



October 8, 2021

MEMORANDUM

TO: VRS Board of Trustees

FROM: Patricia S. Bishop
Director

RE: Agenda Materials for October 14th Board Meeting

We are looking forward to the October 14th in-person Board meeting beginning at 1:00 pm in the VRS Boardroom. Enclosed is the agenda and meeting materials.

Out of an abundance of caution and to limit contact with others, we will not be providing lunches and, therefore, 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.

Due to the pandemic, listed below are 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 in-person.

• 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 and Committee meetings,

and I will have parking vouchers at the meeting. In addition, reserved parking spaces are also available for Board members 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, get on the elevator and press G which will take you to the Ground floor level of the building where the security guard is located along with the entrance/exit door to Main Street.

For your reference, the Benefits and Actuarial Committee will be meeting on Wednesday, October 13th at 10:00 a.m.

Again, we look forward to seeing you at the Board of Trustees meeting on Thursday. If you have any questions, 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
Thursday, 10/14/2021
1:00 - 3:30 PM ET

I. Approve Minutes

• **September 21, 2021**

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II. Report of the Chief Investment Officer

Asset Allocation Report 8.31.21 - Page 19

Daily Asset Allocation Report 10.6.21 - Page 20

Performance Summary 8.31.21 - Page 21

Plan Tracking Error - Page 22

New Investment and Terminations - Page 23

DIME Quarterly Summary - QE 9.30.21 - Page 24

Manager Referral Quarterly Summary - QE 9.30.21 - Page 29

III. Report of the Benefits and Actuarial Committee

Report of the B&AC - Page 30

• **RBA – Certify the Contribution Rates for the Five Statewide Retirement Plans and Associated OPEBs for FY 2023 and FY 2024**

RBA - Approve Rates for Five Statewide Plans & Associated OPEBs - Page 32

Actuarial Valuations Presentation - Page 34

IV. Operational Update Series: Financial Wellness

myVRS Financial Wellness Presentation - Page 80

V. Legislative Package for the 2022 General Assembly Session

Draft 2022 Legislation - Page 98

Legislative Presentation - Page 102

VI. Report of the Director

VRS New Coverage Elections for October - Page 120

FY 2022 Agency Roadmap Update - September - Page 121

Minutes

A regular meeting of the Virginia Retirement System Board of Trustees was held on September 21, 2021 in Richmond, Virginia 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
W. Brett Hayes
Troilen G. Seward, Ed.S.

Investment Advisory Committee:

Lawrence E. Kochard, Ph.D., Chair (*by phone*)

VRS Staff:

Patricia Bishop, Ron Schmitz, Jennifer Schreck, John Alouf, Advait Apt, Rory Badura, Parham Behrooz, Matthew Bennett, Caroline Cardwell, Ryan Carlson, Jeanne Chenault, Michael Cooper, Perry Corsello, Harriet Covey, Juanita Cribbs, Sara Denson, Valerie Disanto, Pam Elam, Barry Faison, Jon Farmer, Laurie Fennell, Josh Fox, Brian Goodman, JT Grier, Kelly Hiers, KC Howell, Robert Irving, Wendy Jenkins, Ross Kasarda, Kristina Koutrakos, LaShaunda King, Matthew Kubisiak, Chung Ma, Curt Mattson, Walker Noland, Greg Oliff, Angela Payne, Steve Peterson, Laura Pugliese, Paula Reid, Mark Rein, Jummai Sarki-Hurd, Dan Schlussler, Michael Scott, Jillian Sherman, Virginia Sowers, Dan Whitlock, Steve Woodall and Nick Zizzo.

Guests:

Kam Mangat, CEM Benchmarking, LLC; Adam Rosatelli, Senate Finance and Appropriations Committee; Brian Deveney and Justin Ferrell, Auditor of Public Accounts; Justin Bell, Office of the Attorney General; Michael Martz, Richmond Times-Dispatch; Latosha Johnson, Department of Planning and Budget; Jamie Bitz, Joint Legislative Audit and Review Commission; Tyler Sanders, University of Richmond; Bea Snidow, Virginia Education Association; Lauren Albanese, Financial Investment News; Cyril Espanol and Aaron Weitzman, PEI Media; and Steff Chavez, Mandate Wire.

The meeting convened at 1:01 p.m.

Opening Remarks

O'Kelly E. McWilliams, III, called the meeting to order and welcomed everyone to the September 21, 2021 meeting of the Virginia Retirement System Board of Trustees.

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

Approval of Minutes

Upon Mr. Montgomery's motion, with a second by Mr. Bennett, the VRS Board of Trustees approved the minutes of the June 10, 2021 meeting.

Report of the Investment Advisory Committee

Lawrence Kochard, Chair of the Investment Advisory Committee (IAC), provided a report on the IAC's August 26, 2021 meeting. Mr. Kochard noted the Committee discussed current market conditions, asset allocation and tracking error. The IAC congratulated the Investment Department for surpassing the board-approved benchmarks, the 27.5% investment return, as well as the total fund asset value exceeding \$100 billion.

The Committee received the annual program reviews and discussed the stress test and sensitivity analysis report. The IAC discussed four prospective recovery scenario simulations and their potential implications for the long-term assumed rate of return, funded status, contribution rates and liquidity.

Mr. McWilliams thanked Mr. Kochard for his report.

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. Next, Mr. Schmitz discussed the New Investment and Terminations report and the Diverse Investment Manager Engagement (DIME) report.

Mr. McWilliams thanked Mr. Schmitz for his report.

Annual CEM Benchmarking Report of Administration

Kam Mangat of CEM Benchmarking, Inc. provided the annual Pension Administration Benchmarking Report for FY 2020 to the Board. CEM measures cost and service levels and provides an analysis of performance relative to peer agencies as well as comparative data and insights from a broader group of CEM participating plans. The presentation focused on VRS compared to a peer group of other US-based retirement systems with similar membership size. Areas of service reviewed and measured included the call center, VRS website, one-on-one membership counseling and presentations, pension inception and member statements.

Ms. Mangat advised that VRS achieved a total service score of 82, which is above the peer group median of 79. In addition, VRS' service score increased from 76 to 82 between 2013 and 2017 and has remained steady since. Contributing to the improved service score are increased member presentations, decreased time to complete purchases and transfers-in, and enhancements in the customer contact center. With a cost of \$72 per active member and annuitant, VRS' total pension administration cost per active member and annuitant is \$33 below the peer group average. When service and quality metrics are analyzed together, VRS is in the favorable quadrant of a higher relative service score and a lower relative cost. These scores and costs analyses reflect VRS' ability to provide higher service quality in a cost-effective manner.

Ms. Mangat provided a summary of the trend in total pension administration costs from 2013 to 2020. She noted that VRS' total pension administration cost per active member and annuitant increased on average 2.8% per annum, compared to a peer average of 1.7% per annum. This increase is mainly due to IT costs and implementation of major projects and programs such as the Modernization Program, the Hybrid Retirement Plan, the Virginia Local Disability Program, the Financial Wellness section of the agency website, and communication development.

VRS improved from fifth lowest in the previous year to third lowest in pension administration cost per active member and annuitant among its peer group. VRS' pension administration cost remains below the peer group average due to lower third-party costs in front-office transactions and lower support costs per member. Ms. Mangat concluded by reiterating that VRS provides a relatively high level of service at a cost comparatively lower than its peers.

Ms. Mangat advised that data regarding the implications of COVID-19 will be analyzed and presented in next year's report.

Mr. McWilliams thanked Ms. Mangat for her presentation and commended the VRS staff for their hard work in achieving these excellent results.

Report of the Defined Contribution Plans Advisory Committee

Mr. Bell presented the report of the June 24, 2021 meeting of the Defined Contribution Plans Advisory Committee to the Board.

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 Contribution 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 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.

Next, Mr. Bell presented the report of the September 2, 2021 meeting of the Defined Contribution Plans Advisory Committee to the Board.

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

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 the 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.

Upon a motion by Mr. Bell, with a second by Mr. Montgomery, the VRS Board of Trustees approved the following action:

Request for Board Action 2021-09-12: 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.

Mr. McWilliams thanked Mr. Bell for his reports.

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 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 FY 2022 ANNUAL PLAN

The Audit Director discussed the proposed annual plan for fiscal year 2022, which is derived from the approved long-range plan.

Upon a motion by Mr. Montgomery, with a second by Mr. Hayes, the VRS Board of Trustees approved the following action:

Request for Board Action 2021-09-13: The VRS Board of Trustees approves the proposed FY2022 Annual Audit 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 a motion by Mr. Montgomery, with a second by Mr. Disharoon, the VRS Board of Trustees approved the following action:

Request for Board Action 2021-09-14: The VRS Board of Trustees approves a 7% performance bonus for the Audit Director.

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 June 2, 2021 meeting.

REVIEW ATTAINMENT OF FY 2021 AGENCY PERFORMANCE OUTCOMES (APOs) AND OPERATIONAL MEASURES

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

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

Upon a motion by Mr. Montgomery, with a second by Mr. Bell, the VRS Board of Trustees approved the following action:

Request for Board Action 2021-09-15: *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.

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

Request for Board Action 2021-09-16: *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.

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

Request for Board Action 2021-09-17: *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.

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

Request for Board Action 2021-09-18: *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 a motion by Mr. Montgomery, with a second by Mr. Bennett, the VRS Board of Trustees approve the following action:

Request for Board Action 2021-09-19: *The VRS Board of Trustees approves payment of an incentive amount of approximately \$7,853,280.10 for FY 2021 to Investment professionals as authorized by the Investment Professionals' Pay Plan.*

Following the approval of the RBA, Mr. McWilliams noted that the VRS Board of Trustees established the Investment Professionals' Pay Plan in order to attract, retrain, and provide an incentive for investment professionals that are key in accumulating the assets needed to support more than 750,000 members and retirees. Mr. McWilliams also noted that approximately two-thirds of benefit payments are funded through investment income. In addition, Mr. McWilliams shared that VRS saves approximately \$45.4 million in external management fees annually by managing about one-third of the portfolio in-house and further noted that CEM estimates that VRS' skilled negotiation of external management costs results in approximately \$40 million a year in savings versus the cost paid by its peers for similar services. Mr. McWilliams commended the outstanding performance by the Investment team, noting the fund exceeded the total fund benchmark, surpassed a milestone of \$100 billion, and achieved a 27.5% investment return for fiscal year 2021.

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.

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

Request for Board Action 2021-09-20: *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.*

Mr. McWilliams congratulated Ms. Bishop and her team, noting that VRS achieved a significant milestone this year as online retirement is now available through myVRS for most members. VRS continues to advance in providing members and retirees convenient and effective ways to plan for the future and manage their benefits.

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 June 9, 2021 meeting.

ELECTION OF COMMITTEE VICE CHAIR

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

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.

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

Request for Board Action 2021-09-21: 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 effects 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 address 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.

Mr. McWilliams thanked Mr. Garrett for his report.

Policy Update

Brian Goodman, Legal Affairs and Compliance Coordinator, presented the revisions to the Freedom of Information Act (FOIA) Electronic Meeting Attendance Policy to the Board. These changes resulted from changes to the *Code*. The first change to the policy limits the number of meetings in which a member may remotely participate due to a personal matter to two meetings or 25%, rounded to the next whole number, within a calendar year. The second change, also related to remote participation, involved added language to now include a member's medical condition or a family member's medical condition that requires the member to provide care. Mr. Goodman also advised there must be a quorum physically present and that these changes became effective July 1, 2021.

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

Request for Board Action 2021-09-22: The Board adopts a revised "FOIA Electronic Meeting Attendance Policy."

Operational Update Series: DC Plan Highlights

Next, Ms. Bishop introduced Kelly Hiers, Defined Contribution Plans Administrator, who presented an overview of the eight defined contribution plans that represent over \$7.3 billion in assets, over 471,000 accounts, and over 267,000 participants. Ms. Hiers described the multi-department collaboration to develop prepackaged employer and member resources that provide helpful information and encourage participants to increase voluntary contributions for future financial security.

VRS partnered with MissionSquare to roll out several financial planning campaigns that provide a variety of resources for each stage of a participant's financial journey. For those considering leaving employment, an information guide and checklist are available to assist in comparing plans when rolling over funds. In addition, a secure, fully customizable Defined Contribution Plans (DCP) app enables participants to view their accounts and change investment options and deposit amounts instantly from a smartphone. Ms. Hiers also highlighted the savings calculators that provide scenarios involving different contribution amounts that enable participants to see the potential of their savings.

Mr. McWilliams thanked Ms. Hiers for her presentation.

Strategic Plan Update

Michael Cooper, Chief Operating Officer, provided an update on the agency's Strategic Plan document that incorporated the feedback shared by the Board after its last meeting. Mr. Cooper reviewed the Mission, Vision, and Commitment statements, and noted the addition of the Diversity, Equity and Inclusion (DEI) statement and definitions. VRS' DEI initiative is consistent with the Commonwealth's *ONE Virginia* plan to create an environment that fosters belonging and inclusion to encourage creativity, empowerment, and motivation to deliver optimal results and service. Mr. Cooper also provided a brief overview of the plan's goals and noted that each includes measures and targets to ensure that the agency's efforts are meeting the strategies outlined for each goal.

Following Mr. Cooper's presentation, Ms. Bishop noted that the document will reside on the agency website and language regarding adoption of the document will be removed as it does not require action by the Board.

Report of the Director

Next, Trish Bishop, VRS Director, reviewed the New Coverage Elections and noted the City of Norfolk will join VRS with a delayed effective date of January 1, 2022. Ms. Bishop advised that staff worked closely with stakeholder groups to produce articles in the Virginia Governmental Employees Association (VGEA) newsletter as well as the Virginia Journal of Education that promote financial wellness, saving strategies and strong credit habits. VRS received the COVID-19 Response Leadership Award and the Technology and Interactive Media Leadership Award from the National Association of Governmental Defined Contribution Plan Administrators (NAGDCA). Furthermore, VRS received three awards from the Public Relations Society of America for the VRS Member website redesign, the myVRS Financial Wellness Backpack Video Series and the "Abide by the Guide" branding video.

Ms. Bishop announced that Douglas Riley, VRS Accounts Payable Specialist, received the 2021 Governor's Honor Award in the category for public service. Mr. Riley is recognized for coordinating vaccination implementation for King William County and organizing efforts to provide meals to residents experiencing financial difficulties during the pandemic. He also serves as a member of the King William Fatherhood Program that provides support and encouragement to fathers raising children. Additionally, Mr. Riley assisted in arranging hearing and vision screening for community members, as well as obtained grants to receive AED equipment and appropriate training for churches throughout King William County.

Mr. McWilliams thanked Ms. Bishop for her report.

Litigation Update (Closed Session)

Mr. Disharoon moved, with a second by Mr. Bennett, that the Virginia Retirement System Board of Trustees convene a closed meeting under the Virginia Freedom of Information Act for the purpose of consultation with legal counsel about actual litigation pursuant to the exemption contained in *Code of Virginia* § 2.2-3711(A)(7).

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

WHEREAS, the Virginia Retirement System Board of Trustees convened a closed meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of The Virginia Freedom of Information Act; and

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

NOW, THEREFORE, BE IT RESOLVED, that the Board certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements under this chapter were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered by the Board.

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

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

Other Business

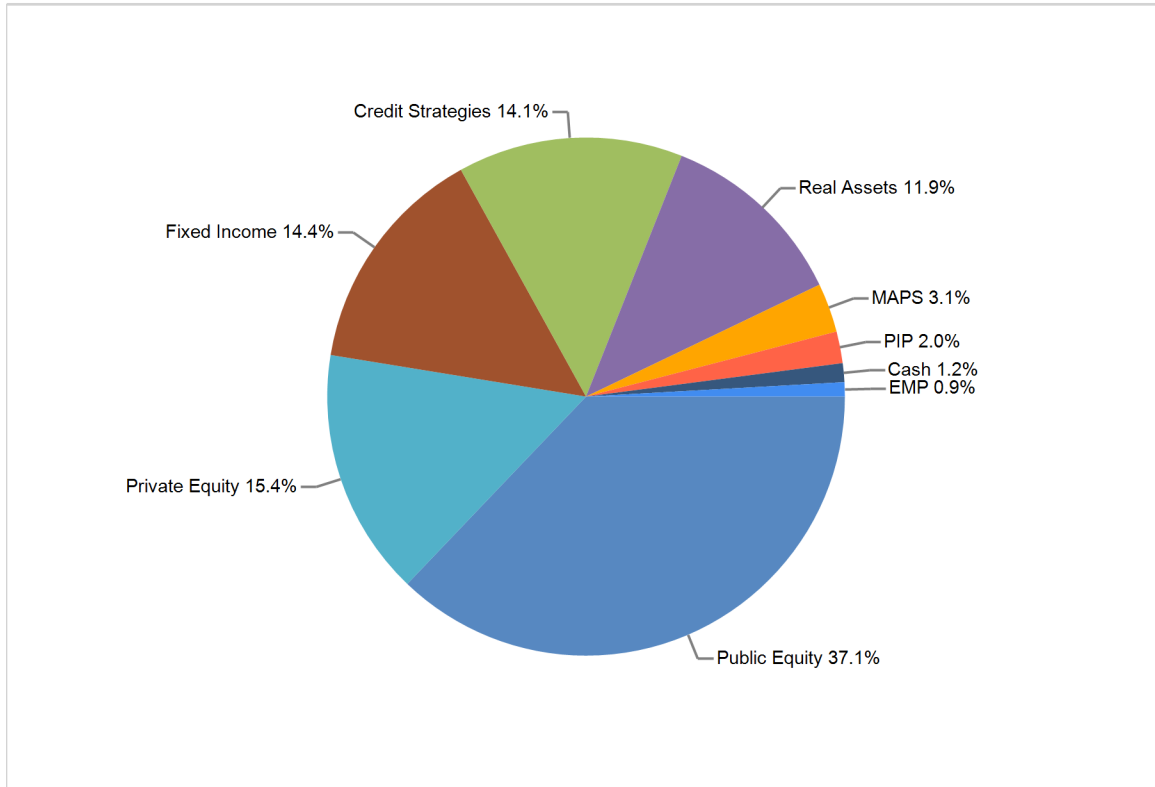
Lastly, Mr. McWilliams noted that the Benefits and Actuarial Committee will meet October 13, 2021 at 10:00 a.m. and the Board of Trustees will meet October 14, 2021 at 1:00 p.m.

Adjournment

There being no further business and following a motion by Mr. Montgomery, with a second by Mr. Bell, the VRS Board of Trustees agreed to adjourn the meeting at 3:07 p.m.

Chair

Secretary



	<u>Current \$Bil</u>	<u>Current Weight</u>	<u>Policy Weight</u>	<u>Variance</u>	<u>Allowable Range</u>		<u>Internal %</u>
Total Fund	102.7						29.2%
Public Equity	38.1	37.1%	36.0%	1.1%	-5%	+5%	38.2%
Fixed Income	14.8	14.4%	15.0%	-0.6%	-3%	+5%	95.1%
Credit Strategies	14.4	14.1%	14.0%	0.1%	-5%	+5%	
RS Credit	5.5	5.3%	5.6%	-0.3%			
NRS Credit	9.0	8.7%	8.4%	0.3%			
Real Assets	12.2	11.9%	14.0%	-2.1%	-5%	+5%	11.2%
Public RE	1.4	1.3%					99.9%
Private RE	7.0	6.8%					
Other RA	3.8	3.7%					
Private Equity	15.9	15.4%	14.0%	1.4%	-5%	+5%	
MAPS	3.2	3.1%	4.0%	-0.9%	-2%	+2%	
DSTRAT	1.8	1.7%					
RBI	1.4	1.3%					2.1%
PIP	2.0	2.0%	2.0%	0.0%	-2%	+2%	
EMP	0.9	0.9%	0.0%	0.9%		+3%	
Cash	1.2	1.2%	1.0%	0.2%	-1%	+4%	

	<u>Current \$Bil</u>	<u>Current Weight</u>	<u>Policy Limit</u>
Hedge Funds	11.4	11.1%	15.0%

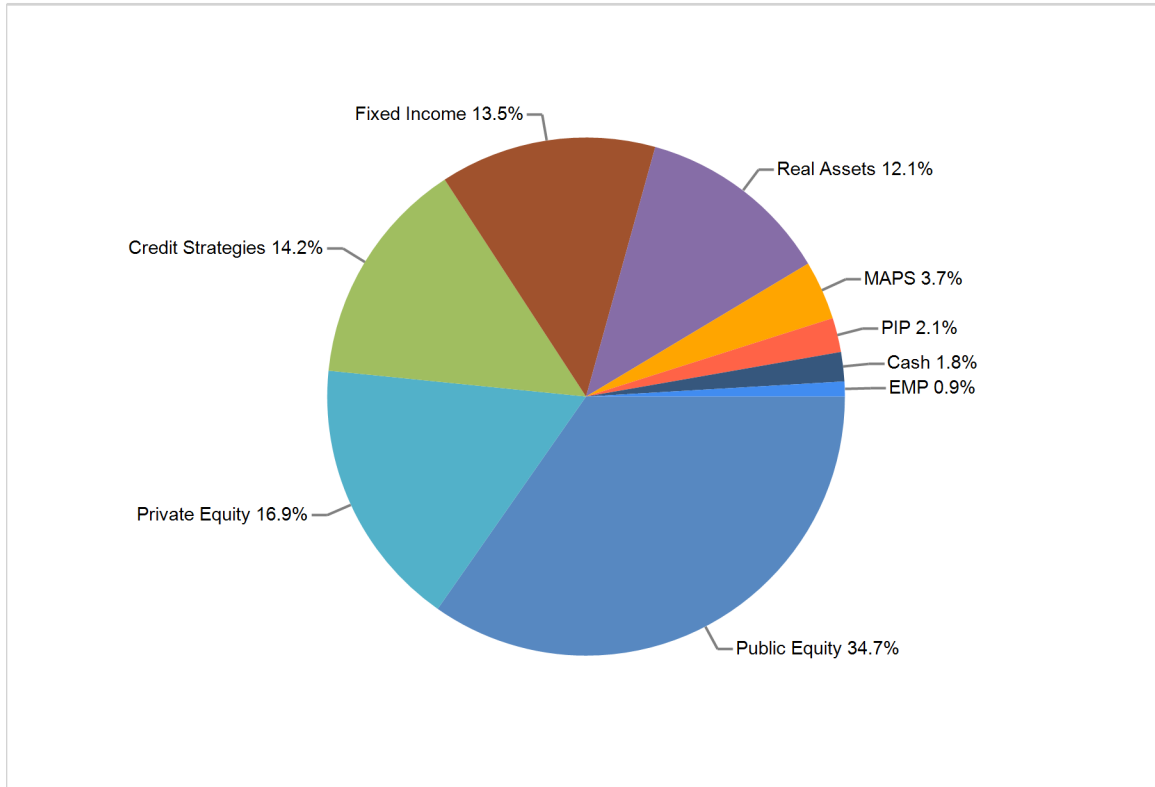
3 Year Tracking Error	
Total Fund:	2.92%
Total Public:	1.07%

*Total Fund includes the following amt held by the Treasurer of VA: \$ 273 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.(4 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	103.2						27.1%
Public Equity	35.8	34.7%	36.0%	-1.3%	-5%	+5%	37.4%
Fixed Income	13.9	13.5%	15.0%	-1.5%	-3%	+5%	94.9%
Credit Strategies	14.7	14.2%	14.0%	0.2%	-5%	+5%	
RS Credit	5.5	5.4%	5.6%	-0.2%			
NRS Credit	9.1	8.8%	8.4%	0.4%			
Real Assets	12.5	12.1%	14.0%	-1.9%	-5%	+5%	9.6%
Public RE	1.2	1.2%					99.9%
Private RE	7.3	7.1%					
Other RA	4.0	3.9%					
Private Equity	17.4	16.9%	14.0%	2.9%	-5%	+5%	
MAPS	3.8	3.7%	4.0%	-0.3%	-2%	+2%	
DSTRAT	2.3	2.2%					4.7%
RBI	1.5	1.5%					1.8%
PIP	2.2	2.1%	2.0%	0.1%	-2%	+2%	
EMP	1.0	0.9%	0.0%	0.9%		+3%	
Cash	1.9	1.8%	1.0%	0.8%	-1%	+4%	

	Current \$Bil	Current Weight	Policy Limit
Hedge Funds	11.5	11.2%	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: \$ 76 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.

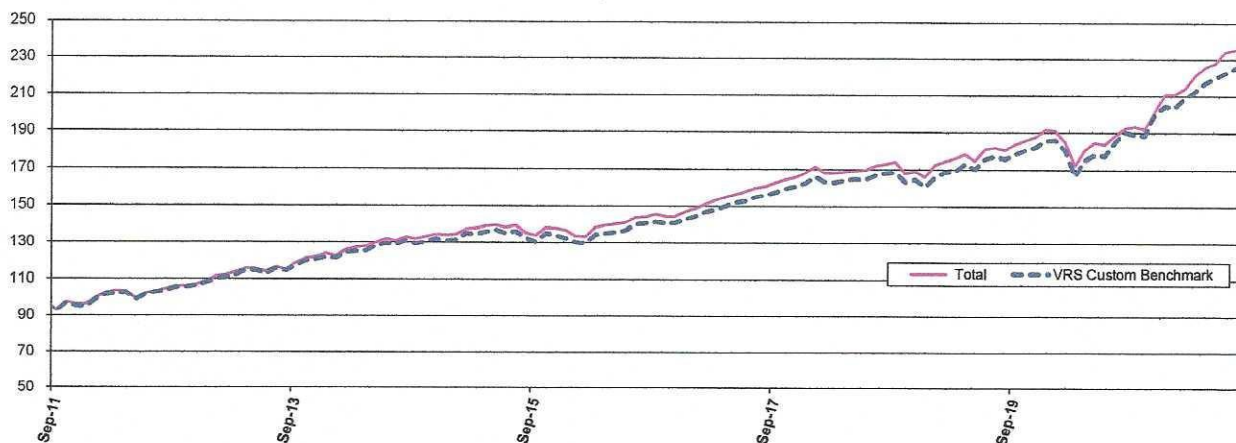
PERFORMANCE SUMMARY
Rolling Periods Ending
August 31, 2021



TOTAL FUND PERFORMANCE

	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month	Fiscal YTD	Cal YTD	Market Value (\$MM)
Total Public Equity Strategies	11.5	13.2	13.1	32.4	3.8	2.1	3.0	17.6	38,129
<i>Benchmark</i>	11.6	14.1	14.4	30.6	4.3	2.5	3.0	16.3	
Total Fixed Income	4.1	4.3	7.1	2.4	1.9	0.0	1.0	0.5	13,716
<i>Benchmark</i>	3.2	3.2	5.5	0.6	1.7	-0.1	1.0	-0.4	
Total Credit Strategies	7.1	7.5	8.0	15.1	3.4	0.5	0.8	7.9	14,435
<i>Benchmark</i>	6.1	6.0	6.4	7.9	1.4	0.4	0.7	3.5	
Total Real Assets	10.2	8.0	6.7	11.1	3.1	0.1	0.5	7.6	12,184
<i>Benchmark</i>	8.6	6.3	5.7	9.4	3.5	1.2	2.7	7.4	
Total Private Equity	15.8	19.8	20.9	53.2	11.1	0.0	0.0	23.5	15,853
<i>Benchmark</i>	14.4	18.0	17.8	45.0	9.1	1.5	6.0	29.5	
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	9.9	10.1	20.4	4.6	1.1	3.0	13.8	
Total Multi-Asset Public Strategies	n/a	n/a	6.1	15.7	1.3	1.1	1.0	7.4	3,152
<i>Benchmark</i>	n/a	n/a	8.8	13.2	2.6	1.0	1.7	7.2	
Total Fund	9.4	10.5	11.2	23.4	4.1	0.9	1.4	12.4	102,683
<i>VRS Custom Benchmark</i>	9.0	10.2	10.7	20.0	3.9	1.4	2.7	11.6	

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)

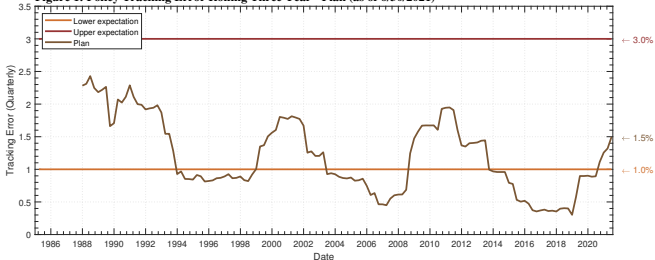
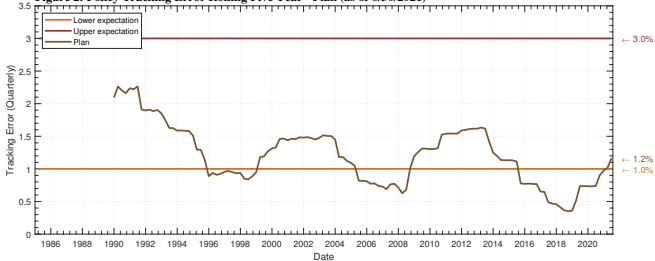


Figure 2: Policy Tracking Error Rolling Five Year - Plan (as of 6/30/2021)



Program	Action	Effective Date	Commitment/Current Value	Funding/Defunding Period	Description
Credit Strategies	Hired	09/27/2021	\$500 Million	3 Years	Oak Hill Diversified Credit – A fund that will invest opportunistically across credit markets, with a focus on private credit investments.
Credit Strategies	Hired	10/01/2021	\$250 Million	3 Years	Whitehorse Liquidity Partners V – A portfolio finance strategy.
Real Assets	Hired	09/13/2021	\$150 Million	4 Years	Crow Holdings Realty Partners Fund IX – A closed-end fund investing in diversified opportunistic real estate in the United States.
Private Equity	Hired	09/13/2021	\$175 Million	6 Years	Trident IX – A large market buyout fund with a focus on the global financial services industry.
Dynamic Strategies	Hired	10/01/2021	\$50 Million	Immediate	Nordea Global Climate & Environment – A long-only global equity mandate focused on opportunities resulting from climate change.
Dynamic Strategies	Hired	10/01/2021	\$150 Million	Immediate	Wellington Emerging Market Development – A targeted emerging market equity strategy investing around economic development themes.

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending September 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	Axiom Investors (women-owned firm) ²	Manager focused on dynamic growth equity investing.	Staff had an update meeting with this manager to discuss the firm and their strategy.
Global Equity	Virtual Manager Meeting	Sit Investment Associates, Inc. (minority-owned firm) ¹	Manager focused on domestic and international growth equities.	Staff had an update meeting with this manager to discuss the firm and their strategy.
Global Equity	Virtual Manager Meeting	Teca Partners (minority-owned firm) ¹	Manager focused on a long-biased concentrated public equity portfolio.	Staff had an introductory meeting with this manager to discuss the firm and their strategy.
Global Equity	Virtual Manager Meeting	Tiger Pacific Capital (minority-owned firm) ¹	Manager focused on an Asian long/short equity strategy.	Staff had an introductory meeting with this manager to discuss the firm and their strategy.
Global Equity	Virtual Manager Meeting	Westwood Global Investments (women-owned firm) ²	Manager focused on emerging market equities.	Staff had an update meeting with this manager to discuss the firm and their strategy.
Credit Strategies	Virtual Manager Meeting	Lafayette Square (minority-owned firm) ¹	Manager focused on regional private BDCs focused on non-sponsor direct origination.	Staff had an introductory meeting with this manager to discuss the firm and their strategy.

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

Investment Program	Activity	Manager Name	Description	VRS Action
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.
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.
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.

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

Investment Program	Activity	Manager Name	Description	VRS Action
Real Assets	Virtual Manager Meeting	Cadre (minority-owned firm) ¹	U.S. focused value-add real estate manager.	Staff held an introductory meeting with this manager to learn more about their team, investment philosophy, investment pipeline and fundraise goals.
Real Assets	Virtual Manager Meeting	Amero Global Investors (minority-owned firm) ¹	U.S. focused multifamily, affordable and senior housing focused real estate manager.	Staff held an introductory 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.
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	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 meeting 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	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 September 30, 2021

Investment Program	Activity	Manager Name	Description	VRS Action
Private Equity	Virtual Manager Meeting	Accrete Capital (minority-owned firm) ¹	A technology platform solving the challenges of access, affordability and liquidity in the middle market while also making direct investments in portfolio companies in the sponsors they serve.	Staff had a virtual meeting with this manager during the quarter.
Private Equity	Virtual Manager Meeting	Dominus Capital (minority-owned firm) ²	US based firm focusing on family businesses with significant growth potential and opportunities for operational improvement.	Staff had a virtual meeting with this manager during the quarter.
Private Equity	Virtual Manager Meeting	Leeds Illuminate (women-owned firm) ¹	Growth firm focused on North American education and workforce development opportunities.	Staff had a virtual meeting with this manager during the quarter.
Private Equity	Virtual Manager Meeting	Riverwood Capital (minority-owned firm) ²	Growth firm investing in technology and technology-enabled companies seeking to scale globally.	Staff had a virtual meeting with this manager during the quarter.
Private Equity	Virtual Manager Meeting	TI Platform (minority-owned firm) ¹	Fund of Funds and separate account manager backing novel structures in the venture space in the US, Europe, and Asia.	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 calls with this manager to further discuss their firm and strategies.
Risk-Based Investments	Telephone Call with Manager	Gladius Capital Management (minority-owned firm) ¹	A provider of derivative based solutions to manage risks.	Staff had calls with this manager to further discuss their firm and strategies.

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

Investment Program	Activity	Manager Name	Description	VRS Action
Risk-Based Investments	Telephone Call with Manager	LongTail Alpha (minority-owned firm) ¹	A manager who employs multiple strategies in the volatility space.	Staff had calls 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 September 30, 2021

Investment Program	Type of Contact	Investment Manager Name	Official Making Referral	VRS Action
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No activity to report this quarter.

Report

The Benefits and Actuarial Committee met on October 13, 2021 and took up the following matters:

APPROVAL OF MINUTES

The Committee approved the minutes of its September 1, 2021 meeting.

2021 ACTUARIAL VALUATION RESULTS FOR FIVE STATEWIDE RETIREMENT PLANS, GROUP LIFE INSURANCE, STATE AND TEACHER RETIREE HEALTH INSURANCE CREDIT, AND THE VIRGINIA SICKNESS AND DISABILITY PROGRAM (INCLUDES SELF-FUNDED LONG-TERM CARE)

Larry Langer and Alisa Bennett from the VRS plan actuary, Cavanaugh Macdonald Consulting, LLC, presented the June 30, 2021 actuarial valuations for the Five Statewide Retirement Plans (Teachers, State Employees, JRS, SPORS, and VaLORS). In addition, the results of the Other Post-Employment Benefit Programs (OPEBs), including Group Life Insurance, Health Insurance Credit, and the Virginia Sickness and Disability Program, which includes self-funded Long-Term Care, were presented.

Key points from the presentation include:

- The June 30, 2021 valuations are used to set the contribution rates for fiscal years 2023 and 2024.
- Since the previous valuation, there have been several significant changes to assumptions and plan experience that differed from what was assumed, which will impact future contribution rates. Factors impacting the results include:
 - Assumption changes
 - Investment return
 - Salary increases
 - Demographic changes
- The most significant change was to the mortality assumptions, which included moving to a generational mortality improvement scale. This generally increased liabilities for pension plans and had mixed results on OPEB plans.
- The 2021 investment return of 27.5% had an immediate positive impact to funded status on the market value of asset basis. The investment gain is phased in over a five-year period due to actuarial smoothing of assets for funding calculations.
- The Governor's budget included 5% salary increases for State employees and 8% salary increases for SPORS members, along with additional compression increases for eligible SPORS members.
- Headcounts for the State, Teachers, and VaLORS plans decreased from the prior year. There were generally more terminations, deaths, and refunds than expected and fewer new hires. This may be in part due to the state being under a hiring freeze for much of the valuation period.
- In addition, two plans received additional funding provided by the budget in June 2021. The Teacher plan received an ad-hoc contribution of \$61.3 million, which was applied to the 10-year

deferred contribution balance, and the State HIC plan received an ad-hoc contribution of \$38.7 million.

Mr. Langer and Ms. Bennett will provide a summary presentation to the Board.

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

Request for Board Action: *Certify the contribution rates for the Five Statewide Retirement Plans and associated OPEBs effective for FY 2023 and FY 2024.*

INFORMATION ITEM

Rory Badura, Senior Staff Actuary, provided a brief overview of strategies to enhance funding, which included shortening amortization periods for legacy unfunded liabilities, using level dollar rather than percentage of pay amortization, as well as maintaining higher rates following years in which the plan has favorable plan experience.

B&A Committee Meeting Schedule:

- November 15, 2021 at 1:00 p.m. (Local Valuations and Line of Duty Act)

Submitted to the Board of Trustees on October 14, 2021.

William A. Garrett, Chair
Benefits and Actuarial Committee



Certify the contribution rates for the Five Statewide Retirement Plans and associated OPEBs effective for FY 2023 and FY 2024.

Requested Action

After considering the recommendations of its actuary, the Board certifies the rates as presented for: the five statewide Retirement Plans (State Employees, Teachers, JRS, SPORS, and VaLORS) and the associated OPEBs; Group Life Insurance (GLI); Health Insurance Credit (HIC); and the Virginia Sickness and Disability Program (VSDP), including self-funded Long-Term Care, all effective July 1, 2022.

Rationale for Requested Action

In accordance with *Code of Virginia* § 51.1-145, the VRS Board of Trustees determines the required contribution rate for the various employer groups in the Retirement Program. Based on the June 30, 2021 actuarial valuations conducted by the VRS plan actuary, Cavanaugh Macdonald LLC, the Board certifies the full employer contribution rates as follows:

Retirement Systems

Fiscal Year 2023/2024

Plan	Full Employer Rate for Defined Benefit Plan	Estimated Employer Rate for Hybrid Defined Contribution Component	Board Certified Full Employer Contribution Rate
State Employees	13.07%	1.06%	14.13%
Teacher	13.95%	0.81%	14.76%
State Police Officers	29.98%	N/A	29.98%
Virginia Law Officers	24.60%	N/A	24.60%
Judges	28.81%	1.86%	30.67%

Contribution rates for retirement systems are net of 5% member contribution rate.

Other Post Employment Benefit Plans (OPEBs)

Fiscal Year 2023/2024

Plan	Board Certified Full Employer Contribution Rate
Group Life	1.19%
HIC State	1.04%
HIC Teachers	1.21%
VSDP	0.56%

The certified employer contribution rates for the retirement systems and OPEBS listed above reflect the assumptions and provisions in effect as of June 30, 2021 including: 1) the assumption and method changes from the most recent experience study for the period from July 1, 2016 to June 30, 2020 and 2) the funding principles approved by the Board effective on or after June 30, 2013, as amended, which include a 30-year closed amortization of unfunded actuarial accrued liability as of 2013 with 30 years decreasing by one each year until reaching 0 years, and future annual increases or decreases in unfunded liability to be funded over closed 20-year periods beginning on each valuation date.

The certified employer contribution rates for the retirement plans and associated OPEBs will go into effect on July 1, 2022.

Authority for Requested Action

Code of Virginia § 51.1-145 authorizes the Board to determine the required contribution rate for the various employer groups in the Retirement Program.

The above action is approved.

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

Date



Cavanaugh Macdonald
CONSULTING, LLC

The experience and dedication you deserve



Virginia Retirement System June 30, 2021 Actuarial Valuations

October 14, 2021

Larry Langer, ASA, FCA, MAAA, EA
Principal and Consulting Actuary

Alisa Bennett, FSA, FCA, MAAA, EA
President



- The Actuarial Valuation Process and Purpose
- June 30, 2021 Results:
 - Employer Contribution Rates
 - Funded Status
 - Unfunded Actuarial Accrued Liability (UAAL)
- Plan by Plan Analysis
- Appendix

Purpose of the June 30, 2021 Actuarial Valuation



- The actuarial valuation provides a basic source document for information regarding actuarially determined contributions (employer rates) as well as the funded status of pension and other post-employment benefit (OPEB) plans.

- The June 30, 2021 valuations will be used to set contribution rates for the two-year period from July 1, 2022 through June 30, 2024
 - Odd year valuations are for rate setting.
 - Even year valuations are for informational purposes.

Purpose of the June 30, 2021 Actuarial Valuation



- Each fall, CMC presents results over two Board meetings:

Pension	Other Post Employment Benefits (OPEB)
Virginia Retirement System	Group Life Insurance Fund
▪ State Employees	Retiree Health Insurance Credit (HIC)
▪ Teachers	▪ State Employees
▪ Political Subdivisions	▪ Teachers
Virginia Law Officers (VaLORS)	▪ Political Subdivisions
State Police Officers (SPORS)	▪ Constitutional Officers
Judges (JRS)	▪ Social Services Employees
	▪ Registrars
	Virginia Sickness and Disability Program (VSDP)
	Virginia Local Disability Program (VLDP)
	▪ Teachers
	▪ Political Subdivisions
	Line of Duty Act Fund (LODA)

- We present results for the plans **in bold** in October; the remainder will be presented November.

Basic funding equation for benefits:

$$\mathbf{C + I = B + E}$$

Contributions + Investment returns = Benefits + Expenses

- Over the long term, actual investment returns, benefits and expenses determine the amount of contributions.
- Over the short term, estimated investment returns, benefits and expenses developed in an actuarial valuation will determine the amount of contribution.

- The valuation process can be viewed as a budgeting process. Like a budget, we make use of information we know as of a certain date, and using assumptions, we estimate what we think will happen in the future.
- Member data, asset data and benefit provisions are provided by Staff. Thank you!!
- Assumptions and funding methodology are determined by the Board of Trustees, Code of Virginia and GASB, with input from the actuary and other professionals.

Inputs

Member Data
Asset Data
Benefit Provisions
Assumptions
Funding Methodology



Results

Actuarial Value of Assets (AVA)
Actuarial Accrued Liability (AAL)
Net Actuarial Gain or Loss
Funded Ratio/UAAL
Employer Contribution Rates
Projections

Executive Summary

- Since the prior valuation, there have been several significant changes to assumptions as well as plan experience that differed from what was assumed which will impact future contribution rates.

- Significant factors that impacted results:
 - Assumptions changes
 - Investment return
 - Salary increases
 - Demographic changes
 - Possible COVID Impacts?
 - Headcounts are down in several plans
 - Higher terminations, deaths, and refunds
 - Fewer new hires

- The impact of these events had mixed results across plans as we will see on the following slides.

Executive Summary



- The Teacher plan received an ad-hoc contribution of \$61.3 million in June 2021 which was applied to the 10-year deferred contribution balance.
- The State HIC plan received an ad-hoc contribution of \$38.7 million in June 2021.
- Investment gains had a smaller effect on OPEB plans than the pension plans because the OPEB plans had lower funded status so less opportunity for large gains.

Experience Study Recommendations

- Most significant change was to the mortality assumptions
 - PUB-2010 with generational mortality improvement scale

- Generally increased liabilities for pension plans and had mixed results on OPEB plans

Executive Summary



- Changes in assumptions recommended by CMC and adopted by the Board in April 2021 *generally* increased liabilities:

System	Actuarial Accrued Liability		
	Before Assumption Changes	After Assumption Changes	% Change in Liability
State	\$ 26,326,136	\$ 26,727,971	1.53%
Teachers	\$ 51,871,407	\$ 52,747,596	1.69%
SPORS	\$ 1,267,565	\$ 1,326,646	4.66%
VaLORS	\$ 2,339,223	\$ 2,407,153	2.90%
JRS	\$ 681,969	\$ 733,408	7.54%
Group Life	\$ 3,717,938	\$ 3,524,464	-5.20%
HIC State	\$ 1,033,299	\$ 1,044,663	1.10%
HIC Teachers	\$ 1,457,810	\$ 1,471,397	0.93%
VSDP	\$ 254,646	\$ 250,103	-1.78%

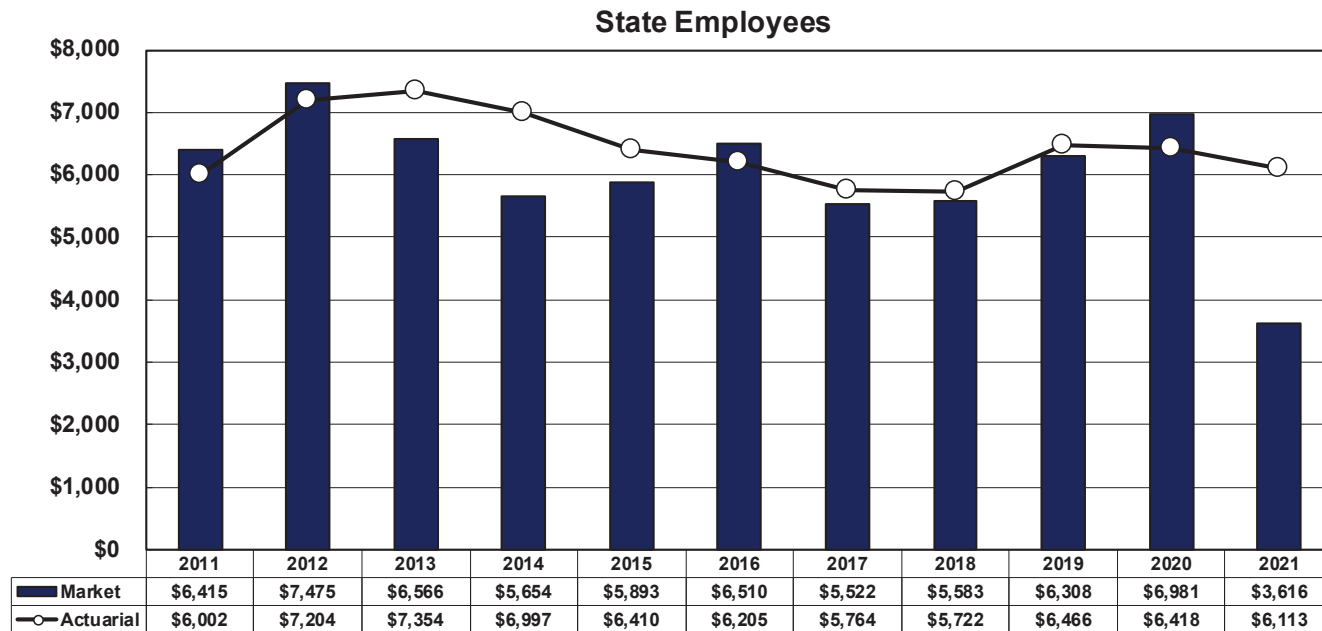
Investment Return for 2021

- Fiscal year investment return for 2021 was 27.5%
- Immediate positive impact to funded status on market value of asset basis
- Investment gain is phased in over a five-year period due to actuarial smoothing of assets for funding calculations

Executive Summary



- Since the actuarial value of assets smooths in the excess gains over a four-year period, the unfunded liabilities on an actuarial value of assets basis should trend downward toward the unfunded liabilities on a market value basis if all other assumptions are met. As seen in projections later, this could help to moderate future contribution rates.



- UAAL graphs for other plans are in the appendix and show similar patterns.

Salary Increases for State Employees

- Governor’s budget included 5% salary increases for State employees, with additional compression increases for SPORS members.

System	Average Salary		
	2020	2021	% Change in Average Salary
State	\$ 58,992	\$ 62,350	5.70%
Teachers	\$ 56,401	\$ 57,125	1.30%
SPORS	\$ 68,220	\$ 73,341	7.50%
VaLORS	\$ 42,541	\$ 44,879	5.50%
JRS	\$ 166,445	\$ 174,669	4.90%

Demographic Changes

- Active headcounts are down for State, Teachers and VaLORS. There were more terminations, deaths and refunds than expected and fewer new hires.
- State agencies were generally under a hiring freeze for most of the period and most pay actions were suspended.
- Generally, the impact of demographic changes on the valuation results was less than the impact of the change in assumptions, market returns being more than expected and COLAs being less than expected.

Demographic Changes

System	Active Counts		
	2020	2021	% Change in Active Counts
State	\$ 75,069	\$ 73,686	-1.80%
Teachers	\$ 150,681	\$ 149,793	-0.60%
SPORS	\$ 1,924	\$ 1,947	1.20%
VaLORS	\$ 8,554	\$ 7,823	-8.50%
JRS	\$ 449	\$ 453	0.90%

Results

Employer Defined Benefit Contribution Rate Pension Plans

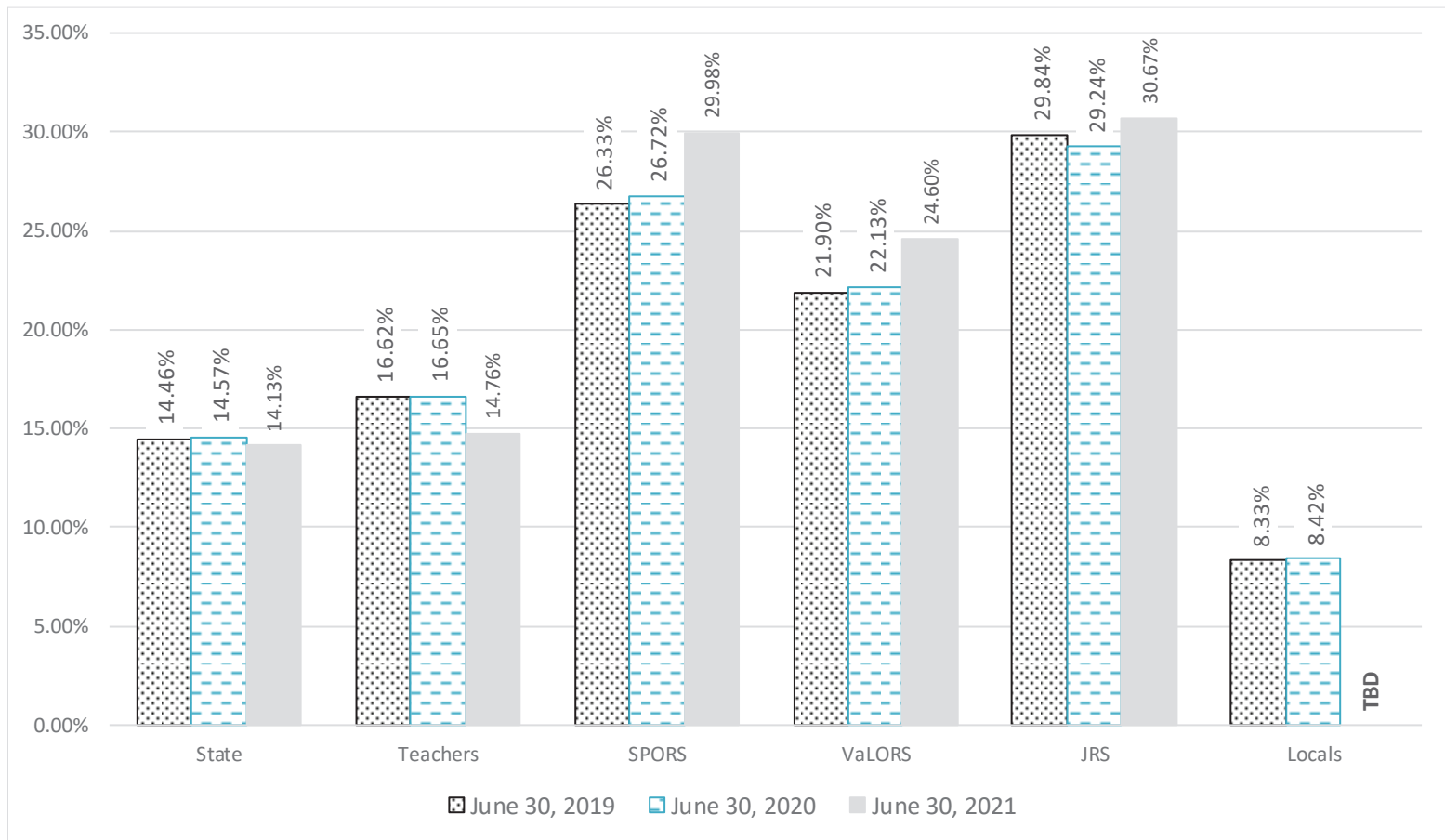


Chart of employer contribution results is also shown in appendix on slide 43.

Employer Contribution Rate OPEB Plans

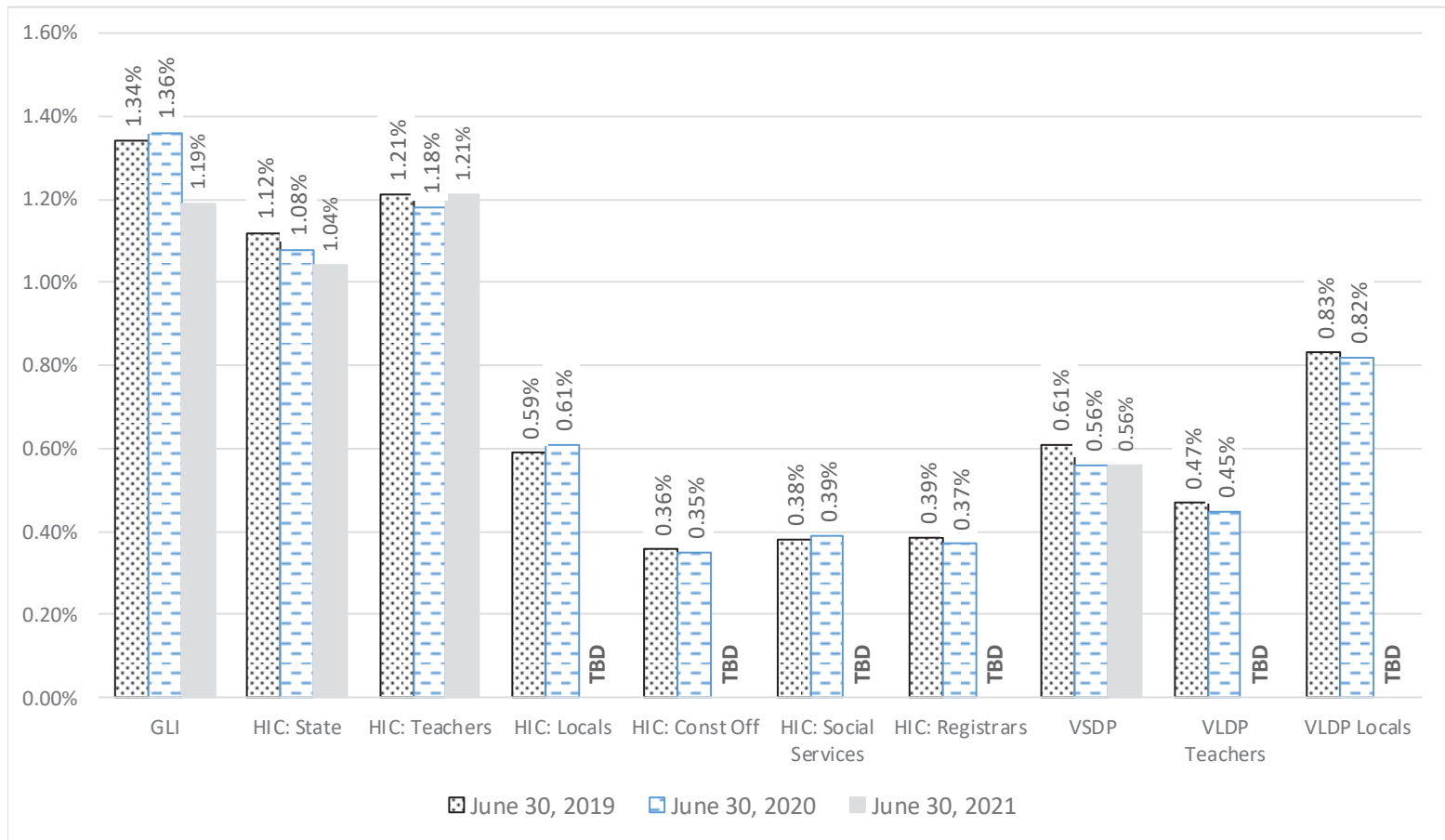
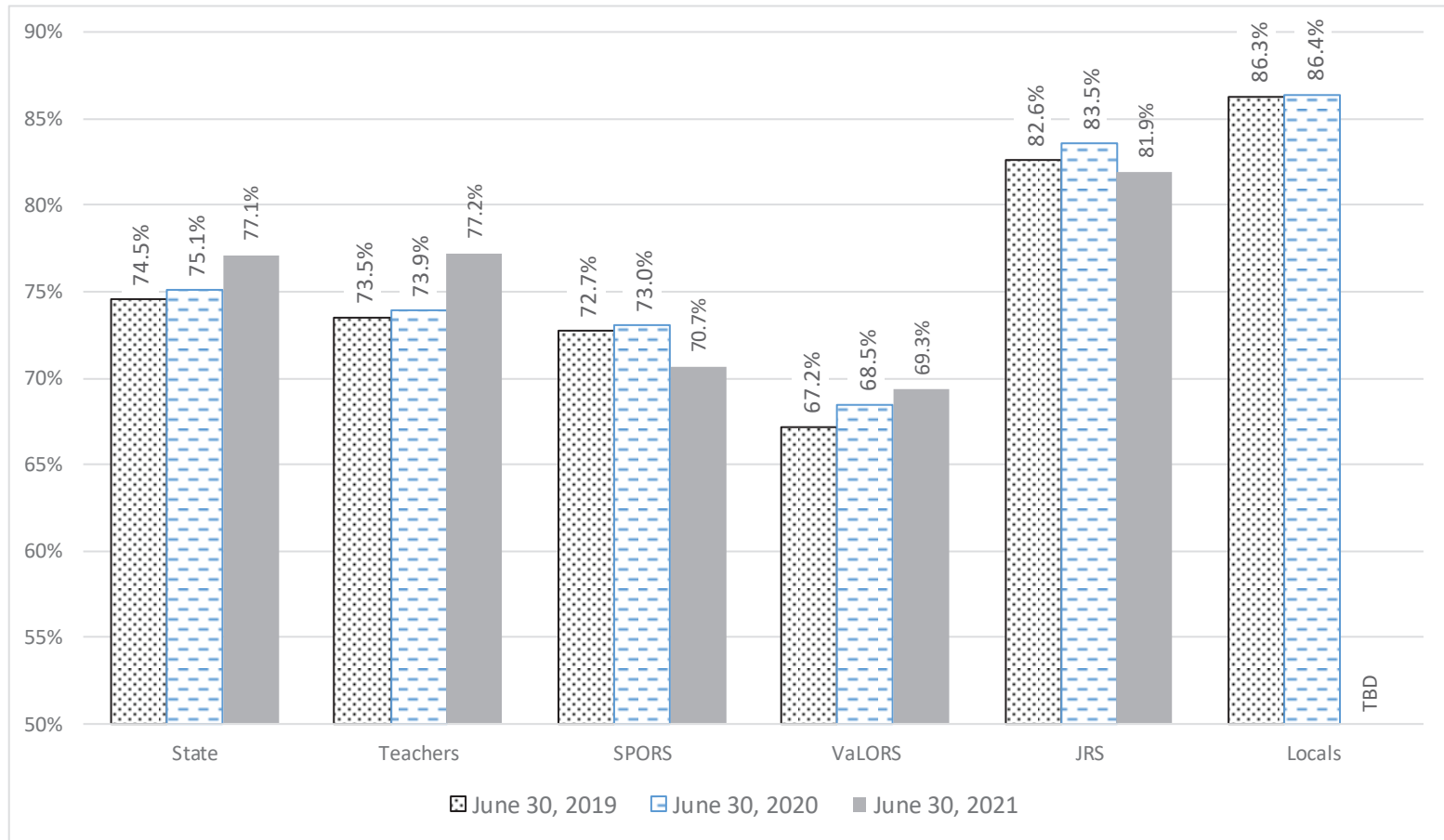
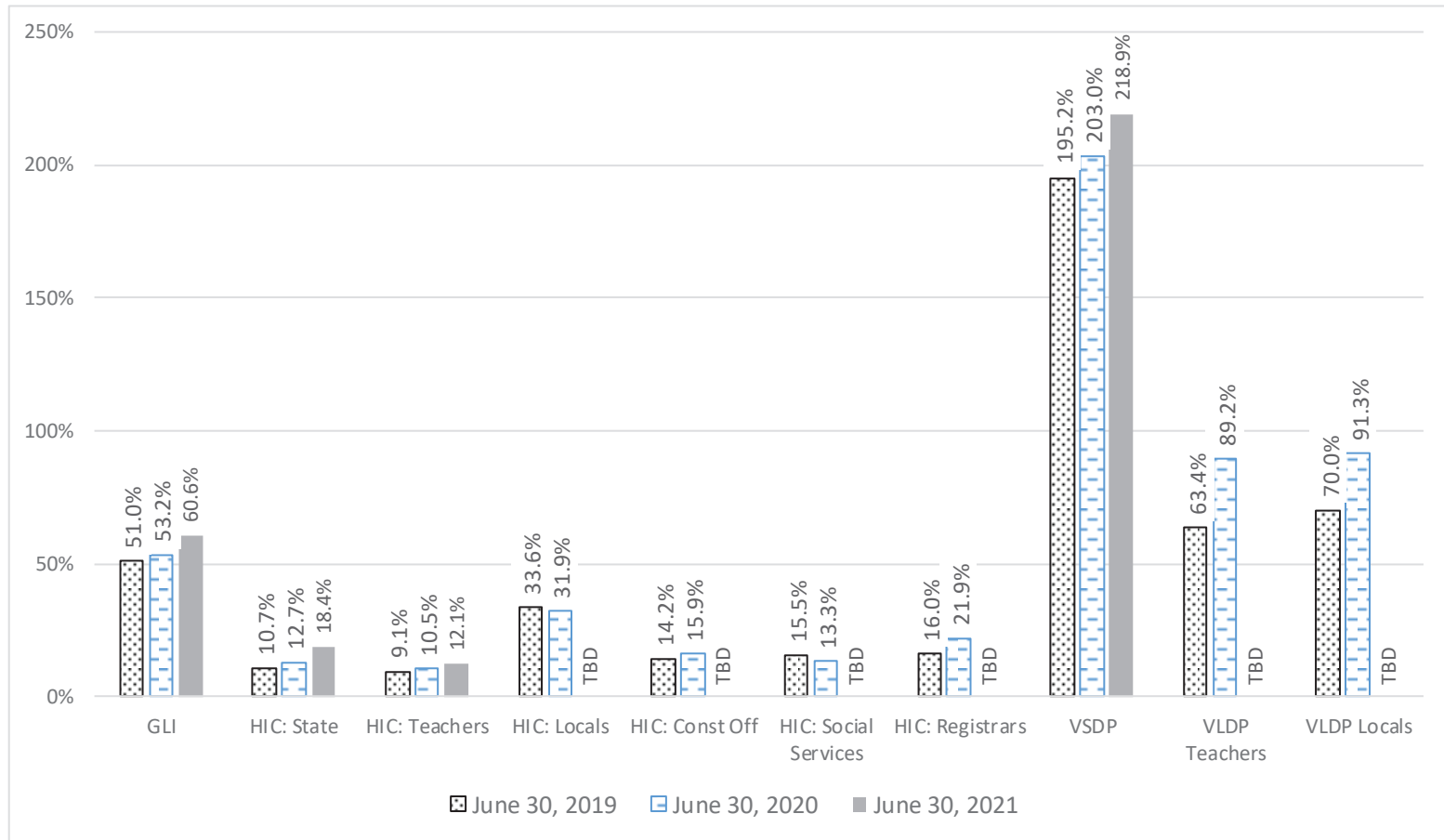


Chart of employer contribution results is also shown in appendix on slide 44.

Funded Ratio on Actuarial Value Pension Plans



Funded Ratio on Actuarial Value OPEB Plans



Unfunded Actuarial Accrued Liability on Actuarial Value Basis Pension Plans

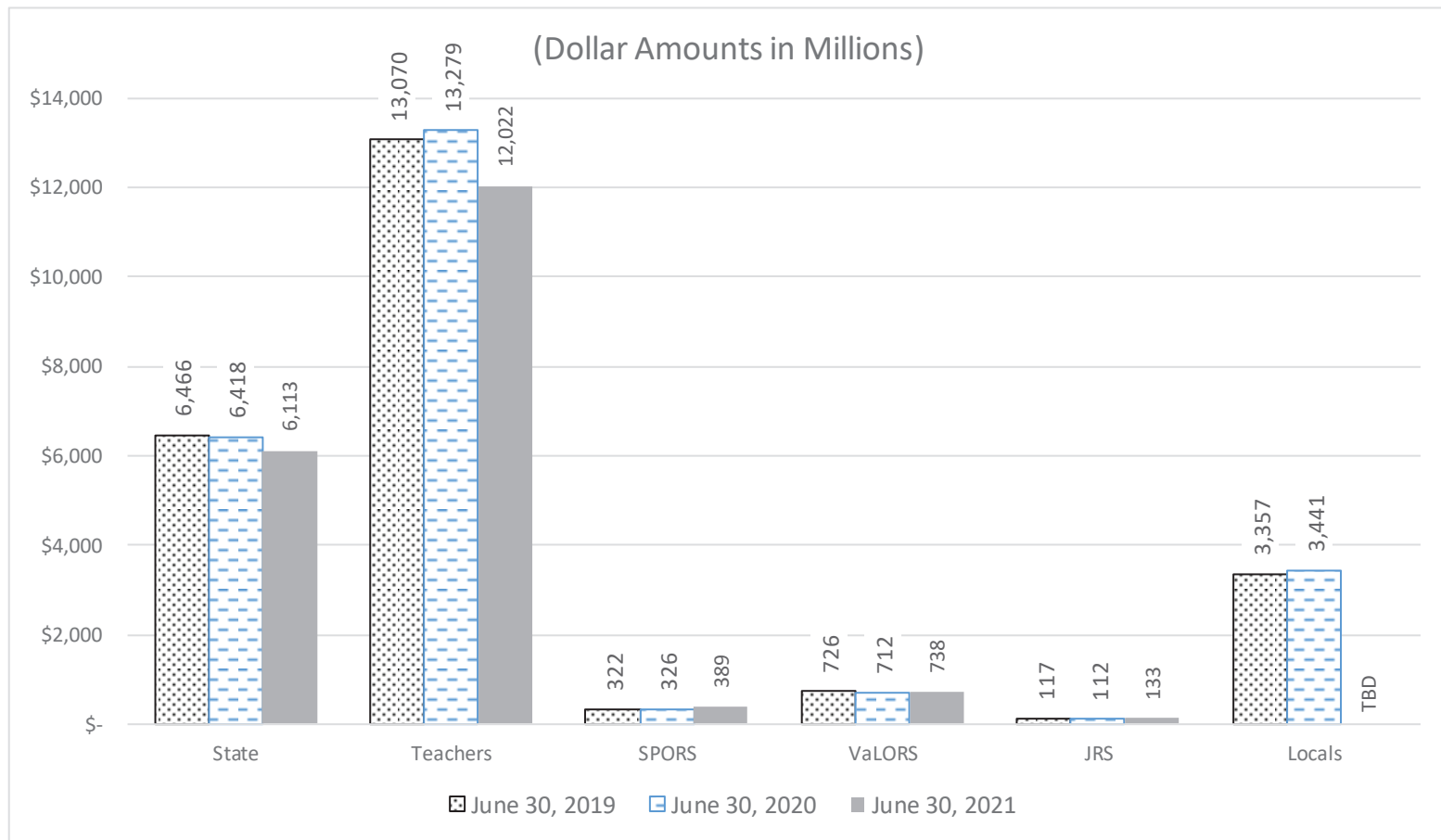


Chart of unfunded liabilities is also shown in appendix on slide 45.

Unfunded Actuarial Accrued Liability on Actuarial Value Basis OPEB Plans

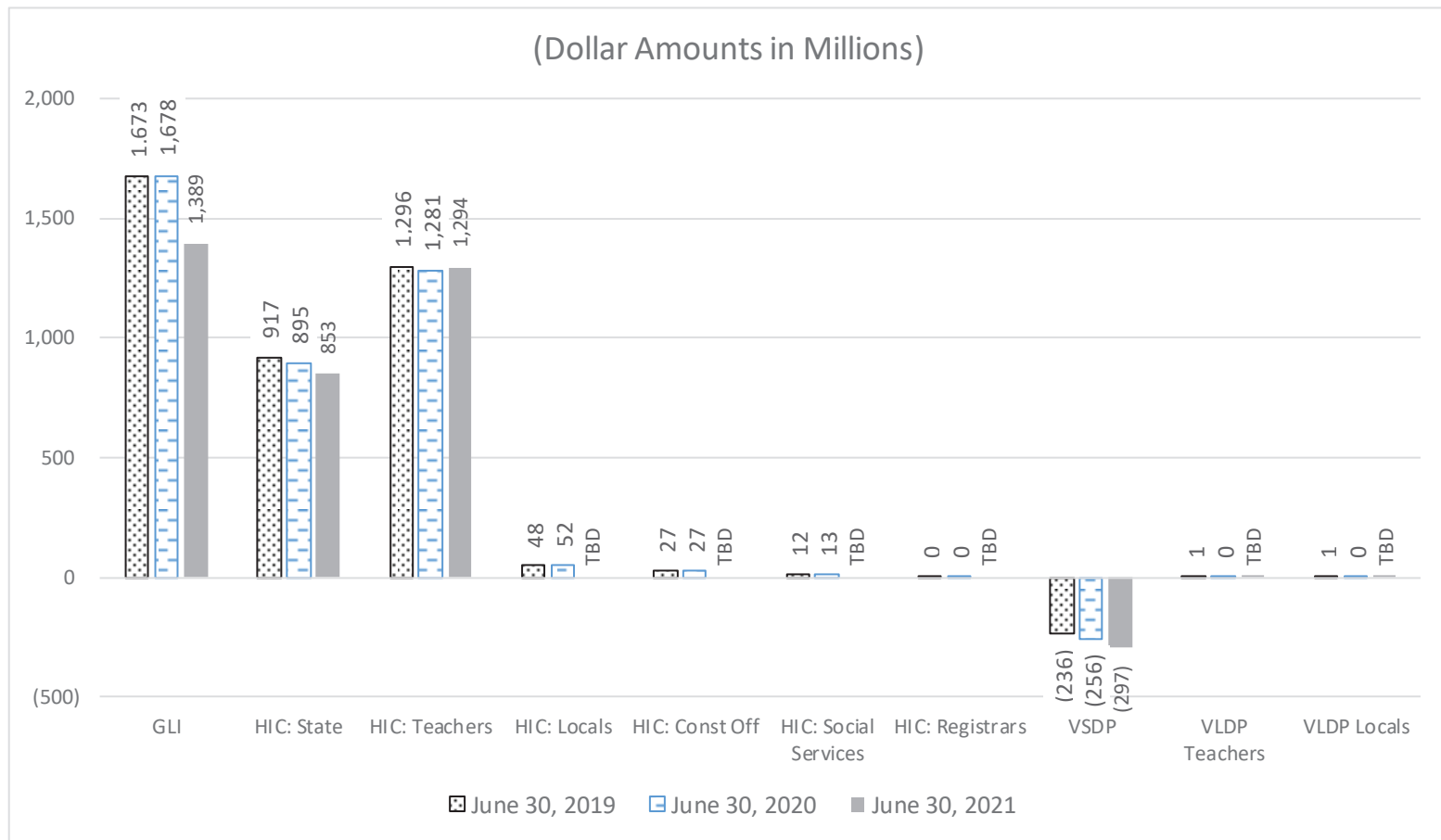
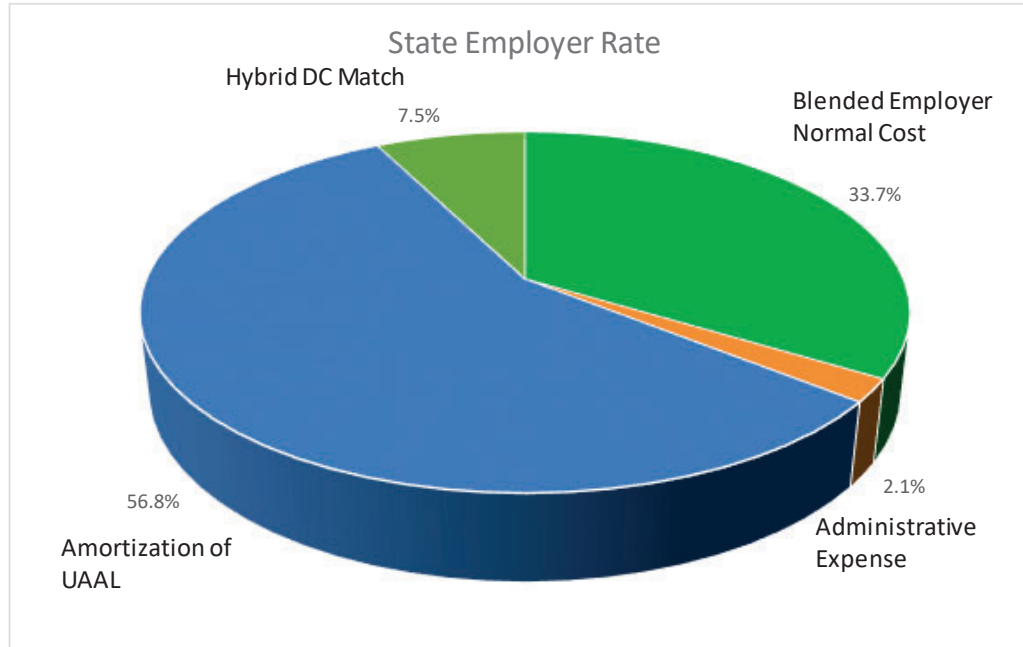


Chart of unfunded liabilities is also shown in appendix on slide 46.

Source of Change in UAAL

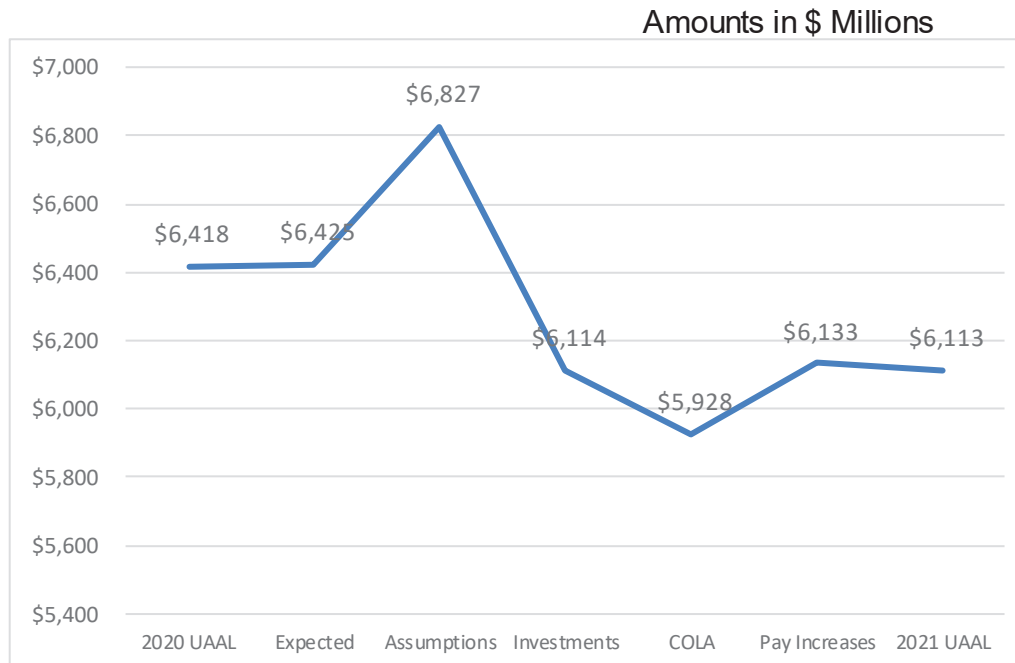
Breakdown of Employer Costs



- Normal cost rate remains relatively stable and continues to trend downward in plans that have hybrid membership.
- Nearly 57% of the employer rate is dedicated to paying down unfunded liabilities, with nearly all of the unfunded liabilities related to the legacy unfunded established in 2013.
- Understanding the impacts of gains and losses is crucial in managing the pay-off of unfunded liabilities.

Blended Employer Normal Cost Rate	4.76%
Administrative Expense	0.29%
Amortization of UAAL	8.02%
Total Defined Benefit Rate	13.07%
DC Contribution for Hybrid Members	1.06%
Total Employer Pension Rate	14.13%

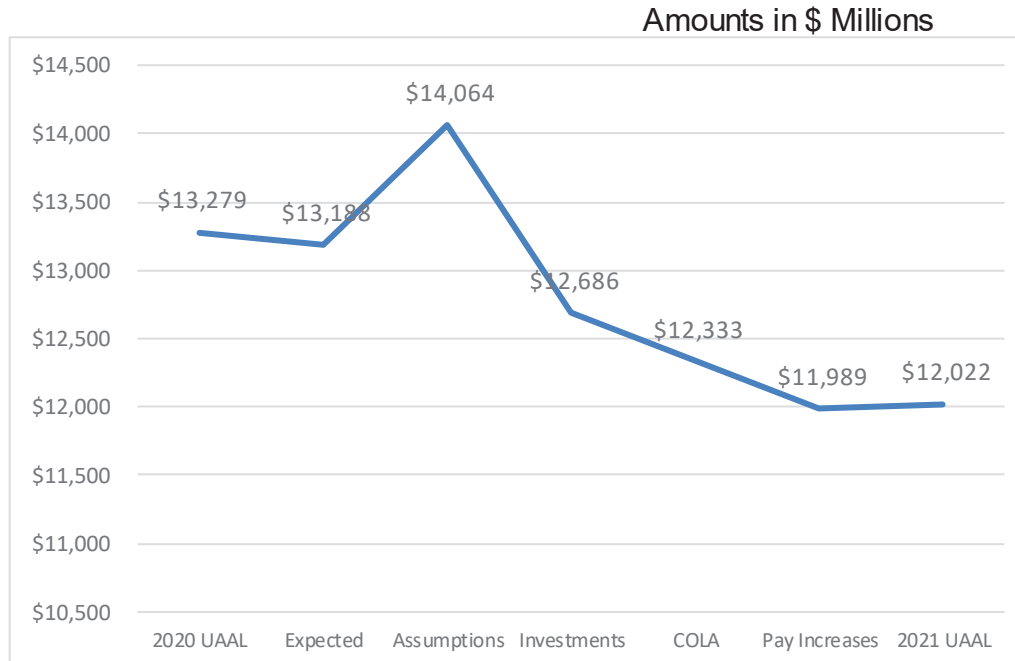
Change in UAAL due to FYE June 30, 2021 Plan Experience State Employees



Change in UAAL by Source	
Expected	\$ 7
Assumptions	402
Investments	(713)
COLA	(186)
Pay Increases	205
All Else	(20)
Total	(305)

- The increases in liability associated with assumption and method changes from the experience study were more than offset by the investment gain.
- Similarly, the decrease in liabilities associated with lower-than-expected COLAs was offset by the larger than expected pay increases.
- The State plan also experienced more deaths than expected which led to a gain of \$38.7 million.

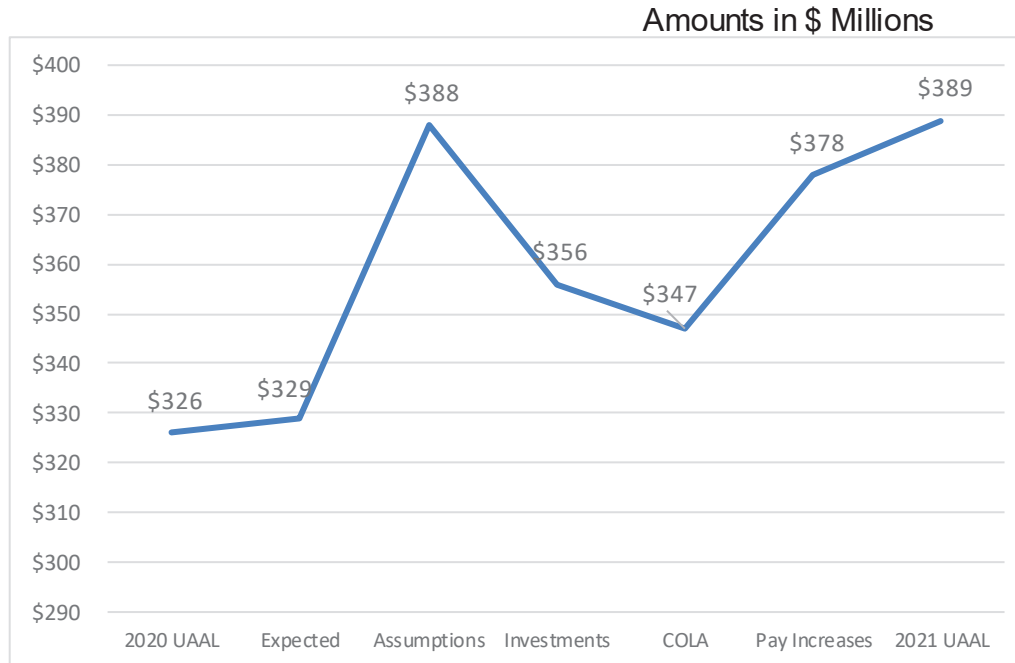
Change in UAAL due to FYE June 30, 2021 Plan Experience Teachers



Change in UAAL by Source	
Expected	(91)
Assumptions	876
Investments	(1,378)
COLA	(353)
Pay Increases	(344)
All Else	33
Total	(1,257)

- The increases in liability associated with assumption and method changes from the experience study were more than offset by the investment gain.
- Lower-than-expected COLAs and pay increases further decreased liabilities.
- Teacher plan received an extra contribution of \$61.3 million in June 2021.
- All other changes including the demographic changes increased the liabilities by approximately \$33 million.

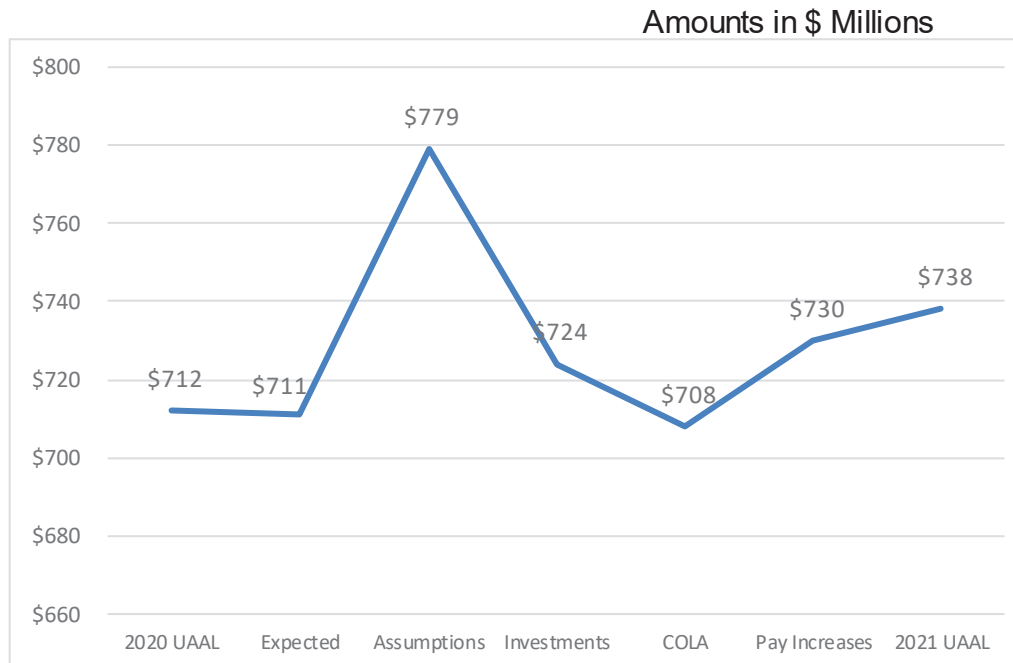
Change in UAAL due to FYE June 30, 2021 Plan Experience State Police



Change in UAAL by Source	
Expected	\$ 3
Assumptions	59
Investments	(32)
COLA	(9)
Pay Increases	31
All Else	11
Total	63

- The increases in liability associated with assumption and method changes from the experience study were partially offset by the investment gain.
- Similarly, higher-than-expected pay increases were partially offset by lower-than-expected COLAs. SPORS received 8% pay increases along with eligible members receiving further compression pay increases.
- All other changes including the demographic changes resulted in increasing the liabilities by approximately \$11 million.

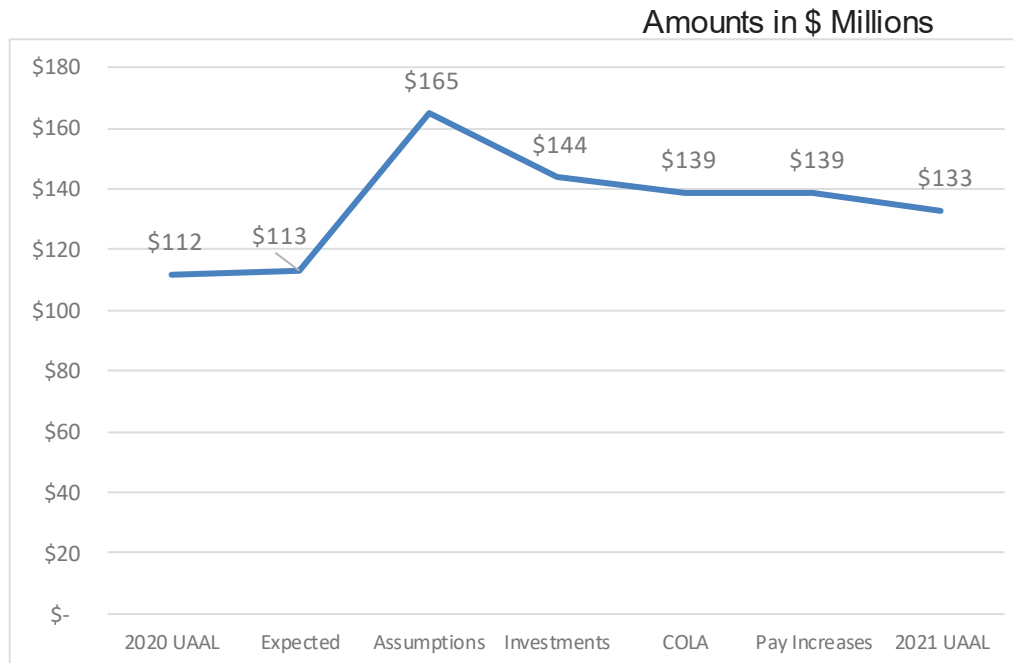
Change in UAAL due to FYE June 30, 2021 Plan Experience Virginia Law Officers



Change in UAAL by Source	
Expected	\$ (1)
Assumptions	68
Investments	(55)
COLA	(16)
Pay Increases	22
All Else	8
Total	26

- The increases in liability associated with assumption and method changes from the experience study were partially offset by the investment gain.
- Similarly, higher-than-expected pay increases were partially offset by lower-than-expected COLAs.
- VaLORS also had more retirements than expected which caused a loss of \$26.3 million.

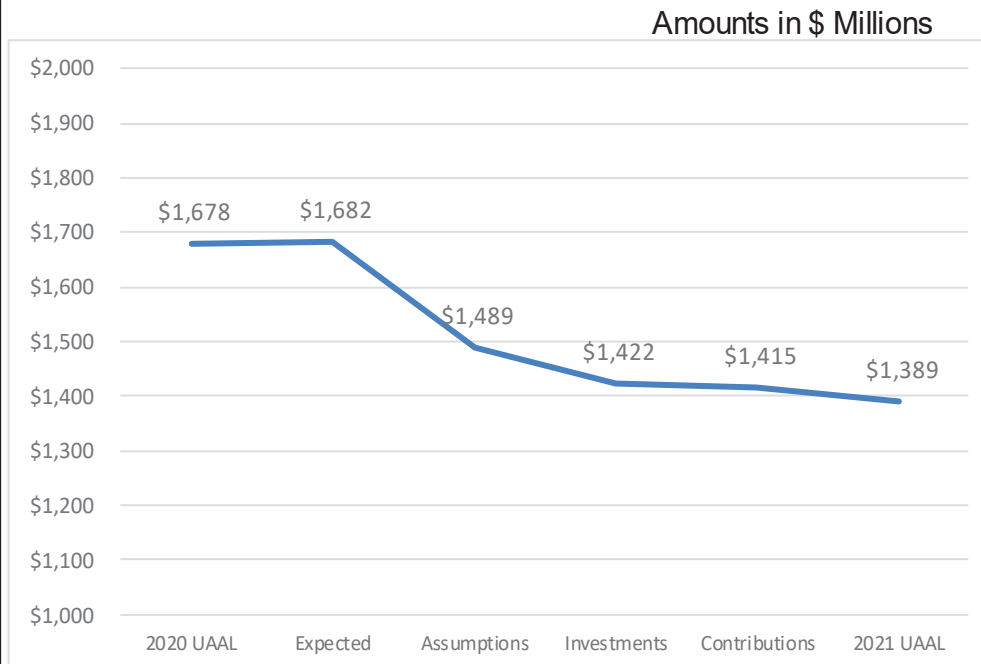
Change in UAAL due to FYE June 30, 2021 Plan Experience Judicial



Change in UAAL by Source	
Expected	\$ 1
Assumptions	52
Investments	(21)
COLA	(5)
Pay Increases	0
All Else	(6)
Total	21

- The increases in liability associated with assumption and method changes from the experience study were partially offset by the investment gain.
- Assumed pay increases for JRS are higher than other employer groups therefore less of an impact related to pay increases.
- Lower-than-expected COLAs further reduced liabilities and were more than offset by retirement losses which increased liability by approximately \$9 million.

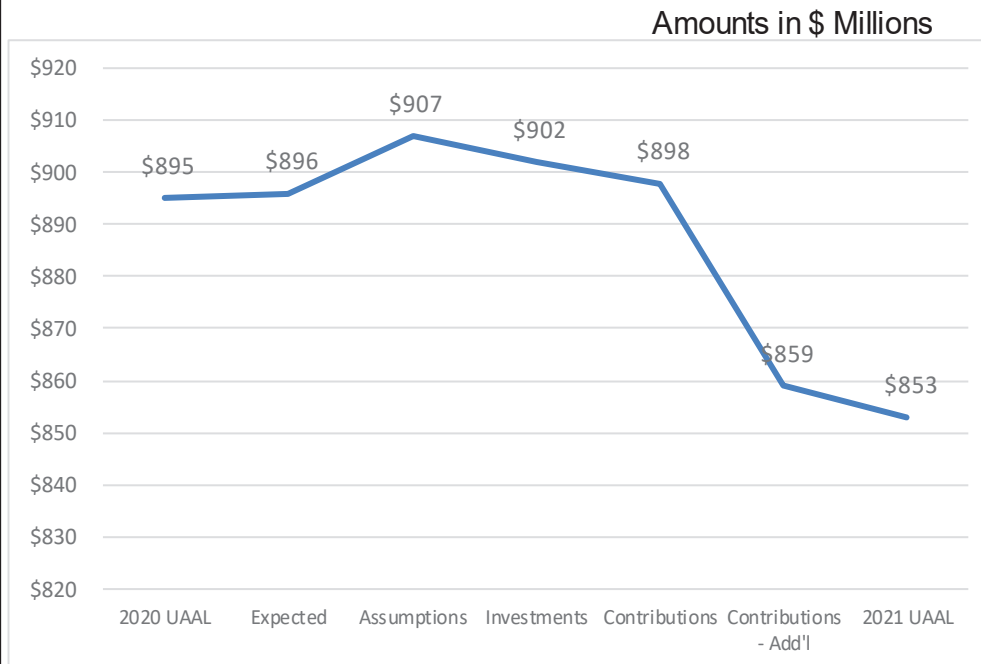
Change in UAAL due to FYE June 30, 2021 Plan Experience Group Life Insurance



Change in UAAL by Source	
Expected	\$ 4
Assumptions	(193)
Investments	(67)
Contributions	(7)
All Else	(26)
Total	(289)

- Experience study caused a decrease in both liabilities and the employer contribution rate, primarily due to improved mortality which lowers life insurance cost.
- There were additional decreases in liability associated with investment gains and higher than anticipated contributions.
- All other changes including the demographic changes resulted in lowering the liabilities by approximately \$26 million.

Change in UAAL due to FYE June 30, 2021 Plan Experience Health Insurance Credit - State

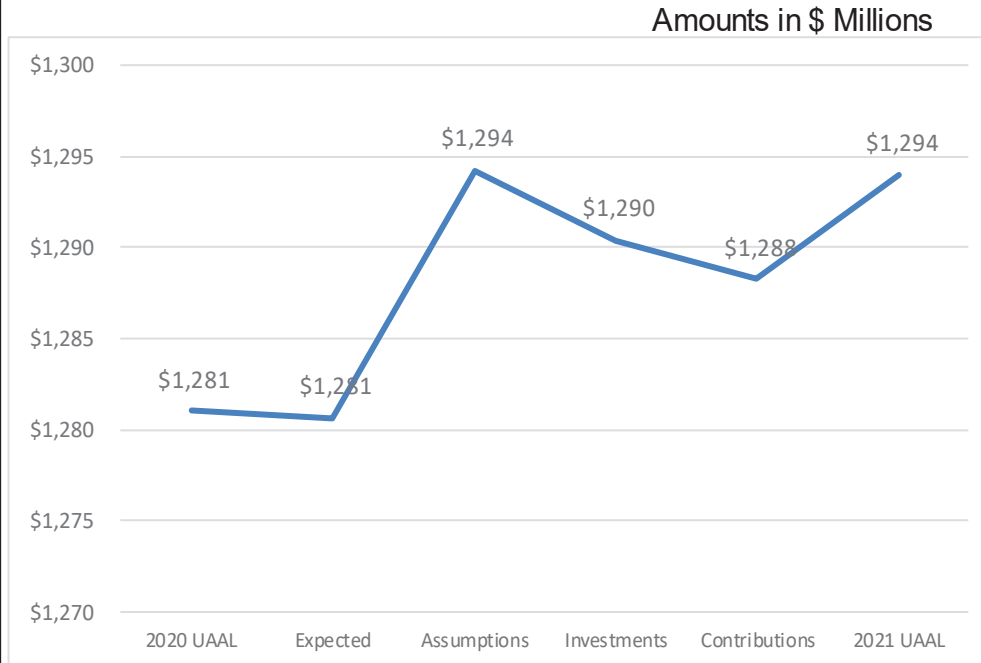


Change in UAAL by Source	
Expected	\$ 1
Assumptions	11
Investments	(5)
Contributions	(4)
Contributions - Add'l	(39)
All Else	(6)
Total	(42)

- The increases in liability associated with assumption and method changes from the experience study were more than offset by the investment gain, employer contributions, and an additional one-time contribution.

- All other changes, including the demographic changes, resulted in lowering the liabilities by approximately \$6 million.

Change in UAAL due to FYE June 30, 2021 Plan Experience Health Insurance Credit - Teachers



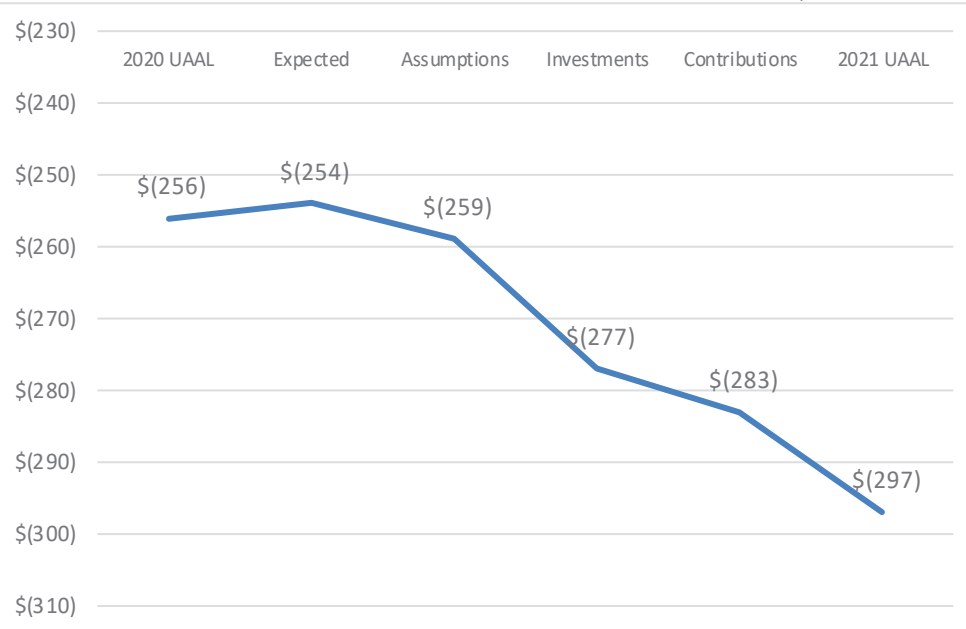
Change in UAAL by Source	
Expected	\$ -
Assumptions	13
Investments	(4)
Contributions	(2)
All Else	6
Total	13

- Liabilities increased with assumption and method changes from the experience study, while normal cost decreased.
- Liability increases were partially offset by the investment gain and higher than anticipated employer contributions which lowered liabilities by approximately \$6 million.
- All other changes including the demographic changes resulted in increasing the liabilities by approximately \$6 million.
- Employer contribution rate would have been expected to decrease slightly but increased slightly instead due to payroll being flat.

Change in UAAL due to FYE June 30, 2021 Plan Experience VSDP



Amounts in \$ Millions



Change in UAAL by Source	
Expected	\$ 2
Assumptions	(5)
Investments	(18)
Contributions	(6)
All Else	(14)
Total	(41)

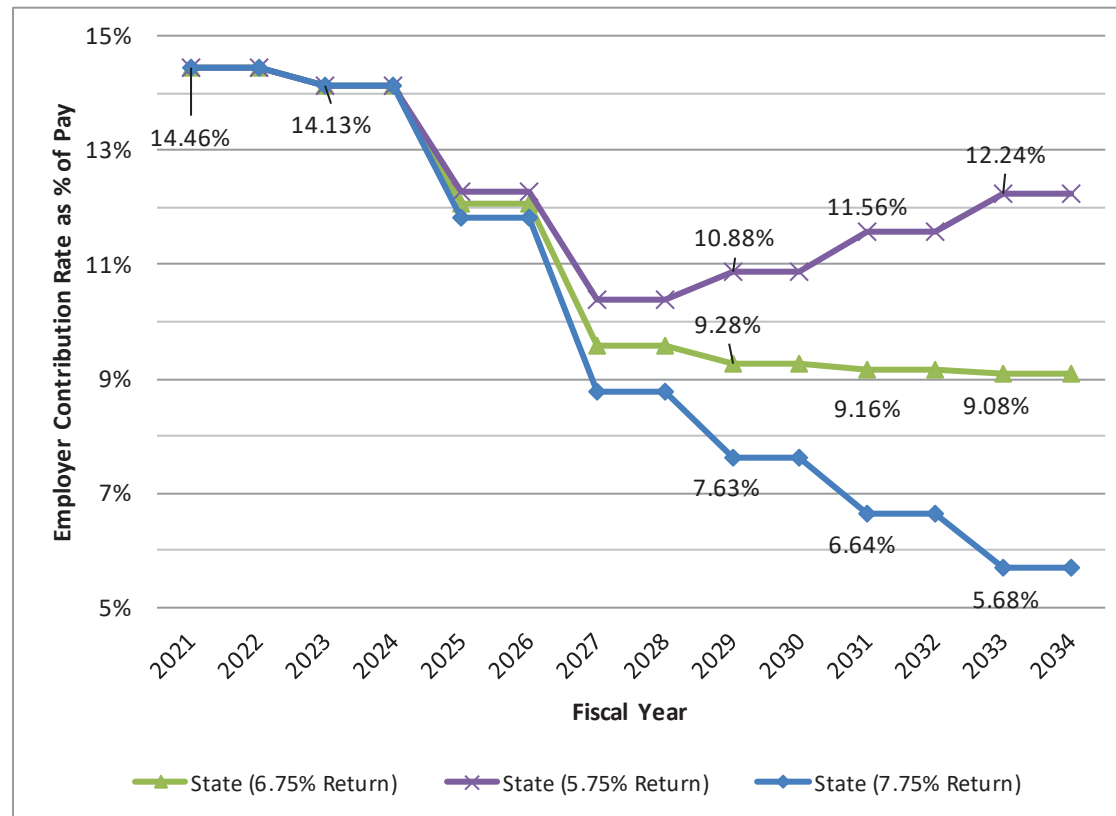
- There was a small decrease in liability associated with assumption and method changes from the experience study. The experience study caused an increase to the normal cost.
- There were additional decreases in liability associated with investment gains and higher than anticipated contributions.
- All other changes, including the demographic changes, resulted in lowering the liabilities by approximately \$14 million. Experience gains are to be expected in a disability plan due the nature of the benefit.
- An increase to the employer contribution rate was expected due to the experience study, but the rate actually decreased due to asset and experience gains.

Projection of Employer Rates and Funded Status

State Projected Employer Contribution Rates Including Defined Contribution Hybrid



Investment Return Sensitivity

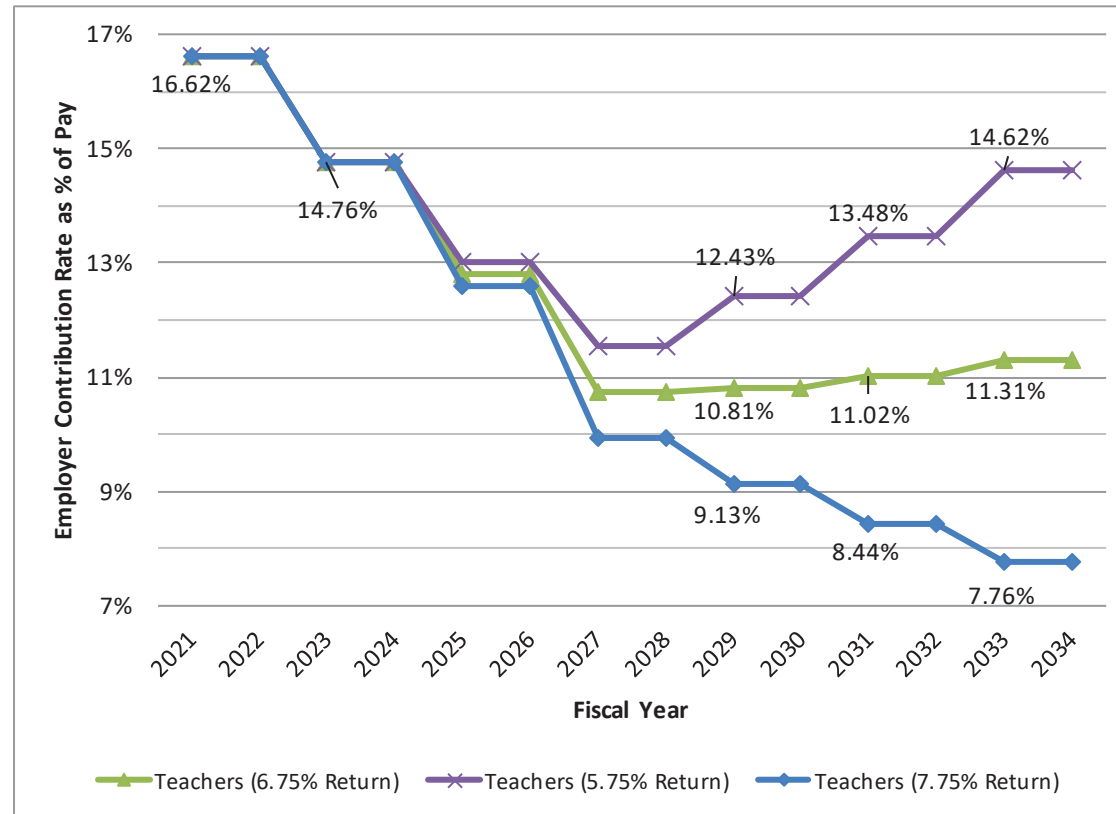


Assumes employer match to defined contribution portion of the Hybrid Plan of 2.28% for members in the Hybrid Plan, which is 1.06% of total payroll for 2021. Rates above are for alternative investment return scenarios only. Liabilities are calculated at 6.75% under all scenarios.

Teachers Projected Employer Contribution Rates Including Defined Contribution Hybrid

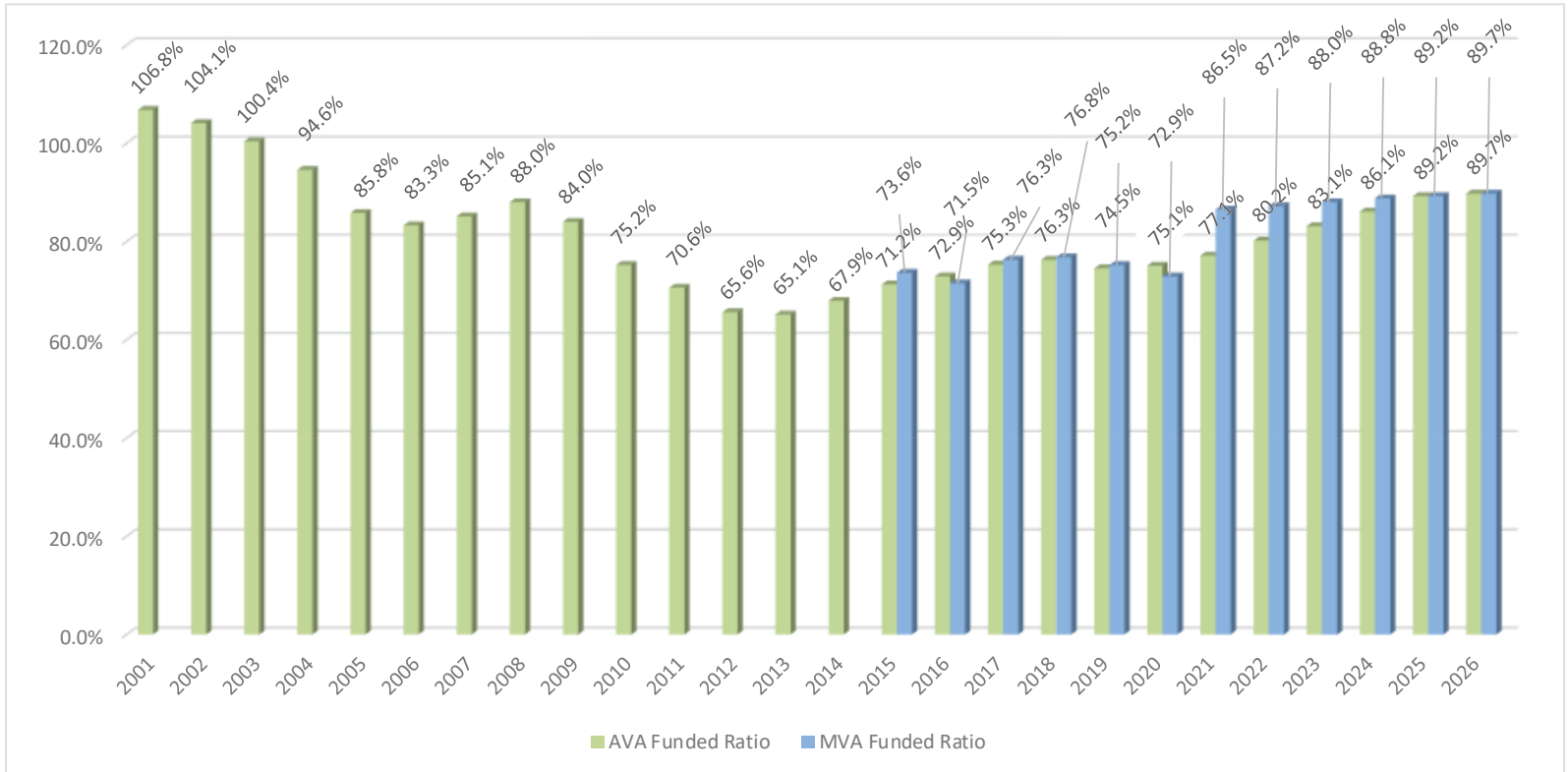


Investment Return Sensitivity



Assumes employer match to defined contribution portion of the Hybrid Plan of 2.12% for members in the Hybrid Plan, which is 0.81% of total payroll for 2021.
 Rates above are for alternative investment return scenarios only. Liabilities are calculated at 6.75% under all scenarios.

Projected Funded Status State Employees Pension Plan



Notes and Assumptions:

AVA are actuarial value of assets (five-year smoothing) and MVA are market value of assets.

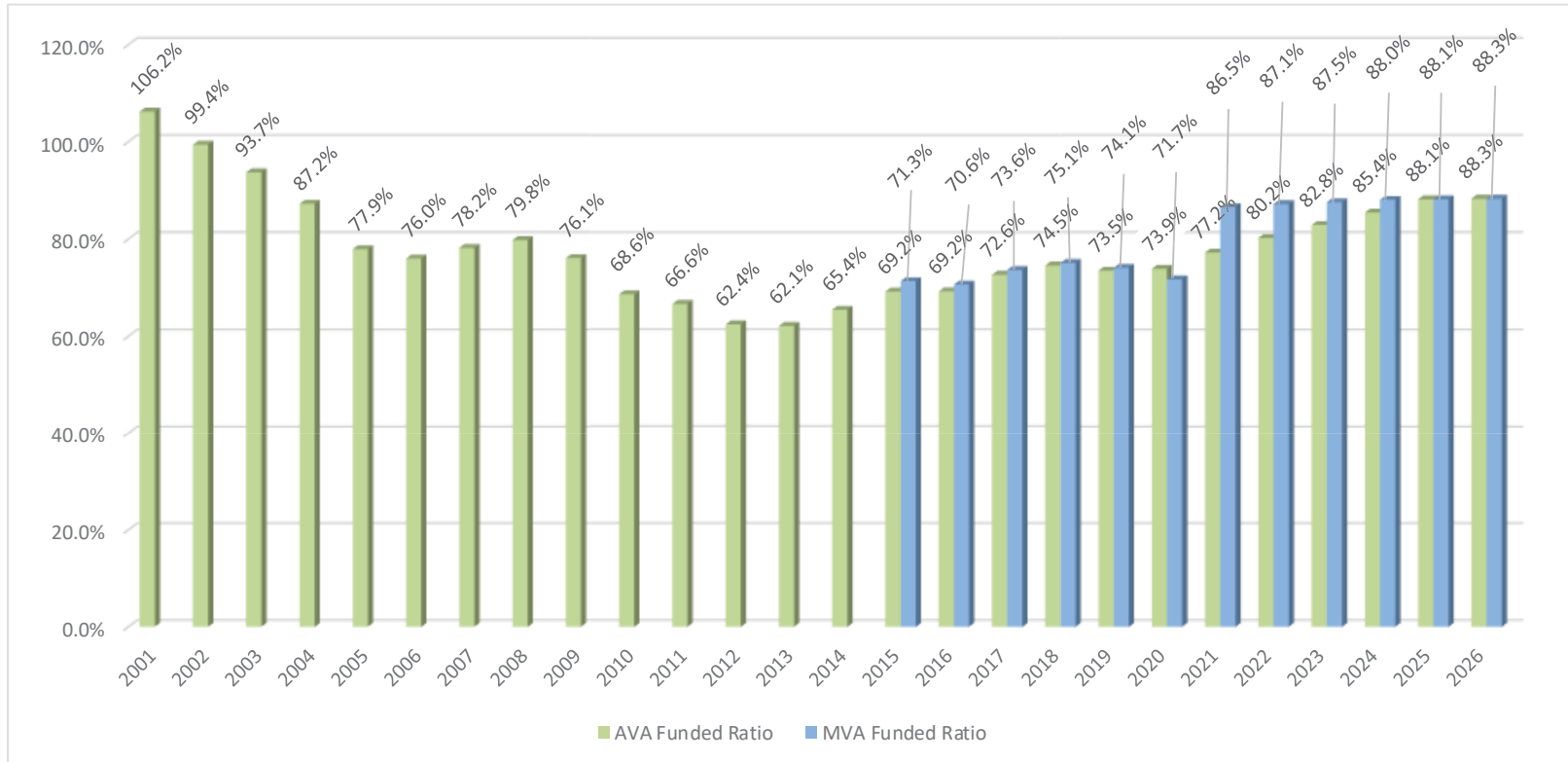
The AVA funded ratio, shown in light green, is used for funding purposes. The MVA funded ratio, shown in blue, is used for GASB 67 & 68 purposes. GASB 67 & 68 were first effective in 2015.

Projected years' investment returns assume 6.75% with 2.5% inflation rate.

Annual discount rates 8% from 2001-2004; 7.5% from 2005 – 2009; 7% from 2010 – 2018; 6.75% from 2019 on.

Projections for 2022-2026 assume 100% of future contributions are made.

Projected Funded Status Teachers Pension Plan



Notes and Assumptions:

AVA are actuarial value of assets (five-year smoothing) and MVA are market value of assets.

The AVA funded ratio, shown in light green, is used for funding purposes. The MVA funded ratio, shown in blue, is used for GASB 67 & 68 purposes. GASB 67 & 68 were first effective in 2015.

Projected years' investment returns assume 6.75% with 2.5% inflation rate.

Annual discount rates 8% from 2001-2004; 7.5% from 2005 – 2009; 7% from 2010 – 2018; 6.75% from 2019 on.

Projections for 2022-2026 assume 100% of future contributions are made.

THANK YOU!

Appendix

Detailed Results

Summary Rates for Pension Plans

Fiscal Years Ending June 30,	2019/2020	2021/2022	2023/2024
Actuarial Valuation date	June 30, 2017	June 30, 2019	June 30, 2021
Pension Plan	Board & General Assembly Approved	Board & General Assembly Approved	Submitted for Approval
State	13.52%	14.46%	14.13%
Teachers	15.68%	16.62%	14.76%
SPORS	24.88%	26.33%	29.98%
VaLORS	21.61%	21.90%	24.60%
JRS	34.39%	29.84%	30.67%
Political Subdivisions (Average rates)	7.60%	8.33%	TBD

Contribution rates for retirement systems are net of 5% and 4% member contribution rates for Plan 1 and 2 and Hybrid Plan, respectively.

Employer rate for Hybrid defined contribution component assumes employer match to DC portion of the Hybrid Plan based on DC rates for each individual employer observed during prior fiscal year.

TBD - Available at the November 2021 Board Meeting.

Summary Rates for OPEB Plans

Fiscal Years Ending June 30,	2019/2020	2021/2022	2023/2024
Actuarial Valuation date	June 30, 2017	June 30, 2019	June 30, 2021
OPEB Plan	Board & General Assembly Approved	Board & General Assembly Approved	Submitted for Approval
Group Life Insurance*	1.31%	1.34%	1.19%
Health Insurance Credit (HIC) Program			
▪ State Employees	1.17%	1.12%	1.04%
▪ Teachers	1.20%	1.21%	1.21%
▪ Participating Political Subdivisions**	0.32%	0.59%	TBD
▪ Constitutional Officers	0.38%	0.36%	TBD
▪ Social Service Employees	0.43%	0.38%	TBD
▪ Registrars	0.39%	0.39%	TBD
Virginia Sickness and Disability Program (VSDP)	0.62%	0.61%	0.56%
Virginia Local Disability Program (VLDP)			
▪ Teachers	0.41%	0.47%	TBD
▪ Political Subdivisions	0.72%	0.83%	TBD

* The contribution rate for GLI includes an adjustment of .34% for active group life insurance for the 2017 and 2019 valuation dates and an adjustment of .35% for the 2021 valuation date.

** Average of individual rates. The contribution rate includes the impact of HB 1513 (2020).

TBD - Available at the November 2021 Board Meeting.

Unfunded Liabilities



Unfunded Pension Liabilities (\$ in thousands)

System	Unfunded Liability Using Actuarial Value of Assets		
	2020	2021	
		Before Assumption Changes	After Assumption Changes
State	\$ 6,417,661	\$ 5,710,835	\$ 6,112,670
Teachers	\$ 13,278,662	\$ 11,145,625	\$ 12,021,814
SPORS	\$ 325,590	\$ 330,233	\$ 389,314
VaLORS	\$ 712,025	\$ 670,421	\$ 738,351
JRS	\$ 111,633	\$ 81,299	\$ 132,738
Total Statewide Systems	\$ 20,845,571	\$ 17,938,413	\$ 19,394,887
Locals Aggregate	\$ 3,441,151		Available at November 2021 Board Meeting
Total Fund	\$ 24,286,722		

System	Unfunded Liability Using Market Value of Assets		
	2020	2021	
		Before Assumption Changes	After Assumption Changes
State	\$ 6,981,267	\$ 3,213,719	\$ 3,615,554
Teachers	\$ 14,385,554	\$ 6,253,529	\$ 7,129,718
SPORS	\$ 351,662	\$ 217,417	\$ 276,498
VaLORS	\$ 758,084	\$ 470,299	\$ 538,229
JRS	\$ 128,417	\$ 8,817	\$ 60,256
Total Statewide Systems	\$ 22,604,984	\$ 10,163,781	\$ 11,620,255
Locals Aggregate	\$ 4,076,749		Available at November 2021 Board Meeting
Total Fund	\$ 26,681,733		

Unfunded Liabilities



Unfunded OPEB Liabilities (\$ in thousands)

System	Unfunded Liability Using Actuarial Value of Assets		
	2020	2021	
		Before Assumption Changes	After Assumption Changes
Group Life	\$ 1,677,898	\$ 1,582,751	\$ 1,389,277
HIC State	\$ 894,542	\$ 841,227	\$ 852,591
HIC Teachers	\$ 1,280,589	\$ 1,280,412	\$ 1,293,999
VSDP	\$ (256,367)	\$ (292,733)	\$ (297,276)
HIC Locals	\$ 52,204	Available at November 2021 Board Meeting	
HIC Constitutional Officers	\$ 27,069		
HIC Social Services	\$ 12,646		
HIC Registrars	\$ 450		
VLDP Teachers	\$ 360		
VLDP Locals	\$ 327		

System	Unfunded Liability Using Market Value of Assets		
	2020	2021	
		Before Assumption Changes	After Assumption Changes
Group Life	\$ 1,728,029	\$ 1,304,864	\$ 1,111,390
HIC State	\$ 899,066	\$ 824,150	\$ 835,514
HIC Teachers	\$ 1,286,380	\$ 1,263,508	\$ 1,277,095
VSDP	\$ (241,350)	\$ (357,273)	\$ (361,816)
HIC Locals	\$ 52,204	Available at November 2021 Board Meeting	
HIC Constitutional Officers	\$ 27,069		
HIC Social Services	\$ 12,646		
HIC Registrars	\$ 450		
VLDP Teachers	\$ 447		
VLDP Locals	\$ 433		

Financial Wellness: Helping Members Plan for Tomorrow, Today

Deardrian Carver,
Chief Customer Relations Officer

Virginia Sowers,
Communications Strategy Manager



Why Does Financial Wellness Matter in the Workplace?



- Addresses financial stress in the workplace and employee productivity
 - 16% of Americans spend more than 20 hours a month worrying about personal financial issues while at work.*
 - Personal finances are the No. 1 stressor on employees during the workday.**
- 74% of employees say a financial wellness program is an important benefit**
- 60% say they would be more inclined to stay at a company that offers a program to help them better manage their finances**

*Center for State & Local Government Excellence, "Financial Literacy Programs for Local Government Employees," January 2019

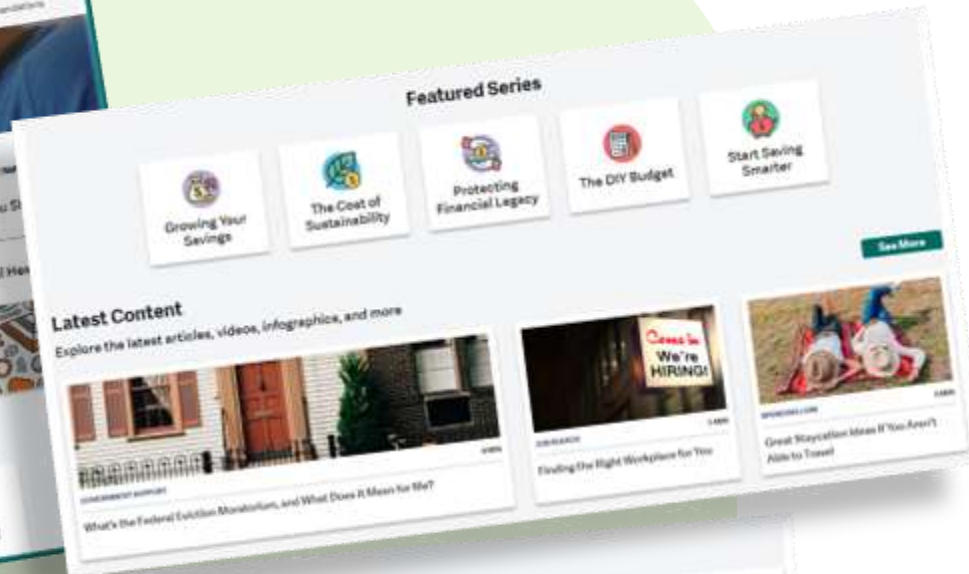
**Morgan Stanley/Financial Health Network

Integrating Financial Wellness With VRS Member Experience

- Dynamic partner in iGrad
- Interactive and continuously updated content
- Relatable content
- Myriad learning styles
- Intuitive to use
- Self-paced
- Tailored to VRS member personas



myVRS Financial Wellness Experience



Credit Card Pay Down

Compare fast and proven credit card pay down strategies

What's the fastest way to pay down credit card debt?

We'll help you quickly compare credit card pay down strategies.

Are you paying the bare minimum?

Is your plan efficient?

When will you be debt-free?

Student Loan Snapshot

Borrow smarter, track all of your student loans, and compare repayment options

**Sync all of your federal student loans -
in 5 minutes or less.**

[See how](#) to easily download your "MyStudentData" file from studentaid.gov.
When ready, upload it below.

Drag and drop your "MyStudentData" file here - and we'll do the rest! [See how](#)



Or [browse](#) your computer

Your Money Personality

- Helping members understand the “why” behind their financial decision-making
- Recommending positive changes

Chapter 1 Emotions

Relaxed

Chapter 1: Emotions-Relaxed page 4

What It Means

Relaxed financial types don't worry much about money, and they tend to enjoy spending it. Going into debt is not a big issue for relaxed types, and they don't worry much about paying off those debts in the future. Their attitude might be "spend now and worry about it later." Relaxed financial types may even be somewhat aloof when calculating the risks they are taking. On the other hand they may not focus on the amount of risk at all, but rather on how the process makes them feel in the here and now.

How You Compare

35%

35% of people are Relaxed like you

Chapter 1: Emotions-Relaxed page 5

Book Cover Table of Contents About the Book Chapter 1: Emotions Chapter 2: Outlook Chapter 3: Focus Chapter 4: Influence Chapter 5: Bonus

[Get Your Analysis](#)

Take our quick behavioral assessment and receive a free analysis of your money personality.

Personalized Content



ng and savings **RECOMMENDED**
limited to a basic savings and checking ...

Promotion & Outreach

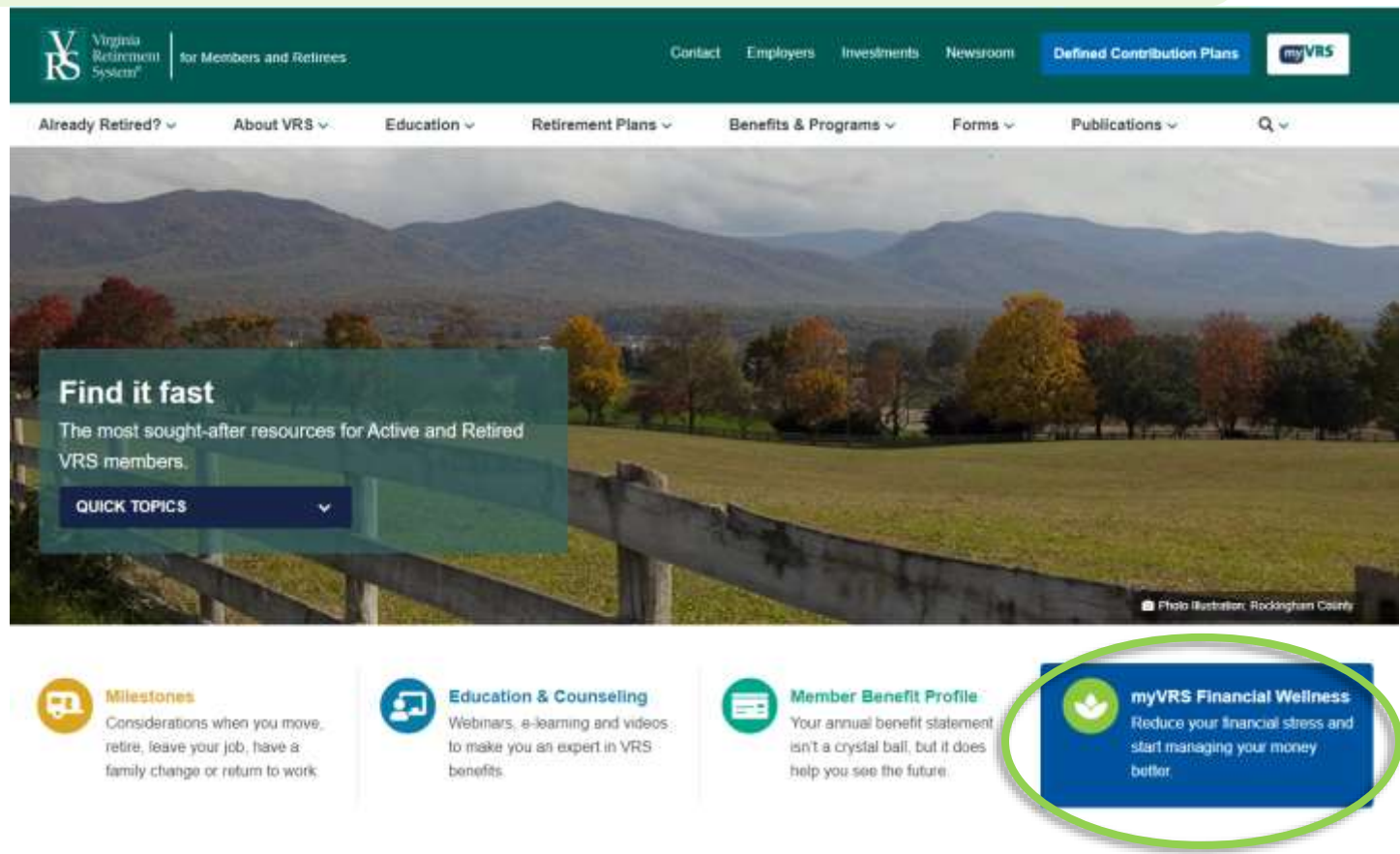


Promotion and Outreach

VRS executed an integrated marketing communications campaign to introduce these resources to VRS members and drive engagement.

Website

Landing page and prominent navigational aids on VRS website





VRS Newsletters

- Member News (quarterly)
- Employer Update (monthly)
- Retiree newsletter (twice yearly)

Stakeholders

- Constituent Groups



Social Media

- Facebook organic and boosted posts



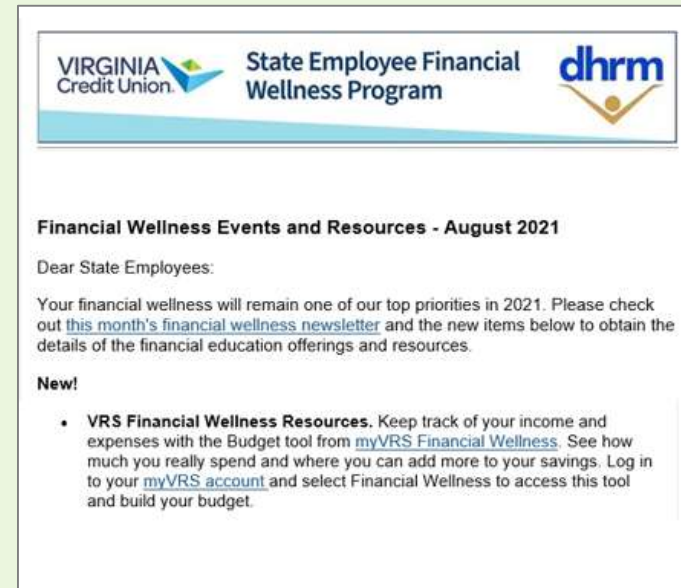
In-Person and Webinars

- Executive presentations to VRS constituency groups
- Employer roundtables and site visits
- Talking points for call center agents to work into their conversations with callers

Cross-Agency Partnership: Virginia Department of Human Resources



Employee Experience eZine
Quarterly



The image shows the content of the 'Financial Wellness eNews Monthly'. At the top, it features the logos for 'VIRGINIA Credit Union', 'State Employee Financial Wellness Program', and 'dhrm'. Below the logos, the text reads 'Financial Wellness Events and Resources - August 2021'. The main body of the text is addressed to 'Dear State Employees:' and states that financial wellness is a top priority in 2021. It encourages employees to check out the 'this month's financial wellness newsletter' and provides details on how to access financial education offerings and resources. A 'New!' section highlights the 'VRS Financial Wellness Resources', which include a budget tool from 'myVRS Financial Wellness' that helps track income and expenses, and a 'myVRS account' where users can select Financial Wellness to access the tool and build their budget.

Financial Wellness eNews
Monthly

Employer Toolkit





22,776

FY 21 page views through myVRS

52,098

FY 21 page views through the public website



18,870

Cumulative Member Registrations

(FROM INCEPTION)

(As of June 30, 2021)

Measurement and Management



3,939
Cumulative Course Completions



643
FY 21 Course Completions



Banking Beyond Checking and Savings

FY 21 Most Completed Course

(As of June 30, 2021)



2021 & 2019 Eddy Awards

- Recognizes communication campaigns nationally that motivate and educate plan participants
- Presented by *Pensions & Investments* magazine

New Financial Planning Services



Feel confident about your financial security

Connect with a CERTIFIED FINANCIAL PLANNER™ professional who can help

GUIDE YOUR FINANCIAL JOURNEY

- Complements existing myVRS Financial Wellness program.
- Available to **all** VRS members and retirees, regardless of participation in a DC plan, through MissionSquare Retirement (formerly ICMA-RC).

varetire.org/make-a-plan

Individual Consultation:

No cost to participant

- Comprehensive financial planning beyond retirement savings
- 30-minute phone or video consultation with a CFP®

Financial Plans

- Goal-Specific Plan
- Comprehensive Financial Plan

Financial Planning Webinars

- Live CFP® led webinars

Helping Members Plan for Tomorrow, Today

- 74% of employees say a financial wellness program is an important benefit
- myVRS Financial Wellness is designed to reduce financial stress and improve member outcomes in retirement
- VRS members are using the resources and gaining knowledge
- They are progressing with their goals and now can take the next step to consult with a certified financial planner

§ 51.1-145. Employer contributions.

A. The total annual defined benefit employer contribution for each employer, expressed as a percentage of the annual membership payroll, shall be determined in a manner so as to remain relatively level from year to year. Each employer shall contribute for the defined benefit plans, including the defined benefit component of the hybrid retirement program under § 51.1-169, an amount equal to the sum of the normal contribution, any accrued liability contribution, and any supplementary contribution, as well as amounts required for the defined contribution component of the hybrid retirement program under § 51.1-169. The defined benefit contribution rates for each employer shall be determined biennially after each valuation and shall remain in effect until a new biennial valuation is made. All defined benefit contribution rates shall be computed in accordance with recognized actuarial principles on the basis of methods and assumptions approved by the Board and as described in the VRS funding policy.

Commented [A1]: The purpose of these amendments is to remove the language that requires DB and DC contributions to be blended (see N below), add references to DB and DC contributions, clarify that DC contributions are required by § 51.1-169, and in general try to clarify the section.

Commented [A2]: Distinguish between DB and DC contributions throughout and refer back to 51.1-169.

Commented [A3]: The VRS funding policy has been adjusted to be consistent with GASB and other regulatory provisions.

B. The normal employer defined benefit contribution for any period shall be determined as a percentage, equal to the normal contribution rate, of the total covered compensation of the members employed during the period.

C. The normal defined benefit contribution rate for any employer shall be determined as the percentage represented by the ratio of (i) the annual normal cost to provide the benefits of the retirement system with respect to members employed by the employer in excess of the members' contributions to (ii) the total annual compensation of the members.

D. The accrued defined benefit liability contribution for any employer for any period shall be determined as a percentage, equal to the accrued liability contribution rate, of the total compensation of the members during the period.

E. The accrued defined benefit liability contribution rate for any employer shall be a percentage of the total annual compensation of the members, determined so that a continuation of annual contributions by the employer at the same percentage of total annual compensation over a period of 40 years determined by the Board consistent with recognized actuarial principles and the VRS funding policy will be sufficient to amortize the unfunded accrued liability with respect to the employer.

Commented [A4]: Remove reference to 40-year amortization and refer instead to the funding policy in lieu of a specific number of years.

F. The unfunded defined benefit accrued liability with respect to any employer as of any valuation date shall be determined as the excess of the actuarial accrued liability over the sum of assets of the retirement system as of the valuation date, as follows (i) the then present value of the benefits to be provided under the retirement system in the future to members and former members over (ii) the sum of the assets of the retirement system then currently in the members' contribution account and in the employer's retirement allowance account, plus the then present value of the stipulated contributions to be made in the future by the members, plus the then present value of the normal contributions expected to be made in the future by the employer.

G. The supplementary defined benefit contribution for any employer for any period shall be determined as a percentage, equal to the supplementary contribution rate, of the total compensation of the members employed during the period.

H. Until July 1, 1997, the supplementary contribution rate for any employer shall be determined as the percentage represented by the ratio of (i) the average annual amount of post-retirement supplements, as provided for in this chapter, which is anticipated to become payable during the period to which the rate will be applicable with respect to former members to (ii) the total annual compensation of the members.

I. The Board shall certify to each employer the applicable defined benefit contribution rate and any changes in the rate. The Board shall also provide the applicable estimated defined contribution amounts to each employer.

Commented [A5]: Clarifying that the Board only certifies the DB rates; the DC contributions are statutory.

J. The defined benefit employer contribution for the year shall be increased to the extent necessary to overcome any insufficiency if the contributions for any employer, when combined with the amount of the retirement allowance account of the employer, are insufficient to provide the benefits payable during the year.

K. The appropriation bill which is submitted to the General Assembly by the Governor prior to each regular session that begins in an even-numbered year shall include the defined benefit employer contributions that which will become due and payable to the retirement allowance account from the state treasury during the following biennium, an estimate of all state employer defined contribution amounts required by § 51.1-169, and amounts for contributions to applicable ancillary benefits, including but not limited to, those under chapters 5, 11, and 14. The amount of the defined benefit contributions shall be based on the contribution rates certified by the Board pursuant to subsection I of this section that are applicable to the Commonwealth as an employer and the anticipated compensation during the biennium of the members of the retirement system on behalf of whom the Commonwealth is the employer.

Commented [A6]: Amended to clarify that the AA should include not only DB amounts for state employers, but also an estimate of the DC amounts. The DC estimates can be provided separately to DPB.

Commented [A7]: This section does not include any references to ancillary benefit contributions, although most of the ancillary benefit Code sections refer back to this section—example 51.1-1400 (D)(state HIC) refers to the employer contribution rate pursuant to 51.1-145, but 51.1-145 doesn't currently mention any ancillary benefits.

K1. The General Assembly shall set defined benefit contribution rates that are at least equal to the following percentage of the contribution rates certified by the Board pursuant to subsection I:

1. For members who are state employees as defined in § [51.1-124.3](#) and who are participating in a retirement plan established pursuant to Chapter 1 (§ [51.1-124.1](#) et seq.), (i) 67.02 percent for fiscal years beginning July 1, 2012, and July 1, 2013, (ii) 78.02 percent for fiscal years beginning July 1, 2014, and July 1, 2015, (iii) 89.01 percent for fiscal years beginning July 1, 2016, and July 1, 2017, and (iv) 100 percent for fiscal years beginning on or after July 1, 2018;
2. For members who are teachers as defined in § [51.1-124.3](#) and who are participating in a retirement plan established pursuant to Chapter 1 (§ [51.1-124.1](#) et seq.), (i) 69.53 percent for fiscal years beginning July 1, 2012, and July 1, 2013, (ii) 79.69 percent for fiscal years beginning July 1, 2014, and July 1, 2015, (iii) 89.84 percent for fiscal years beginning July 1, 2016, and July 1, 2017, and (iv) 100 percent for fiscal years beginning on or after July 1, 2018;
3. For members participating in a retirement plan established pursuant to Chapter 2 (§ [51.1-200](#) et seq.), (i) 75.84 percent for fiscal years beginning July 1, 2012, and July 1, 2013, (ii) 83.90 percent for fiscal years beginning July 1, 2014, and July 1, 2015, (iii) 91.95 percent for fiscal years beginning July 1, 2016, and July 1, 2017, and (iv) 100 percent for fiscal years beginning on or after July 1, 2018;
4. For members participating in a retirement plan established pursuant to Chapter 2.1 (§ [51.1-211](#) et seq.), (i) 75.82 percent for fiscal years beginning July 1, 2012, and July 1, 2013, (ii) 83.88 percent for fiscal years beginning July 1, 2014, and July 1, 2015, (iii) 91.94 percent for fiscal

years beginning July 1, 2016, and July 1, 2017, and (iv) 100 percent for fiscal years beginning on or after July 1, 2018; and

5. For members participating in a retirement plan established pursuant to Chapter 3 (§ [51.1-300](#) et seq.), (i) 83.98 percent for fiscal years beginning July 1, 2012, and July 1, 2013, (ii) 89.32 percent for fiscal years beginning July 1, 2014, and July 1, 2015, (iii) 94.66 percent for fiscal years beginning July 1, 2016, and July 1, 2017, and (iv) 100 percent for fiscal years beginning on or after July 1, 2018.

L. In the case of all teachers whose compensation is paid exclusively out of funds derived from local revenues and appropriations from the general fund of the state treasury, the Commonwealth shall contribute to the extent specified in the appropriation act. In the case of any teacher whose compensation is paid out of funds derived in whole or in part from any special fund or from a contributor other than the Commonwealth or a political subdivision thereof, contributions shall be paid out of the special fund or by the other contributor in proportion to that part of the compensation derived therefrom. In the case of all state employees whose compensation is paid exclusively by the Commonwealth out of the general fund of the state treasury, the Commonwealth shall be the sole contributor, and all contributions shall be paid out of the general fund. In the case of a state employee whose compensation is paid in whole or in part out of any special fund or by any contributor other than the Commonwealth, contributions on behalf of the employee shall be paid out of the special fund or by the other contributor in proportion to that part of the employee's compensation derived therefrom. The governing body of each political subdivision is hereby authorized to make appropriations from the funds of the political subdivision necessary to pay its proportionate share of contributions on behalf of every state employee whose compensation is paid in part by the political subdivision. In the case of each person who has elected to remain a member of a local retirement system, the Commonwealth shall reimburse the local employer an amount equal to the product of the compensation of the person and the employer contribution rate as used to determine the employer contribution for state employees under this section. Each employer shall keep such records and periodically furnish such information as the Board may require and shall inform new employees of their duties and obligations in connection with the retirement system.

Commented [A8]: Technical correction

M. The ~~defined benefit~~ employer contribution rate established for each employer may include the cost to administer any defined contribution plan administered by the Virginia Retirement System and available to the employer. The portion of such contribution designated to cover administrative costs of the defined contribution plans shall not be deposited into the trust fund established for the defined benefit plans but shall be separately accounted for and used solely to defray the administrative costs associated with the various defined contributions plans. This provision shall supplement the authority of the Board under §§ [51.1-124.22](#) and [51.1-602](#) to charge and collect administrative fees to employers whose employees have available the various defined contribution plans administered by the Virginia Retirement System.

Commented [A9]: Technical correction

~~N. Notwithstanding the foregoing, the total employer contribution for each employer authorized to participate in the hybrid retirement program described in § [51.1-169](#) for any period, expressed as a percentage of the employer's payroll for such period, shall be established as the contribution rate payable by such employer with respect to its employees enrolled in the defined benefit plan established under this chapter. The employer's contribution shall be first applied to the defined contribution component of the hybrid retirement program described in § [51.1-169](#), and the~~

Commented [A10]: Deleting first two sentences from 2012 that created the blended contribution rates.

~~remainder shall be deposited in the employer's retirement allowance account.~~ Institutions of higher education shall also pay contributions to the employer's retirement allowance account in amounts representing the difference between the contribution rate payable with respect to employees enrolled in the defined benefit plan under this chapter and the employer contributions paid to any optional retirement plan it offers on behalf of any of its nonfaculty Covered Employees, as described in §§ [23.1-1020](#) through [23.1-1026](#). The employer contribution rate established for each employer may include the annual rate of contribution payable by such employer with respect to employees enrolled in the optional defined contribution retirement plans established under §§ [51.1-126](#), [51.1-126.1](#), [51.1-126.3](#), and [51.1-126.4](#).

O. Employer contributions may be returned to the employer only as determined in accordance with § 401(a) of the Internal Revenue Code, as amended or renumbered, and the regulations thereunder applicable to governmental plans.

P. In addition, employers will pay contributions as determined by VRS for applicable ancillary benefits, including, but not limited to, those under chapters 5, 11, 11.1, and 14.

2. That the provisions of this act shall take effect on July 1, 2024.

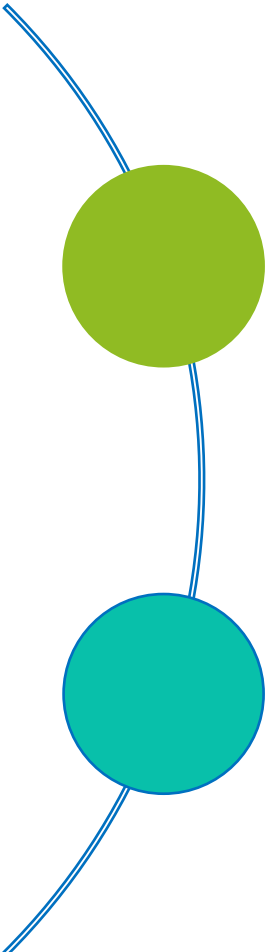
3. That, notwithstanding the provisions of the second enactment of this act, beginning July 1, 2022, the Virginia Retirement System is authorized to communicate the changes, update data systems, and train VRS employers to ensure a coordinated and seamless transition pursuant to the provisions of this act, and to develop procedures for the separation of defined benefit and defined contribution amounts prior to the full implementation of the provisions of this act on July 1, 2024.

Commented [A11]: Some of the OPEB sections refer back to 145 (i.e., employers shall pay contributions pursuant to 51.1-145) so this section was added

Commented [A12]: The intent here is to have the legislation enacted so we have authorization to move forward with the programming and communications, but not to have the changes implemented until July 1, 2024 to coincide with the new contribution rates, to give us time to communicate with employers and to give employers time to change their payroll systems.

Simplifying Hybrid Plan Administration





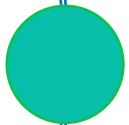
This legislative proposal would streamline the administration of each component of the Hybrid Retirement Plan by separating the defined benefit (DB) and defined contribution (DC) rates

The proposed legislation would separate the DC component of the Hybrid Plan from the total employer rate, which is currently a blend of DB and DC rates

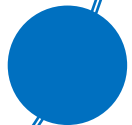
The proposal is intended to:



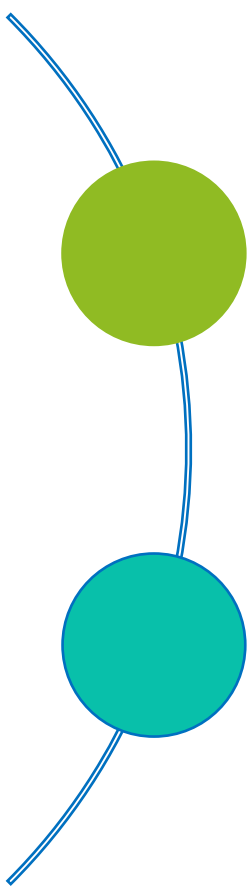
Reduce the administrative burden of reconciliation efforts as the Hybrid plan becomes the dominant plan.



Potentially allow members the flexibility to change their voluntary contributions more often (currently limited to quarterly).



Allow member contributions to be invested more quickly.



If approved by the Board, the proposed legislation would be introduced in the 2022 General Assembly session, with a delayed implementation date of July 1, 2024, to allow time for communications and implementation for both VRS and our 800+ participating employers.

Preliminary information-gathering discussions with representative employers are taking place now.

VRS Total Membership as of March 31, 2021



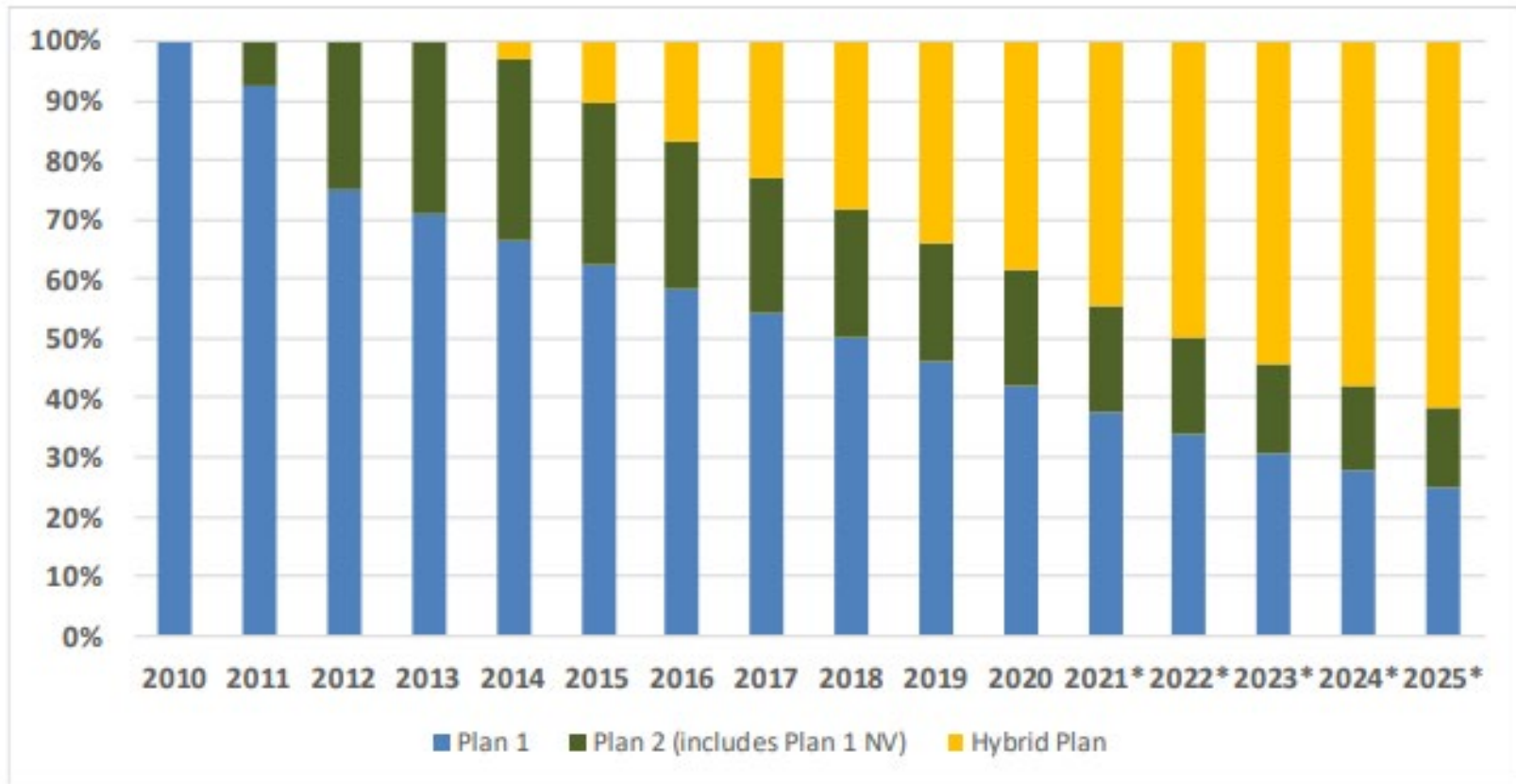
	Plan 1	Plan 2	Hybrid	Total
Teachers	66,581	30,399	59,239	156,219
Political Subdivision Employees	38,952	31,145	38,701	108,798
State Employees	29,765	13,948	30,347	74,060
State Police Officers' Retirement System (SPORS)	1,025	859	—	1,884
Virginia Law Officers' Retirement System (VaLORS)	2,580	5,490	—	8,070
Judicial Retirement System (JRS)	183	47	207	437
Total Active Members	139,086	81,888	128,494	349,468



Projected Trends in Plan Membership

State

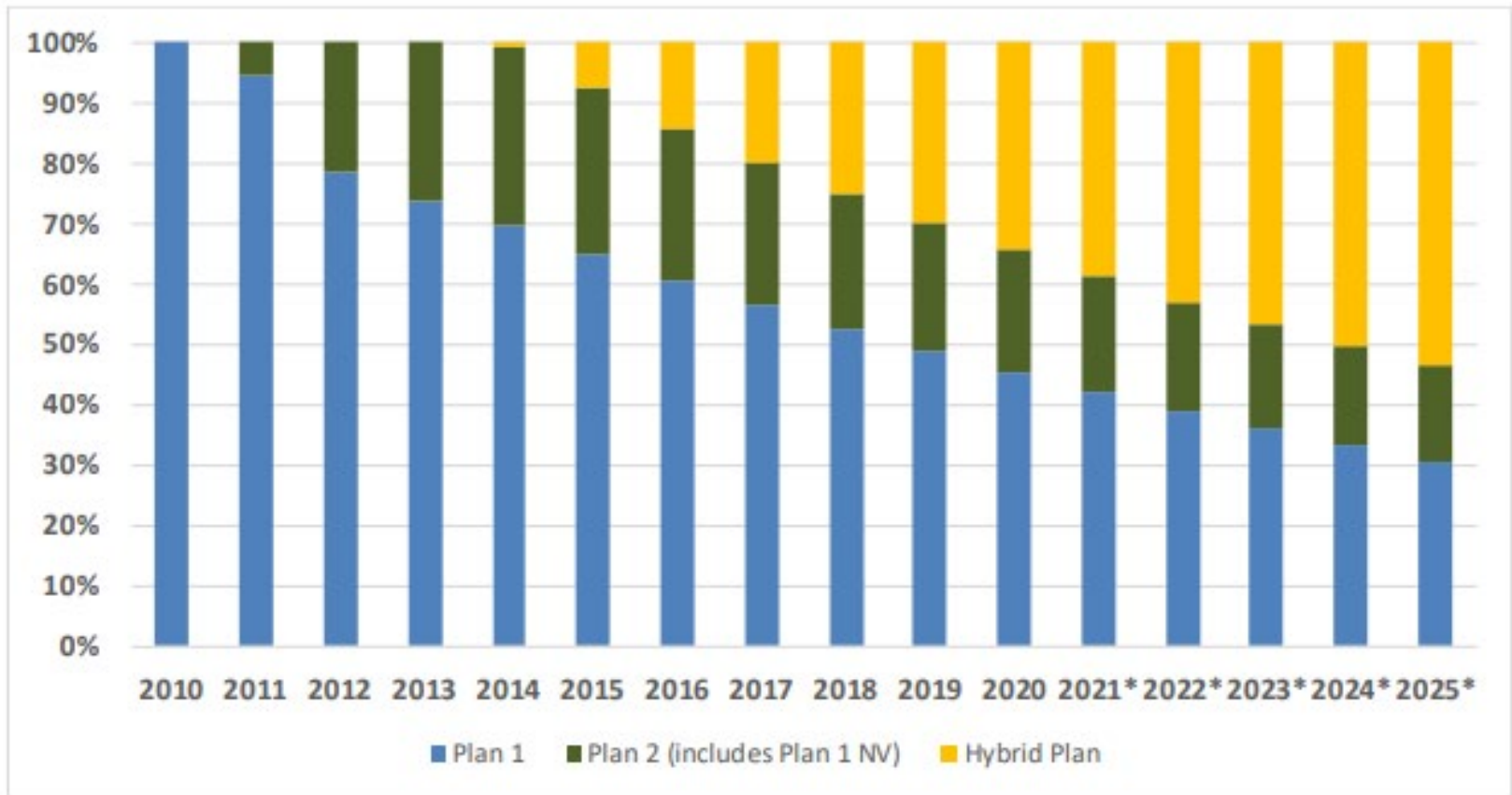
Active Member Breakdown



Projected Trends in Plan Membership

Teacher

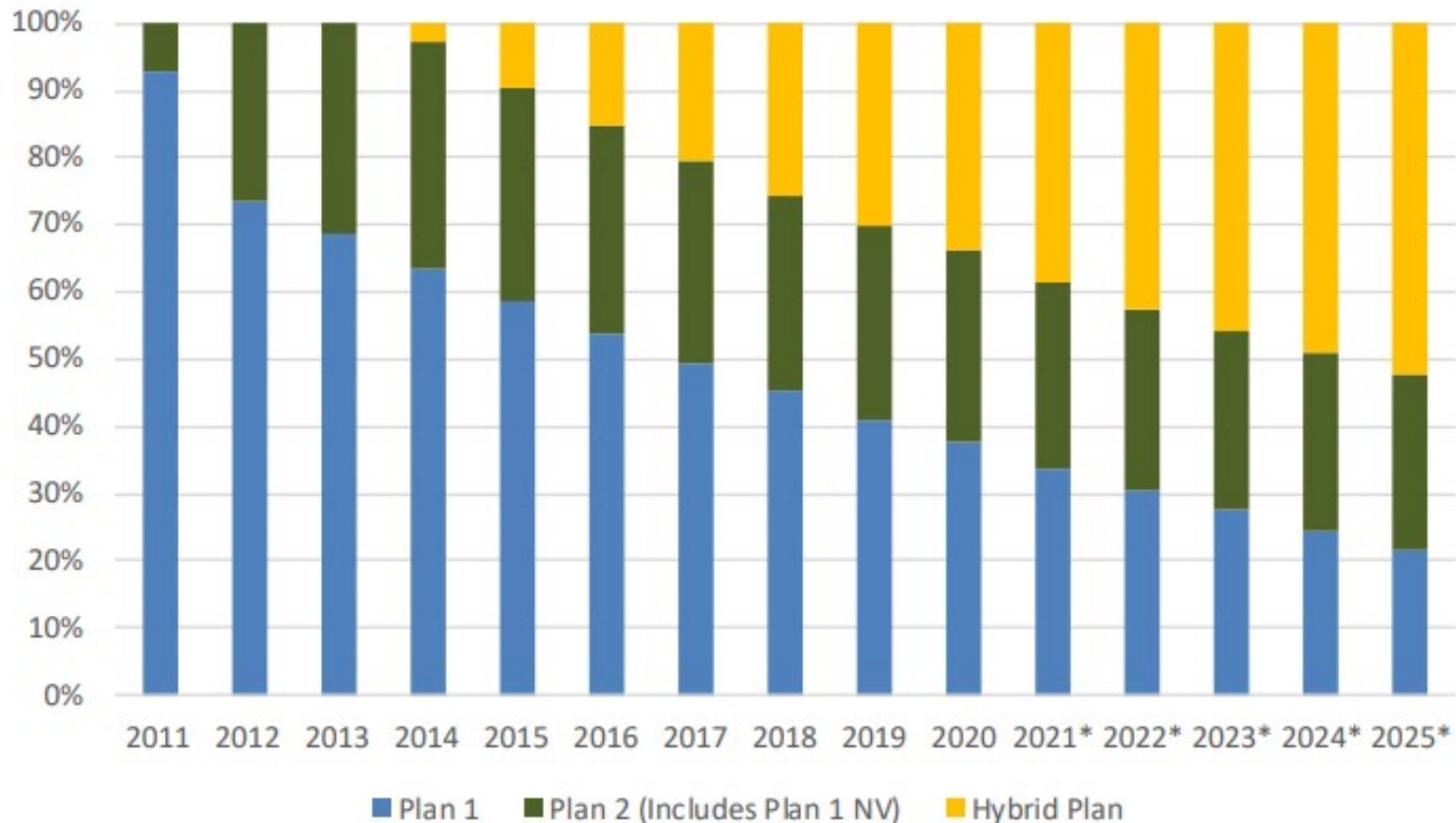
Active Member Breakdown



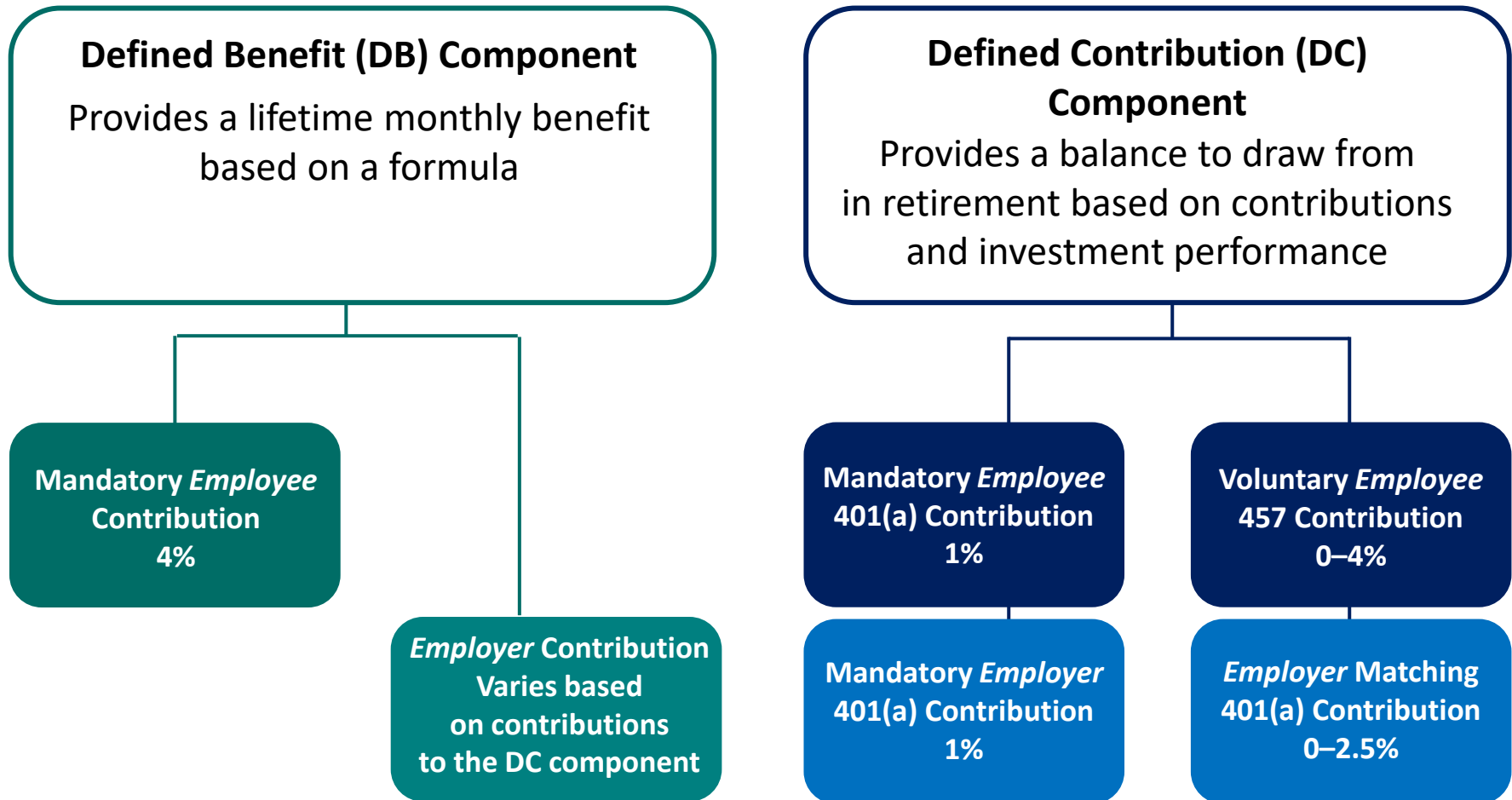
Projected Trends in Plan Membership

Political Subdivisions

Active Member Breakdowns



Hybrid Retirement Plan



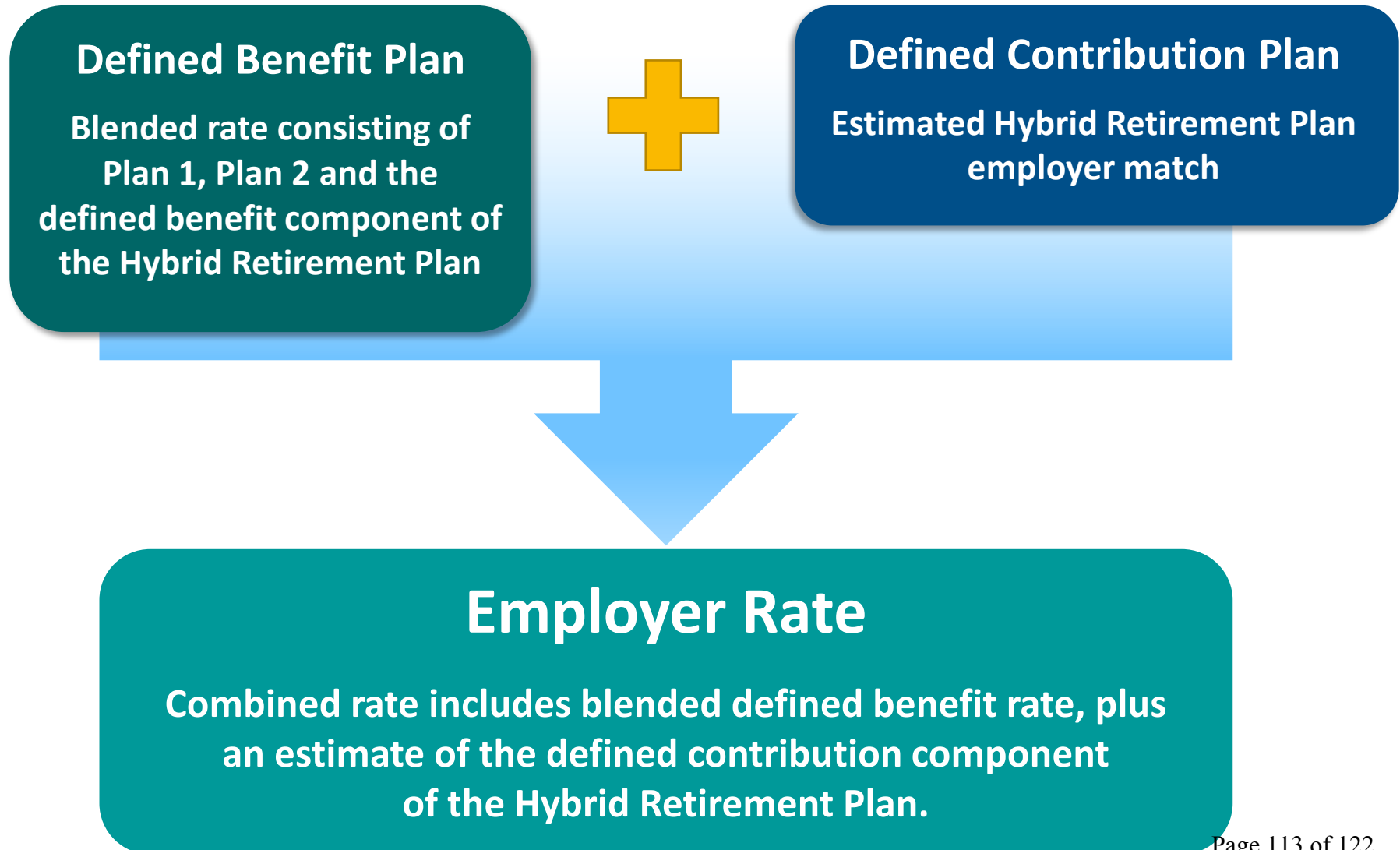
Administering the Hybrid Plan **TODAY**



§ 51.1-145. Employer contributions.

N. Notwithstanding the foregoing, the total employer contribution for each employer authorized to participate in the hybrid retirement program described in § 51.1-169 for any period, expressed as a percentage of the employer's payroll for such period, shall be established as the contribution rate payable by such employer with respect to its employees enrolled in the defined benefit plan established under this chapter. **The employer's contribution shall be first applied to the defined contribution component of the hybrid retirement program described in § 51.1-169, and the remainder shall be deposited in the employer's retirement allowance account.**

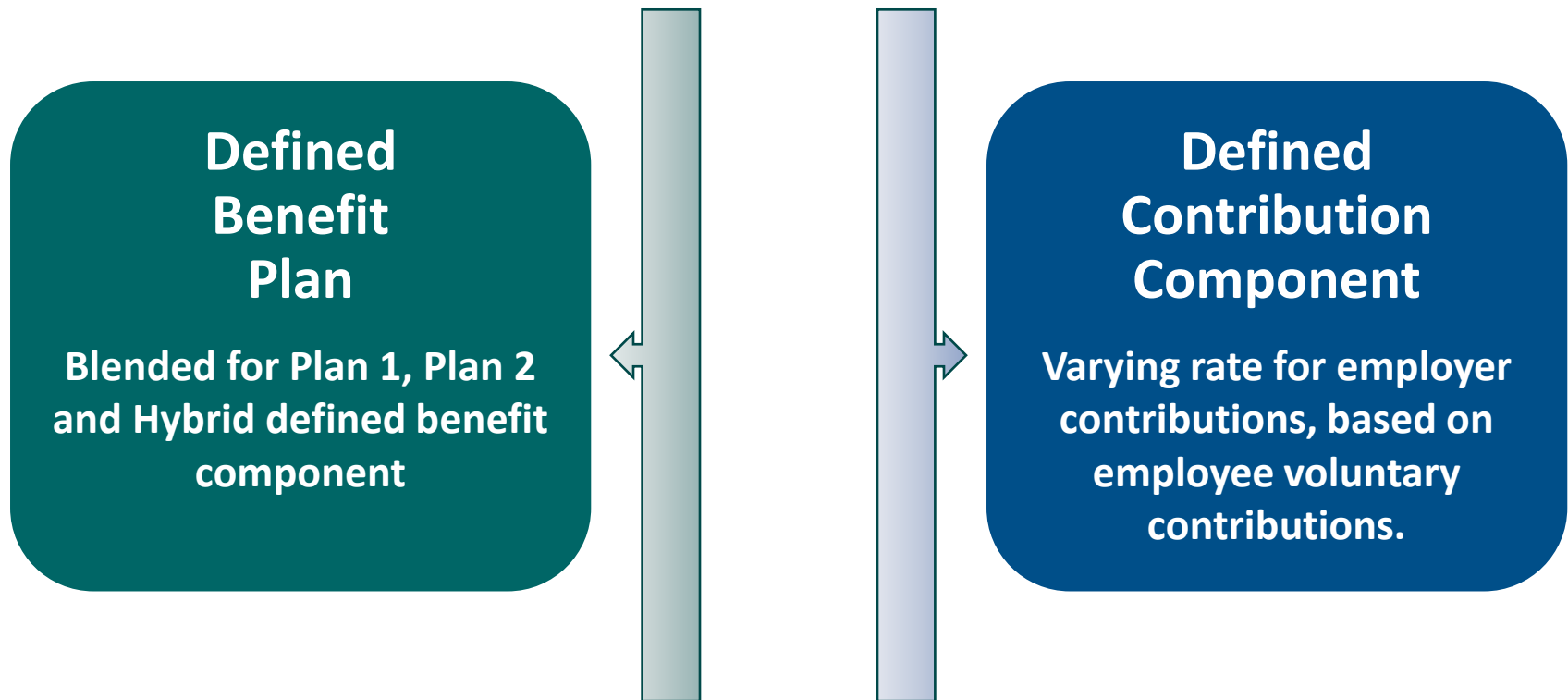
Current Structure of Employer Rates



Administering the Hybrid Plan in the FUTURE



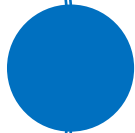
Proposal: Separate Employer Rates



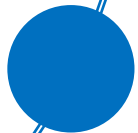
Benefits of Separating the Rates



Streamlines the reconciliation process to help facilitate accurate reporting of member information.

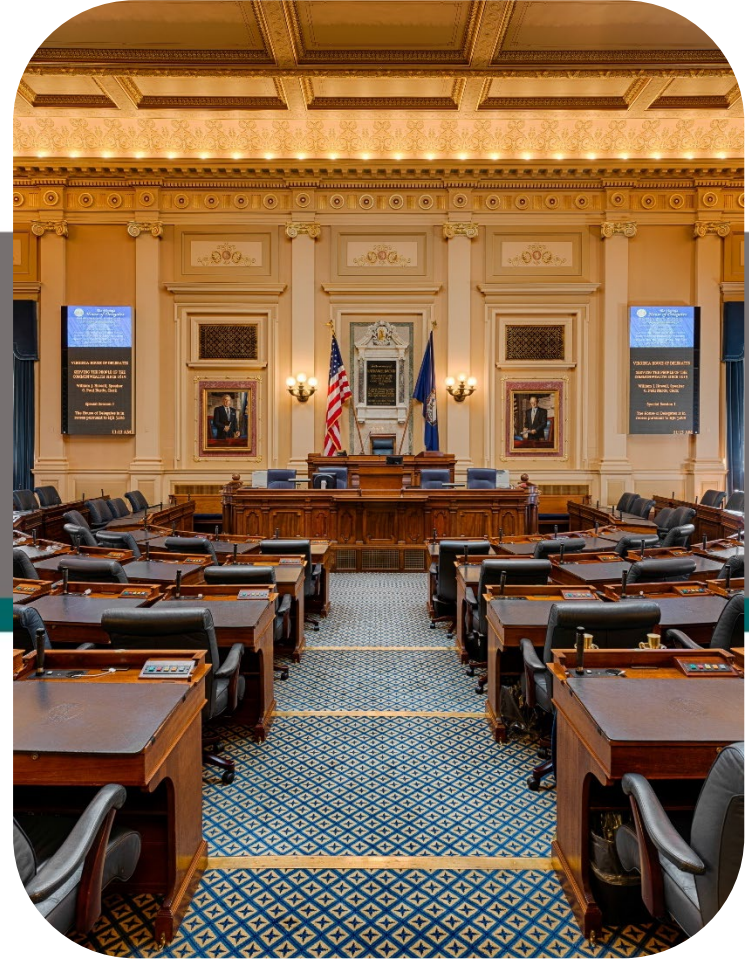



Provides clarity and transparency related to the cost and funding of the defined benefit plan.



Allows employers to administer the defined contribution component in similar way they administer other supplemental plans.

Appropriation Process





Currently VRS provides a combined employer contribution rate that includes both a blended defined benefit rate and an estimate of the employer DC matching contributions for the hybrid plan based on elections as of the valuation date.

Under the proposal, the VRS Board of Trustees will certify only the DB employer contribution rate.

VRS will continue to provide the DC employer match rate for the hybrid based on employee elections as of the valuation date, but it will not be combined with the DB certified rate.

Appropriations for state employers and the state portion of the teacher contributions will be essentially the same amount under the new proposal but will be appropriated separately.

Adjustments will need to be made if the actual DC contributions differ from the estimates.

Appropriation Process

Using the FY 2021/2022 rates as an example, below are rates under the current process versus rates under the proposed process.

Plan	Current Process
	DB & DC Rates Combined and Form Board Certified Rate
	FY 2021/2022
State	14.46%
Teachers	16.62%
SPORS	26.33%
VaLORS	21.90%
JRS	29.84%

Proposed Process		
DB Board Certified Rate	Estimated DC Employer Match for Hybrid	Total Appropriation
FY 2021/2022		
13.67%	0.79%	14.46%
16.06%	0.56%	16.62%
26.33%	0.00%	26.33%
21.90%	0.00%	21.90%
28.49%	1.35%	29.84%

Coverage Elected	Details
Enhanced Health Insurance Credit for School Division Non-Teacher Employees	<ul style="list-style-type: none"> - Roanoke City School Board Effective October 1, 2021
Commonwealth of Virginia 457 Deferred Compensation Plan	<ul style="list-style-type: none"> - Lee County Effective October 1, 2021
Enhanced Hazardous Duty Benefits for Law Enforcement Officers with the 1.85% Multiplier	<ul style="list-style-type: none"> - Town of Stanley, (Page County) Effective January 1, 2022



VRS Project Portfolio FISCAL YEAR 2022 September 2021 - Monthly Status

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

Agency Performance Objectives (APOs)	Status	2021						2022							
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun		
Cloud Migration	▲														
ERM Implementation	●														
Records Management Program - Phase 1 Implementation	●														
Cardinal HCM Implementation - The Plan (Track 1), Agency (Track 2) and Retiree (Track 3)	●														
IT Initiatives ¹	Status	2021						2022							
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun		
Upgrade Angular JS Framework to Angular	●														
IT Security - Fraud Prevention Initiatives	N/S														
Security Maturity Assessment	N/S														
Sagitec Framework Upgrade	●														
SharePoint Online	●														
Other Projects ²	Status	2021						2022							
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun		
Employee Engagement Initiative Implementation	●														
Implement Performance Management Evaluation Process	●														
Develop FY 22-26 Strategic Plan Operational Initiatives	●														
VSDP and VLDP Long Term Care Plans RFP	●														
Implement Enterprise Electronic Signature Solution	N/S														
Develop and Implement Strategy to switch 'Retiree News' letter from Print to Electronic	N/S														
LODA Annual Report	●														
Develop Strategy and Begin CCC Customer Experience Survey	N/S														
Develop Strategy for Handling Undelivered Mail Received by VRS and TPAs	N/S														
Death Match Services RFP (current services end September 30)	●														
Convert Paper Personnel Files to Electronic	N/S														
Employees Job Descriptions Update - Phase 1 ³	●														
Post Pandemic Return to the Office	●														
Operational/Ongoing Activities	Status	2021						2022							
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun		
COLA 2021	★														
FYE 2021	★														
Retirement Wave 2021	★														
Teacher Contracts	★														
MBPs	★														
Annual Code of Ethics Training	N/S														
Annual Security Awareness Training	N/S														
FOIA Training	N/S														
ACFR	●														
PAFR	N/S														
GASB 67	●														
GASB 68	N/S														
GASB 74	●														
GASB 75	N/S														
Actuarial Valuations	●														
myVRS Annual Updates	N/S														
1099/W2	N/S														

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	●													
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
Cloud Migration	TBD	Due to scope and schedule issues with the migration vendor, VRS leadership decided to pause the project and re-evaluate the approach. However, necessary foundational work such as documenting current systems will continue and a revised approach and roadmap will be finalized in the next few months.

Red Status Items

Item	Due Date	Comments
N/A		

Realignments/Adjustments

Item	Due Date	Comments
N/A		