



September 17, 2021

MEMORANDUM

TO: VRS Board of Trustees

FROM: Patricia S. Bishop
Director

RE: Agenda Materials for September 21st Board Meeting

We are looking forward to the September 21st in-person Board meeting beginning at 1:00 pm in the VRS Boardroom. After such a long time, it will be good to see everyone – even if we are wearing masks. Enclosed is the agenda and meeting materials.

Since this will be an in-person meeting, we'll go back to the usual meeting format and begin with a welcome and approval of the June minutes.

Out of an abundance of caution and to limit contact with others, we will not be providing lunches and lunch will be on your own. We apologize in advance for any inconvenience, but feel this is the safest decision given the recent spike in Delta variant cases.

Given this will be our first in-person Board meeting since the beginning of the pandemic, we thought it prudent to share some important reminders:

- As part of a COVID-19 self-screening protocol, please ask yourself if you are experiencing any of the following:
 - A new fever (100.4°F or higher) or a sense of having a fever.
 - A new cough that cannot be attributed to another health condition.
 - New shortness of breath or difficulty breathing that cannot be attributed to another health condition.
 - New chills that cannot be attributed to another health condition.
 - A new sore throat that cannot be attributed to another health condition.
 - New muscle aches (myalgia) that cannot be attributed to another health condition, or that may have been caused by a specific activity (such as physical exercise).
 - A new loss of taste or smell.
 - Have you had a positive test for the virus that causes COVID-19 disease within the past 10 days?
 - In the past 14 days, have you had close contact (within about 6 feet for 15 minutes or more) with someone with suspected or confirmed COVID-19?

If you are experiencing any of the above symptoms, please do not attend the meeting.

•Consistent with CDC and Richmond/Henrico Department of Health guidance, masks will be required for all Board members, VRS staff and visitors. Disposable masks will be provided as

needed.

- Parking – For our new Board members who have not attended an in-person meeting, parking is available in the Bank of America deck accessed from Cary Street; a page with detailed instructions is attached. VRS covers the cost of your parking for Board Committee meetings, and I will have parking vouchers at the meeting. In addition, reserved parking spaces are also available in the sub-basement level of the VRS parking deck located at 1200 E. Main Street. To park in the VRS parking deck, you will need to enter the Bank Street entrance on the right side by swiping your VRS ID badge in front of the card reader to open the gate. Once you enter the deck keep straight, make a left, followed by 4 additional left turns which will put you in the sub-basement area of the parking deck. The reserved Board/Committee spaces are marked with a yellow sign. Once you park, please enter the glass doors, by swiping your VRS ID badge in front of the card reader and get on the elevator and press G which will take you to the Ground level of the building where the security guard is located along with the entrance/exit door to Main Street.

Again, we look forward to seeing you on Thursday. If you have any questions in the interim, please feel free to contact me.

Attachments

cc: The Honorable Aubrey Layne, Secretary of Finance
Joe Flores, Office of the Secretary of Finance
June Jennings, Office of the Secretary of Finance
Craig Burns, Department of Taxation
Michael Jay, House Appropriations Committee
Sarah Herzog, Senate Finance Committee
Zack Borgerding, Auditor of Public of Accounts
Jon Howe, Department of Planning and Budget
Dean Lynch, VA Association of Counties
Katie Boyle, VA Association of Counties
Kathy Burcher, VA Education Association
Bea Snidow, VA Education Association
Jamie Bitz, Joint Legislative Audit & Review Commission
Kimberly Sarte, Joint Legislative Audit & Review Commission
Hal Greer, Joint Legislative Audit & Review Commission
Elizabeth Bushnell Myers, Office of the Attorney General
Jessica Ackerman, VA Municipal League
Lawrence Kochard, VRS Investment Advisory Committee
Bonnie Atwood, VA Retired Teachers Association



Board of Trustees Meeting
VRS, 1111 E. Main St., 3rd Floor Board Room
Tuesday, 9/21/2021
1:00 - 3:30 PM ET

I. Approve Minutes

• **June 10, 2021**

Board Minutes 6.10.21 - Page 5

II. Report of the Investment Advisory Committee

III. Report of the Chief Investment Officer

Asset Allocation Report 6.30.21 - Page 17

Daily Asset Allocation Report 9.14.21 - Page 18

Performance Summary 7.31.21 - Page 19

Performance Summary 6.30.21 - Page 20

Plan Tracking Error - Page 21

New Investments and Terminations - Page 22

DIME Quarterly Summary - QE 6.30.21 - Page 24

Manager Referral Quarterly Summary - QE 6.30.21 - Page 29

IV. Annual CEM Benchmarking Report on Administration

CEM Board Presentation - Page 30

V. Report of the Defined Contribution Plans Advisory Committee

Report of the DCPAC - Page 47

• **RBA – Approve Revisions to DC Plans Investment Belief Statements**

RBA - Approve Revised DC Plan Investment Belief Statements - Page 52

DC Plans Investment Belief Statements 9.21.21_Clean - Page 53

DC Plans Investment Belief Statements 11.12.15 - Page 57

VI. Report of the Audit and Compliance Committee

Report of the A&CC - Page 60

• **RBA – Recommend Approval of the FY2022 Audit Plan**

RBA Approve FY2022 Annual Audit Plan - Page 63

Proposed FY2022 Annual Audit Plan - Consolidated - Page 64

• **RBA – Review and Approve Internal Audit Director’s Performance and Bonus**

RBA - Approve Internal Audit Director's Performance Bonus - Page 68

VII. Report of the Administration and Personnel Committee

Report of the A&PC - Page 69

• **RBA – Attainment of FY2021 Agency Performance Outcomes (APOs) and Operational Measures**

RBA -Approve FY2021 Bonus (APOs and Operational Measures) - Page 72

FY21 APO Status Report - Page 74

FY21 Operational Measures Update - Page 79

FY21 Memorandum APOs and OMs Results - Page 97

• **RBA – Review and Approve Performance Bonuses for Eligible Administrative and Investment Operations and Administration Employees**

RBA -Approve FY2021 Individual Performance Bonuses(Admin and Investment OpsAdmin) - Page 98

- **RBA – Reappointment of Investment Advisory Committee Members**
RBA - Reappoint IAC Members - Page 99
Bio for Hance West - Page 100
Bio for Nan Leake - Page 101
 - **RBA – Review and Authorize Budget Request to the Department of Planning and Budget**
RBA - Authorize Budget Request To DPB - Page 102
FY23-24 Budget Details - Page 103
FY21 Year End Report - Page 105
FY22 Year To Date Budget Report - Page 107
 - **RBA – Review and Approve FY2021 Incentive Pay for Investment Professionals**
RBA - Approve Investment Incentive Pay FY2021 - Page 109
FY2021 Incentive Compensation Information - Page 111
FY21 Incentive Compensation Memorandum - Page 112
 - **RBA – Review and Approve Director’s Performance and Bonus**
RBA - Approve Director's Performance Review - Page 113
2020 McLagan Director Compensation Survey - Page 115
Appropriation Act Language - Page 117
Director's Year End Report_21 - Page 130
- VIII. Report of the Benefits and Actuarial Committee**
Report of the B&AC - Page 147
- **RBA – Approve Increasing Optional Insurance Maximum Coverage From up to Four Times Annual Salary to Eight Times Annual Salary (subject to an unchanged maximum dollar amount limit of coverage)**
RBA - Approve Increasing Opt. Insurance Max Coverage - Page 149
Optional Life Insurance Presentation - Page 151
- IX. Policy Update**
- **RBA – Approve Revised FOIA Electronic Attendance Meeting Policy**
RBA - Approve Amended FOIA Electronic Meeting Policy - Page 158
Revised Electronic Meetings Policy_Clean - Page 159
Revised Electronic Meetings Policy_Redline - Page 161
- X. Operational Update Series: DC Plan Highlights**
Defined Contribution Plans Presentation - Page 163
- XI. Strategic Plan Update**
VRS Strategic Plan Summary - Page 173
- XII. Report of the Director**
Director's Report Presentation - Page 184
FY 2021 Agency Roadmap Update - August - Page 194
- **Return to the Office Update**
- XIII. Litigation Update (Closed session)**

Minutes

An electronic meeting of the Virginia Retirement System Board of Trustees was held on June 10, 2021 in accordance with § 2.2-3708.2(A)(3) of the *Code of Virginia* and in accordance with guidance provided in Item 4-0.01 of Chapter 552 of the 2021 Special Session I Acts of Assembly, with the following members participating:

Board members:

O’Kelly E. McWilliams, III, Chair
Joseph W. Montgomery, Vice Chair
Hon. J. Brandon Bell, II
John M. Bennett
Michael P. Disharoon
William A. Garrett
Susan T. Gooden, Ph.D.
W. Brett Hayes
Troilen G. Seward, Ed.S.

VRS Staff:

Patricia Bishop, Ron Schmitz, Jennifer Schreck, John Alouf, Advait Apt, Rory Badura, Erica Billingslea, Caroline Cardwell, Jeanne Chenault, Michael Cooper, Perry Corsello, Harriet Covey, Juanita Cribbs, Sara Denson, Valerie Disanto, Jonathan Farmer, Laurie Fennell, Brian Goodman, JT Grier, Dane Honrado, KC Howell, Robert Irving, Wendy Jenkins, Ross Kasarda, Kristina Koutrakos, LaShaunda King, Matt Lacy, Chung Ma, Curt Mattson, Steve McClelland, Walker Noland, Greg Oliff, Angela Payne, Steve Peterson, Laura Pugliese, Paula Reid, Mark Rein, Jummai Sarki-Hurd, Dan Schlussler, Michael Scott, Jillian Sherman, Lawrence Tentor, Leslie Weldon, Dan Whitlock and Cindy Wilkinson.

Guests:

Adam Rosatelli, Senate Finance and Appropriations Committee; Brian Deveney, Justin Ferrell and Zach Borgerding, Auditor of Public Accounts; Latosha Johnson, Department of Planning and Budget; Jamie Bitz and Kimberly Sarte, Joint Legislative Audit and Review Commission; Bea Snidow, Virginia Education Association; Rachel Furash, Goldman Sachs; Lauren Albanese, Financial Investment News; Adam Rees, Pageant Media; and Steff Chavez, Mandate Wire.

The meeting convened at 1:00 p.m.

Opening Remarks

O’Kelly E. McWilliams, III, called the meeting to order and welcomed everyone to the June 10, 2021 meeting of the Virginia Retirement System Board of Trustees.

Mr. McWilliams introduced John M. Bennett, the newest member of the Board of Trustees. He noted that Mr. Bennett joins the Board after retiring from his position as Vice President for Finance at VCU, and that he previously served as Secretary of Finance for the Commonwealth.

Mr. McWilliams noted that given the current circumstances related to COVID-19, the Board is unable to meet in person and, therefore, is using electronic means to hold the meeting. The meeting is being held in accordance with § 2.2-3708(A)(3) of the *Code of Virginia* and Item 4-0.01 of Chapter 552 of the 2021 Special Session I Acts of Assembly as they relate to conducting business during the pandemic.

Next, Mr. McWilliams took attendance with the following roll call of each of the trustees:

Mr. Bell: Here
Mr. Bennett: Here
Mr. Disharoon: Here
Mr. Garrett: Here
Dr. Gooden: Here
Mr. Hayes: Here
Mr. Montgomery: Here
Ms. Seward: Here
Mr. McWilliams: Here

Public Comment

In accordance with Item 4-0.01 of Chapter 552 of the 2021 Special Session I Acts of Assembly, the Board of Trustees opened the floor for public comment. Mr. McWilliams noted that no members of the public registered to comment at the electronic meeting.

Approve Minutes

Upon Mr. Montgomery's motion, with a second by Ms. Seward, the VRS Board of Trustees approved the minutes of the April 20, 2021 meeting upon the following roll call vote:

Mr. Bell: Aye
Mr. Bennett: Aye
Mr. Disharoon: Aye
Mr. Garrett: Aye
Dr. Gooden: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. McWilliams: Aye

Committee Assignments

Next, Mr. McWilliams advised that, in accordance with the Governance Policy, the Board of Trustees must review and approve committee assignments when a new member joins the Board. To summarize, Mr. Hayes will fill the vacancy on Administration and Personnel Committee left by Mr. Harris, Chief Garrett, formerly Benefits and Actuarial Committee, will replace Mr. Harris as Chair of the Benefits and Actuarial Committee, and Mr. Bennett will join the Benefits and Actuarial Committee. A copy of the proposed committee assignments was provided in the Board materials. Mr. Montgomery then moved,

with a second by Ms. Seward, that the Board approve the proposed committee assignments. The motion was approved upon the following roll call vote:

Mr. Bell: Aye
Mr. Bennett: Aye
Mr. Disharoon: Aye
Mr. Garrett: Aye
Dr. Gooden: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. McWilliams: Aye

Report of the Chief Investment Officer

Ron Schmitz, Chief Investment Officer, began his report with a market overview and discussed asset allocation, total fund portfolio performance and tracking error, concluding that risk measures are all within Board-approved levels. Mr. Schmitz thanked the Investment Department staff for their hard work in navigating a difficult year due to the pandemic.

Next, Mr. Schmitz explained that each year, following a review of market conditions and progress in moving to the new policy portfolio, the Chief Investment Officer (CIO) suggests target exposures to the Board for the upcoming year. The Board was presented with the recommended changes to the Strategic Asset Allocation and Allowable Ranges that reflect current market conditions and allow for more efficient management of asset allocation.

Request for Board Action 2021-06-09: The VRS Board of Trustees approves the recommended changes to update the Defined Benefit Plan Strategic Asset Allocation and Allowable Ranges to reflect the new Board target asset mix, effective July 1, 2021.

Upon a motion by Mr. Montgomery, with a second by Mr. Disharoon, the VRS Board of Trustees approved the action upon the following roll call vote:

Mr. Bell: Aye
Mr. Bennett: Aye
Mr. Disharoon: Aye
Mr. Garrett: Aye
Dr. Gooden: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. McWilliams: Aye

Mr. McWilliams thanked Mr. Schmitz for his report.

Report of the Audit and Compliance Committee

The Board received the report of the Audit and Compliance Committee and placed it on file.

APPROVAL OF MINUTES

Mr. Montgomery began his report by noting the Committee approved the minutes of its March 16, 2021 meeting.

UPDATE ON THE 2020 EMPLOYER ASSURANCES REVIEW

The Auditor of Public Accounts (APA) reported the Employer Assurances Review, covering GASB Statements No. 68 and 75, was progressing as planned and they should conclude their work over the Pension and Other Post-Employment Benefit (OPEB) plans and issue the related opinions by the end of July.

ENTRANCE WITH THE APA FOR THE VRS 2021 ANNUAL REPORT AUDIT

The Committee held its annual entrance conference with the APA to review the approach and scope of the examination of VRS' Annual Report for the Fiscal Year Ending June 30, 2021.

AUDIT REPORTS

The Committee received three audit reports.

- The review of the *Private Equity Program* concluded that adequate due diligence and monitoring activities are in place and align with the Investment Policy Statement. There were no formal recommendations as a result of this review.
- The review of *Optional Retirement Plan for Higher Education* determined adequate monitoring activities and compliance responsibilities are in place, plan distributions and financial activities are accurate, and system interfaces are operating appropriately. There were no formal recommendations as a result of this review.
- The review of the *Internal Equity Management Program* determined program activities are properly recorded and align with the Investment Policy Statement. Other related processes reviewed were operating as intended. There were no formal recommendations as a result of this review.

QUARTERLY REVIEW ON MODERNIZATION PROGRAM – PHASE 4

Management presented its quarterly status report on the Modernization Program – Phase 4, discussing the current software status of the remaining member portal functionality, the implementation plan and related roll-out and business soft launch activities.

Internal Audit presented its quarterly review results and indicated agreement with management's representations regarding the Modernization Program – Phase 4 overall schedule, budget and scope. Internal Audit acknowledged and supports management's efforts and cautious approach through implementation and afterwards. Internal Audit noted, as of the meeting date, VRS' risk-averse approach tentatively indicates full release of all features to members in the Fall of 2021.

QUARTERLY REPORT ON FRAUD, WASTE AND ABUSE HOTLINE CASES

There were no Fraud, Waste and Abuse Hotline complaints reported to Internal Audit via the Office of the State Inspector General during the period of February 1, 2021 through April 30, 2021.

MISCELLANEOUS UPDATES

The Audit Director provided the Committee with the following updates:

Management's Quarterly Travel Expense and Per Diem Report

The Committee received management's quarterly travel expense and per diem report.

FY 2022 Annual Audit Plan Assessment and Validation

Preparation of the proposed Fiscal Year 2022 annual audit plan is underway and will be presented to the Committee and the Board of Trustees for their review and approval at their September meetings.

Next Committee Meeting Date

The Committee's next meeting is scheduled for September 13, 2021 at 1:30 p.m.

Mr. McWilliams thanked Mr. Montgomery for his report.

Report of the Administration and Personnel Committee

The Board received the report of the Administration and Personnel Committee and placed it on file.

APPROVAL OF MINUTES

Mr. McWilliams began his report by noting the Committee approved the minutes of its April 19, 2021 meeting.

APPROVE FY 2022 AGENCY PERFORMANCE OUTCOMES (APO) AND OPERATIONAL MEASURES

Michael Cooper reviewed the APOs and Operational Measures for FY 2022. Staff is proposing four APOs for FY 2022, which are considered stretch goals for the agency. The APOs include the following:

1. Cloud Migration
2. Records Management Program – Phase 1 Implementation
3. ERM Implementation
4. Cardinal HCM Implementation

In addition, staff is proposing sixteen Operational Measures for FY 2022. The sixteen Operational Measures establish metrics related to the agency's day to day operations.

To be eligible for the annual gainsharing bonus, staff must accomplish three of the four APOs and thirteen of the sixteen Operational Measures.

Request for Board Action 2021-06-10: The VRS Board of Trustees approves the FY 2022 Agency Performance Outcomes (APOs) and Agency Operational Measures.

Upon a motion by Mr. Montgomery, with a second by Ms. Seward, the VRS Board of Trustees approved the action upon the following roll call vote:

Mr. Bell: Aye
Mr. Bennett: Aye
Mr. Disharoon: Aye
Mr. Garrett: Aye
Dr. Gooden: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. McWilliams: Aye

BUDGET UPDATE

Barry Faison, Chief Financial Officer, provided an update on the agency's budget performance year-to-date. Mr. Faison explained that fiscal year-end projections continue to indicate a balance of approximately \$9.9 million, similar to what was presented at the April meeting, which will be returned to the Fund as a result of planned reductions in spending due to impacts of the pandemic during FY 2021. Mr. Faison indicated that additional details on expenditures through May will be presented at the Board meeting.

OTHER BUSINESS – RETURN TO THE OFFICE PLANNING

Trish Bishop, VRS Director, updated the Committee on the agency's return to the office planning. Ms. Bishop noted that the transition for returning to the office will begin after Labor Day. The agency completed a staff survey and is in the process of completing its focus groups with staff to gather input on the return to the office, which will be considered as part of the planning process. Ms. Bishop also explained that with the updated guidance provided by the Centers for Disease Control and Prevention (CDC) and the Governor's Chief of Staff, VRS is soliciting a limited number of volunteers interested in returning to the office this summer. The Committee further discussed recruitment, retention and in-person collaboration as part of the return to the office planning. Ms. Bishop thanked the Committee members for their input and indicated that it would be considered as part of the planning process.

Report of the Benefits and Actuarial Committee

The Board received the report of the Benefits and Actuarial Committee and placed it on file.

APPROVAL OF MINUTES

Mr. Garrett began his report by noting the Committee approved the minutes of its April 19, 2021 meeting.

PURCHASE OF PRIOR SERVICE NORMAL COST RATES

Rory Badura, VRS Senior Staff Actuary, presented the proposed normal cost rates for the purchase of prior service for Plan 1, Plan 2 and Hybrid Plan members. Mr. Badura explained that members are

eligible to purchase prior service at any point while employed as an active VRS member; however, there is a two-year period of time to purchase most types of service at approximate normal cost rates before the cost changes to an actuarial equivalent cost. The approximate normal cost rates are updated every four years following the Board's acceptance of the new assumptions associated with the quadrennial experience study. The actuarial equivalent cost rates are developed by the Plan Actuary based on the new assumptions and demographic data from the prior year valuations.

The following are the proposed normal cost rates for current active members across each of the plans and their respective member groups:

- Plan 1: 12.54% for regular VRS members, 21.64% for Hazardous Duty employees, and 35.03% for judges.
- Plan 2: 10.89% for regular VRS members, 19.97% for Hazardous Duty employees, and 33.13% for judges.
- Hybrid Plan: 6.68% for regular VRS members and 18.12% for judges.
- Alternate Hazardous Duty: 9.20% for certain hazardous duty employees whose employers have not adopted all enhanced benefits for their hazardous duty employees.

Request for Board Action 2021-06-11: The Board determines, after considering the recommendations of the Plan Actuary, that effective July 1, 2021, the rates for Plan 1 members to purchase prior service shall be 12.54% for regular VRS members, 21.64% for hazardous duty employees, and 35.03% for judges; that the rates for Plan 2 members to purchase prior service shall be 10.89% for regular VRS members, 19.97% for hazardous duty employees, and 33.13% for judges; that the rates for Hybrid Plan members to purchase prior service shall be 6.68% for regular VRS member and 18.12% for judges, and an alternative rate of 9.20% for certain affected hazardous duty employees whose employers have not adopted all the enhanced benefits for their hazardous duty employees.

Upon a motion by Mr. Garrett, with a second by Mr. Montgomery, the VRS Board of Trustees approved the action upon the following roll call vote:

Mr. Bell: Aye
Mr. Bennett: Aye
Mr. Disharoon: Aye
Mr. Garrett: Aye
Dr. Gooden: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. McWilliams: Aye

INFORMATION ITEM

B&A Committee Meeting Schedule

- September (TBD) Stress Test and Sensitivity Analysis Report
- October 13, 2021 at 10:00 a.m.

- November 15, 2021 at 1:00 p.m.

Mr. McWilliams thanked Mr. Garrett for his report.

Operational Update Series: Enhancing the Customer Experience with Online Retirement

Ms. Bishop introduced Deardrian Carver, Jeanne Chenault, and Karen Solarte who presented an update on projects designed to enhance the customer experience and streamline processes and delivery. The most prominent project, Online Retirement, is the culmination of a multi-year effort to deliver a customer-focused, business-driven, and technology-enabled experience for VRS members. Staff identified key objectives of the project, including:

- Providing comprehensive online retirement counseling.
- Assisting members in making informed retirement decisions.
- Maintaining a high level of account security.
- Providing learning-support tools, such as videos and reminders.
- Enabling efficient business processes with technology.
- Ensuring accuracy and consistency of data.

Ms. Chenault discussed the multi-department, collaborative team that focused on contact center and employer training, as well as employer outreach and communications to prepare for the changes with Online Retirement. Staff developed newsletters, handbooks and a new Online Retirement webpage on the employer website that contains resources to acclimate employers to the Online Retirement feature in myVRS.

Ms. Carver presented the Board a step-by-step demonstration of the new Online Retirement application process and discussed innovative features, such as the Retirement Benefit Projector that creates a tailored experience for VRS members. Next, Ms. Solarte reviewed the enhanced security measures implemented by the Information Technology department to protect customer access and accounts with the rollout of Online Retirement. Staff will execute a walk-run approach, providing access to certain employers initially, while simultaneously collecting data for quality monitoring and analyzing metrics throughout the application process in order to apply any necessary changes and enhance the user's experience. She also discussed the additional myVRS functions, such as payment destination maintenance and beneficiary management, that will be available to members and retirees this summer.

The Board expressed appreciation to the team for their hard work and dedication in making Online Retirement available to VRS members in the future.

Commending Resolution of Service for Wallace G. Harris

The Board reviewed and was asked to affirm the following resolution:

WHEREAS, Wallace G. "Bo" Harris, Ph.D. was first appointed to serve on the Virginia Retirement System Board of Trustees in September 2012 and was subsequently reappointed for a second term in March 2016, serving with distinction; and

WHEREAS, Dr. Harris served as a Member of the Administration and Personnel Committee, the Investment Policy Committee, and the Strategic Projects Committee, and contributed to these discussions by virtue of his broad knowledge of the system and best practices; and

WHEREAS, Dr. Harris served as a Member, followed by Vice Chair, and then Chair of the Benefits and Actuarial Committee, where his extensive knowledge of the administration of retirement system plans and benefits, along with a comprehensive understanding of actuarial principles, assisted him in successfully leading Committee discussions and contributed immeasurably to the Committee deliberations; and

WHEREAS, Dr. Harris consistently demonstrated his professional and personal commitment to the interests of members, retirees, and beneficiaries, first serving as Deputy Director, and then Acting Director of the System, followed by his steadfast participation as a Member of the VRS Board of Trustees;

NOW, THEREFORE BE IT RESOLVED, that on June 10, 2021, we, the members of the Board of Trustees of the Virginia Retirement System, hereby acknowledge Dr. Harris's loyal, faithful, and long-standing service to the Board of Trustees, the Virginia Retirement System, its members, retirees, and the Commonwealth of Virginia, and are grateful for his exceptional contributions, stewardship, and commitment as a member of the Board of Trustees.

The VRS Board of Trustees affirmed the resolution with the following roll call:

Mr. Bell: Aye
Mr. Bennett: Aye
Mr. Disharoon: Aye
Mr. Garrett: Aye
Dr. Gooden: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. McWilliams: Aye

Strategic Plan Update

Ms. Bishop presented an update on the agency's Strategic Plan to the Board. She noted that staff developed the plan in collaboration with the Investment Department and facilitators with VCU Performance Management Group. The plan contains two new elements: a Diversity, Equity, and Inclusion (DEI) Statement and Equity Emphasis on each goal in the plan. This reflects the agency's desire to be intentional about DEI efforts and to be consistent with the executive branch's "One VRS" initiative.

The plan contains five goals with an emphasis on fostering organizational strength to achieve long-term financial health of the Plans and improved outcomes for VRS members, retirees, and employers through partnership and engagement. Staff will leverage technology to enhance efficiency and effectiveness as well as the overall customer experience. Ms. Bishop advised that following feedback from the Board, staff will present a finalized draft at the September Administration and Personnel Committee meeting.

Report of the Director

Next, Ms. Bishop reviewed the New Coverage Elections and provided an update on the VRS Agency Roadmap for FY 2021. She advised that all projects are progressing as planned or have been completed, with the exception of the financial system upgrade. Staff continues to monitor these projects and will provide updates as they become available.

Custodial and Signature Authorization Resolutions

At Ms. Bishop's request, Mr. Cooper presented the Resolution for Master Custodial Services and the Resolution for Payment of Retirement System Funds in the State Treasury and Signing Official Documents. The documents set out the Board's intentions regarding authority to sign documents. Mr. Cooper noted the only change to the resolution is updating the Chief Technology Officer's name.

Upon a motion by Mr. McWilliams, with a second by Mr. Montgomery, the VRS Board of Trustees approved the changes to the Custodial and Signature Authorization Resolutions form upon the following roll call vote*:

Mr. Bell: Aye
Mr. Bennett: Aye
Mr. Disharoon: Aye
Dr. Gooden: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. McWilliams: Aye

**Mr. Garrett was not present for this vote.*

Budget Update

Mr. Cooper provided an update on the agency's budget performance through May 31, 2021. The remaining balance of \$9.9 million that was reported to the Board in April has been reduced to \$9.3 million due to salaries and benefits for recent hires, as well as additional purchases funded from the FY 2021 budget. Mr. Cooper noted that VRS operations are generally funded by the Trust and any remaining balances are returned to the Trust, with the exception of appropriated funds related to the Virginia Volunteer Firefighters' & Rescue Squad Workers' Service Award Program (VOLSAP).

DPB Deficit Provision Acknowledgement Form

Ms. Bishop noted that annually VRS and other state agencies are required to confirm that their obligations and expenditures do not exceed their appropriations. She advised that VRS expenditures and obligations did not exceed appropriations. The reporting form specifically states that each member of the Board has been provided with a copy of the notice. The executed form will be sent to the Department of Planning and Budget.

Update on Return to the Office Planning

Next, Ms. Bishop provided the Board with an update regarding the plan to return staff to the building. She advised that since the beginning of the pandemic, VRS has followed the guidance provided by the Governor's Office and the Centers for Disease Control and Prevention (CDC). The building was closed in March 2020 and since that time, only select staff have returned to the office to process mail, imaging, and carry out other critical business operations. Staff and third-party administrators have utilized virtual platforms to continue to provide exceptional customer service to VRS members and retirees. Staff will remain remote until September 7th; however, employees can return on a voluntary basis with approval from management.

Ms. Bishop reported positive feedback following an employee survey regarding the remote work experience during the pandemic. 90% of employees indicated an overall positive experience, adequate and effective communication from VRS leadership, and sustained or improved productivity output. The Human Resources department held focus groups to discuss staff concerns about returning to the office, such as group spaces and social distancing, and found that most prefer to remain remote or incorporate a hybrid work schedule.

To prepare for the return to the office, VRS leadership will work closely with management staff to evaluate employee preferences and consider impacts related to recruitment and retention. Using CDC recommendations, staff will develop guidance for the September return, as well as review technology tools designed to support synchronous hybrid work collaboration.

Ms. Bishop concluded her report by noting that VRS received a 2021 Communicator Award of Distinction for marketing effectiveness from the Academy of Interactive and Visual Arts (AIVA) for its virtual response to the COVID-19 pandemic.

Next, the Board was presented with the "Why I Serve" video, in celebration of Virginia Public Service Week.

Mr. McWilliams thanked Ms. Bishop for her report.

Other Business

Mr. McWilliams noted the July meeting has been cancelled and the next Board meeting will be held on September 21, 2021 at 1:00 p.m. The Defined Contribution Plans Advisory Committee (DCPAC) will meet on June 24th and the Investment Advisory Committee (IAC) will meet on August 17th.

Adjournment

Upon a motion by Mr. Montgomery, with a second by Mr. Garrett, the Board agreed to adjourn the meeting upon the following roll call vote:

Mr. Bell: Aye
Mr. Bennett: Aye
Mr. Disharoon: Aye
Mr. Garrett: Aye
Dr. Gooden: Aye

Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. McWilliams: Aye

There being no further business, the meeting concluded at 3:14 p.m.

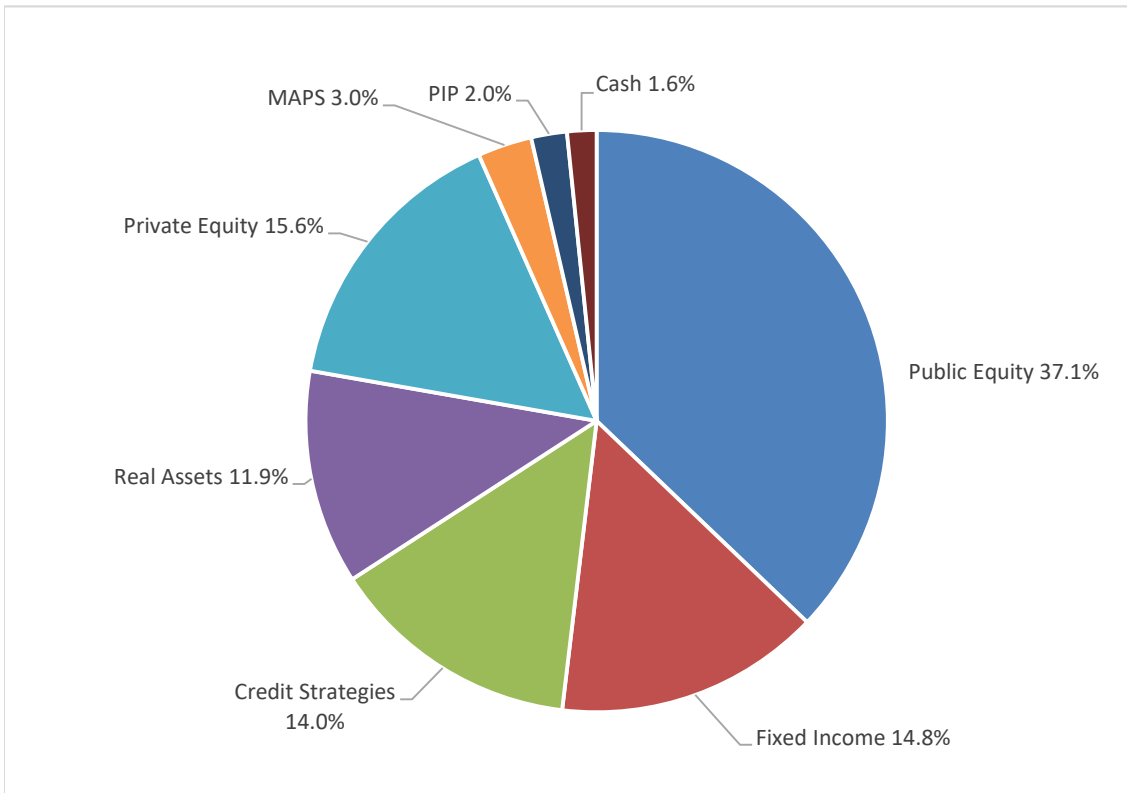
Chair

Secretary

Asset Allocation Report

June 30, 2021

For Internal Investment Purposes Only



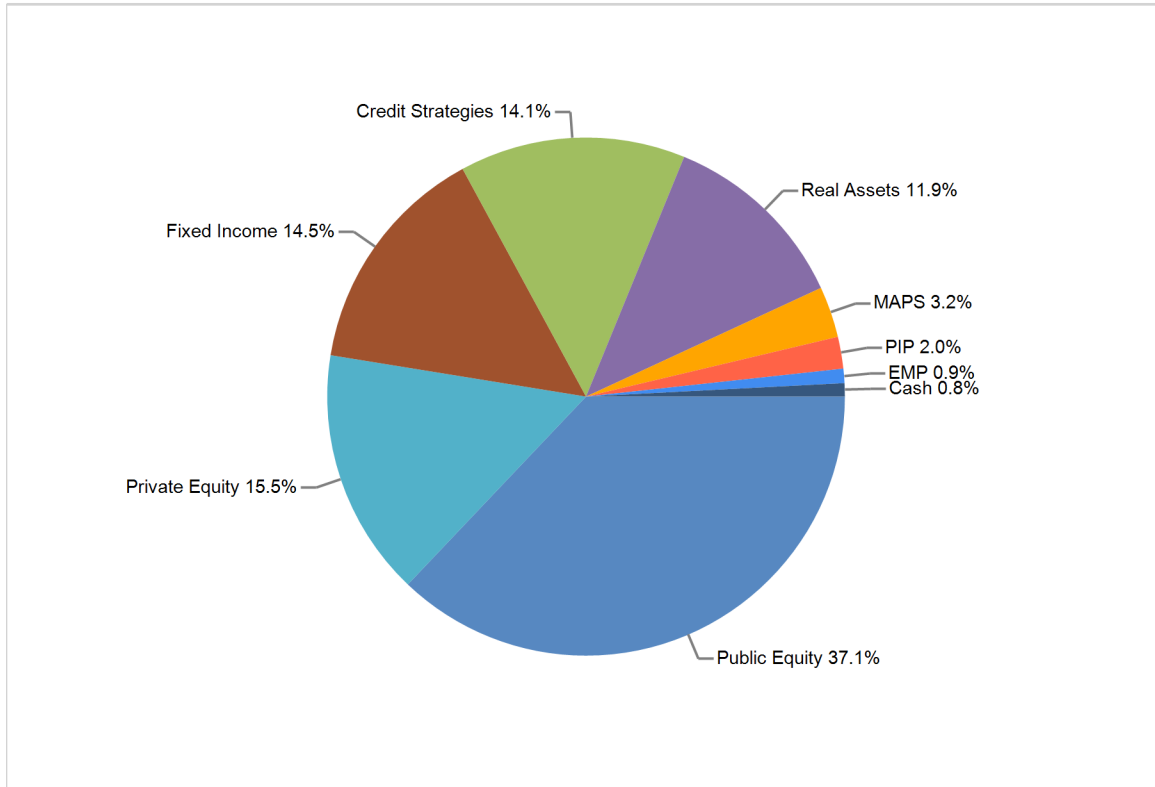
	<u>Current \$Bil</u>	<u>Current Weight</u>	<u>Policy Weight</u>	<u>Variance</u>	<u>Allowable Range</u>		<u>Internal %</u>
Total Fund	101.8						29.2%
Public Equity	37.8	37.1%	37.0%	0.1%	-5%	+5%	37.2%
Fixed Income	15.0	14.8%	16.0%	-1.2%	-3%	+5%	95.2%
Credit Strategies	14.2	14.0%	14.0%	0.0%	-5%	+5%	
RS Credit	5.5	5.4%	5.6%	-0.2%			
NRS Credit	8.8	8.6%	8.4%	0.2%			
Real Assets	12.1	11.9%	14.0%	-2.1%	-5%	+5%	10.7%
Public RE	1.3	1.3%					99.9%
Private RE	6.9	6.8%					
Other RA	3.9	3.8%					
Private Equity	15.9	15.6%	13.0%	2.6%	-5%	+5%	
MAPS	3.1	3.0%	3.0%	0.0%	-1%	+1%	
DSTRAT	1.6	1.6%					
RBI	1.4	1.4%					5.3%
PIP	2.0	2.0%	2.0%	0.0%	-1%	+2%	
Cash	1.7	1.6%	1.0%	0.6%	-1%	+4%	
	<u>Current \$Bil</u>	<u>Current Weight</u>	<u>Policy Limit</u>	<u>3 Year Tracking Error</u>			
Hedge Funds	11.1	10.9%	15.0%	Total Fund: 2.87%			
				Total Public: 1.06%			

*Total Fund includes the following amt held by the Treasurer of VA: \$ 503 million

• The values shown for each asset class on this report may differ from the VRS Monthly Performance Report due to adjustments related to derivative positions in the Rebalance Account, pending transactions, and certain accruals. The values on this report are a more descriptive representation of the Virginia Retirement System's true economic exposure to each asset class. (9 adjustments applied)

*Total Fund and Total Public tracking error are calculated using monthly returns, then annualized

* Differences in totals are due to rounding.



	Current \$Bil	Current Weight	Policy Weight	Variance	Allowable Range		Internal %
Total Fund	102.2						29.3%
Public Equity	37.9	37.1%	36.0%	1.1%	-5%	+5%	38.1%
Fixed Income	14.8	14.5%	15.0%	-0.5%	-3%	+5%	95.1%
Credit Strategies	14.4	14.1%	14.0%	0.1%	-5%	+5%	
RS Credit	5.5	5.4%	5.6%	-0.2%			
NRS Credit	8.9	8.7%	8.4%	0.3%			
Real Assets	12.2	11.9%	14.0%	-2.1%	-5%	+5%	10.2%
Public RE	1.3	1.3%					92.5%
Private RE	7.0	6.9%					
Other RA	3.8	3.7%					
Private Equity	15.8	15.5%	14.0%	1.5%	-5%	+5%	
MAPS	3.3	3.2%	4.0%	-0.8%	-2%	+2%	
DSTRAT	1.8	1.7%					6.3%
RBI	1.5	1.5%					2.0%
PIP	2.0	2.0%	2.0%	0.0%	-2%	+2%	
EMP	0.9	0.9%	0.0%	0.9%		+3%	
Cash	0.8	0.8%	1.0%	-0.2%	-1%	+4%	

	Current \$Bil	Current Weight	Policy Limit
Hedge Funds	11.6	11.3%	15.0%

3 Year Tracking Error	
Total Fund:	2.92%
Total Public:	1.07%

*Total Fund includes the following amt held by the Treasurer of VA: \$ 185 million

• The values shown for each asset class on this report may reflect adjustments related to derivative positions in the Rebalance Account, pending transactions and certain accruals, in order to provide a more descriptive representation of the true economic exposure to each asset class (5 adjustments applied)

*Total Fund and Total Public tracking error are calculated using monthly returns, then annualized

* Differences in totals are due to rounding.

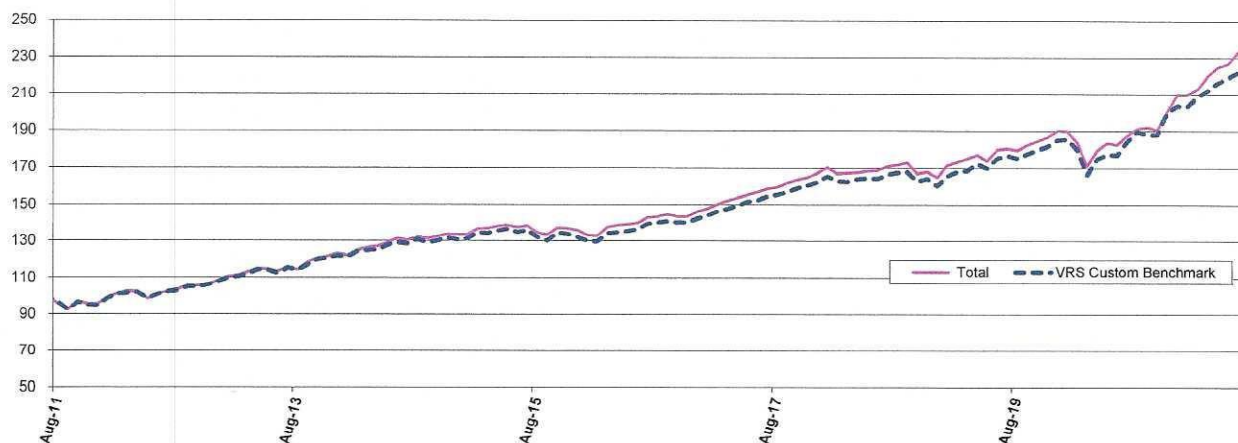
PERFORMANCE SUMMARY
Rolling Periods Ending
July 31, 2021



TOTAL FUND PERFORMANCE

	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month	Fiscal YTD	Cal YTD	Market Value (\$MM)
Total Public Equity Strategies	10.5	12.8	12.6	36.1	3.3	0.9	0.9	15.2	37,361
<i>Benchmark</i>	10.5	13.7	13.8	35.2	3.3	0.5	0.5	13.5	
Total Fixed Income	4.2	4.3	7.3	2.0	2.3	1.0	1.0	0.5	13,715
<i>Benchmark</i>	3.4	3.2	5.8	0.0	2.2	1.1	1.1	-0.3	
Total Credit Strategies	6.6	7.6	7.9	15.8	3.4	0.3	0.3	7.4	14,288
<i>Benchmark</i>	5.7	6.1	6.4	8.6	1.4	0.2	0.2	3.0	
Total Real Assets	10.0	7.9	6.7	11.2	3.4	0.4	0.4	7.4	12,109
<i>Benchmark</i>	8.5	6.1	5.5	8.1	3.1	1.5	1.5	6.1	
Total Private Equity	15.8	19.8	20.9	53.4	11.3	0.0	0.0	23.6	15,980
<i>Benchmark</i>	14.2	17.8	17.5	49.1	10.4	4.4	4.4	27.6	
Total Private Investment Partnerships	n/a	9.2	9.3	30.8	8.8	0.0	0.0	16.1	2,031
<i>Benchmark</i>	n/a	9.7	9.9	21.4	4.9	1.9	1.9	12.6	
Total Multi-Asset Public Strategies	n/a	n/a	5.7	16.3	1.6	-0.1	-0.1	6.2	3,166
<i>Benchmark</i>	n/a	n/a	8.6	14.4	2.4	0.7	0.7	6.1	
Total Fund	8.9	10.3	11.0	24.8	4.1	0.5	0.5	11.4	101,629
<i>VRS Custom Benchmark</i>	8.4	10.0	10.5	21.9	3.7	1.3	1.3	10.1	

10-Year Performance
Indexed to 100



Effective July 2013, the VRS Custom Benchmark is a blend of the Asset Class Benchmarks at policy weights.

The VRS Cash Account, the Treasurer Short-Term Investment Account, the VRS Rebalancing Account, transition activity and accounts with market values of less than \$1 million are included in the Total Fund's market value. Differences in market value totals are due to rounding.

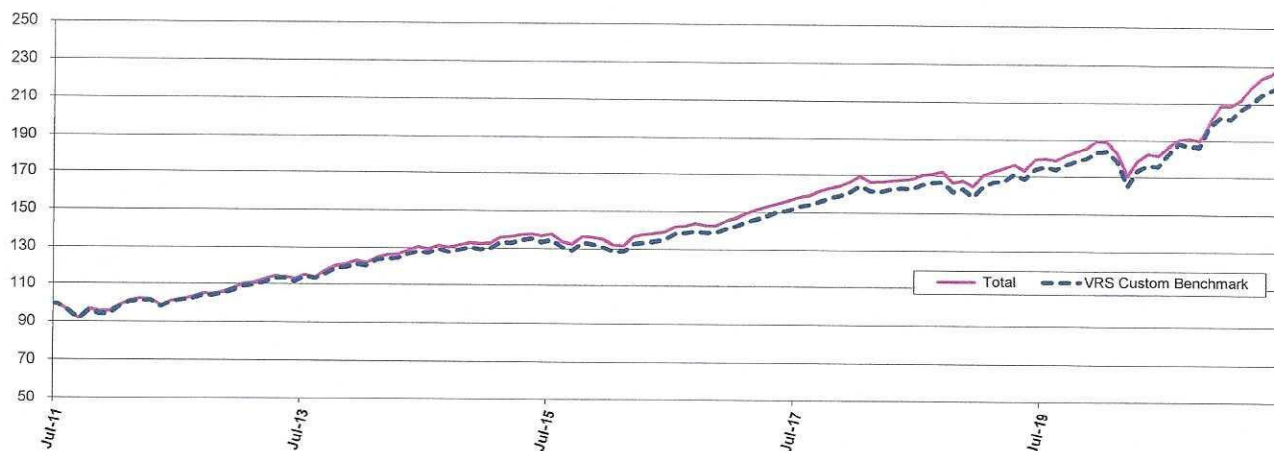
PERFORMANCE SUMMARY
Rolling Periods Ending
June 30, 2021



TOTAL FUND PERFORMANCE

	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month	Fiscal YTD	Cal YTD	Market Value (\$MM)
Total Public Equity Strategies	10.2	13.4	13.3	41.0	6.5	0.8	41.0	14.2	37,228
<i>Benchmark</i>	10.3	14.4	14.5	41.5	7.3	1.2	41.5	12.9	
Total Fixed Income	4.2	4.2	7.0	3.3	2.4	0.9	3.3	-0.5	13,580
<i>Benchmark</i>	3.4	3.1	5.4	0.7	2.0	0.7	0.7	-1.4	
Total Credit Strategies	6.6	8.0	8.2	18.4	4.0	2.6	18.4	7.1	14,225
<i>Benchmark</i>	5.7	6.5	6.7	11.3	1.9	0.7	11.3	2.8	
Total Real Assets	10.0	8.0	6.6	11.3	4.0	2.5	11.3	7.0	12,122
<i>Benchmark</i>	8.5	6.1	5.2	6.4	2.9	0.8	6.4	4.6	
Total Private Equity	15.8	19.8	21.0	54.1	13.0	11.1	54.1	23.6	15,880
<i>Benchmark</i>	14.0	17.1	16.3	57.8	5.6	3.0	57.8	22.2	
Total Private Investment Partnerships	n/a	9.2	9.3	30.8	8.8	8.8	30.8	16.1	2,031
<i>Benchmark</i>	n/a	9.3	9.4	25.0	3.3	1.5	25.0	10.5	
Total Multi-Asset Public Strategies	n/a	n/a	6.0	20.4	3.6	0.2	20.4	6.3	3,068
<i>Benchmark</i>	n/a	n/a	8.7	16.6	4.0	0.8	16.6	5.4	
Total Fund	8.8	10.7	11.3	27.5	5.9	2.7	27.5	10.9	101,788
<i>VRS Custom Benchmark</i>	8.3	10.2	10.6	25.3	4.6	1.2	25.3	8.7	

10-Year Performance
Indexed to 100



Effective July 2013, the VRS Custom Benchmark is a blend of the Asset Class Benchmarks at policy weights.

The VRS Cash Account, the Treasurer Short-Term Investment Account, the VRS Rebalancing Account, transition activity and accounts with market values of less than \$1 million are included in the Total Fund's market value. Differences in market value totals are due to rounding.

Total Fund Tracking Error

Figure 1: Policy Tracking Error Rolling Three Year - Plan (as of 6/30/2021)

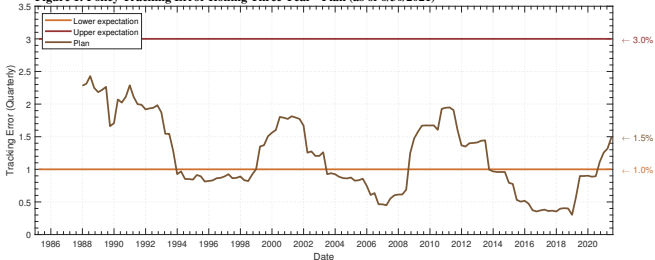
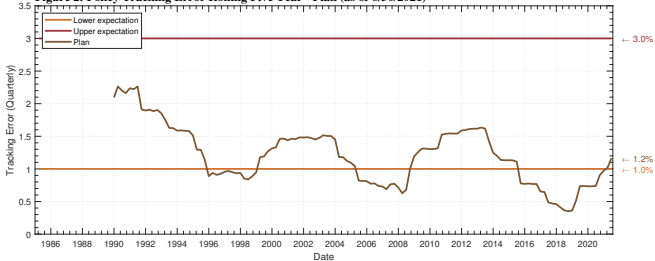


Figure 2: Policy Tracking Error Rolling Five Year - Plan (as of 6/30/2021)



The VRS Defined Benefit Plan Investment Policy Statement established the total fund tracking error range as the allowable observed tracking error calculated quarterly using 5 years of history.

Program	Action	Effective Date	Commitment/Current Value	Funding/Defunding Period	Description
Public Equity	Hired	07/01/2021	\$250 Million	< 1 Year	Farallon Healthcare Partners, L.P. – A long/short equity fund.
Credit Strategies	Hired	07/14/2021	€300 Million	5 Years	ICG Europe VIII – A closed-end fund targeting subordinated debt and equity investments in European mid-market companies.
Real Assets	Hired	06/14/2021	\$75 Million	4 Years	* Artemis Real Estate Partners Income and Growth Sidecar Fund – A closed-end fund investing in diversified, core-plus real estate in the United States.
Real Assets	Hired	06/22/2021	€75 Million	5 Years	Antin Infrastructure Partners Mid-Cap I – A closed-end fund investing in diversified, mid-cap infrastructure deals in Europe as well as the United States.
Real Assets	Hired	06/30/2021	\$250 Million	5 Years	Carlyle Realty Partners IX – A closed-end fund investing in diversified opportunistic real estate in the United States.
Real Assets	Terminated	07/14/2021	\$85 Million	Immediate	SailingStone Global Natural Resources – A publicly traded strategy focused on global natural resources.
Private Equity	Hired	06/22/2021	\$175 Million	6 Years	Quad-C X – The fund will target founder / management owned companies in the business & consumer services, industrials, specialty distributions, healthcare, and transportation & logistics sectors.
Private Equity	Hired	07/01/2021	\$250 Million	6 Years	Audax DLS II – The fund will originate and agent Unitranche and stretch senior loans to middle market and lower middle market platform companies, primarily in the United States.
Private Equity	Hired	07/01/2021	\$250 Million	6 Years	Hellman and Friedman X – A mega buyout fund that will target high quality businesses with defensible competitive positions, strong economic profiles and a growth orientation in the U.S. and Europe.
Private Equity	Hired	07/01/2021	\$300 Million	6 Years	TA XIV – A growth equity fund that will invest in global, private, middle market companies in select growth industries: technology, healthcare, financial services, consumer, and business services.
Private Equity	Hired	07/01/2021	\$50 Million	6 Years	TA Select Opportunities II – The fund will invest in existing high-performing TA portfolio companies. Investments will be made in profitable, private, middle market growth companies operating in select growth industries: technology, healthcare, financial services, consumer, and business services.

* The manager is considered DIME under the Commonwealth of Virginia definition, which defines ownership threshold of 51% or more.

VRS Investment Department
 Recap of New Investments/Terminations
 Time Period: 06/10/2021 – 09/21/2021



Program	Action	Effective Date	Commitment/Current Value	Funding/Defunding Period	Description
Private Equity	Hired	07/07/2021	\$100 Million	5 Years	Apax Digital II – The fund will provide growth capital to companies / entrepreneurs in the technology sector who are developing new products, platforms, and services.
Private Equity	Hired	07/09/2021	\$100 Million	5 Years	Insight XII – The fund will target small-mid cap growth-stage software, software-enabled services, and internet businesses with established momentum and potential for significant revenue growth and profitability.
Private Equity	Hired	08/05/2021	\$100 Million	5 Years	Harbourvest Co-Invest VI – The fund will target investments in the growth equity, small, mid and large market buyout space, as well as special situations and equity-oriented credit transactions.
Private Equity	Hired	08/24/2021	\$25 Million	6 Years	Advent Global Technology II – A technology companion fund to Advent International GPE, its flagship fund. The technology fund will invest alongside the flagship fund in technology companies and make smaller standalone investments in high growth technology businesses.
Private Equity	Hired	08/31/2021	\$35 Million	6 Years	Spectrum Equity Select Opportunities – A growth equity fund that will invest in existing Spectrum Equity portfolio companies during a liquidity event when Spectrum maintains high conviction in the future growth prospects of the investment.
Dynamic Strategies	Hired	07/01/2021	\$50 Million	Immediate	Schroder Global Climate Change – A long-only global equity mandate investing across a variety of climate-related themes.
Risk-Based Investments	Hired	09/01/2021	\$100 Million	Immediate	Orchard Liquid Credit Fund – A long volatility credit hedge fund.

* The manager is considered DIME under the Commonwealth of Virginia definition, which defines ownership threshold of 51% or more.

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending June 30, 2021

Investment Program	Activity	Manager Name	Description	VRS Action
Global Equity	On-Going Monitoring of Current VRS Manager	Kylin Management (minority-owned firm) ¹	Current VRS public equity hedge fund manager.	Staff performed on-going due diligence and monitoring of this current VRS minority manager during the quarter.
Global Equity	On-Going Monitoring of Current VRS Manager	Ariel Global (minority and women-owned firm) ¹	Current VRS global equity manager.	Staff performed on-going due diligence and monitoring of this current VRS minority and women-owned manager during the quarter.
Global Equity	On-Going Monitoring of Current VRS Manager	Advent Capital Management (minority-owned firm) ¹	Current VRS convertible bond manager.	Staff performed on-going due diligence and monitoring of this current VRS minority manager during the quarter.
Global Equity	Virtual Manager Meeting	Alger Associates (women-owned firm) ¹	Manager focused on dynamic return long/short equity strategy.	Staff had an introductory meeting with this manager to discuss the firm and their strategy.
Global Equity	Virtual Manager Meeting	DPM Capital (minority-owned firm) ¹	Manager focused on a long/short strategy.	Staff had an update meeting with this manager to discuss the firm and their strategy.
Credit Strategies	Manager Meeting	Turning Rock Partners (women-owned firm) ¹	Manager focused on long-term investments in debt and equity securities in North American small and mid-capitalization businesses.	Staff reviewed materials and met with the manager to discuss their firm and strategy.
Credit Strategies	Virtual Manager Meeting	Pharmakon Advisors (minority-owned firm) ¹	Manager focused on credit funds.	Staff reviewed materials and had a virtual meeting with the manager to discuss their firm and strategy.
Credit Strategies	Virtual Manager Meeting	Strategic Value Partners (minority-owned firm) ¹	Manager focused on distressed debt and private equity opportunities.	Staff reviewed materials and had a virtual meeting with the manager to discuss their firm and strategy.

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending June 30, 2021

Investment Program	Activity	Manager Name	Description	VRS Action
Credit Strategies	Virtual Manager Meeting	Palmer Square Capital Management (women-owned firm) ¹	Manager focused on credit and alternatives.	Staff reviewed materials and had a virtual meeting with the manager to discuss their firm and strategy.
Credit Strategies	Periodic Communication with Fund-of-Fund Manager	N/A	As part of their mandate Aksia Private Credit will come across DIME owned firms in the smaller and emerging credit fund space.	Periodic communication to review DIME and other emerging managers along with opportunities in the private credit markets more broadly.
Global Equity and Credit Strategies	Periodic Update Communication with Consultant	N/A	Aon Hewitt Investment Consulting is the consultant used by these two investment programs.	Periodic communication to review the DIME monitoring activity done on behalf of VRS as well as industry trends.
Real Assets	On-Going Monitoring of Current VRS Manager	Artemis Real Estate Partners (women-owned firm) ¹	Current VRS real estate manager.	Staff performed on-going due diligence and monitoring of this current VRS women-owned manager during the quarter. During the quarter VRS made a commitment to the Artemis Real Estate Partners Income & Growth Sidecar Fund.
Real Assets	On-Going Monitoring of Current VRS Manager	Tristan Capital Partners (minority-owned firm) ¹	Current VRS real estate manager.	Staff performed on-going due diligence and monitoring of this current VRS minority-owned manager during the quarter.
Real Assets	On-Going Monitoring of Current VRS Manager	Pritzker Realty Group (women-owned firm) ¹	Current VRS real estate manager.	Staff performed on-going due diligence and monitoring of this current VRS women-owned manager during the quarter.
Real Assets	On-Going Monitoring of Current VRS Manager	Capri EGM (minority-owned firm) ¹	Current VRS real estate manager.	Staff performed on-going due diligence and monitoring of this current VRS minority-owned manager during the quarter.
Real Assets	On-Going Monitoring of Current VRS Manager	Grain Management (minority-owned firm) ¹	Current VRS infrastructure manager.	Staff performed on-going due diligence and monitoring of this current VRS minority-owned manager during the quarter.

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending June 30, 2021

Investment Program	Activity	Manager Name	Description	VRS Action
Real Assets	On-Going Monitoring of Current VRS Manager	Pantheon Ventures	Current VRS infrastructure and natural resource fund-of-funds manager.	Staff had periodic communication with this manager to discuss potential DIME firms in their market.
Real Assets	Virtual Manager Meeting	Hillcrest Finance, LLC (minority and women-owned firm) ¹	Boutique manager focused on real estate credit strategies.	Staff held a virtual meeting with this manager to hear updates on their team, investment pipeline and market conditions.
Real Assets	Virtual Manager Meeting	Hull Street Energy (women-owned firm) ²	Power/Renewable energy focused infrastructure fund.	Staff held an introductory virtual meeting with this manager to learn more about their team, investment philosophy, investment pipeline and fundraise goals.
Real Assets	Virtual Manager Meeting	Mavik Capital Management (minority-owned firm) ²	U.S. focused distressed debt and special situations RE manager.	Staff held an introductory virtual meeting with this manager to learn more about their team, investment philosophy, investment pipeline and fundraise goals.
Real Assets	Virtual Manager Meeting	Neighborhood Development Company (minority-owned firm) ¹	Greater Washington, D.C. focused urban multifamily and mixed-use developer.	Staff held an introductory virtual meeting with this manager to learn more about their team, investment philosophy, investment pipeline and fundraise goals.
Real Assets	Virtual Manager Meeting	Rubicon Point Partners (minority and women-owned firm) ¹	San Francisco Bay area and Pacific Northwest focused value-add office investor.	Staff held an introductory virtual meeting with this manager to learn more about their team, investment philosophy, investment pipeline and fundraise goals.
Real Assets	Virtual Manager Meeting	Sack Properties (women-owned firm) ¹	Western U.S. focused class B multifamily investment manager.	Staff held an introductory virtual meeting with this manager to learn more about their team, investment philosophy, investment pipeline and fundraise goals.
Real Assets	Periodic Update Communication with Consultant	N/A	The Townsend Group is the consultant used by Real Assets.	Periodic communication to review the DIME monitoring activity done on behalf of VRS as well as real estate and infrastructure industry trends.

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending June 30, 2021

Investment Program	Activity	Manager Name	Description	VRS Action
Private Equity	On-Going Monitoring of Current VRS Manager	Asia Alternatives (minority and women-owned firm) ¹	A fund-of-funds manager focusing on alternative investments in Asia.	Staff had a call with this manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	Clearlake Capital Group (minority-owned firm) ¹	A private equity fund investing in special situations and distressed opportunities in small and medium-sized companies.	Staff had a call with this manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	MBK Partners (minority-owned firm) ¹	A North Asia private equity firm.	Staff had a call with this manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	SIRIS Capital (minority-owned firm) ¹	A middle market buyout firm making control investments in data/telecommunications, technology and technology-enabled business service companies in North America.	Staff had a call with this manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	Sycamore Partners (minority-owned firm) ¹	Middle market buyout fund targeting consumer and retail companies.	Staff had a call with this manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	TSG Consumer Partners (women-owned firm) ²	Growth fund investing exclusively in middle market consumer-branded companies.	Staff had a call with this manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	Veritas Capital (minority-owned firm) ²	Middle market buyout fund targeting primarily technology or technology-enabled solutions to government.	Staff had a call with this manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	Vista Equity Partners (minority-owned firm) ¹	A large market buyout fund targeting enterprise software companies.	Staff had a call with this manager during the quarter.

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending June 30, 2021

Investment Program	Activity	Manager Name	Description	VRS Action
Private Equity	Virtual Manager Meeting	Plexo Capital (minority-owned firm) ¹	An early-stage venture capital firm believing diversity is an unrealized source of differentiation to create a powerful network effect.	Staff had a virtual meeting with this manager during the quarter.
Private Equity	Virtual Manager Meeting	Riverwood Capital (minority-owned firm) ¹	Global firm with particular emphasis on North America, Latin America, and other select emerging markets investing in high growth technology and technology-related companies trying to scale on a global basis.	Staff had a virtual meeting with this manager during the quarter.
Private Equity	Virtual Manager Meeting	Steward Asset Management (women-owned firm) ¹	Fund of Funds manager investing and seeding new emerging and diverse managers in private equity.	Staff had a virtual meeting with this manager during the quarter.
Private Equity	Virtual Manager Meeting	Trident (minority-owned firm) ¹	A control-oriented buyout firm investing with independent sponsors as operating partners to acquire US based companies.	Staff had a virtual meeting with this manager during the quarter.
Private Equity	Periodic Update Communication with Consultant	N/A	Grosvenor Capital Management Customized Fund Investment Group is the consultant used by Private Equity.	Periodic communication to review the DIME monitoring activity done on behalf of VRS as well as industry trends.
Risk-Based Investments	Telephone Call with Manager	Meketa	A consultant and asset manager that uses a Fund of Funds model that includes DIME managers.	Staff had a call with this manager to further discuss their firm and strategies.
Fixed Income	On-Going Monitoring of Current VRS Manager	Payden & Rygel (women-owned firm) ¹	Current VRS emerging market debt manager.	Staff had various interactions with this current VRS women-owned manager during the quarter.

Index:

1 – The manager is considered Diverse Investment Management Engagement (DIME) under the Commonwealth of Virginia definition, which defines ownership threshold of 51% or more.

2 – The manager is considered DIME under the definition that considers industry best practices, and defines an ownership threshold of greater than or equal to 33% and less than 51% of firm ownership or carry.

VRS Investment Department
Quarterly External Investment Manager Referral Report
Activity for Quarter Ending June 30, 2021

Investment Program	Type of Contact	Investment Manager Name	Official Making Referral	VRS Action
--------------------	-----------------	-------------------------	--------------------------	------------

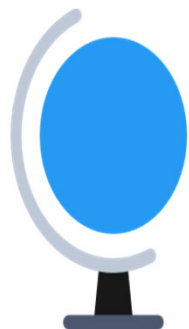
No activity to report this quarter.

Pension Administration Benchmarking Report

Fiscal Year 2020



About CEM Benchmarking



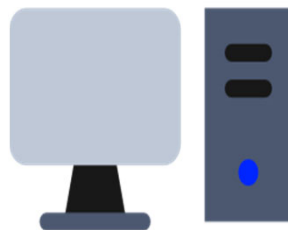
Clients

We serve 150 of the world's top 300 pension and sovereign wealth funds. In total, we serve over 500 plans with combined assets of over US \$10 trillion.



Independent

Benchmarking pension funds, SWF's and other asset owners is all that we do.



Unique database

We have been collecting data from the world's top funds for close to 30 years. Our database is rich, robust and completely unique.



Confidentiality

Confidentiality is critical. Your individual benchmarking results will not be seen by any other fund.



Expertise

40 professionals including 8 CFAs, 8 MBAs, 3 MSc. and 2 PhDs.

74 leading global pension systems participate in the benchmarking service.

Participants

United States

Arizona SRS
CalPERS
CalSTRS
Colorado PERA
Delaware PERS
Florida RS
Idaho PERS
Illinois MRF
Indiana PRS
Iowa PERS
KPERs
LACERA
Maryland SRPS
Michigan ORS
Minnesota State RS
Nevada PERS
North Carolina RS
NYC ERS
NYC TRS
NYSLRS
Ohio PERS
Oregon PERS
Pennsylvania PSERS
PERS of Mississippi
PSRS PEERS of Missouri

South Carolina RS
South Dakota RS
STRS Ohio
Texas MRS
TRS Illinois
TRS Louisiana
TRS of Texas
Utah RS
Virginia RS
Washington State DRS
Wisconsin DETF

Canada

Alberta Teachers RS
Alberta Pension System
BC Pension Corporation
Canadian Forces PP
Federal Public Service PP
LAPP of Alberta
Ontario Pension Board
Ontario Teachers
OPTrust
RCMP
Saskatchewan HEPP

The Netherlands*

ABN Amro PF
ABP
bpfBOUW
BPF Levensmiddelen
BPL Pensioen
Metaal en Techniek
PF PWRI
PF Vervoer
PFZW
Rabobank PF
Shell PF

South Africa

EPPF

United Kingdom*

BSA NHS Pensions
BT Pension Scheme
Greater Manchester PF
Local Pensions Partnership
Lothian PF
Merseyside PF
Pension Protection Fund
Principal Civil Service
Royal Mail Pensions
South Yorkshire PF
Teachers' Pensions
Tyne & Wear PF
Universities Superannuation
West Midlands Metro
West Yorkshire PF

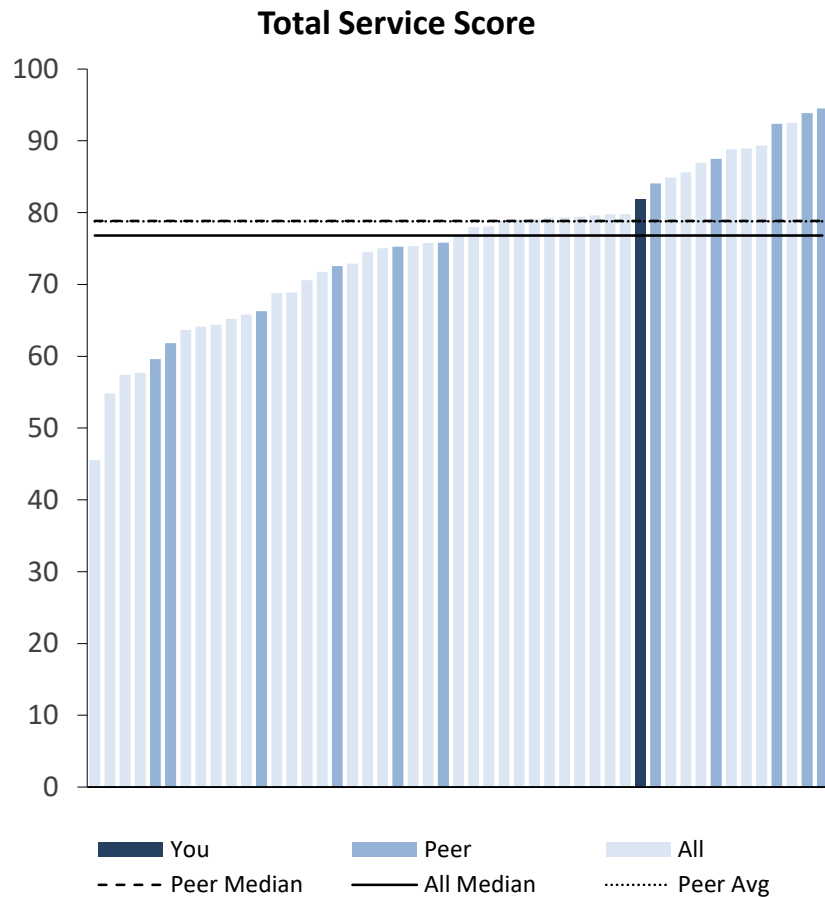
* Systems in the UK and most systems in the Netherlands complete different benchmarking surveys and hence your analysis does not include their results.

The custom peer group for Virginia RS consists of the following 12 peers:

Custom Peer Group for Virginia RS			
Peers (sorted by size)	Membership (in 000's)		
	Active Members	Annuitants	Total
NYSLRS	531	487	1,018
CalSTRS	463	312	775
Virginia RS	348	223	571
Washington state DRS	338	201	539
Ohio PERS	304	215	519
Michigan ORS	190	280	470
Wisconsin DETF	258	209	467
Indiana PRS	252	164	416
Arizona SRS	210	159	369
Colorado PERA	245	124	369
STRS Ohio	209	159	368
Oregon PERS	181	155	336
Peer Median	255	205	468
Peer Average	294	224	518

Inactive members are not considered when selecting peers because they are excluded when determining cost per member. They are excluded because they are less costly to administer than either active members or annuitants.

Your total service score was 82. This was above the peer median of 79.



Service is defined from a member’s perspective. Higher service means more channels, faster turnaround times, more availability, more choice, better content and higher quality. Higher service is not necessarily cost-effective. For example, the ability to answer the telephone 24 hours a day is higher service, but not cost effective.

Service Scores by Activity					
Activity	Weight	You		Peer	
		2019	2020	Median	Avg
1. Member Transactions					
Pension Payments	10.0%	100	100	100	100
Pension Inceptions	7.4%	91	89	91	82
Refunds, Withdrawals, and Transfers-out	1.3%	93	93	95	84
Purchases and Transfers-in	3.1%	100	100	92	82
Disability	3.8%	82	82	82	75
2. Member Communication					
Call Center	21.0%	76	73	67	67
1-on-1 Counseling	7.4%	91	94	85	84
Member Presentations	6.5%	100	99	100	99
Written Pension Estimates	4.7%	76	79	87	81
Mass Communication					
Website	21.3%	82	83	83	78
News and Targeted Communication	2.8%	67	67	81	81
Member Statements	4.7%	88	88	89	83
3. Other					
Member Experience Surveying	5.0%	13	13	41	40
Disaster Recovery	1.0%	100	100	99	91
Weighted Total Service Score	100%	82	82	79	79

Examples of key service measures included in your Service Score:

Select Key Service Metrics	You		Peer Avg
	2019	2020	
<u>Member Contacts</u>			
• % of calls resulting in undesired outcomes (busy signals, messages, hang-ups)	9%	10%	15%
• Average total wait time including time negotiating auto attendants, etc.	216 secs	248 secs	320 secs
<u>Website</u>			
• Can members access their own data in a secure environment?	Yes	Yes	92% Yes
• Do you have an online calculator linked to member data?	Yes	Yes	83% Yes
• # of other website tools offered such as changing address information, registering for counseling sessions and/or workshops, viewing or printing	12	13	15
<u>1-on-1 Counseling and Member Presentations</u>			
• % of your active membership that attended a 1-on-1 counseling session	1.4%	1.3%	3.5%
• % of your active membership that attended a presentation	3.5%	2.5%	5.7%
<u>Pension Inceptions</u>			
• What % of annuity pension inceptions are paid without an interruption of cash flow greater than 1 month between the final pay check and the first pension check?	97.5%	96.8%	89.8%
<u>Member Statements</u>			
• How current is an active member's data in the statements that the member receives?	2.0 mos	2.0 mos	2.0 mos
• Do statements provide an estimate of the future pension entitlement?	Yes	Yes	75% Yes

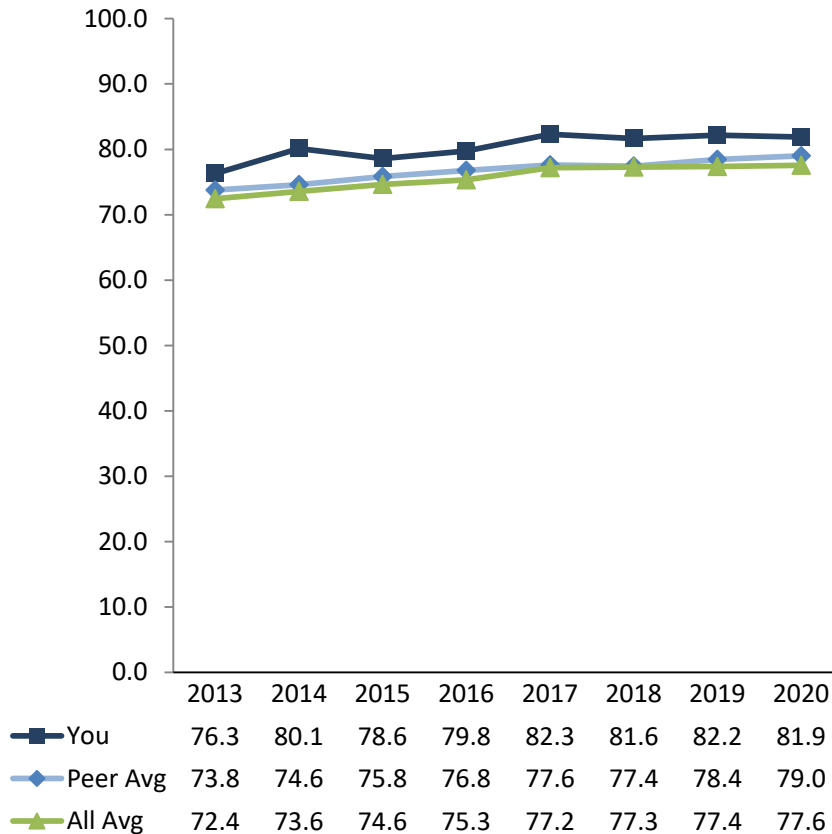
Where can you improve your total service score?

Potential improvements to your total service score	
Factor	Potential Improvement
On average, members calling your call center reach a knowledgeable person in 248 seconds. To achieve a perfect service score, members must reach a knowledgeable person on the phone in 60 seconds or less.	+ 3.8
10.3% of your incoming calls resulted in undesired outcomes (e.g., busy signals, messages, hang-ups). To achieve a perfect service score, members must experience no undesired call outcomes.	+ 1.7
You did not survey recently retired members about their retirement process experience during the fiscal year covered in this benchmarking report.	+ 1.1

CEM is not recommending these changes. Service improvement should be cost effective and important to your members.

Your service score increased from 76 to 82 between 2013 and 2017, and has remained steady since.

Trends in Total Service Scores



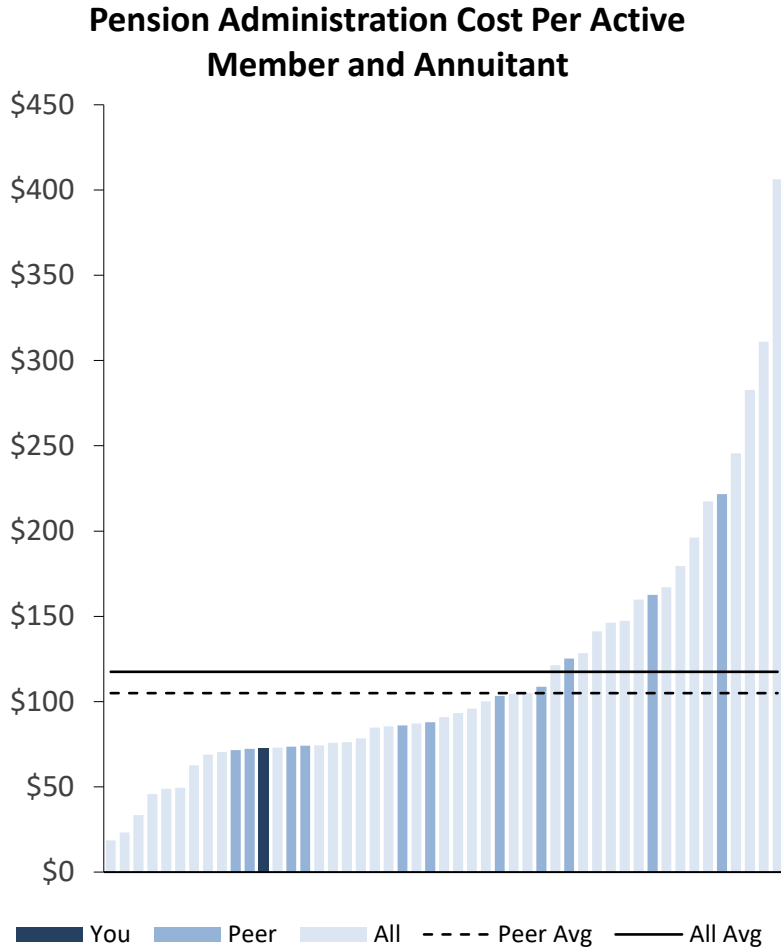
Your service score improved in almost all activities since 2013. The following changes had the biggest impact on your service score:

- Group counseling: Your attendees as a % of active members increased from 1.2% in 2013 to 2.5% in 2020.
- Purchases and transfers-in: The average time it takes for you to do individual transfers-in decreased from 2 months in 2013 to 1 month in 2020. Timeliness for purchases decreased substantially where it was a manual process in 2013 to being more automated now and can be done in 1 day.
- Call center:
 - Your undesired phone calls, i.e. abandoned calls in menu, queue or on hold, decreased from 13.3% in 2013 to 10.3% in 2020.
 - Your average time turnaround time to respond to an email query decreased from 1.5 days to 0.4 days.
 - You now have a knowledge based online help system available for your service representatives.

Trend analysis is based on systems that have provided 8 consecutive years of data (12 of your 12 peers and 37 of the 49 systems in the universe).

Historic scores have been restated to reflect changes in methodology. Therefore, your historic service scores may differ from previous reports.

Your total pension administration cost of \$72 per active member and annuitant was \$33 below the peer average of \$105.



Category	\$000s You	\$ per Active Member and Annuitant		
		You 2019	2020	Peer Avg
<u>Front office</u>				
Member Transactions	4,082	6	7	12
Member Communication	6,557	11	11	19
Collections & Data Maintenance	3,339	6	6	7
<u>Governance and support</u>				
Governance and Financial Control	2,920	6	5	7
Major Projects	1,440	18	3	10
Information Technology	17,707	25	31	30
Building	1,507	4	3	6
Legal	1,221	2	2	4
HR, Actuarial, Audit, Other	2,633	4	5	11
Total Pension Administration	41,405	81	72	105

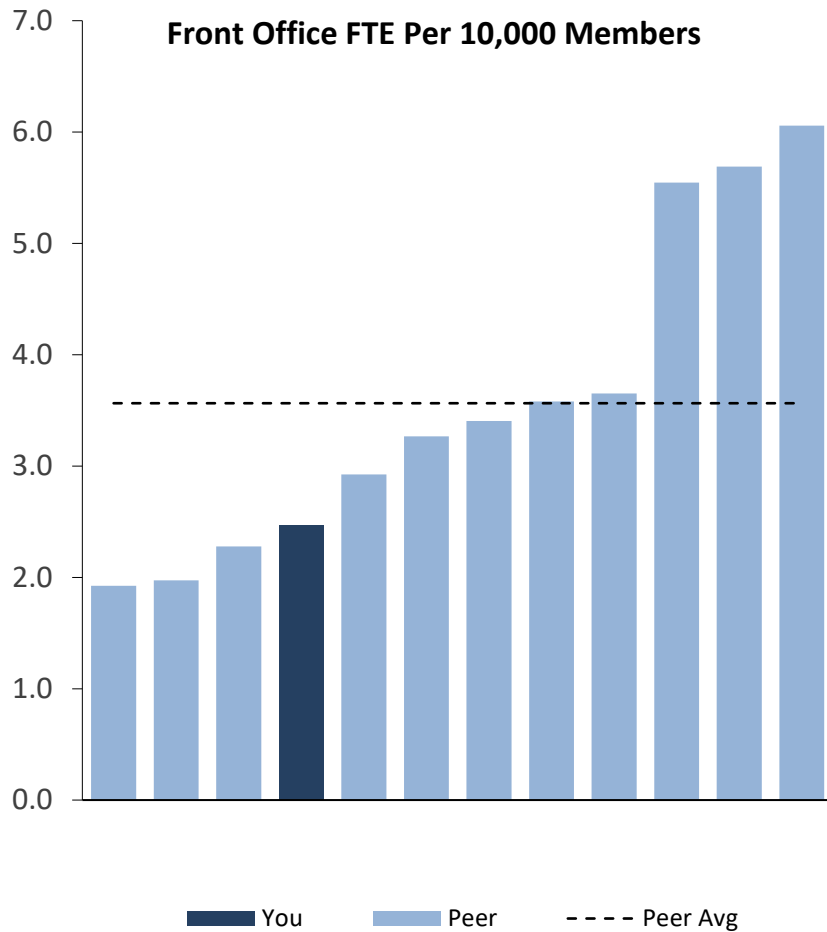
Your total pension administration cost was \$41.4 million. This excludes the fully-attributed cost of administering healthcare, and optional and third-party administered benefits of \$8.7 million.

Reasons why your cost per member was \$33 below the peer average:

Reason	You	Peer Avg	Impact \$ per active member and annuitant
1 Fewer front-office FTE per 10,000 members	2.5 FTE	3.6 FTE	-\$14
2 Lower third party costs per member in the front-office	\$3	\$6	-\$3
3 Higher costs per FTE			
Salaries and Benefits	\$107,487	\$101,197	
Building and Utilities	\$7,345	\$9,915	
HR	\$2,769	\$3,896	
IT Desktop, Networks, Telecom	<u>\$32,490</u>	<u>\$18,569</u>	
Total	\$150,091	\$133,578	\$9
4 Lower support costs per member ¹			
Governance and Financial Control	\$7	\$9	
Major Projects	\$3	\$13	
IT Strategy, Database, Applications	\$21	\$25	
Actuarial, Legal, Audit, Other	<u>\$7</u>	<u>\$15</u>	
Total	\$37	\$62	-\$25
Total			-\$33

1. To avoid double counting, Governance and support costs are adjusted for differences in cost per FTE.

You had 2.5 front office FTE per 10,000 members vs a peer average of 3.6.

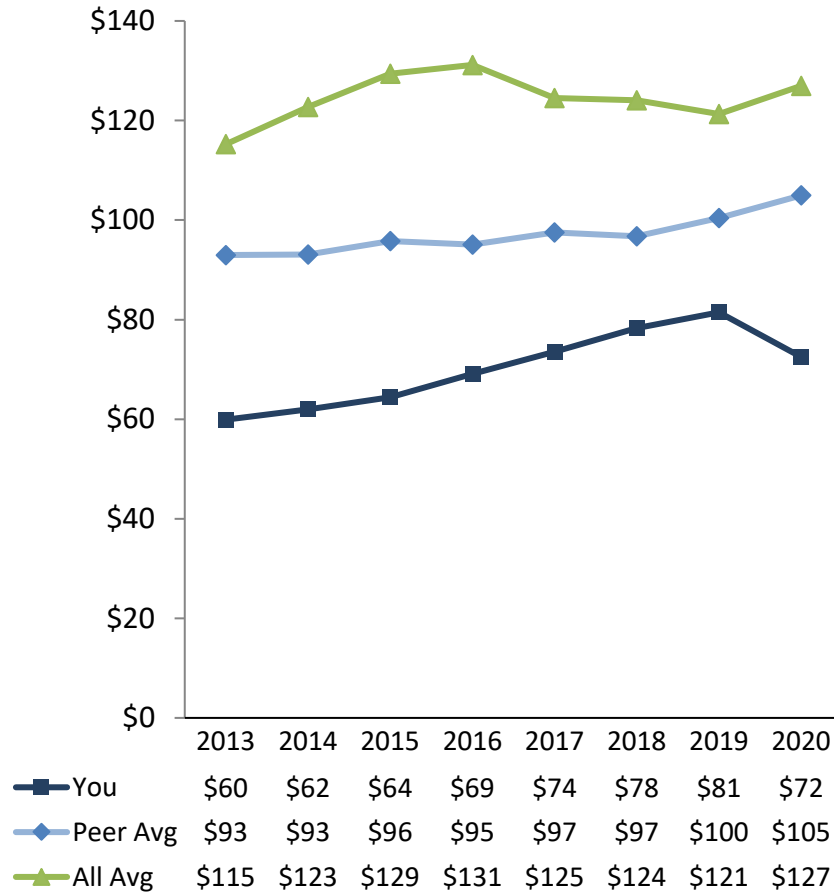


Your front office FTE per 10,000 members was 31% below the peer average.

Your lower front office FTE to member ratio decreased your total cost per member by \$14 relative to the peer average.

Cost Trends

Trend in Total Pension Administration Costs



Between 2013 and 2020:

- Your total pension administration cost per active member and annuitant increased on average 2.8% per annum.
- The average cost of your peers with 8 consecutive years of data increased 1.7% per annum.

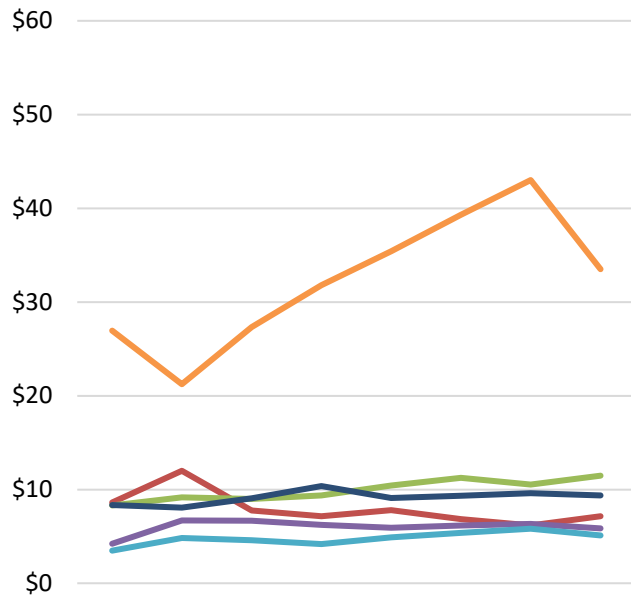
The increase in your costs was mainly in IT and major projects due to material changes in VRS. You implemented new programs over the last 7 years, including the Hybrid Retirement Plan, the Local Disability Program, the financial wellness section of your website, and developed communication for the Line of Duty Act. You also undertook an ongoing program of agency modernization.

In 2020, as your modernization program began to wind down, so did your IT and major project costs, and your total cost per member. IT and major project costs fell from \$43 to \$34 per member.

Trend analysis is based on systems that have provided 8 consecutive years of data (12 of your 12 peers and 37 of the 49 systems in the universe).

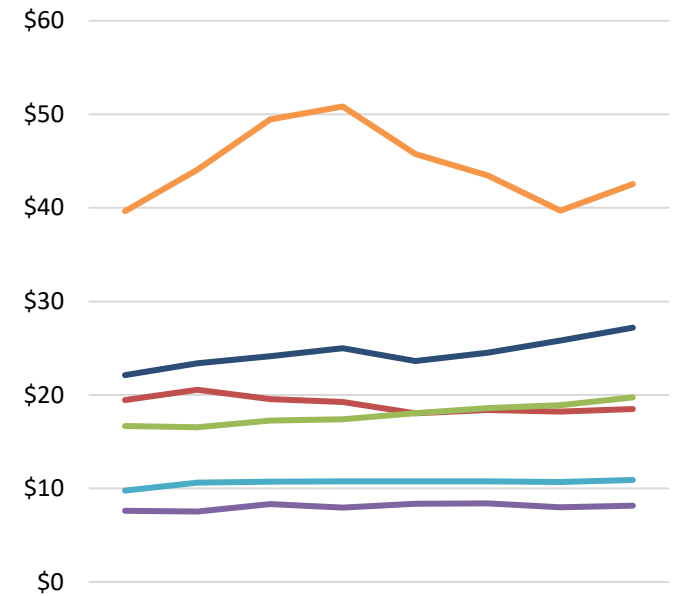
IT & Major project costs are the biggest part of total administration costs for you and all plans.

Cost per Member - You



	2013	2014	2015	2016	2017	2018	2019	2020
IT and Major Projects	\$27	\$21	\$27	\$32	\$35	\$39	\$43	\$34
Member Transactions	\$9	\$12	\$8	\$7	\$8	\$7	\$6	\$7
Member Communication	\$8	\$9	\$9	\$9	\$10	\$11	\$11	\$11
Collections and Data	\$4	\$7	\$7	\$6	\$6	\$6	\$6	\$6
Governance	\$3	\$5	\$5	\$4	\$5	\$5	\$6	\$5
Support	\$8	\$8	\$9	\$10	\$9	\$9	\$10	\$9

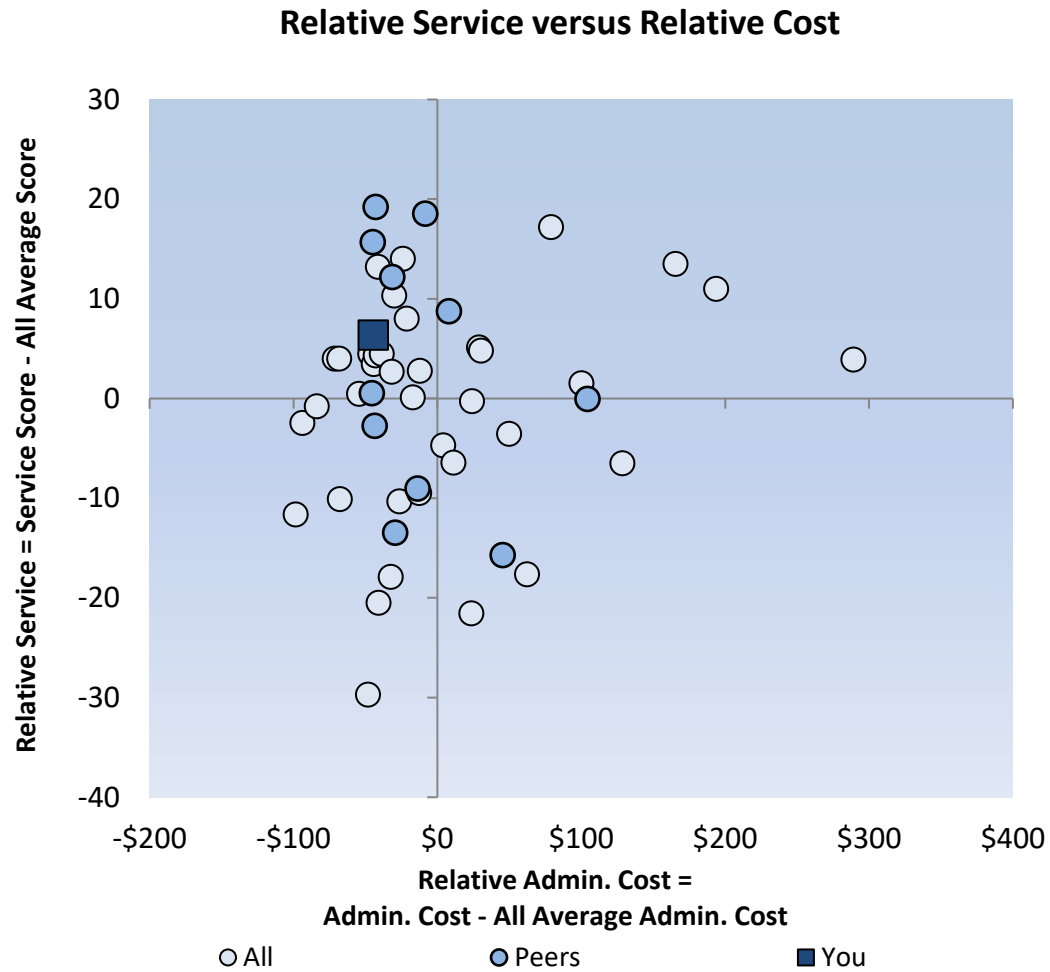
Cost per Member - All Avg



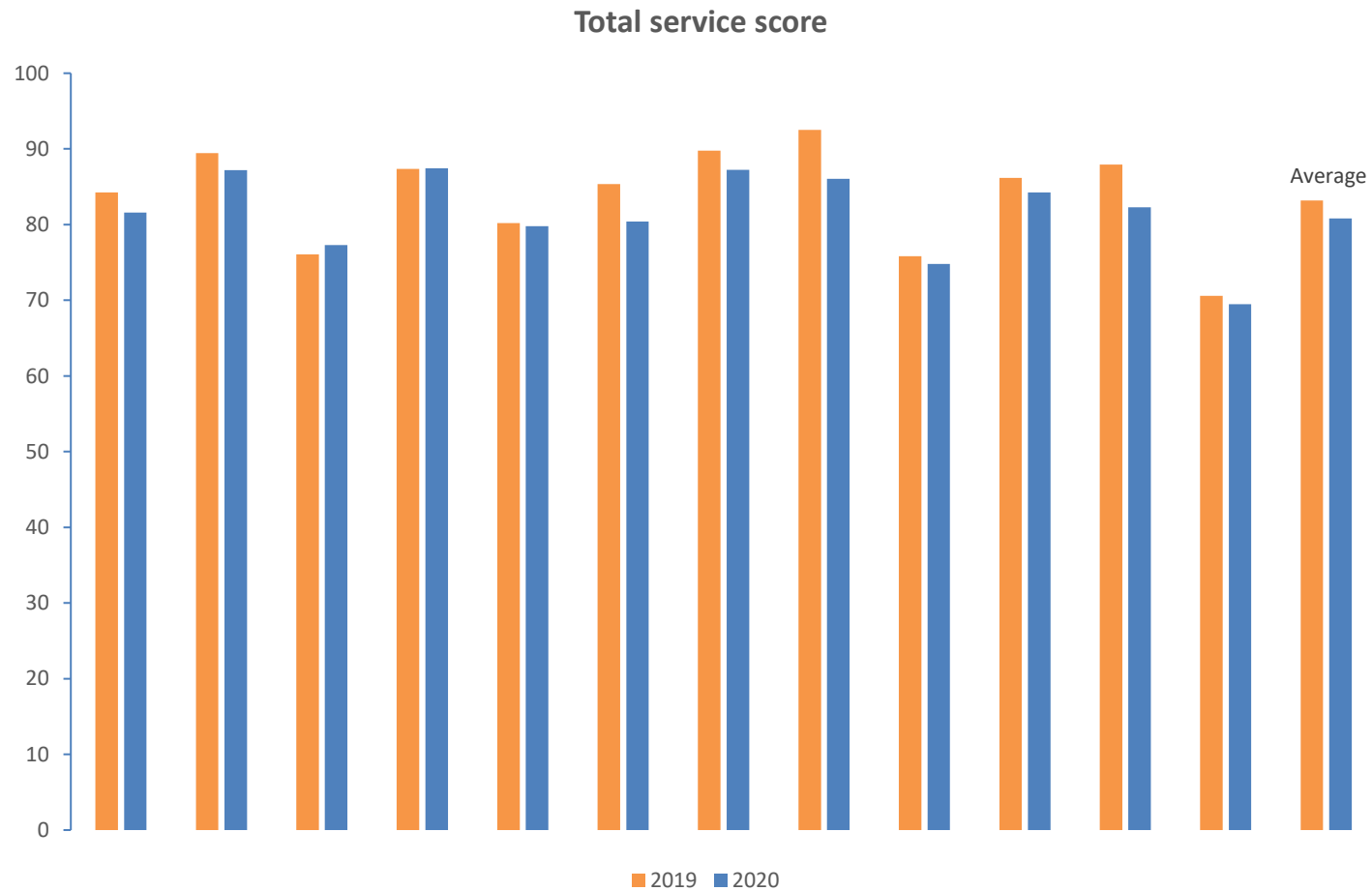
	2013	2014	2015	2016	2017	2018	2019	2020
IT and Major Projects	\$40	\$44	\$49	\$51	\$46	\$43	\$40	\$43
Member Transactions	\$19	\$21	\$20	\$19	\$18	\$18	\$18	\$18
Member Communication	\$17	\$17	\$17	\$17	\$18	\$19	\$19	\$20
Collections and Data	\$8	\$8	\$8	\$8	\$8	\$8	\$8	\$8
Governance	\$10	\$11	\$11	\$11	\$11	\$11	\$11	\$11
Support	\$22	\$23	\$24	\$25	\$24	\$24	\$26	\$27

Trend analysis is based on 37 systems that provided 8 consecutive years of data.

The relationship between service and pension administration cost in the CEM universe:



COVID impacted service scores. The average total service score fell by 2.3 points between 2019 and 2020 for the 14 plans with December year ends.



* based on 14 systems submitting data for calendar year end 2020.

Global Trends

1. COVID-19 is changing work and disaster plans.
 - Continuing in the future: Work from home, web counseling, web presentations, and requiring members to do more transactions online.
 - Disaster recovery has less need for a second physical location.
2. Pension administration systems are becoming IT organizations.
 - IT & Major projects is now the biggest cost category for most systems.
3. Cyber risk continues to increase
 - A sample of 12 large plans had an average of 4 internal FTE dedicated to managing cybersecurity.
4. Customer experience focus
 - Organizing communication, service, work and staff by customer journeys. Collecting satisfaction and effort metrics by journey as well as channel.
 - More segmentation, data mining, focus groups, targeted messaging, personas, branding.
5. Improved cost effectiveness
 - Improving processes: e.g. More than half of systems are using tools such as Lean, Six-Sigma, One and Done.
 - Straight through processing.
 - Maximizing online transactions, eliminating paper
 - Belief that online is the highest service channel if done correctly.
 - Reduced emphasis on counseling and presentations (less true for systems administering healthcare)
6. Managing pension envy, which is often exacerbated by poor funded status

Key Takeaways:

Cost

- Your total pension administration cost of \$72 per active member and annuitant was \$33 below the peer average of \$105.
- Since 2013, your total pension administration cost per active member and annuitant increased 2.8% per annum. The primary driver is IT and major projects.
- Your total costs between 2019 and 2020 decreased \$9 per member due to a decrease in your major project costs.
- Despite the increased cost, your cost per active member remains among the lowest of your peers and CEM's global universe.

Service

- Your total service score was 82. This was above the peer median of 79.
- Your service score increased from 76 to 82 between 2013 and 2017, and has remained steady since.
- The improvement in your service score between 2013 to 2020 was mainly due to member presentations, purchases and transfers-in and improvements in your call center.

Report

The DCPAC has had two meetings since the last Board meeting. The first meeting was on June 24, 2021. The second on September 2, 2021. This report will cover both meetings.

Pursuant to § 2.2-3708.2(A)(3) of the *Code of Virginia* and Chapter 552 of the 2021 Special Session I Acts of Assembly, the Defined Contribution Plans Advisory Committee (DCPAC) of the VRS Board of Trustees convened electronically on June 24, 2021 at 1:00 p.m., and took up the following matters:

WELCOME AND INTRODUCTION

Staff welcomed and introduced Committee members, board members, agency officials, representatives from stakeholder groups, and other members of the public joining through electronic means, to the DCPAC.

INVESTMENTS

Performance Reports

Staff provided the Committee with an overview of the DC plans investment program performance for the unbundled DC plan structure and the TIAA ORPHE bundled DC plan structure as of April 30, 2021.

Staff thanked the Committee for their feedback on the Defined Contributions Plans Investment Belief Statements and indicated additional edits would be incorporated into the final document that would be provided to the Committee during the September 2, 2021 meeting.

ADMINISTRATION

Administrative Reports and Communication Update

Staff provided updated administrative reports for the first quarter of 2021. Updates included an overview of assets and accounts across the various defined contribution plans, as well as participant trends and the rollout of various plan initiatives, including financial planning services and splash screen enhancements for the COV 457 and Cash Match plans.

Staff informed the Committee of the ICMA-RC name change to MissionSquare Retirement and Annual Service Review and benchmarking efforts, noting 2020 accomplishments and future initiatives. Staff also shared that VRS was the recipient of the 2021 Communicator Award of Distinction for the COVID-19 Response Campaign. In addition, participation in the Public Retirement Research Lab was discussed.

ORPHE Update

Staff provided an overview of ORPHE reports for the first quarter of 2021, including plan assets and accounts, and provider election data.

Staff included in the meeting materials the *Q1 2021 Administrative Summary Appendix Supplement* for the Committee to review.

OTHER BUSINESS

Discussion of New Ideas

Mr. Larson discussed the opportunity for employers to assist DC Plans with promoting strategic communication initiatives around key objectives such as increasing contributions or participation rates. Given the role the Committee plays, Mr. Larson also expressed interest in being added to the email distribution for the monthly Employer Update. Staff welcomed the opportunity to leverage assistance from employers to help promote and encourage employees to save more for retirement and indicated that DCPAC members would be included on the Employer Update email distribution.

Mr. Larson indicated that he would be willing to share and discuss the findings from his organization's exercise in reviewing materials through a diversity, equity, and inclusion (DEI) lens. Staff indicated they would be interested in receiving information and discussing their findings.

The Defined Contribution Plans Advisory Committee (DCPAC) of the VRS Board of Trustees met in-person on September 2, 2021 at 1:00 p.m., and took up the following matters:

WELCOME AND INTRODUCTION

Staff welcomed and introduced Committee members, board members, agency officials, representatives from stakeholder groups, and other members of the public joining through electronic means, to the DCPAC.

DCPAC APPOINTMENTS

Staff informed the Committee of a nomination to fill a vacant seat on the DCPAC.

Staff informed the Committee of the nomination of Meghan Coates, who is recommended to fill an unexpired term ending June 20, 2022.

The Committee recommends approval of the following action to the Administration and Personnel Committee for recommendation to the Board of Trustees.

Recommend RBA for Appointment of DCPAC Member

Request for Board Action: *The Board appoints Meghan Coates to fill the unexpired term of Kathleen T. Seay, which ends June 20, 2022.**

**Subsequent to the DCPAC meeting, Ms. Coates withdrew her name from consideration for the DCPAC. Staff has reached out to the Virginia Municipal League and Virginia Association of Counties for a new recommendation to fill this seat on the DCPAC.*

INVESTMENTS

Staff presented final revisions to the VRS Defined Contribution Plans Investment Belief Statements and put forth a recommendation to the DCPAC to approve the revisions and recommend approval of the revisions to the full Board.

Recommend RBA for The Defined Contribution Plans Investment Belief Statements

The Committee recommends approval of the following action to the Board of Trustees.

Request for Board Action to Approve Revisions to the DC Plans Investment Belief Statements

Request for Board Action: *The VRS Board of Trustees approves revisions to the VRS Defined Contribution Plans Investment Belief Statements.*

The Board adopts these Investment Belief Statements pursuant to the duty to oversee investments under the standard set forth in Code of Virginia § 51.1-124.30. Moreover, Code of Virginia § 51.1-124.22 authorizes the Board to promulgate regulations and procedures and make determinations necessary to carry out the provisions of Title 51.1.

Annual Investments Review

Staff provided an overview of the DCPAC duties and responsibilities as it relates to investments. Staff's annual investment review included a review of the total DC plan assets overseen by the Investment Department for the fiscal year ending June 30, 2021, which also included highlights from staff's annual report covering the investment performance and annual operating expenses for the unbundled DC Plans and bundled TIAA ORPHE programs. Staff informed the Committee there were no changes made to either investment platform. Staff also noted there were no recommended changes to the DC Plans Investment Policy Statements for the unbundled and bundled programs.

Staff included the complete annual investment review package in the appendix.

ADMINISTRATION

Administrative Reports and Communication Update

Staff provided updated administrative reports for the second quarter ending June 30, 2021. Updates included an overview of assets and accounts across the various defined contribution plans, including an overview of various initiatives such as the hybrid crossover population, asset retention efforts and revisions to the quarterly service review that focus on primary plan metrics.

Staff informed the Committee that the final renewal of the contract for the current record keeper for the unbundled DC Plans ends December 31, 2024 and provided an overview of the projected timeline as it relates to the request for proposals (RFP) for a new contract for a record keeper, effective January 1, 2025.

ORPHE Update

Staff provided an overview of ORPHE reports for the second quarter of 2021, including plan assets and accounts, and provider election data.

Staff informed the Committee of amendment changes to the TIAA ORPHE contract, effective October 1, 2021. Staff shared that the changes include the implementation of performance standards, finalization and inclusion of updates not captured in previous amendments, and a pricing reduction to the revenue requirement for participants in the active and legacy contracts.

Staff included in the meeting materials the *Q2 2021 Administrative Summary Appendix Supplement* for the Committee to review.

2021 MEETINGS

Staff confirmed the following DCPAC meeting dates for 2021:

- December 2 at 1:00 p.m.

The ORPHE Annual Employer Update is scheduled for September 30, 2021. This is not a DCPAC Committee meeting; however, members may attend if interested.

There was no other business to come before the Committee.

That concludes my report to the Board.

Submitted to the Board of Trustees on September 21, 2021.

J. Brandon Bell, Chair
Defined Contribution Plans Advisory Committee



Approve Revisions to VRS Defined Contribution Plans Investment Belief Statements.

Requested Action

The VRS Board of Trustees approves revisions to the VRS Defined Contribution Plans Investment Belief Statements.

Description/Background

In 2015 the Defined Contribution Plans Advisory Committee (DCPAC) along with senior investment staff completed a rigorous process with an outside consultant, Pension Consulting Alliance (PCA), to codify into a legacy document the VRS Defined Contribution Plans Investment Belief Statements. PCA surveyed all DCPAC members and key senior investment staff members regarding forty-six belief statements under ten topical headings. Each survey participant scored the statements and provided comments. PCA reviewed the statement scores and looked for areas of agreement and areas of disagreement. PCA then discussed the survey results with the participants. The product of the discussions resulted in twelve Defined Contribution Plans Investment Belief Statements that were approved by the Board at its November 12, 2015 meeting.

The attached document reflects clarifications to the Defined Contribution Plans Investment Belief Statements and the document remains consistent with the Statements approved by the Board in November 2015. The DCPAC has reviewed and discussed the changes and supports their approval.

Rationale for Requested Action

The VRS Defined Contribution Plans Investment Belief Statements are intended to help guide the strategic management of the VRS DC Plans investment program. These Investment Belief Statements represent a high-level framework for making decisions that often require balancing multiple, often competing, factors and issues. The Defined Contribution Plans Investment Belief Statements provide context for VRS actions and reflect VRS values, with a focus on VRS maintaining its long-term commitment to provide benefits to its participants.

Authority for Requested Action

The Board adopts these Defined Contribution Plans Investment Belief Statements pursuant to its duty to oversee investments under the standard set forth in *Code of Virginia* § 51.1-124.30. Moreover, *Code of Virginia* § 51.1-124.22 authorizes the Board to promulgate regulations and procedures and make determinations necessary to carry out the provisions of Title 51.1.

The above action is approved.

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

Date

VRS Defined Contribution Plans Investment Belief Statements

Approved by the Board of Trustees: September 21, 2021

I. Introduction

The Virginia Retirement System (VRS) fulfills the fiduciary obligations outlined in the *Code of Virginia*, which require the VRS Board of Trustees (Board) to discharge its duties with respect to the defined contribution (DC) plans solely in the interest of the beneficiaries thereof and affords the Board the opportunity to contract with private corporations or institutions subject to the standards set forth in §51.1-124.30 to provide investment products and services. The Board, therefore, developed these Defined Contribution Plans Investment Beliefs to guide the strategic management of the VRS DC Plans investment program. These statements represent a high-level framework for making decisions that require balancing multiple, often competing, factors and issues. In addition, the Defined Contribution Plans Investment Beliefs provide context for VRS actions and reflect VRS values, with a focus on maintaining the long-term commitment to provide benefits to participants.

II. VRS DC Investment Belief Statements

The Board developed the following Defined Contribution Plans Investment Belief Statements to guide decisions and provide an anchor to the stated goals and objectives.

Goals and Objectives

A defined contribution plan provides participants an individual account to exercise discretion over their retirement assets using investment options selected by VRS or selected by the participant through the brokerage window. Each participant has an individual risk tolerance, time horizon, and investment objectives.

1. The primary objective of the VRS DC Plans is to provide participants with an array of investment choices across a range of asset classes, risk levels and investment strategies so participants have the opportunity to develop a retirement income stream that complements the VRS Defined Benefit (DB) Plan or other retirement income.
2. Given the vital role of the DC Plans in VRS' primary retirement plan offerings, appropriate governance of the DC Plans is critical.
 - a. The VRS Board of Trustees has overall fiduciary authority over the DC investment program. To assist the Board in fulfilling its duty the Board has

appointed a Defined Contribution Plans Advisory Committee to provide the Board with objective DC plan design and investment advice.

- b. Governing documents such as the Charter for the DC Plans Advisory Committee, DC Investment Policy Statements, Master Trusts and Plan Documents delineate various roles and responsibilities of the Board, the Committee, VRS staff and other interested parties.
3. VRS is responsible for offering a reasonable range of diversified portfolios to serve as the Plans' default investment option and for participants who do not have the time, desire, or expertise to design and manage a diversified portfolio.
4. To the extent possible, VRS will explore and implement capabilities, controls, and procedures that are transferrable from VRS' DB plan activities to VRS' DC plans activities, particularly with respect to investments.
 - a. Well-structured alternative investments can enhance an individual participant's portfolio risk/reward profile. VRS will examine methods for providing qualifying alternative investment options into its menu of pre-mixed diversified investment options, where feasible.
5. VRS will monitor and evaluate DC plans industry best practices and incorporate them where feasible to seek to enhance plan outcomes as demonstrated by qualitative and quantitative measures.
6. Controlling and managing costs is critical to a successful DC plan investment program.
 - a. Investment options should provide competitive net-of-cost risk adjusted returns.
 - b. The DC Plans' costs should be transparent to the individual participant.
 - c. Given VRS' large-scale presence in the institutional marketplace, it is beneficial for the individual participant to access VRS' expertise and capabilities.
 - d. Unbundling of DC administration and investment activities should lead to improved cost management.
7. Investment offerings should present wide-ranging options to accommodate participants' varying investment knowledge and/or interest in managing their investments while addressing the differences among participants at varying career stages.

- a. Individuals should be educated to recognize that their specific investment plans require a long-term, multi-decade planning/investment horizon.
 - b. Investment horizons are unique to the individual participant and may extend beyond the accumulation phase into the retirement (decumulation) phase.
 - c. In keeping with industry best practice, the administrative and investment aspects of the individual's overall investment plan should be unbundled/disaggregated to allow for maximum design flexibility.
 - d. VRS should continue efforts to contact eligible employees who are not participating in the VRS DC plans to build awareness of plan benefits.
8. The self-directed brokerage window that VRS provides in the VRS DC Plans can serve as an effective investment tool for individual participants.
9. VRS should continue to explore viable solutions to assist participants in managing the critically important task of decumulation of retirement assets.
10. Participant investment education is a valuable resource to participants and can enhance a successful program.
- a. Participant investment education should cover certain key topics consistent with industry best practices including:
 - i. Identifying principal retirement planning risks (see Belief Statement 11).
 - ii. Understanding the accumulation phase versus the decumulation phase.
 - iii. Analyzing the costs associated with various investment options.
 - iv. Considering the impact of non-plan (outside) assets.
 - v. Considering other potential sources of retirement income.
 - b. VRS should also consider making various investment advice and financial planning solutions/products available to participants.
11. VRS should seek to inform DC plan participants about fundamental retirement planning risks.
- a. Shortfall risk – The probability or potential that an individual may not meet his/her

long-term retirement savings goal.

- b. Longevity risk – The potential that an individual may outlive his/her retirement assets.
- c. Drawdown risk – The impact that short-term declines in a portfolio can have on long-term values.

VRS Defined Contribution Plans Investment Belief Statements

Approved by the Board of Trustees: November 12, 2015

1. Introduction

The VRS Board of Trustees developed a set of twelve Defined Contribution (DC) Plans Investment Beliefs intended to help guide the strategic management of the VRS DC Plans investment program. These DC Investment Beliefs represent a high-level framework for making decisions that often require balancing multiple, often competing, factors and issues. In addition, the DC Investment Beliefs provide context for VRS actions and reflect VRS values, with a focus on VRS maintaining its long-term commitment to provide benefits to its participants.

2. VRS DC Investment Belief Statements

With the assistance of an outside expert, the Board developed the following twelve DC Investment Belief Statements to guide the Board in future decisions and provide an anchor to the Board's stated goals and objectives.

- 1) The DC Plans should continue to seek investment program best practices by establishing, monitoring, and reporting on key quantitative and qualitative measures of the DC investment program.
- 2) Given the increasing role of the DC Plans in VRS' primary retirement plan offerings, appropriate governance of the DC Plans is critical.
 - a) The VRS Board of Trustees has overall fiduciary authority over the DC investment program. To assist the Board in fulfilling its duty the Board has appointed a Defined Contribution Plans Advisory Committee to provide the Board with objective DC plan design and investment advice.
 - b) Governing documents such as the Charter for DC Plans Advisory Committee, DC Investment Policy Statements, Master Trusts and Plan Documents delineate various roles and responsibilities among the Board, the Committee, VRS Investment Staff and other interested parties.
- 3) Controlling and managing costs is critical to a successful DC plan investment program.

- a) Investment options should provide competitive net-of-cost risk-adjusted returns;
 - b) The DC Plans' costs should be transparent to the individual participant;
 - c) Given VRS' large-scale in the institutional marketplace, it is beneficial for the individual participant to access VRS' expertise and capabilities;
 - d) Unbundling of DC administration and investment activities should lead to improved cost management.
- 4) The VRS should seek to inform DC plan participants about key retirement planning risks.
- a) Shortfall risk – the probability or potential that an individual may not meet his/her long-term retirement savings goals;
 - b) Longevity risk – the potential that an individual may outlive his/her retirement assets;
 - c) Drawdown risk – the impact that short-term declines in portfolio values can have on long-term success.
- 5) To the best extent possible, the Board should continue to explore and implement capabilities, controls, and procedures that are transferrable from VRS' DB activities to VRS' DC Plans, particularly with respect to investments.
- 6) The VRS DC Plans are responsible for offering a reasonable range of diversified portfolios to serve as the Plans' default investment option as well as to participants that do not have the time, desire, or expertise to manage a diversified portfolio.
- 7) The VRS DC Plans investment offerings must be wide-ranging to accommodate participants' varying investment knowledge and/or interest in managing their investments and address the difference between participants who are early on or in the midst of their careers and those who are nearing or in retirement.
- a) Individuals must recognize their specific programs require a long-term, multi-decade planning/investment horizon;
 - b) Investment horizons are unique to each individual participant and may extend beyond the accumulation phase into the retirement (decumulation) phase; and

- c) Administrative and investment aspects of the overall program need to be unbundled/disaggregated to allow for maximum design flexibility.
- 8) A minimum level of participant investment education is necessary for a successful program.

Education should cover certain key topics:

- a) Key retirement planning risks (see Belief Statement 4);
 - b) Accumulation phase vs. decumulation phase;
 - c) How to analyze the costs associated with various investment options;
 - d) Consideration of non-plan (outside) assets.
- 9) To provide investment flexibility to individual participants, a self-directed brokerage window can be an effective feature of the VRS DC Plans.
- 10) Well-structured alternative investments can enhance an individual participant's portfolio risk/reward profile. VRS DC Plans should examine methods for providing qualifying alternative investment options into its menu of pre-mixed diversified investment options, where feasible.
- 11) Managing the decumulation of retirement assets is critical. The VRS DC Plans will continue to explore viable solutions in this area.
- 12) Investment education can be a valuable resource to individual participants. In this context, VRS DC plan decision-makers should explore making available various investment advice and financial planning solutions/products.

Report

The Audit and Compliance Committee met on September 13, 2021 and discussed the following:

APPROVAL OF MINUTES

The Committee approved the minutes of its June 3, 2021 meeting.

EXIT ON THE AUDITOR OF PUBLIC ACCOUNTS (APA) 2020 EMPLOYER ASSURANCES REVIEW AND UPDATE ON THE 2021 ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR) AUDIT

The APA reported it has completed their 2020 Employer Assurances audit work. The audit covers the data VRS prepares and supplies to employers and their auditors to support required financial reporting over pension plans and other post-employment benefits (OPEBs) under Governmental Accounting Standards Board (GASB) Statements No. 68 and No. 75. All resources for employers are available on the VRS website.

The APA also reported the 2021 VRS ACFR Audit is progressing as planned and is on schedule to be finished in advance of December 15, 2021.

AUDIT REPORTS

The Committee received two audit reports.

- The review of *Hosted Systems - Administration* determined VRS has processes for managing vendor risks for hosted systems; however, opportunities to enhance these processes exist. Three written recommendations were included in the report.
- The review of *Application Controls – VNAV and Enterprise Content Management* noted controls are in place to protect the confidentiality, integrity and availability of VNAV and Enterprise Content Management applications' inputs, processing and outputs.

QUARTERLY REVIEW ON MODERNIZATION PROGRAM – PHASE 4

Management presented its status report on the Modernization Program - Phase 4 and discussed the phase's completion and rollout of the remaining member portal functionality.

Internal Audit presented its Quarterly Review and indicated agreement with management's representations regarding the Modernization Program – Phase 4 overall status, schedule, budget and scope. Internal Audit acknowledged management's efforts and work in bringing the phase to a close.

INTERNAL AUDIT ANNUAL PROGRESS REPORTS FOR FISCAL YEAR 2021

The Committee received the following updates:

Internal Audit Annual Report

The Audit Director provided the Committee with a summary of the Department's accomplishments over the past year as well as an overview of the Department's initiatives and challenges for the coming fiscal year and the remainder of the long-range plan. She recognized the contributions of the internal audit team during the year.

The Audit Director explicitly confirmed the Internal Audit Department and its staff are organizationally independent of the activities they examine and possess the appropriate qualifications to meet the needs of the proposed audit plan. The Audit Director also discussed the Department's conformance with the *IIA's Standards*.

Annual Reports on the Audit Recommendation Follow-Up System (ARFUS)

Two annual ARFUS Reports as of June 30, 2021, one for management and one for internal audit, were presented. Management's ARFUS contained eight internal recommendations, five represented as implemented. Four were reviewed and released. One was reviewed and released with comment, leaving three outstanding recommendations in Management's ARFUS as of June 30, 2021.

Internal Audit's ARFUS contained one external recommendation from the most recent quality assurance review, which was represented as implemented, reviewed and released.

Annual Plan and Long-Range Plan Progress

The Audit Director presented the annual plan results for the fiscal year ended June 30, 2021, along with the status of the long-range plan for the four years ending June 30, 2024.

The Audit Director noted as of the conclusion of the first fiscal year of the long-range plan, modifications have been made to the remaining plan to accommodate the changing risk environment.

PROPOSED FY2022 ANNUAL PLAN

The Audit Director discussed the proposed annual plan for fiscal year 2022, which is derived from the approved long-range plan. The Committee reviewed the plan and voted to recommended approval of the following action to the full Board:

Request for Board Action: *The VRS Board of Trustees approves the proposed FY2022 Annual Plan.*

QUARTERLY REPORT ON FRAUD, WASTE AND ABUSE HOTLINE CASES

It was noted there were no Fraud, Waste and Abuse Hotline complaints reported to Internal Audit via the Office of the State Inspector General during the period of May 1, 2021 through July 31, 2021.

MISCELLANEOUS UPDATES

The Committee received the following miscellaneous updates:

Management's Quarterly Travel Expense and Per Diem Report

The Committee received management's quarterly travel expense and per diem report.

Results of Agency Performance Outcomes and Agency Operational Measures

The Audit Director discussed Internal Audit's review of management's representations regarding the Agency Performance Outcomes and Operational Measures for the fiscal year ended

June 30, 2021, noting nothing came to its attention that indicated the outcomes and measures were not appropriately represented for the fiscal year.

Internal Audit's Review of Investment Incentive Compensation

The Audit Director noted Internal Audit completed its review of the Investment Department's proposed incentive compensation amounts and determined they were accurately computed in accordance with the authorized pay plan.

Confirmed Committee Meeting Schedule for the 2022 Calendar Year and Next Meeting

The Audit Director shared the confirmed meeting dates for Calendar Year 2022 and the Committee's next meeting date: Monday, December 6, 2021 at 2 p.m.

AUDIT DIRECTOR'S PERFORMANCE EVALUATION

The Committee went into closed session to review the Audit Director's performance for the fiscal year ended June 30, 2021.

Upon returning to open meeting, the Committee voted to recommend approval of the following action to the full Board:

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

Respectfully submitted to the Board of Trustees on September 21, 2021.

Joseph W. Montgomery, Chair
Audit and Compliance Committee

Approval of FY2022 Annual Audit Plan.

Requested Action

The VRS Board of Trustees approves the proposed FY2022 Annual Audit Plan.

Description/Background

The Audit Director has developed a comprehensive risk assessment process to identify and prioritize the work of the Internal Audit Department in line with organizational and operational risk priorities of the Board of Trustees and VRS management. The process is applied against a universe of potential audit projects within the limitations created by the available audit resources and results in the creation of a Long-Range four-year audit plan.

Annually the Audit Director looks to the guidance provided by the Long-Range plan and develops the Annual Audit plan. FY 2022 is the second year in the Long-Range plan, as a result certain adjustments have been proposed based on the changing risk environment within the organization.

Rationale for Requested Action

The proposed Annual Audit Plan, derived from the approved Long-Range plan is brought forward annually for Board consideration and approval, ensuring the work of the Internal Audit Department remains in alignment with organizational and operational risk priorities.

Authority for Requested Action

Section V.C.6 of the VRS Board of Trustees' Governance Policy delegates the responsibility of developing a comprehensive annual audit plan to the Audit Director and providing that plan to the Audit and Compliance Committee and the Board of Trustees for review and approval.

The above action is approved.

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

Date

Internal Audit Proposed FY 2022 Annual Plan



Proposed Plan	1-2
Explanatory Notes and Acronyms	3

Virginia Retirement System
Proposed FY 2022 Annual Plan

Approved Projects	Original FY 2022 Budget	FY 2021 Plan Carry Over	Other Proposed Changes	Proposed FY 2022 Plan
RISK BASED PROJECTS				
Carry Over from Prior Annual Plan ⁽¹⁾				
Retiree Payroll - Processing and Changes	-	600		600
Hosted Systems Review - Administration	-	300		300
VNAV and Related Systems Review	-	250		250
Investments				
Fixed Income Program and Securities Lending	600			600
Benefits				
Disability Retirements ⁽²⁾	-		700	700
Long-Term Care Program ⁽²⁾	400		(400)	-
Refunds ⁽²⁾	800		(800)	-
Retirement Application Processing ⁽²⁾	800		(800)	-
Operations				
Cash Assets and Cash Management (Administration and Investments)	600			600
Procurement and Contract Management (Administration and Investments) ⁽²⁾	200		(200)	-
Information Technology				
Conformance of VRS Information Security Program with VITA Standards	150			150
General Controls Review over VRS' Operating Environment (Infrastructure Systems, excluding Physical Access)	800			800
General Ledger Review ⁽³⁾	600		(300)	300
myVRS Review	500			500
OTHER AUDIT REPORTING AND SUPPORT				
Other Reporting				
Audit Quality Assurance Improvement Program	150			150
Audit Recommendation Follow-Up System Annual Review	150			150
Audit Recommendation Follow-Up System Quarterly Monitoring	25			25
Modernization Program Monitoring ⁽⁴⁾	-		60	60
Report on Fraud, Waste and Abuse Hotline Cases	75			75
Review of Investment Incentive Compensation Plan	75			75
Review Results of Agency Performance Outcomes (APOs)	75			75
Verification of Cost of Living Adjustments (COLAs)	20			20

Virginia Retirement System
Proposed FY 2022 Annual Plan

Approved Projects	Original FY 2022 Budget	FY 2021 Plan Carry Over	Other Proposed Changes	Proposed FY 2022 Plan
OTHER AUDIT REPORTING AND SUPPORT, Continued				
Audit Support				
Coordination with the APA	40			40
Data Analytics and Support	900			900
Develop and Update Annual and Long-Range Plans	125			125
Monitor Annual and Long-Range Plan Progress	100			100
Audit and Compliance Committee Support				
Review, Compile and Publish Meeting Materials	300			300
Attend Audit and Compliance Meetings	80			80
Prepare Committee Report and Meeting Minutes	80			80
ONGOING ACTIVITIES				
Risk Monitoring Activities				
Attend Board and other Committee Meetings	170			170
Attend Executive Team Meetings (DEC, Roadmap, C-suite)	100			100
Monitor and Review Professional Literature	90			90
Participate in Professional Organizations (APPFA, IIA, ISACA, Tableau User Groups)	90			90
Other Administrative Activities				
Continuing Professional Education	360			360
Continuing Professional Education Administration	150			150
External Reporting and Other Interactions (OSIG/VITA)	10			10
Internal Audit Staff Meetings and Mentoring	300			300
Manage Budget, Departmental Files, SPCC, and Purchasing	100			100
Participate in VRS Events/Committees	150			150
Performance Standards and Evaluations	60			60
OTHER TIME				
Annual Leave ⁽⁵⁾	750		100	850
Holidays	648			648
Other Leave (Sick, Personal, Volunteer, etc)	660			660
Unplanned Hours ⁽⁶⁾	1,197		490	1,687
TOTAL TIME	12,480	1,150	(1,150)	12,480

Virginia Retirement System Proposed FY 2022 Annual Plan

Notes:

- (1) Due to unforeseen circumstances impacting the timing of work, certain audit projects will initiate in one fiscal year and be reported out in the next fiscal year. Typically they are reported out at the September Audit and Compliance Committee meeting. These projects are identified as a part of planning for the upcoming fiscal year annual audit plan and their impact is considered when determining the extent of available resources.
- (2) As noted in the FY 2021 – 2024 Long-Range Plan Progress report, these projects have been moved to accommodate adjustments in IT and other project timing and appropriately consider operational needs.
- (3) As noted in the FY 2021 – 2024 Long-Range Plan Progress report, this project is being adjusted to start later in FY 2022 to better allocate available resources and appropriately consider operational needs. As a result, hours will carry over to FY 2023.
- (4) The Modernization Phase Four project schedule was extended to the end of FY 2021. As a result, these hours are proposed to accommodate the final reporting on the Modernization Program.
- (5) Given the maturity of the Internal Audit Department staff, the use of annual leave balances have trended higher than originally budgeted. This is to acknowledge the actual behavior.
- (6) Proposed increase in unplanned hours to accommodate development of information technology staff augmentation approach and other strategic initiatives.

Acronyms not Described Elsewhere:

APPFA	Association of Public Pension Fund Auditors
C-suite	Chief Executives for VRS, including the Executive Director, Chief Investment Officer and Internal Audit Director
DEC	Director's Executive Committee
IIA	Institute of Internal Auditors
ISACA	Information Systems Audit and Control Association
myVRS	Web-based portal for members developed through the Modernization Program
OSIG	Office of the State Inspector General
Roadmap	Program management tool used by VRS management to monitor critical organizational activities
SPCC	Small Purchase Charge Card
VITA	Virginia Information Technologies Agency
VNAV	myVRS Navigator, administrative system developed through the Modernization Program

Approve a 7% performance bonus for the Audit Director.

Requested Action

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

Description/Background

The Audit and Compliance Committee reviewed and evaluated the performance of the Audit Director. Based on this review and evaluation, the Committee recommends that the Board approve a 7% performance bonus for the Audit Director payable October 15, 2021.

Rationale for Requested Action

The Audit and Compliance Committee recommends that the Board approve a 7% performance bonus for the Audit Director, payable October 15, 2021, based on the Committee's review and evaluation of the Audit Director's performance during FY 2021. The Audit and Compliance Committee Charter, in paragraph 8 of the duties and responsibilities section states, "Review and evaluate the performance of the Audit Director in all areas for which he or she is responsible and report the results and conclusions to the Board." Section IV. H.(8) of the Board Governance Policy provides that the Board may review, monitor, and oversee the performance of the Audit Director. Also, the Executive Pay Plan contemplates granting a performance bonus to the Audit Director.

Authority for Requested Action

Code of Virginia § 51.1-124.22(11) authorizes the Board to establish and administer a compensation plan for officers and employees of the Retirement System.

The above action is approved.

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

Date

Report

The Administration and Personnel Committee met on September 15, 2021 and discussed the following:

APPROVAL OF MINUTES

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.

The Committee recommends approval of the following action to the full Board:

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% of salary for eligible administrative employees and eligible Investment Department operations and administration employees.*

REVIEW PERFORMANCE BONUSES FOR ELIGIBLE ADMINISTRATIVE AND INVESTMENT OPERATIONS AND ADMINISTRATION EMPLOYEES

Mr. Cooper presented a request for board action to approve the performance bonuses for eligible administrative and investment 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.

The Committee recommends approval of the following action to the full Board:

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.*

REAPPOINTMENT OF INVESTMENT ADVISORY COMMITTEE (IAC) MEMBERS

Ron Schmitz informed the committee of two IAC members due for reappointment. 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.

The Committee recommends approval of the following action to the full Board:

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)

Jon Farmer, Budget and Performance Reporting Manager, 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 agency’s FY 2023-2024 biennium budget proposal. Following discussion on the proposals with the committee members, a request for board action was considered.

The Committee recommends approval of the following action to the full Board:

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

Trish Bishop and Michael 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. 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.

INFORMATIONAL ITEM – APPROVE INTERNAL AUDIT DIRECTOR’S PERFORMANCE BONUS

Mr. McWilliams informed the committee that the Audit and Compliance (A&C) Committee reviewed the Internal Audit Director’s performance during its September 13, 2021 meeting. Each year, the A&C Committee reviews the Internal Audit Director’s performance and makes a recommendation for a performance bonus to the Board of Trustees. A copy of the request for board action to provide a performance bonus in the amount of 7% was shared with the committee for informational purposes.

COMPENSATION AND BENEFITS (CLOSED SESSION)

The Committee went into closed session to discuss benefits and compensation related to specific individuals.

Upon returning to open meeting, the Committee recommended the approval of the following actions to the full Board:

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.*

Internal Audit reviewed the proposed investment incentive compensation for the fiscal year that ended June 30, 2021 and found that the aggregate amount was accurately computed in accordance with the Investment Professionals' Pay Plan.

Request for Board Action: *The VRS Board of Trustees approves a 5% performance bonus for the VRS Director payable on October 15, 2021 and supplemental payment of \$75,000 made on December 1, 2021 as authorized in the 2021 Appropriation Act.*

Submitted to the Board of Trustees on September 21, 2021.

O'Kelly E. McWilliams, III, Chair
Administration and Personnel Committee



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.

Requested 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% of salary for eligible administrative employees and eligible Investment Department operations and administration employees.

Description/Background

VRS' Agency Performance Outcomes (APOs): The Board approves APOs for each fiscal year. Successful attainment of the APOs is one half of the gainsharing portion of the performance management program, and it is to be paid as a lump-sum bonus equal to 2.5% of salary for FY 2021, as set forth in the Administrative Pay Plan. The expectation is that all employees will work collaboratively and contribute to attaining the annual APOs. The goal is to complete four (4) of the six (6) APOs for FY2021.

VRS' Annual Operational Measures: VRS also identifies key operational measures each year. The operational measures are the other part of the gainsharing portion of the performance management program. The goal is to meet the target for at least thirteen (13) of the sixteen (16) measures set for the year. Again, the expectation is that all employees will work collaboratively and contribute to accomplishing key functions of the agency.

The agency achieved fifteen (15) of the sixteen (16) operational measures for FY 2021. Additionally, VRS successfully completed all four (4) of the FY 2021 APOs.

Investment Department Gainsharing: The Investment Department's operations and administration staff employees are eligible to receive a lump-sum bonus equal to 2.5% of salary if their performance at least meets expectations, as rated in their annual performance assessment, and the employee consistently works, as a team member, to accomplish the goals of the Investment Department.

Cost: The approximate total cost for the 2.5% bonus payments to eligible employees is \$611,410.36, to be paid from the FY 2022 budget.

Rationale for Requested Action

Both the Administrative Pay Plan and the Investment Operations and Administration Staff Pay Plan contain gainsharing language, as outlined previously, to reward teamwork, collaboration and organizational results.

Authority for Requested Action

Code of Virginia § 51.1-124.22(A)(11) authorizes the Board to establish and administer a compensation plan for officers and employees of the Retirement System.

The above action is approved.

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

Date



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2021

Summary

APO Status Indicator

- Proceeding as planned
- ▲ Off plan, mitigation in place
- ◆ Off plan, mitigation needed
- ★ Completed
- N/S** Not started

Overall Measure: 3 of 4 completed

APO #	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
1	Implement New myVRS Functionality - Online Retirement Processing <i>(Measure: 4 of 6 completed)</i>	▲	▲	▲	▲	▲	●	●	●	★	★	★	★
2	Implement New myVRS Functionality - Payment, Health Insurance Maintenance <i>(Measure: 4 of 6 completed)</i>	▲	▲	▲	▲	▲	▲	▲	▲	●	●	★	★
3	ERM Implementation <i>(Measure: 3 of 3 completed)</i>	●	●	●	●	●	●	●	●	●	●	●	★
4	Cardinal HCM Implementation - The Plan (Track 1), Agency (Track 2) and Retiree (Track 3) <i>(Measure: 3 of 4 completed)</i>	N/S	N/S	N/S	N/S	N/S	●	●	●	●	●	●	★

* Note: With the schedule changes adopted by the Cardinal project team, the VRS agency implementation has been delayed to October 2021 along with the Plan changes for the Release 1 agencies. The implementation date for the Release 2 agencies and the VRS retirees has been moved to April 2022. Accordingly, VRS is not able to fully update payroll documentation and training until the Cardinal project team resumes its training, likely after June 30, 2021. Further, VRS and its' third-party vendors cannot complete all testing until after June 30, 2021, in accordance with the new project timeline. Finally, payroll processes, training and agency communications cannot be completed prior to June 30, 2021 due to the revised project schedule issued by the Cardinal project team.



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2021

APO 1

APO Status Indicator

- Proceeding as planned
- ▲ Off plan, mitigation in place
- ◆ Off plan, mitigation needed
- ★ Completed
- N/S Not started

APO 1 Measure: 4 of 6 completed

APO #	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
1 Implement New myVRS Functionality - Online Retirement Processing													
1.1	Complete staff and employer readiness activities, including staff training, for Member Portal (Online Retirement)	N/S	●	●	●	●	●	●	●	★	★	★	★
1.2	Member Portal (Online Retirement) software is tested and ready for deployment	▲	▲	▲	▲	▲	★	★	★	★	★	★	★
1.3	Security enhancements necessary for go-live for Member Portal (Online Retirement) are complete	▲	▲	▲	▲	▲	▲	★	★	★	★	★	★
1.4	Security penetration testing for Member Portal (Online Retirement) is complete	N/S	N/S	N/S	N/S	N/S	★	★	★	★	★	★	★
1.5	Complete phased ramp-up of online retirement processing functionality	N/S	N/S	N/S	N/S	N/S	●	●	●	★	★	★	★
1.6	Initiate and conduct quality monitoring for online retirement processing	N/S	N/S	N/S	N/S	N/S	●	●	●	★	★	★	★



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2021

APO 2

APO Status Indicator

- Proceeding as planned
- ▲ Off plan, mitigation in place
- ◆ Off plan, mitigation needed
- ★ Completed
- N/S Not started

APO 2 Measure: 4 of 6 completed

APO #	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
2 Implement New myVRS Functionality - Payment, Health Insurance Maintenance													
2.1	Complete staff and employer readiness activities, including staff training, for Payment/Health Insurance Maintenance	N/S	●	●	●	●	●	●	●	●	●	★	★
2.2	Payment/Health Insurance Maintenance software is tested and ready for deployment	▲	▲	▲	▲	▲	▲	▲	▲	★	★	★	★
2.3	Security enhancements necessary for go-live for Payment/Health Insurance Maintenance are complete	▲	▲	▲	▲	▲	▲	★	★	★	★	★	★
2.4	Security penetration testing for Payment/Health Insurance Maintenance is complete	N/S	N/S	N/S	N/S	N/S	▲	▲	▲	★	★	★	★
2.5	Complete phased ramp-up of Payment/Health Insurance Maintenance functionality	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	▲	▲	★	★
2.6	Initiate and conduct quality monitoring for Payment/Health Insurance Maintenance functionality	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	●	●	★	★



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2021

APO 3

APO Status Indicator

- Proceeding as planned
- ▲ Off plan, mitigation in place
- ◆ Off plan, mitigation needed
- ★ Completed
- N/S Not started

APO 3 Measure: 3 of 3 completed

APO #	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
3 ERM Implementation													
3.1	Complete risk assessment process to validate and prioritize risks identified in the risk portfolio	●	●	●	●	●	●	★	★	★	★	★	★
3.2	Develop final risk response plan based on the outcomes of the risk assessment process	N/S	N/S	N/S	N/S	N/S	N/S	●	●	●	●	●	★
3.3	Initiate the development of the initial risk monitoring plan	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	★



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2021

APO 4

APO Status Indicator

- Proceeding as planned
- ▲ Off plan, mitigation in place
- ◆ Off plan, mitigation needed
- ★ Completed
- N/S Not started

APO 4 Measure: 3 of 4 completed

APO #	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
4 Cardinal HCM Implementation - The Plan (Track 1), Agency (Track 2) and Retiree (Track 3)													
4.1	Consistent with direction and information from the Cardinal project team, (1) initiate development of myVRS documentation related to information exchanges to and from the state central payroll system (CIPPS) and personnel management system (PMIS) to reflect process changes resulting from the implementation of the new Cardinal HCM system (Track 1); (2) update Human Resources processes, such as the position management module in Workforce Ready (WFR) and auto-populating timesheets for salaried VRS employees; and (3) create training videos for employee timesheets.	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	★
4.2	In accordance with the testing schedule provided by DOA, initiate, as applicable, test interfaces to and from the new Cardinal HCM system to myVRS, and facilitate and monitor VRS third-party vendors' ongoing testing activities related to interfaces to and from the Cardinal HCM system. (Track 1)	N/S	N/S	N/S	N/S	N/S	●	●	●	●	●	●	★
4.3	Modify on-call pay policy as well as other applicable policies in preparation for the implementation of the Cardinal HCM. Initiate default timesheet formats for salaried employees to support the time and attendance reporting requirements of Cardinal. Consistent with DOA and Cardinal Team guidance, initiate the creation of or update, as appropriate, VRS policies and procedures, workflows, interface documentation and VRS signature authority to reflect process changes in the new Cardinal HCM system (Track 1, 2 and 3)	N/S	N/S	N/S	N/S	N/S	N/S	●	●	●	●	●	★
4.4	Communicate with applicable and core VRS staff (Human Resources and Payroll) concerning the transition to the new Cardinal HCM system. Conduct mock training as directed by the Cardinal team for Payroll and HR staff.	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	★

* Note: With the schedule changes adopted by the Cardinal project team, the VRS agency implementation has been delayed to October 2021 along with the Plan changes for the Release 1 agencies. The implementation date for the Release 2 agencies and the VRS retirees has been moved to April 2022. Accordingly, VRS is not able to fully update payroll documentation and training until the Cardinal project team resumes its training, likely after June 30, 2021. Further, VRS and its' third-party vendors cannot complete all testing until after June 30, 2021, in accordance with the new project timeline. Finally, payroll processes, training and agency communications cannot be completed prior to June 30, 2021 due to the revised project schedule issued by the Cardinal project team.

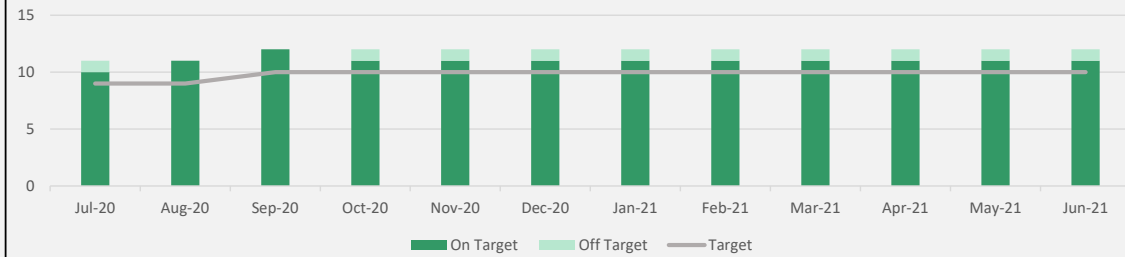
June-21

Current Status - All Operational Measures



■ On Target ■ Off Target

YTD Status - All Operational Measures



OM #	Operational Measure (OM)	Description	Strategic Goal	Target (Goal)	Current Status	YTD Status	Reporting Frequency	Comments
1	Timeliness of Monthly Financial Account Reconciliations	Percentage of monthly financial control reconciliations completed by last business day of the following month	Strong Financial Viability	> 95.00%	100.00%	100.00%	Monthly	
2	Average Abandoned Call Rate	Percentage of calls to the Customer Counseling Center (CCC) that result in hang-ups while in the queue	Continuous Improvement of Effective and Efficient Operations	< 7.00%	7.76%	7.82%	Monthly	
3	Timeliness of Response to Messages Received by the Customer Counseling Center (CCC)	Average response time to emails received by the CCC	Continuous Improvement of Effective and Efficient Operations	1.00 business days	0.41	0.39	Monthly	
4	Timeliness of Monthly Retirement Disbursements	Percentage of monthly retirement disbursements processed no later than the first business day of the month	Continuous Improvement of Effective and Efficient Operations	100.00%	100.00%	100.00%	Monthly	
5	Timeliness of Service Retirements Processed	Percentage of service retirements processed so that retiring members are set up to receive retirement benefits on the first retirement payment date for which they are eligible	Continuous Improvement of Effective and Efficient Operations	95.00%	100.00%	99.89%	Monthly	
6	Accuracy of Service Retirements Processed	Percentage of service retirements processed for which the corresponding benefit payment correctly reflects the member's service record	Continuous Improvement of Effective and Efficient Operations	99.00%	100.00%	99.99%	Monthly	
7	Timeliness of Disability Retirements Processed	Percentage of disability retirements processed within 30 days of VRS receiving notification of approval by the Medical Review Board	Continuous Improvement of Effective and Efficient Operations	98.00%	100.00%	99.45%	Monthly	
8	Accuracy of Disability Retirements Processed	Percentage of disability retirements processed for which the corresponding benefit paid correctly reflects the member's service record	Continuous Improvement of Effective and Efficient Operations	99.00%	100.00%	100.00%	Monthly	
9	Timeliness of Workflow Documentation Imaging	Percentage of workflow documents imaged within one business day of receipt	Continuous Improvement of Effective and Efficient Operations	99.50%	100.00%	100.00%	Monthly	
10	Planned IT System Availability	Percentage of time critical systems are available during periods of planned availability	Superior Technological Tools that Enable Efficient Delivery of Service	99.50%	99.93%	99.98%	Monthly	
11	Timeliness of Employer Contribution Confirmations	Percentage of Employer Contribution Confirmation (CC) snapshots completed in VNAV by the end of the month in which they are due	Superior Technological Tools that Enable Efficient Delivery of Service	97.00%	100.00%	100.00%	Monthly	
12	Implementation of Corrective Action to Audit Recommendations	Percentage of audit recommendations for which VRS management represents that corrective action has been implemented by the approved target date	Continuous Improvement of Effective and Efficient Operations	> 95.00%	100.00%	100.00%	Quarterly	

Overall Measure: 13 of 16 meet or exceed target

Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

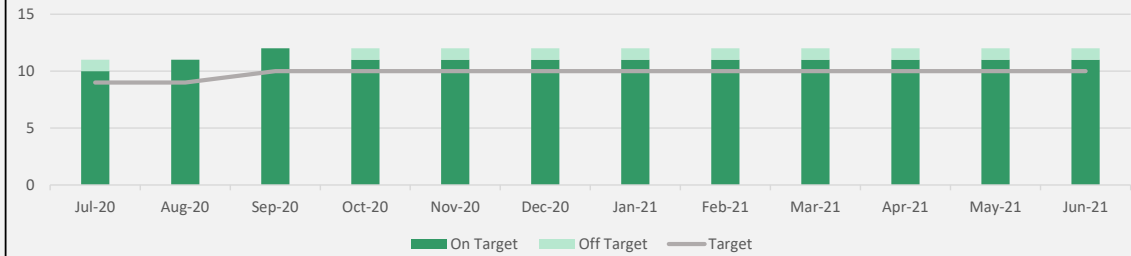
June-21

Current Status - All Operational Measures



■ On Target ■ Off Target

YTD Status - All Operational Measures

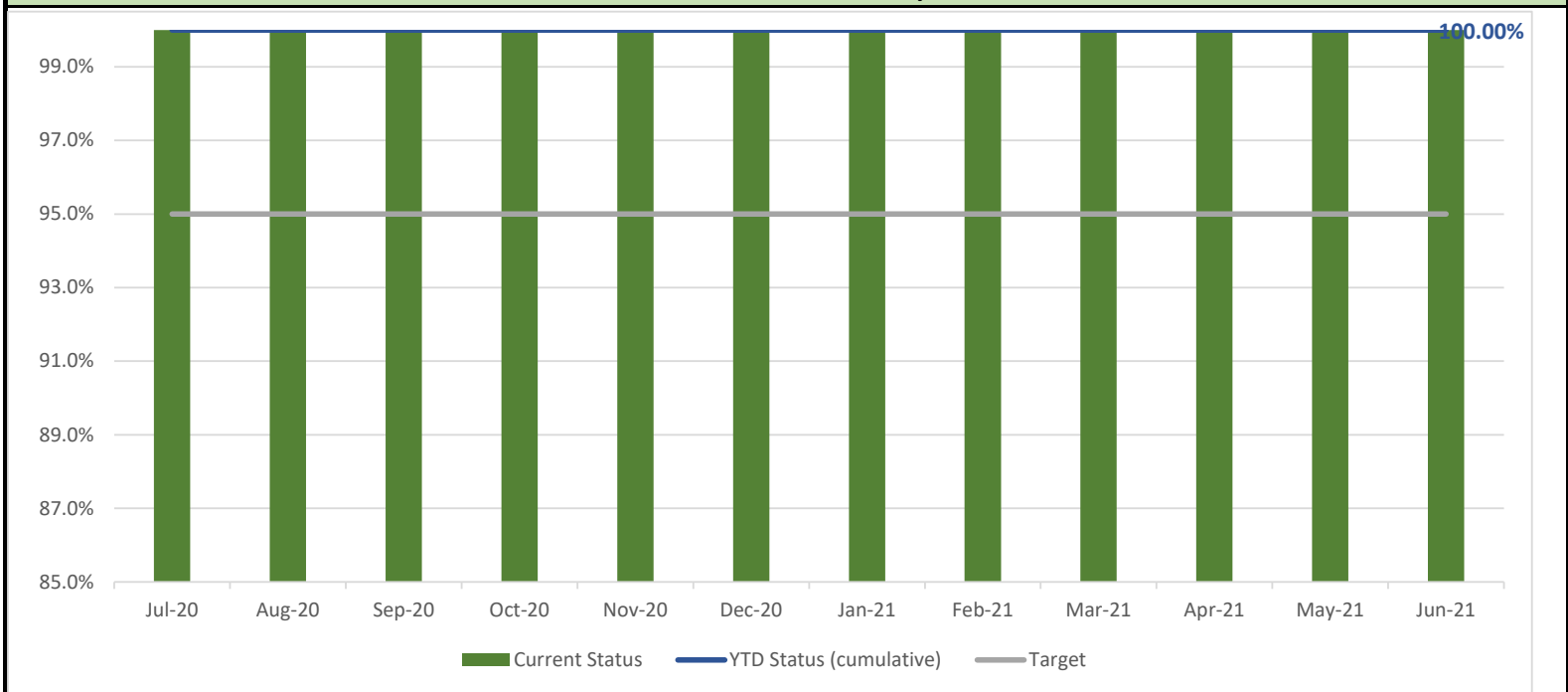


OM #	Operational Measure (OM)	Description	Strategic Goal	Target (Goal)	Current Status	YTD Status	Reporting Frequency	Comments
13	Preventable Employee Turnover	Percentage of employees voluntarily separating VRS employment due to preventable experiences	Exceptional Organizational Culture and Work Environment	< 10.00%	0.00%	0.00%	Annual	
14	Cost to Administer Defined Benefit Plans	Annual pension administration cost for defined benefit plans, as compared to peer group median reported by CEM Benchmarking, Inc.	Strong Financial Viability	FY 2020 CEM Peer Cost Average	\$ 72.00	\$ 72.00	Annual	Will not know FY 2020 CEM peer cost until spring 2021
15	Systems Security Awareness	Percentage of eligible staff who have completed security training in compliance with the agency's and Commonwealth's security policies	Continuous Improvement of Effective and Efficient Operations	100.00%	100.00%	100.00%	Annual	Measure reported on an annual basis
16	Employee Professional Development	Percentage of full-time VRS administration employees receiving at least 8 hours of professional development	Highly Skilled and Trained Staff	85.00%	99.00%	99.00%	Annual	Measure reported on an annual basis

Reporting Period: June-21

Operational Measure	Timeliness of Monthly Financial Account Reconciliations		
Strategic Goal	Strong Financial Viability		
Description	Percentage of monthly financial control reconciliations completed by last business day of the following month		
Calculation Methodology	The number of financial account reconciliations completed by the last business day of the month, divided by the total accounts requiring reconciliation each month.		
Data Source	Finance Control Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	> 95.00%	Baseline (Performance History)	99%
Target Rationale: Accounts for potential impacts due to ongoing pandemic and system changes		Baseline Rationale: 5 year average = 99%	
Current Reporting Month Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	100.00%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Ongoing pandemic impacts processes and agency resources	Identify alternative processes to work around disruptions, and cross-train staff for backup as needed	
2	Ongoing pandemic impacts processes and agency resources, including technology outages that limit system availability	Enact business continuity plan for technology outages	
3	Unanticipated external/internal requests for new programs that expand the overall number of reconciliations	Streamline process for approving and implementing new programs to expedite roll-out and ensure accurate reconciliation reporting	

YTD Performance History



VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

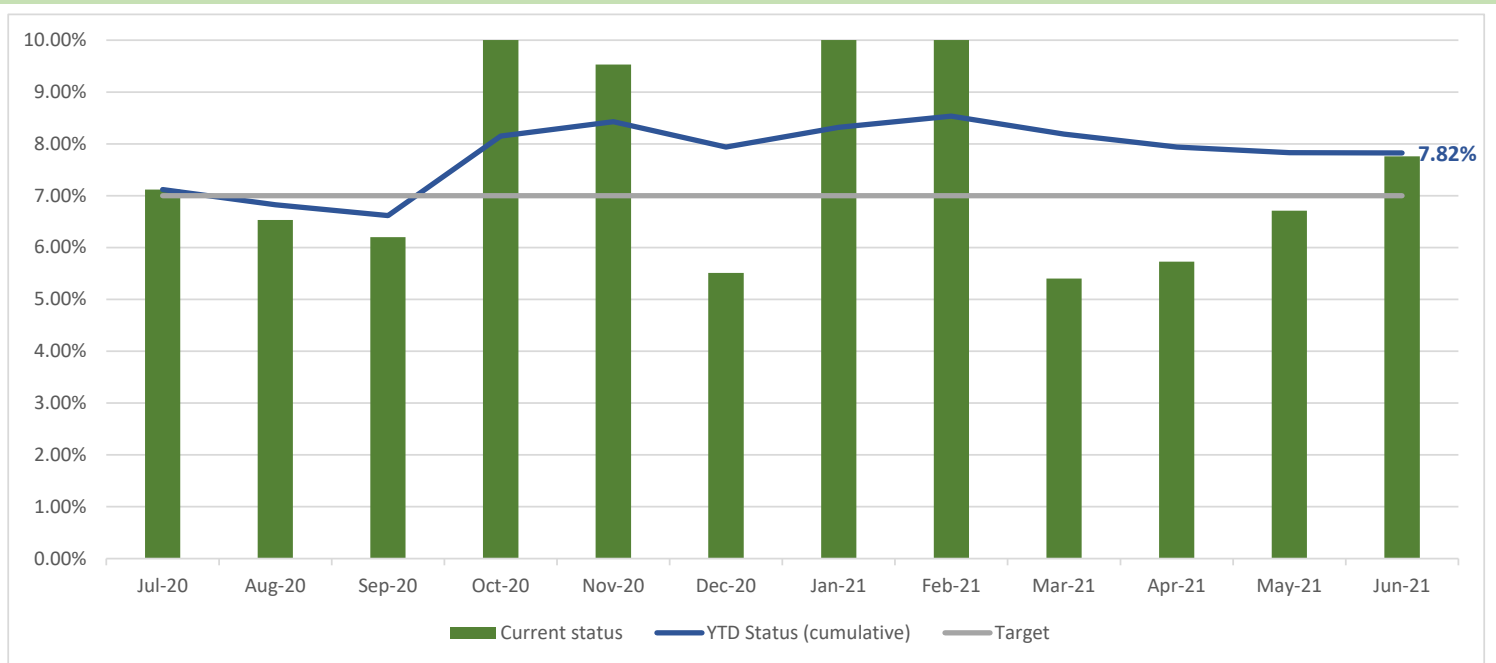
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Overall Measure: 13 of 16 meet or exceed target

Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

Operational Measure	Average Abandoned Call Rate		
Strategic Goal	Continuous Improvement of Effective and Efficient Operations		
Description	Percentage of calls to the Customer Counseling Center (CCC) that result in hang-ups while in the queue		
Calculation Methodology	The number of abandoned calls (defined as a caller hanging up prior to reaching a knowledgeable person), divided by the total number of calls received by the CCC support teams. Average rate is calculated on a cumulative basis.		
Data Source	Customer Counseling Center Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	< 7.00%	Baseline (Performance History)	6.20%
Target Rationale: To account for anticipated high call volume due to system change in FY 2021 and ongoing pandemic	Baseline Rationale: 5 year average = 6.2%		
Current Reporting Month Status	7.76%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	7.82%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Regulatory or legislative changes that impact customer benefits and result in increased call volumes (i.e. federal tax code change)	Prepare and implement a staffing augmentation plan for times when additional resources are needed on short notice to react to call influxes due to external causes	
2	Ongoing pandemic impacts processes and agency resources, including system unavailability, which may cause an increase in call volume	Prepare a staffing augmentation plan for times when additional resources are needed on short notice to react to call influxes	
3	Need for increased security requirements for accessing members' records in accordance with industry best practices which cause longer call times	Identify opportunities to expedite the requisite validation process while still ensuring compliance with VRS security protocols to protect member data	

YTD Performance History

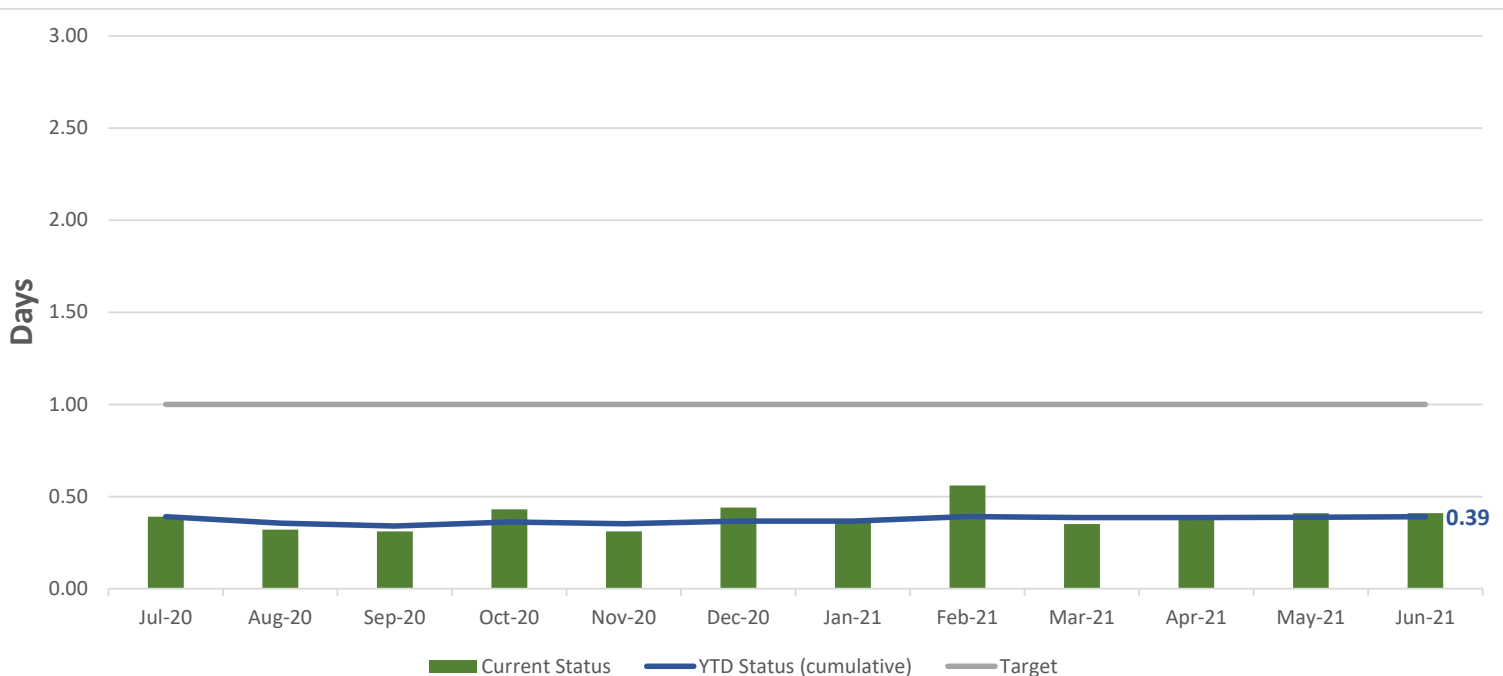


VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Operational Measure	Timeliness of Response to Messages Received by the Customer Counseling Center (CCC)		
Strategic Goal	Continuous Improvement of Effective and Efficient Operations		
Description	Average response time to emails received by the CCC		
Calculation Methodology	The number of messages responded to within two business days, divided by the total number of messages responded to by the CCC. Note: In FY 2021, the CCC is expected to transition its electronic communications from the current traditional email platform to secure messaging conducted through myVRS.		
Data Source	Customer Counseling Center Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	1.00 business days	Baseline (Performance History)	1.30 business days
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 1.3 days</i>	
Current Reporting Month Status	0.41	YTD Status (Cumulative; used at year-end to determine whether target has been met)	0.39
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Transition may occur in FY 2021 from traditional emails to secure messaging through the MyVRS portal	Proactively train CCC staff on the process changes that will occur when secure messaging is implemented	
2	Ongoing pandemic impacts processes and agency resources, including system outages that disable email/secure messaging capabilities	Prepare a staff augmentation plan for times when additional resources are needed to address email backlogs resulting from system outages	
3	Historically high rate of turnover of CCC staff	Continue recruitment and retention measures to attract and retain CCC staff	

YTD Performance History



VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

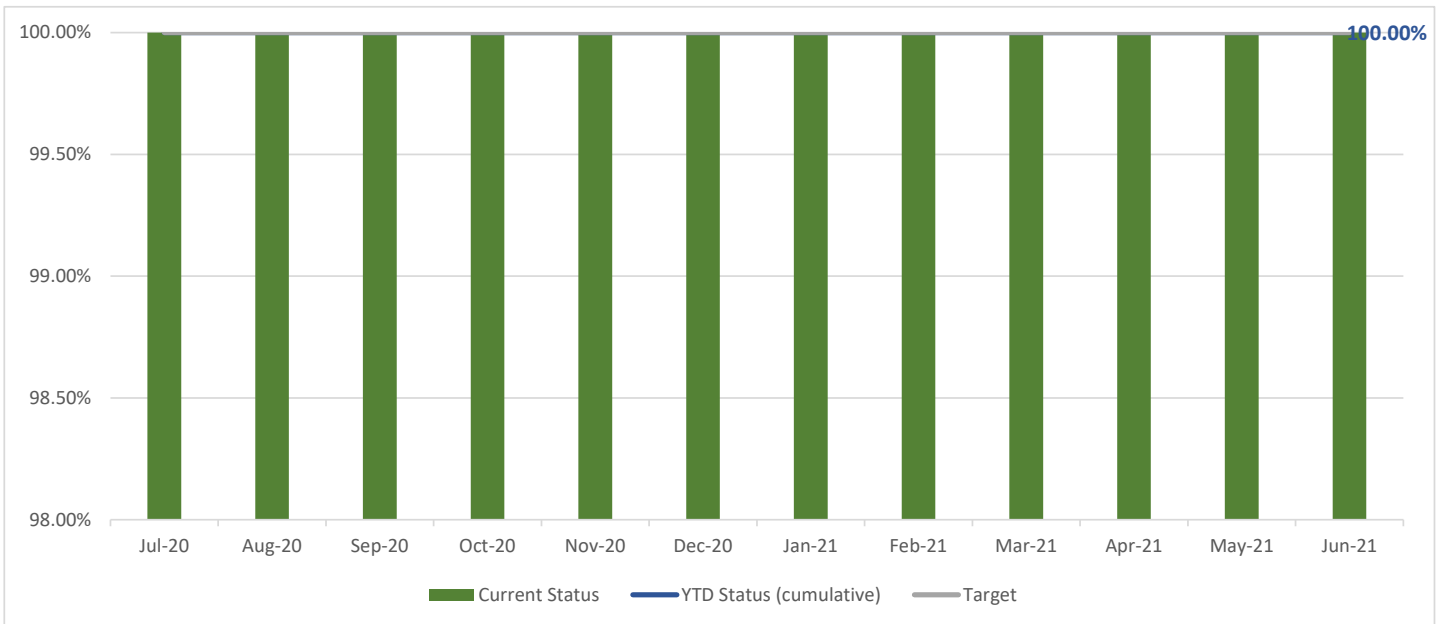
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Overall Measure: 13 of 16 meet or exceed target

Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

Operational Measure	Timeliness of Monthly Retirement Disbursements		
Strategic Goal	Continuous Improvement of Effective and Efficient Operations		
Description	Percentage of monthly retirement disbursements processed no later than the first business day of the month		
Calculation Methodology	The number of monthly retirement disbursements processed so that the payment date is no later than the first business day of the month, divided by the total number of monthly retirement disbursements that require processing each month. "Processed" is defined as funds having been disbursed to retirees; "disbursed" is defined as the funds having been paid out of the VRS account. This process requires VRS to submit documentation to external partners (Virginia Department of Treasury, banking partner) in sufficient time to meet the first business day of the month requirement.		
Data Source	Benefit Disbursements Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	100.00%	Baseline (Performance History)	100.00%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 100%</i>	
Current Reporting Month Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	100.00%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Dependence upon external parties who are integral to the process (i.e., Virginia Department of Treasury and banking partner)	Develop contingency plan in concert with external parties to ensure open lines of communication and alternate processes in the event of a potential delay	
2	Ongoing pandemic impacts processes and agency resources, including technology outages that limit ability to process and/or transmit fund documentation to external stakeholders	Enact business continuity plan for technology outages	
3	Sensitivity of data that requires strong controls and several levels of approvals; risk of staff absences or unavailability	Cross-train existing staff and ensure redundancy of staff authorized to approve retirements	

YTD Performance History

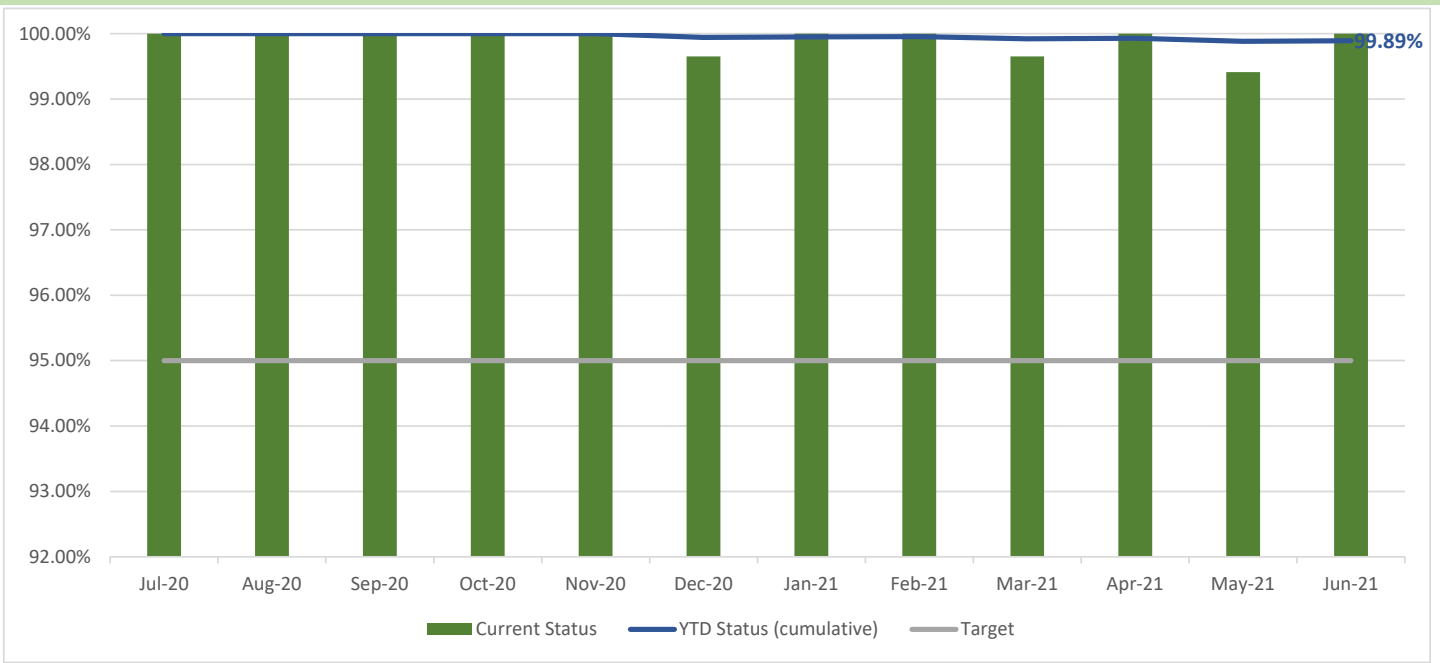


VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Operational Measure	Timeliness of Service Retirements Processed		
Strategic Goal	Continuous Improvement of Effective and Efficient Operations		
Description	Percentage of service retirements processed so that retiring members are set up to receive retirement benefits on the first retirement payment date for which they are eligible		
Calculation Methodology	The number of service retirement payments processed by the first payment date on which the member is eligible to receive retirement benefits, divided by the total number of initial payments made for the same time period. The "first payment date on which the member is eligible to receive retirement benefits" is based on the date by which VRS receives a member's retirement application that is determined by VRS to be complete, accurate, and ready for payment processing. "Processed" is defined as funds having been paid to retirees; "disbursed" is defined as the funds having been paid out of the VRS account.		
Data Source	Service Retirement Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	95.00%	Baseline (Performance History)	97.90%
<i>Target Rationale: Accounts for system conversion and ongoing pandemic</i>		<i>Baseline Rationale: 5 year average = 97.90%</i>	
Current Reporting Month Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	99.89%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Ongoing implementation of myVRS enhancements, which will significantly change current processes	Provide ample opportunity for advanced training; augment staffing as needed to ensure adequate resources during transition	
2	Ongoing pandemic impacts processes and agency resources, including technology outages that limit ability to process retirements	Enact business continuity plan for technology outages	
3	Sensitivity of data that requires strong controls and several levels of approvals; risk of staff absences or unavailability	Cross-train existing staff and ensure redundancy-of staff authorized to approve retirements	

YTD Performance History

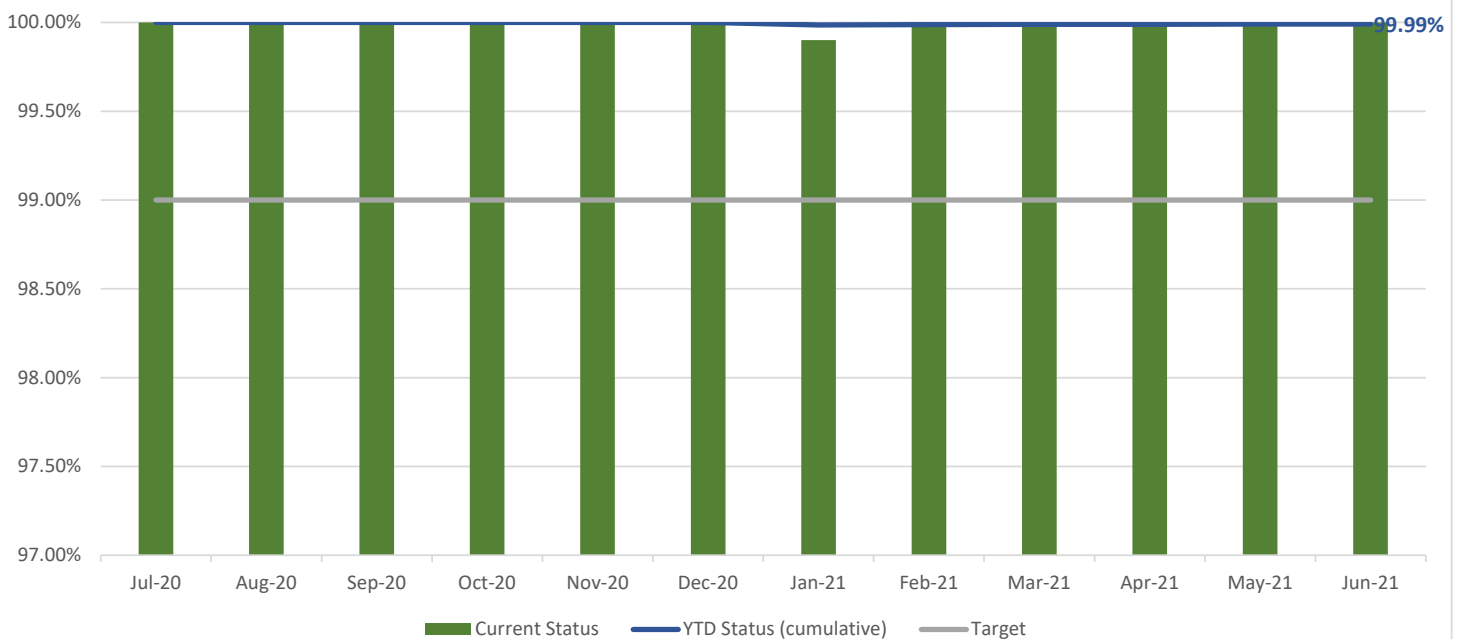


VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Operational Measure	Accuracy of Service Retirements Processed		
Strategic Goal	Continuous Improvement of Effective and Efficient Operations		
Description	Percentage of service retirements processed for which the corresponding benefit payment correctly reflects the member's service record		
Calculation Methodology	The number of service retirement applications processed and corresponding benefit paid accurately, divided by the total number of initial service retirement benefits processed and paid. An accurate benefit payment is defined as the benefit amount correctly reflecting the member's service record. "Processed" is defined as funds having been paid to retirees; "paid" is defined as the funds having been paid out of the VRS account.		
Data Source	Service Retirement Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	99.00%	Baseline (Performance History)	99.00%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 99%</i>	
Current Reporting Month Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	99.99%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Ongoing implementation of myVRS enhancements, which will significantly change current processes	Provide ample opportunity for advanced training; augment staffing as needed to ensure adequate resources during transition	
2	Ongoing pandemic impacts processes and agency resources, including technology outages that limit ability to process retirements	Enact business continuity plan for technology outages	
3	Sensitivity of data that requires strong controls and several levels of approvals; risk of staff absences or unavailability	Cross-train existing staff and ensure redundancy of staff authorized to approve retirements	

YTD Performance History

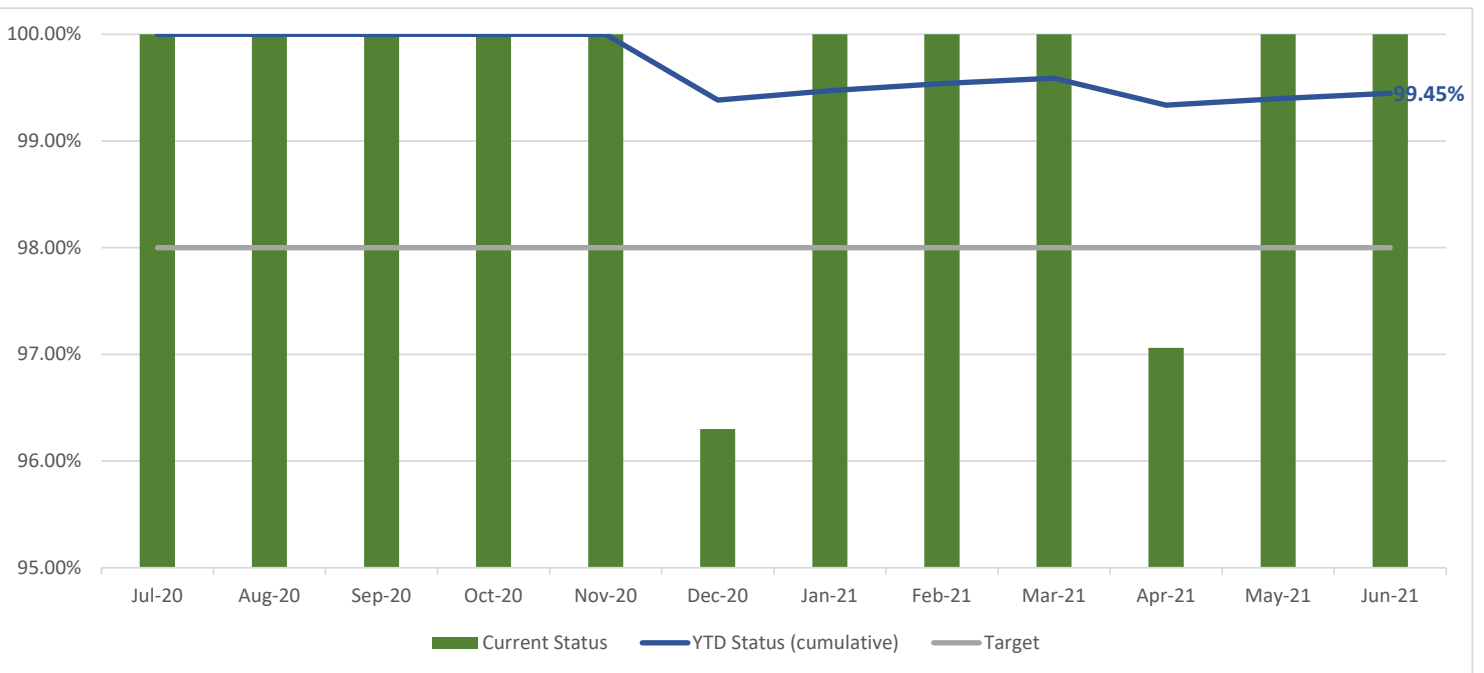


VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Operational Measure	Timeliness of Disability Retirements Processed		
Strategic Goal	Continuous Improvement of Effective and Efficient Operations		
Description	Percentage of disability retirements processed within 30 days of VRS receiving notification of approval by the Medical Review Board		
Calculation Methodology	The number of disability retirements processed within 30 days after VRS receives notice of approval of the application by the Medical Review Board. "Processed" is defined as funds having been paid to retirees; "paid" is defined as the funds having been paid out of the VRS account.		
Data Source	Disability Retirement Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	98.00%	Baseline (Performance History)	98.80%
Target Rationale: To account for potential processing delays due to system conversion in FY 2021 and ongoing pandemic impacts		Baseline Rationale: 5 year average = 98.80%	
Current Reporting Month Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	99.45%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Ongoing implementation of myVRS enhancements, which will significantly change current processes	Provide ample opportunity for advanced training; augment staffing as needed to ensure adequate resources during transition	
2	Ongoing pandemic impacts processes and agency resources, including technology outages that limit ability to process retirements	Enact business continuity plan for technology outages	
3	Sensitivity of data that requires strong controls and several levels of approvals; risk of staff absences or unavailability	Cross-train existing staff and ensure redundancy of staff authorized to approve retirements	

YTD Performance History

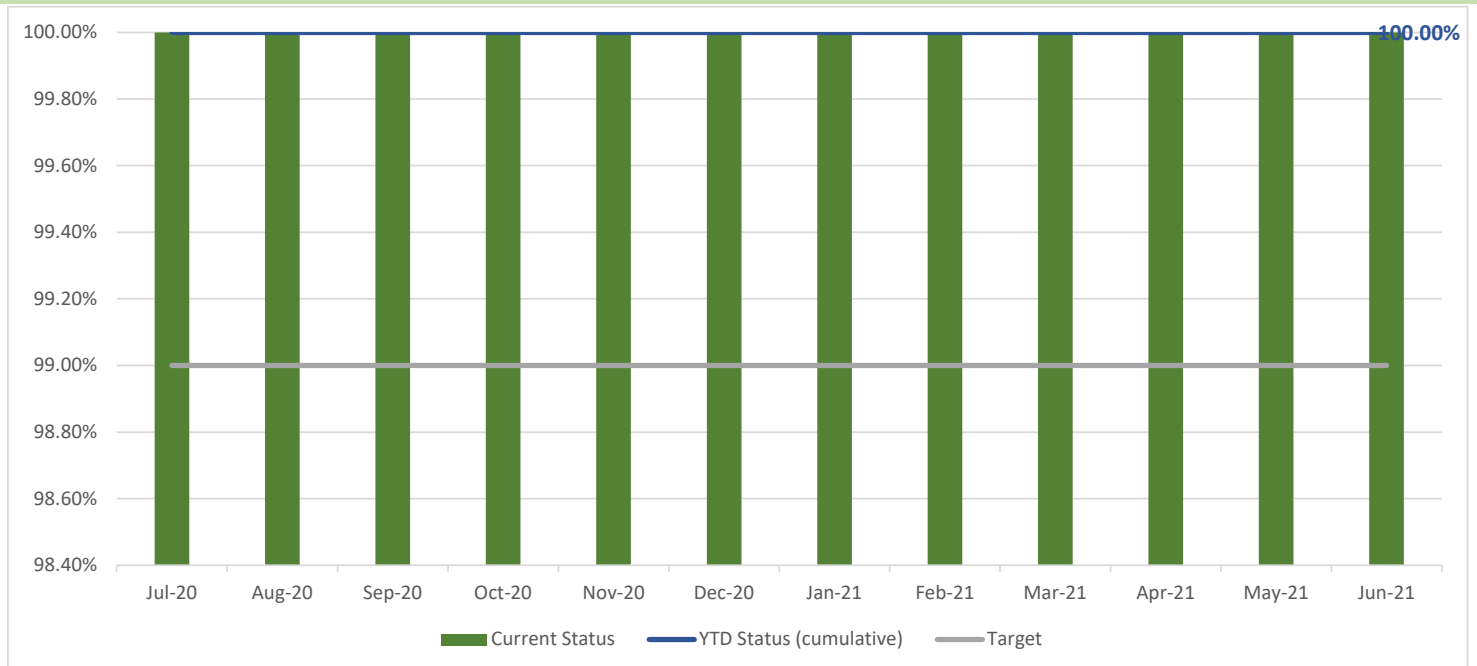


VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Operational Measure	Accuracy of Disability Retirements Processed		
Strategic Goal	Continuous Improvement of Effective and Efficient Operations		
Description	Percentage of disability retirements processed for which the corresponding benefit paid correctly reflects the member's service record		
Calculation Methodology	The number of disability retirement applications processed and corresponding benefit paid accurately, divided by the total number of initial disability retirement benefits processed and paid. An accurate benefit payment is defined as the benefit amount correctly reflecting the member's service record. "Processed" is defined as funds having been paid to retirees; "paid" is defined as the funds having been paid out of the VRS account.		
Data Source	Disability Retirement Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	99.00%	Baseline (Performance History)	99.00%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 99%</i>	
Current Reporting Month Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	100.00%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Ongoing implementation of myVRS enhancements, which will significantly change current processes	Provide ample opportunity for advanced training; augment staffing as needed to ensure adequate resources during transition	
2	Ongoing pandemic impacts processes and agency resources, including technology outages that limit ability to process retirements	Enact business continuity plan for technology outages	
3	Sensitivity of data that requires strong controls and several levels of approvals; risk of staff absences or unavailability	Cross-train existing staff and ensure redundancy of staff authorized to approve retirements	

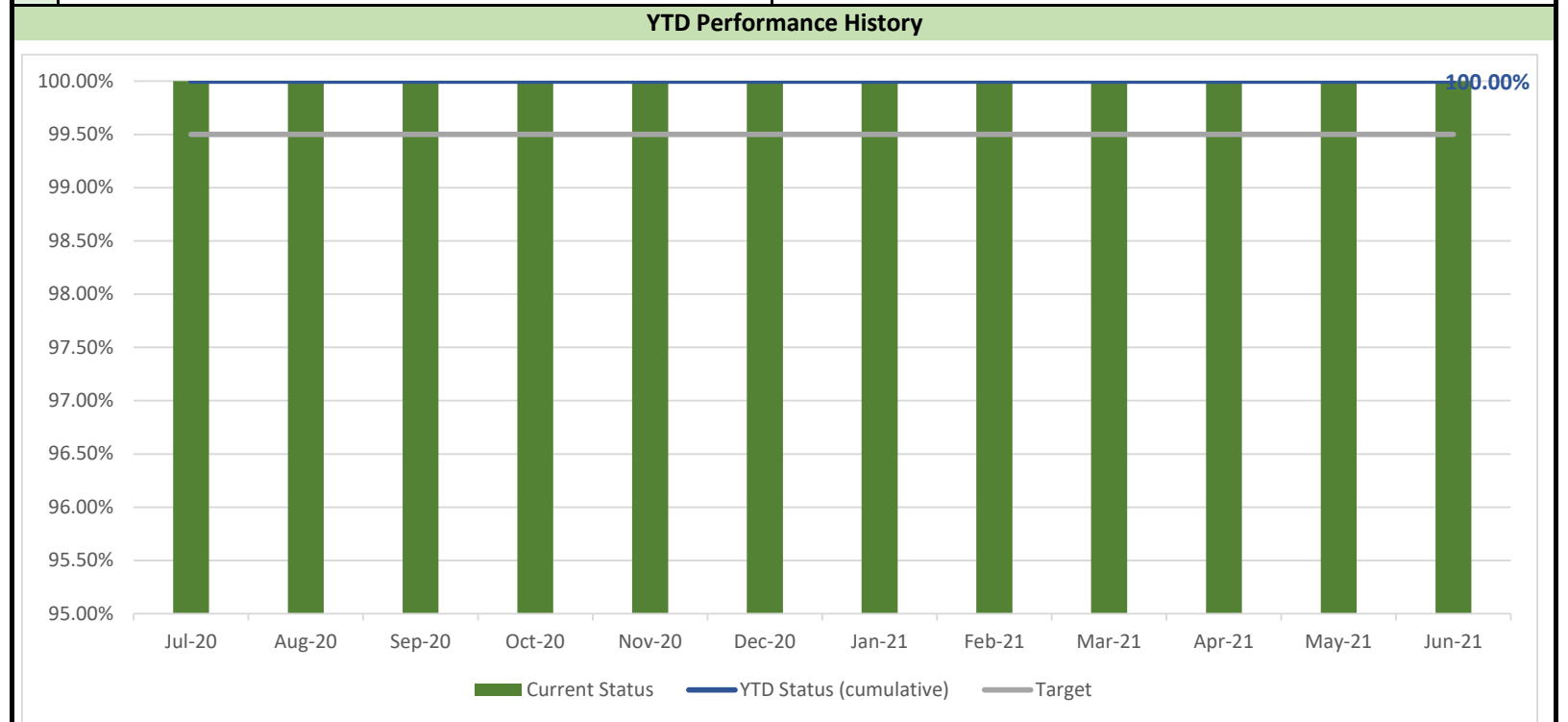
YTD Performance History



VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Operational Measure	Timeliness of Workflow Documentation Imaging		
Strategic Goal	Continuous Improvement of Effective and Efficient Operations		
Description	Percentage of workflow documents imaged within one business day of receipt		
Calculation Methodology	The number of documents imaged within one business day of receipt by the Imaging business unit, divided by the number of documents received by the Imaging unit within the same timeframe. Currently, an average of 20,000 documents are imaged per month.		
Data Source	Technology Services SLEs Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	99.50%	Baseline (Performance History)	99.90%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 99.9%</i>	
Current Reporting Month Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	100.00%

Potential Constraints to Meeting Target	Mitigation Strategies
1 Dependence upon current Imaging unit staffing level to ensure expedient and accurate processing within the prescribed turnaround time	Prescribe duties that merit the continuance of the current Imaging unit staffing level (with respect to the anticipated transition in FY 2021 to online retirements that should reduce paper form intake levels)
2 Ongoing pandemic impacts processes and agency resources, including technology outages that limit system availability	Enact business continuity plan for technology outages
3 Staffing constraints; specific skill set required limits feasibility for untrained staff to produce results with same efficiency and effectiveness	Establish a routine cross-training program to ensure well-trained staff are available at all times

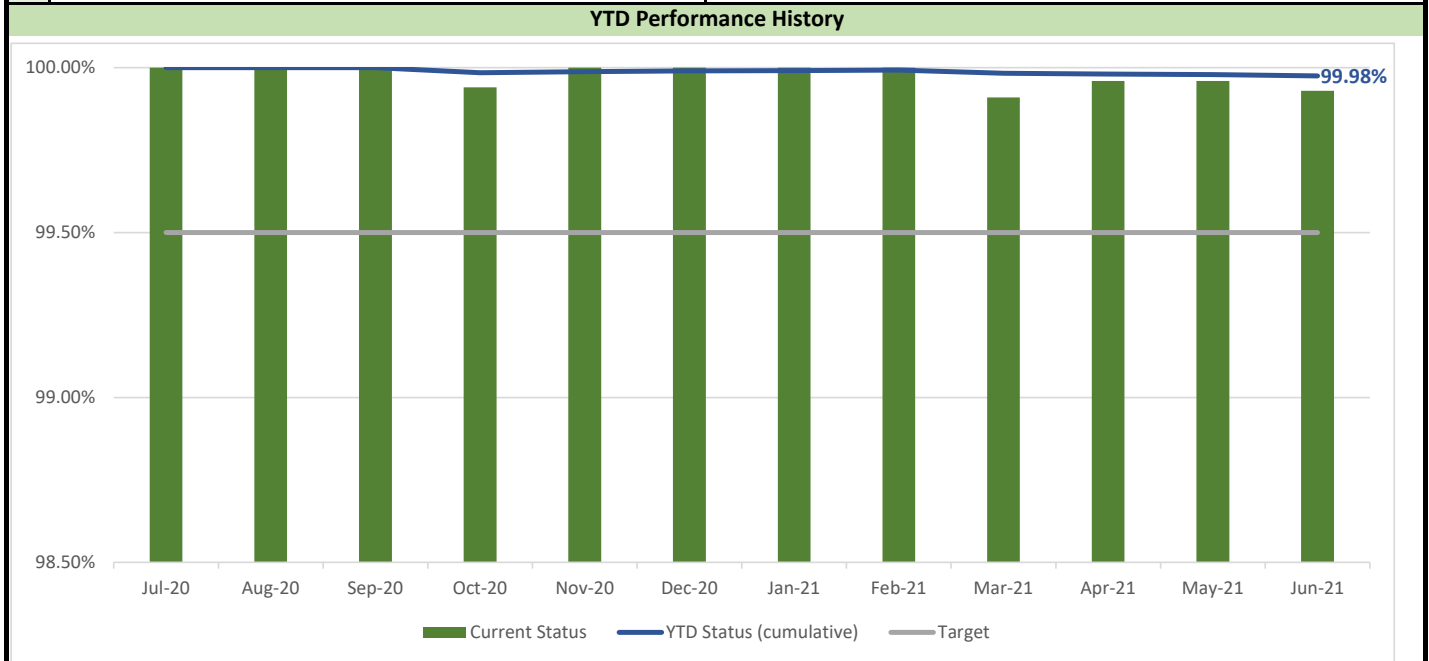


VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Operational Measure	Planned IT System Availability		
Strategic Goal	Superior Technological Tools that Enable Efficient Delivery of Service		
Description	Percentage of time critical systems are available during periods of planned availability		
Calculation Methodology	Percentage of time during which critical business systems are available for use by VRS staff and customers, divided by the total time for which it was planned that said systems would be available. Critical business systems include: VNAV, telephone, email, internet, MyVRS, Imaging, Investments, MUNIS, Customer Counseling Center Cisco phone system, and remote access. Note: business systems deemed "critical" may change periodically depending on business needs or system changes (ex: RIMS was decommissioned in spring 2019 and is no longer considered a critical business system as of that time). Periods of availability are pre-determined based on business needs and requirements regarding routine system testing, maintenance and upgrades. "Availability" is defined as being able to be used by the majority of persons for whom it is intended and for the majority of purposes for the system's intended use.		
Data Source	Technology Services SLEs Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	99.50%	Baseline (Performance History)	99.90%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 99.9%</i>	
Current Reporting Month Status	99.93%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	99.98%

Potential Constraints to Meeting Target		Mitigation Strategies
1	Failure on the part of third party business partners to provide dependent services	Implement back-up plans (ex: different phone line)
2	Ongoing pandemic impacts processes and agency resources, including technology outages that limit system availability	Enact business continuity plan for technology outages
3	Timing of a potential system failure that limits staff resources available to respond immediately	Strategically plan staffing availability to address potential system failures in the most effective manner

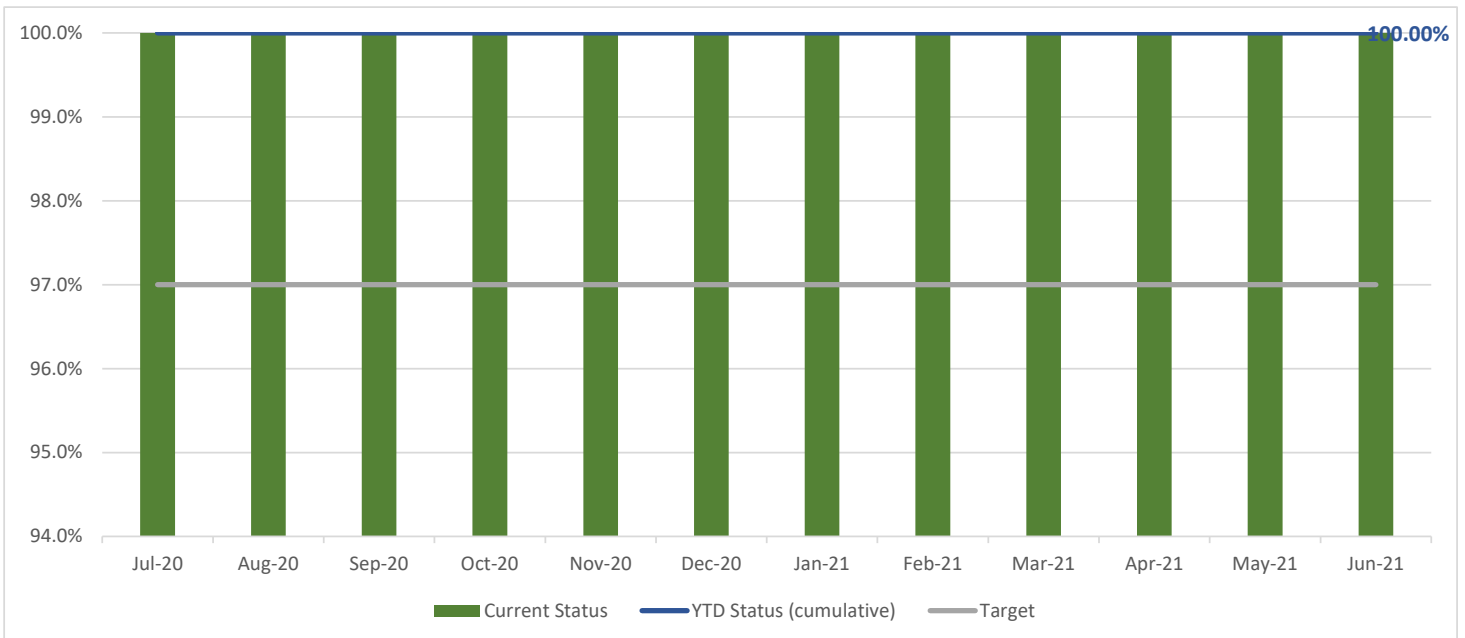


VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Operational Measure	Timeliness of Employer Contribution Confirmations		
Strategic Goal	Superior Technological Tools that Enable Efficient Delivery of Service		
Description	Percentage of Employer Contribution Confirmation (CC) snapshots completed in VNAV by the end of the month in which they are due		
Calculation Methodology	The number of employer CC snapshots received by the end of the month in which they are due, divided by the total number of employer CC snapshots required for the same time period. VRS works with employers to ensure that monthly CC snapshots are posted in a timely fashion. There are over 1,000 employers reporting to VRS for which CC snapshots are required on a monthly basis.		
Data Source	Employer Reporting Contribution Confirmation and Payment Status Report	Reporting Frequency	Monthly
Target (Performance Goal)	97.00%	Baseline (Performance History)	97.60%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 97.60%</i>	
Current Reporting Month Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	100.00%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Dependence on over 1,000 employers to submit their confirmations on time every month	Proactively communicate with employers with a focus on those with a history of delinquent submissions to mediate potential causes for delay	
2	Impact of ongoing pandemic on resources at the employer level that prevent their timely submission of CC snapshots	Proactively communicate with employers to identify potential impacts and assist as appropriate with the submission process	
3	Cardinal implementation for state employers may delay timely submission due to additional responsibilities during Cardinal transition	Provide notice to state employers of potential for delay due to Cardinal implementation and advise that they prepare to ensure timely report submission	

YTD Performance History

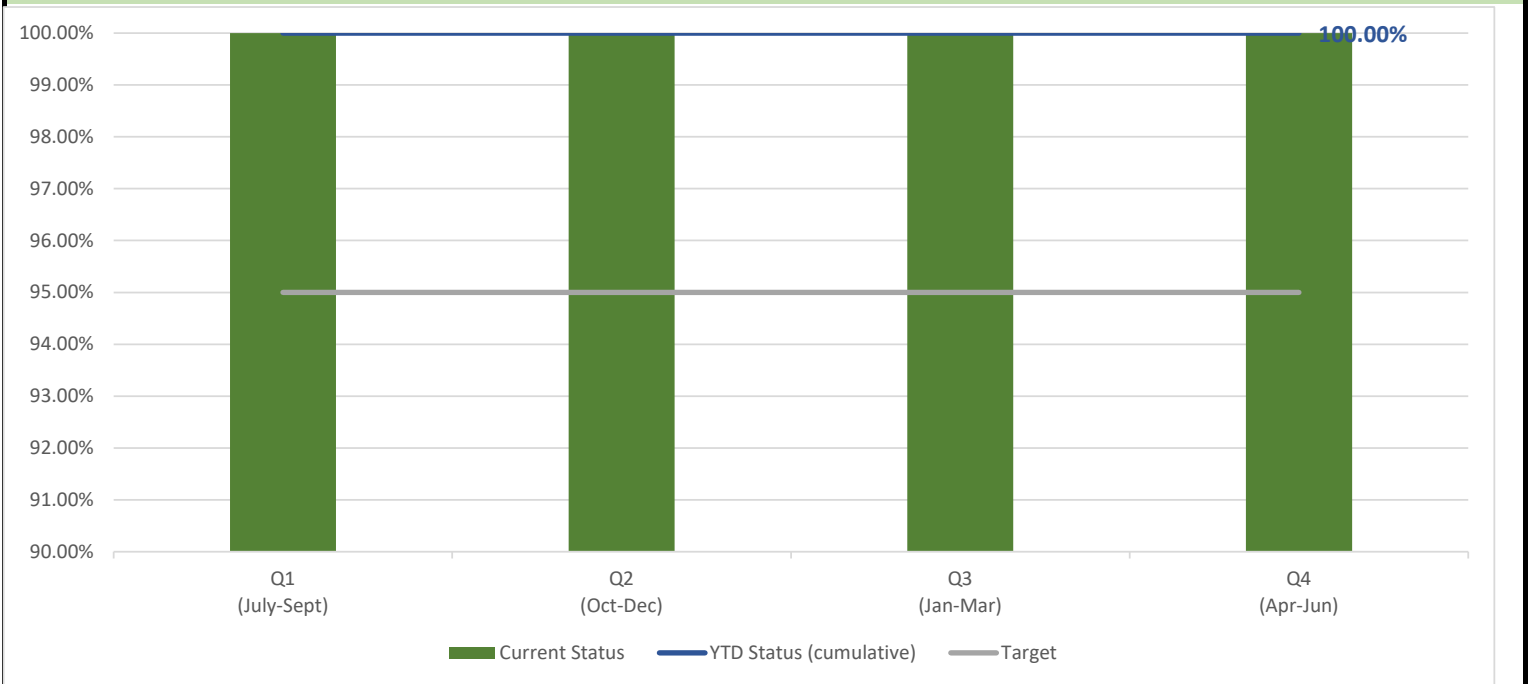


VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Operational Measure	Implementation of Corrective Action to Audit Recommendations		
Strategic Goal	Continuous Improvement of Effective and Efficient Operations		
Description	Percentage of audit recommendations for which VRS management represents that corrective action has been implemented by the approved target date		
Calculation Methodology	The number of audit recommendations for which VRS management has represented that corrective action has been implemented, divided by the total number of audit recommendations for which corrective action is needed as of the date the measure is calculated. VRS management establishes target dates and provides periodic updates to Audit regarding whether actions have been taken. Audit tracks responses in the Audit Recommendation Follow-Up System (ARFUS).		
Data Source	ARFUS	Reporting Frequency	Quarterly
Target (Performance Goal)	> 95.00%	Baseline (Performance History)	94.00%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 94.00%</i>	
Current Reporting Month Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	100.00%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	High cost to implement necessary corrective action	Work within existing agency allocations and, if necessary, also with state budgetary processes to obtain resources needed to effectuate corrective action	
2	Limited staff resources to effectively implement necessary corrective action	Adjust allocation of staffing resources to enable corrective action implementation	
3	External factors that delay ability to take necessary corrective action (ex: legislative mandates that redirect agency resources, ongoing pandemic)	Communicate with DEC and Audit regarding possible adjustment of target date to accommodate timeline of when resources will be available	

YTD Performance History



VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.



Fiscal Year 2021 Operational Measures

Reporting Period: June-21

OM
13

Operational Measure	Preventable Employee Turnover		
Strategic Goal	Exceptional Organizational Culture and Work Environment		
Description	Percentage of employees voluntarily separating VRS employment due to preventable experiences		
Calculation Methodology	The number of Administration employees who voluntarily separate from VRS employment due to preventable reasons, divided by the total number of Administration employees who voluntarily separate VRS employment, when total employee turnover exceeds 5% within the same period of time. Preventable turnover is determined from exit interview results, and includes substantiated reports of unsuccessful supervision or management, unsatisfactory work environment, insufficient resources to complete one's job effectively, and unavailability of training opportunities.		
Data Source	Human Resources Department Exit Interview Survey Results	Reporting Frequency	Annual
Target (Performance Goal)	< 10.00%	Baseline (Performance History)	5.88%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: FY 2019 results</i>	
Current Reporting Month Status	0.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	0.00%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Unrealistic employee expectations regarding VRS work environment and responsibilities	Provide clear position descriptions and responsibilities upon hire; outline organization culture and expectations on a regular basis; ensure open communication between employees, managers and supervisors	
2	Reorganization due to myVRS enhancements may alter current work responsibilities for some employees	Provide clear and open communication throughout the implementation process; Offer sufficient training opportunities for employees tasked with new responsibilities	
3	Ongoing pandemic impacts employee morale	Continue direct outreach to employees, provide EAP resources and implement employee engagement activities	
YTD Performance History			
[Reported as an annual measure]			

VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Operational Measure	Cost to Administer Defined Benefit Plans		
Strategic Goal	Strong Financial Viability		
Description	Annual pension administration cost for defined benefit plans, as compared to peer group median reported by CEM Benchmarking, Inc.		
Calculation Methodology	VRS pension administration cost per active member and annuitant for defined benefit plans as compared to that of its peer group, as calculated by CEM Benchmarking, Inc. The average peer cost calculated by CEM is available on delay and will not be known until spring 2021. At that time the FY 2020 annual agency cost will be compared to the to the FY 2020 CEM peer cost to determine whether VRS's cost is lower than the peer average.		
Data Source	CEM Benchmarking, Inc.	Reporting Frequency	Annual
Target (Performance Goal)	Lower than the FY 2020 CEM Peer Cost Average	Baseline (Performance History)	N/A
<i>Target Rationale: Measuring VRS annual administrative cost for FY 2020 against the most current peer data as provided by CEM Benchmarking, Inc.</i>		<i>Baseline Rationale: N/A</i>	
Current Reporting Month Status	\$72.00	YTD Status (Used at year-end to determine whether target has been met)	\$72.00
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Significant unanticipated costs to administer pension plans due to external influences, including the ongoing pandemic	Work within existing agency allocations and prioritize spending plans to ensure administrative expenditures remain reasonable	
2	Dependent upon expenditure patterns for the CEM Peer group for administrative cost average	Maintain communications with CEM peers to stay informed on any spending abnormalities that may skew CEM-calculated peer costing	
3	FY 2020 CEM cost not known until late into FY 2021 (limiting agency ability to react if missing target)	Proactively calculate and monitor agency administrative cost in anticipation of receiving the FY 2020 CEM cost; adjust agency spending if out of line with recent CEM peer cost averages	
YTD Performance History			
<p>[Average Pension Administration Cost for VRS' Peer Group, as provided by CEM Benchmarking, will be known in spring 2020]</p>			
VRS Mission: <i>VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.</i>			
VRS Vision: <i>To be the trusted leader in the delivery of benefits and services to those we serve.</i>			


Operational Measure	Systems Security Awareness		
Strategic Goal	Continuous Improvement of Effective and Efficient Operations		
Description	Percentage of eligible staff who have completed security training in compliance with the agency's and Commonwealth's security policies		
Calculation Methodology	Percentage of eligible staff who have completed the agency's annual security training, VRS User IT Security Policy Training ("security training"), divided by the total eligible agency staff. Employees who join the agency during FY 2021 are required to complete security training within 30 days after their start date. All staff are required to complete the training during the annual training window. The training provides information on such critical security practices as protecting sensitive data, utilizing effective passphrases, reviewing acceptable technology use policies, being on alert for phishing and other malpractices, and more. The percentage is calculated on a cumulative basis and reported annually (with the total requirement recalculated monthly as new staff are hired and required to obtain security training).		
Data Source	Technology Services SLEs Performance Report	Reporting Frequency	Annual
Target (Performance Goal)	100.00%	Baseline (Performance History)	100.00%
Target Rationale: Maintain high security awareness		Baseline Rationale: All VRS staff completed security training in FY 2020	
Current Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	100.00%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Unavailability of the Virginia Learning Center (VLC, a non-VRS application) for training	Provide sufficient time for staff to obtain training within prescribed timeline to allow for possible VLC system unavailability	
2	Ongoing pandemic impacts processes and agency resources, including technology outages that limit system availability	Enact business continuity plan for technology outages	
3	New training requirements as set-forth by the Commonwealth Security Policy that require changes to the prepared security training	Proactively coordinate with different units within VRS to ensure sufficient time and resources to make necessary changes to the prepared training	
YTD Performance History			
[Reported as an annual measure]			
VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service. VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.			

Operational Measure		Employee Professional Development	
Strategic Goal		Highly Skilled and Trained Staff	
Description		Percentage of full-time VRS administration employees receiving at least 8 hours of professional development	
Calculation Methodology		The number of eligible full-time VRS administration employees who have completed at least 8 hours of professional development, divided by the total number of eligible full-time administration employees. Eligible employees are full-time administration staff hired after July 1, 2020 who are not on short- or long-term disability or FMLA during FY 2021. Qualifying professional development includes courses designated in the Virginia Learning Center (VLC), as well as conferences, webinars, college or trade school classes, and any other professional development as approved by the Human Resources Director. Number of hours received is tracked on a cumulative basis and reported quarterly.	
Data Source	Human Resources Performance Report	Reporting Frequency	Annual
Target (Performance Goal)	85.00%	Baseline (Performance History)	91.30%
<i>Target Rationale: Maintain recent performance and increased total # of hours</i>		<i>Baseline Rationale: 5 year average = 91.32%</i>	
Current Status	99.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	99.00%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Limited staff flexibility to obtain professional development due to significant staff time dedicated to implementation of myVRS enhancements in FY 2021	Encourage staff to plan for professional development opportunities before and/or after periods of time dedicated to implementation myVRS enhancements	
2	Dependence on IT system availability/accessibility for trainings and/or time tracking	Advise staff to plan to be proactive about obtaining professional development and reporting their hours earned as they go	
3	Limited progressive course availability on relevant subject matter area	Ongoing communication between managers and staff to expand and identify new learning opportunities	
YTD Performance History			
[Reported as an annual measure]			
VRS Mission: <i>VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.</i>			
VRS Vision: <i>To be the trusted leader in the delivery of benefits and services to those we serve.</i>			



Date: September 1, 2021

To: Trish Bishop, Director

From: Jennifer Schreck, Internal Audit Director 

Subject: Review of 2021 Agency Performance Outcomes and Operational Measures

As part of our annual process, Internal Audit has reviewed the status of the 2021 Agency Performance Outcomes (APOs) and Operational Measures (OMs), as set forth by management for the fiscal year ended June 30, 2021. The purpose of our review was to obtain reasonable, but not absolute assurance that the status of such outcomes and measures was fairly represented in management's status reports.

Based upon our review of available documentation and discussions with various VRS personnel, nothing came to our attention to cause us to question the representations set forth by management with respect to either the APOs or the OMs. Accordingly, we have no reason to believe that the APOs and OMs were not appropriately represented as satisfied for the fiscal year ended June 30, 2021.

I would like to commend the management team and staff for their accomplishments this past year. Please feel free to share this information with the Administration and Personnel Committee as well as the full Board of Trustees, as you deem appropriate.



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

Requested Action

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

Description/Background

The Board approved the current Administrative Pay Plan and the current Investment Operations and Administration Staff Pay Plan on April 21, 2021. Each of the plans state:

Subject to the approval of the VRS Board of Trustees, employees who receive an overall rating of “exceptional” will receive a 4% bonus and employees who receive an overall rating of “exceeds” will receive a 2% bonus, based on their salary as of June 30.

Cost: The approximate total cost for the FY 2021 performance bonus payments to eligible employees is \$598,913.70, to be paid from the FY 2022 budget.

Rationale for Requested Action

Bonus payments recognize and reward the positive contributions of individual performance that enable VRS to achieve and exceed its goals and objectives.

Authority for Requested Action

Code of Virginia § 51.1-124.22(A)(11) authorizes the Board to establish and administer a compensation plan for officers and employees of the Retirement System.

The above action is approved.

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

Date



Reappointment of IAC Members.

Requested 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.

Rationale for Requested Action

Mr. West and Ms. Leake currently serve on the Investment Advisory Committee (IAC) and are willing to be reappointed for another two-year term. Mr. West is the Chief Investment Officer and Managing Director of Investure, and Ms. Leake is an Advisory Partner with Partners Group (USA) Inc.

Authority for Requested Action

Code of Virginia § 51.1-124.26 requires the Board to appoint an Investment Advisory Committee to provide the Board with sophisticated, objective, and prudent investment advice, which will further assist the Board in fulfilling its fiduciary duty as trustee of the funds of the Retirement System.

The above action is approved.

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

Date

Hance West has served as both Investure's Chief Investment Officer and Co-Chief Investment Officer for more than a decade. Along with responsibility for the Investment Team and the investment process, he oversees clients' fixed income portfolios and passive investments. Prior to joining Investure in 2004, Hance was a Director for the University of Virginia Investment Management Company (UVIMCO) from 2000 to 2003. While at UVIMCO, Hance managed the fixed income portion of the University's endowment fund and various operating accounts as well as had joint responsibility for the University's hedge fund portfolio. He previously served as Executive Vice President of Portfolio Management at Dynex Capital, where he led portfolio management and securitization activity. Prior to working at Dynex Capital, he served as Co-Head of Fixed Income for Mentor Investment Group, where he was responsible for all institutional accounts.

Hance earned his BS in accounting from Virginia Tech and his MBA from the Simon School of Business at the University of Rochester. He holds the Chartered Financial Analyst designation and is a member of the CFA Institute. Hance currently serves on the Investment Advisory Committee of the Virginia Retirement System, as well as the Board of Directors of the Virginia Tech Foundation, where he is Chair's the Foundation's Board. He is also a Trustee of the Virginia Chapter of The Nature Conservancy and serves as Treasurer and Chair of the Finance Committee.

Nan Leake currently serves on the Investment Advisory Committee of the Virginia Retirement System and the Board of VCU Investment Management Company. She also serves on the Advisory Board of Hodes Weill & Associates, a global capital advisory firm focused on the real estate and real assets investment and funds management industry. She recently served on both the Board and Investment Advisory Committee of the Richmond Retirement System.

Ms. Leake was previously a Partner in the Private Real Estate business unit at Partners Group, a global private markets investment manager with \$119 billion in assets under management. During her decade-long tenure at Partners Group, Ms. Leake was responsible for advancing the firm's real estate investment strategies and managing investor relationships. Throughout her career, Ms. Leake has been involved in all aspects of real estate investing, having worked exclusively with institutional investors to design, structure and implement their global real estate investment strategies. Prior to joining Partners Group, Ms. Leake was a senior consultant at Pension Consulting Alliance, Inc. ("PCA"), whose discretionary real estate asset management business was integrated into Partners Group in 2007. Before joining PCA, she worked at Property Investment Advisors, Inc., the Virginia Retirement System and NBS Realty Advisors.

Ms. Leake is also involved with Shalom Farms, a leading grower and provider of local produce and food access programming in low-income communities in Richmond, Virginia. She serves on the Boards of both Shalom Farms and The Maxwellton-Lachlan foundation ("TMLF"), which provides summer camp scholarships to needy youth. Ms. Leake also serves on the UVA Real Estate Committee, a volunteer group of alumni with expertise across the real estate industry, championing an effort to raise significant private philanthropy to launch a formal University of Virginia Real Estate Center.

Ms. Leake is active in timber investing, regenerative agriculture and land management in Central Virginia. She resides on her farm in Goochland County with her husband and two dogs.



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

Requested 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.

Description/Background

VRS staff notified the Administration and Personnel Committee on September 15, 2021, that additional appropriation authority will be needed in FY 2023 and FY 2024 to accommodate planned spending. The Committee concurred with the planned spending line items and recommended that this RBA be presented to the entire Board for approval.

Rationale for Requested Action

This RBA seeks Board authority for staff to seek nineteen additional full-time positions and the necessary nongeneral fund appropriation for the following expenses:

Initiative	FY 2023 cost <small>(in millions)</small>	FY 2024 cost <small>(in millions)</small>
• Complete successful cloud migration	\$0.92	\$2.01
• Elevate organizational strength, culture and engagement	\$0.02	\$0.75
• Fortify cybersecurity and fraud prevention measures	\$1.83	\$1.53
• Promote superior investment governance	\$2.82	\$2.52
• Ensure long-term financial health	\$1.30	\$1.30
• Refresh infrastructure for investment data analysis	\$1.35	\$1.35
• Optimize member, retiree and employer outreach	\$1.09	\$1.19
• Transform business models	\$1.20	\$2.60
	\$10.53 million	\$13.25 million

Authority for Requested Action

Code of Virginia § 51.1-124.22(A)(8) authorizes the Board to promulgate regulations and procedures and make determinations necessary to carry out the provisions of Title 51.1.

The above action is approved.

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

Date

VIRGINIA RETIREMENT SYSTEM
FY2023-2024 Budget Requests

	FY2023	FY2024	
	\$	\$	Total Positions

<p>1 COMPLETE SUCCESSFUL CLOUD MIGRATION</p> <p>This proposal continues from previous years' planning and allows for the Agency to complete its transition from an on-premises server to a cloud-based network. Funding in this package includes replacing datacenter hardware that will reach the end of its useful life and simultaneously creating a secondary backup solution for the cloud. Finally, project management and consulting fees are needed to transition to a steady state of operations.</p>	\$ 919,000	\$ 2,014,600	-
<p>2 ELEVATE ORGANIZATIONAL STRENGTH, CULTURE AND ENGAGEMENT</p> <p>This proposal aligns with VRS' strategic goal to invest in a high-quality, professional and diverse workforce. The proposed tools include assessment programs and training opportunities to enhance employee development through EDGE (empower, develop, grow and engage) initiatives. Additionally, as VRS continues its migration to the cloud, VRS will use opportunities to create savings by replacing costly programs unable to be used in a cloud-based environment. In doing so, the Agency will provide comprehensive onboarding for all staff focused on the Agency's mission, vision and core values.</p>	\$ 20,000	\$ 745,000	-
<p>3 FORTIFY CYBERSECURITY AND FRAUD PREVENTION MEASURES</p> <p>Funding for this proposal will help protect the Agency against existing and emerging threats from attackers attempting to access sensitive data or impersonate members by using compromised personal information. Included are tools to ensure cloud security, endpoint security management, fraud detection and incident response capabilities are as strong as possible. Two positions, a Cloud Security Engineer and an Incident Response and Disaster Recovery Engineer, are needed to implement the necessary firewalls, security platforms and response/recovery activities.</p>	\$ 1,830,112	\$ 1,527,112	2
<p>4 PROMOTE SUPERIOR INVESTMENT GOVERNANCE</p> <p>As the total fund and related asset classes expand, additional support is needed maintain appropriate levels of due diligence, monitoring of publicly-traded securities and compliance review. To do this, a Senior Investments Accountant is proposed to help ensure proper internal controls are in place. Additionally, funds for a new cash management system will enhance controls over the cash flow process and internal cash portfolio. Also included is the strategic outsourcing of dedicated IT support for Investments, providing access to expertise in this field without adding full-time employees. The final piece of this proposal requires funding for services to determine and ensure compliance with international regulations for the over-the-counter derivatives market.</p>	\$ 2,820,533	\$ 2,520,533	1

5 ENSURE LONG-TERM FINANCIAL HEALTH

Internally managed investment programs create value-add to the trust fund as they are operated at a significantly lower cost than externally managed strategies. Two new Investment Officers will augment the Internal Equity and Portfolio Intelligence groups by helping to bring externally-managed investments in-house. The tools included will help in managing and analyzing the data necessary to make timely decisions across the Investments department.

\$ 1,302,512 \$ 1,302,512 2

6 REFRESH INFRASTRUCTURE FOR INVESTMENT DATA ANALYSIS

This proposal will provide funding to implement new quantitative strategies and create workflow efficiencies by upgrading or replacing Investments-related tools and systems used in various data processes. Two Quantitative Developers and three contractors will take a broad review of systems and determine what action needs to be taken for each system and then, in turn, will be the ones to implement the necessary solution. Funding in this proposal will also be used for software purchases and consulting for data integration, design and implementation.

\$ 1,352,512 \$ 1,352,512 2

7 OPTIMIZE MEMBER, RETIREE AND EMPLOYER OUTREACH

This proposal includes tools and new positions to cultivate mutually supportive partnerships that enhance an exceptional customer experience. The tools included will improve the quality of content posted on the website as well as create a more user-friendly experience. Additionally, as VRS returns to more in-person meetings, new tablets for employer and member representatives will provide for a better experience for customers. A new Employer Representative is also proposed to in order to better serve state agencies. In addition, this proposal includes five new FTEs in Customer Relations to provide sufficient resources for Employer Education and the Customer Contact Center. Lastly, four new positions in Customer Programs will ensure that VRS continues to provide optimal support for the various retirement and benefit programs it administers.

\$ 1,091,218 \$ 1,186,633 10

8 TRANSFORM BUSINESS MODELS

Funding for this proposal will provide tools, two positions and contractors to assist the Agency in transforming its business and service delivery models to meet the needs of its customers. These measures will ensure that VRS leverages state-of-the-art technology to improve system functionality. Replacing the multiple current HR information system platforms with a single, holistic platform will create savings and efficiencies for the department, as well as the Agency. Additionally, this proposal includes funding to support the process of upgrading the Agency's internal benefits management system. A Records Management Officer is proposed to oversee enhancements to the Agency's records management program, including converting paper documents into a digital library. New dashboarding software will aid VRS in finalizing its ERM program to effectively monitor risk across the Agency. Additionally, a Project Manager, contractors and an external IT auditor will help prioritize and implement projects, ensure optimal functionality and improve process documentation and knowledge capture.

\$ 1,201,080 \$ 2,599,080 2

TOTAL AGENCY REQUESTS \$ 10,536,967 \$ 13,247,982 19



Virginia Retirement System (VRS) FY 2021 Year-End Budget Update

	Adjusted FY2021 Budget A	Final Expenses B	Variance Favorable/ (Unfavorable) C = A - B	% Remaining C / A
Administration				
Personnel				
Salaries, Wages & Benefits	24,206,000	21,309,000	2,897,000	12.0%
Incentive Compensation	861,000	776,000	85,000	9.9%
Contractual Services				
Communication Services	950,000	699,000	251,000	26.4%
Employee Development Services ²	279,000	159,000	120,000	43.0%
Management & Informational Services ^{3, 4}	2,573,000	1,427,000	1,146,000	44.5%
Medical Review Services	1,000,000	671,000	329,000	32.9%
Support Services ⁵	620,000	560,000	60,000	9.7%
Technical Services ^{6, 7}	291,000	293,000	(2,000)	(0.7%)
Equipment & Supplies	449,000	414,000	35,000	7.8%
Facility	1,936,000	1,972,000	(36,000)	(1.9%)
Insurance, Claims & Bonds	84,000	33,000	51,000	60.7%
Service Charges	174,000	143,000	31,000	17.8%
Administration Total	33,423,000	28,456,000	4,967,000	14.9%
Information Technology				
Personnel				
Salaries, Wages & Benefits	12,720,000	10,442,000	2,278,000	17.9%
Incentive Compensation	325,000	333,000	(8,000)	(2.5%)
Contractual Services				
Communication Services	853,000	842,000	11,000	1.3%
Employee Development Services ²	63,000	26,000	37,000	58.7%
Management & Informational Services ³	10,000	15,000	(5,000)	(50.0%)
Support Services ⁵	24,000	9,000	15,000	62.5%
Technical Services	10,786,000	13,567,000	(2,781,000)	(25.8%)
Equipment & Supplies	8,009,000	5,497,000	2,512,000	31.4%
Facility	413,000	429,000	(16,000)	(3.9%)
Insurance, Claims & Bonds	95,000	92,000	3,000	3.2%
Information Technology Total	33,388,000	31,252,000	2,136,000	6.4%



Virginia Retirement System (VRS) FY 2021 Year-End Budget Update

	Adjusted FY2021 Budget A	Final Expenses B	Variance Favorable/ (Unfavorable) C = A - B	% Remaining C / A
Investment Management				
Personnel				
Salaries, Wages & Benefits	18,116,000	16,156,000	1,960,000	10.8%
Incentive Compensation	7,405,000	3,574,000	3,831,000	51.7%
Contractual Services				
Communication Services	59,000	44,000	15,000	25.4%
Employee Development Services ²	608,000	445,000	163,000	26.8%
Management & Informational Services ³	2,256,000	1,541,000	715,000	31.7%
Technical Services ⁶	9,552,000	8,549,000	1,003,000	10.5%
Equipment & Supplies	199,000	283,000	(84,000)	(42.2%)
Facility	659,000	660,000	(1,000)	(0.2%)
Insurance, Claims & Bonds	27,000	12,000	15,000	55.6%
Investment Management Total	39,694,000	31,264,000	8,430,000	21.2%
VRS Total	106,505,000	90,972,000	15,533,000	14.6%

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

² 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.

³ Management and Informational Services includes fiscal services, management services, legal services, media services, food services and business travel.

⁴ Includes \$300K budgeted for the Retirement Commission, which currently has no planned expenditures.

⁵ Support Services includes clerical and manual labor services.

⁶ Technical Services includes hardware/software maintenance, technology contractors and data feeds.

⁷ Represents the Modernization project, which received a budget transfer of \$291K to complete implementation of myVRS functionality. The project was extended into FY 2021 due to the reallocation of resources in FY 2020 to implement the provisions of legislation enacted by the 2020 General Assembly.



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

	Current Budget A	Expenses through 7/31/2021 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	24,040,000	1,944,000	21,015,000	22,959,000	1,081,000	4.5%
Incentive Compensation	1,533,000	3,000	1,530,000	1,533,000	-	0%
Contractual Services						
Communication Services	947,000	55,000	879,000	934,000	13,000	1.4%
Employee Development Services ²	321,000	2,000	271,000	273,000	48,000	15.1%
Management & Informational Services ^{3,4}	3,472,000	29,000	2,887,000	2,916,000	556,000	16.0%
Medical Review Services	760,000	-	722,000	722,000	38,000	5.0%
Support Services ⁵	633,000	16,000	589,000	605,000	28,000	4.4%
Equipment & Supplies	92,000	14,000	69,000	83,000	9,000	9.8%
Facility	1,824,000	153,000	1,672,000	1,825,000	(1,000)	(0.6%)
Insurance, Claims & Bonds	86,000	-	85,000	85,000	1,000	1.2%
Service Charges	174,000	-	174,000	174,000	-	0.0%
Administration Total	33,882,000	2,216,000	29,894,000	32,110,000	1,772,000	5.2%
Information Technology						
Personnel						
Salaries, Wages & Benefits	12,989,000	961,000	11,401,000	12,362,000	627,000	4.8%
Incentive Compensation	-	3,000	297,000	300,000	-	-
Contractual Services						
Communication Services	977,000	-	948,000	948,000	29,000	3.0%
Employee Development Services ²	50,000	-	49,000	49,000	1,000	2.0%
Management & Informational Services ³	16,000	1,000	15,000	15,000	-	0.0%
Support Services ⁵	12,000	-	12,000	12,000	-	0.0%
Technical Services	13,469,000	416,000	12,689,000	13,105,000	364,000	2.7%
Equipment & Supplies	3,664,000	-	3,660,000	3,660,000	4,000	0.1%
Facility	439,000	-	436,000	436,000	3,000	0.7%
Insurance, Claims & Bonds	93,000	-	91,000	91,000	2,000	2.2%
Information Technology Total	31,709,000	1,381,000	29,598,000	30,979,000	730,000	2.3%



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

	Current Budget A	Expenses through 7/31/2021 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	18,576,000	1,422,000	16,395,000	17,817,000	759,000	4.1%
Incentive Compensation	7,425,000	-	7,425,000	7,425,000	-	0%
Contractual Services						
Communication Services	346,000	2,000	274,000	276,000	70,000	20.3%
Employee Development Services ²	350,000	12,000	263,000	275,000	75,000	21.4%
Management & Informational Services ³	3,371,000	130,000	2,863,000	2,993,000	378,000	11.2%
Technical Services ⁶	9,561,000	385,000	8,889,000	9,274,000	287,000	3.0%
Equipment & Supplies	199,000	30,000	167,000	224,000	2,000	1.0%
Facility	657,000	52,000	599,000	651,000	6,000	0.9%
Insurance, Claims & Bonds	27,000	-	27,000	27,000	-	0.0%
Investment Management Total	40,512,000	2,035,000	36,902,000	38,937,000	1,575,000	3.9%
VRS Subtotal	106,103,000	5,632,000	96,394,000	102,026,000	4,077,000	3.8%

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

² 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.

³ Management and Informational Services includes fiscal services, management services, legal services, media services, food services and business travel.

⁴ Includes \$300K budgeted for the Retirement Commission, which currently has no planned expenditures.

⁵ Support Services includes clerical and manual labor services.

⁶ Technical Services includes hardware/software maintenance, technology contractors and data feeds.

Approve FY 2021 incentive payments for VRS investment professionals.

Requested 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.

Description/Background

The VRS Board of Trustees approved a revised Investment Professionals' Pay Plan (the "Plan") on April 20, 2021. Overall, this pay plan is designed to:

- Attract, motivate and retain skilled investment professionals by offering competitive compensation opportunities.
- Directly align compensation with long-term, superior relative and absolute investment performance.
- Reinforce risk management priorities and standards.
- Attract and retain senior investment professionals by deferring a portion of incentive compensation on a tax-deferred basis.
- Benefit all stakeholders – VRS' beneficiaries, VRS' employees, and Virginia's taxpayers – through a compensation plan that is clear, aligned with performance, competitive and cost effective.

Importantly, this pay plan remains anchored on two broad and long-standing philosophical principles:

1. VRS should pay base salaries consistent with the 75th percentile of a peer group of other leading public funds.
2. VRS should provide incentive compensation opportunities such that, in combination with base salary, total compensation levels approximate the median (50th percentile) of a blended group weighted 75% to the total compensation levels of leading peer group public funds and 25% to the total compensation levels of a broad range of private sector firms that employ investment professionals.

The VRS Board of Trustees, through the Administration and Personnel Committee ("A&P"), administers the Plan. As Plan Administrator, the Board retains full and complete discretion:

- To increase or decrease target incentives for Plan participants.
- To modify, amend or rescind any aspect of the Plan at any time for Plan participants.

The Plan Administrator may delegate certain aspects of the Plan's day-to-day operations to the VRS CIO and Director of Human Resources. However, (i) substantive Plan-related questions or (ii) issues impacting incentive payouts for the CIO require the Plan Administrator's prior approval.

The Plan also provides for advance review by the Plan Administrator of incentive awards:

Board Review

Prior to payout of awards, the CIO will present a schedule of aggregate incentives to the Board of Trustees, through the A&P Committee, in advance. This report will include, in aggregate, the target awards, the multipliers awarded for each component, the actual dollar awards earned for each component and the total awards, attached. As requested by the A&P Committee, the CIO will provide additional information prior to the Board approving the payout of awards.

Internal Audit notified Human Resources in a September 7, 2021 memorandum, a copy of which is attached to this RBA, that the aggregate amount and the proposed payment amounts for each individual are accurately computed and in accordance with the Plan.

Rationale for Requested Action

The aggregate recommended incentive award amount for the Board of Trustees to approve is approximately \$7,853,280.10 for the 52 investment professionals eligible to participate in the pay plan during FY 2021.

Authority for Requested Action

Code of Virginia § 51.1-124.22(A)(11) authorizes the Board to establish and administer a compensation plan for officers and employees of the Retirement System.

The above action is approved.

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

Date

Fiscal Year 2021 Incentive Compensation Summary

Target Incentive Levels	
VRS Position	Target Incentive
Chief Investment Officer	70%
Deputy Chief Investment Officer	65%
Managing Director - Strategy, Research, Risk and/or Investment Decision Support	65%
Managing Director - Internal Assets	65%
Managing Director - Global Investments	65%
Program Director	60%
Director - Strategy, Research, Risk and/or Investment Decision Support	50%
Senior Portfolio Manager	50%
Portfolio Manager	40%
Manager - Strategy, Research, Risk and/or Investment Decision Support	30%
Senior Investment Officer	30%
Investment Officer	30%
Senior Investment Analyst	25%
Investment Analyst	5%

Multipliers		
	3 Year	5 Year
Total Fund	2.00	1.42
Public Equity	0.00	0.00
Fixed Income	2.00	2.00
Credit Strategies	2.00	2.00
Real Assets	1.91	2.00
Private Equity	2.00	2.00
Internal Equity Management	0.00	0.00
Average of All Asset Class Multipliers	1.32	1.33
Average of Public Market Assets	0.67	0.67
Average of Private Market Assets	1.97	2.00
Defined Contribution Plans	2.00	2.00

The Qualitative Multiplier is determined by the CIO and can range from 0.0 to 2.0.
The Total Fund One-Year Return Adjustment was 20.71%.


Aggregate Incentives	
Total Fund	\$2,372,503.11
Specific Fund	\$1,988,787.13
Average Specific Fund	\$957,082.08
Qualitative	\$1,187,534.46
Preliminary Total	\$6,505,906.78
1 Year Absolute Return Adjustment	\$1,347,373.32
Total	\$7,853,280.10



Date: September 7, 2021

To: Paula Reid, Director of Human Resources

CC: Trish Bishop, Director
Ron Schmitz, Chief Investment Officer

From: Jennifer Schreck, Internal Audit Director 
Joshua Fox, Principal Auditor

Subject: **Review of FY2021 Investment Incentive Compensation**

Internal Audit has reviewed the proposed Investment Incentive Compensation for the fiscal year ended June 30, 2021. The Investment Incentive Compensation amount, in aggregate, is **\$7,853,280.10**, where a qualitative multiplier of **1.0** is used for the Chief Investment Officer. We found this aggregate amount, as well as the proposed payment amounts, were accurately computed in accordance with the Investment Professionals' Pay Program, effective June 10, 2021.

Please share this information with the Administration and Personnel Committee as well as the Board of Trustees, as you deem appropriate.



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

Requested 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.

Description/Background

A performance bonus may be paid to the VRS Director pursuant to § 4-6.01(c)(2)(b)(1) of the 2021 Appropriation Act:

The appointing or governing authority may grant performance bonuses of 0-5 percent for positions whose salaries are listed in §§ 1-1 through 1-9, and 4-6.01 b, c, and d of this act, based on an annual assessment of performance, in accordance with policies and procedures established by such appointing or governing authority. Such performance bonuses shall be over and above the salaries listed in this act, and shall not become part of the base rate of pay.

A 5% performance bonus is payable October 15, 2021.

The Board may supplement the salary of the Director pursuant to § 4-6.01(c)(8) of the 2021 Appropriation Act:

Notwithstanding any provision of this Act, the Board of Trustees of the Virginia Retirement System may supplement the salary of its Director. The Board should be guided by criteria, which provide a reasonable limit on the total additional income of the Director. The criteria should include, without limitation, a consideration of the salaries paid to similar officials in comparable public pension plans. The Board shall report such criteria and potential supplement level to the Chairmen of the Senate Finance and House Appropriations Committees at least 60 days prior to the effectuation of the compensation action. The Board shall report approved supplements to the Department of Human Resource Management for retention in its records.

A supplement of \$75,000 will be paid on December 1, 2021, with an amount up to the applicable Internal Revenue Code § 415(c) limits paid to the Defined Contribution Incentive Plan for VRS Personnel as an employer contribution, and the remainder paid in taxable compensation to the Director.

Rationale for Requested Action

This RBA, which recommends a performance bonus and the award of supplemental compensation for the VRS Director, considers the salaries paid to similar officials in comparable public pension plans, which in 2020 was an average salary of \$261,300. Total average compensation in 2019 (most recent data available) for comparable Directors without CIO responsibilities was \$292,900. The combined salary, performance bonus and supplemental compensation for the VRS Director is intended to make her total compensation comparable to the salary of other similarly situated officials in comparable public pension plans. The statutory base salary for the VRS Director is \$200,531.

The current limitation for 401(a) contributions under Internal Revenue Code § 415(c)(1)(A) is \$58,000, so no more than this amount (taking into account any other 401(a) contributions) may be paid into the DCPIP. Attached is an extract from the 2020 McLagan Pension Funds Compensation Survey.

Additionally, the timing of the payment of the supplement complies with the 2021 Appropriation Act. The supplement will be paid on December 1, 2021, which allows more than 60 days' notice to the Chairmen of the Senate Finance and Appropriations and House Appropriations Committees.

Authority for Requested Action

Section 4-6.01(c)(2)(b)(1) and (c)(8) of the 2021 Appropriation Act.

Code of Virginia § 51.1-124.22(11) authorizes the Board to establish and administer a compensation plan for officers and employees of the Retirement System.

The above action is approved.

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

Date

2020 McLagan United States - Asset Owners / Institutional Investors - Public Funds (US.AOIPUB) - Participant List

Alaska Permanent Fund Corporation	Virginia Retirement Sys
Arizona State Retirement Sys	Washington State Investment Board
CA Public Employees' Retirement Sys	West Virginia Investment Mgmt Board
CA State Teachers' Retirement Sys	Wisconsin Dept of Employee Trust Funds
CO Public Employees' Retirement Assoc.	Wyoming Retirement Sys
Employees Retirement Sys of Texas	
Fire & Police Pension Assoc. of CO	
Florida State Board of Administration	
Hawaii Employees Retirement Sys	
Idaho Endowment Investment Board	
Idaho Public Employee Retirement Sys	
Indiana Public Employees Retirement Fund	
Iowa Public Employees' Retirement Sys	
Kansas Public Employees Retirement Sys	
Louisiana Teachers' Retirement Sys	
Maryland State Retirement Agency	
Massachusetts PRIM	
Michigan State Retirement Systems	
Minnesota State Board of Investments	
Missouri Public School Retirement Sys	
Missouri State Employees' Retirement Sys	
MO Local Gov't Employees Retirement Sys	
Montana Board of Investments	
Municip. Employees' Retirement Sys of MI	
Municip. Fire & Police Retire. Sys of IA	
Nevada Public Employees' Retirement Sys	
New Jersey Division of Investment	
New Mexico Educational Retirement Board	
New Mexico State Investment Council	
New York State & Local Retirement Sys	
New York State Teachers' Retirement Sys	
Ohio Public Employees Retirement Sys	
Ohio School Employees Retirement Board	
Orange County Employees Retirement Syste	
Oregon Public Employees' Retirement Fund	
PA State Employees' Retirement Sys	
South Dakota Investment Council	
State of Wisconsin Investment Board	
State Teachers Retirement Sys of Ohio	
State Univ. Retirement Sys of Illinois	
Teacher Retirement Sys of Texas	
Tennessee Consolidated Retirement Sys	
Texas County and District Retirement Sys	
Texas Municipal Retirement Sys	
Utah School & Institutional Trust Funds	
Utah State Retirement Systems	

2020 McLagan United States - Asset Owners / Institutional Investors - Public Funds (US.AOIPUB)

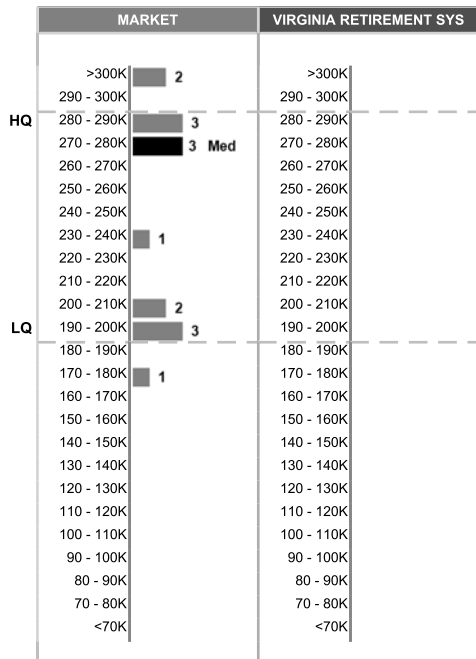
Firm: Virginia Retirement Sys
Market: All Participants - Bundled Report
Currency: USD (000's)

Function: Leadership
Job: Executive Director Without CIO Responsibilities All Levels

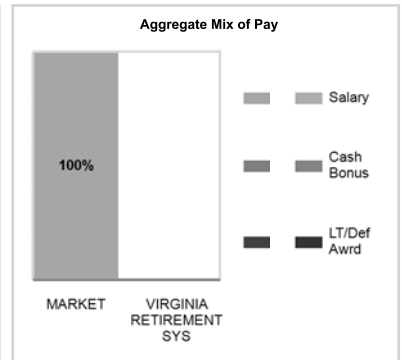
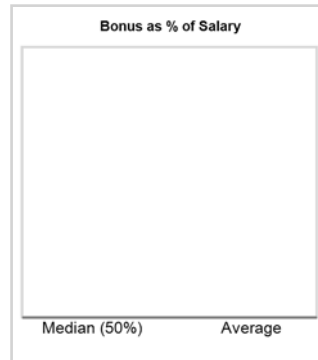
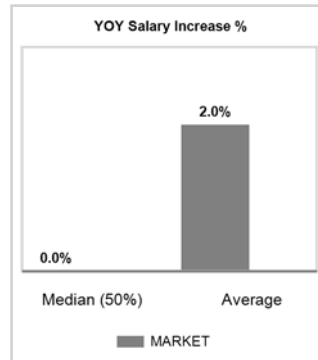
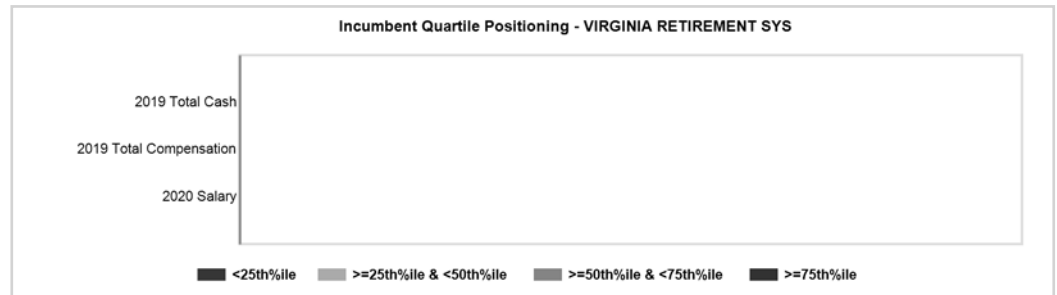
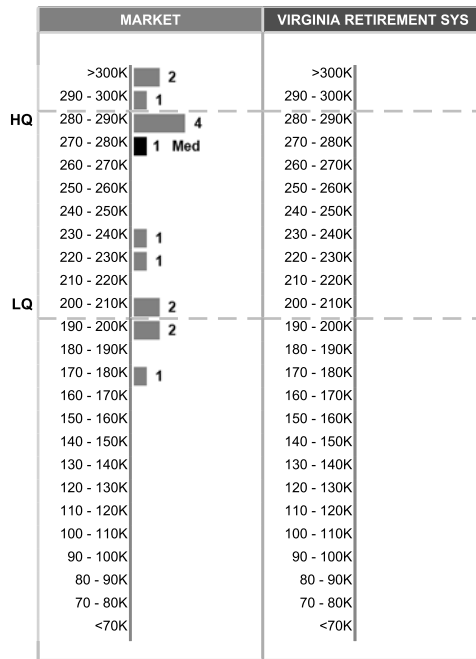
Job Code: •LE.BIMF.P0

	MARKET							VIRGINIA RETIREMENT SYS					VIRGINIA RETIREMENT SYS		
	LOW QUANTILE (25%)	MEDIAN (50%)	HIGH QUANTILE (75%)	90TH PERCENTILE (90%)	AVERAGE	MEDIAN OF MEDIANS	3RD HIGHEST MEDIAN	LOW QUANTILE (25%)	MEDIAN (50%)	HIGH QUANTILE (75%)	AVERAGE	RANK OF FIRM'S MEDIAN	VARIANCE TO MEDIAN (50%)		
													-50%	0%	+50%
2019 Salary	199.1	271.4	280.4	-	256.6	271.4	-	-	-	-	-	15	-		
2019 Cash Bonus	-	-	-	-	-	-	-	-	-	-	-	2	-		
2019 Total Cash	199.1	271.4	280.4	-	285.9	271.4	-	-	-	-	-	15	-		
2019 LT Deferred Awards	-	-	-	-	-	-	-	-	-	-	-	2	-		
2019 Total Compensation	199.1	271.4	280.9	-	292.9	271.4	-	-	-	-	-	15	-		
2020 Salary	202.6	273.8	286.0	-	261.3	273.8	-	-	-	-	-	15	-		
2020 Maximum Bonus	-	-	-	-	-	-	-	-	-	-	-	2	-		
2020 Maximum Total Cash	202.6	273.8	286.0	-	329.9	273.8	-	-	-	-	-	15	-		

2019 TOTAL COMPENSATION



2020 SALARY



Total Incumbents: 15

Total Incumbents: 15

This job includes data from: 14 source jobs

Visit the [Help Center](#) to learn more about the features of the State Budget Portal.

VIRGINIA STATE BUDGET

2021 Special Session I

Budget Bill - HB1800 (Chapter 552)

Bill Order » Part 4: General Provisions » Positions and Employment » Item 4-6.01

Employee Compensation

Item 4-6.01

§ 4-6.00 POSITIONS AND EMPLOYMENT

§ 4-6.01 EMPLOYEE COMPENSATION

a. The compensation of all kinds and from all sources of each appointee of the Governor and of each officer and employee in the Executive Department who enters the service of the Commonwealth or who is promoted to a vacant position shall be fixed at such rate as shall be approved by the Governor in writing or as is in accordance with rules and regulations established by the Governor. No increase shall be made in such compensation except with the Governor's written approval first obtained or in accordance with the rules and regulations established by the Governor. In all cases where any appointee, officer or employee is employed or promoted to fill a vacancy in a position for which a salary is specified by this act, the Governor may fix the salary of such officer or employee at a lower rate or amount within the respective level than is specified. In those instances where a position is created by an act of the General Assembly but not specified by this act, the Governor may fix the salary of such position in accordance with the provisions of this subsection.

b. Annual salaries of persons appointed to positions by the General Assembly, pursuant to the provisions of §§ 2.2-200 and 2.2-400, Code of Virginia, shall be paid in the amounts shown. However, if an incumbent is reappointed, his or her salary may be as high as his or her prior salary.

	July 1, 2020 to June 24, 2021	June 25, 2021 to November 24, 2021 June 30, 2022	November 25, 2021 to June 30, 2022
Chief of Staff	\$183,859	\$183,859 \$193,052	\$183,859
Secretary of Administration	\$176,730	\$176,730 \$185,567	\$176,730
Secretary of Agriculture and Forestry	\$180,706	\$180,706 \$189,741	\$180,706
Secretary of Commerce and Trade	\$176,730	\$176,730 \$185,567	\$176,730
Secretary of the Commonwealth	\$180,706	\$180,706 \$189,741	\$180,706

Secretary of Education	\$176,730	\$176,730 \$185,567	\$176,730
Secretary of Finance	\$184,887	\$184,887 \$194,131	\$184,887
Secretary of Health and Human Resources	\$176,730	\$176,730 \$185,567	\$176,730
Secretary of Natural Resources	\$176,730	\$176,730 \$185,567	\$176,730
Secretary of Public Safety	\$182,705	\$182,705 \$191,840	\$182,705
Secretary of Transportation	\$176,730	\$176,730 \$185,567	\$176,730
Secretary of Veterans Affairs and Homeland Security	\$180,706	\$180,706 \$189,741	\$180,706

c.1.a) Annual salaries of persons appointed to positions listed in subdivision c 6 hereof shall be paid in the amounts shown for the current biennium, unless changed in accordance with conditions stated in subdivisions c 2 through c 5 hereof.

b) The starting salary of a new appointee shall not exceed the midpoint of the range, except where the midpoint salary is less than a ten percent increase from an appointee's preappointment compensation. In such cases, an appointee's starting salary may be set at a rate which is ten percent higher than the preappointment compensation, provided that the maximum of the range is not exceeded. However, in instances where an appointee's preappointment compensation exceeded the maximum of the respective salary range, then the salary for that appointee may be set at the maximum salary for the respective salary range except if the new hire was employed in a state classified position, then the Governor may exceed the maximum salary for the position and set the salary for the employee at a salary level not to exceed the employee's salary at their prior state position.

c) Nothing in subdivision c 1 shall be interpreted to supersede the provisions of § 4-6.01 e, f, g, h, i, j, k, l, and m of this act.

d) For new appointees to positions listed in § 4-6.01c.6., the Governor is authorized to provide for fringe benefits in addition to those otherwise provided by law, including post retirement health care and other non-salaried benefits provided to similar positions in the public sector.

2.a)1) The Governor may increase or decrease the annual salary for incumbents of positions listed in subdivision c 6 below at a rate of up to 10 percent in any single fiscal year between the minimum and the maximum of the respective salary range in accordance with an assessment of performance and service to the Commonwealth.

2) The governing boards of the independent agencies may increase or decrease the annual salary for incumbents of positions listed in subdivision c.7. below at a rate of up to 10 percent in any fiscal year between the minimum and maximum of the respective salary range, in accordance with an assessment of performance and service to the Commonwealth.

b)1) The appointing or governing authority may grant performance bonuses of 0-5 percent for positions whose salaries are listed in §§ 1-1 through 1-9, and 4-6.01 b, c, and d of this act, based on an annual assessment of performance, in accordance with policies and procedures established by such appointing or governing authority. Such performance bonuses shall be over and above the salaries listed in this act, and shall not become part of the base rate of pay.

2) The appointing or governing authority shall report performance bonuses which are granted to executive branch employees to the Department of Human Resource Management for retention in its records.

3. From the effective date of the Executive Pay Plan set forth in Chapter 601, Acts of Assembly of 1981, all incumbents holding positions listed in this § 4-6.01 shall be eligible for all fringe benefits provided to full-time classified state employees and, notwithstanding any provision to the contrary, the annual salary paid pursuant to this § 4-6.01 shall be included as creditable compensation for the calculation of such benefits.

4. Notwithstanding § 4-6.01.c.2.b)1) of this Act, the Board of Commissioners of the Virginia Port Authority may supplement the salary of its Executive Director, with the prior approval of the Governor. The Board should be guided by criteria which provide a reasonable limit on the total additional income of the Executive Director. The criteria should include, without limitation, a consideration of the salaries paid to similar officials at comparable ports of other states. The Board shall report approved supplements to the Department of Human Resource Management for retention in its records.

5.a. With the written approval of the Governor, the Board of Trustees of the Virginia Museum of Fine Arts, the Science Museum of Virginia, the Virginia Museum of Natural History, Gunston Hall, and the Library Board may supplement the salary of the Director of each museum, and the Librarian of Virginia from nonstate funds. In approving a supplement, the Governor should be guided by criteria which provide a reasonable limit on the total additional income and the criteria should include, without limitation, a consideration of the salaries paid to similar officials at comparable museums and libraries of other states. The respective Boards shall report approved supplements to the Department of Human Resource Management for retention in its records.

b) The Board of Trustees of the Jamestown-Yorktown Foundation may supplement, using nonstate funds, the salary of the Executive Director of the Foundation. In approving the supplement the Board should be guided by criteria which provides a reasonable limit on the total additional income and the criteria should include, without limitation, a consideration of the salaries paid to similar officials at comparable Foundations in other states. The Board shall report approved supplements to the Department of Human Resource Management for retention in its records.

6.a) The following salaries shall be paid for the current biennium in the amounts shown, however, all salary changes shall be subject to subdivisions c 2 through c 5 above.

	July 1, 2020 to June 24 9, 2021	June 25 10, 2021 to November 24, 2021 June 30, 2022	November 25, 2021 to June 30, 2022
Level I Range	\$169,179- \$241,463	\$169,179- \$241,463 \$177,638 - \$253,536	\$169,179- \$241,463
Midpoint	\$205,321	\$205,321 \$215,587	\$205,321
Chief Information Officer, Virginia Information Technologies Agency	\$198,844	\$198,844 \$208,786	\$198,844
Commissioner, Department of Motor Vehicles	\$173,321	\$173,321 \$181,987	\$173,321
Commissioner, Department of Social Services	\$214,748	\$214,748 \$225,485	\$214,748

Commissioner, Department of Behavioral Health and Developmental Services	\$241,463	\$241,463 \$253,536	\$241,463
Commonwealth Transportation Commissioner	\$218,509	\$218,509 \$229,434	\$218,509
Director, Department of Corrections	\$193,367	\$193,367 \$203,035	\$193,367
Director, Department of Environmental Quality	\$199,815	\$199,815 \$209,806	\$199,815
Director, Department of Medical Assistance Services	\$212,578	\$212,578 \$223,207	\$212,578
Director, Department of Planning and Budget	\$181,441	\$181,441 \$190,513	\$181,441
State Health Commissioner	\$236,390	\$236,390 \$248,210	\$236,390
State Tax Commissioner	\$172,986	\$172,986 \$181,635	\$172,986
Superintendent of Public Instruction	\$241,463	\$241,463 \$253,536	\$241,463
Superintendent of State Police	\$194,054	\$194,054 \$203,757	\$194,054
			November 25,
	July 1, 2020	June 25 10, 2021	2021
	to	to	to
		November 24,	
		2021	
	June 24 9, 2021	June 30, 2022	June 30, 2022
Level II Range	\$117,474 - \$189,111	\$117,474 - \$189,111 \$123,348 - \$198,567	\$117,474 - \$189,111
Midpoint	\$153,293	\$153,293 \$160,958	\$153,293
Commissioner, Department for Aging and Rehabilitative Services	\$163,786	\$163,786 \$171,975	\$163,786
Commissioner, Department of Agriculture and Consumer Services	\$169,538	\$169,538 \$178,015	\$169,538
Commissioner, Department of Veterans Services	\$154,529	\$154,529 \$162,255	\$154,529

Commissioner, Virginia Employment Commission	\$169,863	\$169,863	\$178,356	\$169,863
Executive Director, Department of Game and Inland Fisheries	\$148,385	\$148,385	\$155,804	\$148,385
Commissioner, Marine Resources Commission	\$145,905	\$145,905	\$153,200	\$145,905
Director, Department of Forensic Science	\$176,048	\$176,048	\$184,850	\$176,048
Director, Department of General Services	\$175,678	\$175,678	\$184,462	\$175,678
Director, Department of Human Resource Management	\$170,525	\$170,525	\$179,051	\$170,525
Director, Department of Juvenile Justice	\$165,110	\$165,110	\$173,366	\$165,110
Director, Department of Mines, Minerals and Energy	\$154,204	\$154,204	\$161,914	\$154,204
Director, Department of Rail and Public Transportation	\$160,048	\$160,048	\$168,050	\$160,048
Director, Department of Small Business and Supplier Diversity	\$146,525	\$146,525	\$153,851	\$146,525
Executive Director, Motor Vehicle Dealer Board	\$120,117	\$120,117	\$126,123	\$120,117
Executive Director, Virginia Port Authority	\$148,454	\$148,454	\$155,877	\$148,454
State Comptroller	\$181,303	\$181,303	\$190,368	\$181,303
State Treasurer	\$181,158	\$181,158	\$190,216	\$181,158
Executive Director, Board of Accountancy	\$148,988	\$148,988	\$156,437	\$148,988
Chief Executive Officer, Virginia Alcoholic Beverage Control Authority	\$189,111	\$189,111	\$198,567	\$189,111

	July 1, 2020	June 25 10, 2021	November 25,
	to	to	2021
		November 24,	to
		2021	
	June 24 9, 2021	June 30, 2022	June 30, 2022

			\$119,014	
			\$161,360	
Level III Range	\$119,014 -		\$124,965 -	\$119,014 -
	\$161,360		\$169,428	\$161,360
Midpoint			\$140,187	
	\$140,187		\$147,196	\$140,187
Adjutant General	\$146,681		\$146,681 \$154,015	\$146,681
Chairman, Virginia Parole Board	\$137,957		\$137,957 \$144,855	\$137,957
Vice Chairman, Virginia Parole Board	\$121,394		\$121,394 \$127,464	\$121,394
Member, Virginia Parole Board	\$119,014		\$119,014 \$124,965	\$119,014
Commissioner, Department of Labor and Industry	\$146,715		\$146,715 \$154,051	\$146,715
Coordinator, Department of Emergency Management	\$156,395		\$156,395 \$164,215	\$156,395
Director, Department of Aviation	\$154,125		\$154,125 \$161,831	\$154,125
Director, Department of Conservation and Recreation	\$159,249		\$159,249 \$167,211	\$159,249
Director, Department of Criminal Justice Services	\$131,349		\$131,349 \$137,916	\$131,349
Director, Department of Health Professions	\$142,002		\$142,002 \$149,102	\$142,002
Director, Department of Historic Resources	\$130,000		\$130,000 \$136,500	\$130,000
Director, Department of Housing and Community Development	\$144,246		\$144,246 \$151,458	\$144,246
Director, Department of Professional and Occupational Regulation	\$136,818		\$136,818 \$143,659	\$136,818
Director, The Science Museum of Virginia	\$145,824		\$145,824 \$153,115	\$145,824
Director, Virginia Museum of Fine Arts	\$151,620		\$151,620 \$159,201	\$151,620
Director, Virginia Museum of Natural History	\$124,477		\$124,477 \$130,701	\$124,477

Executive Director, Jamestown-Yorktown Foundation	\$148,019	\$148,019 \$155,420	\$148,019
Executive Secretary, Virginia Racing Commission	\$130,938	\$130,938 \$137,485	\$130,938
Librarian of Virginia	\$161,360	\$161,360 \$169,428	\$161,360
State Forester, Department of Forestry	\$152,232	\$152,232 \$159,844	\$152,232
	July 1, 2020	June 25 10, 2021	November 25,
	to	to	2021
	June 24 9, 2021	November 24,	to
		2021	June 30, 2022
		June 30, 2022	
Level IV Range	\$95,120 - \$124,386	\$95,120 - \$124,386 \$99,876 - \$130,605	\$95,120 - \$124,386
Midpoint	\$109,753	\$109,753 \$115,241	\$109,753
Administrator, Commonwealth's Attorneys' Services Council	\$113,215	\$113,215 \$118,876	\$113,215
Commissioner, Virginia Department for the Blind and Vision Impaired	\$124,386	\$124,386 \$130,605	\$124,386
Executive Director, Frontier Culture Museum of Virginia	\$111,125	\$111,125 \$116,681	\$111,125
Commissioner, Department of Elections	\$116,619	\$116,619 \$122,450	\$116,619
Executive Director, Virginia-Israel Advisory Board	\$100,695	\$100,695 \$105,730	\$100,695
Director, Gunston Hall	\$95,120	\$95,120 \$99,876	\$95,120
	July 1, 2020	June 25 10, 2021	November 25,
	to	to	2021
	June 24 9, 2021	November 24,	to
		2021	June 30, 2022
		June 30, 2022	

		\$24,162 -	
		\$103,566	
Level V Range	\$24,162 - \$103,566	\$25,370 - \$108,744	\$24,162 - \$103,566
Midpoint	\$63,864	\$63,864 \$67,057	\$63,864
Director, Virginia Department for the Deaf and Hard-of-Hearing	\$103,566	\$103,566 \$108,744	\$103,566
Executive Director, Department of Fire Programs	\$101,288	\$101,288 \$106,352	\$101,288
Executive Director, Virginia Commission for the Arts	\$101,288	\$101,288 \$106,352	\$101,288
Chairman, Compensation Board	\$24,162	\$24,162 \$25,370	\$24,162

7. Annual salaries of the directors of the independent agencies, as listed in this subdivision, shall be paid in the amounts shown. All salary changes shall be subject to subdivisions c 1, c 2, and c 3 above.

	July 1, 2020 to June 24 9, 2021	June 25 10, 2021 to November 24, 2021 June 30, 2022	November 25, 2021 to June 30, 2022
Independent Range		\$176,683 - \$192,643	
	\$176,683 - \$192,643	\$185,517 - \$202,275	\$176,683 - \$192,643
Midpoint	\$184,663	\$184,663 \$193,896	\$184,663
Executive Director, Virginia Lottery	\$176,683	\$176,683 \$185,517	\$176,683
Director, Virginia Retirement System	\$190,982	\$190,982 \$200,531	\$190,982
Chief Executive Officer, Virginia College Savings Plan	\$192,643	\$192,643 \$202,275	\$192,643

8. Notwithstanding any provision of this Act, the Board of Trustees of the Virginia Retirement System may supplement the salary of its Director. The Board should be guided by criteria, which provide a reasonable limit on the total additional income of the Director. The criteria should include, without limitation, a consideration of the salaries paid to similar officials in comparable public pension plans. The Board shall report such criteria and potential supplement level to the Chairmen of the

Senate Finance and House Appropriations Committees at least 60 days prior to the effectuation of the compensation action. The Board shall report approved supplements to the Department of Human Resource Management for retention in its records.

9. Notwithstanding any provision of this Act, the Board of the Virginia College Savings Plan may supplement the compensation of its Chief Executive Officer. The Board should be guided by criteria which provide a reasonable limit on the total additional income of the Chief Executive Officer. The criteria should include, without limitation, a consideration of compensation paid to similar officials in comparable qualified tuition programs, independent public agencies or other entities with similar responsibilities and size. The Board shall report such criteria and potential supplement level to the Chairmen of the Senate Finance and House Appropriations Committees at least 60 days prior to the effectuation of the compensation action. The Board shall report approved supplements to the Department of Human Resource Management for retention in its records.

10. Notwithstanding any provision of this act, the Board of the Virginia Alcoholic Beverage Control Authority may supplement the salary of its Chief Executive Officer in accordance with § 4.1-101.02. The Board should be guided by criteria, which provide a reasonable limit on the total additional income of the Chief Executive Officer. The criteria should include, without limitation, a consideration of the salaries paid to similar officials in comparable independent agencies. The Board shall report such criteria and potential supplement level to the Chairs of the House Appropriations and Senate Finance and Appropriations Committees at least 60 days prior to the effectuation of the compensation action. The Board shall report approved supplements to the Department of Human Resource Management for retention in its record.

d.1. Annual salaries of the presidents of the senior institutions of higher education, the President of Richard Bland College, the Chancellor of the University of Virginia's College at Wise, the Superintendent of the Virginia Military Institute, the Director of the State Council of Higher Education, the Director of the Southern Virginia Higher Education Center, the Director of the Southwest Virginia Higher Education Center and the Chancellor of Community Colleges, as listed in this paragraph, shall be paid in the amounts shown. The annual salaries of the presidents of the community colleges shall be fixed by the State Board for Community Colleges within a salary structure submitted to the Governor prior to June 1 each year for approval.

2.a) The board of visitors of each institution of higher education or the boards of directors for Southern Virginia Higher Education Center, Southwest Virginia Higher Education Center, and the New College Institute may annually supplement the salary of a president or director from private gifts, endowment funds, foundation funds, or income from endowments and gifts. Supplements paid from other than the cited sources prior to June 30, 1997, may continue to be paid. In approving a supplement, the board of visitors or board of directors should be guided by criteria which provide a reasonable limit on the total additional income of a president or director. The criteria should include a consideration of additional income from outside sources including, but not being limited to, service on boards of directors or other such services. The board of visitors or board of directors shall report approved supplements to the Department of Human Resource Management for retention in its records.

b) The State Board for Community Colleges may annually supplement the salary of the Chancellor from any available appropriations of the Virginia Community College System. In approving a supplement, the State Board for Community Colleges should be guided by criteria which provide a reasonable limit on the total additional income of the Chancellor. The criteria should include consideration of additional income from outside sources including, but not being limited to, service on boards of directors or other such services. The Board shall report approved supplements to the Department of Human Resource Management for retention in its records.

c) Norfolk State University is authorized to supplement the salary of its president from educational and general funds up to \$17,000.

d) Should a vacancy occur for the Director of the State Council of Higher Education on or after the date of enactment of this act, the salary for the new director shall be established by the State Council of Higher Education based on the salary range for Level I agency heads. Furthermore, the state council may provide a bonus of up to five percent of the annual salary for the new director.

	to June 24, 9 2021	to November 24, 2021 June 30, 2022	to June 30, 2022
NEW COLLEGE INSTITUTE			
Executive Director, New College Institute	\$148,332	\$148,332 \$155,749	\$148,332
STATE COUNCIL OF HIGHER EDUCATION FOR VIRGINIA			
Director, State Council of Higher Education for Virginia	\$204,965	\$204,965 \$215,213	\$204,965
SOUTHERN VIRGINIA HIGHER EDUCATION CENTER			
Director, Southern Virginia Higher Education Center	\$137,966	\$137,966 \$144,864	\$137,966
SOUTHWEST VIRGINIA HIGHER EDUCATION CENTER			
Director, Southwest Virginia Higher Education Center	\$137,582	\$137,582 \$144,461	\$137,582
VIRGINIA COMMUNITY COLLEGE SYSTEM			
Chancellor of Community Colleges	\$185,953	\$185,953 \$195,251	\$185,953
SENIOR COLLEGE PRESIDENTS' SALARIES			
Chancellor, University of Virginia's College at Wise	\$130,716	\$130,716 \$137,252	\$130,716
President, Christopher Newport University	\$146,528	\$146,528 \$153,854	\$146,528
President, The College of William and Mary in Virginia	\$173,144	\$173,144 \$181,801	\$173,144
President, George Mason University	\$161,712	\$161,712 \$169,798	\$161,712
President, James Madison University	\$173,292	\$173,292 \$181,957	\$173,292
President, Longwood University	\$158,089	\$158,089 \$165,993	\$158,089
President, Norfolk State University	\$188,510	\$188,510 \$197,936	\$188,510
President, Old Dominion University	\$178,510	\$178,510 \$187,435	\$178,510
President, Radford University	\$167,050	\$167,050 \$175,403	\$167,050

President, Richard Bland College	\$142,606	\$142,606	\$142,606
President, University of Mary Washington	\$155,568	\$155,568	\$155,568
President, University of Virginia	\$192,656	\$192,656	\$192,656
President, Virginia Commonwealth University	\$186,383	\$186,383	\$186,383
President, Virginia Polytechnic Institute and State University	\$203,718	\$203,718	\$203,718
President, Virginia State University	\$153,607	\$153,607	\$153,607
Superintendent, Virginia Military Institute	\$159,042	\$159,042	\$159,042

e. 1. Salaries for newly employed or promoted employees shall be established consistent with the compensation and classification plans established by the Governor.

2. The State Comptroller is hereby authorized to require payment of wages or salaries to state employees by direct deposit or by credit to a prepaid debit card or card account from which the employee is able to withdraw or transfer funds.

f. The provisions of this section, requiring prior written approval of the Governor relative to compensation, shall apply also to any system of incentive award payments which may be adopted and implemented by the Governor. The cost of implementing any such system shall be paid from any funds appropriated to the affected agencies.

g. No lump sum appropriation for personal service shall be regarded as advisory or suggestive of individual salary rates or of salary schedules to be fixed under law by the Governor payable from the lump sum appropriation.

h. Subject to approval by the Governor of a plan for a statewide employee meritorious service awards program, as provided for in § 2.2-1201, Code of Virginia, the costs for such awards shall be paid from any operating funds appropriated to the affected agencies.

i. The General Assembly hereby affirms and ratifies the Governor's existing authority and the established practice of this body to provide for pay differentials or to supplement base rates of pay for employees in specific job classifications in particular geographic and/or functional areas where, in the Governor's discretion, they are needed for the purpose of maintaining salaries which enable the Commonwealth to maintain a competitive position in the relevant labor market.

j.1. If at any time the Administrator of the Commonwealth's Attorneys' Services Council serves on the faculty of a state-supported institution of higher education, the faculty appointment must be approved by the Council. Such institution shall pay one-half of the salary listed in § 4-6.01 c 6 of this act. Further, such institution may provide compensation in addition to that listed in § 4-6.01 c 6; provided, however, that such additional compensation must be approved by the Council.

2. If the Administrator ceases to be a member of the faculty of a state-supported institution of higher education, the total salary listed in § 4-6.01 c 6 shall be paid from the Council's appropriation.

k.1.a. Except as otherwise provided for in this subdivision, any increases in the salary band assignment of any job role contained in the compensation and classification plans approved by the Governor shall be effective beginning with the first pay period, defined as the pay period from June 25 through July 9, of the fiscal year if: (1) the agency certifies to the Secretary of Finance that funds are available within the agency's appropriation to cover the cost of the increase for the remainder of

the current biennium and presents a plan for covering the costs next biennium and the Secretary concurs, or (2) such funds are appropriated by the General Assembly. If at any time the Secretary of Administration shall certify that such change in the salary band assignment for a job role is of an emergency nature and the Secretary of Finance shall certify that funds are available to cover the cost of the increase for the remainder of the biennium within the agency's appropriation, such change in compensation may be effective on a date agreed upon by these two Secretaries. The Secretary of Administration shall provide a monthly report of all such emergency changes in accordance with § 4-8.00, Reporting Requirements.

b. Notwithstanding any other provision of law, state employees will be paid on the first workday of July for the work period June 10 to June 24 in any calendar year in which July 1 falls on a weekend.

2. Salary adjustments for any employee through a promotion, role change, exceptional recruitment and retention incentive options, or in-range adjustment shall occur only if: a) the agency has sufficient funds within its appropriation to cover the cost of the salary adjustment for the remainder of the current biennium or b) such funds are appropriated by the General Assembly.

3. No changes in salary band assignments affecting classified employees of more than one agency shall become effective unless the Secretary of Finance certifies that sufficient funds are available to provide such increase or plan to all affected employees supported from the general fund.

l. Full-time employees of the Commonwealth, including faculty members of state institutions of higher education, who are appointed to a state-level board, council, commission or similar collegial body shall not receive any such compensation for their services as members or chairmen except for reimbursement of reasonable and necessary expenses. The foregoing provision shall likewise apply to the Compensation Board, pursuant to § 15.2-1636.5, Code of Virginia.

m.1. Notwithstanding any other provision of law, the board of visitors or other governing body of any public institution of higher education is authorized to establish age and service eligibility criteria for faculty participating in voluntary early retirement incentive plans for their respective institutions pursuant to § 23.1-1302 B and the cash payment offered under such compensation plans pursuant to § 23.1-1302 D, Code of Virginia. Notwithstanding the limitations in § 23.1-1302 D, the total cost in any fiscal year for any such compensation plan, shall be set forth by the governing body in the compensation plan for approval by the Governor and review for legal sufficiency by the Office of the Attorney General.

2. Notwithstanding any other provision of law, employees holding full-time, academic-year classified positions at public institutions of higher education shall be considered "state employees" as defined in § 51.1-124.3, Code of Virginia, and shall be considered for medical/hospitalization, retirement service credit, and other benefits on the same basis as those individuals appointed to full-time, 12-month classified positions.

n. Notwithstanding the Department of Human Resource Management Policies and Procedures, payment to employees with five or more years of continuous service who either terminate or retire from service shall be paid in one sum for twenty-five percent of their sick leave balance, provided, however, that the total amount paid for sick leave shall not exceed \$5,000 and the remaining seventy-five percent of their sick leave shall lapse. This provision shall not apply to employees who are covered by the Virginia Sickness and Disability Program as defined in § 51.1-1100, Code of Virginia. Such employees shall not be paid for their sick leave balances. However, they will be paid, if eligible as described above, for any disability leave credits they have at separation or retirement or may convert disability credits to service credit under the Virginia Retirement System pursuant to § 51.1-1103 (F), Code of Virginia.

o. It is the intent of the General Assembly that calculation of the faculty salary benchmark goal for the Virginia Community College System shall be done in a manner consistent with that used for four-year institutions, taking into consideration the number of faculty at each of the community colleges. In addition, calculation of the salary target shall reflect an eight percent salary differential in a manner consistent with other public four-year institutions and for faculty at Northern Virginia Community College.

p. Any public institution of higher education that has met the eligibility criteria set out in Chapters 933 and 945 of the 2005 Acts of Assembly may supplement annual salaries for classified employees from private gifts, endowment funds, or income from endowments and gifts, subject to policies approved by the board of visitors. The Commonwealth shall have no general fund obligations for the continuation of such salary supplements.

q. The Governor, or any other appropriate Board or Public Body, is authorized to adjust the salaries of employees specified in this item, and other items in the Act, to reflect the compensation adjustments authorized in this Act.

r. Any public institution of higher education shall not provide general fund monies above \$100,000 for any individual athletic coaching salaries after July 1, 2013. Athletic coaching salaries with general fund monies above this amount shall be phased-down over a five-year period at 20 percent per year until reaching the cap of \$100,000.



2021

Fiscal Year Report

Trish Bishop

Table of Contents

Executive Summary	2
A New Era in Customer Service	3
Awards and Recognition	4
Focus on Communicating and Educating	5
myVRS Financial Wellness	6
Employee Engagement, Diversity and Inclusion	7
Leveraging Technology to Improve Outcomes	8
Ensuring Continued Outreach and Partnership	10
Defined Contribution Plans	13
Agency Operational Measures and Performance Outcomes	15
Legislation	16
In Closing	17



Executive Summary

This fiscal year, the VRS team reached our ultimate goal of online retirement, allowing us to provide exceptional member service by leveraging technology to improve member outcomes. In addition, we launched a few other service features in myVRS, including beneficiary management and direct deposit management. Our journey began more than 10 years ago with the Modernization project, where we successfully created a record-keeping and accounting system that tracks members during their careers and throughout their retirement years. myVRS Navigator and myVRS integrate several disparate legacy systems and provide a holistic view for VRS, employers, members and retirees.

Department representatives presented the road to online retirement – from vision to rollout – in a new Operational Update Series unveiled during the June Board of Trustees meeting. I look forward to highlighting other VRS administrative projects in this series that enhance service delivery.

We also continued uninterrupted customer service during a full year of remote work. Many of our in-person training products were converted to a virtual format. Heavy promotion of myVRS Financial Wellness resources encouraged new registrations and engagement with helpful tools. Employer support included virtual site visits and virtual employer roundtables. As we make plans to move to a hybrid work schedule for our VRS staff when we return to the office, we'll continue to offer our educational programs in various formats so that our employers, members and retirees can choose what channels work best for them.

The Defined Contribution Plans (DCP) team assisted by our partner MissionSquare Retirement, formerly ICMA-RC, saw great success with splash screens inside member accounts that encourage additional plan contributions. Increased

contributions enable greater savings for retirement. The launch of Certified Financial Planning offers goal-specific financial plans to all VRS members and retirees, not just DCP participants, at a low cost or no cost. And the DCP team received three awards attributed to last year's pandemic response and communicating available pandemic-related distribution options.

Along with providing enhanced service in myVRS, we also redesigned the website, adding navigation advancements and a mobile-friendly format. We revamped the Newsroom to better tell our story and provide quick access to items that provide basic VRS facts. We sought to create awareness around our investment strategy by adding detailed, but plain language information to the Investments page. The redesigned Quarterly Investments Report now includes a column from Chief Investment Officer Ron Schmitz that adds context to the numbers.

According to Cost Effectiveness Measurement (CEM), VRS continues to provide a high level of service at a low pension administration cost. In fact, our per member cost decreased from \$81 to \$72 in one year, which is \$33 below the peer average. Our staff also exceeded its operational measurement goals and successfully delivered all four agency performance outcomes (APOs).

VRS' success relies on a dedicated team. I'd like to thank the Board of Trustees for your tremendous support, leadership and stewardship. Through your support, our team has been able to provide exceptional service to our members and beneficiaries. I'd also like to thank our OneVRS Team, including investments and internal audit, for their agility in a changing environment, and their commitment to serving those who serve others. This report represents the culmination of those efforts for the fiscal year.



A New Era in Customer Service

This year, we reached a major milestone: online retirement. Nearly 200 early adopters successfully retired online in our soft launch this spring, with more adopting the new process as rollout expanded over the summer. Through their myVRS accounts, retiring members receive comprehensive counseling at critical decision points, along with helpful tips like, “If you work one more year, you’ll be eligible for an unreduced benefit.” And we dynamically display that benefit difference on screen so they can make decisions while viewing the information.

Online retirement saves our members time and reduces common errors, while helping avoid those “you-never-told-me” situations! From the time they submit the application to the time they receive that first benefit payment, members

can track their retirement processing online. Employers also certify retirements online, shedding the burden of manual paperwork. As of August 30, we have completed our gradual rollout of the feature to VRS participating employers.

We followed up online retirement with three self-service features that allow members and retirees to set up and make changes online to their beneficiaries, their direct deposit accounts and their health insurance credit claims. And, in another first, we rolled out online account access for those who receive survivor benefits.

We continue to sharpen our systems to better secure and protect data—a top priority in the current environment.

As of June 30:



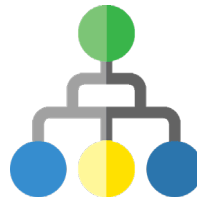
450+

retirees used the health insurance credit feature



248

online retirements processed



1,300+

beneficiary updates made in myVRS



700+

retirees updated direct deposit information online



184,584

FY22 retirement plans created
(110% increase over FY21)



436,600

FY22 benefit estimates



55,082

FY21 registrations

424,803

total registrations



Awards and Recognition

VRS was honored to receive several national and local awards in the past year:

- **2021 Eddy Award in the Conversions/403(b) Consolidations Category**
 - Recognizes VRS' communication campaign supporting the 2020 updates to the Optional Retirement Plan for Higher Education (ORPHE).
 - Presented by Pensions & Investments for communications excellence.
- **2021 Eddy Award in the Financial Wellness Category**
 - Recognizes VRS' ongoing communications campaign to engage members in reducing financial stress by improving money-management skills and financial knowledge.
 - Presented by Pensions & Investments for communications excellence.
- **2021 Communicator Award of Distinction**
 - Recognizes marketing effectiveness for VRS' virtual response to the COVID-19 pandemic.
 - Presented by the Academy of Interactive & Visual Arts (AIVA), which spotlights big ideas in marketing and communication.
- **2021 National Association of Government Defined Contribution Administrators (NAGDCA) Leadership Awards**
 - Recognizes public sector defined contribution plans for excellence and innovation in various categories.
 - VRS was recognized in two categories: COVID-19 Response and Technology and Interactive Multimedia.
- **Public Pension Standards Award for Funding and Administration**
 - Recognizes professional standards for plan funding and administration.
 - 18th consecutive year for the award, presented by the Public Pension Coordinating Council.
- **Virginia Public Relations Awards**
 - Presented by the Public Relations Society of America-Richmond Chapter.
 - Won three Capital Awards in the statewide program recognizing outstanding public relations tactics. Projects include:
 - ◆ VRS Member Website Redesign
 - ◆ myVRS Financial Wellness Backpack Video Series
 - ◆ If you "Abide by the Guide," you can't go wrong (branding guide video)
- **Certificate of Achievement for Excellence in Financial Reporting for the 2020 CAFR (Pending)**
 - Recognizes excellence in governmental accounting and financial reporting.
 - 39th consecutive year for this award, presented by the Government Finance Officers Association (GFOA) of the U.S. and Canada.
- **Award for Outstanding Achievement in Popular Annual Financial Reporting for the 2020 PAFR (Pending)**
 - Recognizes the concise summary of financial, investment and statistical information derived from the more comprehensive CAFR.
 - Fifth consecutive year for this award, presented by the Government Finance Officers Association (GFOA) of the U.S. and Canada.



Focus on Communicating and Educating

Uninterrupted virtual service to VRS members and participating employers continued throughout the fiscal year. Feedback from members was valuable as we piloted several new self-service myVRS features and the online retirement process. Our teams laid the groundwork for a new online member counseling appointment scheduling system, which will launch in late summer to provide an alternative to scheduling by phone.

For employers, instructor-led training sessions and the new hire training program were quickly converted to a virtual

format. We created internal and external training products and videos to support online retirement. And the redesigned VRS Employer Manual, with a searchable format and easy links to VRS resources, was published on the employer website.

We look forward to another smooth transition as VRS plans for a hybrid in-office and at-home work environment when circumstances allow for a safe return. Here's a look back at some of our primary service points this past fiscal year.

Customer Contact Center

181,844

calls answered

7,312

emails received with an average response time of less than one business day

Member Counseling

121

education sessions held statewide

5,224

attendees

1,799

member and retiree counseling sessions (phone and virtual)

13

virtual benefit fairs

1,147

attendees

Hybrid Retirement Plan Sessions

4

virtual benefit fairs

30

attendees

51

virtual Plan Features & Benefits presentations (conducted with ICMA-RC)

1,154

attendees

331

overview sessions (conducted by ICMA-RC)

1,984

attendees

Education & Training

16

virtual instructor-led sessions for employers

291

attendees

16

employer e-courses

467

completions

12

employer webinars

141

attendees

29

member training videos (hybrid, myVRS, LODA)

15,952

views

52,098
FY21 Page Views

4,516
FY21 Registrations

18,870
Total Registrations

643
FY21 Course Completions

3,939
Cumulative Course Completions

**Banking Beyond
Checking and Savings**
Most Completed Course FY21

24.8%
Average Knowledge Gain (all courses)

We continue to work with our partner iGrad to promote myVRS Financial Wellness and engage users. Tactics this fiscal year included:

- Promotional slides in 15 external presentations, including presentations to legislative committees, Virginia Governmental Employees Association (VGEA), Virginia Retired Teachers Association and Virginia School Business Officials.
- An article or video in each issue of quarterly *Member News*.
- Educating employers at each roundtable.
- Placing external articles in publications for the Virginia Education Association, VGEA and Department of Human Resource Management (DHRM).
- Monthly spot in DHRM's financial wellness tips newsletter.
- Promotions on the VRS Facebook page.
- Splash page in VRS' newest publication, the VRS Member Guide.
- Seven topical emails from iGrad sent to current registrants.

The Public Relations team also scripted and produced **two videos promoting resources in the myVRS Financial Wellness platform:**



Start Here Guides



Credit Card Paydown



Employee Engagement, Diversity and Inclusion

As we continue to perform with agility in a changing landscape, our Human Resources team has provided support. Monthly VRS Today virtual meetings include timely topics, staff kudos, security reminders, wellness updates and team project spotlights that engage staff and establish unity across the agency. The team has also reached out with check-in phone calls to employees and timely email reminders throughout the pandemic. Feedback through employee surveys and focus groups have helped shape our new hybrid work schedule.

We celebrated Public Service Week and Customer Service Week virtually, with events and games to promote staff collaboration. One of the highlights of the week was the “Why I Serve” video series, where nine staff members shared their thoughts about the rewards of serving as a member of the VRS team.



Chung Ma, Mayra Roldan and Deardrian Carver were among the VRS staff members who participated in “Why I Serve” videos.

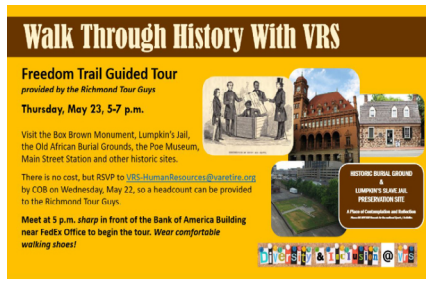
The annual meeting in December recognized employees with service and achievement awards. Cookie Scott, retired deputy director for the Division of Administration in the Department of Corrections, provided the keynote address about the importance of showing kindness to others. Anthem Wellness sessions on topics like resiliency, supporting caregivers, getting organized and work/life balance were offered throughout the year.



Cookie Scott

VRS is committed to building on the work of our Diversity and Inclusion Committee. Using the NewsCenter, we recognized holidays like Juneteenth and Ramadan, and celebrated special observations like Black History Month and Pride Month. We look forward to celebrating in person as we have in past years once we return to the office. Human Resources facilitated conversations with employees to continue to strengthen our strong foundation as we shape our strategic plan with an emphasis on diversity, equity and inclusion.

Past Diversity and Inclusion Events



Clockwise: A guided tour of the Richmond Freedom Trail; a celebration of Diwali, the Indian festival of lights; journalist Regina Boone, who discussed her quest to learn about her Japanese grandfather; a women’s leadership panel; a panel on men’s roles in diversity and inclusion.





Leveraging Technology to Improve Outcomes

myVRS

A major milestone highlighted earlier in this report is the launch of online retirement and three new self-service features in myVRS that allow members to make changes online to their beneficiaries, direct deposit accounts and health insurance credit claims. VRS also continues to enhance security within myVRS, introducing two-factor authentication at registration and login. Additional security services were implemented to assess the risk of the digital identities and devices that we use to register or authenticate online accounts.



Security

Maintaining security is a top priority. While our Technology Security Team works each day to enhance our security framework, they're also mindful that it takes a vigilant village to keep a watchful eye and be aware of possible security threats. They provide security reminders and updates during monthly VRS Today presentations and deploy regular phishing campaign tests to ensure that we know how to identify possible email threats. During Cybersecurity Awareness Month, the team offered interactive security training modules throughout the week from training partner KnowBe4. And we've been both entertained and informed with the launch of The Inside Man by KnowBe4, a video training series with the feel of a Netflix drama.

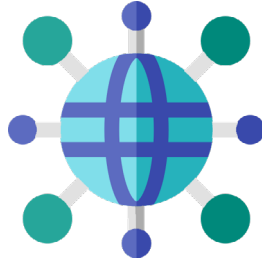


The Technology Security management function was reorganized to meet Commonwealth of Virginia information security standard requirements. VRS welcomed John Craft as its new Director of Security Operations (DSO), with oversight of all day-to-day security and fraud analytics operations falling under this function. As part of this transition, the VRS Information Security Officer, Michael McDaniel, began reporting directly to the VRS Director, as mandated by commonwealth requirements, and assumed the lead role in agency security awareness training and Virginia Information Technology Agency reporting efforts.

Employee Systems

VRS is preparing for the statewide implementation of Human Capital Management, an enterprise resource planning solution that replaces several state finance, benefits, attendance and payroll systems. VRS has three roles in the new system:

- Using the system as a state employer.
- Reporting agency for member retirement contributions.
- Serving as the employer for retirees who receive monthly benefit payments.



Two releases are scheduled in October 2021 and April 2022.

VRS is defining governance processes for managing and using Microsoft 365, which offers a wide variety of digital tools for employees. Staff began using Microsoft 365 in 2020. We're also migrating SharePoint from on-premise to the cloud.

Microsoft Dynamics was selected to replace Enterprise Financial System, VRS' business management software for procurement, financial reporting, and travel and expense. Microsoft Dynamics is a cloud-based solution with a more robust workflow for business processes, facilitating communication and efficiency.

Printers have been updated throughout the agency. New features enable staff to access a single print driver and print documents to any printer, use secure print that only allows authorized users to pick up a document and print items in color.

Technology services are transitioning to the industry-leading Cloud solution as its platform. A detailed schedule and roadmap are being finalized, with initial phases including establishing a security baseline and service management processes.



Ensuring Continued Outreach and Partnership

Governor's Office and Virginia General Assembly

The General Assembly approved a \$100 million infusion to support the state Health Insurance Credit Program and pay off the remaining balance of deferred contributions to the Teacher Plan from the 2010-2012 biennium. This initiative was included in the Governor's budget through engagement and collaboration with the Secretary of Finance. In addition, VRS presented funding and benefit information to the House Appropriations Committee and the Senate Finance and Appropriations Committee. We

External Communications

The agency placed articles related to VRS benefits and myVRS Financial Wellness in print and online publications:



VRS senior staff met with stakeholder groups to provide education and build awareness of VRS resources and services:

- Association of Government Accountants (AGA)
- Chesterfield County Committee on the Future

also initiated outreach efforts to new members of these committees. To better position legislators to address VRS questions from their constituents, we held one-on-one meetings to build relationships and educate them about the agency and the services we provide to employees across the commonwealth.

In our ongoing quest to serve those who serve others, we also engage with stakeholder groups through presentations at their conferences and with article placements in publications that explain VRS benefits and services.

- Delta Kappa Gamma (international society for women educators)
- Joint Legislative Audit and Review Commission (JLARC)
- National Association of State Retirement Administrators (NASRA)
- Public Retirement Information Systems Management (PRISM)
- Roanoke County School Retirees
- Virginia Association of School Business Officials (VASBO)
- Virginia Association of School Superintendents (VASS) & Virginia Association of School Business Officials (VASBO) Winter Conference
- Virginia Department of Human Resource Management (DHRM)
- Virginia Education Association staff
- Virginia Government Finance Officers Association (VGFOA)
- Virginia Governmental Employees Association (VGEA)
- Virginia House Appropriations Committee
- Virginia Retired Teachers Association (VRTA)
- Virginia Senate Finance & Appropriations Committee
- Virginia State Firefighters' Association

Industry Outreach and Peer Recognition

Having a seat at the table among industry professionals helps position VRS as leader and enables us to exchange ideas with colleagues. I had the honor to serve in the following capacities this year:



- Elected first vice president of the National Association of State Retirement Administrators (NASRA).
- Selected to serve on the National Council on Teacher Retirement's (NCTR) resolutions committee and assisted in the development of NCTR's first diversity, equity and inclusion statement for its governing document.
- Served as a panelist speaking about Financial Wellness at the National Association of State Treasurers (NAST) conference.

Member and Retiree Support

Attention to individual member and retiree needs is at the heart of our customer service commitment. Our Customer Programs team provides caring service to members and retirees experiencing disability and loss. Our Retiree Services team transitions active members to retiree status.

Our Finance and Accounting teams ensure on-time and accurate payments, while processing refunds and service purchases.

Here are some FY 21 metrics from the Virginia Sickness & Disability Program (VSDP), the Virginia Local Disability Program (VLDP) and Group Life Insurance:

VSDP CLAIMS

7,914

Short-term disability (STD) claims received

7,413

STD claims approved

1,079

Long-term disability (LTD) claims opened

1,101

LTD claims closed

VLDP CLAIMS

1,180

STD claims received

1,037

STD claims approved

105

LTD claims opened

73

LTD claims closed

LIFE INSURANCE

8,539

Basic

379

Optional

8,918

Total claims opened

13,077

Service Retirements Processed

Employer Support

Providing personalized support to more than 800 participating employers is job one for the Employer Representative Team, backed by the Employer Support unit in the Customer Relations Department.



Roundtables and Site Visits

- **82** virtual employer site visits
- **101** virtual employer roundtables completed
- **2,563** employer contacts attended, representing **531** employers

Employer Participation and Benefit Coverage

- **15** actuarial studies

Web Services

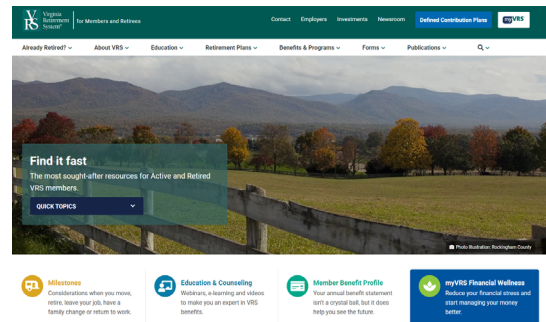
VRS members, retirees and employers actively consulted the agency’s websites during this past fiscal year. myVRS, the secure online member account portal, led again as one of the top destinations at varetire.org.

In December, VRS launched a redesigned website to improve access to benefit information for members, retirees and to provide general information to the public. The Public Relations Team developed an internal campaign to build support for the new design, provide early previews and invite feedback. The new site delivered design, navigation and functional advancements as well as efficiencies and agility in site content management and sustainable maintenance. It’s also mobile friendly. Page views immediately jumped 30% in the first month, reaching a cumulative 58% increase in the second month following launch.

- Processed **28** employer requests for new coverage:
 - **4** new employers
 - **24** additional benefit coverage items elected by employers

Special and Continuing Projects

- Outreach to **353** new Benefit Administrators at participating employers to offer technical assistance and guidance on VRS programs and services.
- Administration of critical shortage program, benefit forfeitures, Optional Retirement Plan surcharge for high education employers and notification to employers that offer the enhanced hazardous duty benefits and have employees reaching the age-70 limit.
- Coordinate monthly meetup with the Department of Human Resource Management.



Shortly after launch, VRS revamped the newsroom page to add additional features and basic VRS information that reporters can access easily. We also added new features to the Investments page to explain our investment strategy, telling our story using graphics and short paragraphs of content.

- The **average open rate** for *Employer Update* was **44.1%**, well above the government industry average.
- *Member News* had **417,705** subscribers, with an **average open rate of 43.22%**.

WEBSITE	PAGE VIEWS
varetire.org (members and retirees)	3.2 million
employers.varetire.org	314,000
Defined Contribution & Hybrid Sites (co-managed with ICMA-RC)	835,000
orphe.varetire.org	20,000
valoda.org (Virginia Line of Duty Act)	25,000
volsap.org (Volunteer Firefighters’ & Rescue Squad Workers’ Service Award Program)	5,000



Defined Contribution Plans

The Defined Contribution Plans (DCP) team had a productive year enhancing current campaigns, planning new ones and launching financial planning services. **Our active election voluntary contribution rate increased from 30% to 33% in fiscal year 2021.**

This represents an additional 5,014 hybrid plan members who chose to make a voluntary contribution to the plan, increasing the total population to 41,573. Participants also continued to sign up for Smart Step, which allows them to customize contribution increases over a period of time. And the team won several awards for its pandemic response.

DCP

Virginia Retirement System

Pandemic Response and Communications

The DCP team, working with partner MissionSquare Retirement, formerly ICMA-RC, under the guidelines of the Coronavirus Aid, Relief and Economic Security (CARES) Act, developed strategic initiatives that included new DCP provisions for coronavirus-related relief, virtual retirement education and promoting interactive online tools. VRS quickly implemented the provisions to provide financial relief for participants, created a special webpage to communicate latest news and updated messaging, forms, education and call center messaging. The DCP team received 5,610 requests totaling \$25.4 million in distributions to help members during a difficult time. For these member-support efforts, VRS received a 2021 Communicator Award of Distinction for marketing effectiveness from the Academy of Interactive and Visual Arts and two Leadership Awards from the National Association of Government Defined Contribution Administrators (NAGDCA).



604

DCP education sessions

3,009

attendees

SmartStep

New SmartStep participants:

610

Hybrid

741

COV 457

Splash Screens Encourage Member Action

The DCP team continues to explore ways to communicate the value of contributing more to both the Hybrid Retirement Plan and the Commonwealth of Virginia 457 Deferred Compensation Plan. In May, a splash screen was added to Account Access for participants in the COV 457 Deferred Compensation Plan, following the success of the splash screen available for hybrid plan members, which was added in 2018. These screens present an active choice decision (essentially, “do you want to save more for your future?”) to motivate participants to increase contributions.

Most hybrid plan members who saw the splash screen during the fiscal year took action, with 96% increasing

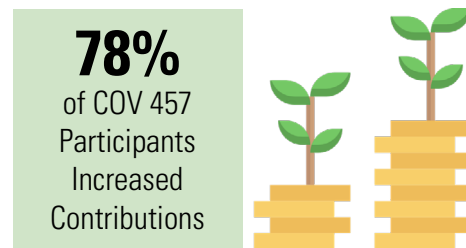
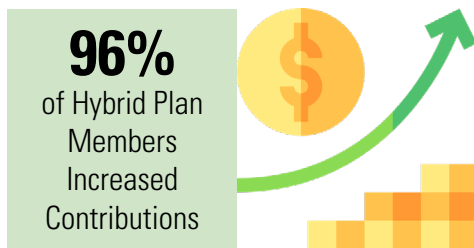
their contribution. Similarly, 78% of COV 457 participants increased their contributions after seeing the splash screen.

Certified Financial Planning

All VRS members and retirees now have access to Certified Financial Planning services provided through MissionSquare Retirement. VRS members are not required to participate in a defined contribution plan to take advantage of these services.

Goal-specific financial plans as well as comprehensive financial plans are available at a low cost for members without defined contribution accounts, or whose DCP accounts are below the balance threshold.

After seeing motivational splash screens in Account Access:





Agency Operational Measures and Performance Outcomes

VRS performs well in terms of cost and service when compared with other public pension plans. According to the latest report from Cost Effectiveness Measurement (CEM), an independent benchmarking firm, our pension administration cost of \$72 per member was \$33 below the peer average of \$105. VRS' total service stands at 82, above the peer median score of 79. In sum, we are in the enviable low-cost, high-service quadrant for cost effectiveness.

To ensure continuous improvement and a high level of customer service, VRS establishes annual agency operational measures and agency performance outcomes.

This year **our staff exceeded 15 of 16 operational measurement goals** for:

- Timely monthly financial account reconciliations and monthly retirement disbursements, answering calls and responding to email inquiries efficiently.
- Employing a highly skilled and trained staff with across-the-board security system awareness training and a high level of employee engagement in professional development.
- Implementing internal audit recommendations for effective and efficient operations.
- Keeping our IT systems available more than 99% of the planned time.
- Nurturing an exceptional organizational culture and work environment that reduces staff turnover.

In addition, we **successfully delivered all four agency performance outcomes (APOs)**.

- Launched online retirement, which included testing, staff training, security enhancements and post-launch quality monitoring.
- Added several myVRS self-service features that eliminate the need for paper forms:
 - Beneficiary management.
 - myVRS access for survivors to view their benefits.
 - Direct deposit maintenance.
 - Ability to report health insurance premiums for the health insurance credit.
- Implemented enterprise risk management, which included completing a risk assessment process to prioritize risks, developing a risk response plan based on those outcomes and monitoring those risks over time.
- Implemented the statewide Cardinal Human Capital Management System, which included integration with myVRS, changing several internal processes and training staff on those new processes.



Legislation

The 2021 Legislative Session brought timely updates to address a changing environment:

- The General Assembly approved a \$100 million infusion to support the state Health Insurance Credit Program (\$38.7 million) and pay off the remaining balance of deferred contributions to the Teacher Plan from the 2010-2012 biennium (\$61.3 million). This initiative was included in the Governor's budget through engagement and collaboration with the Secretary of Finance.
- The board-initiated technical corrections bill passed, changing the required minimum distribution provisions



to reflect recent changes in federal law and conforming terminology related to disability retirement.

- Several presumptions were added for certain hazardous duty positions to cover death or disability, including from COVID-19.
- As JLARC conducts a study on the impact of COVID-19 on school systems, VRS will support this effort by providing data related to employment and retirement.
- Virginia Cannabis Control Authority employees will be VRS members, and some will be eligible for benefits under the Virginia Law Officers Retirement System.
- VRS will manage and invest the Opioid Abatement Fund.
- An amendment to the 2020-2022 state budget provided \$100 million to reduce unfunded liabilities to the teacher retirement plan and state health insurance credit.

For details, please refer to the [2021 Legislative Summary](#).



In Closing

The OneVRS Team has displayed incredible agility over the past year. We've realized our vision of transforming member communication, education and service with the release of online retirement and look forward to future enhancements that will follow the initial launch. In a time where meeting in person is often not possible, VRS has used multiple channels to reach our audience and continue to provide the high level of service for which we are known. We're ever mindful of the challenges facing our system and continue to enhance our security model and posture.

As we move forward, we will build on the current framework for service delivery while continuing our trend of providing high-quality service at a low cost when compared to our peers. I look forward to sharing these initiatives in future operational update presentations.

Report

Pursuant to § 2.2-3708.2(A)(3) et seq. of the *Code of Virginia*, the Benefits and Actuarial Committee convened electronically on September 1, 2021 at 1:00 p.m. and took up the following matters:

APPROVAL OF MINUTES

The Committee approved the minutes of its June 9, 2021 meeting.

ELECTION OF COMMITTEE VICE CHAIR

The Committee unanimously approved the nomination of Michael P. Disharoon to serve as Vice Chairman.

CHANGES TO GROUP LIFE INSURANCE

Robert Irving, Customer Services Director, presented the recommendation of VRS' third-party administrator, Securian, to increase the optional group life insurance maximum coverage from four times annual salary to eight times annual salary. The increase is subject to an unchanged maximum dollar amount limit of coverage, which is reviewed at least once every five years by the Board's actuary and, upon their recommendation, increased by the Board.

The guaranteed issue maximum of four times creditable compensation, or \$400,000, will remain the same, as will the coverage maximum of \$800,000. Securian has proposed a one-time opportunity for members to increase coverage without underwriting and subject to the maximum amounts. Current employees will be able to increase existing coverage by one-times creditable compensation, subject to the guaranteed issue limit.

VRS and Securian are partnering to provide members online access to apply for optional life coverage within myVRS by the end of the calendar year. The online application functionality will integrate with myVRS online capabilities and provide an easier application process for members.

The Committee recommends approval of the RBA with a delayed effective date to allow planned online functionality to be in place prior to allowing Securian to implement the increase. Staff will inform the Board of the effective date of the change at a subsequent Board meeting.

Following some discussion, the Committee recommended approval of the following action to the full Board of Trustees:

Request for Board Action: *After considering the recommendations of its group life insurance third-party administrator, the Board approves increasing optional insurance maximum coverage from four times annual salary to eight times annual salary (subject to an unchanged maximum dollar amount limit of coverage).*

INFORMATION ITEMS**Stress Test and Sensitivity Analysis Report**

Rory Badura, Senior Staff Actuary, presented the findings of the VRS Stress Test and Sensitivity Analysis report. He noted that the report is based on the June 30, 2020 actuarial valuation and reflects the changes to actuarial assumptions adopted by the VRS Board of Trustees in April 2021 as a result of the quadrennial experience study as well as the 27.5% investment return earned in fiscal year 2021. The report provided analysis of risk to long-term funding, including investment volatility, contribution risk, and longevity risk.

The report analyzes the potential effect on plan funding over the next several years and contains various adverse economic scenarios that illustrated impacts of higher inflation and continued market uncertainty related to COVID variants. The report focuses on adverse events as they better highlight areas of risk. In addition, the impacts of the recent change in the VRS mortality table, which incorporates generational mortality improvement, were highlighted showing the increases in life expectancy and corresponding increases in unfunded liabilities. The change in mortality table is expected to better position the plan to deal with longevity risk.

As in prior years, the report continued to highlight opportunities that exist to proactively address the legacy unfunded liabilities and to better position the retirement plans to provide financial stability for current and future members. Due to the uncertainty surrounding the COVID-19 recovery and the corresponding impacts on the economy at large, analysis of future impacts on the VRS trust fund will continue as new information becomes available.

B&A Committee Meeting Schedule:

- October 13, 2021 at 10:00 a.m.
- November 15, 2021 at 1:00 p.m.

Confirmed 2022 Schedule:

- February 9 at 1:00 p.m.
- June 6 at 1:00 p.m.
- October 17 at 1:00 p.m.
- November 14 at 1:00 p.m.

Submitted to the Board of Trustees on September 21, 2021.

William A. Garrett, Chair
Benefits and Actuarial Committee



Approve increasing optional insurance maximum coverage from up to four times annual salary to eight times annual salary (subject to an unchanged maximum dollar amount limit of coverage).

Requested Action

After considering the recommendations of its group life insurance third-party administrator, the Board approves increasing optional insurance maximum coverage from four times annual salary to eight times annual salary (subject to an unchanged maximum dollar amount limit of coverage).

Description/Background

Prior to 1995, VRS was authorized, but not required, to offer optional life, accidental death, and dismemberment insurance in amounts equal to twice the insured employee's salary. From 1995 to 2001, *Code of Virginia* § 51.1-512 specified that optional life, accidental death, and dismemberment insurance must be made available to active employees in incremental amounts up to four times the employee's annual salary. In 2001 the reference to "incremental amounts up to four times the employee's annual salary" was replaced by a fixed dollar amount, and in 2010 the fixed dollar amount was changed to "a maximum amount determined by the Board." Limited optional coverage, not including accidental death and dismemberment, may be carried into retirement with lower maximum coverage amounts, and all optional insurance coverage ends when the retiree attains the age of 80. The maximum amounts are reviewed at least once every five years by the Board's actuary and increased by the Board upon the recommendation of the actuary.

Effective July 1, 2019, the maximum optional life, accidental death, and dismemberment insurance coverage for active insured employees is \$800,000, and the maximum optional life insurance coverage for active retirees is \$300,000.

Throughout the period from 2001 to the present, optional life, accidental death, and dismemberment insurance has been offered in increments of one-, two-, three-, or four-times annual salary, subject to a maximum dollar amount. This RBA would expand the number of optional insurance amounts available for election from four to eight (i.e., increments of one to eight times annual salary), still subject to the maximum dollar amount as determined by the Board from time to time.

Effective date. Although the RBA is being approved now, VRS staff has requested a delayed effective date to allow planned online functionality to be in place prior to allowing Securian to increase the maximum optional life benefits multiplier from four to eight. The planned system modifications will allow online submission of VRS Group Life Insurance program forms, including those for optional coverage. Staff will inform the Board of the effective date of the change contemplated by this RBA at a subsequent Board meeting.

Rationale for Requested Action

Securian is the third-party administrator for the VRS Group Life Insurance program and, after its analysis of experience in the VRS Group Life Insurance program, has recommended this enhancement to the optional benefits to provide additional flexibility to eligible employees when planning and structuring their financial resources. Securian’s recommendation complies with the relevant section in the *Code of Virginia* since all elections of optional coverage are subject to the maximum dollar amount determined by the Board. This change will benefit members with lower incomes by allowing them to purchase higher amounts of optional insurance.

Authority for Requested Action

Code of Virginia § 51.1-512(A) provides in part, “The Board shall, under the terms and conditions specified by the Board, make available to each active insured employee optional life, accidental death, and dismemberment insurance in incremental additional amounts not to exceed a maximum amount determined by the Board. Such maximum shall be reviewed at least once every five calendar years by the actuary of the Virginia Retirement System and increased by the Board upon the recommendation of the actuary.”

The above action is approved.

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

Date

Optional Life Insurance

Presentation to the Benefits and Actuarial
Committee
September 1, 2021





Recommended Plan Design Changes



Online Portal Registration



Request for Board Action (RBA)

Recommendation to increase the levels of coverage available for Optional Life

- Active employees currently have the option to purchase one to four times (1-4x) creditable compensation.
- The recommendation is to increase to allow a purchase of up to 8x the creditable compensation.
- The guaranteed issue maximum of 4x cred comp or \$400,000 will remain the same.
- The coverage maximum of \$800,000 will remain the same.

One-Time Enhanced Enrollment Opportunity & Online Enrollment

- Securian has proposed a one-time opportunity for members to increase their coverage without underwriting, subject to maximum amounts.
- The enhanced enrollment opportunity will allow current employees with existing coverage to increase by 1x cred comp not to exceed the guaranteed issue limit.
- Current employees without coverage can elect 1x cred comp not to exceed the guaranteed issue limit.
- Increases beyond 1x cred comp will be subject to underwriting/medical review.

Online Enrollment

- VRS and Securian are partnering to allow members online access to apply for optional life coverage by accessing a link within myVRS (CY2021).
- The on-line application functionality will mesh with myVRS online capabilities and make the application process easier than the current paper application that involves the Employer, VRS and Securian.

RBA Review

- Requesting approval now of the increase to 8x creditable compensation and the one-time guaranteed issue opportunity.
- There will be a delayed effective date to allow for the implementation of the on-line application process.

Optional Life Insurance: Key Takeaways

- Changing from 4x to 8x cred comp will offer **additional coverage options**, and may also **increase the opportunity for employees with lower salaries** who may not have considered optional life before.
- **One-time enhanced enrollment window** is guaranteed issue subject to maximum, with no underwriting.
- **Coverage maximum** of \$800,000 remains the same as today.
- **Online application** improves access and eases administration associated with the current paper process.
- **RBA approval now**, with **delayed implementation** until online process is up and running (CY2021).

Request for Board Action

- Full RBA is provided in your documentation for review.
- Requested Action

After considering the recommendations of its group life insurance third-party administrator, the Board approves increasing optional insurance maximum coverage from four times annual salary to eight times annual salary (subject to an unchanged maximum dollar amount limit of coverage).



Adopt a revised “FOIA Electronic Meeting Attendance Policy.”

Requested Action

The Board adopts a revised “FOIA Electronic Meeting Attendance Policy.”

Description/Background

Code of Virginia § 2.2-3708.2 is the section within the Freedom of Information Act (FOIA) that governs meetings held through electronic communication means. Subsection A governs electronic participation by a member of a public body from a remote location in the event of a personal matter, temporary or permanent disability or medical condition of a member (or medical condition of a family member), or under certain conditions in which the Governor has declared a state of emergency. Subsection B applies only to regional public bodies and does not affect VRS. Subsection C sets out certain specific conditions under which a public body may allow participation by electronic communication means, including the adoption of this policy. Subsection D outlines general provisions applicable to state public bodies (including VRS) for conducting meetings through electronic communication means.

The Board adopted a policy at its May 4, 2015 meeting to comply with FOIA in this regard and, at its June 8, 2017 and November 14, 2018 meetings, approved revisions related to statutory changes. However, the enactment of amendments to § 2.2-3708.2 by the General Assembly effective July 1, 2021 requires further amendment to the policy, and Board action is needed to approve revisions to the policy to conform it to the amended statute.

A redline version of the revised policy is attached to this RBA.

Authority for Requested Action

Code of Virginia § 51.1-124.22(A)(8) authorizes the Board to promulgate regulations and procedures and make determinations necessary to carry out the provisions of Title 51.1 of the *Code of Virginia*.

Code of Virginia § 2.2-3708.2 requires a public body to adopt a written policy in order to be able to use the disability and personal matter exemptions.

The above action is approved.

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

Date

Introduction

Section 2.2-3708.2 of the *Code of Virginia* requires VRS to develop a remote participation policy prior to allowing remote electronic participation under that section. The policy must be applied uniformly to all members and all requests.

Policy

It is the policy of Virginia Retirement System Board of Trustees that individual Board members or members of a Committee of the Board may participate in meetings of the Board or Committee by electronic means as permitted by § 2.2-3708.2 of the *Code of Virginia*. This policy shall apply to the entire membership and without regard to the identity of the member requesting remote participation or the matters that will be considered or voted on at the meeting.

A member may participate remotely for the following reasons:

1. A personal matter, under § 2.2-3708.2(A)(1)(b).
 - a. On or before the day of a meeting, the member shall notify the chair of the public body that the member is unable to attend the meeting due to a personal matter. The member must identify with specificity the nature of the personal matter.
 - b. When such individual participation is due to a personal matter, such participation is limited by law to two meetings of the public body or 25% of the meetings held rounded up to the next whole number, whichever is greater, per member each calendar year.

2. A temporary or permanent disability or medical condition, or a family member's medical condition that requires the member to provide care, under § 2.2-3708.2(A)(1)(a).

On or before the day of a meeting, the member shall notify the chair of the public body that the member is unable to attend the meeting due to a temporary or permanent disability or medical condition that prevents his or her physical presence.

3. Any reason, under § 2.2-3708.2(D).

At least three working days in advance of the meeting, the public body shall give notice that a meeting will be conducted remotely. Remote public meetings under this subsection must allow members of the public to be given substantially equivalent electronic access to the meeting. The public body must hold at least one meeting per calendar year in which no member of the public body participates remotely under this subsection.

Whenever an individual member wishes to participate from a remote location, the law requires a quorum of the Board or Committee to be physically assembled at the primary or central meeting location, and there must be arrangements for the voice of the remote participant to be heard by all persons at the primary or central meeting location. The minutes shall record the specific nature of the personal matter, or the fact of the disability or other condition, and the remote location from which the absent member participated.

Automatic Approval, with Vote if Challenged. Individual participation from a remote location shall be approved unless such participation would violate this policy or the provisions of the Virginia Freedom of Information Act. If a member's participation from a remote location is challenged, then the Board or Committee shall vote whether to allow such participation. If a member's participation from a remote

location is disapproved because such participation would violate this policy, such disapproval shall be recorded in the minutes with specificity. The member may then monitor the meeting by phone, but may not participate in actions of the Board or Committee.

There is one exception to the requirement that a quorum be physically assembled at the primary or central meeting location, described in § 2.2-3708.2(A)(3). A public body may meet remotely without a quorum assembled when the Governor has declared a state of emergency in accordance with *Code of Virginia* § 44-146.17 or the locality in which the public body is located has declared a local state of emergency pursuant to § 44-146.21, provided that (i) the catastrophic nature of the declared emergency makes it impracticable or unsafe to assemble a quorum in a single location and (ii) the purpose of the meeting is to provide for the continuity of operations of the public body or the discharge of its purposes, duties, and responsibilities. The public body must follow the requirements established in §2.2-3708.2(A)(3) regarding access, notice and minutes.

Introduction

Section 2.2-3708.2 of the *Code of Virginia* requires VRS to develop a remote participation policy prior to allowing remote electronic participation under that section. The policy must be applied uniformly to all members and all requests.

Policy

It is the policy of Virginia Retirement System Board of Trustees that individual Board members or members of a Committee of the Board may participate in meetings of the Board or Committee by electronic means as permitted by § 2.2-3708.2 of the *Code of Virginia*. This policy shall apply to the entire membership and without regard to the identity of the member requesting remote participation or the matters that will be considered or voted on at the meeting.

A member may participate remotely for the following reasons:

1. A personal matter, under § 2.2-3708.2(A)(1)(b).
 - a. On or before the day of a meeting, the member shall notify the chair of the public body that the member is unable to attend the meeting due to a personal matter. The member must identify with specificity the nature of the personal matter.
 - b. When such individual participation is due to a personal matter, such participation is limited by law to two meetings of the public body or 25% of the meetings held rounded up to the next whole number, whichever is greater, per member each calendar year.

2. A temporary or permanent disability or medical condition, or a family member's medical condition that requires the member to provide care, under § 2.2-3708.2(A)(1)(a).

On or before the day of a meeting, the member shall notify the chair of the public body that the member is unable to attend the meeting due to a temporary or permanent disability or medical condition that prevents his or her physical presence.

3. Any reason, under § 2.2-3708.2(D).

At least three working days in advance of the meeting, the public body shall give notice that a meeting will be conducted remotely. Remote public meetings under this subsection must allow members of the public to be given substantially equivalent electronic access to the meeting. The public body must hold at least one meeting per calendar year in which no member of the public body participates remotely under this subsection.

Whenever an individual member wishes to participate from a remote location, the law requires a quorum of the Board or Committee to be physically assembled at the primary or central meeting location, and there must be arrangements for the voice of the remote participant to be heard by all persons at the primary or central meeting location. The minutes shall record the specific nature of the personal matter, or the fact of the disability or other condition, and the remote location from which the absent member participated.

Automatic Approval, with Vote if Challenged. Individual participation from a remote location shall be approved unless such participation would violate this policy or the provisions of the Virginia Freedom of Information Act. If a member's participation from a remote location is challenged, then the Board or Committee shall vote whether to allow such participation. If a member's participation from a remote

location is disapproved because such participation would violate this policy, such disapproval shall be recorded in the minutes with specificity. The member may then monitor the meeting by phone, but may not participate in actions of the Board or Committee.

There is one exception to the requirement that a quorum be physically assembled at the primary or central meeting location, described in § 2.2-3708.2(A)(3). and that is-A public body may meet remotely without a quorum assembled when the Governor has declared a state of emergency in accordance with *Code of Virginia* § 44-146.17 or the locality in which the public body is located has declared a local state of emergency pursuant to § 44-146.21, provided that (i) the catastrophic nature of the declared emergency makes it impracticable or unsafe to assemble a quorum in a single location and (ii) the purpose of the meeting is to address the emergency provide for the continuity of operations of the public body or the discharge of its purposes, duties, and responsibilities. This exception will rarely, if ever, apply to VRS. The public body must follow the requirements established in §2.2-3708.2(A)(3) regarding access, notice and minutes.

~~Automatic Approval, with Vote if Challenged. Individual participation from a remote location shall be approved unless such participation would violate this policy or the provisions of the Virginia Freedom of Information Act. If a member's participation from a remote location is challenged, then the Board or Committee shall vote whether to allow such participation. If a member's participation from a remote location is disapproved because such participation would violate this policy, such disapproval shall be recorded in the minutes with specificity. The member may then monitor the meeting by phone, but may not participate in actions of the Board or Committee.~~



Virginia
Retirement
System

VRS Defined Contribution Plans



VRS DC Plans Overview

VRS administers eight defined contribution plans representing over \$7.3 billion in assets and over 471,000 accounts.

COV 457 Deferred Compensation Plan

- 87,570 accounts
- \$4.2B assets

Virginia Cash Match Plan

- 72,512 accounts
- \$615M assets

Hybrid 401(a) Cash Match Plan

- 184,071 accounts
- \$874M assets

Hybrid 457 Deferred Compensation Plan

- 116,336 accounts
- \$427M assets

Optional Retirement Plan for Higher Education (ORPHE)

- 10,566 accounts
- \$1.2B assets

Optional Retirement Plan for Political Appointees (ORPPA)

- 381 accounts
- \$26M assets

Optional Retirement Plan for School Superintendents (ORPSS)

- 2 accounts
- \$274K assets

Virginia Supplemental Retirement Plan (VSRP)

- 2 accounts
- \$197K assets

Over 267,000 unique participants served!

Hybrid Voluntary Contributions

Helpful information and resources to encourage employee savings

1. Engage – Make it Easy to Take Action
2. Communicate – Promote the Plan
3. Educate – Be a Savings Champion



ORPHE Open Enrollment

Prepared announcements and reminders for employers to send out directly to impacted employees



Save the Raise Campaign

Prepared materials that allow employers to customize an email campaign encouraging employees to put pay increases to work in their retirement plan.

Member Resources



myVRS Powered by Enrich
FINANCIAL WELLNESS

Tips, tools and time-savers to increase your knowledge.

Get Started!

Feel confident about your financial security

Connect with a CERTIFIED FINANCIAL PLANNER™ professional who can help

GUIDE YOUR FINANCIAL JOURNEY



DCP
Commonwealth of Virginia
457 Overvest Compensation and Virginia Cash Match Plan (New Hires & Annuitants)

DCP
Commonwealth of Virginia
Hybrid Retirement Plan (New Hires & Annuitants)

DCP
Commonwealth of Virginia
Optional Retirement Plan for Political Appointees (Plan Continues & Rollovers)

DCP
Quick and Easy Access to Your Account

DCP
Leaving Employment Guide



GoHybrid! – Allows new hires to preset their voluntary contributions before being enrolled with VRS



SmartStep

Allows members to automatically increase their deferral amounts on an annual basis

Investment education tailored to our investment lineup.



- Investment Guide
- Fund Portfolios
- Investing videos
- Live webinars
 - Understanding your Plan's Investments
 - Advanced Investing (coming soon!)

Investing Videos

- 🔍 [Reach Your Retirement Goals](#)
- 🔍 [Investing Made Simple](#)
- 🔍 [Help-Me-Do-It](#)
- 🔍 [Do-It-For-Me](#)
- 🔍 [Do-It-Myself](#)
- 🔍 [Investing in Volatile Markets](#)

Splash Screens

Hybrid 457 and COV 457 Plans


Enhanced active choice splash screen requires that a member select in order to proceed into Account Access after logging into their account.

93% of Hybrid members and **78%** of COV 457 participants that saw the screen *increased contributions.*

Take Action With Voluntary Contributions!

As a Hybrid Retirement Plan member, you are eligible for an employer match on your voluntary contributions. When you contribute 4 percent, your employer contributes 2.5 percent. The sooner you start saving, the better prepared you'll be for your future.

To take full advantage of the employer match, make the maximum 4 percent voluntary contribution to your Hybrid 457 Deferred Compensation Plan before contributing to the Commonwealth of Virginia 457 Deferred Compensation Plan or any other supplemental retirement plan offered by your employer. Also, contributions to multiple 457 plans count toward the IRS annual contribution limit.



MEET YOUR MATCH

Contribute **4%** for a **2.5%** savings match!

Select One:

<p>I'm ready to save 4 percent and maximize my hybrid voluntary contributions.</p> <p>Save 4 percent now</p>	<p>I want to increase my hybrid voluntary contributions by a different amount.</p> <p>Choose an amount to save</p>	<p>I am not interested in saving more for my future at this time.</p> <p>Wait to save</p>
---	---	--

Two large blue arrows point downwards from the first and third options to their respective expanded views below.

I'm ready to save 4 percent and maximize my hybrid voluntary contributions.

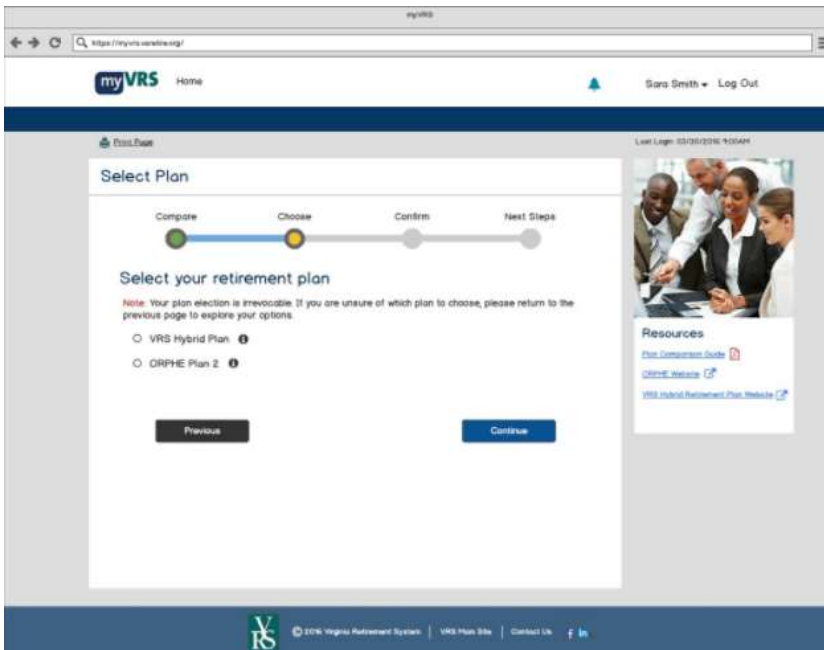
Save 4 percent now

I'm not interested in saving more for my future at this time.

Wait to save

Onboarding ORP-Eligible Employees

- myVRS counseling and calculator available for ORPHE and ORPPA-eligible new hires/rehires
- **Plan** and **provider** elections for ORPHE-eligible new hires/rehires
- **Plan** elections for ORPPA-eligible new hires/rehires



Select Plan

Compare Choose Confirm Next Steps

Select a provider for your ORPHE plan:



DCP
Pension Retirement System



TIAA

Record Keeper	ICMA-RC	TIAA
Services	DCP offers an economically priced benefit structure with diversified investments to help public sector employees build retirement security. Investments are organized into three pathways, making it easier to implement your strategy. Count on the support of a local team of DCP Retirement Specialists focused on helping you meet your goals. Manage your account 24/7 with a suite of online and mobile-friendly tools and resources.	TIAA is here to help you achieve a lifetime of financial well-being. TIAA works with a wide range of financial firms serving higher education. As a full service financial organization, TIAA has local, dedicated financial consultants in Virginia to help you reach your short and long-term goals. TIAA annuities are managed at cost - we do not make a profit.
Investment Performance	View Now	View Now
Plan Administrative Fees	\$30.50 flat fee annually	\$66.00 flat fee annually
Range of Fees	0.01% - 0.59% annualized	0.07% - 0.89% annualized May include investment and administrative expenses.
Number of Investments	11	11
Default Investment Option	Target Date Funds	Balanced Fund
Self-Directed Brokerage Account	Yes	Yes
Annuities Available as a Plan Distribution Option	Yes	Yes
Dedicated Plan Representatives	Yes	Yes
	<input type="button" value="Select"/>	<input type="button" value="Select"/>

Calculators – Helping Members Save

Calculators – Helping Members Plan

Retirement Withdrawal Calculator

Home [Retirement Withdrawal Calculator](#)

1 Retirement Withdrawal Calculator 2 Results

Modify Your Results

How much money do you expect to have at retirement?
Original Selection: \$850,000

850000

How many years in retirement do you need to fund? Original Selection: 20 years

30

What rate of return do you expect on your savings in retirement? Original Selection: 5%

6

What rate of inflation do you expect during your retirement? Original Selection: 3.5%

3

PREVIOUS RECALCULATE PRINT REPORT


DISCLAIMER

COPYRIGHT © 2021 MISSIONSQUARE RETIREMENT

Results

How much money can I withdraw?

\$36,932
per year



Required Minimum Distribution Calculator

Account balance **\$115,422**

Cumulative RMDs **\$106,638**

Select an age for your future RMD:

88

In 2033 your estimated RMD is **\$9,455**

Future investment returns: 4%

Estimates assume you:

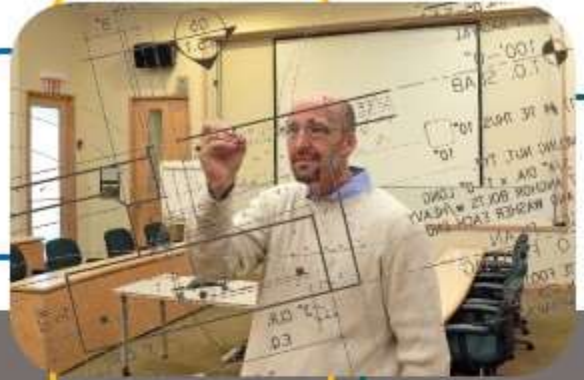
- Earn a 4% default investment return. You can adjust the investment return above.
- Only withdraw your RMD amount. But you can always take more than your RMD amount or receive RMD amounts you don't need in a non-retirement account.

DISCLAIMER AND ASSUMPTIONS



Virginia
Retirement
System

Thank You!



Virginia Retirement System

2021 – 2026

STRATEGIC PLAN

Adopted: September 2021



Virginia Retirement System



Prepared by the:
PERFORMANCE MANAGEMENT GROUP
L. DOUGLAS WILDER SCHOOL OF
GOVERNMENT AND PUBLIC AFFAIRS
VIRGINIA COMMONWEALTH UNIVERSITY



VCU

Performance Management Group
L. Douglas Wilder School of Government and Public Affairs

TABLE OF CONTENTS:

Table of Contents:	2
MISSION	4
VISION	4
Commitment	4
Diversity, Equity and Inclusion are our Strengths.....	4
Diversity, Equity and Inclusion	5
Definitions	5
Diversity.....	5
Equity.....	5
Inclusion	5
Goal 1: Organization Strength, Culture and Engagement.....	6
Equity Emphasis:	6
Strategies.....	6
Measures and Targets.....	6
Goal 2: Superior Governance and Long-Term Financial Health.....	7
Equity Emphasis:	7
Strategies.....	7
Measures and Targets.....	7
Goal 3: Member, Retiree and Employer Education, Outreach and Partnership	8
Equity Emphasis:	8
Strategies.....	8
Measures and Targets.....	8
Goal 4: Digital Transformation and Secure Service Delivery	9
Equity Emphasis:	9
Strategies.....	9



Measures and Targets.....	9
Goal 5: Technology Infrastructure	10
Equity Emphasis:	10
Strategies.....	10
Measures and Targets.....	10

DRAFT

MISSION

Delivering retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

VISION

To be the trusted leader in the delivery of benefits and services to those we serve.

COMMITMENT

- Serving those who serve others.
- Helping members plan for tomorrow, today!

DIVERSITY, EQUITY AND INCLUSION ARE OUR STRENGTHS

The Virginia Retirement System, an independent state agency, delivers retirement and other benefits to covered Virginia public sector employees. Diversity, equity and inclusion are at our core and we are unwavering in our commitment to these values. Fostering a sense of belonging and inclusion unleashes the power of diversity. We know that different ideas, identities, perspectives and backgrounds generate stronger and more creative conditions that deliver better results. We believe in creating an environment that reflects the communities we serve and where everyone is welcome and empowered to do their best work.

DIVERSITY, EQUITY AND INCLUSION

DEFINITIONS

Diversity

Diversity refers to the individual characteristics that make every individual unique. The Virginia Office of Diversity, Equity, and Inclusion (ODEI) notes that diversity describes the various combinations of group and social differences, including race, ethnicity, class, gender, gender identity, sexual orientation, country of origin and ability, as well as religious, political, cultural and other affiliations. It also includes human differences such as personality, learning style and life experiences.¹ The Virginia Department of Human Resource Management (DHRM) defines diversity as fostering a collaborative work environment that is inclusive of every employee by recognizing and effectively utilizing their talent, skills and perspectives to create a unified and high-performance workforce.²

Equity

Equity is the process of allocating resources and creating opportunities for historically underrepresented populations in order to provide equal access and equitable opportunity. As described in the One Virginia plan, equity requires an organizational commitment to its employees and customers to provide equitable access to opportunities, resources and the ability to fully contribute to the agency's mission, vision and goals.³

Inclusion

Inclusion is the deliberate and ongoing effort to engage diverse people, practices and communities in order to increase cultural respect, knowledge, empathy and understanding of ways individuals interact within an organization. It fosters a sense of belonging and respect for the differences of all employees in the organization.⁴

¹ Source: [One Virginia Strategic Plan for Inclusive Excellence in State Government](#).

² Source: [One Virginia Strategic Plan for Inclusive Excellence in State Government](#).

³ Source: [One Virginia Strategic Plan for Inclusive Excellence in State Government](#).

⁴ Source: [One Virginia Strategic Plan for Inclusive Excellence in State Government](#).

GOAL 1: ORGANIZATION STRENGTH, CULTURE AND ENGAGEMENT

Foster a positive working environment and culture of engagement that values and invests in a high-quality, professional and diverse workforce made up of employees who embody continuous learning and exemplify VRS' core values.

Equity Emphasis: Place an emphasis on recruiting, retaining, developing and promoting a workforce representative of those we serve and ensuring equal access to opportunity.

STRATEGIES

1. Enhance bench strength and staff development through personalized robust learning, leadership development, training and mentorship opportunities, utilizing DEI principles to support staff as they carry out the VRS mission and vision.
2. Evaluate the performance evaluation process to ensure alignment with a strategic framework and focus on self-reflection, goal setting, growth, development, skill maintenance and acquisition, effective feedback and coaching.
3. Promote employee engagement by fostering accessible leadership, soliciting feedback, encouraging the sharing and embracing of ideas, honoring diverse backgrounds and supporting the principles of DEI.
4. Support intentional, focused and innovative recruitment and retention efforts to expand analytical capabilities and increase the diversity and quality of applicant pools.
5. Provide comprehensive onboarding for all new staff members and provide ongoing organizational cultural activities for all staff focused on VRS' mission, vision and core values.
6. Support team member growth through the establishment of an organization-wide, continuing professional development program (VRS University), exposure to agency-wide opportunities and promotion of educational assistance programs.
7. Promote programs to support the health and well-being of team members.

MEASURES AND TARGETS

1. Develop career development plans for individual employees.
2. Enhance the performance evaluation process and system.
3. Provide interactive staff town halls (at least 4 each year).
4. Recognize and celebrate cultural events and other important moments of significance throughout each year.
5. Revise job descriptions and position advertisements, where appropriate, to include a focus on critical thinking and analytical capabilities.
6. Expand recruitment to more diverse outlets.
7. Refresh the on-boarding process for all new employees.
8. Create a comprehensive onboarding process for new employees and ongoing activities addressing organizational culture for all staff, including mentoring, focused on VRS' mission, vision and core values.
9. Develop and institute VRS University, to include internal and external professional development opportunities.
10. Allocate sufficient funding in budgets to support ongoing training and professional development.
11. Collaborate with DHRM to provide employees access to holistic support for both physical and mental health initiatives.

GOAL 2: SUPERIOR GOVERNANCE AND LONG-TERM FINANCIAL HEALTH

Ensure well-governed and financially sound trusts and funds within our care.

Equity Emphasis: Ensure equitable distribution of human, fiscal and capital resources across the plans and organization.

STRATEGIES

1. Fund the plans through an integrated view of pension assets and liabilities.
2. Deliver target risk-adjusted investment returns over a full-market cycle.
3. Cultivate a risk-aware organization through the continued implementation of the ERM program.
4. Improve business policy, process documentation, and knowledge transfer by exploring and initiating robust content management solutions.
5. Enhance communication and education efforts surrounding investments and risk mitigation strategies to employers, members, retirees and stakeholders.
6. Build upon partnerships with key stakeholders through ongoing communication and outreach to promote greater understanding regarding impacts of proposed plan design changes and support continued required plan funding.

MEASURES AND TARGETS

1. Implement the second phase of the agency's ERM program, including risk identification at the business process level.
2. Provide resources when opportunities are identified to support infrastructure for expansion of internal investment management, including data, investment tools and products, as well as personnel.
3. Develop an enhanced records management system, linking varying data sources through a software application.
4. Establish a process for capturing institutional knowledge to ensure an appropriate capture and transfer of information over time.
5. Develop investments information to incorporate into stakeholder outreach avenues.
6. Create new and, where applicable, utilize existing channels for ongoing communication and outreach to key stakeholders to generate greater understanding of plan investments, risks, designs and funding.

GOAL 3: MEMBER, RETIREE AND EMPLOYER EDUCATION, OUTREACH AND PARTNERSHIP

Cultivate mutually supportive partnerships to enhance and support an exceptional customer experience.

Equity Emphasis: Ensure equitable support by strengthening connections, outreach and communications with members, retirees and employers.

STRATEGIES

1. Continue development of communication and engagement activities in order to address outcomes by providing education, training, outreach and services tailored to the needs of our diverse members, retirees and employers.
2. Explore structures for monitoring performance, and ensuring delivery of content, products and services to all VRS audiences.
3. Build upon partnerships to continue the delivery of award-winning, customized financial wellness products and learning experiences.
4. Foster and enhance communication outlets to engage employers, retirees and members through the use of various tools and technology.
5. Improve collection and maintenance of contact information for members and retirees to enhance communications efforts and targeted messaging.

MEASURES AND TARGETS

1. Deploy secure messaging in VNAV.
2. Implement online chat functionality in VNAV for enhanced communication between members and staff.
3. Institute a campaign and process to gather and maintain up to date email addresses for all members, beneficiaries and retirees.
4. Develop a system for ongoing maintenance of member, beneficiary and retiree contact information, including outreach to encourage a review of information on a regular interval.
5. Develop an easily accessible tool to target emails and campaigns to members and retirees, based on various demographics and goals.
6. Implement tools to easily ascertain audience action resulting from communication campaigns.

GOAL 4: DIGITAL TRANSFORMATION AND SECURE SERVICE DELIVERY

Leverage technology to securely transform business and service delivery models to maximize operational efficiency, including navigating new post-pandemic, workplace paradigms.

Equity Emphasis: Ensure equitable distribution of resources by deploying innovative solutions, including optimizing efficient and effective processes, ensuring secure knowledge capture and transfer, and expanding access to critical documents and processes to best serve all customers.

STRATEGIES

1. Continue fostering a culture of universal responsibility for cyber security.
2. Enhance 24/7 monitoring capability empowered by strategic partnerships and automated tools.
3. Explore implementation of a digital repository for knowledge capture, transfer, and retrieval of data and information.
4. Transform paper-based processes and documents, including legacy records, into digital experiences and accessible formats.
5. Continue ongoing efforts regarding the use of metrics to achieve operational efficiency and effectiveness.
6. Explore delivery methods and channels to enhance equitable service provision to members, retirees and employers.

MEASURES AND TARGETS

1. Build upon the current cyber security education model to continuously remind employees of their responsibility to protect VRS systems and data.
2. Acquire or develop a software solution to capture, digitize and organize agency legacy records and documents, and to provide efficient access to those records.
3. Leverage third-party partnerships to provide 24/7 monitoring of VRS systems and devices, including technology support during non-business hours.
4. Develop new operational measures to reflect changes in the VRS business model, including the online retirement process.

GOAL 5: TECHNOLOGY INFRASTRUCTURE

Transform business through the use of state-of-the art technology frameworks for improved system functionality.

Equity Emphasis: Provide a high impact and cost-effective foundation for technology services in order to equitably deploy resources across the organization and to meet the needs of our diverse membership.

STRATEGIES

1. Upgrade technology frameworks and solutions, including identifying applications and services candidates for migration to the public and private Cloud.
2. Improve technology policy and process documentation, as well as knowledge capture and transfer, by exploring and initiating robust content management solutions.
3. Leverage technology to optimize new workplace paradigms, post-pandemic, including facilitating efficient synchronous virtual and in-person experiences.

MEASURES AND TARGETS

1. Successfully complete the migration of VRS candidate systems which will reduce costs, improve security and reliability, to either the public or private Cloud.
2. Develop or acquire a software application for documenting technology processes and policies, and for notifying staff whenever changes to processes and policies are made.
3. Acquire enhanced A/V equipment to support the new hybrid work environment, including efficient and effective virtual interaction with TPAs and other business partners.



1111 East Main Street
Richmond VA 23219

1-888-827-3847

www.varetire.org

Helping Members Plan for Tomorrow, Today



Virginia
Retirement
System

Strategic Plan 2021 - 2026

September Director's Report



New Employers and Coverage Elections



Coverage Elected	Details
Enhanced Hazardous Duty 1.85% Multiplier	Gloucester County , Effective July 1, 2021
Enhanced Health Insurance Credit for School Division Non-Teacher Employees	Salem City Public Schools , Effective July 1, 2021 Stafford County Public Schools , Effective July 1, 2021 Wise County Public Schools , Effective July 1, 2021 Nelson County Public Schools , Effective July 1, 2021 Manassas City Public Schools , Effective July 1, 2021 Williamsburg-James City County Public Schools , Effective July 1, 2021 Fluvanna County Public Schools , Effective July 1, 2021
New State Agency	Sussex State Prison Complex (Sussex County) , Effective August 1, 2021
New VRS Employer with Pretax Purchase of Prior Service	Northern Virginia Soil and Water Conservation District (Fairfax County) , Effective July 1, 2021

New Employers and Coverage Elections



Coverage Elected

Details

New VRS Employer with Group Life Insurance, Pretax Purchase of Prior Service, and Long-Term Care

Orange County Broadband Authority (Orange County), Effective July 1, 2021

New VRS Employer with Enhanced Hazardous Duty Benefits for Law Enforcement Officers and Firefighters

Town of Farmville (Prince Edward County), Effective September 1, 2021*

New VRS Employer with Group Life Insurance and Enhanced Hazardous Duty Benefit with the 1.85% Multiplier for Law Enforcement Officers, Firefighters, and Emergency Medical Technicians

City of Norfolk, Effective January 1, 2022

* *Effective date change*
Page 186 of 195

Articles for VGEA ForeSight

Pay Yourself First: Save Your Raise and Realize Your Goals Through VRS Supplemental Savings

Consider investing in your future by contributing all or a portion of your upcoming raise to the Commonwealth of Virginia 457 Deferred Compensation Plan, a VRS supplemental savings plan. Eligible employees receive a cash match to help reach your savings goals faster.

The Commonwealth of Virginia 457 plan offers several opportunities:

1. Automate your savings with paycheck deductions.
2. Defer laws on contributions until you withdraw money from your plan, or contribute using the Roth option for qualified tax-free withdrawals.
3. Increase the amount you save at any time, subject to tax code and plan limits.
4. Construct your investment portfolio from premixed target date portfolios and a menu of investment options across asset classes.

5. Learn about your investment options and receive one-on-one counseling through dedicated plan specialists.

Self-employed and wage employees can opt-in at any time online or by calling 877-397-5881. If you're already enrolled, check and adjust your contributions through Account Access at www.vrs.virginia.gov, your online portal for VRS defined contribution accounts. The 457 plan is part of VRS defined contribution plans, recently kept by ICMA-ARC, which is changing its name to MissionSquare Retirement to further reflect its vision for the future and the growing diversity of its client base. The brand change will become fully effective later this year.

For a more detailed look, browse the 457 and Cash Match Plan Features and Highlights Brochure at vrsre.org/457.

Other Ideas

Take Advantage of Your Employer's Cash Match

Don't leave money on the table. For salaried employees, your employer matches 50% of your contribution to the 457 Plan up to \$40 per pay date. That means when you contribute \$40 or more per pay period, you receive a \$20 contribution from your employer in your Virginia Cash Match Plan account.

Hybrid Plan Members: Max Out Your Hybrid Savings First

Don't stop at the minimum voluntary contribution to the Hybrid Retirement Plan. Save the maximum 4% and you'll receive 2.5% in employer matching contributions. Once you contribute the maximum amount to your hybrid plan, you'll be eligible to receive the cash match on contributions to the Commonwealth of Virginia 457 Plan.

Use Financial Tools to Simplify Your Saving

Don't overthink saving. Small, simple changes can help you save more and reach your retirement goal.

Calculate Impact to Your Pay - Use the VRS Paycheck Calculator at www.vrs.virginia.gov to see how increasing your contributions to the 457 plan affects your take-home pay.

Calculate Your Debt - Log into your myVRS account at www.vrs.virginia.gov and select Financial Wellness for tips, tools and resources to help you plan for and pay down your debt.

Small Change, Big Savings - Use the savings calculator at www.vrs.virginia.gov to see how slight habit changes that bank you a few dollars a day can make a huge difference over time.

To stay up to date on the latest VRS news and information, follow Virginia Retirement System on Facebook and subscribe to Member News at www.vrs.virginia.gov.



Build Strong Credit Habits With myVRS Financial Wellness

Using credit effectively can open opportunities and set you on a path toward financial stability. With guides, courses and tools from the Virginia Retirement System's myVRS Financial Wellness program available to active VRS members through your myVRS account, you can learn how to make credit work for you. Log in at www.vrs.virginia.gov to get started today.

Start Here Guides

If you're looking for a place to start, myVRS Financial Wellness has an entire lineup of Start Here Guides to introduce you to the money topics that matter most. You'll find guides on understanding and building your credit score, with versions for both starting with low credit and building a good credit score even higher. These guides offer tips and strategies on how to lower your credit utilization rate, correctly time your payments and stay mindful about credit inquiries.

Credit Card Paydown Tool

Do you have credit card debt and you're ready to start paying it down? The myVRS Financial Wellness Credit Card Paydown Tool shows you different approaches to help reduce and overcome your debt burden. Add your credit card balances and interest rates, then choose whether you value low monthly payments or paying off debt quickly. There are three strategies for comparison, with estimates for how long each approach will take to eliminate your balances.

• **Balance Transfer:** The fastest paydown option with the least amount of interest owed—if you can pay off your debt within the low promotional rate period, typically 12 to 24 months.

• **Fixed Amount Payments:** Consistent monthly payments of a fixed amount greater than the minimum monthly payment could be an effective strategy. You will see increased savings over time since you are paying less in interest.

• **Minimum Payment:** Although making the minimum payment on your cards is usually the cheapest option in the short term, it keeps you in debt longer and is more costly over the long term due to the bigger interest charges.

With charts to aid visualization, these estimates can help you decide how aggressively you want to tackle your debt and which plan of action works best for you.

Do you know your credit score?

More than half of adults report having no idea their credit score is the **MOST IMPORTANT FACTOR** for applying for a mortgage, car loan and new credit card.

Source: <https://www.credit.com/poll/credit-score-quiz/>



Interactive Mini-Courses

Take a personalized dive into various financial wellness topics with myVRS Financial Wellness mini-courses. Each course is tailored to you and allows you to learn at your own pace with video, audio and quiz questions to gauge what you've learned. Brush up your skills with these two courses on credit.

Mastering Credit and Optimizing Your Score

This course takes a close look at the relationship between credit and debt, with the aim of using savvy debt management techniques to optimize your credit score. Get a clear picture of the full financial landscape that makes up your credit score, and a solid understanding of how to use credit wisely.

Using Credit Cards Responsibly

Credit card ownership comes with great responsibility. This course explains how credit cards work and breaks down the terminology you should be familiar with when evaluating credit card agreements.

Retirees and non-VRS members also have access to limited myVRS Financial Wellness resources like guides and articles available at www.vrs.virginia.gov/retirees. To stay up to date on the latest VRS news and information, follow Virginia Retirement System on Facebook and subscribe to Member News at www.vrs.virginia.gov. The twice-yearly Member News newsletter and more information for retirees is available at www.vrs.virginia.gov/retirees.

'Get Organized' with New VRS Guide

Locating important household, legal and financial records can be a challenge, even when it's not an emergency. What if you, a family member, or executor of an estate needed quick access to vital information? To help you track and set up a central repository of your records, VRS has created the *Get Organized Guide*, available at vares.com/publications.

February 2021

VRS Helps Educate Educators

Whether you want to know more about the retirement plan you're in or you're looking for personal strategies to improve your overall financial health, VRS Member Education and myVRS Financial Wellness have you covered!

April 2021

FEATURE STORY

ESPs to Get Retirement Boost from VRS

Health insurance credit will expand this summer.

If you're an education support professional and you're in the Virginia Retirement System, paying for your health insurance in retirement just got a little easier. Beginning July 1, the health insurance credit for all non-teacher school division retirees covered by VRS will expand.

Current and future retirees with at least 15 years of VRS service credit will receive a monthly credit of \$1.50 per year of service, or \$2.50 if your employer elects an additional \$3 enhancement. In addition, there will no longer be a \$45 monthly cap on how high the credit can go.

The health insurance credit, which is included in your retirement payments and

service credit and are eligible for the health insurance credit at retirement, complete and send the Request for Health Insurance Credit (VRS-45) to VRS. The form is available at varetire.org/forms. Later this summer, you can update health insurance credit information through your myVRS online account.

Retired and already receive the credit?

If you are a retired non-teacher school division employee who already receives the health insurance credit, your benefit may increase. The legislation removes the \$45 per month cap on the credit. If eligible, you will automatically receive the appropriate higher credit amount beginning with your August 1 payment, provided you are already reporting premium amounts to VRS to support the increase. You will receive a letter in August notifying the change in health insurance credit.

If you are eligible for a higher credit but have not reported health insurance premiums to document

your eligibility for the credit, you may report those premiums by submitting a VRS-45 or logging into your myVRS account later this summer.

Keep VRS updated on premium changes after you retire. Keeping your information current

Health Insurance Credit Dollar Amounts Effective July 1, 2021		
Eligible VRS General Employees	Annual per Year of Service	Maximum Credit per Month
Teachers and school administrators	\$4.00	No cap
Non-teacher school division employees	\$1.50	No cap
Non-teacher school division employees, if the school division has elected the \$3 enhancement	\$2.50	No cap

June 2021

Save the Raise Communications

Pay Yourself First: Save Your Raise and Realize Your Goals Through VRS Supplemental Savings

Consider investing in your future by contributing all or a portion of your upcoming raise to the Commonwealth of Virginia 457 Deferred Compensation Plan, a VRS supplemental savings plan. Eligible employees receive a cash match to help reach your savings goals faster.

The Commonwealth of Virginia 457 plan offers several opportunities:

1. Automate your savings with paycheck deductions.
2. Defer taxes on contributions until you withdraw money from your plan, or contribute using the Roth option for qualified tax-free withdrawals.
3. Increase the amount you save at any time, subject to tax code and plan limits.
4. Construct your investment portfolio from premixed target date portfolios and a menu of investment options across asset classes.

5. Learn about your investment options and receive one-on-one counseling through dedicated plan specialists.

Salaried and wage employees can opt-in at any time online or by calling 877-327-5261. If you're already enrolled, check and adjust your contributions through Account Access at varetire.org/457, your online portal for VRS defined contribution accounts. The 457 plan is part of VRS' defined contribution plans, record kept by ICMA-RC, which is changing its name to MissionSquare Retirement to further reflect its vision for the future and the growing diversity of its client base. The brand change will become effective later this year.

For a more detailed look, browse the Cash Match Plan Features and Highlights Brochure at varetire.org/457.

Other I

Take Advantage of Employer's Cash Match
Don't leave more money on the table. Salaried employees match 50% of the 457 Plan up to \$20 contribution per pay period. That means when you contribute \$20, your employer matches \$20 contribution. **Hybrid Plan**

Put Your Raise to Work

Reward yourself and your future.

When you save your raise or bonus income, rather than increasing your spend, you increase your financial flexibility. Paying yourself first can help provide more income for increasing the likelihood that you can enjoy a more comfortable retirement.

A raise means extra cash now, but don't forget your future. Save part of it (at your **Voluntary Retirement Plan**) to put your raise to work for you. Even a 1% increase can help you move toward meeting your goals.

[Increase my contributions now](#)

[Log in to Account Access](#) to increase your contributions. For assistance with your

Value of Contributing More Money Over Time Estimated Earnings Over 30 Years



EMPLOYER UPDATE

A Publication for VRS Employers

July 2021 | Archives



SAVE THIS!
S U M M E R !

Summer Is for Saving: Help Employees Put Their Raises to Work for Their Futures

Preparing for employee pay raises? We've put together a simple action plan to help you engage employees and spark their interest in the long-term rewards of saving the raise.

1. Send an email blast using our templates.

Promote the benefits of saving in VRS Defined Contributions with an email to employees when raises are announced.

Two NAGDCA Leadership Awards



Three Virginia PR Awards



VRS Member and Retiree Website Redesign



myVRS Financial Wellness Backpack Video Series Targeting Millennial VRS Members



"Abide by the Guide" Branding Video for VRS Staff



Governor Northam Announces Recipients of the 2021 Governor's Honor Awards

Fifteen state employees honored at the Executive Mansion

RICHMOND—Governor Ralph Northam and First Lady Pamela Northam today announced the recipients of the 2021 Governor's Honor Awards at an Executive Mansion ceremony. The Governor presented the awards to employees who consistently demonstrate exemplary service and commitment to the Commonwealth of Virginia. There were 11 award categories and 15 total recipients.

"I feel so fortunate to work alongside such excellent state employees," said **Governor Northam**. "These recipients deserve recognition for their unwavering efforts, commitment to public service, and professional excellence. On behalf of the Commonwealth—thank you for your hard work."

"These awards not only recognize the outstanding contributions of the honorees, but also pay tribute to the collective genius of the Commonwealth's workforce," said **Secretary of Administration Grindly Johnson**. "Very little is accomplished in a vacuum, but everything is possible through respectful and intentional collaboration. Congratulations to the 2021 Governor's Honor Award recipients."

Winners were chosen for a wide variety of accomplishments. Seyoum Behre designed the Office of New Americans and revolutionized the support offered to refugees and immigrants. Nathan O'Kaine helped combat the pandemic by designing face shields to protect thousands of workers at local hospitals. Lieutenant Thomas Mitchell demonstrated heroism when he saved a woman and three children from a burning car. Information on the exceptional work done by all of the award winners can be found [here](#).

The recipients of the 2021 Governor's Honor Awards are:

- **Crystal Barrett**, Department of General Services
- **Dr. Tomikia LeGrande**, Virginia Commonwealth University
- **Pamela Kestner**, Department of Housing and Community Development
- **David Todd Phillips**, Department of Military Affairs
- **Seyoum Behre**, Department of Social Services
- **Lieutenant Thomas Mitchell**, Department of Corrections
- **Mitchell D. Broudy**, Office of the Attorney General
- **Nathan O'Kaine, P.E.**, Department of Transportation
- **Viang Sikler, Margie Wilks, Samantha Cohen, Barbara Smith, and William Libby**, Department of Veterans Services
- **Douglas D. Riley**, Virginia Retirement System
- **Alistria Crafton**, Department of Education

Thank you.

Operational/Ongoing Activities	Status	2021						2022					
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Annual Roadmap Review	N/S												
Biennium Budget	●												
FYE 2022	N/S												
Retirement Wave 2022	N/S												
Commonwealth Bond Disclosure	N/S												
ORPHE Surcharge Billing for FY 2023	N/S												
Data Fixes	●												
ALM Backlog Prioritization	●												
Employer Compliance Review	N/S												
VRS Fund Sensitivity and Stress Testing Report for GA	N/S												
Legislation FY 2022 - Placeholder	N/S												

¹ Initiatives led directly by Technology Services.

² Other initiatives are led by other business units and supported by Technology Services.

³ Update Employee Job Descriptions Phase 1 scope focuses on updating, reviewing and finalizing job descriptions. The corresponding system changes (RAMS) will be part of phase 2.

Yellow Status Items

Item	Due Date	Comments
N/A		

Red Status Items

Item	Due Date	Comments
N/A		

Realignments/Adjustments

Item	Due Date	Comments
N/A		