
Minutes

A regular meeting of the Virginia Retirement System Board of Trustees was held on December 7, 2023, 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
Susan T. Gooden, Ph. D. (*remotely under § 2.2-3708.3(B)(4)*)
W. Brett Hayes
Jessica Hood
Lindsey Pantele

VRS Staff:

Patricia Bishop, Jennifer Schreck, Andrew Junkin, Advait Apte, Rory Badura, Parham Behrooz, Caroline Cardwell, Jeanne Chenault, Michael Cooper, David Cotter, Juanita Cribbs, Sara Denson, Laurie Fennell, Josh Fox, Jay Gentry, Katherine Grawe, JT Grier, Dane Honrado, KC Howell, Robert Irving, Ross Kasarda, LaShaunda King, Kristina Koutrakos, Matt Lacy, Chung Ma, Walker Noland, Greg Oliff, Angela Payne, Mark Rein, Paula Reid, Dan Schlussler, Emily Trent, Leslie Weldon, and Dan Whitlock.

Guests:

Lauren Albanese, Financial Investment News; Jamie Bitz, Joint Legislative Audit and Review Commission; Joe Ebisa, With Intelligence; Ana Irizarry, MandateWire, Financial Times; Alicia McElhaney, Institutional Investor; Elizabeth Myers, Office of the Attorney General; Erin Rodriguez, Auditor of Public Accounts; Sabiq Shahidullah, FundFire; and Bea Snidow, Virginia Education Association.

The meeting convened at 1:00 p.m.

Opening Remarks

Mr. Andrews called the meeting to order and welcomed everyone to the December 7, 2023, meeting of the Virginia Retirement System Board of Trustees.

Approval of Minutes

Upon a motion by Mr. Montgomery, with a second by Ms. Pantele, the VRS Board of Trustees approved the minutes from its November 16, 2023, meeting.

Report of the Chief Investment Officer

Mr. Junkin 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. Mr. Junkin then discussed the New Investments and Terminations report.

Mr. Andrews thanked Mr. Junkin for his report.

Report of the Defined Contribution Plans Advisory Committee

The Board received the report of the Defined Contribution Plans Advisory Committee (DCPAC) and placed it on file.

The Defined Contribution Plans Advisory Committee (DCPAC) convened on November 30, 2023, at 1:00 p.m. and took up the following matters:

WELCOME AND INTRODUCTION

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 update on administrative reports for the third quarter of 2023. Updates included an overview of assets and accounts across the various defined contribution plans, as well as participant trends and the impact of various plan initiatives. Staff shared with the Committee an overview of efforts related to its TPA annual service reviews, plan adoption updates, SECURE 2.0 updates and communications campaign highlights.

ORPHE Update

Staff provided an overview of ORPHE reports for the third quarter of 2023, including plan assets and accounts.

ORPHE Employer Update Report

Mr. Larson provided an overview of the ORPHE Annual Employer Update hosted by VRS on September 19, 2023. He noted that 27 participating institutions were represented.

DC Plans Recordkeeper RFP Update

Staff provided an update on the record keeper transition. VRS is still working with Voya on the contract. The employer transition website is live and will be promoted soon. The participant website will launch in Summer 2024.

Annual Administrative Expense Reports

Staff provided an overview of the administrative expense report and annual cost update for FY 2023, 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 2023 were provided, along with a cost trend analysis over the five-year period from FY 2019 to FY 2023.

INVESTMENTS

Performance Reports

Staff provided an overview of the October 31, 2023, investment performance reports for the unbundled DC plans and the TIAA (RC contract) ORPHE. Staff highlighted areas where passively managed investment option performance for the longer dated return series was 10 basis points or more above benchmark performance. Staff shared with the Committee major sources of differences between passively managed indexed fund and benchmark performance. Actively managed and capital preservation funds' performance was highlighted as appropriate.

Staff informed the Committee that as a result of VRS' participation in BlackRock's Proxy Voting Choice Program, VRS recently transitioned to an ISS proxy voting policy that aligns with that which is used for the VRS defined benefit plan for those BlackRock funds offered through the unbundled DC plans and the TIAA (RC contract) ORPHE.

CEM Defined Contribution Plans Survey

Staff reviewed the CEM DC Plans 2022 survey results, which was comprised of 99 corporate and 23 public plans representing \$1.2 trillion in assets. Staff informed the Committee that the survey results included the unbundled DC Plans supplemental 457 Deferred Compensation Plan, in addition to the bundled TIAA program for ORPHE. Staff noted that the TIAA information was based solely on the TIAA RC contract. Staff included the CEM DC Survey Reports in the Appendix for the Committee to review.

OTHER BUSINESS

Code of Ethics

Staff informed the Committee that an email notification would be forthcoming that includes instructions for completing the review and affirmation of the Board of Trustees' Code of Ethics and Conduct, an

annual requirement of VRS advisory committee members. Staff shared that Committee members will be able to electronically sign and submit the affirmation statement.

Discussion of New Ideas

No new business was brought before the Committee.

2024 MEETINGS

The Committee is scheduled to meet on the following dates in 2024, all at 1:00 p.m.:

- Thursday, March 14th
- Thursday, May 23rd
- Thursday, September 12th
- Thursday, December 5th

Mr. Andrews thanked Senator Bell for his report.

Report of the Audit and Compliance Committee

The Board received the report of the Audit and Compliance Committee (A&C) and placed it on file.

APPROVAL OF MINUTES

Mr. Montgomery began his report by noting the Committee approved the minutes of its September 20, 2023, meeting.

EXIT ON THE AUDITOR OF PUBLIC ACCOUNTS (APA) 2023 ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR) AUDIT

The APA informed the committee the audit work over the 2023 VRS Annual Comprehensive Financial Report (ACFR) was in its final stage. Upon completion, the APA anticipates issuing an unmodified opinion on VRS' financial statements. They noted their companion "Report on Internal Controls and Compliance" would be issued next month (January).

ENTRANCE WITH THE APA REGARDING EMPLOYER ASSURANCES (GASB 68 AND 75)

The APA then provided the committee with an overview of its upcoming examinations designed to provide participating employers and their auditors the assurances necessary to prepare their own annual comprehensive financial statements in accordance with Governmental Accounting Standards Board (GASB) Statements:

- No. 68, which focuses on employer reporting over pension plans.
- No. 75, which deals with employer reporting over other post-employment benefit plans.

The APA anticipates issuing its opinions on these matters on or about June 30, 2024.

AUDIT REPORTS

The committee received two audit reports.

- The review of *Global Public Equity – External Managers* determined VRS provides appropriate oversight and monitoring of the program. There were no formal recommendations as a result of this review.
- The review of *Refunds* concluded that overall, sufficient controls are in place to support refund processing and that the associated processes are working as expected. There were no formal recommendations as the result of this review; however, observations were noted within the conclusions section of the report.

QUALITY ASSURANCE REVIEW OF THE INTERNAL AUDIT DEPARTMENT

The Audit Director presented the results of the department's Annual Quality Assurance Improvement Program Review as of June 30, 2023, noting the review concluded there is reasonable assurance the VRS Internal Audit Department is generally operating in conformance with the *International Standards for the Professional Practice of Internal Auditing*. The Audit Director highlighted the milestones for the upcoming updates to the Global Internal Audit Standards and the timing of the department's next external Quality Assurance Review.

QUARTERLY REPORT ON FRAUD, WASTE AND ABUSE HOTLINE CASES

It was noted there was one Fraud, Waste and Abuse Hotline complaint reported to Internal Audit via the Office of the State Inspector General during the period of August 1, 2023, through October 31, 2023. The case was unfounded and closed.

MANAGEMENT'S QUARTERLY TRAVEL EXPENSE AND PER DIEM REPORT

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

CONFIRMATION OF 2024 MEETING SCHEDULE

The committee received confirmation of the 2024 VRS Board and Committee meeting dates. The committee's next meeting is scheduled for Wednesday, March 27, 2024, at 1 p.m.

Mr. Andrews thanked Mr. Hayes for his report.

Report of the Director

Trish Bishop, VRS Director, began her report with an update on the agency roadmap for FY 2024, noting all projects are progressing as planned, as well as a review of New Coverage Elections.

Ms. Bishop then made the following announcements to the Board:

- Pensions and Investments (P&I) recognized VRS with an honorable mention in the P&I Excellence and Innovation Award program. VRS, along with partner MissionSquare, were recognized for the 2022 Hybrid Retirement Plan auto-escalation communications campaign resulting in an opt-out rate of less than 1%.
- The Government Finance Officers Association of the United States and Canada (GFOA) recognized VRS with an Award for Outstanding Achievement in Financial Reporting for the *Popular Annual Financial Report* (PAFR). This is the sixth consecutive year VRS was eligible to achieve this recognition.
- The annual Conflict of Interest Act (COIA) filing is due by Wednesday, February 1, 2024, for Statements of Economic Interests and Financial Disclosure statements. The filing period covers January 1, 2023, to December 31, 2023.
- The annual Code of Ethics and Standards of Conduct training will be distributed to the Board electronically.
- The Joint Legislative Audit & Review Commission will meet Monday, December 11, 2023, at 2:00 p.m. and present the annual VRS Oversight Report.
- Member Spotlight - A member profile in the November issue of Member News contained a warm tribute to Sandra Tomlinson, who is retiring after 49 years of service at Natural Tunnel State Park creating an outpouring of likes and shares for a well-respected state employee in southwest Virginia. The post created quite a stir, with 108,000 impressions on Facebook, making it the most popular member spotlight post ever. The tribute was written by PR team member Andrew Ringle. Congratulations go out to Sandra for her decades of service.
- The Agency Annual Meeting and Breakfast will be held at the Greater Richmond Convention Center on December 13, 2023, to celebrate annual achievements and present awards.

Mr. Andrews thanked Ms. Bishop for her report.

Next, Mr. Andrews thanked Mr. Hayes for his professionalism and acknowledged his contributions to VRS for over 10 years of service to the VRS Board of Trustees. Mr. Andrews expressed gratitude for Mr. Hayes' support and assistance surpassing the required tenure to ensure a smooth transition.

Further, Mr. Andrews recognized Cindy Wilkinson, Director of Policy, Planning and Compliance, who is retiring February 1, 2024, after 31 years of total service to the Commonwealth, and 13 years with VRS. Mr. Andrews congratulated Ms. Wilkinson on her retirement and expressed the Board's appreciation and gratitude for her exceptional service and faithful representation of VRS.

Securities Litigation (Closed Session)

Upon a motion by Mr. Montgomery, with a second by Mr. Disharoon, 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 *Code of Virginia* § 2.2-3711(A)(7).

Upon return to open meeting, Mr. Montgomery moved, with a second by Mr. Bennett, 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:

Senator Bell: Aye
Mr. Bennett: Aye
Mr. Disharoon: Aye
Dr. Gooden: *
Mr. Hayes: Aye
Ms. Hood: Aye
Mr. Montgomery: Aye
Ms. Pantele: Aye
Mr. Andrews: Aye

*Dr. Gooden's audio could not be heard during the roll call vote and therefore her vote was not recorded.

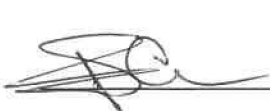
Other Business

There being no further business, Mr. Andrews noted there were no upcoming board meetings for the remainder of the calendar year and encouraged attendance of the VRS Agency Annual Meeting and Breakfast at the Greater Richmond Convention Center on December 13, 2023, at 8:30 a.m.


Adjournment

Following a motion by Mr. Disharoon, with a second by Senator Bell, the VRS Board of Trustees agreed to adjourn the meeting.

The meeting concluded at 1:29 p.m.



Chair



Secretary

Report

The Defined Contribution Plans Advisory Committee (DCPAC) convened on November 30, 2023, at 1:00 p.m. and took up the following matters:

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There was no other business to come before the Committee.

Submitted to the Board of Trustees on December 7, 2023.



J. Brandon Bell, Chair
Defined Contribution Plans Advisory Committee

Report

The Audit and Compliance Committee met on December 7, 2023. Mr. Montgomery welcomed committee members, Board members, agency officials, representatives from stakeholder groups and other members of the public joining in person and through electronic means. The committee discussed the following:

APPROVAL OF MINUTES

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CONFIRMATION OF 2024 MEETING SCHEDULE

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Respectfully submitted to the Board of Trustees on December 7, 2023.



Joseph W. Montgomery, Chair
Audit and Compliance Committee