



Administration and Personnel Committee (A&P) Meeting

VRS, 1111 E. Main St., 3rd floor Board Room

Tuesday, 11/16/2021

12:30 - 1:00 PM ET

I. Approve Minutes

• **September 15, 2021**

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II. RBA – Appointment of Defined Contribution Plans Advisory Committee Member

RBA - Approve Appointment of DCPAC Member - Page 7

Bio for Ned Smither - Page 8

III. Personnel Discussion

IV. Quarterly Budget Update

FY22 YTD Budget Report - Page 9

Minutes

A regular meeting of the Virginia Retirement System Administration and Personnel Committee was held September 15, 2021 in Richmond, Virginia with the following members participating:

O’Kelly E. McWilliams, III, Chair
Joseph W. Montgomery, Vice Chair
W. Brett Hayes
Troilen G. Seward, Ed.S.

Board members present:

John M. Bennett
William A. Garrett

VRS Staff:

Patricia Bishop, Ron Schmitz, Jennifer Schreck, Jeanne Chenault, Michael Cooper, Harriet Covey, Juanita Cribbs, Valerie Disanto, Barry Faison, Jonathan Farmer, Josh Fox, Brian Goodman, LaShaunda King, Curt Mattson, Angela Payne, Matt Priestas, Paula Reid, Mark Rein, Jillian Sherman and Cindy Wilkinson.

Guests:

Adam Rosatelli, Senate Finance and Appropriations Committee; Jamie Bitz, Joint Legislative Audit and Review Commission; and Latosha Johnson, Department of Planning and Budget.

The meeting convened at 10:01 a.m.

Opening Remarks

O’Kelly E. McWilliams, III, called the meeting to order and welcomed everyone to the September 15, 2021 meeting of the Administration and Personnel Committee.

Mr. McWilliams noted that the nominee to fill the vacant seat on the Defined Contribution Plans Advisory Committee (DCPAC) had withdrawn her name from consideration prior to the meeting, and the agenda was updated to remove the associated agenda item.

Approve Minutes

Upon Mr. Bennett’s motion, with a second by Mr. Montgomery, the Committee approved the minutes of its June 2, 2021 meeting.

Review Attainment of FY 2021 Agency Performance Outcomes (APOs) and Operational Measures

Michael Cooper, Chief Operating Officer, reviewed the results of the FY 2021 agency performance outcomes (APOs) and operational measures. Mr. Cooper noted that the agency had four APOs for the fiscal year, with a target of completing at least three. Staff met this goal by successfully completing all four APOs. In addition, there were sixteen operational measures for the year, of which thirteen had to

be met in order to meet the target for the year. Staff successfully met its target for fifteen of the sixteen operational measures. The only measure not met for the year was the call abandonment rate, which was impacted by the ongoing pandemic.

Upon a motion by Mr. Montgomery, with a second by Mr. Bennett, the Committee recommended approval of the following action to the full Board of Trustees:

RBA: Approve attainment of FY 2021 APOs and Operational Measures and corresponding lump-sum bonus equal to 2.5% of salary for eligible administrative employees and Investment Department operations and administration employees.

Request for Board Action: The VRS Board of Trustees approves (i) the attainment of FY 2021 APOs and Operational Measures and (ii) a lump-sum bonus equal to 2.5% for eligible administrative employees and eligible Investment Department operations and administration employees.

Review Performance Bonuses for Eligible Administrative and Investment Operations and Administration Employees

Next, Mr. Cooper presented a request for board action to approve the performance bonuses for eligible administrative and investment department operations and administration employees. Eligible employees who earn an “exceptional” rating on their performance evaluation qualify for a 4% bonus. Employees who earn an “exceeds” rating on their performance evaluation are eligible for a 2% bonus. The bonus amount is based on their salary as of June 30, 2021.

Upon a motion by Mr. Montgomery, with a second by Ms. Seward, the Committee recommended approval of the following action to the full Board of Trustees:

RBA: Approve lump-sum performance bonuses for eligible administrative employees and Investment Department operations and administration employees.

Request for Board Action: The VRS Board of Trustees approves performance lump-sum bonuses for eligible administrative employees and eligible Investment Department operations and administration employees.

Mr. McWilliams thanked Mr. Cooper for his presentation.

Reappointment of Investment Advisory Committee (IAC) Members

Ron Schmitz, Chief Investment Officer, advised the Committee of two IAC members whose terms are set to expire. Mr. Schmitz indicated that Hance West and Nan Leake each wish to continue their service on the IAC. The IAC reviewed the reappointments at its August 26, 2021 meeting and recommended approval of the reappointment of Mr. West and Ms. Leake.

Upon a motion by Mr. Montgomery, with a second by Ms. Seward, the Committee recommended approval of the following action to the full Board of Trustees:

RBA: Reappointment of IAC Members.

Request for Board Action: *The Board reappoints William “Hance” West and Nancy G. Leake to the Investment Advisory Committee, each for a two-year term ending December 31, 2023.*

Budget Update (Year End Results and Biennium Budget Proposal)

Mr. Cooper introduced Jon Farmer, Budget and Performance Reporting Manager, who presented the FY 2021 year-end budget results, explaining that VRS finished the year with a surplus of \$14.7 million, which will be returned to the Fund. Mr. Farmer next reviewed the FY 2022 year-to-date budget and indicated that estimated expenditures remain on track for the year. Next, Mr. Farmer provided a detailed review of the eight initiatives in the agency’s FY 2023-2024 biennium budget proposal.

Upon a motion by Mr. Montgomery, with a second by Ms. Seward, the Committee recommended approval of the following action to the full Board of Trustees:

RBA: Authorize staff to request spending authority from the Department of Planning and Budget.

Request for Board Action: *The VRS Board of Trustees authorizes staff to request spending authority from the Department of Planning and Budget and legislature, as applicable, to execute planned initiatives for the next two fiscal years.*

Strategic Plan Update

Next, Ms. Bishop and Mr. Cooper provided an update on the agency’s strategic planning process. A draft of the detailed plan, which also incorporated the feedback shared by the Board after its last meeting, was shared with the committee. In addition to the agency’s Mission, Vision and Commitment statements, staff included a Diversity, Equity and Inclusion (DEI) statement and definitions consistent with the Commonwealth’s *ONE Virginia* plan. The plan includes goals with measures and targets to ensure that the agency’s efforts are meeting the strategies outlined for each goal.

Ms. Bishop advised the Committee that staff expects to finalize the strategic plan in the coming weeks and will provide a copy of the final plan to the Board later this fall.

Information Item

Next, as an information item, Mr. McWilliams advised that the Audit and Compliance (A&C) Committee had reviewed and evaluated the performance of the Audit Director. Based on its review and evaluation, the A&C Committee recommends that the Board approve a 7% performance bonus for the Audit Director. The Board will take up the following action at its September 21st meeting.

RBA: Approve a 7% performance bonus for the Audit Director

Request for Board Action: *The VRS Board of Trustees approves a 7% performance bonus for the Audit Director.*

Compensation and Benefits (Closed Meeting)

Mr. Montgomery moved, with a second by Mr. Bennett, that the Administration and Personnel Committee of the Virginia Retirement System Board of Trustees convene a closed meeting under the

Virginia Freedom of Information Act to discuss the compensation and benefits of specific employees pursuant to the personnel exemption at *Code of Virginia* § 2.2-3711(A)(1).

The closed meeting convened upon the following roll call vote:

Mr. Bennett: Aye
Mr. Garrett: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. McWilliams: Aye

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

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

NOW, THEREFORE, BE IT RESOLVED, that the Committee 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 Committee.

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

Mr. Bennett: Aye
Mr. Garrett: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. McWilliams: Aye

Review FY 2021 Incentive Pay for Investment Professionals

Upon a motion by Mr. Hayes, with a second by Mr. Montgomery, the Committee recommended approval of the following action to the full Board of Trustees:

RBA: Approve FY 2021 incentive payments for VRS Investment professionals.

Request for Board Action: *The VRS Board of Trustees approves payment of an incentive amount of approximately \$7,853,280.10 for FY 2021 to VRS investment professionals as authorized by the Investment Professionals' Pay Plan.*

Director's Performance Review

Upon a motion by Mr. Bennett, with a second by Ms. Seward, the Committee recommended approval of the following action to the full Board of Trustees:

RBA: Approve performance bonus and supplemental payment to the VRS Director as authorized in the 2021 Appropriation Act.

***Request for Board Action:** The VRS Board of Trustees approves a performance bonus for the VRS Director payable on October 15, 2021 and a supplemental payment made December 1, 2021 as authorized in the 2021 Appropriation Act.*

Other Business

Lastly, Mr. McWilliams noted the VRS Board of Trustees will meet September 21, 2021 at 1:00 p.m.

Adjournment

There being no further business and following a motion by Mr. Montgomery, with a second by Mr. Bennett, the Committee agreed to adjourn the meeting at 12:30 p.m.

Chair

Date



Appointment of DCPAC member.

Requested Action

The Board appoints Edward N. (Ned) Smither to the Defined Contribution Plans Advisory Committee (DCPAC) to fill the unexpired term of Kathleen T. Seay, which ends June 20, 2022.

Rationale for Requested Action

Ms. Seay resigned from the DCPAC prior to the end of her current term, which expires on June 20, 2022.

Mr. Smither, who most recently served as the director of finance for Henrico County, began serving as Powhatan County Administrator on August 1, 2020. As County Administrator, human resources and benefits fall under his purview.

Mr. Smither has more than 16 years of local government experience, and in his prior work at Henrico County Mr. Smither was responsible for the management and supervision of the divisions of real estate assessment, management and budget, accounting, purchasing and risk management. Prior to his time at Henrico, Mr. Smither provided financial advisory banking services to many counties within the Commonwealth, assisting with the development of comprehensive 10-year financial plans designed to provide the framework for future operating and capital improvement budget planning.

Mr. Smither earned his undergraduate degree and his Master of Business Administration degree from the University of Richmond.

Mr. Smither is highly qualified and willing to be appointed to the DCPAC, and it is the Board's pleasure to appoint him to the Committee.

Authority for Requested Action

Code of Virginia § 51.1-124.26 authorizes the Board to appoint such other advisory committees as it deems necessary. Each member appointment requires a two-thirds vote of the Board, and advisory committee members serve at the pleasure of the Board.

The above action is approved.

O'Kelly E. McWilliams, III, Chair
VRS Board of Trustees

Date

Ned Smither was named County Administrator of Powhatan County in 2020 and oversees the operations of Powhatan's \$130,000,000 annual budget and 250 general government staff. Smither came to Powhatan after an extensive career in public finance including eighteen years in local government and eighteen years as an investment banker in the municipal bond financial advisory and underwriting arena. Prior to joining Powhatan as their County Administrator, Smither served as the Director of Finance for Henrico County, overseeing Henrico's \$390 million debt portfolio and the financial operations of one of Virginia's leading counties. During his tenure as Director of Finance, he managed the issuance of over \$1 billion in debt and a rating upgrade of the County's Water and Sewer operations.

Smither served as a director on the VACo/VML Pooled OPEB Trust Board of Directors and currently serves as the Chairman of the Lewistown Commerce Center Community Development Authority in Hanover County.

Smither received both his bachelor's degree and his MBA from the University of Richmond and lives in Mechanicsville with his wife Sandy.



Virginia Retirement System (VRS) FY 2022 Budget to Actual Projections

	Current Budget A	Expenses through 9/30/2021 B	Projected Remaining Expenses C	Projected Total Expenses ¹ D = B + C	Projected Variance Favorable/ (Unfavorable) E = A - D	% Remaining E / A
Administration						
Personnel						
Salaries, Wages & Benefits ²	24,983,000	6,627,000	17,949,000	24,576,000	407,000	1.6%
Incentive Compensation	1,533,000	15,000	1,518,000	1,533,000	-	0%
Contractual Services						
Communication Services	944,000	184,000	702,000	886,000	58,000	6.1%
Employee Development Services ³	321,000	15,000	235,000	250,000	71,000	22.1%
Management & Informational Services ^{4, 5}	3,342,000	62,000	2,906,000	2,968,000	374,000	17.2%
Medical Review Services	760,000	61,000	652,000	713,000	47,000	6.2%
Support Services ⁶	1,011,000	20,000	922,000	942,000	69,000	6.8%
Equipment & Supplies	136,000	64,000	68,000	132,000	4,000	2.9%
Facility	1,785,000	424,000	1,401,000	1,825,000	(40,000)	(2.2%)
Insurance, Claims & Bonds	93,000	1,000	85,000	86,000	7,000	7.5%
Service Charges	167,000	1,000	166,000	167,000	-	0.0%
Administration Total	35,075,000	7,474,000	26,604,000	34,078,000	997,000	2.8%
Information Technology						
Personnel						
Salaries, Wages & Benefits ²	13,638,000	3,346,000	9,960,000	13,306,000	332,000	2.4%
Incentive Compensation	-	7,000	293,000	300,000	(300,000)	-
Contractual Services						
Communication Services	973,000	101,000	854,000	955,000	18,000	1.8%
Employee Development Services ³	54,000	-	50,000	50,000	4,000	7.4%
Management & Informational Services ⁴	16,000	1,000	12,000	13,000	3,000	18.8%
Support Services ⁶	12,000	-	12,000	12,000	-	0.0%
Technical Services	13,805,000	1,481,000	12,084,000	13,565,000	240,000	1.7%
Equipment & Supplies	3,329,000	37,000	3,225,000	3,262,000	67,000	2.0%
Facility	439,000	74,000	355,000	429,000	10,000	2.3%
Insurance, Claims & Bonds	93,000	-	91,000	91,000	2,000	2.2%
Information Technology Total	32,359,000	5,047,000	26,936,000	31,983,000	376,000	1.2%



Virginia Retirement System (VRS) FY 2022 Budget to Actual Projections

	Current Budget A	Expenses through 9/30/2021 B	Projected Remaining Expenses C	Projected Total Expenses ¹ D = B + C	Projected Variance Favorable/ (Unfavorable) E = A - D	% Remaining E / A
Investment Management						
Personnel						
Salaries, Wages & Benefits ²	19,505,000	4,897,000	13,852,000	18,749,000	756,000	3.9%
Incentive Compensation	7,425,000	-	7,425,000	7,425,000	-	0%
Contractual Services						
Communication Services	64,000	1,000	46,000	47,000	17,000	26.6%
Employee Development Services ³	640,000	29,000	499,000	528,000	112,000	17.5%
Management & Informational Services ⁴	3,285,000	318,000	1,580,000	1,898,000	1,387,000	42.2%
Technical Services ⁷	9,635,000	1,006,000	7,743,000	8,749,000	886,000	9.2%
Equipment & Supplies	199,000	34,000	249,000	283,000	(84,000)	(42.2%)
Facility	657,000	166,000	494,000	660,000	(3,000)	(0.1%)
Insurance, Claims & Bonds	27,000	-	12,000	12,000	15,000	55.6%
Investment Management Total	41,437,000	6,451,000	31,900,000	38,351,000	3,086,000	7.4%
VRS Subtotal	108,871,000	18,972,000	85,440,000	104,412,000	4,459,000	4.1%

¹ Projected Total Expenses are best estimates as of the creation of this report and are subject to change.

² Salaries, Wages, & Benefits includes expected 5% increase from Commonwealth for salary adjustment

³ Employee Development Services includes organization memberships, subscriptions, employee trainings, and tuition reimbursement. Although in-person training and related travel spending were naturally reduced beginning in March 2020 due to the COVID-19 pandemic, online training has been encouraged.

⁴ Management and Informational Services includes fiscal services, management services, legal services, media services, food services and business travel.

⁵ Includes \$300K budgeted for the Retirement Commission, which currently has no planned expenditures.

⁶ Support Services includes clerical and manual labor services.

⁷ Technical Services includes hardware/software maintenance, technology contractors and data feeds.