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## Minutes

A regular meeting of the Virginia Retirement System Board of Trustees was held on June 23, 2022, in Richmond, Virginia with the following members participating:

Board members:

A. Scott Andrews, Chair  
Joseph W. Montgomery, Vice Chair  
Hon. J. Brandon Bell, II  
John M. Bennett  
Michael P. Disharoon  
William A. Garrett  
Dr. Susan T. Gooden, Ph.D.  
W. Brett Hayes  
Troilen G. Seward, Ed.S.

VRS Staff:

Patricia Bishop, Ron Schmitz, Jennifer Schreck, John Alouf, Parham Behrooz, Jeanne Chenault, Michael Cooper, Perry Corsello, Harriet Covey, Juanita Cribbs, Sara Denson, Kelly Duggins, Valerie Disanto, Barry Faison, Jonathan Farmer, Laurie Fennell, Josh Fox, Katherine Grawe, JT Grier, Mehtab Haleem, Dane Honrado, KC Howell, Robert Irving, Christina Jay, Michelle Johnson, De'Von Jones, LaShaunda King, Kristina Koutrakos, Matt Lacy, Chung Ma, Curt Mattson, Stephen McClelland, Walker Noland, Angela Payne, Steven Peterson, Laura Pugliese, Steven Ramirez, Paula Reid, Mark Rein, Dan Schlussler, Kristy Scott, Virginia Sowers, Korey Turner, Dan Whitlock, Cindy Wilkinson and Steve Woodall.

Guests:

Emily Grimes, Department of Planning and Budget; Andrea Peeks and Michael Jay, House Appropriations Committee; Jamie Bitz, Joint Legislative Audit and Review Commission; Erin Rodriguez, Auditor of Public Accounts; Adam Rosatelli, Senate Finance and Appropriations Committee; Bea Snidow, Virginia Education Association; David Barry, Markets Group; Alex Cardno, Financial Times; Joe Ebisa, Within Intelligence; Alex Meyer, Goldman Sachs; Alicia McElhaney, Institutional Investor; and Lauren Albanese, Financial Investment News.

The meeting convened at 1:00 p.m.

### Opening Remarks

Mr. Andrews called the meeting to order and welcomed everyone to the June 23, 2022, meeting of the Virginia Retirement System Board of Trustees.

### Approval of Minutes

Following a motion by Mr. Montgomery and a second by Mr. Bennett, the VRS Board of Trustees unanimously approved the minutes from both its regular meeting and retreat held on May 25, 2022.

### **Report of the Chief Investment Officer**

Ron Schmitz, Chief Investment Officer, began his report with a market overview and discussed asset allocation, total fund performance, and tracking error, concluding that risk measures are within Board-approved levels. Next, Mr. Schmitz discussed the New Investments and Terminations report, and provided an overview of the recommended changes to update the Defined Benefit Plan strategic asset allocation and allowable ranges to reflect market conditions and movement towards the Board's long-term policy mix.

Upon a motion by Mr. Montgomery and a second by Ms. Seward, the VRS Board of Trustees approved the following action:

***Request for Board Action 2022-06-08:*** *The VRS Board of Trustees approves the recommended changes to update the Defined Benefit Plan Strategic Asset Allocation and Allowable Ranges to reflect the new Board target asset mix, effective July 1, 2022.*

### **Report of the Audit and Compliance Committee**

The VRS Board of Trustees received the report of the Audit and Compliance Committee and placed it on file.

#### Approval of Minutes

Mr. Montgomery began his report by noting the Committee approved the minutes of its March 29, 2022, meeting.

#### Exit on the 2021 Employer Assurances Review

The Auditor of Public Accounts (APA) reported that the Employer Assurances Review, covering GASB Statements No. 68 and 75, was progressing as planned. The APA indicated they should conclude their work on the Pension and Other Post-Employment Benefit (OPEB) plans and issue the related opinions during the month of July.

#### Entrance with the APA for the VRS 2022 Annual Comprehensive Financial Report Audit

The Committee held its annual entrance conference with the APA to review the approach and scope of the examination of VRS' Annual Comprehensive Financial Report for the Fiscal Year Ending June 30, 2022.

#### Audit Reports

The Committee received two audit reports.

- The review of *Cash Management* concluded that cash management processes in place support VRS' operational needs and comply with applicable statutory requirements. There were no formal recommendations as a result of this review.
- The review of *IT General Controls* determined that overall the IT architecture within VRS is effective and secure. There were four formal recommendations as the result of this review.

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Miscellaneous Updates

The Committee received the following miscellaneous updates:

Quarterly Report on Fraud, Waste and Abuse Hotline Cases

It was noted there were no Fraud, Waste and Abuse Hotline complaints reported to Internal Audit via the Office of the State Inspector General during the period of February 1, 2022 through April 30, 2022.

Management's Quarterly Travel Expense and Per Diem Report

The Committee received Management's Quarterly Travel Expense and Per Diem report.

Next Committee Meeting Date

The Committee's next meeting is scheduled for Tuesday, September 13, 2022, at 2:00 p.m.

Mr. Andrews thanked Mr. Montgomery for his report.

**Report of the Defined Contribution Plans Advisory Committee**

The VRS Board of Trustees received the report of the Defined Contribution Plans Advisory Committee and placed it on file.

ADMINISTRATION

Administrative Reports and Communication Update

Senator Bell began his report by noting that staff provided an overview of the DC plans, as well as an update on administrative reports for the first quarter of 2022. An overview of assets and accounts across the various defined contribution plans, as well as participant trends and the impact of various plan initiatives, was also provided. Staff shared with the Committee an analysis and overview of efforts related to the first quarter focus on asset retention along with VRS being the recipient of the 2022 Communicator Award of Distinction. This award was presented by the Academy of Interactive and Visual Arts (AVIA) in the Marketing Effectiveness category for a communications campaign about SmartStep Auto-Increase Awareness.

DC Plans Consultant RFP Update

Staff provided an update on the DC Plans Consultant RFP. Staff indicated that Sageview Consulting has been procured to assist with the RFP Process and that Andrew Ness will be the primary consultant assisting VRS.

INVESTMENTS

Performance Reports

Staff provided the Committee with an overview of the markets and reviewed the April 30, 2022 performance reports, including the unbundled DC plans investment options and the bundled TIAA ORPHE Retirement Choice (RC) investment menu options. Staff also informed the Committee of BlackRock's changes to the fixed income portion of their LifePath target date portfolios.



#### Benchmark Review

Staff provided an overview of VRS DC plans performance benchmarks and their importance as it relates to passively managed funds. Staff shared a benchmark correlation table for the five-year period ending March 31, 2022 and provided an overview of general findings from peers in the public DC plan sponsor space. The DCPAC did not express any concerns regarding the standard benchmarks currently being used within the DC investment program.

#### 2022 PIMCO U.S. DC Consulting Study

Staff gave an overview of the key findings from the 2022 PIMCO U.S. DC Consulting Study. Staff highlighted some of the findings, such as the dominance of target date funds, and noted the increasing interest in Environmental, Social and Governance (ESG) and alternatives in DC investing.

#### OTHER BUSINESS

No new business was brought before the Committee.

#### DISCUSSION OF NEW IDEAS

Mr. Larson started a discussion on how DCPAC impacts VRS customers, including a question about how to review and compare annual data in an environment that's rapidly changing. Staff explained that in addition to receiving annual studies from various sources, staff participate s in webinars, which usually include surveys. Staff also continuously engages with various parties within the DC industry, including VRS business partners, throughout the year. Trends are reviewed to ascertain longer term perspectives. Insights were also provided on behavioral finance and how changes in the stock market, variations in data and current conditions affect how customers react.

#### 2022 MEETINGS

Senator Bell confirmed the remaining DCPAC meetings in 2022, all at 1:00 p.m.:

- Thursday, September 8<sup>th</sup>
- Thursday, December 1<sup>st</sup>

Additionally, the ORPHE Annual Employer Update has been scheduled for September 29, 2022 and will appear on the DCPAC agenda as an upcoming event. This is not a DCPAC meeting; however, members may attend if interested.

Mr. Andrews thanked Senator Bell for his report.

#### **Report of the Administration and Personnel Committee**

The VRS Board of Trustees received the report of the Administration and Personnel Committee and placed it on file.

#### Approval of Minutes

Mr. Andrews began his report by noting that the Committee approved the minutes of its April 6, 2022, meeting.



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Discussion and Consideration of Revised FY 2022 Agency Performance Outcome (APO) #1

Michael Cooper, Chief Operating Officer, advised the Committee of changes to the current Agency Performance Outcome (APO) #1. Mr. Cooper reminded the Committee that the Chief Technology and Information Security Officer briefed them on this matter in April and further explained that while the original APO indicated a full migration to the public cloud, the team has determined that a hyper converged infrastructure (HCI) data center is the most appropriate path forward for the agency's information technology infrastructure. Therefore, the APO language was updated to reflect the ongoing work related to the HCI data center migration, which requires approval by the Committee and the Board.

Upon a motion by Mr. Montgomery, with a second by Mr. Hayes, the VRS Board of Trustees approved the following action:

***Request for Board Action 2022-06-09: The VRS Board of Trustees approves revisions to Agency Performance Outcome #1 for Fiscal Year 2022.***

Discussion and Consideration of FY 2023 Agency Performance Outcomes (APOs) and Operational Measures

Michael Cooper reviewed the proposed Agency Performance Outcomes (APOs) and operational measures for FY 2023. Mr. Cooper noted that APOs are considered stretch goals for the organization, requiring input across all business units, and operational measures reflect the agency's day-to-day business operations.

Staff proposes six APOs for FY 2023, each with multiple subcomponents. Sixteen operational measures are also proposed for the fiscal year. To satisfy the requirements for the gainsharing bonus, staff must accomplish five of the six APOs and 13 of the 16 operational measures. In addition, Mr. Cooper noted that consistent with the strategic plan and APO #5 (Customer Experience Review), the agency will be reviewing and potentially updating the organization's operational measures and has included this work in its FY 2023 roadmap.

Upon a motion by Dr. Gooden, with a second by Mr. Montgomery, the VRS Board of Trustees approved the following action:

***Request for Board Action 2022-06-10: The VRS Board of Trustees approves the FY 2023 Agency Performance Outcomes (APOs) and Agency Operational Measures.***

Approve Revised Investment Professionals' Pay Plan

Paula Reid, Human Resources Director, updated the Committee on proposed changes to the Investment Professionals' Pay Plan. Ms. Reid noted that the changes include:

- Adding the position of Chief Managing Director to ensure the smooth transition of the new Chief Investment Officer.
- Reflecting the current assumed rate of return.
- Providing clarifying language within several sections of the pay plan.

In addition, the updates include a 5% increase to the minimum and maximum of each of the salary bands, consistent with Item 483 of the 2023 Appropriation Act, effective July 10, 2022. This change is contingent on the Appropriation Act's passage.

Upon a motion by Mr. Montgomery, with a second by Ms. Seward, the VRS Board of Trustees approved the following action:

***Request for Board Action 2022-06-11: The Virginia Retirement System Board of Trustees approves an amended Investment Professionals' Pay Plan ("Pay Plan"), effective July 10, 2022.***

Approve Revised Administrative Pay and Investment Operations and Administration Pay Plans

Ms. Reid also updated the Committee on proposed changes to the Administrative and Investment Operations and Administration Pay Plans. Item 483 of the 2023 Appropriation Act, contingent upon its passage, will require the Department of Human Resource Management to increase by 5% the minimum and maximum of each of the salary bands in the Commonwealth's Classified Compensation Plan. Generally, the VRS Board of Trustees also adjusts the salary scales in its pay plans in accordance with the requirements of the Appropriation Act. An increase of 5% to the minimum and maximum of each grade of the salary scales in the Administrative Pay Plan and the Investment Operations and Administration Pay Plan, effective July 10, 2022, is consistent with the changes to be made to the Commonwealth's Classified Compensation Plan.

Upon a motion by Ms. Seward, with a second by Mr. Montgomery, the VRS Board of Trustees approved the following action:

***Request for Board Action 2022-06-12: The VRS Board of Trustees approves an amended Administrative Pay Plan and Investment Operations and Administration Staff Pay Plan, effective July 10, 2022.***

Budget Update

Jonathan Farmer, Budget and Performance Reporting Manager, presented an update on the agency's budget. Mr. Farmer reviewed the agency's expenditures through April 30, 2022 and outlined anticipated spending through the remainder of the fiscal year. He also explained that the reduction in the anticipated surplus from February is due to the agency's absorption of the 5% salary increases authorized in the FY 2022 Appropriation Act. Mr. Farmer indicated that VRS is still on track to finish the year with a surplus of approximately \$5.46 million.

Following Mr. Andrews' report, Ms. Bishop confirmed that any remaining balances are returned to the Trust and, for clarity, will be referred to as unexpended appropriations in future reports.

**Operational Update Series: Education and Training**

Next, as part of the ongoing Operational Update Series, Ms. Bishop introduced Christina Jay, Training Manager, who delivered a presentation on the role of the VRS Education and Training Team. Ms. Jay provided an overview of the VRS Strategy Map and noted the Education and Training Team is part of the Public Relations Department and collaborates with several other teams, such as Communications, Member Outreach and the Employer Representative Group.



The Education and Training Team strives for a superior customer experience by creating training products that are engaging, easily accessible and user-friendly. The team employs a multitude of training mediums and products such as E-Learning, webinars, live and virtual classes, manuals, process guides and videos with short, targeted content. Ms. Jay informed the Board that in addition to the training resources currently available, the VRS Training Academy for Employers, which contains a tailored three-series curriculum to aid in providing accurate benefit information to employees, will be launched in January 2023. Employers will be able to access the training academy directly through the VRS Employer website.

Lastly, Ms. Jay noted the team tracks curriculum views and completions, as well as assesses employer satisfaction through surveys and evaluations. If an employer reports an unsatisfactory experience following a training course, the team reaches out for details and feedback on areas of improvement; however, feedback from employers has been overwhelmingly positive.

Mr. Andrews thanked Ms. Jay for her presentation.

#### **Commending Resolution of Service for O'Kelly E. McWilliams, III**

Following a motion by Mr. Montgomery and a second by Ms. Seward, the VRS Board of Trustees affirmed the following resolution:

WHEREAS, O'Kelly E. McWilliams, III, Esq., was appointed to the Virginia Retirement System Board of Trustees beginning March 2017 and he served through April 2022; and

WHEREAS, the Governor of Virginia appointed him to serve as Chair of the Virginia Retirement System Board of Trustees in March 2020 and he served through April 2022 with honor and distinction, and introduced the Administration Update Series to further emphasize services available to members; and

WHEREAS, Mr. McWilliams further contributed to the System by serving as a Member and then Chair of the Investment Policy Committee, Chair of the Administration and Personnel Committee; Chair of the Chief Investment Officer Search Committee; a Member of the Audit and Compliance Committee; and a Member of the Benefits and Actuarial Committee; and

WHEREAS, Mr. McWilliams led the Board and the Virginia Retirement System with distinction during an unprecedented global pandemic and guided the System and its administration throughout this challenging time, exercising steady leadership and providing reassurance to staff and System members; and

WHEREAS, he guided the System during a period of significant change and achievement, including enabling members to submit retirement applications online using myVRS and establishing additional online services, including beneficiary management and direct deposit changes; and

WHEREAS, Mr. McWilliams led the VRS Board as the VRS Trust Fund marked a historic double-digit return of 27.5% in fiscal year 2021, while also marking a milestone as the fund exceeded \$100 billion for the first time;

NOW, THEREFORE, BE IT RESOLVED, that on June 23, 2022, we, the members of the Board of Trustees of the Virginia Retirement System, hereby acknowledge Mr. McWilliams' superior leadership of the



System, and express our deep gratitude for his support and unwavering dedication to the Board of Trustees, the Virginia Retirement System, its members and the Commonwealth of Virginia.

#### Information Technology Update

Mark Rein, Chief Technology and Security Officer, provided the Board with an update on the data center project. Mr. Rein noted that significant upgrades to VRS' infrastructure involving networking and computing will take place over the next two years, and enhancements to the security platform will evolve as technologies and tactics become available. In addition, staff have bolstered their knowledge and expertise through classes and certifications, which supports retention and maintaining a modern workforce.

VRS has finalized the contract for two tier 3 data centers, each a fully available site located in two different states. The sites are on separate and unique power grids and employ different telecommunication providers, which allows for full redundancy and tolerance. Due to supply chain issues, networking equipment is expected to arrive in August and December, and staff expects to begin commissioning the data centers in April 2023.

Mr. Rein also provided the following updates to the Board:

- Staff has completed initial implementation of CrowdStrike, providing 24/7 security service.
- Work is underway to craft VNAV Generation 2 that will improve user experience and support future enhancements.
- Migration of SharePoint environment to a cloud-based service will be complete by March 2023.
- Staff is finalizing a project management organization that will be updating and enhancing governing processes, standards and policies.
- Staff is implementing technology to support VRS' hybrid (combination of in-person and remote work) workforce and replacing the current network to enhance speed and capacity.
- Through corporative contracts, VRS has selected a Microsoft Dynamics managed services provider, and is negotiating the same for Microsoft 365.

Mr. Rein advised that VRS has contracted with external resources to implement these enhancements and services to meet project goals and timelines.

Mr. Andrews thanked Mr. Rein for his presentation.

#### Report of the Director

Ms. Bishop, Director, began her report with an update on the agency road map for FY 2022, noting that all projects are progressing as planned, as well as a review of New Coverage Elections.

#### Legislative Update

Cindy Wilkinson, Policy, Planning and Compliance Director, provided the Board with an update on VRS-related legislation, as well as an overview of the impacts of the budget recently signed by the Governor. The Board was advised that the \$750 million allotted for FY 2022 will be included in the June 30, 2022 valuations presented in the fall, and the remaining \$250 million reserved for FY 2023 is contingent upon general fund revenues being received as anticipated.

Mr. Andrews thanked Ms. Wilkinson for her report.

#### Announcements

Next, Ms. Bishop provided the following announcements to the Board:

- The Virginia Government Finance Officers Association (VGFOA) recently honored Barry Faison, VRS Chief Financial Officer, for his years of dedicated service.
- The Academy of Interactive and Visual Arts (AIVA) presented VRS with the 2022 Communicator Award of Distinction for the SmartStep Auto-Increase Awareness Campaign.
- Use of the myVRS online retirement feature continues to increase since its launch.

#### Custodial and Signature Authorization Resolutions

Ms. Bishop presented the Resolution for Master Custodial Services and the Resolution for Payment of Retirement System Funds in the State Treasury and Signing Official Documents. The documents set out the Board's intentions regarding authority to sign documents. Mr. Faison noted the only change to both resolutions is updating the Chair's name.

#### DPB Deficit Provision Acknowledgement Form

Ms. Bishop noted that annually VRS and other state agencies are required to confirm that their obligations and expenditures do not exceed their appropriations. She advised that VRS expenditures and obligations do not exceed appropriations. The reporting form specifically states that each member of the Board has been provided with a copy of the notice. The executed form will be sent to the Department of Planning and Budget.

#### **Securities Litigation (Closed Session)**

Upon a motion by Mr. Montgomery, with a second by Chief Garrett, the Virginia Retirement System Board of Trustees convened a closed meeting under the Virginia Freedom of Information Act for the purpose of consultation with legal counsel about actual litigation pursuant to the exemption contained in § 2.2-3711(A)(7) of the *Code of Virginia*.

Upon return to open meeting, Mr. Montgomery moved, with a second by Ms. Seward, the following resolution:

WHEREAS, the Virginia Retirement System Board of Trustees convened a closed meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act; and

WHEREAS, § 2.2-3712 of the *Code of Virginia* requires a certification by the Board that such closed meeting was conducted in conformity with Virginia law;

NOW, THEREFORE, BE IT RESOLVED, the Board certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements under this chapter were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered by the Board.

The Board approved the resolution upon the following roll call vote:

Mr. Bell: Aye  
Mr. Bennett: Aye  
Mr. Disharoon: Aye  
Chief Garrett: Aye  
Dr. Gooden: Aye  
Mr. Hayes: Aye  
Mr. Montgomery: Aye  
Ms. Seward: Aye  
Mr. Andrews: Aye

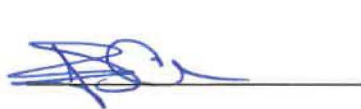
#### **Other Business**

Lastly, Mr. Andrews reviewed the following meeting schedule:

- Board of Trustees – July 14, 2022 – Cancelled
- Investment Advisory Committee – August 18, 2022
- Defined Contribution Plans Advisory Committee – September 8, 2022
- Audit and Compliance Committee – September 13, 2022
- Administration and Personnel Committee – September 14, 2022
- Board of Trustees – September 22, 2022.

#### **Adjournment**

There being no further business and following a motion by Mr. Montgomery, with a second by Chief Garrett, the VRS Board of Trustees agreed to adjourn the meeting at 2:37 p.m.



Chair



Secretary



## Report

The Audit and Compliance Committee met on June 16, 2022 and discussed the following:

### **APPROVAL OF MINUTES**

The Committee approved the minutes of its March 29, 2022 meeting.

### **EXIT ON THE 2021 EMPLOYER ASSURANCES REVIEW**

The Auditor of Public Accounts (APA) reported the Employer Assurances Review, covering GASB Statements No. 68 and 75, was progressing as planned. The APA indicated they should conclude their work over the Pension and Other Post-Employment Benefit (OPEB) plans and issue the related opinions during the month of July.

### **ENTRANCE WITH THE APA FOR THE VRS 2022 ANNUAL COMPREHENSIVE FINANCIAL REPORT AUDIT**

The Committee held its annual entrance conference with the APA to review the approach and scope of the examination of VRS' Annual Comprehensive Financial Report for the Fiscal Year Ending June 30, 2022.

### **AUDIT REPORTS**

The Committee received two audit reports.

- The review of *Cash Management* concluded that cash management processes in place support VRS' operational needs and comply with applicable statutory requirements. There were no formal recommendations as a result of this review.
- The review of *IT General Controls* determined that overall the IT architecture within VRS is effective and secure. There were four formal recommendations as the result of this review.

### **MISCELLANEOUS UPDATES**

The Committee received the following miscellaneous updates:

#### **Quarterly Report on Fraud, Waste and Abuse Hotline Cases**

It was noted there were no Fraud, Waste and Abuse Hotline complaints reported to Internal Audit via the Office of the State Inspector General during the period of February 1, 2022 through April 30, 2022.

#### **Management's Quarterly Travel Expense and Per Diem Report**

The Committee received Management's Quarterly Travel Expense and Per Diem report.

#### **Next Committee Meeting Date**

The Committee's next meeting is scheduled for Tuesday, September 13, 2022 at 2 p.m.

Respectfully submitted to the Board of Trustees on June 23, 2022.



Joseph W. Montgomery, Chair  
Audit and Compliance Committee

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## Report

The Defined Contribution Plans Advisory Committee (DCPAC) convened on June 2, 2022 at 1:04 p.m. and took up the following matters:

### WELCOME

Senator Bell welcomed Committee members, Board members, agency officials, representatives from stakeholder groups, and other members of the public joining in person and through electronic means, to the DCPAC.

### ADMINISTRATION

#### Administrative Reports and Communication Update

Staff provided an overview of the DC plans, as well as an update on administrative reports for the first quarter of 2022. An overview of assets and accounts across the various defined contribution plans, as well as participant trends and the impact of various plan initiatives was also provided. Staff shared with the Committee an analysis and overview of efforts related to the first quarter focus on asset retention along with VRS being the recipient of the 2022 Communicator Award of Distinction. This award was presented by the Academy of Interactive and Visual Arts (AVIA) in the Marketing Effectiveness category for a communications campaign about SmartStep Auto-Increase Awareness.

#### DC Plans Consultant RFP Update

Staff provided an update on the DC Plans Consultant RFP. Staff indicated that Sageview Consulting has been procured to assist with the RFP Process and that Andrew Ness will be the primary consultant assisting VRS.

### INVESTMENTS

#### Performance Reports

Staff provided the Committee with an overview of the markets and reviewed the April 30, 2022 performance reports, including the unbundled DC plans investment options and the bundled TIAA ORPHE Retirement Choice (RC) investment menu options. Staff also informed the Committee of BlackRock's changes to the fixed income portion of their LifePath target date portfolios.

#### Benchmark Review

Staff provided an overview of VRS DC plans performance benchmarks and their importance as it relates to passively managed funds. Staff shared a benchmark correlation table for the five-year period ending 3/31/2022 and provided an overview of general findings from peers in the public DC plan sponsor space. The DCPAC did not express any concerns regarding the standard benchmarks currently being used within the DC investment program.



2022 PIMCO US DC Consulting Study

Staff gave an overview of the key findings from the 2022 PIMCO U.S. Consulting Study. Staff highlighted some of the findings, such as the dominance of target date funds and noted the increasing interest in ESG and alternatives in DC investing.

**OTHER BUSINESS**

No new business was brought before the Committee.

**DISCUSSION OF NEW IDEAS**

Mr. Larson started a discussion on how DCPAC impacts our customers. How do you reconcile annual data in an environment that's rapidly changing? Staff explained that in addition to receiving annual studies from various sources, staff participates in webinars and these meetings usually include surveys. Staff also continuously engages with various parties within the DC industry, including our business partners, throughout the year. Trends are reviewed to ascertain longer term perspectives. Insights were also provided on behavioral finance and how changes in the stock market, variations in data and current conditions affect how customers react.

**2022 MEETINGS**

Senator Bell confirmed the remaining DCPAC meeting dates in 2022, all at 1:00 p.m.:

- Thursday, September 8<sup>th</sup>
- Thursday, December 1<sup>st</sup>

Additionally, the ORPHE Annual Employer Update has been scheduled for September 29, 2022 and will appear on the DCPAC agenda as an upcoming event. This is not a DCPAC meeting; however, members may attend if interested.

There was no other business to come before the Committee.

Submitted to the Board of Trustees on June 23, 2022.

J. Brandon Bell, Chair  
Defined Contribution Plans Advisory Committee



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## Report

The Administration and Personnel Committee met on June 14, 2022 and discussed the following:

### **APPROVAL OF MINUTES**

The Committee approved the minutes of its April 6, 2022 meeting.

### **DISCUSSION AND CONSIDERATION OF REVISED FY 2022 AGENCY PERFORMANCE OUTCOME (APO) #1**

Michael Cooper, Chief Operating Officer, advised the Committee of changes to the current Agency Performance Outcome (APO) #1. Mr. Cooper reminded the committee that the Chief Technology and Information Security Officer briefed them on this matter in April and further explained that while the original APO indicated a full migration to the public cloud, the team has determined that a hyper converged infrastructure (HCI) data center is the most appropriate path forward for the agency's information technology infrastructure. Therefore, the APO language was updated to reflect the ongoing work related to the HCI data center migration, which requires approval by the Committee and the Board.

The Committee recommends approval of the following action to the Board of Trustees:

***Request for Board Action:*** *The Board approves the revised FY 2022 Agency Performance Outcome (APO) #1.*

### **DISCUSSION AND CONSIDERATION OF FY 2023 AGENCY PERFORMANCE OUTCOMES (APOs) AND OPERATIONAL MEASURES**

Michael Cooper reviewed the proposed Agency Performance Outcomes (APOs) and operational measures for FY 2023. Mr. Cooper noted that APOs are considered stretch goals for the organization, requiring input across all business units, and operational measures reflect the agency's day-to-day business operations.

Staff proposes six APOs for FY 2023, each with multiple subcomponents. Sixteen operational measures are also proposed for the fiscal year. To satisfy the requirements for the gainsharing bonus, staff must accomplish five of the six APOs and 13 of the 16 operational measures. In addition, Mr. Cooper noted that consistent with the strategic plan and APO #5 (Customer Experience Review), the agency will be reviewing and potentially updating the organization's operational measures and has included this work in its FY 2023 roadmap.

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

***Request for Board Action:*** *The Board approves the FY 2023 Agency Performance Outcomes (APOs) and Operational Measures.*

### **APPROVE REVISED INVESTMENT PROFESSIONALS' PAY PLAN**

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Paula Reid, Human Resources Director, updated the Committee on proposed changes to the Investment Professionals' Pay Plan. Ms. Reid noted that the changes include:

- Adding the position of Chief Managing Director to ensure the smooth transition of the new Chief Investment Officer.
- Reflecting the current assumed rate of return.
- Providing clarifying language within several sections of the pay plan.

In addition, the updates include a 5% increase to the minimum and maximum of each of the salary bands, consistent with Item 483 of the 2023 Appropriation Act, effective July 10, 2022. This change is contingent on the Appropriation Act's passage.

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

***Request for Board Action:*** *The Board approves the revised Investment Professionals' Pay Plan.*

**APPROVE REVISED ADMINISTRATIVE PAY AND INVESTMENT OPERATIONS AND ADMINISTRATION PAY PLANS**

Ms. Reid also updated the Committee on proposed changes to the Administrative and Investment Operations and Administration Pay Plans. Item 483 of the 2023 Appropriation Act, contingent upon its passage, will require the Department of Human Resource Management to increase by 5% the minimum and maximum of each of the salary bands in the Commonwealth's Classified Compensation Plan. Generally, the VRS Board of Trustees also adjusts the salary scales in its pay plans in accordance with the requirements of the Appropriation Act. An increase of 5% to the minimum and maximum of each grade of the salary scales in the Administrative Pay Plan and the Investment Operations and Administration Pay Plan, effective July 10, 2022, is consistent with the changes to be made to the Commonwealth's Classified Compensation Plan.

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

***Request for Board Action:*** *The Board approves the revised Administrative and Investment Operations and Administration Pay Plans.*



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**BUDGET UPDATE**

Jonathan Farmer, Budget and Performance Reporting Manager, presented an update on the agency's budget. Mr. Farmer reviewed the agency's expenditures through April 30, 2022 and outlined anticipated spending through the remainder of the fiscal year. He also explained that the reduction in the anticipated unexpended appropriation from February is due to the agency's absorption of the 5% salary increases authorized in the FY 2022 Appropriation Act. Mr. Farmer indicated that VRS is still on track to finish the year with an unexpended appropriation of approximately \$5.46 million.

Submitted to the Board of Trustees on June 23, 2022.



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A. Scott Andrews, Chair  
Administration and Personnel Committee

**RESOLUTION**  
**FOR PAYMENT OF RETIREMENT SYSTEM FUNDS**  
**IN THE STATE TREASURY AND SIGNING OFFICIAL DOCUMENTS**

Pursuant to the authority vested in the Board of Trustees of the Virginia Retirement System by *Code of Virginia* § 51.1-149, on this 23<sup>rd</sup> day of June 2022 it is hereby

**RESOLVED**, that all prior designations by the Board of Trustees of the Virginia Retirement System of persons authorized to sign vouchers and Voucher Transmittals issued by the Retirement System for the payment of funds of the Retirement System in the State Treasury are hereby revoked; and

**BE IT FURTHER RESOLVED**, that the State Treasurer, the Director of Operations, and the Director of Cash Management and Investments, or their designees, are hereby designated by the Board as those persons authorized to sign only those vouchers issued by the Retirement System for the payment of funds of the Retirement System in the State Treasury which are contained in Agency Business Unit 15800 Account Number 103607, which has been designated by the Comptroller as the short-term investment account, including but not limited to, funds used to purchase short-term securities to mature within two (2) years and to effect repurchase agreements involving securities of varying maturities which are held as short-term investments; and

**BE IT FURTHER RESOLVED**, that the Director of the Retirement System, the Chief Financial Officer, the Chief Operating Officer, the Customer Services Director and the Chief Technology Officer, whose signatures appear herein, are hereby designated by the Board as those persons authorized to sign Voucher Transmittals issued by the Retirement System for the payment of any and all funds of the Retirement System in the State Treasury and any and all accounts designated by the Comptroller as Retirement System funds accounts, including Agency Business Unit 15800 Account Number 103607, provided that such Voucher Transmittals shall be initialed by appropriate supervisory and management level staff personnel; and

**BE IT FURTHER RESOLVED**, that the Chief Financial Officer, the Customer Services Director and the Chief Technology Officer are not authorized to sign a Voucher Transmittal prepared in their respective department; and

**BE IT FURTHER RESOLVED**, that the Director of the Retirement System, the Chief Operating Officer, the Chief Investment Officer or the Chief Administrative Officer - Investments are hereby designated full authority to sign any and all official documents in the name of the Board of Trustees of the Virginia Retirement System including, but not limited to, leases, deeds, contracts, equity index futures and options on such futures, signature cards, minutes and purchase orders; and

**BE IT FURTHER RESOLVED**, that a copy of this resolution shall be forward immediately to the Office of the Comptroller.

**ATTEST:**


  
\_\_\_\_\_  
A. Scott Andrews

Chairman, VRS Board of Trustees

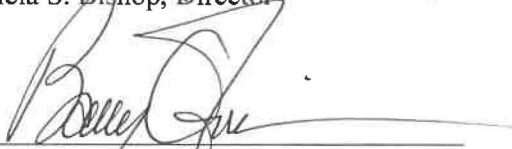
  
\_\_\_\_\_  
Patricia S. Bishop

Secretary to the VRS Board of Trustees


**SIGNATURE PAGE**  
**FOR PAYMENT OF RETIREMENT SYSTEM FUNDS**  
**IN THE STATE TREASURY AND SIGNING OFFICIAL DOCUMENTS**


  
Patricia S. Bishop, Director


  
Mark A. Rein, Chief Technology and Security Officer

  
Barry C. Faison, Chief Financial Officer

  
Ronald D. Schmitz, Chief Investment Officer

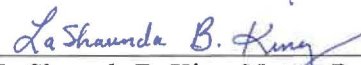
  
Michael P. Cooper, Chief Operating Officer

  
Robert L. Irving, Customer Services Director

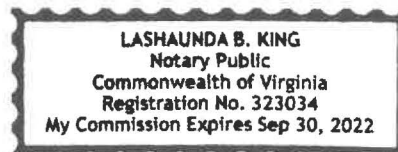
  
Curtis M. Mattson, Chief Administrative Officer - Investments

COMMONWEALTH OF VIRGINIA  
CITY OF RICHMOND, TO-WIT:

The foregoing instrument was acknowledged before me this 23<sup>rd</sup> day of June 2022 by A. Scott Andrews; Patricia S. Bishop; Barry C. Faison; Mark A. Rein; Ronald D. Schmitz; Michael P. Cooper; Robert L. Irving and Curtis M. Mattson.

  
LaShaunda B. King, Notary Public

My commission expires Sept. 30, 2022.





***RESOLUTION  
FOR MASTER CUSTODIAL SERVICES***

Pursuant to the authority vested in the Board of Trustees of the Virginia Retirement System by *Code of Virginia* § 51.1-149, on this 23<sup>rd</sup> day of June 2022, it is HEREBY

PREVIOUS DESIGNATIONS REVOKED

**RESOLVED**, that all prior designations by the Board of Trustees of the Virginia Retirement System of persons authorized to sign investment invoices and actions involving the distribution or payment of funds or transfer of assets of the Virginia Retirement System under your custodial control as well as actions involving administrative matters and proxies within their custodial control are hereby revoked; and

VRS ASSET TRANSFERS AND ACCOUNT PAYMENTS

**BE IT FURTHER RESOLVED**, that dual signatures, one of which shall be from the Director of the Virginia Retirement System, the Chief Financial Officer, the Chief Operating Officer, the Customer Services Director, or the Chief Technology Officer and the second shall be from the Chief Investment Officer, the Chief Administrative Officer - Investments, the Investments Compliance Officer or the Investments Office Administrator, are hereby required and that those persons are designated and authorized by the Board to sign for all actions involving the distribution or payment of funds or transfer of assets of the Virginia Retirement System under your custodial control that (i) are not initiated by an authorized investment advisor associated with the settlement of a purchase or sale transaction and (ii) are not for the payment of investment management, consulting or custodian fees. If investment personnel are unavailable, any two of the listed VRS administrative personnel could sign. However, in no event shall both signatures be those of investment department personnel; and

VRS ACCOUNT ADMINISTRATIVE MATTERS

**BE IT FURTHER RESOLVED**, that the Director of the Virginia Retirement System, the Chief Investment Officer, the Chief Administrative Officer - Investments, the Investments Compliance Officer, the Investments Office Administrator, the Controller and the Manager of Investment Accounting are designated by the Board as those additional persons authorized to open and close accounts and take other administrative actions for the VRS accounts not involving the signing of official documents in the name of the Board of Trustees of the VRS or the distribution or payment of funds or transfer of assets of the Virginia Retirement System under your custodial control; and

PROXIES

**BE IT FURTHER RESOLVED**, that the Chief Investment Officer, the Chief Administrative Officer - Investments, or the Investments Compliance Officer are hereby designated by the Board as the persons authorized to sign proxies for the VRS accounts; and

COMPLIANCE

**BE IT FURTHER RESOLVED**, that the Director of the Virginia Retirement System, the Chief Investment Officer, the Chief Administrative Officer - Investments, or the Investments Compliance Officer are hereby designated by the Board as those persons authorized to sign for all actions involving compliance issues to include, but not be limited to, class actions suits, tax exemptions, authorized signatures, stock and bond powers, required resolutions as needed, etc.


**ATTEST:**


 _____ A. Scott Andrews, Chair VRS Board of Trustees	 _____ Patricia S. Bishop Secretary to the Board/VRS Director
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**VIRGINIA RETIREMENT SYSTEM AUTHORIZED SIGNATURES  
FOR MASTER CUSTODIAL SERVICES**

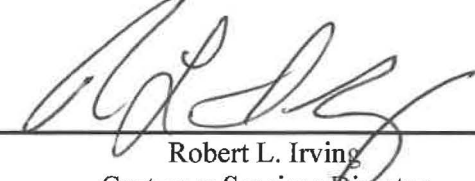
  
Patricia S. Bishop  
Director


  
Ronald D. Schmitz  
Chief Investment Officer

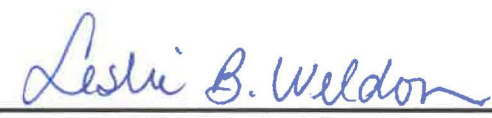
  
Barry C. Faison  
Chief Financial Officer

  
Mark A. Rein  
Chief Technology and Security Officer

  
Michael P. Cooper  
Chief Operating Officer


  
Robert L. Irving  
Customer Services Director

  
Curtis M. Mattson  
Chief Administrative Officer - Investments

  
Leslie B. Weldon  
Controller

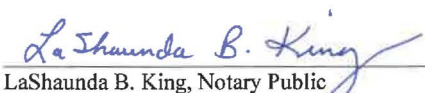
  
Laurie L. Fennell  
Investments Compliance Officer

  
Abida W. Arezo  
Manager of Investment Accounting

  
Danita R. Barnes  
Investments Office Administrator

**COMMONWEALTH OF VIRGINIA  
CITY OF RICHMOND, TO-WIT:**

The foregoing instrument was acknowledged before me this 23<sup>rd</sup> day of June 2022 by A. Scott Andrews; Patricia S. Bishop; Ronald D. Schmitz; Barry C. Faison; Mark A. Rein; Michael P. Cooper; Robert L. Irving; Curtis M. Mattson; Leslie B. Weldon; Laurie L. Fennell, Abida W. Arezo and Danita R. Barnes.

  
LaShaunda B. King, Notary Public

My commission expires September 30, 2022.

