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## Minutes

The Defined Contribution Plans Advisory Committee (DCPAC) of the VRS Board of Trustees convened on June 2, 2022, with the following members present:

Hon. J. Brandon Bell, II, Chair  
Ravindra Deo  
Shannon Irvin  
Rick Larson  
Brenda Madden  
Arun Muralidhar (attended remotely under § 2.2-3708.2(A)(1)(b))  
Ned Smither  
David Winter

VRS Board of Trustees:

John Bennett\*

VRS Staff:

Trish Bishop, Steve Cerreto\*, Jeanne Chenault, Michael Cooper\*, Alicia Diggs\*, Valerie Disanto, Josh Fox\*, Brian Goodman\*, Kelley Harlow\*, Kelly Hiers\*, KC Howell, Robert Irving, Ryan LaRochelle, Joyce Monroe\*, Teresa Nguyen\*, Laura Pugliese, Steven Ramirez, Michael Scott, Kristy Scott\*, Jillian Sherman, Jennifer Schreck, Ashley Spradley\*, Bridgette Watkins, Rachel Webb and Cindy Wilkinson\*.

Guests:

Joe Ebisa\*, Within Intelligence; Brian McCleave, Empower; Andrew Ness\*, SageView Advisors; Jamie Bitz, JLARC

*\*Attended remotely*

The meeting convened at 1:04 p.m.

## Opening Remarks

Brandon Bell welcomed Committee members, Board members, VRS staff, representatives from other stakeholder groups and members of the public.

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. Muralidhar - Present  
Mr. Smither – Present

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Mr. Winter – Present  
Mr. Bell - Present

### **Approval of Minutes**

Upon a motion by Mr. Winter, with a second by Mr. Smither the Committee approved the minutes of the March 24, 2022 meeting of the Defined Contribution Plans Advisory Committee.

### **Administrative Reports and Communications Update**

Kelly Hiers, DC Plans Administrator, provided an introduction of the VRS Defined Contribution Plans summary for the first quarter, ending March 31, 2022. Ms. Hiers shared the topics to be presented to include information across all DC plans, as well as current initiatives. Ms. Hiers then introduced Robert Irving to continue the presentation.

#### DC Plans and Hybrid Plan Update

Mr. Irving provided an update on total assets and accounts in the VRS Defined Contribution Plans through March 31, 2022.

Mr. Irving shared that VRS was 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.

Mr. Irving provided an update on total assets and accounts in the COV 457 and Virginia Cash Match plans through March 31, 2022, as well as highlighted the COV 457 plan being the largest of all plans, changes in assets due to market fluctuation and an increase in plan adoptions. These plan adoptions could bring approximately 3,000 potential new participants.

Mr. Irving also provided a review of total assets and accounts in the Hybrid Retirement Plan for the first quarter of 2022. He further updated the Committee on the Hybrid 401(a) reaching \$1 billion in assets and the Hybrid 457 plan reaching \$500 million. Further, Mr. Irving highlighted the Hybrid 457 plan auto-escalation as a significant feature. Four new local employers and three new state employers have adopted the Hybrid Retirement plan. Overall participation in Hybrid voluntary contributions has decreased slightly; however, the active election rate is steady. The 2023 auto-escalation cycle will provide an increase in voluntary contributions with approximately 105,000 eligible participants being impacted.

Mr. Irving provided a brief overview of the Optional Retirement Plan for Higher Education. Assets in this plan are held with MissionSquare and TIAA, with the majority held by TIAA.

Mr. Irving next reviewed the DC Plans teams' focus on improving asset retention for the COV 457, Hybrid 401(a) and Hybrid 457 plans, indicating that they will be reviewed on a quarterly basis. He shared

the current retention results over the last four years for these plans. The retention rate is attributed to making sure plan participants understand that they do not have to take distributions after termination. Asset retention across all unbundled plans was reviewed by age and employment status.

Distribution activity is reviewed annually for changing trends; including rollovers, unforeseen emergency withdrawals and small balance distributions. Mr. Irving reviewed various asset retention-related efforts, including updated forms with enhanced messaging, along with financial planning services and a revised Leaving Employment Guide, which is intended to help with retention over time.

#### Upcoming Events

Mr. Irving shared upcoming activities, which include the annual service review meetings with TIAA and MissionSquare. Annual fee disclosures will be distributed in the fall and meetings will be held for the ORPHE annual employer update and open enrollment.

#### DC Plans Consultant RFP Update

Mr. Irving provided an update on the DC Plans consultant RFP and reported that a consultant has been hired. VRS will be working with Sageview Consulting, with Andrew Ness being the primary consultant.

Mr. Bell thanked Mr. Irving and Ms. Hiers for their presentation.

### **DC Plans Investments Update**

Laura Pugliese, Portfolio Manager, Defined Contribution Plans, addressed two follow-up questions posed by attendees at the March 24, 2022 DCPAC meeting regarding the Callan 2022 Survey. She informed the Committee that her Callan contact informed her that: (1) on page 8 of the Callan Survey "Avoidance of Fiduciary Issues" generally related to and revolves around good governance and managing potential risk from litigation or governmental audit; and (2) on page 20 a "None of the Above" response meant that a plan sponsor was in status quo mode and did not anticipate making any changes around target date funds.

#### Performance Reports

Ms. Pugliese provided a high level 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. Ms. Pugliese also informed the Committee of BlackRock's changes to the fixed income portion of their LifePath target date portfolios.

#### Benchmark Review

Ms. Pugliese provided an overview of the standard performance benchmarks used for the individual investment options within the Help-Me-Do-It Path for the Unbundled DC Plans and stressed the importance of benchmark selection as it relates to passively managed funds. She shared a benchmark

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correlation table for the five-year period ending March 31, 2022 and provided an overview of general findings related to what government peers are using for performance benchmarks within their DC plans. 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

Ms. Pugliese gave an overview of the key findings from the 2022 PIMCO U.S. DC Consulting Study. She highlighted some of the findings, such as the dominance of target date funds being used as the default investment option and the increasing interest in ESG and alternatives in DC investing.

Mr. Bell thanked Ms. Pugliese for her presentation.

### **Other Business**

#### Discussion of New Ideas

Mr. Bell asked if Committee members had anything new to bring to the Committee. Mr. Larson started a discussion on how DCPAC impacts VRS customers. He also asked how VRS reconciles 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 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.

### **Upcoming Defined Contribution Plans Advisory Committee Meetings**

Mr. Bell confirmed the remaining DCPAC meeting dates for 2022. The next meeting of the DCPAC will take place on September 8, 2022, with the last meeting of the year to be held on December 1<sup>st</sup>. Both meetings will be held at 1:00 p.m.

The ORPHE Annual Employer Update is scheduled for Thursday, September 29<sup>th</sup> and will appear on the agenda as an upcoming event. This is not a DCPAC meeting; however, members may attend this remote meeting, if interested.

### **Adjournment**

There being no further business, Mr. Bell adjourned the meeting at 2:43 p.m. upon a motion by Mr. Deo, with a second by Mr. Larson, upon a unanimous vote.

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*Brandon Bull*      *9/8/2022*  
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Chair                                  Date

