd, Daniel Schlussler, Jenny Schoeller, Michael Scott, Viet Tran, Korey Turner, Scott Weaver, Leslie Weldon, Daniel Whitlock, and Steve Woodall.

Also in attendance was Lauren Albanese of Financial Investment News; Harrison Bader and Brigid Schutsky of BlackRock; Jamie Bitz with Joint Legislative Audit and Review Commission; Doston Bradley of Cerberus; Tom Cosmer of Pinebridge; McCyril Espanol of Pageant Media; Gary Gammon of the Virginia Auditor of Public Accounts; Emily Grimes of the Virginia Department of Planning and Budget; Rod James of WSJ; Madeline Katz of Financial Times; Gabriel Simkin, virtual attendee affiliation

unknown; Spencer Witherspoon of Schenkman Capital; and Nicholas Zizzo of SEI.

Mr. Kochard called the meeting to order at 9:03 a.m.

Mr. Kochard announced that Mr. Smyth is unable to attend the meeting and that Mr. Economou would be participating remotely in accordance with § 2.2-3708.3 of the Code of Virginia.

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

Mr. Beasley – present
Mr. Economou – present
Ms. Garson – present
Mr. Gayner – present
Ms. Leake – not present (entered at 9:12)
Mr. Lewis - present
Mr. Smyth – not present
Mr. West - present
Mr. Kochard – present

Minutes

A motion was made by Mr. Kochard and seconded by Mr. Beasley to approve the minutes for the April 12, 2023 Committee meeting. The motion was unanimously approved via roll call:

Mr. Beasley – aye
Mr. Economou – aye
Ms. Garson – aye
Mr. Gayner – aye
Ms. Leake – not present (entered at 9:12)
Mr. Lewis - aye
Mr. Smyth – not present
Mr. West – aye
Mr. Kochard – aye

CIO Report

Mr. Junkin opened his CIO report by commenting on market conditions, including inflation and employment, rate moves, consumer activity, and business activity for the first part of the year. Mr. Junkin then presented the Asset Allocation Report, Performance Summary, and Total Fund Tracking Error Report as of June 30, 2023. Last, Mr. Junkin reviewed the New Investments and Terminations Report.

**Asset Liability
Management Update**

Mr. Junkin and Mr. Lacy provided an Asset Liability Management update. Mr. Junkin began the discussion by informing the Committee that the Board of Trustees had approved the use of leverage and the proposed Strategic Asset Allocation will include leverage in two ways, rebalancing leverage and asset allocation leverage. This discussion included a projection of what contribution returns could look like with the new Strategic Asset Allocation; and concluded this portion of the discussion with a summary of the implementation plan.

Mr. Junkin turned the discussion over to Mr. Lacy who led a discussion of possible leverage options. This discussion included types of funding and the pros and cons associated with each type of funding. Also discussed was the use of liquidity stress testing to simulate how the types of leverage will impact the asset classes and the total fund.

Mr. Lacy then summarized the key takeaways from the use of leverage and stated that implementation planning is underway.

The Committee members engaged in general discussion throughout the review of leverage.

**Portfolio Solutions
Group Program Reviews**

Mr. Ma provided a general overview of the Portfolio Solutions Group and introduced each program to be covered in the review.

Mr. Kasarda provided a review of Risk Management and the Risk-Based Investments (RBI) program. Mr. Kasarda's review topics included an overview of the team, Risk and RBI objectives, RBI mandates, performance, and forward-looking plans and priorities.

Ms. Koutrakos then provided a review of Portfolio Strategy and the Dynamic Strategies program. Review topics included an overview of the team, objectives, mandates, performance, and forward-looking plans and priorities.

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

Mr. Beasley made a motion to adjourn the meeting. Mr. Gayner seconded the motion. Mr. Kochard asked for the Committee members to vote on the motion, the motion was unanimously approved via roll call:

Mr. Beasley – aye
Mr. Economou – aye
Ms. Garson – aye

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

Adjournment

The meeting was adjourned at 10:57 a.m.



Larry Kochard, Chairperson