
Minutes

The Defined Contribution Plans Advisory Committee (DCPAC) of the VRS Board of Trustees met on September 8, 2022, with the following members present:

Committee Members:

Hon. J. Brandon Bell, II, Chair
Dr. Susan T. Gooden
Ravindra Deo
Shannon T. Irvin
Brenda O. Madden
Arun S. Muralidhar
David A. Winter

Members of the Board of Trustees:

John M. Bennett*

VRS staff members in attendance:

Jeanne Chenault, Michael Cooper*, Alicia Diggs*, Jon Farmer*, Josh Fox*, Brian Goodman, Kelley Harlow*, Kelly Hiers, KC Howell, Robert Irving, Andrew Junkin*, Ryan LaRochelle*, Teresa Nguyen*, Rebecca Nicholas*, Laura Pugliese, Steven Ramirez, Kristy Scott*, Michael Scott, Jennifer Schreck, Jacob Schwartz*, Ashley Spradley*, and Bridgette Watkins.

Also in attendance were Brian McCleave, Empower; Andrew Ness*, Sageview; Kimberly A. Sarte, JLARC; Maxwell Cason*, Governor's Office and Laura Albanese*, FIN-news.

**Attended remotely*

The meeting convened at 1:02 p.m.

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

Approval of Minutes

Upon a motion by Dr. Gooden, with a second by Mr. Muralidhar, the minutes of the June 2, 2022 meeting were approved by voice vote.

Governing Documents Update

Brian Goodman, Legal Affairs & Compliance Coordinator, provided an overview of staff recommended changes to the Defined Contribution Incentive Plan for VRS Personnel (DCIP) Plan Document and the DCIP Master Trust.

Mr. Goodman provided background on the DCIP governing documents and the rationale for the changes to the plan document. In connection with its review of all VRS defined contribution plans, outside benefits counsel (Ice Miller) went over the provisions of the DCIP, recommending that an amended and restated document be prepared and adopted by the Board. The plan document contains technical changes and is updated to reflect the provisions of recent legislation affecting qualified plans such as the SECURE Act and changes to the required minimum distribution (RMD) rules. Also, the proposed plan document's format and structure is consistent with that of the other defined contribution plan documents, which were amended and restated recently with the collaboration of outside benefits counsel and VRS staff.

Mr. Goodman finished his presentation with a focus on the amendment to the DCIP master trust. VRS staff also consulted with outside benefits counsel to determine what changes would be needed to the master trust relating to the amended and restated DCIP. The resulting amendment accounts for the recent name change to the plan as well as adding a provision to cover the return of mistaken contributions without violating the trust. Finally, the amendment strengthens the language in the trust regarding its compliance with the IRS separate accounting requirement. Outside counsel's recommendations are designed to provide additional assurance that VRS does and will continue to comply with state and federal law with respect to the master trust. The amendments to the plan document and the master trust do not enhance the benefits or participation in the DCIP.

RBA: Approve Amended and Restated DCIP Plan Document and Approve First Amendment to DCIP Master Trust

Upon a motion by Mr. Deo, with a second by Ms. Madden, the RBA was recommended for approval by the Board of Trustees by voice vote.

Administrative Reports and Communications Update

Kelly Hiers, DC Plans Administrator, provided an update on the VRS Defined Contribution Plans for the second quarter ending June 30, 2022. Ms. Hiers shared the total assets and accounts under management across all DC plans as of June 30, 2022.

DC Plans and Hybrid Plan Update

Ms. Hiers started with an overview of total assets and accounts across all VRS managed plans. She noted that total accounts have crossed the 500,000 threshold which is an important milestone.

Ms. Hiers noted that VRS was the recipient of 2022 NAGDCA Leadership Awards in two categories which were COVID-19 Leadership and Participant Engagement & Communication.

Ms. Hiers provided an update on total assets and accounts in the COV 457 and Virginia Cash Match plans through June 30, 2022. She also provided an overview of total assets and accounts in the VRS Hybrid Retirement Plan and highlighted hybrid plan participation, noting the overall participation in hybrid voluntary contributions and number of hybrid plan members making voluntary contributions.

Ms. Hiers provided an overview of the population of hybrid plan members also eligible for the Commonwealth of Virginia 457 Deferred Compensation Plan. She shared that analysis is conducted on a quarterly basis to identify trends in this population and also to evaluate opportunities to improve communications and outreach efforts to members not maximizing voluntary contributions to the Hybrid 457 Plan and missing out on employer matching contributions.

Ms. Hiers provided an overview of the upcoming Auto-Escalation in 2023 for Hybrid Retirement Plan members non-currently making voluntary contributions or are not contributing the maximum 4%.

ORPHE Update

Ms. Hiers provided an overview by provider of total ORPHE assets, participants and average balances for the second quarter of 2022. Currently, 78% of new hires participate in the TIAA plan and 22% participate in the more recently offered DCP managed by MissionSquare.

Annual Review and Benchmarking

Ms. Hiers provided an analysis of the focus area for the second quarter of 2022 which was the annual review and benchmarking.

Ms. Hiers provided a review of MissionSquare performance. She noted that MissionSquare met all performance standards for 2021. Between FY 2017 through FY 2021, Hybrid 401(a) enrollments increased by 44% and Hybrid 457(b) enrollments increased by 13%. The Commonwealth of Virginia 457(b) plan saw a 6% increase in contributions with a notable 32% increase in self-enrollments into the plan. For participant engagement, account access usage showed consistent increases every year with a noteworthy 58% increase in text access usage between FY 2017 through FY 2021. Ms. Hiers finished with a summary of 2021 key accomplishments and future initiatives.

Ms. Hiers provided an overview of the TIAA Service Review. She noted that all TIAA performance standards were met for 2021. Total participants are over 8,200 and total assets are over \$950 million. She pointed out the Average Income Replacement Ratio was 83% which is a notable statistic for participants.

DC Plans Record Keeper RFP Update

Ms. Hiers finished her presentation with an update on the status of the DC Plans Record Keeper RFP. She noted the RFP has been drafted and is in the final review process. It is expected to be issued mid- to late September and will be open for eight weeks.

DC Plans Investments Update

Laura Pugliese, Portfolio Manager, Defined Contribution Plans, provided an overview of the Annual Investments Review as of June 30, 2022 to the DCPAC.

Ms. Pugliese noted that current CIO Ron Schmitz will be retiring effective January 2023. After a national search, the Board of Trustees appointed Andrew Junkin as the new CIO. Mr. Junkin began serving in early September.

Annual Investments Review

Ms. Pugliese provided an overview of the DCPAC duties and responsibilities as required by the Charter, including the duty to review trends and best practices, assist staff with identifying potential asset classes and investment strategies, review the VRS Defined Contribution Plans Investment Belief Statements and DC Plans Investment Policy Statements, and provide recommendations to the Board as needed. She noted Mr. Junkin will be given the opportunity to review the VRSDC Investment Belief Statements and the two DC Investment Policy Statements which may result in further review at a later date.

Ms. Pugliese provided an overview of the Annual Investments Review as of June 30, 2022 to the DCPAC. Total DC Plan assets in the unbundled DC Plans structure and bundled ORPHE structure was \$6.1 billion for the Fiscal Year ending June 30, 2022. She informed the Committee that no changes were made to either the unbundled DC plans investment platform or the bundled TIAA ORPHE Retirement Choice (RC) contract investment platform.

Ms. Pugliese provided a review of the investment performance and annual operating expenses in the unbundled DC Plans and bundled TIAA ORPHE RC contract for the Fiscal Year ending June 30, 2022.

Ms. Pugliese finished her presentation with DC investment trends and developments. Staff continues to monitor developments in the areas of default investment options, investment menu structure and offerings, behavioral finance, investment advice and managed accounts, and lifetime retirement income.

Ms. Pugliese shared with the Committee that the complete annual investment review package was included in the appendix.

Other Business

Discussion of New Ideas

There was no discussion of new ideas.

Upcoming Defined Contribution Plans Advisory Committee Meetings

Mr. Bell confirmed the following DCPAC meeting dates for 2022:

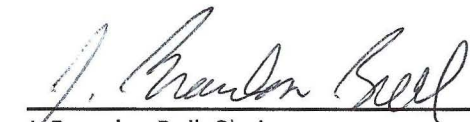
The next meeting of the DCPAC will take place on December 1st from 1:00 p.m. to 4:00 p.m.

The ORPHE Annual Employer Update is scheduled for September 29th, as required by the DCPAC Charter. This is not a DCPAC Committee meeting, however members may attend if interested.

Adjournment

Mr. Deo made a motion to adjourn the meeting. Dr. Gooden seconded the motion.

There being no further business, Mr. Bell adjourned the meeting at 2:34 p.m.



J. Brandon Bell, Chair

Defined Contribution Plans Advisory Committee