

MINUTES

An electronic meeting, held in accordance with §2.2-3708.2(A)(3) of the *Code of Virginia* and Chapter 56 of the 2020 Special Session I Acts of Assembly, the Defined Contribution Plans Advisory Committee (DCPAC) of the VRS Board of Trustees convened electronically on April 15, 2021, with the following members present:

Committee Members:

Hon. J. Brandon Bell, II, Chair
Ravindra Deo
Dr. Susan Gooden
Shannon Irvin
Rick Larson
Brenda Madden
David Winter

Members of the Board of Trustees:

Michael Disharoon
William Garrett
O'Kelly E. McWilliams, III

VRS staff members in attendance:

Trish Bishop, Steve Cerreto, Jeanne Chenault, Michael Cooper, Valerie Disanto, Josh Fox, Brian Goodman, Robert Irving, Ciara Lawson, Joyce Monroe, Rebecca Nicholas, Teresa Nguyen, Laura Pugliese, Kristy Scott, Michael Scott, Jillian Sherman, Jennifer Schreck, Ashley Spradley, Stacy Taylor, Peter Thompson, Rachel Webb, Daniel Whitlock, and Cindy Wilkinson.

Also in attendance were Frank Albanese, Financial Investment News; Adam Rosatelli, Senate Finance and Appropriations Committee Staff; and Latosha Johnson, Virginia Department of Planning and Budget Staff.

The meeting convened at 1:06 p.m.

Ms. Sherman served as facilitator and walked participants through the logistics of an electronic meeting. Ms. Sherman turned the meeting over to Mr. Bell to call the meeting to order.

Chairman Bell welcomed committee members, board members, VRS staff, representatives from other stakeholder groups and members of the public.

Mr. Bell noted that given the current circumstances related to COVID-19, the DCPAC was unable to meet in person. However, the DCPAC held this meeting remotely in accordance with the *Code of Virginia* and Chapter 56 of the 2020 Special Session I Acts of Assembly as it relates to conducting business during the pandemic.

Mr. Bell took a roll call of each DCPAC member for attendance purposes*:

- Mr. Deo – Present
- Ms. Irvin – Present
- Mr. Larson – Present
- Ms. Madden – Present
- Mr. Winter – Present
- Mr. Bell – Present

**Due to technical difficulties, Dr. Susan Gooden was not present at this time.*

PUBLIC COMMENT

In accordance with Chapter 56 of the 2020 Special Session I Acts of Assembly, the Committee opened the floor for public comment. Mr. Bell noted that no members of the public registered to comment at the electronic meeting.

APPROVAL OF MINUTES

Upon a motion by Mr. Bell, with a second by Mr. Winter, the minutes of the November 19, 2020 meeting were approved.

Mr. Bell asked for each Committee member to vote on the motion*:

- Mr. Deo – Aye
- Ms. Irvin – Aye
- Mr. Larson – Aye
- Ms. Madden – Aye
- Mr. Winter – Aye
- Mr. Bell – Aye

**Due to technical difficulties, Dr. Susan Gooden was not present at this time.*

ADMINISTRATIVE REPORTS AND COMMUNICATIONS UPDATE

Rebecca Nicholas, DC Plans Operations Supervisor, provided an update on the VRS Defined Contribution Plans for the fourth quarter, ending December 31, 2020.

DC Plans and Hybrid Plan Update

Ms. Nicholas shared the total assets under management across all DC plans, as well as an overview of unique participant counts for the unbundled plans and recent plan adoptions. Ms. Nicholas provided an update on total assets and accounts in the VRS Defined Contribution Plans through December 31, 2020. She also presented an overview of the number of unique participants in the unbundled DC Plans. Ms. Nicholas noted new plan coverage requests for the fourth quarter of 2020. She also provided an overview of plan adoptions over the past 10 years and noted there were fewer plan adoptions in 2020, which could be attributed to the pandemic.

Ms. Nicholas shared with the Committee some initiatives with ICMA-RC that included the new Financial Planning Services website that recently launched as well as communication initiatives to promote the new service to all VRS members and participants.

Ms. Bishop provided additional insight into the name change and rebranding initiative from ICMA-RC to MissionSquare Retirement. Ms. Bishop also shared efforts underway to update VRS communication and print resources to align with the name change and rebranding. Staff noted the name change transition is targeted for completion by September 2021.

Ms. Nicholas provided an update of Coronavirus-Related Distributions (CRDs) through December 31, 2020. She specifically noted the number of CRDs taken by active participants as well as the percentage of distributions processed that were under \$5,000 and withdrawn from the COV 457 Plan.

Ms. Nicholas provided an update on total assets and accounts in the COV 457 and Virginia Cash Match plans through December 31, 2020, as well as an overview of cash flow from the COV 457 and Virginia Cash Match plans. Ms. Nicholas also shared recent initiatives with ICMA-RC that target participants in the COV 457, including hybrid plan members eligible to participate, that consist of a new splash screen feature and enhancements to the contribution screen that promote additional savings within annual plan limits and maximizing contributions to eligible plans.

Ms. Nicholas provided a review of total assets and accounts in the Hybrid Retirement Plan for the fourth quarter of 2020. She also presented an overview of the cash flow from the defined contribution component of the Hybrid Retirement Plan, including contributions, withdrawals and net cash flow. Ms. Nicholas updated the Committee on the Hybrid 457 voluntary participation and contribution election

rates for the fourth quarter of 2020. She also updated the Committee on the Hybrid 457 voluntary participation, contribution election rates, auto-escalation status, and Hybrid 403(b) participation for the fourth quarter of 2020.

Ms. Nicholas provided an overview of the DC Plans goal to improve asset allocation for the fourth quarter 2020. She shared with the Committee a number of communication items related to this initiative, particularly in response to the COVID-19 pandemic and market volatility.

In addition, Ms. Nicholas shared with the Committee recent study findings by the Public Retirement Research Lab, noting the asset allocation behaviors of members and participants in the supplemental plan and hybrid retirement plan as well as the alignment of such behaviors with industry peers across both public and private sector defined contribution plans. Ms. Nicholas also provided an overview of plan assets by fund, number of investments held by participants, and self-directed brokerage account usage.

Mr. Winter commented that with more than 80% of plan participants allocated to a single investment fund such as a target date portfolio fund, the presumption can be that participants are well diversified given the pre-mixed portfolios are already diversified across various asset classes.

Ms. Bishop noted that the data is helpful in monitoring participants invested in single fund options that were available prior to the inclusion of target date portfolios. Ms. Bishop shared that prior to target date portfolios, many participants were allocated to a single investment such as the stable value fund, which may warrant outreach by the plan sponsor on the importance of diversification. She noted that participants with a single investment in a target date fund does not necessarily call for additional outreach.

ORPHE Update

Ms. Nicholas provided an overview by provider of total ORPHE assets, participants and average balances for the fourth quarter of 2020. She also gave an update on ORPHE provider selections and provider initiatives for the fourth quarter of 2020.

Pensions & Investments 2021 Eddy Awards

Ms. Nicholas shared with the Committee that VRS and TIAA won the Pensions & Investments 2021 Eddy Award in March for the ORPHE 2020 plan changes initiative. She noted that VRS also won an Eddy Award for Financial Wellness.

Legislative Update

Ms. Nicholas provided a legislative update regarding a technical bill that allows for the use of more general language for required minimum distributions to begin at the date established by the Internal Revenue Code.

Mr. Bell thanked Ms. Nicholas for her presentation.

Following Ms. Nicholas' report, the Committee took a five-minute recess.

The meeting reconvened upon the following roll call vote:

Mr. Deo – Present
Dr. Gooden – Present
Ms. Irvin – Present
Mr. Larson – Present
Ms. Madden – Present
Mr. Winter – Present
Mr. Bell - Present

DC PLANS INVESTMENTS UPDATE

Laura Pugliese, Portfolio Manager, Defined Contribution Plans, provided an overview of the February 28, 2021 performance reports.

PERFORMANCE REPORTS

Unbundled Plans

Ms. Pugliese provided an overview of the performance on the unbundled DC Plans platform as of February 28, 2021. She informed the Committee that funds were performing as expected in the unbundled DC Plans platform and also noted the positive returns in the equity markets over the past year given the current environment.

Ms. Pugliese highlighted the fact that funds allocated to the target date portfolios comprise approximately 42% of total assets in the unbundled DC Plans as of February 28, 2021. She noted that the impact to the overall asset allocation across various funds in the unbundled DC Plans could be attributed to the introduction of the hybrid retirement plan in 2014.

Ms. Pugliese provided an update to the Pending Account VRSIP (PENDVRSIP) for the VRSIP fund on the unbundled DC Plans investment menu, effective April 1, 2021.

Ms. Pugliese shared that Wells Fargo recently reached an agreement with two private equity firms (GTCR LLC and Reverence Capital Partners, L.P.) to acquire Wells Fargo Asset Management. The transaction includes VRS' stable value investment manager, Galliard Capital Management. Galliard is a subsidiary of Wells Fargo.

Bundled Plans

Ms. Pugliese shared with the Committee that the TIAA ORPHE performance report as of February 28, 2021, reflects the new investment menu effective January 2020 and is based solely on investments offered in the TIAA RC contract.

Callan 2021 DC Trends Survey Highlights

Ms. Pugliese provided an overview of highlights from the Callan 2021 DC Trends survey results, which represented 93 large DC plan sponsor respondents that span a range of industries across corporate, tax-exempt, and government organizations, as well as other plan characteristics.

Mr. Bell noted the percentage of government plans that offered a 401(k) plan, which Ms. Pugliese advised was available to government plans in the past and have since been grandfathered.

Ms. Pugliese shared some of the key findings from the annual survey that included DC trends in governance, plan design, and investments, noting where VRS had previously implemented or pursued action on several key initiatives and best practices highlighted in the survey.

Ms. Pugliese advised that the Callan 2021 DC Trends Survey was included in the meeting materials Appendix for the Committee to review.

VRS Defined Contribution Plans Investment Belief Statements

Ms. Pugliese provided the Committee with a copy of the VRS Defined Contribution Plans Investment Belief Statements. She requested the Committee and staff review the statements and provide her with suggested edits prior to the Committee's June 24, 2021 meeting. Ms. Pugliese mentioned she will consolidate all edits and facilitate the discussion about suggested changes to the document during the meeting on June 24th. She stated agreed upon edits will subsequently be brought to the Board for their consideration. Mr. Bell thanked Ms. Pugliese for her presentation.

OTHER BUSINESS

DCPAC Appointments

Ms. Bishop informed the Committee of the request for reappointment of Shannon Irvin, Rick Larson, and David Winter, each to a two-year term ending June 20, 2023. Their current term expires June 20, 2021.

Ms. Bishop also informed the Committee of the resignation of Kathy Seay from the DCPAC, effective April 1, 2021, due to her retirement. Ms. Seay's Committee term expires on June 20, 2022. A recommendation has not yet been received to fill Ms. Seay's unexpired term but will be brought to the Committee at a future date. Ms. Bishop also noted the seat formerly held by Mr. Carlson remains vacant.

RBA: Request for Board Action Regarding Reappointment of DCPAC Members

The Committee recommends approval of the following action to the Administration and Personnel Committee and the full Board:

Request for Board Action: *The Board reappoints Shannon T. Irvin, Rick Larson, and David A. Winter to the Defined Contribution Plans Advisory Committee (DCPAC), for a two-year term ending June 20, 2023.*

Mr. Bell asked for each Committee member to vote on the motion, with a second by Ms. Madden.

Mr. Bell took a roll call vote on the motion:

Mr. Deo – Aye
Dr. Gooden - Aye
Ms. Irvin – Aye
Mr. Larson – Aye
Ms. Madden – Aye
Mr. Winter – Aye
Mr. Bell – Aye

Discussion of New Ideas

Staff advised that Ms. Irvin had suggested outreach to employees in advance of salary increases included in the Appropriation Act.

UPCOMING DEFINED CONTRIBUTION PLANS ADVISORY COMMITTEE MEETINGS

Mr. Bell confirmed the following DCPAC meeting dates for 2021:

The next meeting of the DCPAC will take place on June 24, 2021, from 1:00 p.m. to 4:00 p.m., with remaining meetings on September 2nd and December 2nd.

The ORPHE Annual Employer Update is scheduled for September 2021. This is not a DCPAC Committee meeting, however members may attend if interested.

ADJOURNMENT

Mr. Bell made a motion to adjourn the meeting, with a second by Mr. Deo.

Mr. Bell took a roll call vote on the motion:

Mr. Deo – Aye
Dr. Gooden - Aye
Ms. Irvin – Aye
Mr. Larson – Aye
Ms. Madden – Aye
Mr. Winter – Aye
Mr. Bell – Aye

There being no further business, Mr. Bell adjourned the meeting at 3:04 p.m.



J. Brandon Bell, Chair
Defined Contribution Plans Advisory Committee