

Minutes

The Defined Contribution Plans Advisory Committee (DCPAC) of the VRS Board of Trustees convened on December 1, 2022, with the following members present:

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

Members of the Board of Trustees:

William A. Garrett

VRS Staff:

Trish Bishop, Steve Cerreto*, Jeanne Chenault, Michael Cooper, Josh Fox*, Kelley Harlow*, Kelly Hiers, KC Howell, Robert Irving, Ryan LaRochelle, Ciara Lawson*, Joyce Monroe*, Teresa Nyugen*, Laura Pugliese, Steven Ramirez, Kristy Scott*, Michael Scott, Jennifer Schreck, Ashley Spradley*, Bridgette Watkins, Leslie Weldon, and Cindy Wilkinson.

Guests:

Joe Ebisa*, With Intelligence; Brian McCleave, Empower Retirement; Andrew Ness, SageView Advisory Group

**Attended remotely*

The meeting convened at 1:00 p.m.

Opening Remarks

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

Approval of Minutes

Dr. Gooden motioned and Mr. Muralidhar seconded the motion to approve the minutes of the September 8, 2022 meeting. Mr. Winter requested an amendment to the minutes to state the amendments made to the Defined Contribution Incentive Plan for VRS Personnel (DCIP) during the September 8th meeting did not increase the benefits or participation in the DCIP. Upon a voice vote, the amended minutes were approved by the Committee.

Annual Administrative Expense Report

Michael Cooper, Chief Operating Officer, provided an overview of the administrative expense report and annual cost update for FY 2022, as required by the DCPAC Charter. The report provided both direct and indirect costs associated with administering VRS' Defined Contribution Plans. Total administrative costs related to participants and expenditures for FY 2022 were provided, along with a cost trend analysis over the five-year period from FY 2018 to FY 2022.

Mr. Bell thanked Mr. Cooper for his presentation.

Administrative Reports and Communications Update

Kelly Hiers, DC Plans Administrator, provided an update on the VRS Defined Contribution Plans for the third quarter, ending September 30, 2022. Ms. Hiers shared the total assets under management across all DC plans, as well as an overview of unique participant counts for the unbundled plans.

DC Plans and Hybrid Plan Update

Ms. Hiers provided an update on total assets and accounts in the VRS Defined Contribution Plans through September 30, 2022. She also presented an overview of the number of unique participants in the unbundled DC Plans.

Ms. Hiers noted that at the National Association of Government Defined Contribution Administrators (NAGDCA) Annual Conference, VRS received the Art Caple President's Award. The NAGDCA Art Caple President's Award is presented to a public sector retirement plan that has championed a participant-first mentality in building financial security for public employees.

Ms. Hiers provided an update on total assets and accounts in the COV 457 and Virginia Cash Match plans through September 30, 2022, as well as an overview of an upcoming communications campaign to increase awareness of and encourage participation in the COV 457 Plan.

Ms. Hiers also provided a review of total assets and accounts in the Hybrid Retirement Plan for the third quarter of 2022. She further updated the Committee on the Hybrid 457 voluntary participation and contribution election rates for the third quarter of 2022. An update on the Hybrid 457 voluntary participation and contribution election rates was also provided.

Ms. Hiers presented an overview of the 2023 auto-escalation status. Over 110,000 accounts will be eligible for auto-escalation beginning in January 2023. Ms. Hiers noted the opt-out rate as of November 8, 2022 is very low at 0.4%. Ms. Hiers also noted the outreach efforts to members and employers to inform each about the program.

Ms. Hiers next presented data related to contributions and enrollments for the third quarter of 2022. For the COV 457 Plan, she provided a breakdown of the eligible plan participants by employer type compared to the actual plan participants by employer type. She provided an overview of participation

rates in the plan over time and annual enrollments. Ms. Hiers also provided an overview of hybrid population enrollments and accounts noting the differences between active accounts and total accounts. She provided an overview of Hybrid Plan members by employer type and participation in voluntary contributions. Ms. Hiers highlighted ongoing and future related initiatives to increase enrollments and contributions to the Hybrid 457 and COV 457 plans.

ORPHE Update

Ms. Hiers shared an overview by provider of total ORPHE assets, participants and average balances for the third quarter of 2022. She also gave an update on ORPHE provider selections for the third quarter of 2022.

Mr. Bell thanked Ms. Hiers for her presentation.

ORPHE Annual Employer Report

Mr. Rick Larson, the DCPAC member representing higher education, presented his report on the ORPHE Annual Employer Update, hosted by VRS Defined Contribution Plans on Thursday, September 30, 2022.

Mr. Bell thanked Mr. Larson for his presentation.

DC Plans Recordkeeper RFP Update

Ms. Hiers provided an update on the DC Plans Recordkeeper RFP. The deadline for proposals received in response to the Recordkeeper RFP is December 2, 2022. The formal evaluation process will begin in January 2023.

DC Plans Investments Update

Laura Pugliese, Portfolio Manager, Defined Contribution Plans, provided an overview of the October 31, 2022 performance reports. Ms. Pugliese noted the major sources of differences between fund and benchmark index performance. Ms. Pugliese highlighted areas from the unbundled investment options and the bundled TIAA passively managed investment options for the longer dated return series where performance was at least 10 basis points above or below the benchmark after accounting for fund expense ratios on the downside for passively managed funds. Actively managed and capital preservation fund performances were highlighted as appropriate.

CEM Defined Contribution Plans Survey

Ms. Pugliese presented to the Committee the 2021 CEM Defined Contribution Plans Survey results that included the unbundled DC Plans supplemental 457 Deferred Compensation Plan and the bundled TIAA ORPHE. The survey was comprised of 99 corporate and 24 public DC plans representing \$1.4 trillion in assets. She reminded the Committee that CEM no longer provides benchmarking costs at no charge to

survey participants, but VRS received a complimentary trial of the new CEM Dashboard. She indicated that VRS would continue to engage with the CEM Dashboard service moving forward.

Staff included the free CEM DC Survey Reports in the meeting materials appendix for the Committee to review.

Proxy Voting

KC Howell, Managing Director of Global Investments, presented a Request for Board Action regarding proxy voting. Mr. Howell noted that proxy voting was originally discussed during the September 8th meeting of the DCPAC. He discussed the role and importance of proxy voting as a shareholder. Mr. Howell noted that the purpose for the Request for Board action is based on a request from BlackRock, a VRS DC investment manager, who approached VRS with an expanded proxy voting choice as an addition to current methods. He emphasized that the change will incur no additional costs and will improve staff's ability to meet the Board's proxy voting policy.

Request for Board Action: *The VRS Board of Trustees approves additional proxy voting methods used for the defined contribution (DC) plans and delegates to the Chief Investment Officer which method(s) to select. In addition to the current method whereby the Board has delegated full authority and responsibility to the investment managers to vote all securities held in the plans, the Board approves additional voting choice options, where feasible, to include voting proxies by selecting from a menu of third-party proxy voting policies offered by an investment manager or voting proxies according to VRS' own policies.*

Dr. Gooden motioned and Mr. Deo seconded the motion to recommend approval of the RBA to the Board of Trustees. The motion was approved upon a voice vote of the Committee members.

Other Business

Code of Ethics and Conduct

Mr. Bell informed the Committee that an email notification would be forthcoming that includes instructions for completing the review of the Board of Trustees' Code of Ethics and Conduct, which is an annual requirement of VRS advisory committee members.

DCPAC Appointments

Trish Bishop, Director, presented a Request for Board Action to fill a vacant seat on the DCPAC. Ms. Bishop informed the Committee that Mr. Smither resigned his position with Powhatan County and, therefore, is ineligible to continue in his role with the DCPAC. VRS consulted with the Virginia Municipal League (VML) and the Virginia Association of Counties (VACo) to find a suitable candidate to fill the vacancy. VML and VACo recommended C. Matt Harris, the Chesterfield Deputy County Administrator for Finance and Administration.

Request for Board Action: *The Board appoints C. Matt Harris to the Defined Contribution Plans Advisory Committee (DCPAC) to fill the unexpired term of Edward N. (Ned) Smither, which expires June 20, 2024.*

Dr. Gooden motioned and Mr. Winter seconded the motion to recommend approval the RBA to the Administration, Finance and Talent Management Committee. The motion was approved upon a voice vote of the Committee members.

Discussion of New Ideas

Mr. Muralidhar thanked staff for providing information on how members are protected from inflation and for efforts to continue researching the topic going forward.

Upcoming Defined Contribution Plans Advisory Committee Meetings

Mr. Bell confirmed the DCPAC meeting dates for 2023 following the polling of the Committee.

The next meeting of the DCPAC will take place on March 30, 2023, with remaining meetings on June 1st, September 7th and November 30th. All meetings will be held at 1:00 p.m.

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

Adjournment

There being no further business, Mr. Bell adjourned the meeting at 2:32 p.m. upon a motion by Dr. Gooden, with a second by Ms. Madden, and a voice vote of the Committee members.


Chair


Date