



June 17, 2022

MEMORANDUM

TO: VRS Board of Trustees

FROM: Patricia S. Bishop
Director

RE: Agenda Materials for June 23rd Board Meeting

We are looking forward to the June 23rd Board meeting beginning at 1:00 p.m. in the VRS Boardroom located at 1111 East Main Street, Bank of America - Pavilion Building, 3rd floor. Enclosed are the agenda and meeting materials. Boxed lunches will be available beginning at noon.

In advance of the meeting, 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 5 days?
 - In the past 5 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.

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 Stephen E. Cummings, Secretary of Finance
June Jennings, Office of the Secretary of Finance
Craig Burns, Department of Taxation
Michael Jay, House Appropriations Committee

Adam Rosatelli, 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
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, 6/23/2022
1:00 - 3:30 PM ET

I. Approve Minutes

- **May 25, 2022**
Board Minutes 5.25.22 - Page 5
- **May 25, 2022 (Retreat)**
Board Retreat Minutes 5.25.22 - Page 8

II. Report of the Chief Investment Officer

- Asset Allocation Report 4.30.22 - Page 10*
- Daily Asset Allocation Report 6.14.22 - Page 11*
- Performance Summary 4.30.22 - Page 12*
- Plan Tracking Error - Page 13*
- New Investments and Terminations - Page 14*
- **RBA – Approve Defined Benefit Plan Asset Allocation and Allowable Ranges**
Asset Liability Phase-In Slide - Page 15
RBA - Approve DB Plan Asset Allocation - Page 16

III. Report of the Audit and Compliance Committee

- Report of the A&CC - Page 18*

IV. Report of the Defined Contribution Plans Advisory Committee

- Report of the DCPAC - Page 20*

V. Report of the Administration and Personnel Committee

- Report of the A&PC - Page 22*
- **RBA – Review and Approve Revised FY 2022 Agency Performance Outcome #1**
RBA - Approve Revised APO #1 - Page 25
Revised FY 2022 APO #1 - Page 26
- **RBA – Review and Approve FY 2023 Agency Performance Outcomes and Operational Measures**
RBA - Approve FY2023 APOs and Operational Measures - Page 28
FY23 APOs Draft - Page 30
FY23 Operational Measures Draft - Page 37
- **RBA – Review and Approve Revised Investment Professionals’ Pay Plan**
RBA - Approve Amended Investment Pay Plan - Page 55
Investment Professionals Pay Plan 6.22_Clean - Page 56
Investment Professionals Pay Plan 6.22_Redline - Page 72
- **RBA – Review and Approve Revised Administrative and Investment Operations and Administrative Pay Plans**
RBA - Approve Revised Pay Plans - Page 99
Administrative Pay Plan - 6.22_Clean - Page 100
Administrative Pay Plan - 6.22_Redline - Page 110
Investment Ops and Admin Pay Plan - 6.22_Clean - Page 121
Investment Ops and Admin Pay Plan - 6.22_Redline - Page 132
2022 Salary Increase Memo - Page 144

VI. Operational Update Series: Education and Training

Education and Training Presentation - Page 145

VII. Commending Resolution of Service for O’Kelly E. McWilliams, III

Resolution for O’Kelly McWilliams, III - Page 158

VIII. Information Technology Update

IT Presentation - Page 159

IX. Report of the Director

FY 2022 Agency Roadmap Update - May - Page 166

Director's Report Presentation - Page 168

• **Signature and Custodial Authorization Resolutions**

Signature Authorization 6.23.22 - Page 178

Custodial Authorization 6.23.22 - Page 180

• **DPB Deficit Provision Acknowledgement Form**

Deficit Provision Acknowledgment Form - Page 183

Pages from 2022 Session HB29 Introduced - Page 184

X. Securities Litigation Update (Closed Session)

Minutes

A regular meeting of the Virginia Retirement System Board of Trustees was held on May 25, 2022, in Richmond, Virginia with the following members participating:

Board members:

A. Scott Andrews, Chair
Joseph W. Montgomery, Vice Chair
Hon. J. Brandon Bell, II
John M. Bennett
Michael P. Disharoon
William A. Garrett
Dr. Susan T. Gooden, Ph.D.
W. Brett Hayes
Troilen G. Seward, Ed.S.

VRS Staff:

Patricia Bishop, Ron Schmitz, Jennifer Schreck, Judy Bolt, Caroline Cardwell, Valerie Disanto, Josh Fox, Brian Goodman, Aaron Lazar, Angela Payne, Matt Priestas, Paula Reid, Kristy Scott, Michael Scott, Jillian Sherman and Cindy Wilkinson.

Guests:

Michael Kennedy, Korn Ferry; Liz Myers, Office of Attorney General; David Barry, Markets Group; Rowen Descallar, Pageant Media; and Lauren Albanese, Financial Investment News.

The meeting convened at 8:30 a.m.

Opening Remarks

A. Scott Andrews called the meeting to order and welcomed everyone to the May 25, 2022, meeting of the Virginia Retirement System Board of Trustees. Mr. Andrews expressed his appreciation to former Board chair O'Kelly E. McWilliams, III, for his dedication to VRS' members, retirees and beneficiaries, and advised that the Board will formally recognize his service and commitment at the June 23 Board meeting.

Approval of Minutes

Upon Mr. Montgomery's motion, with a second by Mr. Bennett, the VRS Board of Trustees approved the April 19, 2022, meeting minutes.

Election of Board Vice Chair

As this is the first meeting since his appointment as Chair, Mr. Andrews advised that the Board of Trustees is required to elect a Vice Chair in accordance with the VRS Governance Policy. Mr. Bennett nominated Joseph W. Montgomery to continue serving as Vice Chair.

Following a motion by Mr. Andrews, with a second by Ms. Seward, the VRS Board of Trustees unanimously approved the nomination of Mr. Montgomery to continue serving as Vice Chair.

Committee Assignments

Next, Mr. Andrews advised that, in accordance with the Governance Policy, the Board Chair is required to appoint committee members, subject to approval by the Board.

Following a motion by Mr. Andrews, with a second by Mr. Montgomery, the Board unanimously approved the proposed committee assignments.

Report of the Chief Investment Officer Search Committee

The Board received the report covering the April 26, 2022 and May 2, 2022 meetings of the Chief Investment Officer Search Committee and placed it on file.

APPROVAL OF MINUTES

Mr. Andrews began his report by noting that the Committee approved the minutes of its April 19 and April 26, 2022, meetings.

INTERVIEWS – CLOSED SESSION

The Committee went into closed session during its April 26 and May 2 meetings to discuss various candidates and conduct candidate interviews.

Upon return to open meeting, on May 2, the Committee unanimously approved a motion to authorize the Chair to negotiate a contract with the selected candidate for Chief Investment Officer, the terms and conditions of which are to be ratified by the Board at a subsequent meeting.

Following his report, Mr. Andrews thanked Michael Kennedy and his team at Korn Ferry, the CIO Search Committee and VRS staff for their dedication to the candidate search and selection process.

Personnel Discussion (Closed Session)

Mr. Montgomery 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 to discuss, consider or interview prospective candidates for appointment to the position of Chief Investment Officer pursuant to the personnel exemption at *Code of Virginia* § 2.2-3711(A)(1).

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

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

WHEREAS, 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, 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
Chief Garrett: Aye
Dr. Gooden: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. Andrews: Aye

Approval of Contract of Employment for Chief Investment Officer and Authorization for Chair to Sign on Behalf of Board

Following a motion by Mr. Montgomery, with a second by Ms. Seward, the VRS Board of Trustees unanimously approved the contract of employment that has been signed by the selected candidate for the position of Chief Investment Officer and authorized the Chair to sign the contract on behalf of the Board.

Mr. Andrews announced that Andrew Junkin had been selected to serve as VRS' Chief Investment Officer. Mr. Junkin joins VRS with nearly 30 years' experience in investments and currently serves as CIO of the Rhode Island State Investment Commission. Mr. Andrews thanked Korn Ferry for their assistance in leading the search effort, as well as the CIO Search Committee and the Board for their contributions.

Lastly, Mr. Andrews congratulated Ron Schmitz on his retirement in January 2023, and thanked him for his assistance in the transition over the coming months.

Other Business

Lastly, Mr. Andrews advised the annual Board Retreat will follow this meeting at 10:00 a.m.

Adjournment

There being no further business and following a motion by Mr. Montgomery, with a second by Ms. Seward, the VRS Board of Trustees agreed to adjourn the meeting at 9:16 a.m.

Chair

Secretary

Minutes

The Virginia Retirement System Board of Trustees held a retreat on May 25, 2022 at the Westin Richmond, 6631 West Broad Street, Richmond, Virginia with the following members present:

Board members:

A. Scott Williams, Chair
Joseph W. Montgomery, Vice Chair
Hon. J. Brandon Bell, II
John M. Bennett
Michael P. Disharoon
William A. Garrett
Dr. Susan T. Gooden, Ph.D.
W. Brett Hayes
Troilen G. Seward, Ed.S.

Investment Advisory Committee:

Lawrence E. Kochard, Ph.D., Chair
Deborah Allen-Hewitt, Ph.D.
Hance West

Defined Contribution Plans Advisory Committee

Ravindra A. Deo
Arun S. Muralidhar
David A. Winter

VRS Staff:

Patricia Bishop, Ron Schmitz, Jennifer Schreck, Stephen Adelaar, John Alouf, Advait Apte, Rory Badura, Parham Behrooz, Erica Billingslea, Judy Bolt, Rick Brooks, Valerie Brown, Ryan Carlson, Jeanne Chenault, Michael Cooper, Harriet Covey, Joy Davis, Sara Denson, Barry Faison, Jonathan Farmer, Laurie Fennell, Josh Fox, Brian Goodman, JT Grier, Mehtab Haleem, KC Howell, Dawn Jackson, Wendy Jenkins, Ross Kasarda, Kristina Koutrakos, LaShaunda King, Matt Lacy, Vu Le, Michael Loomis, Aaron Lazar, Chung Ma, Jennifer MacKnight, Curt Mattson, Teresa Nguyen, Walker Noland, Greg Oliff, Vera Pleasants, Matt Priestas, Denise Rasmussen, Garrett Rhodes, Dan Schlussler, Jennifer Schoeller, Kristy Scott, Michael Scott, Scott Weaver, Dan Whitlock, Cindy Wilkinson and Nick Zizzo.

Guests:

Anirban Basu, Sage Policy Group Inc.; Melissa Ma, Asia Alternatives Management, LLC; David Back and Stuart Williams, Department of Treasury; Brian Deveney, Auditor of Public Accounts; Liz Myers, Office of Attorney General; Emily Grimes, Department of Planning and Budget; Lauren Albanese, Financial Investment News; Jamie Bitz, Joint Legislative Audit and Review Commission; and Rick Fowler and Marshall Terry, Virginia Governmental Employees Association.

Retreat Called to Order

A. Scott Andrews welcomed everyone to the Virginia Retirement System Board of Trustees Retreat.

Opening Remarks

Trish Bishop, VRS Director, and Ron Schmitz, VRS Chief Investment Officer, provided opening remarks and Mr. Schmitz introduced the first speaker, Anirban Basu, Chairman and CEO of Sage Policy Group, Inc.

Presentations

Digital Assets & Blockchain

Anirban Basu, Chairman and CEO of Sage Policy Group, Inc., provided a presentation on Digital Assets and Blockchain.

Panel Discussion: Equities

Dan Whitlock, Dan Schlussler, Vu Le and J.T. Grier hosted a panel discussion on equities.

Panel Discussion: Fixed Income

Greg Oliff, Parham Behrooz, Mehtab Haleem and J.T. Grier hosted a panel discussion on fixed income.

Panel Discussion: Operations, Regulatory & Legal, and Compliance

Vera Pleasants, Rick Brooks, Laurie Fennell and Curt Mattson hosted a panel discussion on operations, regulatory and legal, and compliance.

Panel Discussion: Portfolio Solutions Group (PSG)

Matt Lacy, Kristina Koutrakos, Ross Kasarda, Katie Grawe and Chung Ma hosted a panel discussion on the Portfolio Solutions Group.

China's Impact on the Global Economy and Geo-political Landscape

Melissa Ma, Co-Founder and Managing Partner of Asia Alternatives Management, LLC, provided a presentation on China's impact on the global economy and the geo-political landscape.

Closing Remarks

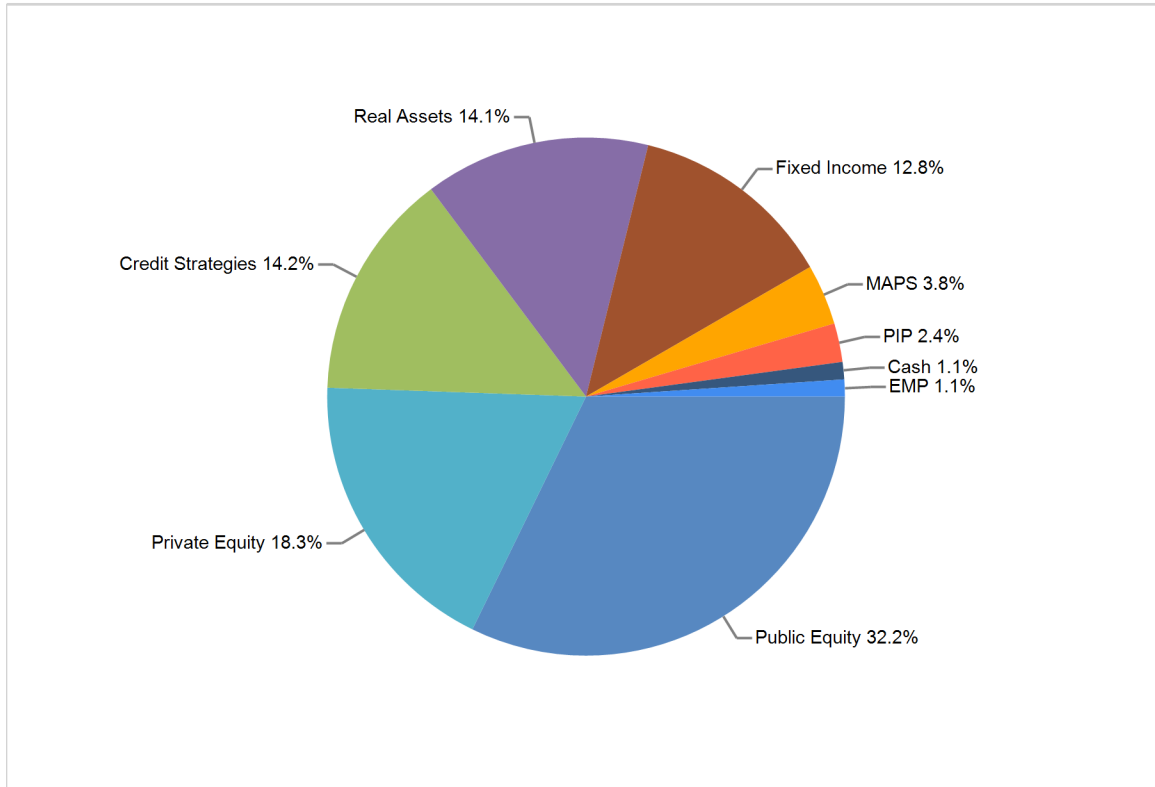
Mr. Schmitz thanked the speakers and everyone who attended the retreat.

Adjournment

The retreat concluded at approximately 3:45 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						26.5%
Public Equity	33.1	32.2%	36.0%	-3.8%	-5%	+5%	39.9%
Fixed Income	13.1	12.8%	15.0%	-2.2%	-3%	+5%	96.1%
Credit Strategies	14.6	14.2%	14.0%	0.2%	-5%	+5%	
RS Credit	4.6	4.5%	5.6%	-1.1%			
NRS Credit	10.0	9.7%	8.4%	1.3%			
Real Assets	14.5	14.1%	14.0%	0.1%	-5%	+5%	9.3%
Public RE	1.3	1.3%					99.9%
Private RE	8.8	8.5%					
Other RA	4.4	4.3%					
Private Equity	18.8	18.3%	14.0%	4.3%	-5%	+5%	
MAPS	3.9	3.8%	4.0%	-0.2%	-2%	+2%	
DSTRAT	2.1	2.1%					
RBI	1.8	1.7%					0.8%
PIP	2.5	2.4%	2.0%	0.4%	-2%	+2%	
EMP	1.1	1.1%	0.0%	1.1%		+3%	
Cash	1.1	1.1%	1.0%	0.1%	-1%	+4%	

	<u>Current \$Bil</u>	<u>Current Weight</u>	<u>Policy Limit</u>
Hedge Funds	10.2	9.9%	15.0%

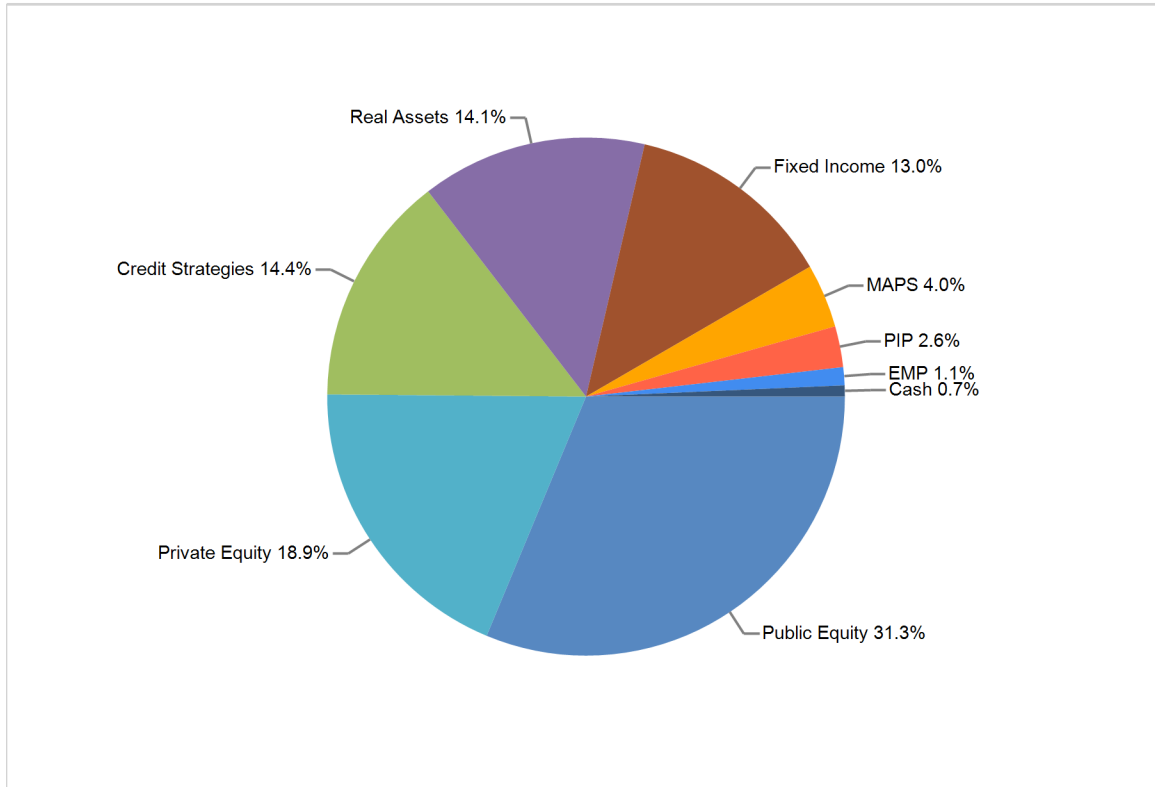
<u>Tracking Error</u>	
3Yr-Total Fund:	1.68%
3Yr-Total Public:	1.49%
5Yr-Total Fund:	1.37%
5Yr-Total Public:	1.18%

*Total Fund includes the following amt held by the Treasurer of VA: \$ 65 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 annualized tracking error is calculated using compounded quarterly returns as of 3/31/2022

* Differences in totals are due to rounding.



	Current \$Bil	Current Weight	Policy Weight	Variance	Allowable Range		Internal %
Total Fund	99.7						26.7%
Public Equity	31.2	31.3%	36.0%	-4.7%	-5%	+5%	41.1%
Fixed Income	13.0	13.0%	15.0%	-2.0%	-3%	+5%	96.3%
Credit Strategies	14.4	14.4%	14.0%	0.4%	-5%	+5%	
RS Credit	4.6	4.6%	5.6%	-1.0%			
NRS Credit	9.8	9.8%	8.4%	1.4%			
Real Assets	14.1	14.1%	14.0%	0.1%	-5%	+5%	8.8%
Public RE	1.2	1.2%					99.9%
Private RE	8.6	8.6%					
Other RA	4.3	4.3%					
Private Equity	18.8	18.9%	14.0%	4.9%	-5%	+5%	
MAPS	4.0	4.0%	4.0%	0.0%	-2%	+2%	
DSTRAT	1.9	1.9%					4.9%
RBI	2.1	2.1%					0.5%
PIP	2.5	2.6%	2.0%	0.6%	-2%	+2%	
EMP	1.1	1.1%	0.0%	1.1%		+3%	
Cash	0.7	0.7%	1.0%	-0.3%	-1%	+4%	

	Current \$Bil	Current Weight	Policy Limit
Hedge Funds	10.3	10.4%	15.0%

Tracking Error	
3Yr-Total Fund:	1.68%
3Yr-Total Public:	1.49%
5Yr-Total Fund:	1.37%
5Yr-Total Public:	1.18%

*Total Fund includes the following amt held by the Treasurer of VA: \$ 287 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 (6 adjustments applied)

*Total Fund and Total Public annualized tracking error is calculated using compounded quarterly returns as of 3/31/2022

* Differences in totals are due to rounding.

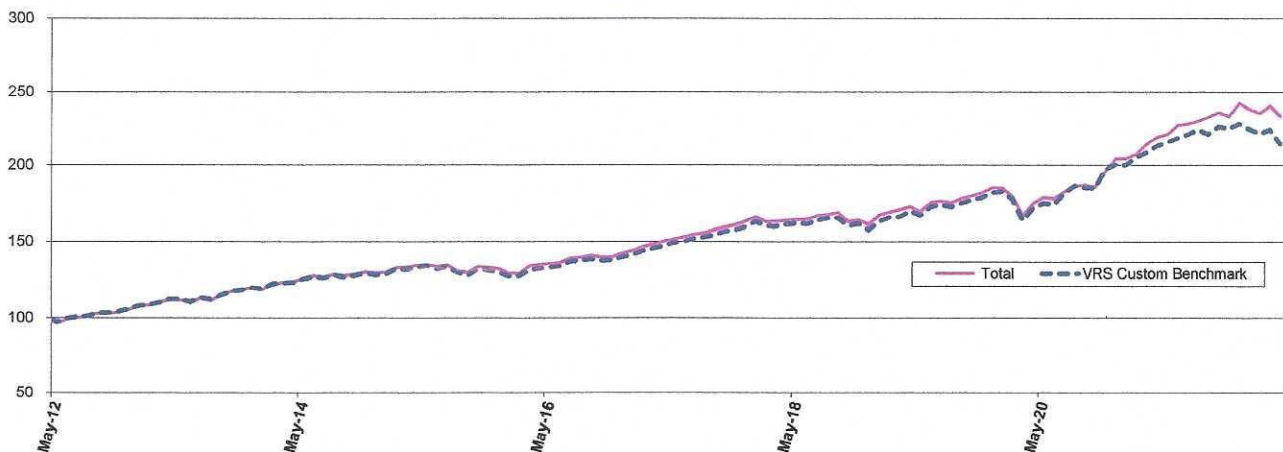
PERFORMANCE SUMMARY
Rolling Periods Ending
April 30, 2022



TOTAL FUND PERFORMANCE

	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month	Fiscal YTD	Cal YTD	Market Value (\$MM)
Total Public Equity Strategies	9.4	8.5	8.9	-5.3	-7.3	-6.2	-7.6	-11.5	33,119
<i>Benchmark</i>	9.4	9.3	9.4	-5.9	-8.1	-7.9	-8.4	-12.9	
Total Fixed Income	2.5	2.3	1.9	-8.0	-7.3	-3.8	-9.2	-9.3	12,835
<i>Benchmark</i>	1.7	1.2	0.4	-8.7	-7.7	-3.9	-9.7	-9.7	
Total Credit Strategies	6.7	6.8	7.8	6.4	-0.4	-0.9	3.2	-1.0	14,614
<i>Benchmark</i>	5.2	4.5	4.0	-0.7	-2.6	-1.3	-1.8	-3.4	
Total Real Assets	10.8	9.7	10.2	20.4	6.8	-0.7	16.9	6.2	14,477
<i>Benchmark</i>	9.0	7.9	8.4	17.2	4.8	1.2	15.4	6.1	
Total Private Equity	18.0	22.5	27.3	40.8	4.6	-0.4	26.6	4.5	18,815
<i>Benchmark</i>	14.6	15.5	17.7	13.0	-4.0	-5.2	6.9	0.7	
Total Private Investment Partnerships	n/a	11.2	12.9	25.2	3.1	0.0	15.1	3.1	2,482
<i>Benchmark</i>	n/a	9.8	10.7	10.6	-0.3	-1.6	7.4	1.6	
Total Multi-Asset Public Strategies	n/a	n/a	5.0	1.2	-2.3	-2.5	-0.5	-3.2	3,887
<i>Benchmark</i>	n/a	n/a	5.7	-2.8	-4.8	-4.0	-4.4	-7.1	
Total Fund	8.9	9.3	10.6	6.8	-1.8	-2.8	3.1	-3.7	102,714
<i>VRS Custom Benchmark</i>	7.9	7.8	8.1	0.6	-4.5	-4.4	-1.8	-6.0	

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 3/31/2022)

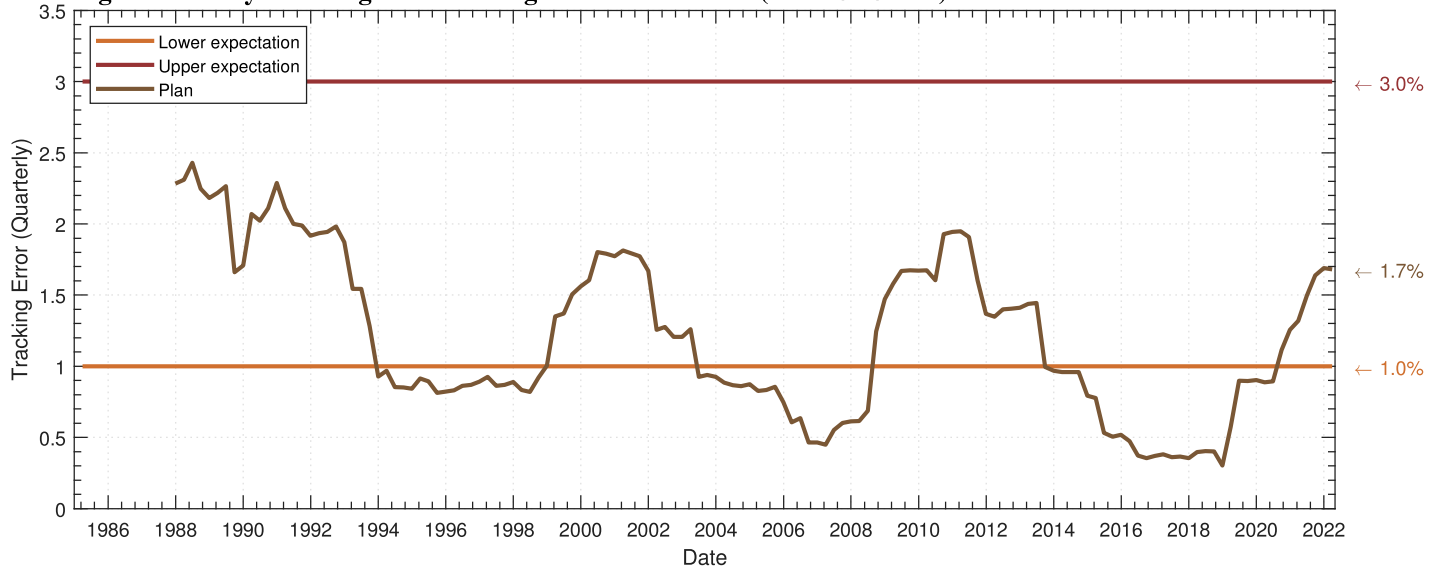
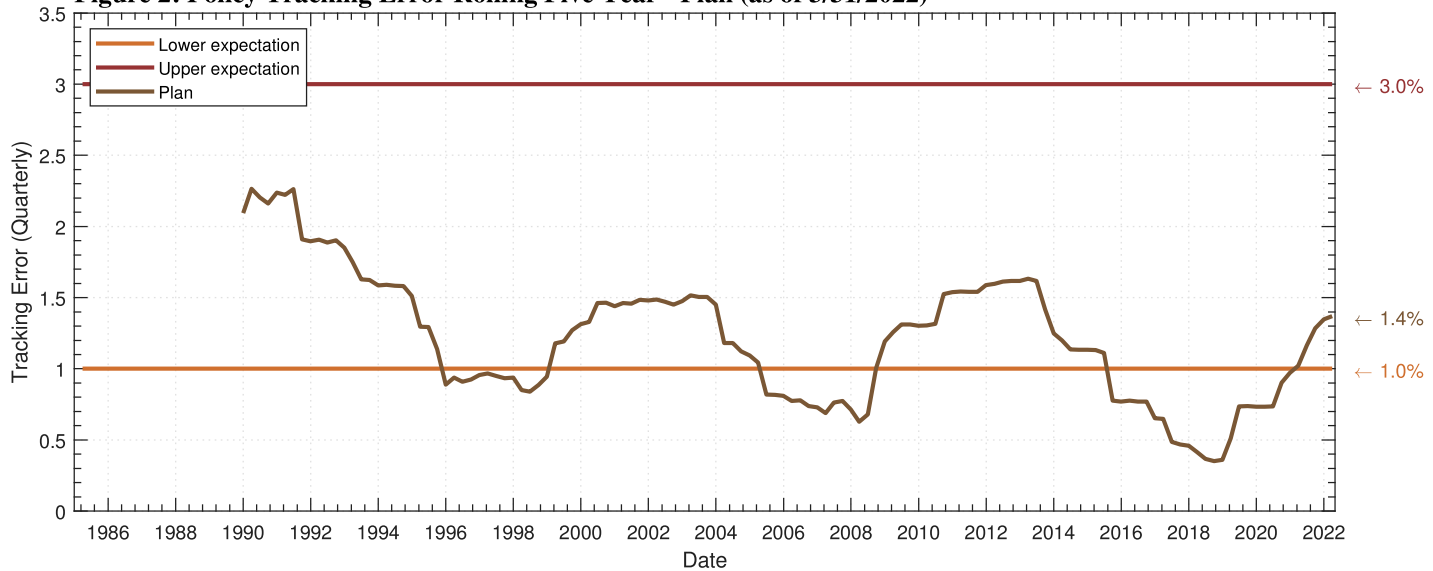


Figure 2: Policy Tracking Error Rolling Five Year - Plan (as of 3/31/2022)



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

Program	Action	Effective Date	Commitment/ Current Value	Funding/ Defunding Period	Description
Credit Strategies	Hired	05/26/2022	\$450 Million	3 Years	Magnetar Diversified Credit – A fund that will invest opportunistically across credit markets, with a focus on private credit investments.
Real Assets	Hired	05/26/2022	\$200 Million	5 Years	EIG River Energy Partners, LP – A closed-end fund investing in global natural resources.
Real Assets	Hired	05/31/2022	\$75 Million	5 Years	True Green Capital Fund IV, LP – A closed-end fund investing in renewable infrastructure.
Real Assets	Hired	06/01/2022	\$150 Million	6 Years	iCON Infrastructure Partners VI, LP – A closed-end fund investing in middle market infrastructure investments in Europe and North America.

Asset Liability Study Implementation

Asset Class Phase-in



	FY 2022 Target	Proposed FY 2023 Target	Current Long Term Target	Allowable Ranges	
				Min	Max
Public Equity	36%	34%	34%	-5%	+5%
Fixed Income	15%	15%	15%	-3%	+5%
Credit Strategies	14%	14%	14%	-5%	+5%
Real Assets	14%	14%	14%	-5%	+5%
Private Equity	14%	16%	14%	-5%	+5%
PIP	2%	2%	3%	-2%	+2%
MAPS	4%	4%	6%	-2%	+2%
Exposure Management	0%	0%	0%	-	+3%
Cash	1%	1%	0%	-1%	+4%
Total Fund	100%	100%	100%		



Approve changes to Defined Benefit Plan Strategic Asset Allocation and Allowable Ranges, effective July 1, 2022.

Requested Action

The VRS Board of Trustees approves the recommended changes to update the Defined Benefit Plan Strategic Asset Allocation and Allowable Ranges to reflect the new Board target asset mix, effective July 1, 2022.

Description/Background

Board Strategic Asset Allocation and Allowable Ranges. Every year at fiscal year-end, the Chief Investment Officer (CIO) considers market conditions and progress in moving to the new policy portfolio and suggests specific target exposures to the Board for the upcoming year.

The CIO recommends the following target exposures and allowable ranges effective July 1, 2022.

Asset Class	FY 2022	Proposed	Current	Allowable	
	Target	FY 2023 Target	Long Term Target	Min	Max
Public Equity	36%	34%	34%	-5%	+5%
Fixed Income	15%	15%	15%	-3%	+5%
Credit Strategies	14%	14%	14%	-5%	+5%
Real Assets	14%	14%	14%	-5%	+5%
Private Equity	14%	16%	14%	-5%	+5%
PIP	2%	2%	3%	-2%	+2%
MAPS	4%	4%	6%	-2%	+2%
Exposure Management	0%	0%	0%	-	+3%
Cash	1%	1%	0%	-1%	+4%
Total Fund	100%	100%	100%		

Notes:

Given very strong performance, Private Equity’s exposure has been higher than originally targeted. To temporarily mitigate the risk of exceeding the upper range, the Private Equity target is being raised by 2% for the fiscal year.

The Board, at the April 16, 2020 Board meeting, approved a small transactional cash account, with a target of 1% and with an absolute range of 0% to 5%.

Maintaining the allowable range of -3% to +5% for Fixed Income, which was approved by the Board at the April 16, 2020 and June 11, 2020 Board meetings, effectively drops the Fixed Income floor to 12%. Previously, the Fixed Income floor calculation included Cash. Cash has been eliminated from the calculation of the Fixed Income floor.

Given staff has been more opportunistic in Fund level tactical positioning, such positions' economic exposures will be communicated as Exposure Management.

Staff will not, by its tactical actions, underweight or overweight any asset class beyond the minimum and maximum allowable ranges. However, market action could drop or raise an asset class temporarily below the minimum allowable range or above the maximum allowable range. In such rare cases, staff will establish an action plan to move the applicable asset class back into compliance with policy. In addition, the CIO will communicate the variance to the Board on a timely basis.

Rationale for Requested Action

The change to the Strategic Asset Allocation Implementation Schedule and Allowable Ranges reflects the current market conditions and allows for easier management of the asset allocation.

Authority for Requested Action

The Board is authorized to approve these recommendations pursuant to the provisions of *Code of Virginia* §§ 51.1-124.22 and -124.30.

The above action is approved on June 23, 2022 with an effective date of July 1, 2022.

A. Scott Andrews, Chair
VRS Board of Trustees

Date

Report

The Audit and Compliance Committee met on June 16, 2022 and discussed the following:

APPROVAL OF MINUTES

The Committee approved the minutes of its March 29, 2022 meeting.

EXIT ON THE 2021 EMPLOYER ASSURANCES REVIEW

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

ENTRANCE WITH THE APA FOR THE VRS 2022 ANNUAL COMPREHENSIVE FINANCIAL REPORT AUDIT

The Committee held its annual entrance conference with the APA to review the approach and scope of the examination of VRS' Annual Comprehensive Financial Report for the Fiscal Year Ending June 30, 2022.

AUDIT REPORTS

The Committee received two audit reports.

- The review of *Cash Management* concluded that cash management processes in place support VRS' operational needs and comply with applicable statutory requirements. There were no formal recommendations as a result of this review.
- The review of *IT General Controls* determined that overall the IT architecture within VRS is effective and secure. There were four formal recommendations as the result of this review.

MISCELLANEOUS UPDATES

The Committee received the following miscellaneous updates:

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 February 1, 2022 through April 30, 2022.

Management's Quarterly Travel Expense and Per Diem Report

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

Next Committee Meeting Date

The Committee's next meeting is scheduled for Tuesday, September 13, 2022 at 2 p.m.

Respectfully submitted to the Board of Trustees on June 23, 2022.

Joseph W. Montgomery, Chair
Audit and Compliance Committee

Report

The Defined Contribution Plans Advisory Committee (DCPAC) convened on June 2, 2022 at 1:04 p.m. and took up the following matters:

WELCOME

Senator Bell welcomed Committee members, Board members, agency officials, representatives from stakeholder groups, and other members of the public joining in person and through electronic means, to the DCPAC.

ADMINISTRATION

Administrative Reports and Communication Update

Staff provided an overview of the DC plans, as well as an update on administrative reports for the first quarter of 2022. An overview of assets and accounts across the various defined contribution plans, as well as participant trends and the impact of various plan initiatives was also provided. Staff shared with the Committee an analysis and overview of efforts related to the first quarter focus on asset retention along with VRS being the recipient of the 2022 Communicator Award of Distinction. This award was presented by the Academy of Interactive and Visual Arts (AVIA) in the Marketing Effectiveness category for a communications campaign about SmartStep Auto-Increase Awareness.

DC Plans Consultant RFP Update

Staff provided an update on the DC Plans Consultant RFP. Staff indicated that Sageview Consulting has been procured to assist with the RFP Process and that Andrew Ness will be the primary consultant assisting VRS.

INVESTMENTS

Performance Reports

Staff provided the Committee with an overview of the markets and reviewed the April 30, 2022 performance reports, including the unbundled DC plans investment options and the bundled TIAA ORPHE Retirement Choice (RC) investment menu options. Staff also informed the Committee of BlackRock's changes to the fixed income portion of their LifePath target date portfolios.

Benchmark Review

Staff provided an overview of VRS DC plans performance benchmarks and their importance as it relates to passively managed funds. Staff shared a benchmark correlation table for the five-year period ending 3/31/2022 and provided an overview of general findings from peers in the public DC plan sponsor space. The DCPAC did not express any concerns regarding the standard benchmarks currently being used within the DC investment program.

2022 PIMCO US DC Consulting Study

Staff gave an overview of the key findings from the 2022 PIMCO U.S. Consulting Study. Staff highlighted some of the findings, such as the dominance of target date funds and noted the increasing interest in ESG and alternatives in DC investing.

OTHER BUSINESS

No new business was brought before the Committee.

DISCUSSION OF NEW IDEAS

Mr. Larson started a discussion on how DCPAC impacts our customers. How do you reconcile annual data in an environment that's rapidly changing? Staff explained that in addition to receiving annual studies from various sources, staff participates in webinars and these meetings usually include surveys. Staff also continuously engages with various parties within the DC industry, including our business partners, throughout the year. Trends are reviewed to ascertain longer term perspectives. Insights were also provided on behavioral finance and how changes in the stock market, variations in data and current conditions affect how customers react.

2022 MEETINGS

Senator Bell confirmed the remaining DCPAC meeting dates in 2022, all at 1:00 p.m.:

- Thursday, September 8th
- Thursday, December 1st

Additionally, the ORPHE Annual Employer Update has been scheduled for September 29, 2022 and will appear on the DCPAC agenda as an upcoming event. This is not a DCPAC meeting; however, members may attend if interested.

There was no other business to come before the Committee.

Submitted to the Board of Trustees on June 23, 2022.

J. Brandon Bell, Chair
Defined Contribution Plans Advisory Committee

Report

The Administration and Personnel Committee met on June 14, 2022 and discussed the following:

APPROVAL OF MINUTES

The Committee approved the minutes of its April 6, 2022 meeting.

DISCUSSION AND CONSIDERATION OF REVISED FY 2022 AGENCY PERFORMANCE OUTCOME (APO) #1

Michael Cooper, Chief Operating Officer, advised the Committee of changes to the current Agency Performance Outcome (APO) #1. Mr. Cooper reminded the committee that the Chief Technology and Information Security Officer briefed them on this matter in April and further explained that while the original APO indicated a full migration to the public cloud, the team has determined that a hyper converged infrastructure (HCI) data center is the most appropriate path forward for the agency's information technology infrastructure. Therefore, the APO language was updated to reflect the ongoing work related to the HCI data center migration, which requires approval by the Committee and the Board.

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

Request for Board Action: *The Board approves the revised FY 2022 Agency Performance Outcome (APO) #1.*

DISCUSSION AND CONSIDERATION OF FY 2023 AGENCY PERFORMANCE OUTCOMES (APOs) AND OPERATIONAL MEASURES

Michael Cooper reviewed the proposed Agency Performance Outcomes (APOs) and operational measures for FY 2023. Mr. Cooper noted that APOs are considered stretch goals for the organization, requiring input across all business units, and operational measures reflect the agency's day-to-day business operations.

Staff proposes six APOs for FY 2023, each with multiple subcomponents. Sixteen operational measures are also proposed for the fiscal year. To satisfy the requirements for the gainsharing bonus, staff must accomplish five of the six APOs and 13 of the 16 operational measures. In addition, Mr. Cooper noted that consistent with the strategic plan and APO #5 (Customer Experience Review), the agency will be reviewing and potentially updating the organization's operational measures and has included this work in its FY 2023 roadmap.

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

Request for Board Action: *The Board approves the FY 2023 Agency Performance Outcomes (APOs) and Operational Measures.*

APPROVE REVISED INVESTMENT PROFESSIONALS' PAY PLAN

Paula Reid, Human Resources Director, updated the Committee on proposed changes to the Investment Professionals' Pay Plan. Ms. Reid noted that the changes include:

- Adding the position of Chief Managing Director to ensure the smooth transition of the new Chief Investment Officer.
- Reflecting the current assumed rate of return.
- Providing clarifying language within several sections of the pay plan.

In addition, the updates include a 5% increase to the minimum and maximum of each of the salary bands, consistent with Item 483 of the 2023 Appropriation Act, effective July 10, 2022. This change is contingent on the Appropriation Act's passage.

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

Request for Board Action: *The Board approves the revised Investment Professionals' Pay Plan.*

APPROVE REVISED ADMINISTRATIVE PAY AND INVESTMENT OPERATIONS AND ADMINISTRATION PAY PLANS

Ms. Reid also updated the Committee on proposed changes to the Administrative and Investment Operations and Administration Pay Plans. Item 483 of the 2023 Appropriation Act, contingent upon its passage, will require the Department of Human Resource Management to increase by 5% the minimum and maximum of each of the salary bands in the Commonwealth's Classified Compensation Plan. Generally, the VRS Board of Trustees also adjusts the salary scales in its pay plans in accordance with the requirements of the Appropriation Act. An increase of 5% to the minimum and maximum of each grade of the salary scales in the Administrative Pay Plan and the Investment Operations and Administration Pay Plan, effective July 10, 2022, is consistent with the changes to be made to the Commonwealth's Classified Compensation Plan.

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

Request for Board Action: *The Board approves the revised Administrative and Investment Operations and Administration Pay Plans.*

BUDGET UPDATE

Jonathan Farmer, Budget and Performance Reporting Manager, presented an update on the agency's budget. Mr. Farmer reviewed the agency's expenditures through April 30, 2022 and outlined anticipated spending through the remainder of the fiscal year. He also explained that the reduction in the anticipated surplus from February is due to the agency's absorption of the 5% salary increases authorized in the FY 2022 Appropriation Act. Mr. Farmer indicated that VRS is still on track to finish the year with a surplus of approximately \$5.46 million.

Submitted to the Board of Trustees on June 23, 2022.

A. Scott Andrews, Chair
Administration and Personnel Committee



Approve Revised Agency Performance Outcome (APO) #1.

Requested Action

The VRS Board of Trustees approves revisions to Agency Performance Outcome #1 for Fiscal Year 2022.

Description/Background

At its June 10, 2021 meeting, the VRS Board of Trustees approved four Agency Performance Outcomes (APOs) for Fiscal Year 2022. The APOs are stretch goals for the Administrative staff. The FY 2022 APOs have four stated outcomes summarized as follows:

1. Cloud Migration
2. Records Management Program – Phase 1 Implementation
3. ERM Implementation
4. Cardinal HCM Implementation – The Plan (Track 1), Agency (Track 2) and Retiree (Track 3). The objective is to attain three of the four APOs. Successful attainment of the APOs is the gainsharing portion of the performance management program of the Administrative Pay Plan for administrative staff.

APO #1 Cloud Migration was developed in accordance with the agency’s initial plan for moving its technology services to the public cloud. Through its due diligence during this project, VRS determined that full migration to the public cloud is not in the best interest of the agency. A hyper converged infrastructure (HCI) data center is the most secure and efficient platform for the agency’s technology services. Therefore, while some components of the initial proposed work related to APO #1 remain, additional work is required to prepare for the HCI data center migration. The changes to the components of APO #1 reflect the work underway to move VRS technology services to a HCI data center.

Rationale for Requested Action

When the accomplishment of an APO as initially established is unattainable due to significant changes to the project plan, and when those changes are in the best interest of VRS stakeholders, it is appropriate to amend the objectives to reflect only those aspects of the APO that are within VRS’ ability to execute.

Authority for Requested Action

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

The above action is approved.

A. Scott Andrews, Chair
VRS Board of Trustees

Date

Revised FY 2022 Agency Performance Outcome (APO) #1

1	Hyper Converged Infrastructure (HCI) Data Center	Measure: 5 of 7 completed
1.1	Complete Azure Security and Governance design and configure VRS Azure tenant to meet security standards.	
1.2	Adjust Security and Governance settings as workloads are migrated to Azure Cloud, per the approved plan.	
1.3	Develop and disseminate data center requirements to potential vendors who have a location within commuting distance to Richmond. Review the capabilities of each vendor and perform selection based on cost, security, carriers and location.	
1.4	Develop technology architecture for the two new datacenters, examining high availability and disaster recovery requirements. Create an inventory list for hardware, licensing and professional services.	
1.5	Place procurements for the data center facilities, network hardware, security appliances, licensing and professional services.	
1.6	Craft the Wide Area Network (WAN) design to provide full high availability and 24x7x365 capabilities for internal and external customers. Establish and disseminate procurement to acquire these services.	
1.7	Begin planning for Investment's migration to a new technology platform.	

Revised FY 2022 Agency Performance Outcome (APO) #1
(Redline)

1	Cloud Migration Hyper Converged Infrastructure (HCI) Data Center	Measure: 4 5 of 6 7 completed
1.1	Complete Azure Security and Governance design and configure VRS Azure tenant to meet security standards.	
1.2	Adjust Security and Governance settings as workloads are migrated to Azure Cloud, per the approved plan.	
1.3	Implement Azure Modern Service Management processes and complete operational and process readiness activities, per the approved plan, for successful operation of the VRS Azure environment.	
1.4	Complete high-level planning, discovery and assessment activities for workload migrations to Cloud.	
1.5	Initiate lift and shift workloads migration to the Cloud in accordance with the approved plan.	
1.6	Begin Investments workload migrations to the Cloud, including user readiness, education and training activities, as applicable.	
1.3	Develop and disseminate data center requirements to potential vendors who have a location within commuting distance to Richmond. Review the capabilities of each vendor and perform selection based on cost, security, carriers and location.	
1.4	Develop technology architecture for the two new datacenters, examining high availability and disaster recovery requirements. Create an inventory list for hardware, licensing and professional services.	
1.5	Place procurements for the data center facilities, network hardware, security appliances, licensing and professional services.	
1.6	Craft the Wide Area Network (WAN) design to provide full high availability and 24x7x365 capabilities for internal and external customers. Establish and disseminate procurement to acquire these services.	
1.7	Begin planning for Investment's migration to a new technology platform.	

Approve FY 2023 APOs and Operational Measures.

Requested Action

The VRS Board of Trustees approves the FY 2023 Agency Performance Outcomes (APOs) and Agency Operational Measures.

Description/Background

Each year the VRS Board of Trustees approves Agency Performance Outcomes (APOs) and Operational Measures. The APOs are stretch goals for the Administrative staff. The Operational Measures are agency performance measures.

APOs (see attachment 1). The FY 2023 APOs have six stated outcomes summarized as follows:

1. Cardinal HCM Implementation – Cardinal Release 3 State Agencies and VRS Retirees with State Health Insurance
2. Records Management Program – Phase 2 Implementation
3. Hyper Converged Infrastructure (HCI) Data Center Migration
4. Hybrid Plan – Contribution Separation Legislation Implementation Phase 1
5. Customer Experience Review
6. Comprehensive Agency Training Program – EDGE (Empower, Develop, Grow and Engage)

The objective is to attain five of the six APOs. Successful attainment of the APOs is the gainsharing portion of the performance management program of the Administrative Pay Plan for administrative staff. Under the gainsharing portion of the performance management program of the Investment Operations and Administration Pay Plan, investments operations staff are eligible for a bonus if their performance meets or exceeds expectations or is exceptional, as rated in their annual performance assessment, and the employee consistently works, as a team member, to accomplish the goals of the Investment Department. Both bonuses are normally paid as a lump sum equal to 2.5% of salary.

Operational Measures (see attachment 2). VRS also identifies key operational measures each year. These measures are coupled with the APOs as part of the gainsharing portion of the performance management program. The objective is to meet or exceed the target goal for at least 13 of the 16 measures. Again, the expectation is that all employees will work collaboratively and contribute to accomplishing key functions of the agency.

Satisfying the APO and operational measure targets is required to earn the gainsharing bonus.

Rationale for Requested Action

The APOs are stretch goals for VRS, and VRS identifies key operational measures as organizational performance expectations for the fiscal year that must be maintained while working to satisfy the APOs and maintaining key agency functions. Both the Administrative and Investment Operations and Administration Staff Pay Plans contain gainsharing language to reward teamwork, collaboration and organizational results.

Although satisfaction of the APOs and Operational Measures is not an explicit condition for a gainsharing bonus to be paid to Investment Operations and Administration staff, the agency's practice is that no gainsharing bonus is paid to Investment Operations and Administration staff in a year that Administrative staff is not eligible for a gainsharing bonus.

Authority for Requested Action

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

The above action is approved.

A. Scott Andrews, Chair
VRS Board of Trustees

Date



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2023

Summary

APO Status Indicator

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

Overall Measure: 5 of 6 completed

APO #	APO Description	Strategic Goal	July	August	September	October	November	December	January	February	March	April	May	June
1	Cardinal HCM Implementation – Cardinal Release 3 State Agencies and VRS Retirees with State Health Insurance * <i>(Measure: 5 of 6 completed)</i>	Digital Transformation and Secure Service Delivery												
2	Records Management Program – Phase 2 Implementation <i>(Measure: 3 of 4 completed)</i>	Digital Transformation and Secure Service Delivery												
3	Hyper Converged Infrastructure (HCI) Data Center Migration <i>(Measure: 4 of 5 completed)</i>	Technology Infrastructure												
4	Hybrid Plan – Contribution Separation Legislation Implementation Phase 1 <i>(Measure: 4 of 4 completed)</i>	Superior Governance and Long-Term Financial Health												
5	Customer Experience Review <i>(Measure: 3 of 4 completed)</i>	Member, Retiree and Employer Education, Outreach and Partnership												
6	Comprehensive Agency Training Program – EDGE (Empower, Develop, Grow and Engage) <i>(Measure: 4 of 6 completed)</i>	Organizational Strength, Culture and Engagement												

*Note: Ongoing meetings, data exchanges, testing, and reconciliations continue between VRS, DOA and other stakeholder groups. Further progress of the Cardinal HCM project needs to be completed before VRS can initiate the tasks outlined in APO #1.



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2023

APO 1

APO Status Indicator

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

APO 1 Measure: 5 of 6 completed

Cardinal HCM Implementation – Cardinal Release 3 State Agencies and VRS Retirees with State Health Insurance *

Strategic Goal:

Digital Transformation and Secure Service Delivery

#	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
1.1	Consistent with the Cardinal HCM deliverable and implementation schedule, complete all testing activities for the Retiree component of the Cardinal HCM Project.												
1.2	Consistent with the Cardinal HCM deliverable and implementation schedule, complete data conversion (as applicable) and implement the analogous changes in production.												
1.3	Consistent with the Cardinal HCM deliverable and implementation schedule, complete necessary training and education of VRS staff and other applicable operational readiness activities, such as communications with retirees and Release 3 employers.												
1.4	Following Cardinal HCM Go Live implementation schedule, transition the project to steady state operations and complete post-production quality monitoring activities.												
1.5	Health insurance related component to be added here.												
1.6	Consistent with the Cardinal HCM deliverable and implementation schedule, coordinate with DHRM on the transition of responsibilities for managing the retiree and VSDP long-term disability populations in the Cardinal HCM system												

**Note: Ongoing meetings, data exchanges, testing, and reconciliations continue between VRS, DOA and other stakeholder groups. Further progress of the Cardinal HCM project needs to be completed before VRS can initiate the tasks outlined in APO #1.*



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2023

APO 2

APO Status Indicator

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

APO 2 Measure: 3 of 4 completed

Records Management Program – Phase 2 Implementation	Strategic Goal: Digital Transformation and Secure Service Delivery
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#	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
2.1	Develop essential responsibilities and position description for new Records Management Officer position and initiate the recruitment process.												
2.2	Evaluate records management application software options and develop report outlining findings.												
2.3	Initiate development of training and education plan for staff.												
2.4	Using the records management program strategy developed in Phase 1, evaluate the use of a consultant or vendor to assist VRS with the implementation of records management enhancements and commence applicable procurement actions and processes.												



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2023

APO 3

APO Status Indicator

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

APO 3 Measure: 4 of 5 completed

Hyper Converged Infrastructure (HCI) Data Center Migration	Strategic Goal: Technology Infrastructure
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#	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
3.1	Install and configure new server, data storage, and virtualization (HCI) platforms in the two new data centers												
3.2	Integrate data networking hardware to support the two new data centers.												
3.3	Develop security model and related documentation for the server environment within the new data centers.												
3.4	Migrate applicable workloads from the current data centers to the new data centers.												
3.5	Develop a plan to decommission legacy data centers and securely and cost effectively surplus or dispose of (as applicable) end-of-lifecycle equipment.												



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2023

APO 4

APO Status Indicator

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

APO 4 Measure: 4 of 4 completed

Hybrid Plan – Contribution Separation Legislation Implementation Phase 1

Strategic Goal:
Superior Governance and Long-Term Financial Health

#	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
4.1	Establish project team for coordination of implementation.												
4.2	Develop project plan for implementation.												
4.3	Initiate communications and training team to support implementation for external partners.												
4.4	Identify internal communications and training needs.												



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2023

APO 5

APO Status Indicator

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

APO 5 Measure: 3 of 4 completed

Customer Experience Review	Strategic Goal: Member, Retiree and Employer Education, Outreach and Partnership
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#	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
5.1	Identify and inventory existing customer feedback channels.												
5.2	Develop a statement of work that encompasses agency goals in obtaining customer feedback.												
5.3	Develop a project plan, incorporating the statement of work for the customer experience review initiative and other criteria used to obtain customer feedback.												
5.4	Research and document customer feedback channels and performance guarantees with third-party administrators.												



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2023

APO 6

APO Status Indicator

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

APO 6 Measure: 4 of 6 completed

Comprehensive Agency Training Program – EDGE (Empower, Develop, Grow and Engage)

Strategic Goal:

Organizational Strength, Culture and Engagement

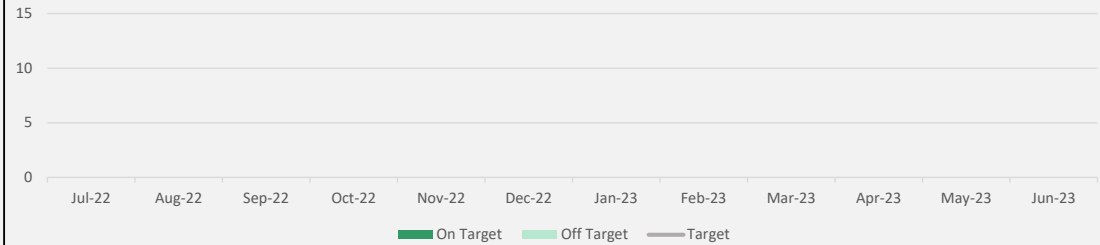
#	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
6.1	Develop program goals, objectives, criteria and metrics for measuring progress and outcomes for the EDGE initiative.												
6.2	Survey staff for input in determining initial course offerings.												
6.3	Develop curriculum for initial course offerings.												
6.4	Develop a comprehensive communications plan to support the EDGE initiative.												
6.5	Initiate foundational training courses for agency staff.												
6.6	Capture staff feedback regarding the initial EDGE courses and incorporate that feedback to enhance future program offerings.												

July-22

Current Status - All Operational Measures

YTD Status - All Operational Measures

■ On Target ■ Off Target



OM #	Operational Measure (OM)	Description	Strategic Goal	Target (Goal)	Current Status	YTD Status	Reporting Frequency	Comments
1	Timeliness of Monthly Financial Account Reconciliations	Percentage of monthly financial control reconciliations completed by last business day of the following month	Strong Financial Viability	> 95.00%	-	-	Monthly	
2	Average Abandoned Call Rate	Percentage of calls to the Customer Counseling Center (CCC) that result in hang-ups while in the queue	Continuous Improvement of Effective and Efficient Operations	< 7.00%	-	-	Monthly	
3	Timeliness of Response to Messages Received by the Customer Counseling Center (CCC)	Average response time to emails received by the CCC	Continuous Improvement of Effective and Efficient Operations	.75 business days	-	-	Monthly	
4	Timeliness of Monthly Retirement Disbursements	Percentage of monthly retirement disbursements processed no later than the first business day of the month	Continuous Improvement of Effective and Efficient Operations	100.00%	-	-	Monthly	
5	Timeliness of Service Retirements Processed	Percentage of service retirements processed so that retiring members are set up to receive retirement benefits on the first retirement payment date for which they are eligible	Continuous Improvement of Effective and Efficient Operations	95.00%	-	-	Monthly	
6	Accuracy of Service Retirements Processed	Percentage of service retirements processed for which the corresponding benefit payment correctly reflects the member's service record	Continuous Improvement of Effective and Efficient Operations	99.00%	-	-	Monthly	
7	Timeliness of Disability Retirements Processed	Percentage of disability retirements processed within 30 days of VRS receiving notification of approval by the Medical Review Board	Continuous Improvement of Effective and Efficient Operations	98.00%	-	-	Monthly	
8	Accuracy of Disability Retirements Processed	Percentage of disability retirements processed for which the corresponding benefit paid correctly reflects the member's service record	Continuous Improvement of Effective and Efficient Operations	99.00%	-	-	Monthly	
9	Timeliness of Workflow Documentation Imaging	Percentage of workflow documents imaged within one business day of receipt	Continuous Improvement of Effective and Efficient Operations	99.50%	-	-	Monthly	
10	Planned IT System Availability	Percentage of time critical systems are available during periods of planned availability	Superior Technological Tools that Enable Efficient Delivery of Service	99.50%	-	-	Monthly	
11	Timeliness of Employer Contribution Confirmations	Percentage of Employer Contribution Confirmation (CC) snapshots completed in VNAV by the end of the month in which they are due	Superior Technological Tools that Enable Efficient Delivery of Service	97.00%	-	-	Monthly	
12	Implementation of Corrective Action to Audit Recommendations	Percentage of audit recommendations for which VRS management represents that corrective action has been implemented by the approved target date	Continuous Improvement of Effective and Efficient Operations	> 95.00%	-	-	Quarterly	

Overall Measure: 13 of 16 meet or exceed target

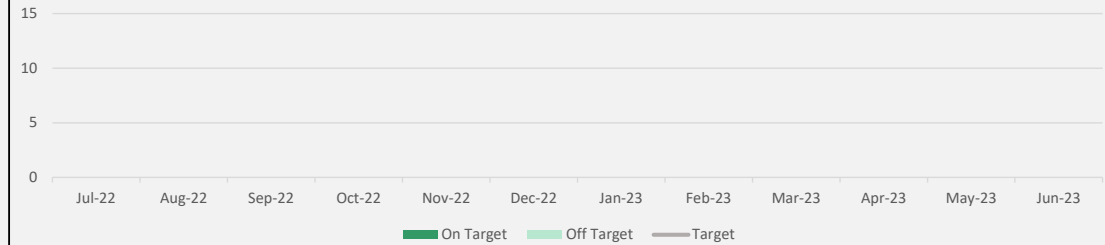
Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

July-22

Current Status - All Operational Measures

■ On Target ■ Off Target

YTD Status - All Operational Measures



OM #	Operational Measure (OM)	Description	Strategic Goal	Target (Goal)	Current Status	YTD Status	Reporting Frequency	Comments
13	Preventable Employee Turnover	Percentage of employees voluntarily separating VRS employment due to preventable experiences	Exceptional Organizational Culture and Work Environment	< 10.00%	-	-	Annual	
14	Cost to Administer Defined Benefit Plans	Annual pension administration cost for defined benefit plans, as compared to peer group median reported by CEM Benchmarking, Inc.	Strong Financial Viability	FY 2021 CEM Peer Cost Average	-	-	Annual	Will not know FY 2021 CEM peer cost until spring 2022
15	Systems Security Awareness	Percentage of eligible staff who have completed security training in compliance with the agency's and Commonwealth's security policies	Continuous Improvement of Effective and Efficient Operations	100.00%	-	-	Annual	Measure reported on an annual basis
16	Employee Professional Development	Percentage of full-time VRS administration employees receiving at least 8 hours of professional development	Highly Skilled and Trained Staff	85.00%	-	-	Annual	Measure reported on an annual basis

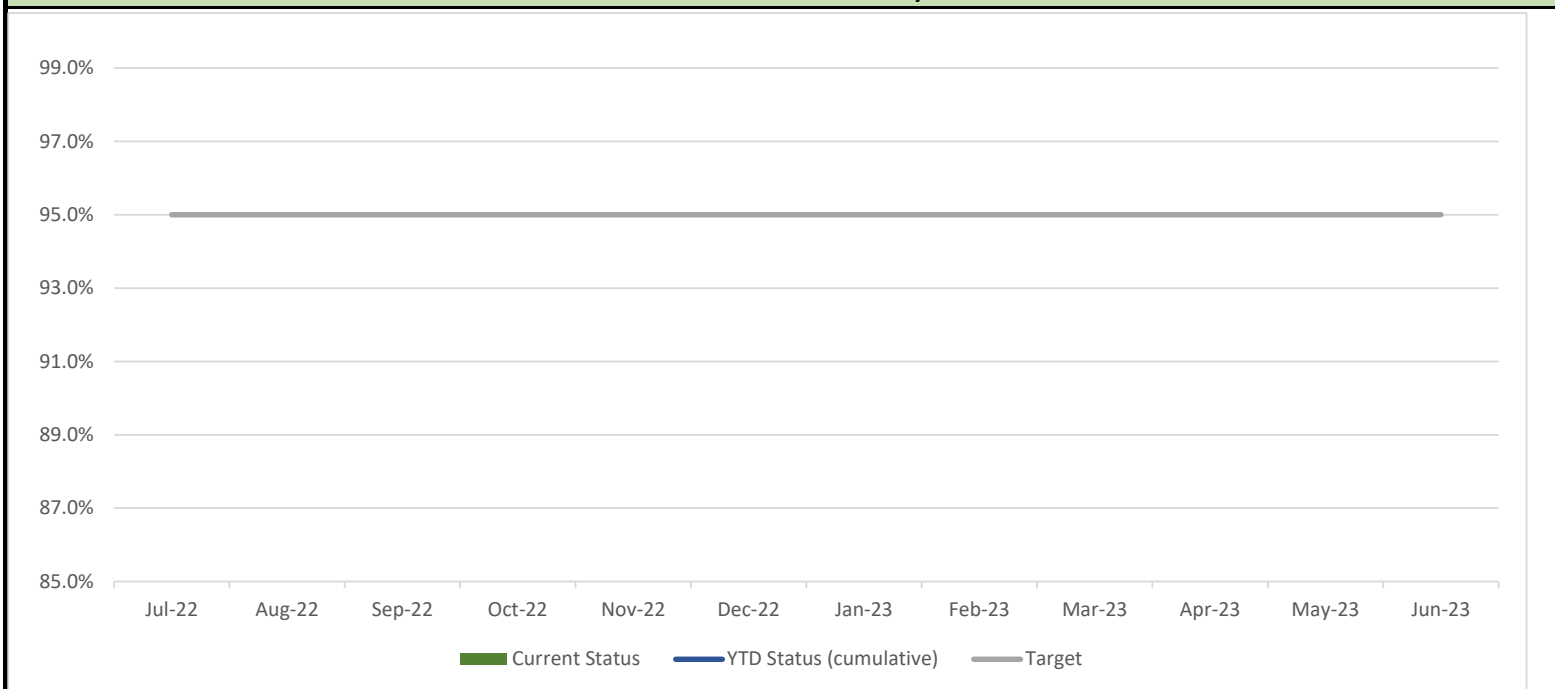
Overall Measure: 13 of 16 meet or exceed target

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

Reporting Period: July-22

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

YTD Performance History



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

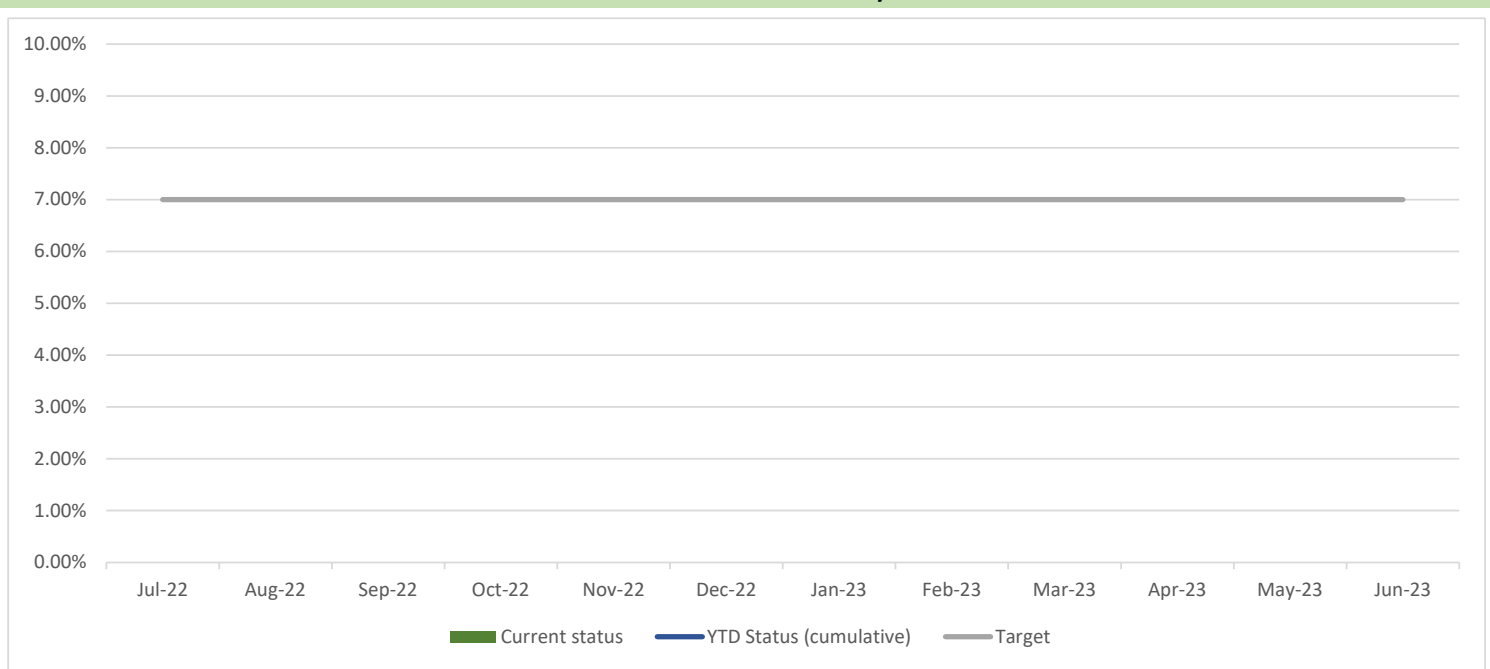
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Overall Measure: 13 of 16 meet or exceed target

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

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

YTD Performance History

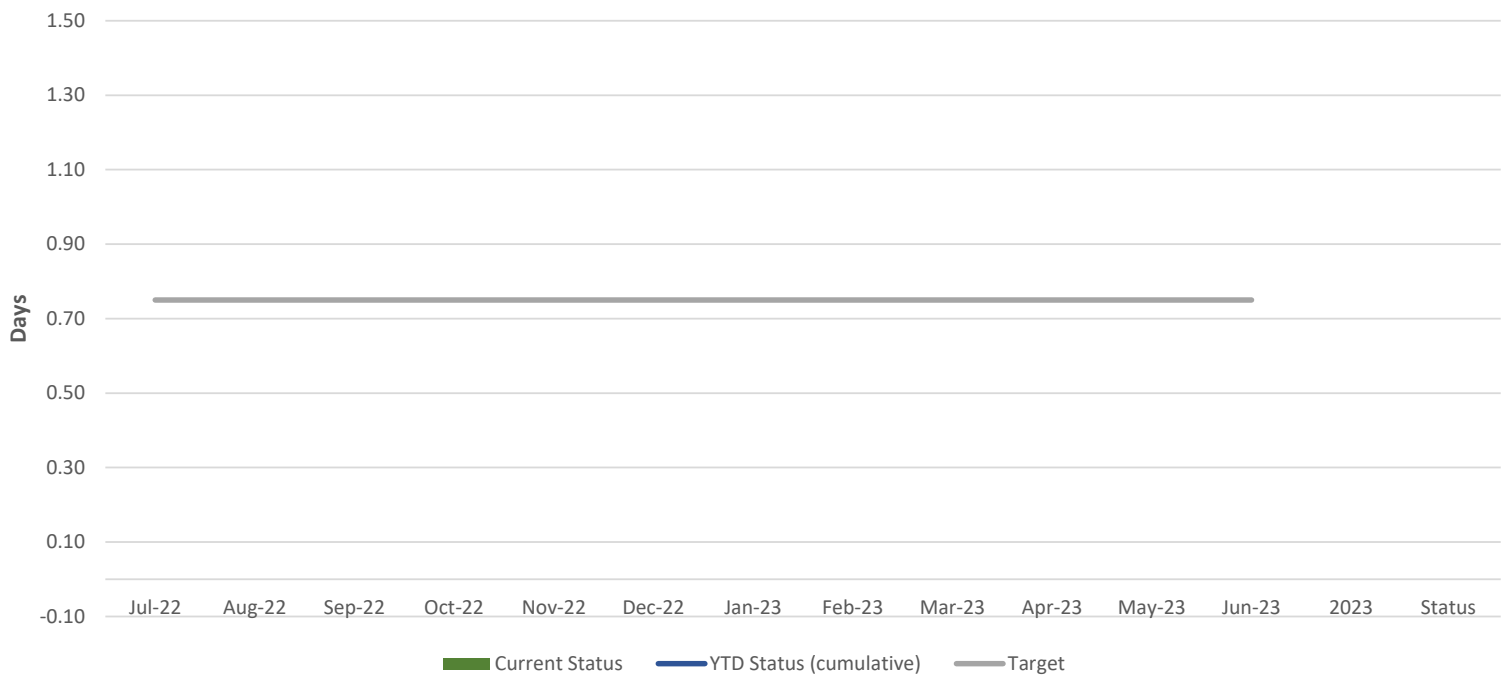


VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

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

Operational Measure	Timeliness of Response to Messages Received by the Customer Counseling Center (CCC)		
Strategic Goal	Continuous Improvement of Effective and Efficient Operations		
Description	Average response time to emails received by the CCC		
Calculation Methodology	The number of messages responded to within two business days, divided by the total number of messages responded to by the CCC. Note: In FY 2022, the CCC may transition its electronic communications from the current traditional email platform to secure messaging conducted through myVRS.		
Data Source	Customer Counseling Center Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	.75 business days	Baseline (Performance History)	1.30 business days
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 1.3 days</i>	
Current Reporting Month Status	-	YTD Status (Cumulative; used at year-end to determine whether target has been met)	-
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Transition may occur in FY 2023 from traditional emails to secure messaging through the MyVRS portal	Proactively train CCC staff on the process changes that will occur when secure messaging is implemented	
2	Ongoing transition to hybrid work environment impacts processes and agency resources, including email/secure messaging capabilities	Prepare a staff augmentation plan for times when additional resources are needed to address email backlogs resulting from system outages	
3	Historically high rate of turnover of CCC staff	Continue recruitment and retention measures to attract and retain CCC staff	

YTD Performance History



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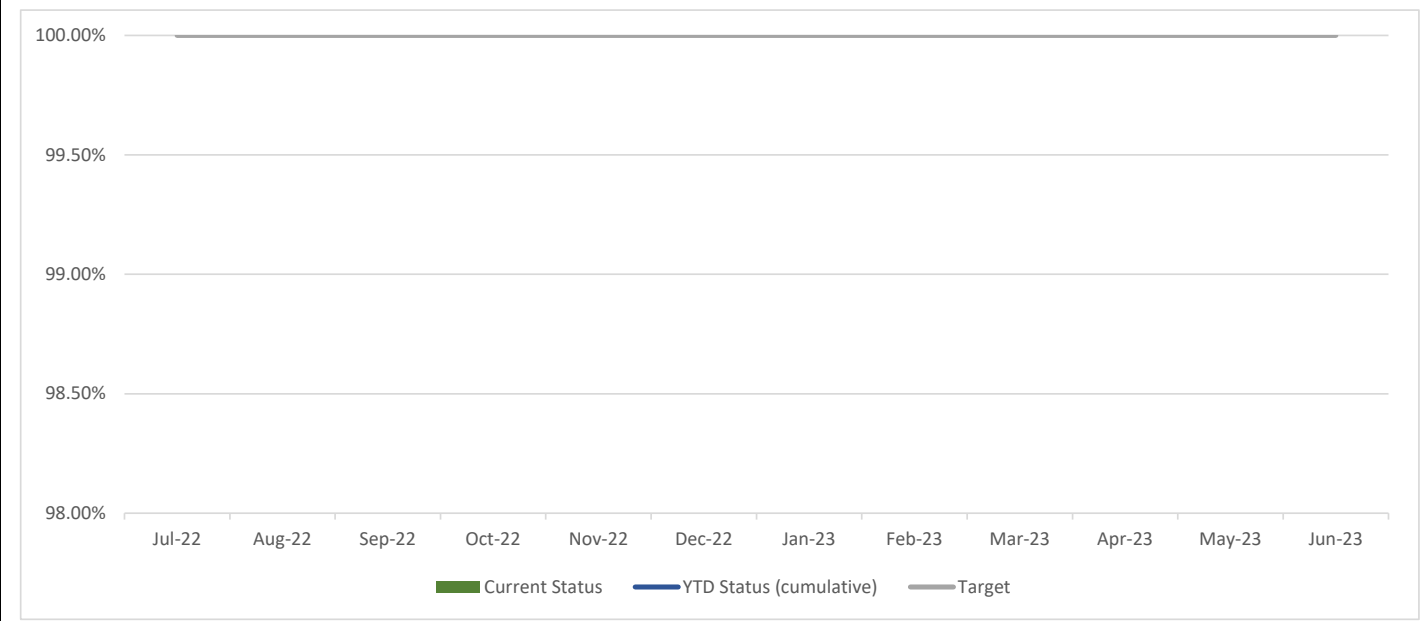
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Overall Measure: 13 of 16 meet or exceed target

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

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

YTD Performance History



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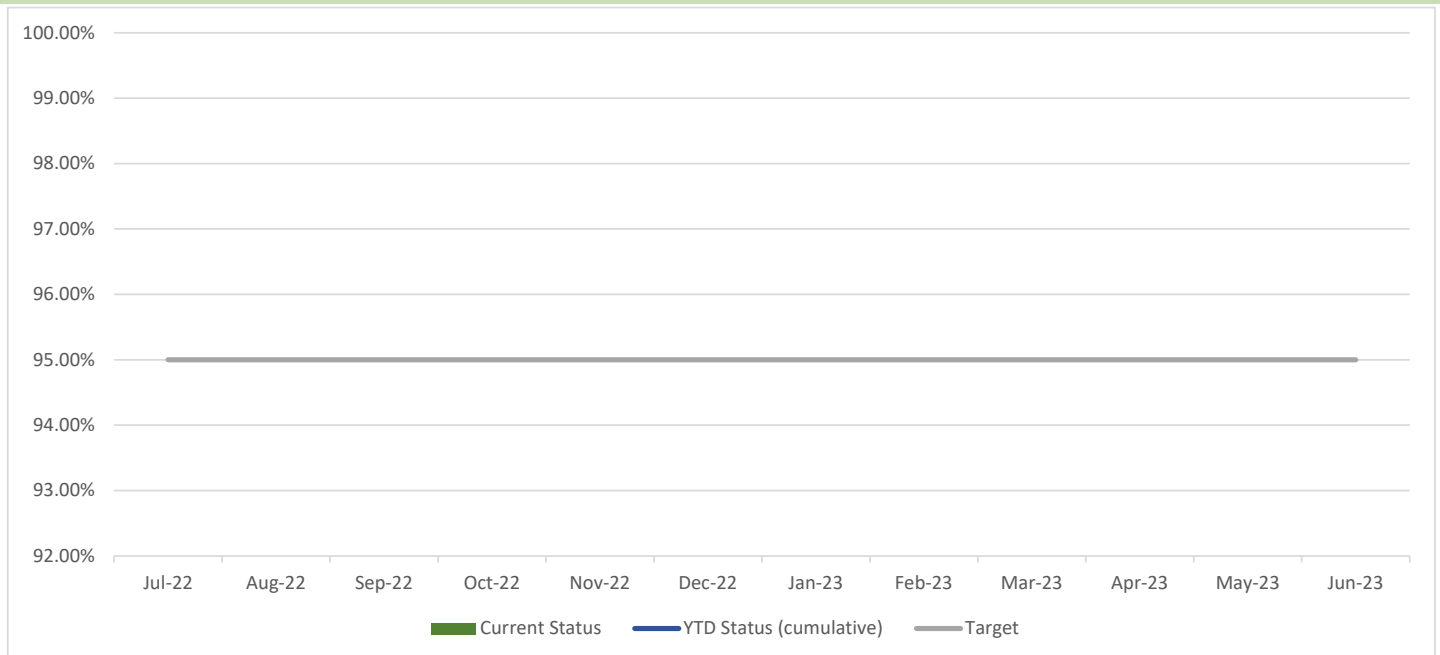
Overall Measure: 13 of 16 meet or exceed target

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

Operational Measure	Timeliness of Service Retirements Processed		
Strategic Goal	Continuous Improvement of Effective and Efficient Operations		
Description	Percentage of service retirements processed so that retiring members are set up to receive retirement benefits on the first retirement payment date for which they are eligible		
Calculation Methodology	The number of service retirement payments processed by the first payment date on which the member is eligible to receive retirement benefits, divided by the total number of initial payments made for the same time period. The "first payment date on which the member is eligible to receive retirement benefits" is based on the date by which VRS receives a member's retirement application that is determined by VRS to be complete, accurate, and ready for payment processing. "Processed" is defined as funds having been paid to retirees; "disbursed" is defined as the funds having been paid out of the VRS account.		
Data Source	Service Retirement Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	95.00%	Baseline (Performance History)	97.90%
<i>Target Rationale: Accounts for system conversion and ongoing pandemic</i>		<i>Baseline Rationale: 5 year average = 97.90%</i>	
Current Reporting Month Status	-	YTD Status (Cumulative; used at year-end to determine whether target has been met)	-

Potential Constraints to Meeting Target		Mitigation Strategies
1	Ongoing implementation of myVRS enhancements, which will significantly change current processes	Provide ample opportunity for advanced training; augment staffing as needed to ensure adequate resources during transition
2	Ongoing transition to hybrid work environment impacts processes and agency resources, including technology outages that limit ability to process retirements	Enact business continuity plan for technology outages
3	Sensitivity of data that requires strong controls and several levels of approvals; risk of staff absences or unavailability	Cross-train existing staff and ensure redundancy-of staff authorized to approve retirements

YTD Performance History



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

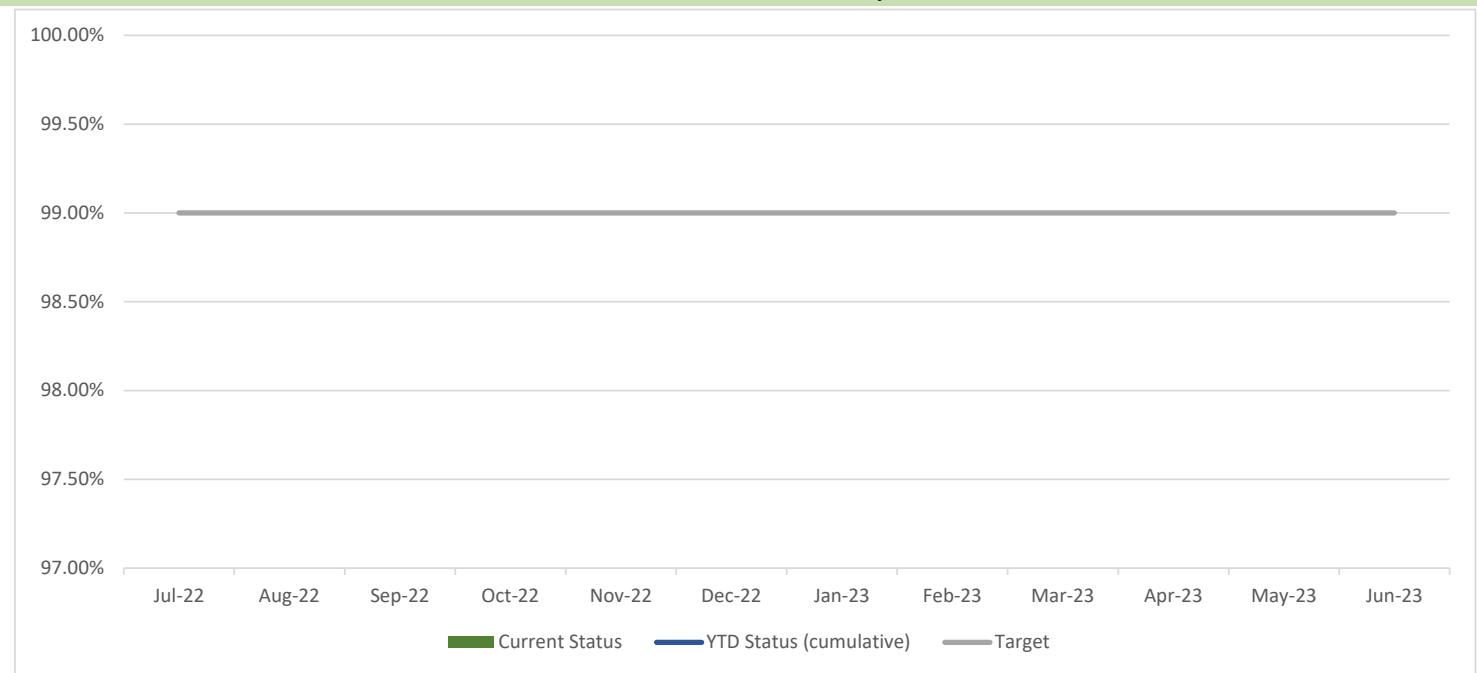
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Overall Measure: 13 of 16 meet or exceed target

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

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

YTD Performance History



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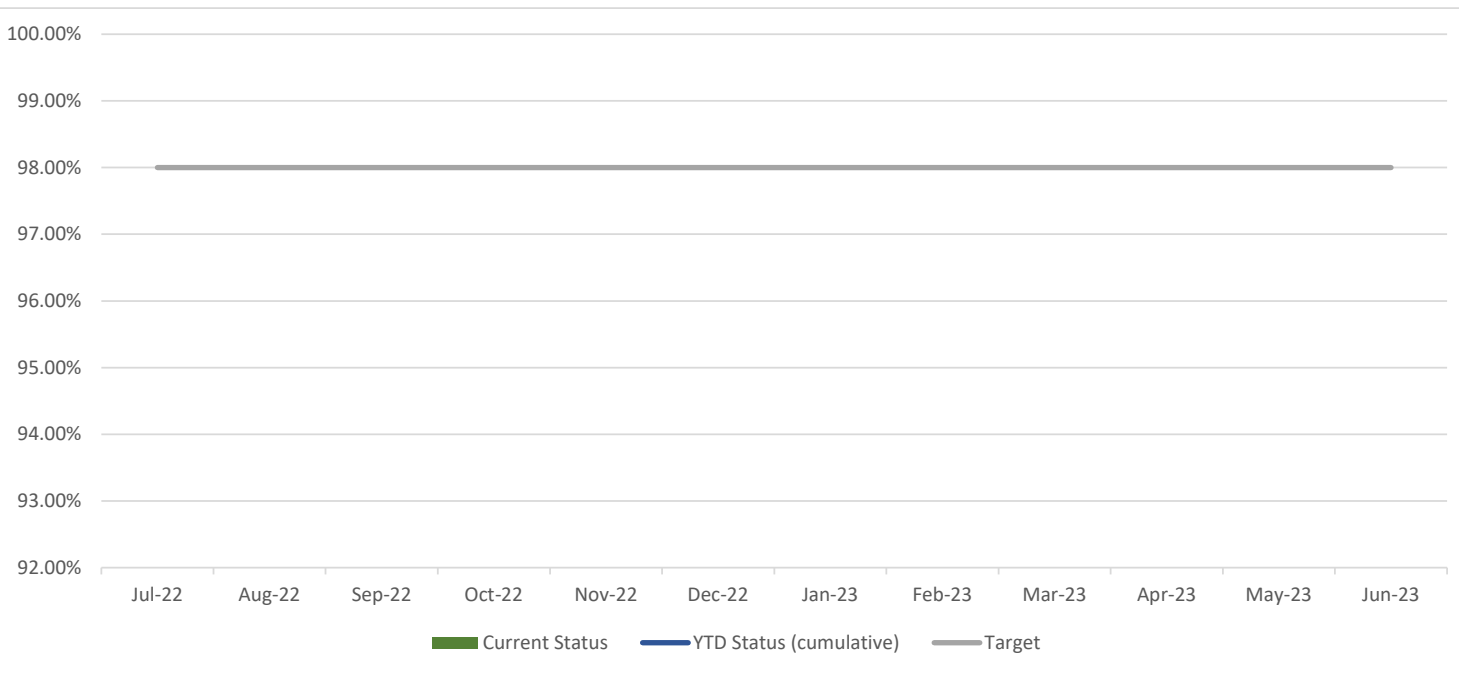
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Overall Measure: 13 of 16 meet or exceed target

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

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

YTD Performance History



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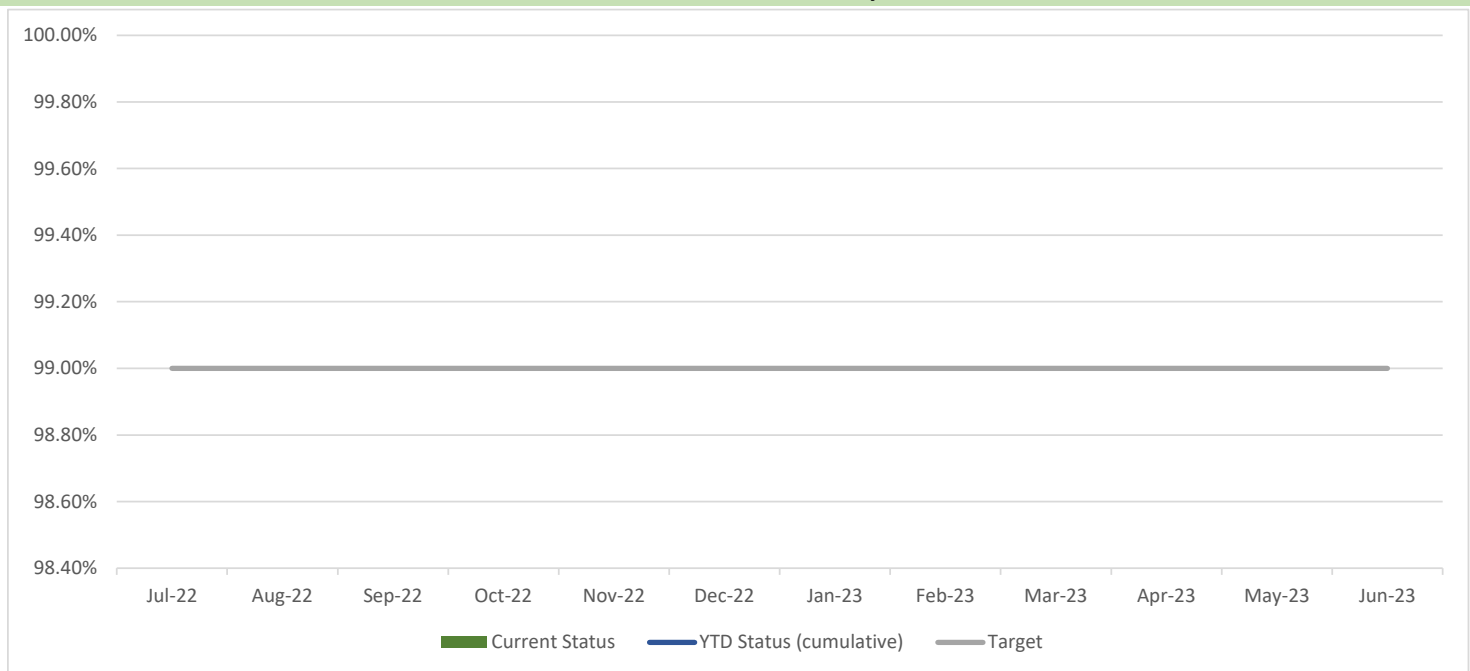
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Overall Measure: 13 of 16 meet or exceed target

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

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

YTD Performance History



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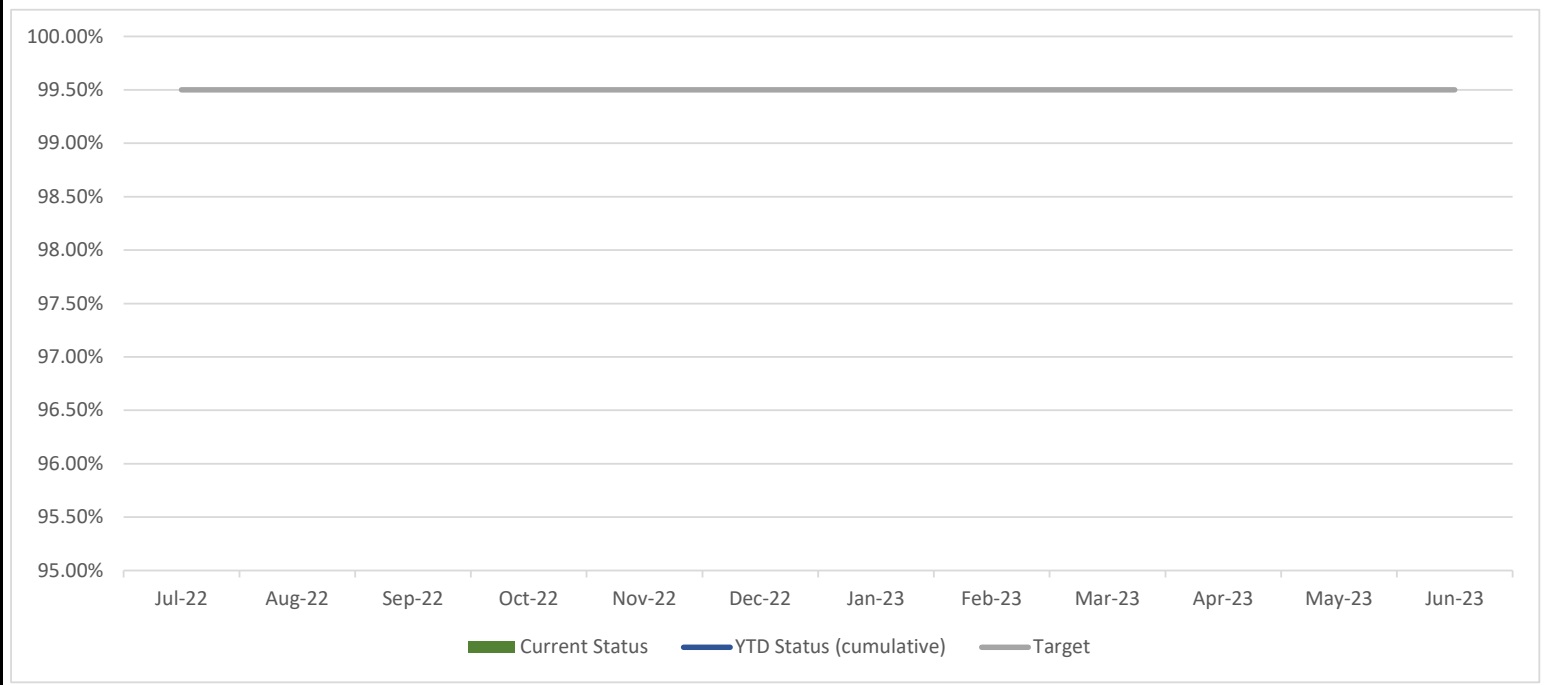
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Overall Measure: 13 of 16 meet or exceed target

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

Operational Measure	Timeliness of Workflow Documentation Imaging		
Strategic Goal	Continuous Improvement of Effective and Efficient Operations		
Description	Percentage of workflow documents imaged within one business day of receipt		
Calculation Methodology	The number of documents imaged within one business day of receipt by the Imaging business unit, divided by the number of documents received by the Imaging unit within the same timeframe. Currently, an average of 20,000 documents are imaged per month.		
Data Source	Technology Services SLEs Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	99.50%	Baseline (Performance History)	99.90%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 99.9%</i>	
Current Reporting Month Status	-	YTD Status (Cumulative; used at year-end to determine whether target has been met)	-
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Dependence upon current Imaging unit staffing level to ensure expedient and accurate processing within the prescribed turnaround time	Prescribe duties that merit the continuance of the current Imaging unit staffing level (with respect to the ongoing transition to online retirements that should reduce paper form intake levels)	
2	Ongoing transition to hybrid work environment impacts processes and agency resources, including technology outages that limit system availability	Enact business continuity plan for technology outages	
3	Staffing constraints; specific skill set required limits feasibility for untrained staff to produce results with same efficiency and effectiveness	Establish a routine cross-training program to ensure well-trained staff are available at all times	

YTD Performance History



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Overall Measure: 13 of 16 meet or exceed target

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

Operational Measure		Planned IT System Availability	
Strategic Goal		Superior Technological Tools that Enable Efficient Delivery of Service	
Description		Percentage of time critical systems are available during periods of planned availability	
Calculation Methodology		Percentage of time during which critical business systems are available for use by VRS staff and customers, divided by the total time for which it was planned that said systems would be available. Critical business systems include: VNAV, telephone, email, internet, myVRS, Imaging, Investments, MUNIS, Customer Counseling Center Cisco phone system, and remote access. Note: business systems deemed "critical" may change periodically depending on business needs or system changes (ex: RIMS was decommissioned in spring 2019 and is no longer considered a critical business system as of that time). Periods of availability are pre-determined based on business needs and requirements regarding routine system testing, maintenance and upgrades. "Availability" is defined as being able to be used by the majority of persons for whom it is intended and for the majority of purposes for the system's intended use.	
Data Source	Technology Services SLEs Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	99.50%	Baseline (Performance History)	99.90%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 99.9%</i>	
Current Reporting Month Status	-	YTD Status (Cumulative; used at year-end to determine whether target has been met)	-
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Failure on the part of third party business partners to provide dependent services	Implement back-up plans (ex: different phone line)	
2	Ongoing transition to hybrid work environment impacts processes and agency resources, including technology outages that limit system availability	Enact business continuity plan for technology outages	
3	Timing of a potential system failure that limits staff resources available to respond immediately	Strategically plan staffing availability to address potential system failures in the most effective manner	
YTD Performance History			

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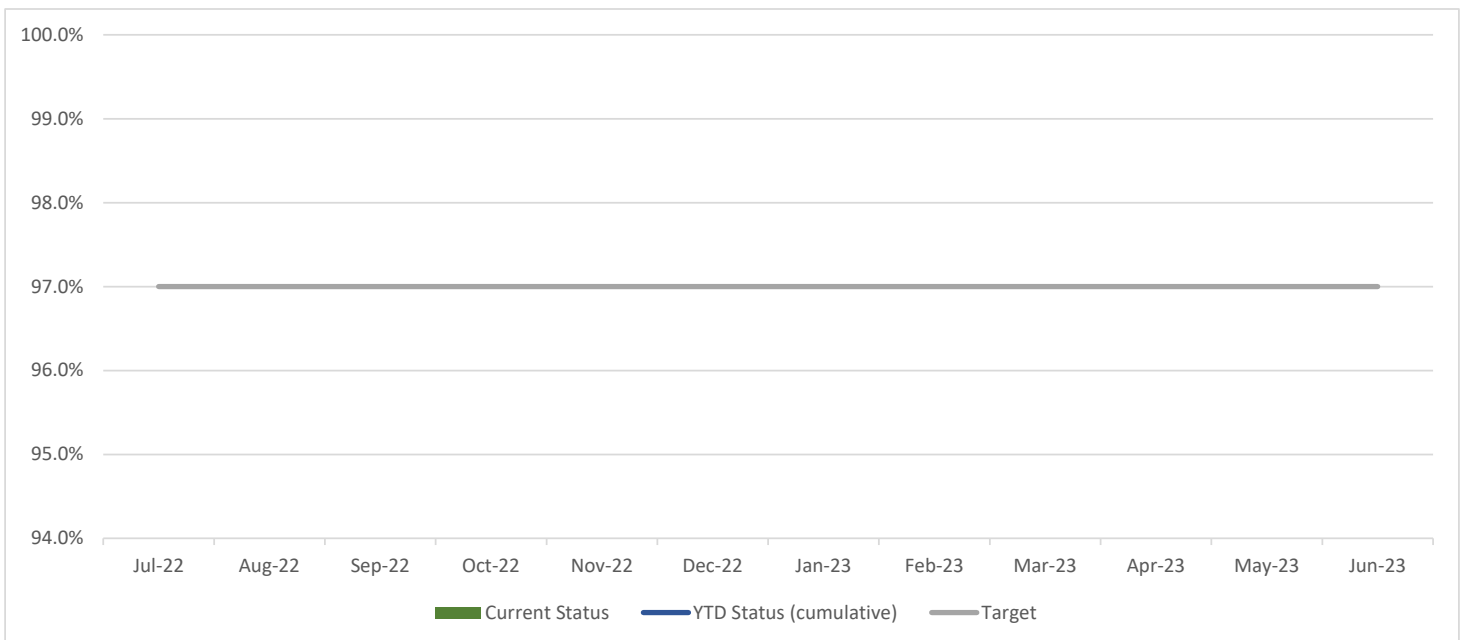
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Overall Measure: 13 of 16 meet or exceed target

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

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

YTD Performance History



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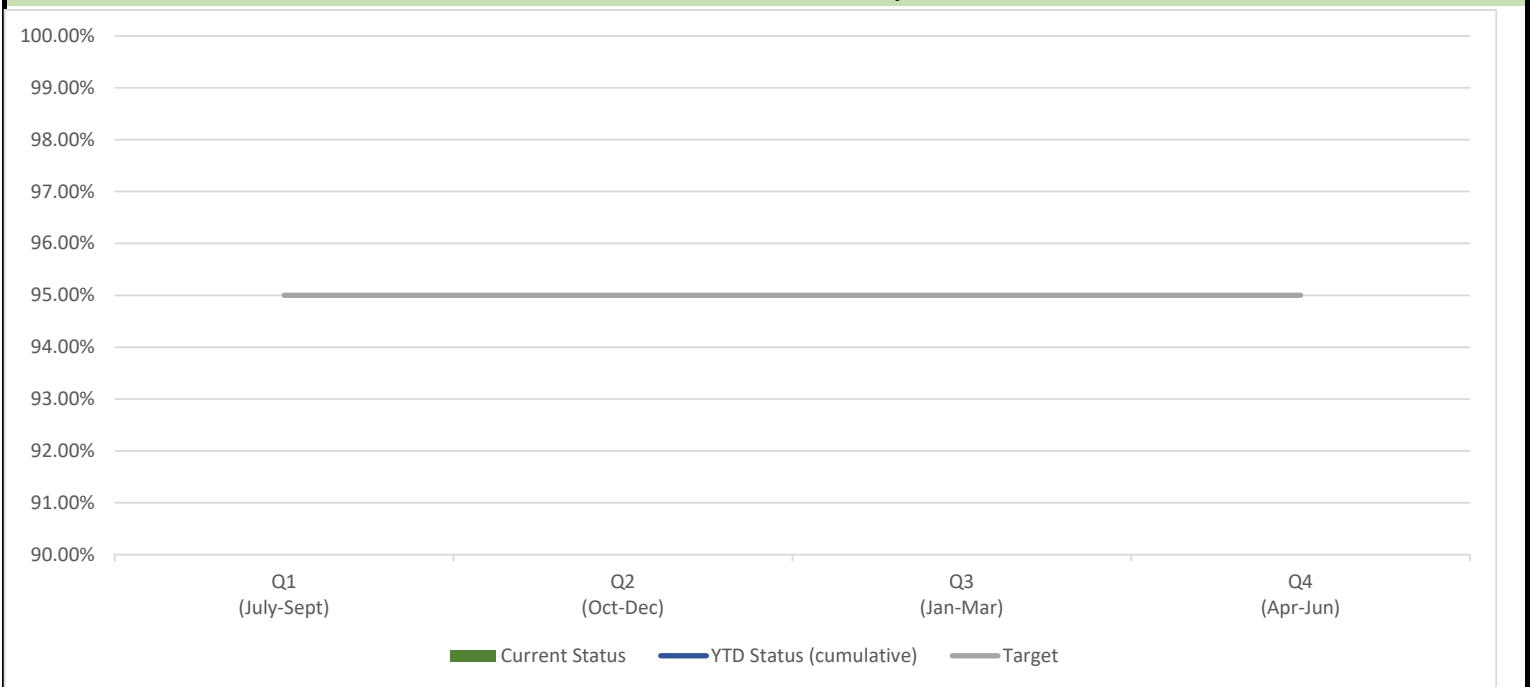
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Overall Measure: 13 of 16 meet or exceed target

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

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

YTD Performance History



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Overall Measure: 13 of 16 meet or exceed target

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

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

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Overall Measure: 13 of 16 meet or exceed target

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

Operational Measure	Cost to Administer Defined Benefit Plans		
Strategic Goal	Strong Financial Viability		
Description	Annual pension administration cost for defined benefit plans, as compared to peer group median reported by CEM Benchmarking, Inc.		
Calculation Methodology	VRS pension administration cost per active member and annuitant for defined benefit plans as compared to that of its peer group, as calculated by CEM Benchmarking, Inc. The average peer cost calculated by CEM is available on delay and will not be known until spring 2022. At that time the FY 2021 annual agency cost will be compared to the to the FY 2021 CEM peer cost to determine whether VRS's cost is lower than the peer average.		
Data Source	CEM Benchmarking, Inc.	Reporting Frequency	Annual
Target (Performance Goal)	Lower than the FY 2021 CEM Peer Cost Average	Baseline (Performance History)	N/A
<i>Target Rationale: Measuring VRS annual administrative cost for FY 2021 against the most current peer data as provided by CEM Benchmarking, Inc.</i>		<i>Baseline Rationale: N/A</i>	
Current Reporting Month Status	-	YTD Status (Used at year-end to determine whether target has been met)	-
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Significant unanticipated costs to administer pension plans due to external influences, including the ongoing pandemic and transition to a return to the office	Work within existing agency allocations and prioritize spending plans to ensure administrative expenditures remain reasonable	
2	Dependent upon expenditure patterns for the CEM Peer group for administrative cost average	Maintain communications with CEM peers to stay informed on any spending abnormalities that may skew CEM-calculated peer costing	
3	FY 2022 CEM cost not known until late into FY 2023 (limiting agency ability to react if missing target)	Proactively calculate and monitor agency administrative cost in anticipation of receiving the FY 2022 CEM cost; adjust agency spending if out of line with recent CEM peer cost averages	
YTD Performance History			
<p>[Average Pension Administration Cost for VRS' Peer Group, as provided by CEM Benchmarking, will be known in spring 2020]</p>			
VRS Mission: <i>VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.</i>			
VRS Vision: <i>To be the trusted leader in the delivery of benefits and services to those we serve.</i>			

Operational Measure	Systems Security Awareness		
Strategic Goal	Continuous Improvement of Effective and Efficient Operations		
Description	Percentage of eligible staff who have completed security training in compliance with the agency's and Commonwealth's security policies		
Calculation Methodology	Percentage of eligible staff who have completed the agency's annual security training, VRS User IT Security Policy Training ("security training"), divided by the total eligible agency staff. Employees who join the agency during FY 2022 are required to complete security training within 30 days after their start date. All staff are required to complete the training during the annual training window. The training provides information on such critical security practices as protecting sensitive data, utilizing effective passphrases, reviewing acceptable technology use policies, being on alert for phishing and other malpractices, and more. The percentage is calculated on a cumulative basis and reported annually (with the total requirement recalculated monthly as new staff are hired and required to obtain security training).		
Data Source	Technology Services SLEs Performance Report	Reporting Frequency	Annual
Target (Performance Goal)	100.00%	Baseline (Performance History)	100.00%
<i>Target Rationale: Maintain high security awareness</i>		<i>Baseline Rationale: All VRS staff completed security training in FY 2020</i>	
Current Status	-	YTD Status (Cumulative; used at year-end to determine whether target has been met)	-
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Unavailability of the Virginia Learning Center (VLC, a non-VRS application) for training	Provide sufficient time for staff to obtain training within prescribed timeline to allow for possible VLC system unavailability	
2	Ongoing transition to hybrid work environment impacts processes and agency resources, including technology outages that limit system availability	Enact business continuity plan for technology outages	
3	New training requirements as set-forth by the Commonwealth Security Policy that require changes to the prepared security training	Proactively coordinate with different units within VRS to ensure sufficient time and resources to make necessary changes to the prepared training	
YTD Performance History			
[Reported as an annual measure]			
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VRS Vision: <i>To be the trusted leader in the delivery of benefits and services to those we serve.</i>			

Overall Measure: 13 of 16 meet or exceed target

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

Operational Measure	Employee Professional Development		
Strategic Goal	Highly Skilled and Trained Staff		
Description	Percentage of full-time VRS administration employees receiving at least 8 hours of professional development		
Calculation Methodology	The number of eligible full-time VRS administration employees who have completed at least 8 hours of professional development, divided by the total number of eligible full-time administration employees. Eligible employees are full-time administration staff hired after July 1, 2021 who are not on short- or long-term disability or FMLA during FY 2022. Qualifying professional development includes courses designated in the Virginia Learning Center (VLC), as well as conferences, webinars, college or trade school classes, and any other professional development as approved by the Human Resources Director. Number of hours received is tracked on a cumulative basis and reported quarterly.		
Data Source	Human Resources Performance Report	Reporting Frequency	Annual
Target (Performance Goal)	85.00%	Baseline (Performance History)	91.30%
<i>Target Rationale: Maintain recent performance and increased total # of hours</i>		<i>Baseline Rationale: 5 year average = 91.32%</i>	
Current Status	-	YTD Status (Cumulative; used at year-end to determine whether target has been met)	-
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Limited staff flexibility to obtain professional development due to significant staff time dedicated to HCI data center and other system enhancements.	Encourage staff to plan for professional development opportunities before and/or after periods of time dedicated to HCI data center and other system enhancements.	
2	Dependence on IT system availability/accessibility for trainings and/or time tracking	Advise staff to plan to be proactive about obtaining professional development and reporting their hours earned as they go	
3	Limited progressive course availability on relevant subject matter area	Ongoing communication between managers and staff to expand and identify new learning opportunities	

YTD Performance History

[Reported as an annual measure]

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

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

Overall Measure: 13 of 16 meet or exceed target

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



Approve changes to Investment Professionals' Pay Plan.

Requested Action

The Virginia Retirement System Board of Trustees approves an amended Investment Professionals' Pay Plan ("Pay Plan"), effective July 10, 2022.

Description/Background

The VRS Board of Trustees approved the current Pay Plan on April 19, 2022.

The proposed amendments account for the CIO position transition and other technical amendments. A summary of the changes to the Pay Plan follows:

- Add the position of Chief Managing Director to ensure the smooth transition of the new Chief Investment Officer;
- Reflect the current assumed rate of return; and
- Provide clarifying language within several sections of the pay plan.

In addition, Item 483 of the 2023 Appropriation Act, contingent on its passage, will require the Department of Human Resource Management to increase by 5% the minimum and maximum of each of the salary bands in the Commonwealth's Classified Compensation Plan. Generally, the VRS Board of Trustees also adjusts the salary scales in its pay plans in accordance with the requirements of the Appropriation Act. An increase of 5% to the minimum and maximum of each grade of the salary scales of the Investment Professionals' Pay Plan, effective July 10, 2022, is consistent with changes to be made to the Commonwealth's Classified Compensation Plan.

A blacklined version of the revised Pay Plan is attached.

Authority for Requested Action

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

The above action is approved.

A. Scott Andrews, Chair
VRS Board of Trustees

Date



**VIRGINIA RETIREMENT SYSTEM
INVESTMENT PROFESSIONALS'
PAY PLAN
Effective July 10, 2022**

Investment Professionals' Pay Plan

Effective July 10, 2022

OVERVIEW & PAY PHILOSOPHY

The Virginia Retirement System's (VRS) Board of Trustees has designed this investment professionals' pay plan after working with an independent compensation consultant. In addition, the Board has adopted benchmarks, recommended by an independent investment consultant, to be used as part of this pay plan.

This pay plan includes three core elements:

- Base Salary (described in Section I of this document)
- Incentive Pay Plan (described in Section II)
- Deferred Compensation Plan for VRS Investment Management Personnel (DCPIP) (described in Section III)

Overall, this pay plan is designed to:

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

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

1. VRS should pay base salaries consistent with the 75th percentile of a peer group of other leading public funds. The primary guidelines for determining VRS' leading public fund peer group will be (1) funds of similar size (AUM) as VRS and (2) funds with significant (>25%) assets managed internally. Additional criteria the Board may consider is asset allocation / diverse portfolio similar to VRS, degree of delegation to the CIO and staff, use of outside investment consultants, and Board pay decision making authority.
2. VRS should provide incentive compensation opportunities such that, in combination with base salary, total compensation levels approximate the median (50th percentile) of a blended group weighted 75% to the total compensation levels of leading peer group public funds and 25% to the total compensation levels of a broad range of private-sector firms that employ investment professionals.

I. Base Salary

SALARY RANGES

This pay plan establishes a salary range for each job class taking into account its relative importance to VRS and the salaries paid for comparable types of jobs in other leading public funds.

Minimum, midpoint, and maximum salary rates define the salary range for each job class/position. The midpoint of each job class/position approximates the 75th percentile of salaries of a peer group of leading public pension funds. Actual salaries can be higher or lower than the midpoint depending on factors such as job performance, professional education and certifications, the willingness to assume new and higher-level duties and responsibilities, the ability to learn quickly and apply new knowledge and skills, being a team player, and the length of time in the position.

**Investment Professionals’ Pay Plan
Effective July 10, 2022**

Each position’s salary range includes a defined:

- **Minimum** - the lowest base salary paid for a job within the job class/position.
- **Midpoint** - represents the market salary paid to a fully qualified employee, who has the institutional knowledge and practical experience to fulfill independently all of the responsibilities of the job/position.
- **Maximum** - the highest salary rate for the job class/position.

Grade	Position	Salary Range (\$ Thousands)		
		Min (\$)	Mid (\$)	Max (\$)
10	Chief Investment Officer/Chief Managing Director	341,250	451,500	567,000
9	Managing Director	288,750	383,250	477,750
8	Program Director	246,750	330,750	414,750
7	Director – Strategy, Research, Risk and/or Investment Decision Support	215,250	288,750	362,250
6	Senior Portfolio Manager	215,520	288,750	362,250
5	Portfolio Manager	168,000	225,750	283,500
4	Senior Investment Officer	141,750	189,000	236,500
3	Investment Officer	110,250	147,000	183,750
2	Senior Investment Analyst	84,000	110,250	136,500
1	Investment Analyst	68,250	89,250	110,250

In considering the above salary range, it important to note the following:

- **Market Pay Reviews:** The VRS normally conducts a comparative market total pay study generally every two to three years to ensure competitiveness of the salary and incentive structures. Typically, the VRS conducts the study in the 1st quarter of the calendar year with an effective date of July 1 (the beginning of the fiscal year).
- **Changes in Salary Ranges:** The Board must approve changes to the salary scale and incentive structure.

Salary Adjustments

Oversight & Administration

VRS will implement pay actions consistent with the provisions of the Appropriation Act. The VRS Board, however, approves across-the-board performance-based salary increases, market-based salary increases and incentive pools, for VRS investment professionals, consistent with the Code of Virginia and the Appropriation Act. The Chief Investment Officer (CIO) approves salary adjustments for individual investment professionals and, as described later in this document, sign-on bonuses, incentive payments, and relocation expenses subject to the limitations in the Code of Virginia and other applicable state or federal law and regulation.

Merit Increases

- Salary increases are based on meeting individual performance standards. The supervisor completes the evaluation after the end of the fiscal year. If a participant in the investment employees’ pay plan does not meet overall performance standards, then the participant is ineligible for performance increases to their base salary and market adjustments to their

Investment Professionals' Pay Plan

Effective July 10, 2022

base salary for that performance cycle. Performance cycles are on a fiscal year basis (July 1 through June 30) and typically begin with an effective date of performance plans in the first quarter of the new fiscal year.

- The CIO will receive base salary increases as approved by the VRS Board of Trustees and in accordance with the terms in the CIO's Employment Agreement, with approved effective dates established by the VRS Board of Trustees.

Starting Salaries

The starting salary for a new employee considers the rates presently paid to other employees in the department and those in the same job class (when applicable), the candidate's education, skills, work experience, and salary history. The starting salary normally does not exceed the salary grade midpoint.

Reallocation

Occurs when a job classification is reviewed by Human Resources, and it is determined that the job duties and responsibilities have changed significantly enough to place the job in a different job title and job class. Unless the CIO authorizes an exception, this would not exceed a 15% increase. However, the individual's salary will always be at least at the minimum of the range of the new job, regardless of the amount of the increase.

In-grade Adjustments

Occur to ensure competitiveness, retention, and to recognize increased skills, abilities, knowledge, obtainment of a degree or certification, or significant increases in responsibilities within the job class. Unless the CIO authorizes an exception, adjustments will not exceed a 10% increase.

Promotions

Promotions occur when an individual moves into a position in a higher job class. Promotions can be competitive (selected through a recruitment and hiring process) or non-competitive (through a job reclassification or reallocation). Unless the CIO approves an exception, promotions will not exceed a 15% increase. However, the individual's salary will always be at least at the minimum of the range of the new job, regardless of the amount of the increase.

Downward Assignment

Downward adjustment occurs when an employee changes positions whether voluntarily, or because of unsatisfactory performance, resulting in a downward change in job class. A reduction in salary may occur based on a review of the salary and range and the circumstances associated with the downward move. In downward assignments, an individual's salary cannot exceed the maximum of the new salary range.

II. Incentive Pay Plan

PLAN ADMINISTRATION

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

- To increase or decrease incentives for any and/or all Plan participants.
- To modify, amend or rescind any aspect of the Plan at any time for any and/or all Plan participants.
- While the Plan Administrator remains mindful of the value that staff adds to the organization and supportive of the pay plan, the Plan Administrator also specifically reserves the right to cancel, reduce, or delay the amount of any incentives payable under this plan when, in the sole discretion of the Plan Administrator, extreme budgetary pressures, economic, market or other conditions are such that the Plan Administrator deems such action necessary under the circumstances.

Investment Professionals’ Pay Plan
Effective July 10, 2022

- Consistent with the preceding paragraph, payment of incentives under this plan is not guaranteed.

The Plan Administrator may delegate certain aspects of this Plan’s day-to-day operation to the VRS CIO and the VRS Director of Human Resources. However, any substantive Plan-related questions or issues impacting incentive payouts for the CIO require the Plan Administrator’s prior approval.

PLAN ELIGIBILITY

Incumbents in the positions listed below are eligible to participate in this incentive plan, provided they:

- Are active VRS employees.
- Work for VRS at least forty hours per week. Plan participants who work less than full-time may be eligible to receive a prorated incentive payment. Wage employees are not eligible to participate in the plan.
- Receive an individual performance evaluation of at least “meets expectations” for the relevant performance year (i.e., the year preceding the normally scheduled year of payment).
- Remain in compliance with the VRS Investment Department Code of Ethics and Standards of Professional Conduct Policy.

Positions Eligible to Participate in the Investment Professional’s Pay Plan
Chief Investment Officer/Chief Managing Director
Managing Director – Portfolio Solutions Group
Managing Director – Private Market Assets and DC Plans
Managing Director – Public Market Assets
Program Director
Director – Strategy, Research, Risk and/or Investment Decision Support
Senior Portfolio Manager
Portfolio Manager
Senior Investment Officer
Investment Officer
Senior Investment Analyst
Investment Analyst

The CIO will determine the design of the incentive plan structure for the positions supporting the Defined Contribution Plans, with both quantitative and qualitative elements.

Generally, employees on an approved leave of absence are considered active employees. The CIO will resolve all questions regarding eligibility, or in the case of the CIO, eligibility will be determined by the Board.

Participation in this Plan in any one year does not confer the right to participate in this Plan in any other year or to receive Plan payouts for the current and/or any future year. Participation in this Plan does not confer the right to continued employment. Subject to the provisions of this Plan, only active VRS employees may receive payments under this Plan.

OVERALL INCENTIVE PLAN MECHANICS

As described in more detail throughout this document, under the terms of this Plan:

- Eligible Plan participants will be assigned an incentive opportunity, expressed as a percentage of their actual earned base salary.
- Incentive opportunities vary by position, with the level of such opportunities increasing with the degree to which the position directly affects VRS’ investment performance.

Investment Professionals' Pay Plan Effective July 10, 2022

- Incentives are weighted or allocated to separate Plan components, described below, with the specific components and weightings varying by position:
 1. Total Fund relative investment performance
 2. Asset Class relative investment performance
 3. Average of Asset Class Multipliers (for positions that support multiple asset classes)
 4. Qualitative – focuses on individual achievement of assigned objectives.

- After year-end, payouts under each Plan component would be determined based on performance.
- Each participant's preliminary award would equal the sum of all of their performance adjusted Plan components.
- Final awards would equal preliminary awards adjusted, up or down, based on the Total Fund's one-year absolute return. Specifically, there will be no adjustment for returns between 0% and the assumed rate of return, currently 6.75%. There will be a positive one-for-one adjustment for returns in excess of the assumed rate of return (e.g., if Total Fund one-year actual absolute return equals +9.75%, then the preliminary awards will be increased by 3%). There will be a negative one-for-one adjustment for a return less than 0% (e.g., if Total Fund one-year actual absolute return equals -15%, then the preliminary awards will be reduced by 15%). This adjustment is specifically intended to systematically take into account, in the shorter term, the effect of market cycles on the health of the pension plan by providing a mechanism to reflect the impact of up and down markets on incentive compensation.
 - 50% of eligible senior staff-members' awards (up to IRS limits) will be deferred into tax-qualified accounts. See section III, Defined Contribution Incentive Plan for VRS Investment Management Personnel (DCPIP). While deferred, awards are subject to the Total Fund's annual absolute return.
 - All other awards paid in cash.

Generally, a Participant must be employed on the date of payment of the award. However, see INCENTIVE PLAN PROVISIONS, *Termination of Employment Due to Death, Disability or Retirement*.

INCENTIVE OPPORTUNITIES

Incentive opportunities will vary by position based on multiple criteria:

- The position's potential effect on the VRS' investment performance.
- Competitive market pay requirements.
- Internal equity considerations.
- Other factors determined by the CIO or, in the case of the Chief Investment Officer's position, by VRS' Board.

Actual awards can vary based on performance.

Investment Professionals’ Pay Plan
Effective July 10, 2022

For the fiscal year ending June 30, 2022, and all subsequent years, unless as otherwise determined, the Plan’s incentive opportunities are as follows:

Incentive Levels	
VRS Position	Incentive¹ (% Salary)
Chief Investment Officer/Chief Managing Director	70 ²
Managing Director – Portfolio Solutions Group	65 ²
Managing Director – Private Market Assets and DC Plans	65 ²
Managing Director – Public Market Assets	65 ²
Program Director	60 ²
Director – Strategy, Research, Risk and/or Investment Decision Support	50
Senior Portfolio Manager	50
Portfolio Manager	40
Senior Investment Officer	30
Investment Officer	30
Senior Investment Analyst	25
Investment Analyst	5

¹Performance-adjusted preliminary awards can vary from zero to two times the incentive.

²A portion, up to 50%, of the positions’ earned incentives is subject to mandatory deferral.

INCENTIVE WEIGHTINGS

Each participant’s incentive award will be weighted or allocated to separate, stand-alone Plan components. Importantly, all participants have a portion of their incentive opportunities weighted:

- To the Total Fund Plan component – which helps reinforce the importance of collective success as measured by the Total Fund’s relative investment results.
- To the Qualitative Plan component – this helps reinforce achievement of specific initiatives and professional development.

Described below are the specific Plan weightings and the approach for determining awards under each of these Plan components.

Investment Professionals' Pay Plan
Effective July 10, 2022

Incentive Weightings by Plan Component					
VRS Position	Total Fund %	Asset Class Multipliers %	Asset Class %	Qualitative %	Total
		(% of total incentive weighted to each component)			
Chief Investment Officer/Chief Managing Director	60	20 ¹		20	100
Managing Director – Portfolio Solutions Group	60	20 ¹		20	100
Managing Director – Private Market Assets and DC Plans	40	40 ²		20	100
Managing Director – Public Market Assets	40	40 ³		20	100
Program Director	30	50 ⁴	50	20	100
Director – Strategy, Research, Risk and/or Investment Decision Support	30	50 ¹		20	100
Senior Portfolio Manager	20		60	20	100
Portfolio Manager	20		60	20	100
Senior Investment Officer	20	60 ⁴	60	20	100
Investment Officer	20	60 ⁴	60	20	100
Senior Investment Analyst	20	30 ⁴	30	50	100
Investment Analyst	20	30 ⁴	30	50	100

¹Average multiplier based on the multipliers of all asset classes under the incumbent's purview.

²The MD Private Market Assets and DC Plans average multiplier is based on the multipliers of private market asset classes under the incumbent's purview.

³The MD Public Market Assets average multiplier is based on the multipliers of the public market asset classes under the incumbent's purview.

⁴These positions may support a specific asset class or multiple asset classes. If the position supports a specific asset class, then the multiplier is based on the asset class multiplier. If the position supports multiple asset classes, then the multiplier is based on the average of the multipliers of the asset classes supported.

QUANTITATIVE PLAN COMPONENTS

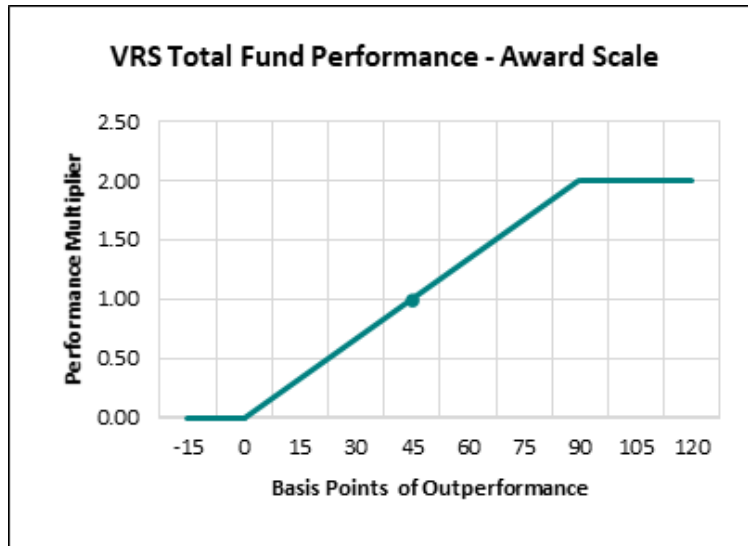
These Plan components link participants' incentive compensation to relative investment performance or, more specifically, the extent by which the Total Fund and/or Asset Class performance exceeds passive benchmarks (indices) as measured over trailing three- and five-year annualized periods (each weighted 50%).

For purposes of this Plan:

- Measurement of relative investment performance is net of third-party fees, which consist of investment management fees and performance fees paid to investment managers, custodian fees, legal fees, internal investment staff administrative expenses, and miscellaneous fees.
- A performance-award scale defines the linkage between relative investment performance and a corresponding Performance Multiplier. Illustrating this approach at the Total Fund level, when VRS' relative investment performance:
 - Equals zero or less (i.e., no relative value added), then the VRS Performance Multiplier will equal zero and there will be no incentive payouts under this Plan component.
 - Equals 45 bps, then the VRS Performance Multiplier will equal 1.00 and there will be a 100% payout of this Plan component.
 - Equals 90 bps or more, then the VRS Performance Multiplier will equal 2.00 and there will be a 200% payout of this Plan component.
 - Is anywhere between zero and 90 bps, then the VRS Performance Multiplier is determined on an interpolated, straight-line basis.

Investment Professionals' Pay Plan Effective July 10, 2022

Note: The Board approved the Verus recommended excess return objective (45 basis points) for the Total Fund at the June 15, 2020 meeting with an effective date of July 1, 2020. For implementation purposes, the Total Fund excess return objective will be a blend of the former excess return objective (30 basis points) to be used until June 30, 2020, and the new excess return objective (45 basis points) to be used from July 1, 2020 onward.



- Selected participants whose responsibilities span multiple asset classes may have a portion of their incentive weighted to a component that is determined based on the average multipliers of asset classes they support. The intent of this Plan component is to recognize and reward superior relative investment performance, regardless of the level of the associated assets.

The Board is responsible for setting the basis point outperformance standards for the Total Fund. The CIO is responsible for setting the basis point outperformance standards for individual asset classes, subject to the Board's final review and approval.

QUALITATIVE PLAN COMPONENT

The qualitative incentive multiplier can range from 0.00 to 2.00 at the CIO's discretion. The CIO obtains input from applicable senior staff regarding individual performance levels to help determine the qualitative rating. The qualitative rating is separate and distinct from the individual's annual performance evaluation rating requirement for plan eligibility. This Plan component links participants' incentive compensation to achievement of individual and/or position-specific performance objectives and VRS' overall performance objectives. Actual awards under this plan component will reflect:

- Position and/or incumbent-specific performance criteria.
- Achievement of key VRS performance objectives, including:
 - Building an effective organization
 - Enhancing investment excellence
 - Developing staff

The Board will annually determine the CIO's qualitative incentive multiplier after assessing attainment of the qualitative performance objectives, considering input and recommendations provided by the A&P Committee.

Investment Professionals' Pay Plan
Effective July 10, 2022

DETERMINING PRELIMINARY AWARDS

After the end of each fiscal year, a preliminary award will be determined for each Plan participant by aggregating all of their performance multiplier-adjusted weighted Plan components. In particular:

- Performance multipliers will be determined for each Plan component based on actual results.
- Preliminary payouts under each weighted Plan component will be determined by multiplying the incentive dollars weighted to that component by the associated performance multiplier.
- Total preliminary awards would be determined by adding up all of that participant's weighted Plan components.

Illustrated below is this approach for a position with an incentive of \$80,000.

Plan Component	Weighted Portion of Incentive		Performance Multiplier	=	
Total Fund	\$16,000	X	1.50	=	\$24,000
Asset Class	48,000	X	1.00	=	48,000
Qualitative	16,000	X	1.20	=	19,200

Preliminary Award **\$91,200**

DETERMINING FINAL AWARDS

Final awards, if any, would be determined after each fiscal year-end by adjusting the sum of each participant's preliminary award, up or down, based on VRS' one-year absolute return for the most recently completed fiscal year. Specifically, there will be no adjustment for returns between 0% and the assumed rate of return, currently 6.75%. There will be a positive one-for-one adjustment for returns in excess of the assumed rate of return. There will be a negative one-for-one adjustment for returns less than 0%. Illustrated below is the process for determining final awards.

Scenario #1: The Total Fund's One-Year Absolute Return Is +5%

Plan Component	Weighted Portion of Incentive		Performance Multiplier	=	Actual Award
Total Fund	\$16,000	X	1.50	=	\$24,000
Asset Class	48,000	X	1.00	=	48,000
Qualitative	16,000	X	1.20	=	19,200

Preliminary Award **\$91,200**
 X no adjustment **0%**

Final Award **\$91,200**

Investment Professionals' Pay Plan
Effective July 10, 2022

Scenario #2: The Total Fund's One-Year Absolute Return Is 9.75%

Plan Component	Weighted Portion of Incentive		Performance Multiplier		Actual Award
Total Fund	\$16,000	X	1.50	=	\$24,000
Asset Class	48,000	X	1.00	=	48,000
Qualitative	16,000	X	1.20	=	19,200

Preliminary Award \$91,200

X 1+ Total Fund's One-Year Rate of Return
 Less Assumed Rate of Return 103%

Final Award \$93,936

Scenario #3: The Total Fund's One-Year Absolute Return Is -15%

Plan Component	Weighted Portion of Incentive		Performance Multiplier		Actual Award
Total Fund	\$16,000	X	1.50	=	\$24,000
Asset Class	48,000	X	1.00	=	48,000
Qualitative	16,000	X	1.20	=	19,200

Preliminary Award \$91,200

X 1+ Total Fund's One-Year Rate of Return 85%

Final Award \$77,520

PAYING OUT FINAL AWARDS

Board Review

Prior to payout of any and/or all awards, the CIO will present a schedule of aggregate incentives to the Board of Trustees, through the A&P Committee, in advance. This report will include, in aggregate, the awards, the multipliers awarded for each component, the actual dollar awards earned for each component and the total awards. Internal Audit and Human Resources will review the calculations. As requested by the A&P Committee, the CIO will provide additional information prior to the Board approving the payout of any and/or all awards.

Final Award Payout

Final awards will be paid out as follows:

- For VRS' most senior staff (i.e., incumbents in positions at or above the level of Program Director) when awards are paid, 50% of total award amounts up to the specified Internal Revenue Code (IRC) § 415(c)(1)(A) plan limits will be deferred into the DCPIP plan. All other amounts paid in cash. Section III of this document describes the terms of the § 415(c)(1)(A) plan.
- For all other Plan participants, awards paid 100% in cash.

Timing of Cash Payouts

When the Board approves incentive awards, the VRS will make payments between July 1 and December 31 after VRS' fiscal year end.

Investment Professionals' Pay Plan
Effective July 10, 2022

INCENTIVE PLAN PROVISIONS

- ***New employees, promoted employees and other employees who transfer into another position covered in this pay plan:***
 - Employees who join the VRS Investment Department after the commencement of the fiscal year may be eligible to participate in the Plan. Incentives will be computed on the incentive percentage and their actual earned salary for the year.
 - Promoted employees and employees who transfer into another position covered in this pay plan will have their incentives calculated based on their actual earned salary for the year and a proportional incentive percentage for each position held during the fiscal year.
- ***Minimum Individual Performance Standard:*** Employees with an individual performance rating of “Does Not Meet Expectations” are not eligible to receive any incentive payment under the Plan.
- ***Termination of Employment Due to Death, Disability, or Retirement:*** Terminated employees may be eligible to receive a time-weighted portion of their final award for the current performance year. Plan participants who terminate employment due to death or disability or who retire during a fiscal year will be eligible to receive a time-weighted portion of their Board approved award (1/12 for each complete month worked in their last year of service). The incentive payments for the year in which death, disability or retirement occurs shall be paid 100% in cash to such employee or his representative between July 1 and December 31 following the end of the fiscal year in which such death, disability or retirement occurs.
- ***Termination for all Other Reasons:*** Except as specifically determined by the CIO for all positions other than the CIO, and by the A&P Committee for the CIO’s position, participants who terminate employment with VRS for all other reasons prior to the normally scheduled date of payout forfeit all rights under the plan.
- ***Clawback:*** In the event of termination for malfeasance related to duties as an investment professional, VRS retains the right to seek repayment for any and/or all paid incentive awards.

III. Defined Contribution Incentive Plan for VRS Investment Management Personnel (DCPIP)

PARTICIPATION

This plan covers VRS investment professionals at or above the level of Program Director. Such positions currently include CIO, Chief Managing Director, Managing Director, and Program Director. The Board retains the discretion to modify, at any time, the positions that are eligible to participate in this plan.

AMOUNTS SUBJECT TO ANNUAL DEFERRAL

- Deferrals into this plan only occur in years when VRS’ Board decides, at its full and complete discretion, to allow payment of incentive awards.
- Commencing with (and including fiscal 2013), in years when VRS’ Board decides to pay incentive awards, 50% of participants’ final awards up to specified IRC § 415(c)(1)(A) limits will be deferred into this plan. All other amounts paid in cash.

INVESTMENT RETURN

Participants’ deferred accounts in the DCPIP and the § 415(m) plan will earn an “investment return” (positive or negative) equaling the current annual rate of return of the VRS Fund. However, upon attaining age 55, the DCPIP permits members of the Investment Management Committee who have established accounts in the Commonwealth of Virginia 457 Deferred Compensation Plan, to transfer a portion into the Virginia Cash Match Plan. This transfer right allows DCPIP participants at age 55 or at any time after attaining age 55, to select any combination of the investment options then offered by the Cash Match Plan. Notwithstanding the transfer right, members of the Investment Management Committee at age 55 or older must leave at least a minimal balance amount in their DCPIP account, to avoid having to re-open the account. The VRS Defined Contribution Plan Administrator will assist participants with these transfers.

Investment Professionals' Pay Plan

Effective July 10, 2022

FUND TRANSFERS AND DISTRIBUTIONS

Participants of the DCPIP cannot transfer funds from the § 415(m) plan into the Cash Match Plan because the § 415(m) plan is a non-qualified "excess plan" not permitted to be held in trust for the exclusive benefit of the plan participants. The § 415(m) plan closed as of June 30, 2013, except for the CIO. The distribution of the balance in the § 415(m) plan will be made in cash to the Participant.

The accumulated DCPIP trust balances will be distributed to the Participant upon termination of employment with the Commonwealth of Virginia. The participant may elect to receive the balance in the DCPIP either in cash or as a "roll-over" into another retirement or related benefit vehicle/trust, or a combination of both. All payouts/rollovers will be credited with earnings through the latest quarter end for which finalized performance is available, by the date of the payment.

All applicable laws and regulations will govern the creation, funding, and distributions of the DCPIP and § 415(m) plan. Detailed plan documents are on file with the Human Resources Director and the Chief Financial Officer.

TAXATION

Taxation of the amount contributed to the DCPIP and § 415(m) plans is deferred until distribution from the respective plan.

IV. Other Compensation Plan Information

Competitive Pay Increases

Competitive pay increases are an option available to retain a highly valued employee who has received a job offer from another employer. Requests for competitive pay increases should take into consideration the employee's experience, level of education, performance and contribution to the agency, and the salaries of other employees in comparable jobs. A written job offer must be received to provide a competitive pay increase.

Sign-on Bonuses

Investment professionals hired at the VRS may be eligible for sign-on bonuses, as described in the VRS Employee Sign-on Bonus Program Policy.

Relocation Expenses

Investment professionals hired at the VRS may be eligible for reimbursement of relocation expenses, if approved by the CIO. The reimbursement of the expenses must comply with the Department of Accounts Moving and Relocation Policy.

Employment at Will

The investment employees covered by this policy are exempt from the provisions of the Virginia Personnel Act and employment in these positions is at will. Just as the employee retains the right to resign at any time, the VRS has a similar right to end at will employment with or without cause. An at-will employee does not serve an introductory period. An at-will employee is not eligible to use the agency's grievance procedure to resolve employment disputes.

Investment employees covered by this policy are eligible for all other employment benefits and subject to agency policies that do not contradict their "at will" status.

Investment Professionals' Pay Plan

Effective July 10, 2022

409A Compliance

The intent of the Board is that payments and benefits under this plan either comply with Section 409A of the Internal Revenue Code and applicable guidance issued thereunder ("Code Section 409A") or qualify for an exemption from Code Section 409A and, accordingly, all provisions of this Plan shall be construed in a manner consistent with the requirements for avoiding taxes or penalties under Code Section 409A. The Board shall not take any action to accelerate or delay the payment of any monies and/or provision of any benefits in any matter which would not be in compliance with Code Section 409A to the extent Code Section 409A applies to such payment or benefit. Notwithstanding any of the provisions of this pay plan, the Board shall not be liable to the employee if any payment or benefit which is to be provided pursuant to this Plan and which is considered deferred compensation subject to Code Section 409A otherwise fails to comply with, or be exempt from, the requirements of Code Section 409A.

CLASS STRUCTURE

The following descriptions are the summaries of VRS' investment professional job classes/positions:

Chief Investment Officer/Chief Managing Director

The CIO/Chief Managing Director manages and directs investment programs, determines appropriate program structure, implementation, and monitoring. The CIO/Chief Managing Director manages investment professionals who are directly responsible for internal and external investment programs. The CIO/Chief Managing Director heads the Executive and Management Committees, which are responsible for reviewing all investment recommendations. The CIO/Chief Managing Director collaborates with the VRS Board-appointed Investment Advisory Committee (IAC) and delivers frequent reports and updates to the VRS Board.

Managing Director

The Managing Director is a senior investment position reporting directly to the CIO. This position serves on the Investment Executive and Management Committees. The Executive Committee is a department wide resource to the CIO for management and administrative issues. The Management Committee participates in asset allocation and manager/fund allocation decisions.

Program Director

The Program Director has deep asset class knowledge and carries full managerial responsibility for a VRS investment program, including all internally and externally managed assets. The Program Director may also support multiple asset classes. The Program Director participates on the Investment Management Committee and regularly presents information to the IAC and the Board. The Program Director, as applicable, operates within an explicit risk budget and has investment performance objectives that are regularly measured. The Program Director has full responsibility for negotiating on behalf of VRS.

Director - Strategy, Research, Risk and/or Investment Decision Support

Strategy – The position within Strategy identifies and evaluates relative value-based tilt opportunities that have the potential to 1) improve the fund's return without materially increasing the risk, 2) reduce the fund's risk without materially reducing the return, or 3) some combination of these objectives. In addition, staff within Strategy 1) review and evaluate the implications of macro-economic conditions, 2) analyze current conditions and opportunities within major asset classes and key asset class subsectors, 3) monitor and evaluate the tactical and strategic tilts of key VRS investment partners, and 4) identify strategy ideas including risk and return expectations for base case and alternative scenarios.

Research – The position within Research has responsibility to support both basic and applied research efforts for all VRS investment staff. This effort includes monitoring, coordinating, facilitating, and implementing current best practices and methods to ensure optimal investment performance and risk management at both the program and plan level.

Investment Professionals' Pay Plan

Effective July 10, 2022

Risk – The position within Risk has responsibility in the design, implementation, and management of the risk management program including project management (solicitation and queueing of projects from clients), guidance and coordination within the group, mathematical and statistical analysis of empirical problems, risk management, and high-level programming. Additionally, staff within Risk assist with the design and implementation of a diverse collection of strategies designed to have low or negative correlation to other VRS asset classes.

Investment Decision Support – The position within Investment Decision Support has responsibility for the design and delivery of investment program, risk management, strategy, and research analytic systems. As a component of this, staff is responsible for all investments data as well as the design, development, and implementation of the quantitative infrastructure for the VRS investment programs. This includes a data warehouse, various data retrieval tools, quantitative analysis tools, program level reporting tools and support applications that retrieve, consolidate and report information.

Senior Portfolio Manager

The Senior Portfolio Manager positions have responsibility for multiple portfolio strategies and/or may supervise one or more Senior Investment Officers or Portfolio Managers. The Senior Portfolio Manager positions provide a potential career progression ladder for Portfolio Managers over time, considering the contributions, experience, and sustained performance for the incumbents.

Portfolio Manager

The Portfolio Manager provides critical input to strategy development and is responsible for the more complicated and higher risk investments. The Portfolio Manager may delegate to the Senior Investment Officer certain portions of the investment program. The Portfolio Manager will begin to negotiate terms on behalf of VRS. The Portfolio Manager, from time to time, makes presentations and recommendations to the Management Committee, and perhaps the IAC and Board.

The Portfolio Manager supporting the Defined Contribution Plans is a senior investment position reporting directly to the Managing Director - Private Market Assets and DC Plans. This position provides critical input to the design, implementation, and monitoring of all investment related aspects of the VRS defined contribution plans (DC). Responsibilities include (1) evaluation and selection of new investment strategies, managers and/or funds, (2) negotiating terms on behalf of VRS, (3) monitoring and management of relationships with existing defined contribution investment managers, (4) implementing investment policy as determined by the VRS Board, (5) presenting to the Defined Contribution Plans Advisory Committee and the Board, and (6) any other projects or duties relating to the defined contribution program as may be assigned from time to time.

Senior Investment Officer

The Senior Investment Officer has higher level monitoring responsibilities that tend to involve higher risk and strategies that are more complicated. Some Senior Investment Officers may have day-to-day responsibilities for managing internal portfolios, subject to risk limits prescribed by the program director. The Senior Investment Officer will increasingly become involved in strategy development and formal recommendations to the Program Director.

Investment Officer

The Investment Officer, in addition to analytical responsibilities, may have direct responsibility for monitoring some portion of the existing portfolio, or some strategies or managers under consideration in the future. Such assignments will typically be in lower risk and less complicated strategies. The Investment Officer may continue to be involved in monitoring, compliance, and administration, but will also begin to make formal investment recommendations to the Program Director.

Investment Professionals' Pay Plan
Effective July 10, 2022

Senior Investment Analyst

The Senior Investment Analyst performs various types of analysis at the direction of more senior staff members. Analyst activities are geared around providing support for senior staff members more directly involved in the decision-making process. Such activities will include research, reporting, monitoring, compliance, and administration.

Investment Analyst

The Investment Analyst assists other investment professionals in their daily operations, including investment research and analysis, trading, and portfolio management. Analysts follow and report current market information relating to assigned sectors of the market. In addition, the Analyst conducts independent research on various topics, performs data maintenance, integrity, and report generation tasks.



VIRGINIA RETIREMENT SYSTEM
INVESTMENT PROFESSIONALS'
PAY PLAN
Effective ~~April 19~~ June 23 **July 10, 2022**

OVERVIEW & PAY PHILOSOPHY

The Virginia Retirement System's (VRS) Board of Trustees has designed this investment professionals' pay plan after working with an independent compensation consultant. In addition, the Board has adopted benchmarks, recommended by an independent investment consultant, to be used as part of this pay plan.

This pay plan includes three core elements:

- Base Salary (described in Section I of this document)
- Incentive Pay Plan (described in Section II)
- Deferred Compensation Plan for VRS Investment Management Personnel (DCPIP) (described in Section III)

Overall, this pay plan ~~design~~ is designed to:

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

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

1. VRS should pay base salaries consistent with the 75th percentile of a peer group of other leading public funds. The primary guidelines for determining VRS' leading public fund peer group will be (1) funds of similar size (AUM) as VRS and (2) funds with significant (>25%) assets managed internally. Additional criteria the Board may consider is asset allocation / diverse portfolio similar to VRS, degree of delegation to the CIO and staff, use of outside investment consultants, and Board pay decision making authority.
2. VRS should provide incentive compensation opportunities such that, in combination with base salary, total compensation levels approximate the median (50th percentile) of a blended group weighted 75% to the total compensation levels of leading peer group public funds and 25% to the total compensation levels of a broad range of private-sector firms that employ investment professionals.

I. Base Salary

SALARY RANGES



This pay plan establishes a salary range for each job class taking into account its relative importance to VRS and the salaries paid for comparable types of jobs in other leading public funds.

Minimum, midpoint, and maximum salary rates define the salary range for each job class/position. The midpoint of each job class/position approximates the 75th percentile of salaries of a peer group of leading public pension funds. Actual salaries can be higher or lower than the midpoint depending on factors such as job performance, professional education and certifications, the willingness to assume new and higher- level duties and responsibilities, the ability to learn quickly and apply new knowledge and skills, being a team player, and the length of time in the position.

Each position's salary range includes a defined:

- **Minimum** is_ the lowest base salary paid for a job within the job class/position.
- **Midpoint** _ represents the market salary paid to a fully qualified employee, who has the institutional knowledge and practical experience to fulfill independently all of the responsibilities of the job/position.
- **Maximum** is_ the highest salary rate for the job class/position.

Grade	Position	Salary Range (in thousands) Min–Mid–Max(\$ Thousands)		
		Min (\$)	Mid (\$)	Max (\$)
10	Chief Investment Officer/ <u>Chief Managing Director</u>	<u>341,250</u> \$ 325	<u>451,500</u> \$ 430	<u>567,000</u> \$ 540
9	Managing Director	<u>288,750</u> 275	<u>383,250</u> 365	<u>477,750</u> 465
8	Program Director	<u>246,750</u> 235	<u>330,750</u> 315	<u>414,750</u> 395
7	Director – Strategy, Research, Risk and/or Investment Decision Support	<u>215,250</u> 205	<u>288,750</u> 275	<u>362,250</u> 345
6	Senior Portfolio Manager	<u>215,520</u> 205	<u>288,750</u> 275	<u>362,250</u> 345
5	Portfolio Manager	<u>168,000</u> 160	<u>225,750</u> 215	<u>283,500</u> 270
4	Senior Investment Officer	<u>141,750</u> 135	<u>189,000</u> 180	<u>236,500</u> 225
3	Investment Officer	<u>110,250</u> 105	<u>147,000</u> 140	<u>183,750</u> 175
2	Senior Investment Analyst	<u>84,000</u> 80	<u>110,250</u> 105	<u>136,500</u> 130
1	Investment Analyst	<u>68,250</u> 65	<u>89,250</u> 85	<u>110,250</u> 105

In considering the above salary range, it important to note the following:

- **Market Pay Reviews:** The VRS normally conducts a comparative market total pay study at least generally every two to three years to ensure competitiveness of the salary and incentive structures. Typically, the VRS conducts the study in the 1st quarter of the calendar year (in even years) with an effective date of July 1 (the beginning of the fiscal year).
- **Changes in Salary Ranges:** The Board must approve changes to the salary scale and incentive structure.

SALARY ADJUSTMENTS

Salary Adjustments

Oversight & Administration

VRS will implement pay actions consistent with the provisions of the Appropriation Act. The VRS Board, however, approves across-the-board performance-based salary increases, market-based salary increases and incentive pools, for VRS investment professionals, consistent with the Code of Virginia and the Appropriation Act. The Chief Investment Officer (CIO) approves salary adjustments for individual investment professionals and, as described later in this document, sign-on bonuses, incentive payments, and relocation expenses subject to the limitations in the Code of Virginia and other applicable state or federal law and regulation.

Merit Increases

- Salary increases are based on meeting individual performance standards. The supervisor completes the evaluation after the end of the fiscal year. If a participant in the investment employees' pay plan does not meet overall performance standards, then the participant is ineligible for performance increases to their base salary and market adjustments to their base salary for that performance cycle. Performance cycles are on a fiscal year, basis (July 1 through June 30,) and typically begin, with an effective date of performance plans in the first quarter of the new fiscal year.
- The CIO will receive base salary increases as approved by the VRS Board of Trustees and in accordance with the terms in the CIO's Employment Agreement, with approved effective dates established by the VRS Board of Trustees.

Starting Salaries

The starting salary for a new employee considers the rates presently paid to other employees in the department and those in the same job class (when applicable), the candidate's education, skills, work experience, and salary history. The starting salary normally does not exceed the salary grade midpoint.

Reallocation

Occurs when a job classification is reviewed by Human Resources, and it is determined that the job duties and responsibilities have changed significantly enough to place the job in a different job title and job class. Unless the CIO authorizes an exception, this would not exceed a 15% increase.

However, the individual's salary will always be at least at the minimum of the range of the new job, regardless of the amount of the increase.

In-grade Adjustments

Occur to ensure competitiveness, retention, and to recognize increased skills, abilities, knowledge, obtainment of a degree or certification, or significant increases in responsibilities within the job class. Unless the CIO authorizes an exception, adjustments will not exceed a 10% increase.

Promotions

Promotions occur when an individual moves into a position in a higher job class. Promotions can be competitive (selected through a recruitment and hiring process) or non-competitive (through a job reclassification or reallocation). Unless the CIO approves an exception, promotions will not exceed a 15% increase. However, the individual's salary will always be at least at the minimum of the range of the new job, regardless of the amount of the increase.

Downward Assignment

Downward adjustment occurs when an employee changes positions whether voluntarily, or because of unsatisfactory performance, resulting in a downward change in job class. A reduction in salary may occur based on a review of the salary and range and the circumstances associated with the downward move. In downward assignments, an individual's salary cannot exceed the maximum of the new salary range.

II. Incentive Pay Plan

PLAN ADMINISTRATION

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

- To increase or decrease incentives for any and/or all Plan participants.
- To modify, amend or rescind any aspect of the Plan at any time for any and/or all Plan participants.
- While the Plan Administrator remains mindful of the value that staff adds to the organization and supportive of the pay plan, the Plan Administrator also specifically reserves the right to cancel, reduce, or delay the amount of any incentives payable under this plan when, in the sole discretion of the Plan Administrator, extreme budgetary pressures, economic, market or other conditions are such that the Plan Administrator deems such action necessary under the circumstances.
- Consistent with the preceding paragraph, payment of incentives under this plan is not guaranteed.

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

PLAN ELIGIBILITY

Incumbents in the positions listed below are eligible to participate in this incentive plan, provided they:

- Are active VRS employees.
- Work for VRS at least forty hours per week. Plan participants who work less than full-time may be eligible to receive a prorated incentive payment. Wage employees are not eligible to participate in the plan.
- Receive an individual performance evaluation of at least "meets expectations" for the relevant performance year (i.e., the year preceding the normally scheduled year of payment).
- Remain in compliance with the VRS Investment Department Code of Ethics and Standards of Professional Conduct Policy.

Positions Eligible to Participate in the Investment Professional's Pay Plan
Chief Investment Officer
Managing Director – Strategy, Research, Risk and/or Investment Decision Support
Managing Director – Internal Assets
Managing Director – Global Investments
Program Director
Director – Strategy, Research, Risk and/or Investment Decision Support
Senior Portfolio Manager
Portfolio Manager
Senior Investment Officer

Positions Eligible to Participate in the Investment Professional's Pay Plan
<u>Chief Investment Officer/Chief Managing Director</u>
<u>Managing Director – Portfolio Solutions Group</u>
<u>Managing Director – Private Market Assets and DC Plans</u>
<u>Managing Director – Public Market Assets</u>
<u>Program Director</u>
<u>Director – Strategy, Research, Risk and/or Investment Decision Support</u>
<u>Senior Portfolio Manager</u>
<u>Portfolio Manager</u>
<u>Senior Investment Officer</u>
<u>Investment Officer</u>
<u>Senior Investment Analyst</u>
<u>Investment Analyst</u>

The CIO will determine the design of the incentive plan structure for the positions supporting the Defined Contribution Plans, with both quantitative and qualitative elements.

Generally, employees on an approved leave of absence are considered active employees. The CIO will resolve all questions regarding eligibility, or, in the case of the CIO, eligibility will be determined by the Board.

Participation in this Plan in any one year does not confer the right to participate in this Plan in any other year ~~nor~~ to receive Plan payouts for the current and/or any future year. Participation in this Plan does not confer the right to continued employment. Subject to the provisions of this Plan, only active VRS employees may receive payments under this Plan.

OVERALL INCENTIVE PLAN MECHANICS

As described in more detail throughout this document, under the terms of this Plan:

- Eligible Plan participants will be assigned an incentive opportunity, expressed as a percentage of their actual earned base salary.
- Incentive opportunities vary by position, with the level of such opportunities increasing with the degree to which the position directly affects VRS' investment performance.
- Incentives are weighted or allocated to separate Plan components, described below, with the specific components and weightings varying by position:
 1. Total Fund relative investment performance
 2. Asset Class relative investment performance

3. Average of Asset Class Multipliers (for positions that support multiple asset classes)
 4. Qualitative – focuses on individual achievement of assigned objectives.
- After year-end, payouts under each Plan component would be determined based on performance.
 - Each participant's preliminary award would equal the sum of all of their performance adjusted Plan components.
- Final awards would equal preliminary awards adjusted, up or down, based on the Total Fund's one-year absolute ~~returns~~return. Specifically, there will be no adjustment for returns between 0% and the assumed rate of return, currently ~~7~~6.75%. There will be a positive one-for-one adjustment for returns in excess of the assumed rate of return (e.g., if Total Fund one-year actual absolute return equals ~~+10~~9.75%, then the preliminary awards will be increased by 3%). There will be a negative one-for-one adjustment for ~~returns~~a return less than 0% (e.g., if Total Fund one-year actual absolute return equals -15%, then the preliminary awards will be reduced by 15%). This adjustment is specifically intended to systematically

- take into account, in the shorter term, the effect of market cycles on the health of the pension plan by providing a mechanism to reflect the impact of up and down markets on incentive compensation.
 - 50% of eligible senior staff-members' awards (up to IRS limits) will be deferred into tax-qualified accounts. See section III, Defined Contribution Incentive Plan for VRS Investment Management Personnel (DCPIP). While deferred, awards are subject to the Total Fund's annual absolute ~~returns~~return.
 - All other awards paid in cash.

Generally, a Participant must be employed on the date of payment of the award. However, see INCENTIVE PLAN PROVISIONS, *Termination of Employment Due to Death, Disability or Retirement*.

INCENTIVE OPPORTUNITIES

Incentive opportunities will vary by position based on multiple criteria:

- The position's potential effect on the VRS' investment performance.
- Competitive market pay requirements.
- Internal equity considerations.
- Other factors determined by the CIO or, in the case of the Chief Investment Officer's position, by VRS' Board.

Actual awards can vary based on performance.

For the fiscal year ending June 30, ~~2013~~2022, and all subsequent years, unless as otherwise determined, the Plan's incentive opportunities are as follows:

Incentive Levels	
VRS Position	Incentive (1) (% salary) Incentive ¹ (% Salary)
Chief Investment Officer/ Chief Managing Director	70% (2) 70 ²
Managing Director – Strategy, Research, Risk and/or Investment Decision Support – Portfolio Solutions Group	65% (2) 65 ²
Managing Director – Internal – Private Market Assets and DC Plans	65% (2) 65 ²
Managing Director – Global Investments – Public Market Assets	65% (2) 65 ²
Program Director	60% (2) 60 ²
Director – Strategy, Research, Risk and/or Investment Decision Support	50%
Senior Portfolio Manager	50%
Portfolio Manager	40%
Senior Investment Officer	30%
Investment Officer	30%
Senior Investment Analyst	25%
Investment Analyst	5%

- (1) Performance-adjusted preliminary awards can vary from zero to two times the incentive.
 (2) A portion, up to 50%, of these positions' earned incentives is subject to mandatory deferral.

¹Performance-adjusted preliminary awards can vary from zero to two times the incentive.

²A portion, up to 50%, of the positions' earned incentives is subject to mandatory deferral.

INCENTIVE WEIGHTINGS

Each participant's incentive award will be weighted or allocated to separate, stand-alone Plan components. Importantly, all participants have a portion of their incentive opportunities weighted:

- To the Total Fund Plan component – which helps reinforce the importance of collective success as measured by the Total Fund's relative investment results.
- To the Qualitative Plan component – this helps reinforce achievement of specific initiatives and professional development.

Described below are the specific Plan weightings and the approach for determining awards under each of these Plan components.

Incentive Weightings by Plan Component

Quantitative Average of

VRS Position	Total Fund %	Asset Class Multipliers %	Asset Classes %	Qualitative %	Total
		(% of total incentive weighted to each component)			
Chief Investment Officer/ Chief Managing Director	60%	20% 20 ¹	(1)	20%	100%
Managing Director- Strategy, Research, Risk and/or Investment Decision Support – Portfolio Solutions Group	60%	20% 20 ¹	(1,4)	20%	100%
Managing Director- Internal – Private Market Assets and DC Plans	40%	40% 40 ²	(2,4)	20%	100%
Managing Director- Global Investments – Public Market Assets	40%	40% 40 ³	(3)	20%	100%
Program Director	30%	50%50 ⁴	50%	20%	100%
Director- Strategy, Research, Risk and/or Investment Decision Support	30%	50% 50 ¹	(1)	20%	100%
Senior Portfolio Manager	20%		60%	20%	100%
Portfolio Manager	20%		60%	20%	100%
Senior Investment Officer	20%	60%60 ⁴	60%	20%	100%
Investment Officer	20%	60%60 ⁴	60%	20%	100%
Senior Investment Analyst	20%	30%30 ⁴	30%	50%	100%
Investment Analyst	20%	30%30 ⁴	30%	50%	100%

(1) Average multiplier based on the multipliers of all asset classes under the incumbent's purview.

(2) The MD Internal Assets average multiplier is based on the multipliers of the internal asset classes under the incumbent's purview.

(3) The MD Global Investments average multiplier is based on the multipliers of the external asset classes under the incumbent's purview.

(4) There is currently a single person taking on the role of MD Strategy, Research, Risk and/or Investment Decision Support and MD Internal Assets. The incentive for this individual is a 50/50% blend of the two separate MD positions.

(5) These positions may support a specific asset class or multiple asset classes. If the position supports a specific asset class, then the multiplier is based on the asset class multiplier. If the position supports multiple asset classes, then the multiplier is based on the average of the multipliers of the asset classes supported.

¹Average multiplier based on the multipliers of all asset classes under the incumbent's purview.

²The MD Private Market Assets and DC Plans average multiplier is based on the multipliers of private market asset classes under the incumbent's purview.

³The MD Public Market Assets average multiplier is based on the multipliers of the public market asset classes under the incumbent's purview.

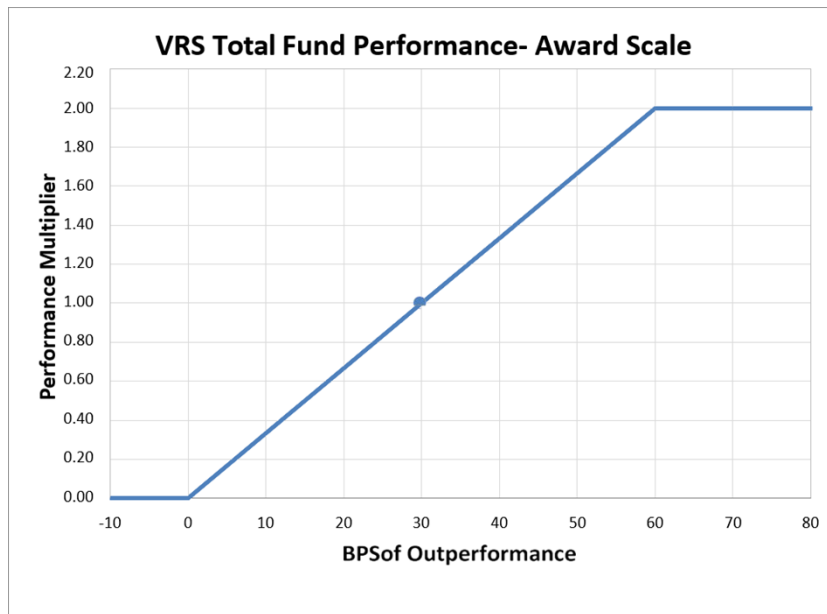
⁴These positions may support a specific asset class or multiple asset classes. If the position supports a specific asset class, then the multiplier is based on the asset class multiplier. If the position supports multiple asset classes, then the multiplier is based on the average of the multipliers of the asset classes supported.

QUANTITATIVE PLAN COMPONENTS

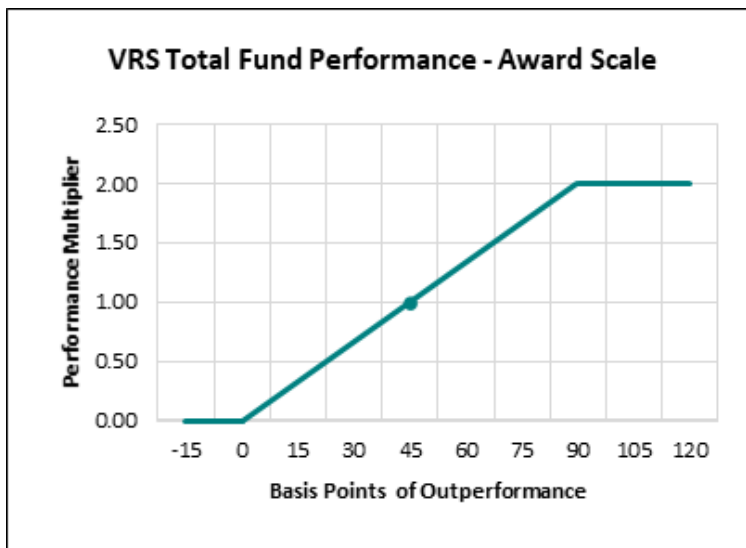
These Plan components link participants' incentive compensation to relative investment performance or, more specifically, the extent by which the Total Fund and/or Asset Class performance exceeds passive benchmarks (indices) as measured over trailing three- and five-year annualized periods (each weighted 50%).

For purposes of this Plan:

- Measurement of relative investment performance is net of third-party fees, which consist of investment management fees and performance fees paid to investment managers, custodian fees, legal fees, internal investment staff administrative expenses, and miscellaneous fees.
- A performance-award scale defines the linkage between relative investment performance and a corresponding Performance Multiplier. Illustrating this approach at the Total Fund level, when VRS' relative investment performance:
 - Equals zero or less (i.e., no relative value added), then the VRS Performance Multiplier will equal zero and there will be no incentive payouts under this Plan component.
 - Equals 3045 bps, then the VRS Performance Multiplier will equal 1.00 and there will be a 100% payout of this Plan component.
 - Equals 6090 bps or more, then the VRS Performance Multiplier will equal 2.00 and there will be a 200% payout of this Plan component.
 - Is anywhere between zero and 6090 bps, then the VRS Performance Multiplier is determined on an interpolated, straight-line basis.



Note: The Board approved the Verus recommended excess return objective (45 basis points) for the Total Fund at the June 15, 2020 meeting with an effective date of July 1, 2020. For implementation purposes, the Total Fund excess return objective will be a blend of the former excess return objective (30 basis points) to be used until June 30, 2020, and the new excess return objective (45 basis points) to be used from July 1, 2020 onward.



- Selected participants whose responsibilities span multiple asset classes may have a portion of their incentive weighted to a component that is determined based on the average multipliers of asset classes they support. The intent of this Plan component is to recognize and reward superior relative investment performance, regardless of the level of the associated assets.

The Board is responsible for setting the basis point outperformance standards for the Total Fund. The CIO is responsible for setting the basis point outperformance standards for individual asset classes, subject to the Board's final review and approval.

QUALITATIVE PLAN COMPONENT

The qualitative incentive multiplier can range from 0.00 to 2.00 at the CIO's discretion, ~~with~~. The CIO obtains input from applicable senior staff regarding individual performance levels to help determine the qualitative rating. The qualitative rating is separate and distinct from the individual's annual performance evaluation rating requirement for plan eligibility. This Plan component links participants' incentive compensation to achievement of individual and/or position-

specific performance objectives and VRS' overall performance objectives. Actual awards under this plan component will reflect:

- Position- and/or incumbent-specific performance criteria.
- Achievement of key VRS performance objectives, including:
 - Building an effective organization-
 - Enhancing investment excellence-
 - Developing staff-

The Board will annually determine the CIO's qualitative incentive multiplier after assessing attainment of the qualitative performance objectives, considering input and recommendations provided by the A&P Committee.

DETERMINING PRELIMINARY AWARDS

After the end of each fiscal year, a preliminary award will be determined for each Plan participant by aggregating all of their performance multiplier-adjusted weighted Plan components. In particular:

- Performance multipliers will be determined for each Plan component based on actual results.
- Preliminary payouts under each weighted Plan component will be determined by multiplying the incentive dollars weighted to that component by the associated performance multiplier.
- Total preliminary awards would be determined by adding up all of that participant's weighted Plan components.

Illustrated below is this approach for a position with an incentive of \$80,000.

Plan Component	Weighted Portion of Incentive		Performance Multiplier		
Component	of Incentive		Multiplier		
Total Fund	\$16,000	X	1.50	=	\$24,000
Asset Class	48,000	X	1.00	=	48,000
Qualitative	16,000	X	1.20	=	19,200

Preliminary Award **\$91,200**

DETERMINING FINAL AWARDS

Final awards, if any, would be determined after each fiscal year-end by adjusting the sum of each participant's preliminary award, up or down, based on VRS' one-year absolute return for the most recently completed fiscal year. Specifically, there will be no adjustment for returns between 0% and the assumed rate of return, currently 76.75%. There will be a positive one-for-one adjustment for returns in excess of the assumed rate of return. There will be a negative one- for-one adjustment for returns less than 0%. Illustrated below is the process for determining final awards.

Plan Component	Weighted Portion of Incentive		Performance Multiplier	=	Actual Award
Total Fund	\$16,000	X	1.50	=	\$24,000
Asset Class	48,000	X	1.00	=	48,000
Qualitative	16,000	X	1.20	=	19,200

Scenario #1:
 The Total Fund's One-Year

Scenario #1: The Total Fund's One-Year Absolute Return Is +5%

Plan Component	Weighted Portion of Incentive		Performance Multiplier	=	Actual Award
Total Fund	\$16,000	X	1.50	=	\$24,000
Asset Class	48,000	X	1.00	=	48,000
Qualitative	16,000	X	1.20	=	19,200

Preliminary Award \$91,200

X no adjustment

Final Award \$91,200

0%

Scenario #2:
 The Total Fund's One-Year
 Absolute Returns are +10%

Plan Component	Weighted Portion of Incentive		Performance Multiplier	=	Actual Award
Total Fund	\$16,000	X	1.50	=	\$24,000
Asset Class	48,000	X	1.00	=	48,000
Qualitative	16,000	X	1.20	=	19,200

Final Award \$91,200

Scenario #2: The Total Fund's One-Year Absolute Return Is 9.75%

Plan Component	Weighted Portion of Incentive		Performance Multiplier		Actual Award
Total Fund	\$16,000	X	1.50	=	\$24,000
Asset Class	48,000	X	1.00	=	48,000
Qualitative	16,000	X	1.20	=	19,200

Preliminary Award \$91,200

X 1+ VRS Fund's One-Year Rate of Return less assumed rate of return 103%
 Final Award \$93,936

Scenario #3:
 The Total Fund's One-Year

Plan Component	Weighted Portion of Incentive		Performance Multiplier		Actual Award
Total Fund	\$16,000	X	1.50	=	\$24,000
Asset Class	48,000	X	1.00	=	48,000
Qualitative	16,000	X	1.20	=	19,200

Preliminary Award \$91,200

Final Award \$77,520

X 1+ vrsTotal Fund's One-Year Rate of Return
 Less Assumed Rate of Return 103%

Final Award \$93,936

Scenario #3: The Total Fund's One-Year Absolute Return Is -15%

Plan Component	Weighted Portion of Incentive		Performance Multiplier		Actual Award
Total Fund	\$16,000	X	1.50	=	\$24,000
Asset Class	48,000	X	1.00	=	48,000
Qualitative	16,000	X	1.20	=	19,200

Preliminary Award \$91,200

X 1+ Total Fund's One-Year Rate of Return 85%

PAYING OUT FINAL AWARDS

Board Review

Prior to payout of any and/or all awards, the CIO will present a schedule of aggregate incentives to the Board of Trustees, through the A&P Committee, in advance. This report will include, in aggregate, the awards, the multipliers awarded for each component, the actual dollar awards earned for each component and the total awards. Internal Audit and Human Resources will review the calculations. As requested by the A&P Committee, the CIO will provide additional information prior to the Board approving the payout of any and/or all awards.

Final Award Payout

Final awards will be paid out as follows:

- For VRS' most senior staff (i.e., incumbents in positions at or above the level of Program Director) when awards are paid, 50% of total award amounts up to the specified Internal Revenue Code (IRC) § 415(c)(1)(A) plan limits will be deferred into the DCPIP plan. All other amounts paid in cash. Section III of this document describes the terms of the § 415(c)(1)(A) plan.
- For all other Plan participants, awards paid 100% in cash.

Timing of Cash Payouts

When the Board approves incentive awards, the VRS will make payments between July 1 and December 31 after VRS' fiscal year end.

- ~~Awards to senior staff paid as follows: 50% deferred into DCPIP (subject to IRS limits) and the remainder in cash.~~
- ~~Awards to all other plan participants paid out 100% in cash.~~

INCENTIVE PLAN PROVISIONS

- ***New employees, promoted employees and other employees who transfer into another position covered in this pay plan:***
 - Employees who join the VRS Investment Department after the commencement of the fiscal year may be eligible to participate in the Plan. Incentives will be computed on the incentive percentage and their actual earned salary for the year.
 - Promoted employees and employees who transfer into another position covered in this pay plan will have their incentives calculated based on their actual earned salary for the year and a proportional incentive percentage for each position held during the fiscal year.
- ***Minimum Individual Performance Standard:*** Employees with an individual performance rating of "Does Not Meet Expectations" are not eligible to receive any incentive payment under the Plan.
- ***Termination of Employment Due to Death, Disability, or Retirement:*** Terminated employees may be eligible to receive a time-weighted portion of their final award for the current performance year. Plan participants who terminate employment due to death or disability or who retire during a fiscal year will be eligible to receive a time-weighted portion of their Board approved award (1/12 for each complete month worked in their last year of service). The incentive payments for the year in which death, disability or retirement occurs shall be paid 100% in cash to such employee or his representative between July 1 and December 31 following the end of the fiscal year in which such death, disability or retirement occurs.
- ***Termination for all Other Reasons:*** Except as specifically determined by the CIO for all positions other than the CIO, and by the A&P Committee for the CIO's position, participants

- _who terminate employment with VRS for all other reasons prior to the normally scheduled date of payout forfeit all rights under the plan.
- **Clawback:** In the event of termination for malfeasance related to duties as an investment professional, VRS retains the right to seek repayment for any and/or all paid incentive awards.

III. **Defined Contribution Incentive Plan for VRS Investment Management Personnel (DCPIP)**

PARTICIPATION

This plan covers VRS investment professionals at or above the level of Program Director. Such positions currently include CIO, Chief Managing Director, ~~Deputy CIO~~, Managing Director, and Program Director. The Board retains the discretion to modify, at any time, the positions that are eligible to participate in this plan.

AMOUNTS SUBJECT TO ANNUAL DEFERRAL

- Deferrals into this plan only occur in years when VRS' Board decides, at its full and complete discretion, to allow payment of incentive awards.
- Commencing with (and including fiscal 2013), in years when VRS' Board decides to pay incentive awards, 50% of participants' final awards up to specified IRC § 415(c)(1)(A) limits will be deferred into this plan. All other amounts paid in cash.

INVESTMENT RETURN

Participants' deferred accounts in the DCPIP and the § 415(m) plan will earn an "investment return" (positive or negative) equaling the current annual rate of return of the VRS Fund. However, upon attaining age 55, the DCPIP permits members of the Investment Management Committee who have established accounts in the Commonwealth of Virginia 457 Deferred Compensation Plan, to transfer a portion into the Virginia Cash Match Plan. This transfer right allows DCPIP participants at age 55 or at any time after attaining age 55, to select any combination of the investment options then offered by the Cash Match Plan. Notwithstanding the transfer right, members of the Investment Management Committee at age 55 or older must leave at least a minimal balance amount in their DCPIP account, to avoid having to re-open the account. The VRS Defined Contribution Plan Administrator will assist participants with these transfers.

FUND TRANSFERS ~~and~~AND DISTRIBUTIONS

Participants of the DCPIP cannot transfer funds from the § 415(m) plan into the Cash Match Plan because the § 415(m) plan is a non-qualified "excess plan" not permitted to be held in trust for the exclusive benefit of the plan participants. The § 415(m) plan closed as of June 30, 2013, except for the CIO. The distribution of the balance in the § 415(m) plan will be made in cash to the Participant.

The accumulated DCPIP trust balances will be distributed to the Participant upon termination of employment with the Commonwealth of Virginia. The participant may elect to receive the balance in the DCPIP either in cash or as a "roll-over" into another retirement or related benefit vehicle/trust, or a combination of both. All payouts/rollovers will be credited with earnings through the latest quarter end for which finalized performance is available, by the date of the payment.

All applicable laws and regulations will govern the creation, funding, and distributions of the DCPIP and § 415(m) plan. Detailed plan documents are on file with the Human Resources Director and the Chief Financial Officer.

TAXATION

Taxation of the amount contributed to the DCPIP and § 415(m) plans is deferred until distribution from the respective plan.

IV. Other Compensation Plan Information

IV. Competitive Pay Increases

Competitive pay increases are an option available to retain a highly valued employee who has received a job offer from another employer. Requests for competitive pay increases should take into consideration the employee's experience, level of education, performance and contribution to the agency, and the salaries of other employees in comparable jobs. A written job offer must be received to provide a competitive pay increase.

Sign-on Bonuses

Investment professionals hired at the VRS may be eligible for sign-on bonuses, as described in the VRS Employee Sign-on Bonus Program Policy.

Relocation Expenses

Investment professionals hired at the VRS may be eligible for reimbursement of relocation expenses, if approved by the CIO. The reimbursement of the expenses must comply with the Department of Accounts Moving and Relocation Policy.

Employment at Will

The investment employees covered by this policy are exempt from the provisions of the Virginia Personnel Act and employment in these positions is at will. Just as the employee retains the right to resign at any time, the VRS has a similar right to end at will employment with or without cause. An at-will employee does not serve an introductory period. An at-will employee is not eligible to use the agency's grievance procedure to resolve employment disputes.

Investment employees covered by this policy are eligible for all other employment benefits and subject to agency policies that do not contradict their "at will" status.

409A Compliance

The intent of the Board is that payments and benefits under this plan either comply with Section 409A of the Internal Revenue Code and applicable guidance issued thereunder ("Code Section 409A") or qualify for an exemption from Code Section 409A and, accordingly, all provisions of this Plan shall be construed in a manner consistent with the requirements for avoiding taxes or penalties under Code Section 409A. The Board shall not take any action to accelerate or delay the payment of any monies and/or provision of any benefits in any matter which would not be in compliance with Code Section 409A to the extent Code Section 409A applies to such payment or benefit. Notwithstanding any of the provisions of this pay plan, the Board shall not be liable to the employee if any payment or benefit which is to be provided pursuant to this Plan and which is considered deferred compensation subject to Code Section 409A otherwise fails to comply with, or be exempt from, the requirements of Code Section 409A.

CLASS STRUCTURE

The following descriptions are the summaries of VRS' investment professional job classes/positions:

Chief Investment Officer/Chief Managing Director

The CIO/Chief Managing Director manages and directs investment programs, determines appropriate program structure, implementation, and monitoring. The CIO/Chief Managing Director manages investment professionals who are directly responsible for internal and external investment programs. The CIO/Chief Managing Director heads the Executive and Management Committees, which are responsible for reviewing all investment recommendations. The CIO/Chief Managing Director collaborates with the VRS Board-appointed Investment Advisory Committee (IAC) and delivers frequent reports and updates to the VRS Board.

Managing Director

The Managing Director is a senior investment position reporting directly to the CIO. This position serves on the Investment Executive and Management Committees. The Executive Committee is a department wide resource to the CIO for management and administrative issues. The Management Committee participates in asset allocation and manager/fund allocation decisions.

Program Director

The Program Director has deep asset class knowledge and carries full managerial responsibility for a VRS investment program, including all internally and externally managed assets. The Program Director may also support multiple asset classes. The Program Director participates on the Investment Management Committee and regularly presents information to the IAC and the Board.

The Program Director, as applicable, operates within an explicit risk budget and has investment performance objectives that are regularly measured. The Program Director has full responsibility for negotiating on behalf of VRS.

Director - Strategy, Research, Risk and/or Investment Decision Support

Strategy – The positionsposition within Strategy identifyidentifies and evaluateevaluates relative value-based tilt opportunities that have the potential to 1) improve the fund's return without materially increasing the risk, 2) reduce the fund's risk without materially reducing the return, or 3) some combination of these objectives. In addition, staff within Strategy 1) review and evaluate the implications of macro-economic conditions, 2) analyze current conditions and opportunities within major asset classes and key asset class subsectors, 3) monitor and evaluate the tactical and strategic tilts of key VRS investment partners, and 4) identify strategy ideas including risk and return expectations for base case and alternative scenarios.

Research – The positionsposition within Research havehas responsibility to support both basic and applied research efforts for all VRS investment staff. This effort includes monitoring, coordinating, facilitating, and implementing current best practices and methods to ensure optimal investment performance and risk management at both the program and plan level.

Risk – The positionsposition within Risk havehas responsibility in the design, implementation, and management of the risk management program including project management (solicitation and queueing of projects from clients), guidance and coordination within the group, mathematical and statistical analysis of empirical problems, risk management, and high-level programming. Additionally, staff within Risk assist with the design and implementation of a diverse collection of strategies designed to have low or negative correlation to other VRS asset classes.

Additionally, staff within Risk assist with the design and implementation of an opportunistic portfolio allocation to manage the risk exposures of the total fund.

Investment Decision Support – The ~~positions~~position within Investment Decision Support ~~have~~has responsibility for the design and delivery of investment program, risk management, strategy, and research analytic systems. As a component of this, staff is responsible for all investments data as well as the design, development, and implementation of the quantitative infrastructure for the VRS investment programs. This includes a data warehouse, various data retrieval tools, quantitative analysis tools, program level reporting tools and support applications that retrieve, consolidate and report information.

Senior Portfolio Manager

The Senior Portfolio Manager positions have responsibility for multiple portfolio strategies and/or may supervise one or more Senior Investment Officers or Portfolio Managers. The Senior Portfolio Manager positions provide a potential career progression ladder for Portfolio Managers over time, considering the contributions, experience, and sustained performance for the incumbents.

Portfolio Manager

The Portfolio Manager provides critical input to strategy development and is responsible for the more complicated and higher risk investments. The Portfolio Manager may delegate to the Senior Investment Officer certain portions of the investment program. The Portfolio Manager will begin to negotiate terms on behalf of VRS. The Portfolio Manager, from time to time, makes presentations and recommendations to the Management Committee, and perhaps the IAC and Board.

The Portfolio Manager supporting the Defined Contribution Plans is a senior investment position reporting directly to the Managing Director ~~of Global Investments-- Private Market Assets and DC Plans~~. This position provides critical input to the design, implementation, and monitoring of all investment related aspects of the VRS defined contribution plans (DC). Responsibilities include (1) evaluation and selection of new investment strategies, managers and/or funds, (2) negotiating terms on behalf of VRS, (3) monitoring and management of relationships with existing defined contribution investment managers, (4) implementing investment policy as determined by the VRS Board, (5) presenting to the Defined Contribution Plans Advisory Committee and the Board, and (6) any other projects or duties relating to the defined contribution program as may be assigned from time to time.

Senior Investment Officer

The Senior Investment Officer has higher level monitoring responsibilities that tend to involve higher risk and strategies that are more complicated. Some Senior Investment Officers may have day-to-day responsibilities for managing internal portfolios, subject to risk limits prescribed by the program director. The Senior Investment Officer will increasingly become involved in strategy development and formal recommendations to the Program Director.

Investment Officer

The Investment Officer, in addition to analytical responsibilities, may have direct responsibility for monitoring some portion of the existing portfolio, or some strategies or managers under consideration in the future. Such assignments will typically be in lower risk and less complicated strategies. The Investment Officer may continue to be involved in monitoring, compliance, and administration, but will also begin to make formal investment recommendations to the Program Director.

Senior Investment Analyst

The Senior Investment Analyst performs various types of analysis at the direction of more senior staff members. Analyst activities are geared around providing support for senior staff members more directly involved in the decision-making process. Such activities will include research, reporting, monitoring, compliance, and administration.

Investment Analyst

The Investment Analyst assists other investment professionals in their daily operations, including

investment research and analysis, trading, and portfolio management. Analysts follow and report current market information relating to assigned sectors of the market. In addition, the Analyst conducts independent research on various topics, performs data maintenance, integrity, and report generation tasks.



**Approve amended Administrative Pay Plan,
and Investment Operations and Administration Staff Pay
Plan**

Requested Action

The VRS Board of Trustees approves an amended Administrative Pay Plan and Investment Operations and Administration Staff Pay Plan, effective July 10, 2022.

Description/Background

The VRS Board of Trustees approved the current Administrative Pay Plan and the current Investment Operations and Administration Staff Pay Plan, on April 20, 2021. Item 483 of the 2023 Appropriation Act, contingent upon its passage, will require the Department of Human Resource Management to increase by 5% the minimum and maximum of each of the salary bands in the Commonwealth's Classified Compensation Plan. Generally, the VRS Board of Trustees also adjusts the salary scales in its pay plans in accordance with the requirements of the Appropriation Act. An increase of 5% to the minimum and maximum of each grade of the salary scales of the Administrative Pay Plan and the Investment Operations and Administration Staff Pay Plan, effective July 10, 2022, is consistent with changes to be made to the Commonwealth's Classified Compensation Plan.

Rationale for Requested Action

The amendments to the Administrative Pay Plan and Investment Operations and Administration Staff Pay Plan are pursuant to the provisions of the 2023 Appropriation Act and in keeping with the salary band adjustments made to the Commonwealth's Classified Compensation Plan.

Authority for Requested Action

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

The above action is approved.

A. Scott Andrews, Chair
VRS Board of Trustees

Date



VIRGINIA RETIREMENT SYSTEM
HUMAN RESOURCES POLICIES AND PROCEDURES

Title: ADMINISTRATIVE PAY PLAN

Policy Number: 3.10

Supersedes: 06/10/2021

Effective Date: 07/10/2022

I. Authority

The Director is authorized under the Appropriation Act to use agency funds or funds appropriated, if any, to implement the provisions of new or existing performance-based pay plans.

II. Purpose

The purpose of the Administrative Pay Plan (Plan) is to attract, motivate and retain skilled employees within a compensation framework that is competitive with the external market, internally equitable and performance based. VRS is committed to providing a total rewards package tied to the attainment of individual and team results and the achievement of organizational goals.

III. Policy

The Plan applies to all full and part-time (non-wage) employees who work under the administrative and audit authorities of VRS. Wage employees' pay complies with the provisions of the state classification and pay plan. The Plan ensures that agency salaries are competitive with the market average of a mix of public and private sector organizations. Comparative market salary data is typically reviewed every two (2) years to ensure competitiveness of the salary structure.

The Plan includes 17 salary grades for general classifications and 14 salary grades for technology classifications as identified in Appendix 1.

There is a broad span between the minimum and maximum salary of each salary grade to allow, in most cases, for salary growth or other possible adjustments over an employee's span of employment.

IV. Procedure

A. Job Placement

Placement of jobs in each grade is determined by measuring the degree of expertise and accountability required for each position in four areas:

1. **Knowledge and Expertise** measures the amount and depth of knowledge, experience and skills necessary for functioning effectively in a specified role. This expertise may be in technical disciplines, procedures specific to the organization, ability to use certain equipment, and/or management responsibility for planning, organizing and integrating the work of others.

2. **Complexity and Conceptual Thinking** measures the amount of analytical and problem-solving skills required in the position to evaluate and diagnose differing situations and devise new approaches relating to the organization as a whole and/or its business strategies.
3. **Contribution and Impact** measures the breadth of the position's contribution to the advancement of VRS' vision, "To be the trusted leader in the delivery of benefits and services to those we serve." This ranges from improving work processes in the work unit to influencing agency-wide results.
4. **Effective Communication** measures the position's requirements for interacting with and/or influencing coworkers, team members, contacts in other units/departments, members, retirees or contacts outside the organization.

Each job is evaluated in objective terms, not only to ascertain its demands on the individual, but also to determine its worth in comparison to other jobs in the agency and its importance to VRS' success.

Salary ranges are established for all grades by recognizing the level of education, knowledge, skill, and experience needed to perform each job. The salary range demonstrates the interrelationships of the jobs used by the agency in addition to comparing salaries paid for similar classifications in private and public sectors. The salary range for a job includes a minimum, midpoint and maximum salary.

- **Minimum** is the lowest salary paid for a position within the salary grade.
- **Midpoint** is the median salary for the grade.
- **Maximum** is the highest salary paid for a position within the salary grade.

Individual performance, time in the position, previous related work experience, and other factors can influence earnings that are higher or lower than the midpoint.

The expectation is that employees with salaries closer to the maximum for their position are more tenured, have been a consistently exceptional performer, or have more work experience.

During the job placement process, Fair Labor Standards Act (FLSA) exemption statuses (exempt or non-exempt) are determined based on the FLSA job duties test.

B. Starting Salary

The respective member of the Director's Executive Committee (DEC) approves the hiring salary range when the recruitment is formally requested. Hiring supervisors and second line supervisors recommend the starting salary for new employees and the respective member of the DEC approves the starting salary, in coordination with the human resources director.

The salaries paid to employees in the department; the candidate's education, skills, work experience; and salary history are typically considered when determining the appropriate salary to offer a candidate. Starting salaries typically do not exceed the salary grade midpoint. Additional justification is required to support offering salaries above the midpoint.

C. Salary Adjustments

1. Introductory Increases

The introductory period for new employees is 12 months from the date of hire. The introductory period serves as an adjustment period for employees to establish a working relationship with their supervisors, to acclimate to their new job duties and to learn about VRS.

When employees successfully complete the introductory period, they typically receive a pay increase of 2% if they are at least meeting expectations.

The Performance Management Policy outlines details.

2. Promotions

A promotion occurs when an employee transitions to a different position assigned to a higher salary grade. A promotion can be competitive (selected through a recruitment and hiring process) or non-competitive (i.e., through the career development process).

When employees compete and are hired into a job in a higher grade, they are typically eligible for a salary increase between 5% and 15%. For non-competitive promotions, the salary will be subject to review to ensure internal equity. Promotional salaries must be at or above the minimum of the new salary grade. Promotional pay cannot place an employees' salary above the maximum of the salary grade.

3. Lateral

A lateral occurs when an employee moves into a position with a different job title and classification which is in the same salary grade. This movement constitutes a lateral move or a transfer.

For a competitive (posted and selected) lateral move/transfer, a salary increase may be considered only if duties of the new position are substantially different. If an increase is approved the increase amount shall not exceed 5%, provided the increase does not exceed the maximum salary range. Any exception to this guideline requires additional justification, an internal equity review and approval of the appropriate DEC member.

4. Downward Assignments (Voluntary or Involuntary)

Downward assignments occur when an employee transitions to a position within a salary grade lower than the current grade.

- **Voluntary** – An employee initiated request to transition to a position within a lower salary grade.
- **Involuntary** – A management initiated request to transition an employee to a position within a lower salary grade, typically due to performance, corrective action or restructuring.

A downward assignment would typically result in the salary being placed at any pay rate within the lower classification, not to exceed the maximum or fall below the minimum of the new salary range.

Any exception to this guideline will require additional justification, an internal equity review and approval of the appropriate DEC member.

In unique situations, such as job abolishment or agency reorganization, an employee's salary may exceed the maximum of the lower grade and the salary remain unchanged. Salaries remain frozen until market adjustments allow additional increases (red-circle). These employees remain eligible to receive applicable performance or gainsharing bonus awards if performance criteria are met.

5. Job Reclassifications

Job reclassifications occur when the employee's duties and responsibilities change substantially, which may result in a different pay grade. Reclassification is based on job content and not the performance of the incumbent. Job studies are performed by human resources, with input by management.

Reclassification Upward: Occurs when it is determined that an individual's job duties and responsibilities have changed significantly enough to transition the position into a different classification within a higher salary grade.

Employees typically receive salary increases between 2% and 15%. Reclassification increases are approved by the appropriate DEC member, in coordination with the human resources director. Salaries must be at or above the minimum of the new pay grade.

Reclassification Laterally: Occurs when it is determined that an individual's job duties and responsibilities have changed significantly enough to transition the position into a different classification within the same salary grade.

No salary increase is awarded. Any exception to this guideline will require additional justification, an internal equity review, and approval of the appropriate DEC member, in coordination with the human resources director.

Reclassification Downward: Occurs when it is determined that an individual's job duties and responsibilities have changed significantly enough to transition the position into a different classification within a lower salary grade.

6. Regrade

Regrades occur when the classification is determined to warrant a different pay grade. This is typically determined by a market analysis or internal classification review, performed by HR in coordination with the DEC member.

Employees typically receive salary increases between 2% and 15%. Regrade increases are approved by the appropriate DEC member, in coordination with human resources. Salaries must be at or above the minimum of the new pay grade.

7. Acting Pay

Acting pay is provided when an employee is temporarily assigned to assume the responsibilities of a position in a higher salary grade.

Less Than Two Years Duration: The employee will receive at least a 5% salary adjustment while serving in an acting position. If the 5% increase does not place the employee at the minimum salary of the acting position, the salary must be increased to the minimum of the acting range. The acting amount shall not exceed the maximum of the acting range. When the employee returns to the former position, his or her salary will be reduced by the dollar amount received while performing the “acting” job responsibilities.

Beyond Two Years Duration: When employees are deemed to be “acting” by performing the full duties of a position for more than two years, the supervisor may choose to promote the individual without going through a competitive process. If the employee is promoted, the employee is eligible for a promotional increase. Otherwise, the position will be open for recruitment. The permanent filling of the position may involve no change in current salary or could include a pay increase, depending upon the circumstances and available budget.

If an employee is acting in a position that is the same salary grade, acting pay would not be provided unless there is sufficient justification to support that the duties of the acting position are substantially different.

8. In-grade

In-grade salary adjustments occur when employees receive an increase in base pay to ensure competitiveness, retention, and to recognize increased skills, abilities, knowledge, or responsibilities outside of the position classification process. These adjustments should only be provided once per fiscal year. Listed below are the categories and descriptions of in-grade salary adjustments.

Market adjustment: Warranted in cases where external market forces exist due to high demand for a particular skill or position which may result in significantly higher turnover. Market adjustments may also occur if it is determined that an individual’s salary is significantly lower than market study findings. Salary adjustments can apply to an individual or classification of employees to ensure competitiveness and retention of staff. An in-grade adjustment of 1% to 10% of salary is typically provided.

Internal alignment adjustment: Warranted when employees’ salaries are unusually low or out of comparability with other employees in the work unit. Factors considered include experience, education, knowledge, skills and abilities. An in-grade adjustment of 1% to 10% of salary is typically provided.

Individual accomplishment adjustment: May be awarded to recognize the attainment of a higher level of expertise through professional certification requiring continuing education credits (CEUs). In-grade adjustments are awarded at the time of the original certification. If the certification does not require CEUs, an in-grade adjustment will not be provided; however, a bonus may be considered. Additionally, an in-grade adjustment for completion of a degree that relates to a current or career path position may be provided. Other similar situations may be considered as justification for an individual accomplishment adjustment. An in-grade adjustment of 1% to 10% of salary is typically provided.

Skill acquisition and application adjustment: May be awarded to recognize the acquisition and application of relevant, pre-defined, job-based skills, resulting in increased value to the organization.

Typically, an Individual Development Plan identifies the needed skills and the skill acquisition plan. Formal assessments, through testing or demonstration of the skills acquired and applied to the job, may result in an in-grade adjustment. An in-grade adjustment of 1% to 4% of salary is typically provided.

The employee's supervisor must request the in-grade adjustment in writing and include documentation supporting the need for a pay adjustment. The respective DEC member approves in-grade adjustments, in coordination with the human resources director.

When an employee's salary is at or above the salary maximum for his/her job grade, a bonus payment may be awarded. The respective member of the DEC approves the bonus, in coordination with the human resources director.

9. Competitive

A competitive pay increase is an option available to supervisors to retain top performers, who have received an external job offer, when the loss is determined to be detrimental to the organization. Employees must furnish a copy of the respective job offer.

The supervisor requests, in writing, a competitive pay increase and includes documentation supporting the need for an adjustment and justification for the increase. The respective member of the DEC approves the increase, in coordination with the human resources director.

Competitive pay increases apply to base salary and may not exceed the salary maximum for the salary range. In extraordinary circumstances, when an employee's base salary is at maximum, a bonus is an option. In these situations, the respective member of the DEC, in coordination with the human resources director, submits the request for agency director approval.

10. Increases Governed by the Appropriations Act

VRS will implement pay actions consistent with the provisions of the Appropriation Act.

D. Bonuses

1. Sign-on

Sign-on bonuses may be provided to qualified external candidates when the position is determined to be hard-to-fill, or when there is a demonstrated need to provide supplemental pay to compete with the market.

The amount of the sign-on bonus will vary depending on the position and the supply of candidates. The amount of the bonus typically ranges from 1% to 20% of the midpoint of the salary range.

Fifty percent of the sign-on bonus will be paid in the first paycheck with the remainder of the bonus being paid following the successful completion of the one year introductory period.

Refer to the **Employee Sign-on Bonus Program Policy**.

2. Referral

Referral bonuses may be provided to full and part-time employees who refer a candidate hired into a full-time position.

The amount of the referral bonus is \$1,000. Fifty percent is paid in the paycheck following the referred employee's first full pay cycle with the remainder of the bonus being paid following the successful completion of the referred employee's introductory period.

Refer to the **Employee Referral Program Policy**.

While the VRS Board of Trustees remains mindful of the value that staff adds to the organization and supportive of the pay plan, the VRS Board of Trustees also specifically reserves the right to cancel, reduce, or delay the amount of any bonuses payable under this plan when, in the sole discretion of the VRS Board of Trustees, extreme budgetary pressures, economic, market or other conditions are such that the VRS Board of Trustees deems such action necessary under the circumstances.

Consistent with the preceding paragraph, payment of performance bonuses under this plan is not guaranteed.

3. Performance

Performance bonuses are provided agency wide following the annual review process.

Subject to the approval of the VRS Board of Trustees, eligible employees who receive an overall rating of "exceptional" will receive a 4% bonus and employees who receive an overall rating of "exceeds" will receive a 2% bonus, based on their salary as of June 30. Employees who receive an overall "meets," "does not meet" or "needs improvement" rating will not receive a performance bonus.

The performance cycle and thus, bonus payments, align with the fiscal year, July 1 through June 30.

The **Performance Management Policy** outlines details.

While the VRS Board of Trustees remains mindful of the value that staff adds to the organization and supportive of the pay plan, the VRS Board of Trustees also specifically reserves the right to cancel, reduce, or delay the amount of any bonuses payable under this plan when, in the sole discretion of the VRS Board of Trustees, extreme budgetary pressures, economic, market or other conditions are such that the VRS Board of Trustees deems such action necessary under the circumstances.

Consistent with the preceding paragraph, payment of performance bonuses under this plan is not guaranteed.

4. Gainsharing

Gainsharing bonuses are provided when it is determined the agency has successfully attained the Agency Performance Outcomes (APO) and Operational Measures (OM).

Subject to the approval of the VRS Board of Trustees, attainment of the APOs and OMs may result in eligible employees receiving a lump-sum bonus of 2.5%, or other amount determined by the Board, based on their salary as of June 30.

The **Performance Management Policy** outlines details.

While the VRS Board of Trustees remains mindful of the value that staff adds to the organization and supportive of the pay plan, the VRS Board of Trustees also specifically reserves the right to cancel, reduce, or delay the amount of any bonuses payable under this plan when, in the sole discretion of the VRS Board of Trustees, extreme budgetary pressures, economic, market or other conditions are such that the VRS Board of Trustees deems such action necessary under the circumstances.

Consistent with the preceding paragraph, payment of gainsharing bonuses under this plan is not guaranteed.

5. Employee Recognition Bonus

Employee recognition bonuses may be provided to full and part-time employees for individual or team accomplishments typically associated with special projects, process improvements, innovation or other outstanding accomplishments.

Bonuses range from \$50 to \$5,000 depending upon the value of individual or team accomplishments.

Bonuses up to and including \$1,000 require approval by the appropriate DEC member. Special Recognition Bonuses, above \$1,000 through \$5,000, require approval by the DEC member and Agency Director, Chief Investment Officer, or Internal Audit Director. The fiscal year bonus cap is \$5,000 per employee.

The **Recognition and Awards Program Policy** outlines details.

V. Additional Information

A. VRS Pay Plans

In addition to the Administrative Pay Plan, VRS maintains several other pay plans to meet specific employment and compensation needs. These plans are as follows:

- **Investment Professionals' Pay Plan** - This pay plan is separate from the administrative plan and includes its own salary and classification structure as well as incentive pay guidelines.
- **Investment Operations and Administration Staff Pay Plan** - This pay plan is separate from the administrative plan and includes its own salary and classification structure.
- **Executive Pay Plan** – This pay plan provides the annual salary and bonus amounts provided to the Agency Director, Chief Investment Officer and Audit Director by the VRS Board of Trustees.

B. Key Terms

FLSA - The Fair Labor Standards Act

Exempt – Employees who are not covered by or are exempted from the minimum wage and overtime provisions of the Fair Labor Standards Act

Non-exempt – Employees who are subject to the minimum wage and overtime provisions of the Fair Labor Standards Act

Salary grade – A series of specific pay rates assigned to a classification as the compensation for that classification

Pay rate – A specific dollar amount, expressed as either an annual or hourly rate

Red-circle – A designation for salaries that exceed the maximum of a specified salary range. Employees are not eligible for further base pay increases until the range maximum surpasses the employee's salary.

APPENDIX 1 – PAY RANGES

Administrative SALARY RANGES			
Grade	Min	Mid	Max
1	\$28,194	\$44,002	\$59,811
2	\$32,858	\$50,438	\$68,019
3	\$36,142	\$54,972	\$73,801
4	\$39,757	\$59,960	\$80,162
5	\$43,733	\$65,445	\$87,159
6	\$48,107	\$71,481	\$94,856
7	\$54,361	\$80,112	\$105,863
8	\$59,798	\$87,613	\$115,429
9	\$65,776	\$95,865	\$125,955
10	\$72,352	\$104,941	\$137,530
11	\$79,588	\$114,927	\$150,266
12	\$87,548	\$125,910	\$164,271
13	\$96,302	\$137,991	\$179,681
14	\$105,932	\$151,281	\$196,629
15	\$116,526	\$165,900	\$215,274
16	\$128,178	\$181,981	\$235,783
17	\$140,996	\$199,669	\$258,342

Technology SALARY RANGES			
Grade	Min	Mid	Max
T1	\$39,819	\$60,017	\$80,215
T2	\$43,800	\$65,508	\$87,217
T3	\$48,180	\$71,550	\$94,920
T4	\$52,998	\$78,196	\$103,394
T5	\$58,298	\$85,505	\$112,712
T6	\$64,128	\$93,547	\$122,966
T7	\$70,541	\$102,393	\$134,243
T8	\$77,595	\$112,121	\$146,648
T9	\$85,356	\$122,825	\$160,294
T10	\$93,889	\$134,596	\$175,304
T11	\$103,280	\$147,547	\$191,815
T12	\$113,607	\$161,792	\$209,978
T13	\$124,967	\$177,463	\$229,957
T14	\$137,464	\$195,208	\$252,952



VIRGINIA RETIREMENT SYSTEM
HUMAN RESOURCES POLICIES AND PROCEDURES

Title: ADMINISTRATIVE PAY PLAN

Policy Number: 3.10

Supersedes: ~~10/15/2020-~~
~~06/10/2021~~

Effective Date:

~~06/10/2021~~07/10/2022

I. Authority

The Director is authorized under the Appropriation Act to use agency funds or funds appropriated, if any, to implement the provisions of new or existing performance-based pay plans.

II. Purpose

The purpose of the Administrative Pay Plan (Plan) is to attract, motivate and retain skilled employees within a compensation framework that is competitive with the external market, internally equitable and performance based. VRS is committed to providing a total rewards package tied to the attainment of individual and team results and the achievement of organizational goals.

III. Policy

The Plan applies to all full and part-time (non-wage) employees who work under the administrative and audit authorities of VRS. Wage employees' pay complies with the provisions of the state classification and pay plan. The Plan ensures that agency salaries are competitive with the market average of a mix of public and private sector organizations. Comparative market salary data is typically reviewed every two (2) years to ensure competitiveness of the salary structure.

The Plan includes 17 salary grades for general classifications and 14 salary grades for technology classifications as identified in Appendix 1.

There is a broad span between the minimum and maximum salary of each salary grade to allow, in most cases, for salary growth or other possible adjustments over an employee's span of employment.

IV. Procedure

A. Job Placement

Placement of jobs in each grade is determined by measuring the degree of expertise and accountability required for each position in four areas:

- 1. Knowledge and Expertise** measures the amount and depth of knowledge, experience and skills necessary for functioning effectively in a specified role. This expertise may be in technical disciplines, procedures specific to the organization, ability to use certain equipment, and/or management responsibility for planning, organizing and integrating the work of others.

2. **Complexity and Conceptual Thinking** measures the amount of analytical and problem-solving skills required in the position to evaluate and diagnose differing situations and devise new approaches relating to the organization as a whole and/or its business strategies.
3. **Contribution and Impact** measures the breadth of the position's contribution to the advancement of VRS' vision, "To be the trusted leader in the delivery of benefits and services to those we serve." This ranges from improving work processes in the work unit to influencing agency-wide results.
4. **Effective Communication** measures the position's requirements for interacting with and/or influencing coworkers, team members, contacts in other units/departments, members, retirees or contacts outside the organization.

Each job is evaluated in objective terms, not only to ascertain its demands on the individual, but also to determine its worth in comparison to other jobs in the agency and its importance to VRS' success.

Salary ranges are established for all grades by recognizing the level of education, knowledge, skill, and experience needed to perform each job. The salary range demonstrates the interrelationships of the jobs used by the agency in addition to comparing salaries paid for similar classifications in private and public sectors. The salary range for a job includes a minimum, midpoint and maximum salary.

- **Minimum** is the lowest salary paid for a position within the salary grade.
- **Midpoint** is the median salary for the grade.
- **Maximum** is the highest salary paid for a position within the salary grade.

Individual performance, time in the position, previous related work experience, and other factors can influence earnings that are higher or lower than the midpoint.

The expectation is that employees with salaries closer to the maximum for their position are more tenured, have been a consistently exceptional performer, or have more work experience.

During the job placement process, Fair Labor Standards Act (FLSA) exemption statuses (exempt or non-exempt) are determined based on the FLSA job duties test.

B. Starting Salary

The respective member of the Director's Executive Committee (DEC) approves the hiring salary range when the recruitment is formally requested. Hiring supervisors and second line supervisors recommend the starting salary for new employees and the respective member of the DEC approves the starting salary, in coordination with the human resources director.

The salaries paid to employees in the department; the candidate's education, skills, work experience; and salary history are typically considered when determining the appropriate salary to offer a candidate. Starting salaries typically do not exceed the salary grade midpoint. Additional justification is required to support offering salaries above the midpoint.

C. Salary Adjustments

1. Introductory Increases

The introductory period for new employees is 12 months from the date of hire. The introductory period serves as an adjustment period for employees to establish a working relationship with their supervisors, to acclimate to their new job duties and to learn about VRS.

When employees successfully complete the introductory period, they typically receive a pay increase of 2% if they are at least meeting expectations.

The Performance Management Policy outlines details.

2. Promotions

A promotion occurs when an employee transitions to a different position assigned to a higher salary grade. A promotion can be competitive (selected through a recruitment and hiring process) or non-competitive (i.e., through the career development process).

When employees compete and are hired into a job in a higher grade, they are typically eligible for a salary increase between 5% and 15%. For non-competitive promotions, the salary will be subject to review to ensure internal equity. Promotional salaries must be at or above the minimum of the new salary grade. Promotional pay cannot place an employees' salary above the maximum of the salary grade.

3. Lateral

A lateral occurs when an employee moves into a position with a different job title and classification which is in the same salary grade. This movement constitutes a lateral move or a transfer.

For a competitive (posted and selected) lateral move/transfer, a salary increase may be considered only if duties of the new position are substantially different. If an increase is approved the increase amount shall not exceed 5%, provided the increase does not exceed the maximum salary range. Any exception to this guideline requires additional justification, an internal equity review and approval of the appropriate DEC member.

4. Downward Assignments (Voluntary or Involuntary)

Downward assignments occur when an employee transitions to a position within a salary grade lower than the current grade.

- **Voluntary** – An employee initiated request to transition to a position within a lower salary grade.
- **Involuntary** – A management initiated request to transition an employee to a position within a lower salary grade, typically due to performance, corrective action or restructuring.

A downward assignment would typically result in the salary being placed at any pay rate within the lower classification, not to exceed the maximum or fall below the minimum of the new salary range.

Any exception to this guideline will require additional justification, an internal equity review and approval of the appropriate DEC member.

In unique situations, such as job abolishment or agency reorganization, an employee's salary may exceed the maximum of the lower grade and the salary remain unchanged. Salaries remain frozen until market adjustments allow additional increases (red-circle). These employees remain eligible to receive applicable performance or gainsharing bonus awards if performance criteria are met.

5. Job Reclassifications

Job reclassifications occur when the employee's duties and responsibilities change substantially, which may result in a different pay grade. Reclassification is based on job content and not the performance of the incumbent. Job studies are performed by human resources, with input by management.

Reclassification Upward: Occurs when it is determined that an individual's job duties and responsibilities have changed significantly enough to transition the position into a different classification within a higher salary grade.

Employees typically receive salary increases between 2% and 15%. Reclassification increases are approved by the appropriate DEC member, in coordination with the human resources director. Salaries must be at or above the minimum of the new pay grade.

Reclassification Laterally: Occurs when it is determined that an individual's job duties and responsibilities have changed significantly enough to transition the position into a different classification within the same salary grade.

No salary increase is awarded. Any exception to this guideline will require additional justification, an internal equity review, and approval of the appropriate DEC member, in coordination with the human resources director.

Reclassification Downward: Occurs when it is determined that an individual's job duties and responsibilities have changed significantly enough to transition the position into a different classification within a lower salary grade.

6. Regrade

Regrades occur when the classification is determined to warrant a different pay grade. This is typically determined by a market analysis or internal classification review, performed by HR in coordination with the DEC member.

Employees typically receive salary increases between 2% and 15%. Regrade increases are approved by the appropriate DEC member, in coordination with human resources. Salaries must be at or above the minimum of the new pay grade.

7. Acting Pay

Acting pay is provided when an employee is temporarily assigned to assume the responsibilities of a position in a higher salary grade.

Less Than Two Years Duration: The employee will receive at least a 5% salary adjustment while serving in an acting position. If the 5% increase does not place the employee at the minimum salary of the acting position, the salary must be increased to the minimum of the acting range. The acting amount shall not exceed the maximum of the acting range. When the employee returns to the former position, his or her salary will be reduced by the dollar amount received while performing the “acting” job responsibilities.

Beyond Two Years Duration: When employees are deemed to be “acting” by performing the full duties of a position for more than two years, the supervisor may choose to promote the individual without going through a competitive process. If the employee is promoted, the employee is eligible for a promotional increase. Otherwise, the position will be open for recruitment. The permanent filling of the position may involve no change in current salary or could include a pay increase, depending upon the circumstances and available budget.

If an employee is acting in a position that is the same salary grade, acting pay would not be provided unless there is sufficient justification to support that the duties of the acting position are substantially different.

8. In-grade

In-grade salary adjustments occur when employees receive an increase in base pay to ensure competitiveness, retention, and to recognize increased skills, abilities, knowledge, or responsibilities outside of the position classification process. These adjustments should only be provided once per fiscal year. Listed below are the categories and descriptions of in-grade salary adjustments.

Market adjustment: Warranted in cases where external market forces exist due to high demand for a particular skill or position which may result in significantly higher turnover. Market adjustments may also occur if it is determined that an individual’s salary is significantly lower than market study findings. Salary adjustments can apply to an individual or classification of employees to ensure competitiveness and retention of staff. An in-grade adjustment of 1% to 10% of salary is typically provided.

Internal alignment adjustment: Warranted when employees’ salaries are unusually low or out of comparability with other employees in the work unit. Factors considered include experience, education, knowledge, skills and abilities. An in-grade adjustment of 1% to 10% of salary is typically provided.

Individual accomplishment adjustment: May be awarded to recognize the attainment of a higher level of expertise through professional certification requiring continuing education credits (CEUs). In-grade adjustments are awarded at the time of the original certification. If the certification does not require CEUs, an in-grade adjustment will not be provided; however, a bonus may be considered. Additionally, an in-grade adjustment for completion of a degree that relates to a current or career path position may be provided. Other similar situations may be considered as justification for an individual accomplishment adjustment. An in-grade adjustment of 1% to 10% of salary is typically provided.

Skill acquisition and application adjustment: May be awarded to recognize the acquisition and application of relevant, pre-defined, job-based skills, resulting in increased value to the organization.

Typically, an Individual Development Plan identifies the needed skills and the skill acquisition plan. Formal assessments, through testing or demonstration of the skills acquired and applied to the job, may result in an in-grade adjustment. An in-grade adjustment of 1% to 4% of salary is typically provided.

The employee's supervisor must request the in-grade adjustment in writing and include documentation supporting the need for a pay adjustment. The respective DEC member approves in-grade adjustments, in coordination with the human resources director.

When an employee's salary is at or above the salary maximum for his/her job grade, a bonus payment may be awarded. The respective member of the DEC approves the bonus, in coordination with the human resources director.

9. Competitive

A competitive pay increase is an option available to supervisors to retain top performers, who have received an external job offer, when the loss is determined to be detrimental to the organization. Employees must furnish a copy of the respective job offer.

The supervisor requests, in writing, a competitive pay increase and includes documentation supporting the need for an adjustment and justification for the increase. The respective member of the DEC approves the increase, in coordination with the human resources director.

Competitive pay increases apply to base salary and may not exceed the salary maximum for the salary range. In extraordinary circumstances, when an employee's base salary is at maximum, a bonus is an option. In these situations, the respective member of the DEC, in coordination with the human resources director, submits the request for agency director approval.

10. Increases Governed by the Appropriations Act

VRS will implement pay actions consistent with the provisions of the Appropriation Act.

D. Bonuses

1. Sign-on

Sign-on bonuses may be provided to qualified external candidates when the position is determined to be hard-to-fill, or when there is a demonstrated need to provide supplemental pay to compete with the market.

The amount of the sign-on bonus will vary depending on the position and the supply of candidates. The amount of the bonus typically ranges from 1% to 20% of the midpoint of the salary range.

Fifty percent of the sign-on bonus will be paid in the first paycheck with the remainder of the bonus being paid following the successful completion of the one year introductory period.

Refer to the **Employee Sign-on Bonus Program Policy**.

2. Referral

Referral bonuses may be provided to full and part-time employees who refer a candidate hired into a full-time position.

The amount of the referral bonus is \$1,000. Fifty percent is paid in the paycheck following the referred employee's first full pay cycle with the remainder of the bonus being paid following the successful completion of the referred employee's introductory period.

Refer to the **Employee Referral Program Policy**.

While the VRS Board of Trustees remains mindful of the value that staff adds to the organization and supportive of the pay plan, the VRS Board of Trustees also specifically reserves the right to cancel, reduce, or delay the amount of any bonuses payable under this plan when, in the sole discretion of the VRS Board of Trustees, extreme budgetary pressures, economic, market or other conditions are such that the VRS Board of Trustees deems such action necessary under the circumstances.

Consistent with the preceding paragraph, payment of performance bonuses under this plan is not guaranteed.

3. Performance

Performance bonuses are provided agency wide following the annual review process.

Subject to the approval of the VRS Board of Trustees, eligible employees who receive an overall rating of "exceptional" will receive a 4% bonus and employees who receive an overall rating of "exceeds" will receive a 2% bonus, based on their salary as of June 30. Employees who receive an overall "meets," "does not meet" or "needs improvement" rating will not receive a performance bonus.

The performance cycle and thus, bonus payments, align with the fiscal year, July 1 through June 30.

The **Performance Management Policy** outlines details.

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4. Gainsharing

Gainsharing bonuses are provided when it is determined the agency has successfully attained the Agency Performance Outcomes (APO) and Operational Measures (OM).

Subject to the approval of the VRS Board of Trustees, attainment of the APOs and OMs may result in eligible employees receiving a lump-sum bonus of 2.5%, or other amount determined by the Board, based on their salary as of June 30.

The **Performance Management Policy** outlines details.

While the VRS Board of Trustees remains mindful of the value that staff adds to the organization and supportive of the pay plan, the VRS Board of Trustees also specifically reserves the right to cancel, reduce, or delay the amount of any bonuses payable under this plan when, in the sole discretion of the VRS Board of Trustees, extreme budgetary pressures, economic, market or other conditions are such that the VRS Board of Trustees deems such action necessary under the circumstances.

Consistent with the preceding paragraph, payment of gainsharing bonuses under this plan is not guaranteed.

5. Employee Recognition Bonus

Employee recognition bonuses may be provided to full and part-time employees for individual or team accomplishments typically associated with special projects, process improvements, innovation or other outstanding accomplishments.

Bonuses range from \$50 to \$5,000 depending upon the value of individual or team accomplishments.

Bonuses up to and including \$1,000 require approval by the appropriate DEC member. Special Recognition Bonuses, above \$1,000 through \$5,000, require approval by the DEC member and Agency Director, Chief Investment Officer, or Internal Audit Director. The fiscal year bonus cap is \$5,000 per employee.

The **Recognition and Awards Program Policy** outlines details.

V. Additional Information

A. VRS Pay Plans

In addition to the Administrative Pay Plan, VRS maintains several other pay plans to meet specific employment and compensation needs. These plans are as follows:

- **Investment Professionals' Pay Plan** - This pay plan is separate from the administrative plan and includes its own salary and classification structure as well as incentive pay guidelines.
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Exempt – Employees who are not covered by or are exempted from the minimum wage and overtime provisions of the Fair Labor Standards Act

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Salary grade – A series of specific pay rates assigned to a classification as the compensation for that classification

Pay rate – A specific dollar amount, expressed as either an annual or hourly rate

Red-circle – A designation for salaries that exceed the maximum of a specified salary range. Employees are not eligible for further base pay increases until the range maximum surpasses the employee's salary.

APPENDIX 1 – PAY RANGES

Administrative SALARY RANGES			
Grade	Min	Mid	Max
1	\$26,851	\$41,907	\$56,963
2	\$31,293	\$48,036	\$64,780
3	\$34,421	\$52,354	\$70,287
4	\$37,864	\$57,105	\$76,345
5	\$41,650	\$62,329	\$83,009
6	\$45,816	\$68,077	\$90,339
7	\$51,772	\$76,297	\$100,822
8	\$56,950	\$83,441	\$109,932
9	\$62,644	\$91,300	\$119,957
10	\$68,907	\$99,944	\$130,981
11	\$75,798	\$109,454	\$143,110
12	\$83,379	\$119,914	\$156,449
13	\$91,716	\$131,420	\$171,125
14	\$100,888	\$144,077	\$187,266
15	\$110,977	\$158,000	\$205,023
16	\$122,074	\$173,315	\$224,555
17	\$134,282	\$190,161	\$246,040

Technology SALARY RANGES			
Grade	Min	Mid	Max
T1	\$37,923	\$57,159	\$76,395
T2	\$41,714	\$62,389	\$83,064
T3	\$45,886	\$68,143	\$90,400
T4	\$50,474	\$74,472	\$98,470
T5	\$55,522	\$81,433	\$107,345
T6	\$61,074	\$89,092	\$117,110
T7	\$67,182	\$97,517	\$127,850
T8	\$73,900	\$106,782	\$139,665
T9	\$81,291	\$116,976	\$152,661
T10	\$89,418	\$128,187	\$166,956
T11	\$98,362	\$140,521	\$182,681
T12	\$108,197	\$154,088	\$199,979
T13	\$119,016	\$169,012	\$219,007
T14	\$130,918	\$185,912	\$240,907

Administrative SALARY RANGES			
Grade	Min	Mid	Max
<u>1</u>	<u>\$28,194</u>	<u>\$44,002</u>	<u>\$59,811</u>

<u>2</u>	<u>\$32,858</u>	<u>\$50,438</u>	<u>\$68,019</u>
<u>3</u>	<u>\$36,142</u>	<u>\$54,972</u>	<u>\$73,801</u>
<u>4</u>	<u>\$39,757</u>	<u>\$59,960</u>	<u>\$80,162</u>
<u>5</u>	<u>\$43,733</u>	<u>\$65,445</u>	<u>\$87,159</u>
<u>6</u>	<u>\$48,107</u>	<u>\$71,481</u>	<u>\$94,856</u>
<u>7</u>	<u>\$54,361</u>	<u>\$80,112</u>	<u>\$105,863</u>
<u>8</u>	<u>\$59,798</u>	<u>\$87,613</u>	<u>\$115,429</u>
<u>9</u>	<u>\$65,776</u>	<u>\$95,865</u>	<u>\$125,955</u>
<u>10</u>	<u>\$72,352</u>	<u>\$104,941</u>	<u>\$137,530</u>
<u>11</u>	<u>\$79,588</u>	<u>\$114,927</u>	<u>\$150,266</u>
<u>12</u>	<u>\$87,548</u>	<u>\$125,910</u>	<u>\$164,271</u>
<u>13</u>	<u>\$96,302</u>	<u>\$137,991</u>	<u>\$179,681</u>
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<u>15</u>	<u>\$116,526</u>	<u>\$165,900</u>	<u>\$215,274</u>
<u>16</u>	<u>\$128,178</u>	<u>\$181,981</u>	<u>\$235,783</u>
<u>17</u>	<u>\$140,996</u>	<u>\$199,669</u>	<u>\$258,342</u>

<u>Technology</u> <u>SALARY RANGES</u>			
<u>Grade</u>	<u>Min</u>	<u>Mid</u>	<u>Max</u>
<u>T1</u>	<u>\$39,819</u>	<u>\$60,017</u>	<u>\$80,215</u>
<u>T2</u>	<u>\$43,800</u>	<u>\$65,508</u>	<u>\$87,217</u>
<u>T3</u>	<u>\$48,180</u>	<u>\$71,550</u>	<u>\$94,920</u>
<u>T4</u>	<u>\$52,998</u>	<u>\$78,196</u>	<u>\$103,394</u>
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<u>T13</u>	<u>\$124,967</u>	<u>\$177,463</u>	<u>\$229,957</u>
<u>T14</u>	<u>\$137,464</u>	<u>\$195,208</u>	<u>\$252,952</u>

Supersedes: 06/10/21

Effective Date: 07/10/2022

I. Purpose

The pay plan (the “Plan”) applies to all full and part-time (non-wage) Investment Department operations and administration staff and associated positions. This includes all Investment Department employees who are not included in the Investment Professionals’ Pay Plan. Wage employees’ pay complies with the provisions of the state classification and pay plan. The Plan recognizes that Investment Department supervisors and managers are in the best position to assess, appraise and reward the performance of individuals under their supervision. The objective of the Plan is to compensate employees reasonably and equitably, to encourage constructive individual and team effort, and to recognize that these positions require specialized experience and expertise.

The Plan ensures that Investment Department operations and administration salaries are competitive with the market average of a mix of public and private sector organizations. Human Resources (HR) contracts for comparative market salary data about every two years, to ensure competitiveness of the salary structure.

II. Policy

The salary for each position has a minimum, midpoint and maximum:

- **Minimum** is the lowest salary paid for a position within the salary grade.

- **Midpoint** represents the target market salary paid to employees who are fully qualified and meet all competencies required to fulfill each of the position’s responsibilities.

- **Maximum** is the highest salary paid for a position within the salary grade.

The midpoint of each grade is set equal to the market average. Individual performance, time in the position, previous related work experience, and other factors can influence earnings that are higher or lower than the midpoint.

The expectation is that employees with salaries closer to the maximum for their position are more tenured, have been a consistently exceptional performer or have more work experience.

During the job placement process, Fair Labor Standards Act (FLSA) exemption statuses (exempt or non-exempt) are determined based on the FLSA job duties test.

See Salary Ranges and Position Titles and Salary Grades tables in the Appendix.

Performance Assessment

Investment Department operations and administration staff will receive a formal performance assessment annually, using the following five point rating scale: “Does Not Meet Expectations,”

“Needs Improvement,” “Meets Expectations,” “Exceeds Expectations,” and “Exceptional,” based on the criteria described in employees’ position descriptions. However, the VRS expects supervisors and managers to give informal performance feedback at least quarterly and more frequently to co-workers who are inexperienced in their position or who are not meeting the performance expectations of their supervisor or manager. In the latter case, the feedback must be in writing to employees.

The Rating Scale definitions are as follows.

Does Not Meet Expectations - Performance must improve substantially within a reasonable period if the individual is to remain in this position. The employee is not meeting the job requirements. The person consistently fails to meet the objective(s) described in the goal area.

Needs Improvement - Performance is noticeably less than expected. The employee generally meets most job requirements, but struggles to meet them all. The need for further development and improvement is clearly recognized.

Meets Expectations - Performance clearly and fully meets all the requirements of the position in terms of quality, timeliness and quantity of work. The assessment is a good, solid performance. While minor deviations may occur, the overall level of performance meets all position requirements. The person consistently meets, and may occasionally exceed the objective(s) described in the goal area. Employees that attain and maintain this rating are performing their jobs as expected, meeting deadlines and delivering good quality results.

Exceeds Expectations - Performance frequently exceeds job requirements. Accomplishments are regularly above expected levels. Performance is sustained and uniformly high with thorough and on-time results. Tasks assigned are consistently completed with good quality and on time or ahead of schedule, and the tasks are sometimes completed even if they are not directly assigned. The person will often perform tasks that fall outside their job description.

Exceptional - Performance levels and accomplishments far exceed normal expectations. This category is for the employee who truly stands out and clearly and consistently demonstrates exceptional accomplishments in terms of quality and quantity of work that is easily recognized, as truly exceptional by others. This rating is very difficult to achieve in the regular execution of one’s job. An opportunity has to present itself and the person needs to identify it and take full advantage of it. It is difficult to define the precise criteria on a performance plan that will allow a person to achieve an exceptional rating, but “you will know it when you see it.”

Starting Salary

The VRS Chief Investment Officer (CIO) approves a position’s grade and salary range when signing the VRS Position Approval form. Hiring supervisors and second-line supervisors recommend the starting salary for new employees, with the final approval by the CIO, in coordination with HR. When making salary offers, consider salaries presently paid to employees in the department and the candidate’s education, skills and work experience. Starting salaries typically do not exceed the salary grade midpoint of the job. Additional justification is required to support offering salaries above the midpoint.

Salary Adjustments

A. Introductory Period

The introductory period for new employees is normally six months from the date of hire but can be up to a year for selected positions. This is the adjustment period for employees to establish a working relationship with their supervisors and to acclimate to their new job duties.

When employees successfully complete the introductory period, they typically receive a pay increase of 2% if they are at least meeting expectations. The VRS may discharge employees with or without cause at any time during the introductory period.

In situations that warrant additional time to evaluate employees' performance, skill level or suitability for the job, VRS may extend the introductory period up to an additional six months. Supervisors will communicate the extension of the introductory period in writing to the employee and HR prior to the conclusion of the employee's initial introductory period. Communications should include reasons for the extension and improvements needed by the employee to meet performance expectations successfully during the extended introductory period. VRS expects these employees to improve their performance to "Meets" or they face termination, demotion, or transfer to a suitable job, if such an opportunity exists.

B. Promotions

A promotion occurs when an employee transitions to a different position assigned to a higher salary grade. A promotion can be competitive (selected through a recruitment and hiring process) or non-competitive (i.e., through the career development process).

When employees compete and are hired into a job in a higher grade, they are typically eligible for a salary increase between 5% and 15%. For non-competitive promotions, the salary will be subject to review to ensure internal equity. Promotional salaries must be at or above the minimum of the new salary grade. Promotional pay cannot place an employees' salary above the maximum of the salary grade.

C. Lateral

A lateral occurs when an employee moves into a position with a different job title and classification which is in the same salary grade. This movement constitutes a lateral move or a transfer.

For a competitive (posted and selected) lateral move/transfer, a salary increase may be considered only if duties of the new position are substantially different. If an increase is approved the increase amount shall not exceed 5%, provided the increase does not exceed the maximum salary range. Any exception to this guideline requires additional justification, an internal equity review and approval of the CIO in coordination with HR.

D. Downward Assignments (Voluntary or Performance Related)

Downward assignments occur when an employee transitions to a position within a salary grade

lower than the current grade.

Voluntary – An employee initiated request to transition to a position within a lower salary grade.

Involuntary– A management initiated request to transition an employee to a position within a lower salary grade, typically due to performance, corrective action or restructuring.

A downward assignment would typically result in the salary being placed at any pay rate within the lower classification, not to exceed the maximum or fall below the minimum of the new salary range. Any exception to this guideline will require additional justification, an internal equity review and approval of the CIO in coordination with HR.

In unique situations, such as job abolishment or agency reorganization, an employee's salary may exceed the maximum of the lower grade and the salary remain unchanged. Salaries remain frozen until market adjustments allow additional increases. These employees remain eligible to receive applicable performance or gainsharing bonus awards if performance criteria are met.

E. Job Reclassifications

Job reclassifications occur when the employee's duties and responsibilities change substantially, which may result in a different pay grade. Reclassification is based on job content and not the performance of the incumbent. Job studies are performed by HR, with input by management.

Reclassification Upward: Occurs when it is determined that an individual's job duties and responsibilities have changed significantly enough to transition the position into a different classification within a higher salary grade.

Employees typically receive salary increases between 2% and 15%. Reclassification increases are approved by the CIO, in coordination with HR. Salaries must be at or above the minimum of the new pay grade.

Reclassification Laterally: Occurs when it is determined that an individual's job duties and responsibilities have changed significantly enough to transition the position into a different classification within the same salary grade.

No salary increase is awarded. Any exception to this guideline will require additional justification, an internal equity review, and approval of the CIO, in coordination with HR.

Reclassification Downward: Occurs when it is determined that an individual's job duties and responsibilities have changed significantly enough to transition the position into a different classification within a lower salary grade.

This will result in the salary being placed at any pay rate within the lower classification, not to exceed the maximum or fall below the minimum of the new salary range. Any exception to this guideline will require additional justification, an internal equity review and approval of the CIO, in coordination with HR.

F. Regrade

Regrades occur when the classification is determined to warrant a different pay grade. This is typically determined by a market analysis or internal classification review, performed by HR in coordination with the CIO.

Employees typically receive salary increases between 2% and 15%. Regrade increases are approved by the CIO, in coordination with HR. Salaries must be at or above the minimum of the new pay grade.

G. Acting Pay

Acting pay is provided when an employee is temporarily assigned to assume the responsibilities of a position in a higher salary grade.

Less Than Two Years Duration: The employee will receive at least a 5% salary adjustment while serving in an acting position. If the 5% increase does not place the employee at the minimum salary of the acting position, the salary must be increased to the minimum of the acting range. The acting amount shall not exceed the maximum of the acting range. When the employee returns to the former position, his or her salary will be reduced by the dollar amount received while performing the “acting” job responsibilities.

Beyond Two Years Duration: When employees are deemed to be “acting” by performing the full duties of a position for more than two years, the supervisor may choose to promote the individual without going through a competitive process. If the employee is promoted, the employee is eligible for a promotional increase. Otherwise, the position will be open for recruitment. The permanent filling of the position may involve no change in current salary or could include a pay increase, depending upon the circumstances and available budget.

If an employee is acting in a position that is the same salary grade, acting pay would not be provided unless there is sufficient justification to support that the duties of the acting position are substantially different.

H. In-grade Adjustments

In-grade salary adjustments occur when employees receive an increase in base pay to ensure competitiveness, retention, and to recognize increased skills, abilities, knowledge, or responsibilities outside of the position classification process. These adjustments should only be provided once per fiscal year. Listed below are the categories and descriptions of in-grade salary adjustments.

Market adjustment: Warranted in cases where external market forces exist due to high demand for a particular skill or position which may result in significantly higher turnover. Market adjustments may also occur if it is determined that an individual’s salary is significantly lower than market study findings. Salary adjustments can apply to an individual or classification of employees to ensure competitiveness and retention of staff. An in-grade adjustment of 1% to 10% of salary is typically provided.

Internal alignment adjustment: Warranted when employees' salaries are unusually low or out of comparability with other employees in the work unit. Factors considered include experience, education, knowledge, skills and abilities. An in-grade adjustment of 1% to 10% of salary is typically provided.

Individual accomplishment adjustment: May be awarded to recognize the attainment of a higher level of expertise through professional certification requiring continuing education credits (CEUs). In-grade adjustments are awarded at the time of the original certification. If the certification does not require CEUs, an in-grade adjustment will not be provided; however, a bonus may be considered. Additionally, an in-grade adjustment for completion of a degree that relates to a current or career path position may be provided. Other similar situations may be considered as justification for an individual accomplishment adjustment. An in-grade adjustment of 1% to 10% of salary is typically provided.

Skill acquisition and application adjustment: May be awarded to recognize the acquisition and application of relevant, pre-defined, job-based skills, resulting in increased value to the organization. Typically, an Individual Development Plan identifies the needed skills and the skill acquisition plan. Formal assessments, through testing or demonstration of the skills acquired and applied to the job, may result in an in-grade adjustment. An in-grade adjustment of 1% to 4% of salary is typically provided.

The employee's supervisor must request the in-grade adjustment in writing and include documentation supporting the need for a pay adjustment. The CIO approves in-grade adjustments, in coordination with HR.

When an employee's salary is at or above the salary maximum for his/her job grade, a bonus payment may be awarded. The CIO approves the bonus, in coordination with HR.

I. Competitive Pay Increases

A competitive pay increase is an option available to supervisors to retain top performers, who have received an external job offer, when the loss is determined to be detrimental to the organization. Employees must furnish a copy of the respective job offer.

The supervisor requests, in writing, a competitive pay increase and includes documentation supporting the need for an adjustment and justification for the increase. The CIO approves the increase, in coordination with HR.

Competitive pay increases apply to base salary and may not exceed the salary maximum for the salary range. In extraordinary circumstances, when an employee's base salary is at maximum, a bonus is an option. In these situations, the CIO approves the action, in coordination with HR.

J. Increases Governed by the Appropriation Act

VRS will implement pay actions consistent with the provisions of the Appropriation Act.

Bonuses

A. Sign-on

Sign-on bonuses may be provided to qualified external candidates when the position is determined to be hard-to-fill, or when there is a demonstrated need to provide supplemental pay to compete with the market.

The amount of the sign-on bonus will vary depending on the position and the supply of candidates. The amount of the bonus typically ranges from 1% to 20% of the midpoint of the salary range.

Fifty percent of the sign-on bonus will be paid in the first paycheck with the remainder of the bonus being paid following the successful completion of the introductory period.

Refer to the Employee Sign-on Bonus Program Policy.

B. Referral

Referral bonuses may be provided to full and part-time employees who refer a candidate hired into a full-time position.

The amount of the referral bonus is \$1,000. Fifty percent is paid in the paycheck following the referred employee's first full pay cycle with the remainder of the bonus being paid following the successful completion of the referred employee's introductory period.

Refer to the Employee Referral Program Policy.

C. Performance

Performance bonuses, where applicable, are provided to the Investment operations and administration staff following the annual review process.

Subject to the approval of the VRS Board of Trustees, eligible employees who receive an overall rating of "exceptional" will receive a 4% bonus and employees who receive an overall rating of "exceeds" will receive a 2% bonus, based on their salary as of June 30. Employees who receive an overall "meets," "does not meet" or "needs improvement" rating will not receive a performance bonus.

The performance cycle and thus, bonus payments, align with the fiscal year, July 1 through June 30.

While the VRS Board of Trustees remains mindful of the value that staff adds to the organization and supportive of the pay plan, the VRS Board of Trustees also specifically reserves the right to cancel, reduce, or delay the amount of any bonuses payable under this plan when, in the sole discretion of the VRS Board of Trustees, extreme budgetary pressures, economic, market or other conditions are such that the VRS Board of Trustees deems such action necessary under the circumstances.

Consistent with the preceding paragraph, payment of performance bonuses under this plan is not

guaranteed.

D. Gainsharing

The Investment Department's operations and administration staff employees may receive a lump-sum bonus equal to 2.5% of salary if their performance "meets expectations", "exceeds expectations" or is "exceptional", as rated in their annual performance assessment and the employee consistently works, as a team member, to accomplish the goals of the Investment Department. Additionally, Investment Department's operations and administration staff employees are eligible to be recognized and rewarded under the provisions of the VRS Recognition and Awards Program.

While the VRS Board of Trustees remains mindful of the value that staff adds to the organization and supportive of the pay plan, the VRS Board of Trustees also specifically reserves the right to cancel, reduce, or delay the amount of any bonuses payable under this plan when, in the sole discretion of the VRS Board of Trustees, extreme budgetary pressures, economic, market or other conditions are such that the VRS Board of Trustees deems such action necessary under the circumstances.

Consistent with the preceding paragraph, payment of gainsharing bonuses under this plan is not guaranteed.

Other VRS Pay Plans

In addition to the Investment Operations and Administration Staff Pay Plan, VRS maintains several other pay plans to meet specific employment and compensation needs. These plans are as follows:

- **Administrative Pay Plan** - This pay plan is separate from the investment operations and administration staff pay plan and includes its own salary and classification structure.
- **Investment Professionals' Pay Plan** - This pay plan is separate from the administrative plan and includes its own salary and classification structure as well as incentive pay guidelines.
- **Executive Pay Plan** – This pay plan provides the annual salary and bonus amounts provided to the Agency Director, Chief Investment Officer and Audit Director by the VRS Board of Trustees.



Salary Ranges

Grade	Minimum	Midpoint	Maximum
1	\$42,943	\$53,678	\$64,413
2	\$48,311	\$60,389	\$72,465
3	\$54,349	\$67,936	\$81,524
4	\$61,252	\$76,564	\$91,877
5	\$69,029	\$86,286	\$103,544
6	\$77,780	\$97,224	\$116,669
7	\$87,501	\$109,376	\$131,253
8	\$98,197	\$122,746	\$147,294
9	\$110,836	\$138,544	\$166,253
10	\$124,446	\$155,560	\$186,671
11	\$140,004	\$175,004	\$210,004
12	\$157,503	\$196,878	\$236,255
Minimum is 80% of midpoint. Maximum is 120% of midpoint.			
Bandwidth is 50%.			
Difference between grades is 10-15%.			



Position Titles and Salary Grades

Group	Title	Grade
Executive	Chief Administrative Officer	12
Executive	Deputy Chief Administrative Officer	11
Regulatory and Legal	Regulatory and Legal Officer	10
Regulatory and Legal	Regulatory and Legal Lead Senior Analyst	9
Regulatory and Legal	Regulatory and Legal Analyst III	8
Regulatory and Legal	Regulatory and Legal Analyst II	6
Regulatory and Legal	Regulatory and Legal Analyst I	4
Regulatory and Legal	Office Administrator	6
Compliance	Compliance Officer	10
Compliance	Compliance Lead Senior Analyst	9
Compliance	Compliance Analyst III	8
Compliance	Compliance Analyst II	6
Compliance	Compliance Analyst I	5
Operations	Operations Manager	10
Operations	Operations Lead Senior Analyst	9
Operations	Operations Analyst III	8
Operations	Operations Analyst II	6
Operations	Operations Analyst I	4
Systems	Decision Systems Manager	10
Systems	Decision Systems Principal	10
Systems	Decision Systems Analyst III	9
Systems	Decision Systems Analyst II	8
Systems	Decision Systems Analyst I	7

Administrative Policies

Policy Title: Investment Operations and Administration Staff Pay Plan

Appendix



Group	Title	Grade
Systems	Decision Data Analyst II	6
Systems	Decision Data Analyst I	4
Admin	Portfolio Assistant	3
Admin	Executive Assistant	3
Admin	Administrative Assistant	1

Supersedes: ~~10/15/20~~

06/10/21

Effective Date: ~~06/10/21~~

07/10/2022

I. Purpose

The pay plan (the “Plan”) applies to all full and part-time (non-wage) Investment Department operations and administration staff and associated positions. This includes all Investment Department employees who are not included in the Investment Professionals’ Pay Plan. Wage employees’ pay complies with the provisions of the state classification and pay plan. The Plan recognizes that Investment Department supervisors and managers are in the best position to assess, appraise and reward the performance of individuals under their supervision. The objective of the Plan is to compensate employees reasonably and equitably, to encourage constructive individual and team effort, and to recognize that these positions require specialized experience and expertise.

The Plan ensures that Investment Department operations and administration salaries are competitive with the market average of a mix of public and private sector organizations. Human Resources (HR) contracts for comparative market salary data about every two years, to ensure competitiveness of the salary structure.

II. Policy

The salary for each position has a minimum, midpoint and maximum:

- **Minimum** is the lowest salary paid for a position within the salary grade.
- **Midpoint** represents the target market salary paid to employees who are fully qualified and meet all competencies required to fulfill each of the position’s responsibilities.
- **Maximum** is the highest salary paid for a position within the salary grade.

The midpoint of each grade is set equal to the market average. Individual performance, time in the position, previous related work experience, and other factors can influence earnings that are higher or lower than the midpoint.

The expectation is that employees with salaries closer to the maximum for their position are more tenured, have been a consistently exceptional performer or have more work experience.

During the job placement process, Fair Labor Standards Act (FLSA) exemption statuses (exempt or non-exempt) are determined based on the FLSA job duties test.

See Salary Ranges and Position Titles and Salary Grades tables in the Appendix.

Performance Assessment

Investment Department operations and administration staff will receive a formal performance assessment annually, using the following five point rating scale: “Does Not Meet Expectations,” “Needs Improvement,” “Meets Expectations,” “Exceeds Expectations,” and “Exceptional,” based on the criteria described in employees’ position descriptions. However, the VRS expects supervisors and managers to give informal performance feedback at least quarterly and more frequently to co-workers who are inexperienced in their position or who are not meeting the performance expectations of their supervisor or manager. In the latter case, the feedback must be in writing to employees.

The Rating Scale definitions are as follows.

Does Not Meet Expectations - Performance must improve substantially within a reasonable period if the individual is to remain in this position. The employee is not meeting the job requirements. The person consistently fails to meet the objective(s) described in the goal area.

Needs Improvement - Performance is noticeably less than expected. The employee generally meets most job requirements, but struggles to meet them all. The need for further development and improvement is clearly recognized.

Meets Expectations - Performance clearly and fully meets all the requirements of the position in terms of quality, timeliness and quantity of work. The assessment is a good, solid performance. While minor deviations may occur, the overall level of performance meets all position requirements. The person consistently meets, and may occasionally exceed the objective(s) described in the goal area. Employees that attain and maintain this rating are performing their jobs as expected, meeting deadlines and delivering good quality results.

Exceeds Expectations - Performance frequently exceeds job requirements. Accomplishments are regularly above expected levels. Performance is sustained and uniformly high with thorough and on-time results. Tasks assigned are consistently completed with good quality and on time or ahead of schedule, and the tasks are sometimes completed even if they are not directly assigned. The person will often perform tasks that fall outside their job description.

Exceptional - Performance levels and accomplishments far exceed normal expectations. This category is for the employee who truly stands out and clearly and consistently demonstrates exceptional accomplishments in terms of quality and quantity of work that is easily recognized, as truly exceptional by others. This rating is very difficult to achieve in the regular execution of one’s job. An opportunity has to present itself and the person needs to identify it and take full advantage of it. It is difficult to define the precise criteria on a performance plan that will allow

a person to achieve an exceptional rating, but “you will know it when you see it.”

Starting Salary

The VRS Chief Investment Officer (CIO) approves a position’s grade and salary range when signing the VRS Position Approval form. Hiring supervisors and second-line supervisors recommend the starting salary for new employees, with the final approval by the CIO, in coordination with HR. When making salary offers, consider salaries presently paid to employees in the department and the candidate’s education, skills and work experience. Starting salaries typically do not exceed the salary grade midpoint of the job. Additional justification is required to support offering salaries above the midpoint.

Salary Adjustments

A. Introductory Period

The introductory period for new employees is normally six months from the date of hire, but can be up to a year for selected positions. This is the adjustment period for employees to establish a working relationship with their supervisors and to acclimate to their new job duties.

When employees successfully complete the introductory period, they typically receive a pay increase of 2% if they are at least meeting expectations. The VRS may discharge employees with or without cause at any time during the introductory period.

In situations that warrant additional time to evaluate employees’ performance, skill level or suitability for the job, VRS may extend the introductory period up to an additional six months. Supervisors will communicate the extension of the introductory period in writing to the employee and HR prior to the conclusion of the employee's initial introductory period. Communications should include reasons for the extension and improvements needed by the employee to meet performance expectations successfully during the extended introductory period. VRS expects these employees to improve their performance to "Meets" or they face termination, demotion, or transfer to a suitable job, if such an opportunity exists.

B. Promotions

A promotion occurs when an employee transitions to a different position assigned to a higher salary grade. A promotion can be competitive (selected through a recruitment and hiring process) or non-competitive (i.e., through the career development process).

When employees compete and are hired into a job in a higher grade, they are typically eligible for a salary increase between 5% and 15%. For non-competitive promotions, the salary will be subject to review to ensure internal equity. Promotional salaries must be at or above the

minimum of the new salary grade. Promotional pay cannot place an employees' salary above the maximum of the salary grade.

C. Lateral

A lateral occurs when an employee moves into a position with a different job title and classification which is in the same salary grade. This movement constitutes a lateral move or a transfer.

For a competitive (posted and selected) lateral move/transfer, a salary increase may be considered only if duties of the new position are substantially different. If an increase is approved the increase amount shall not exceed 5%, provided the increase does not exceed the maximum salary range. Any exception to this guideline requires additional justification, an internal equity review and approval of the CIO in coordination with HR.

D. Downward Assignments (Voluntary or Performance Related)

Downward assignments occur when an employee transitions to a position within a salary grade lower than the current grade.

Voluntary – An employee initiated request to transition to a position within a lower salary grade.

Involuntary– A management initiated request to transition an employee to a position within a lower salary grade, typically due to performance, corrective action or restructuring.

A downward assignment would typically result in the salary being placed at any pay rate within the lower classification, not to exceed the maximum or fall below the minimum of the new salary range. Any exception to this guideline will require additional justification, an internal equity review and approval of the CIO in coordination with HR.

In unique situations, such as job abolishment or agency reorganization, an employee's salary may exceed the maximum of the lower grade and the salary remain unchanged. Salaries remain frozen until market adjustments allow additional increases. These employees remain eligible to receive applicable performance or gainsharing bonus awards if performance criteria are met.

E. Job Reclassifications

Job reclassifications occur when the employee's duties and responsibilities change substantially, which may result in a different pay grade. Reclassification is based on job content and not the performance of the incumbent. Job studies are performed by HR, with input by management.

Reclassification Upward: Occurs when it is determined that an individual's job duties and

responsibilities have changed significantly enough to transition the position into a different classification within a higher salary grade.

Employees typically receive salary increases between 2% and 15%. Reclassification increases are approved by the CIO, in coordination with HR. Salaries must be at or above the minimum of the new pay grade.

Reclassification Laterally: Occurs when it is determined that an individual's job duties and responsibilities have changed significantly enough to transition the position into a different classification within the same salary grade.

No salary increase is awarded. Any exception to this guideline will require additional justification, an internal equity review, and approval of the CIO, in coordination with HR.

Reclassification Downward: Occurs when it is determined that an individual's job duties and responsibilities have changed significantly enough to transition the position into a different classification within a lower salary grade.

This will result in the salary being placed at any pay rate within the lower classification, not to exceed the maximum or fall below the minimum of the new salary range. Any exception to this guideline will require additional justification, an internal equity review and approval of the CIO, in coordination with HR.

F. Regrade

Regrades occur when the classification is determined to warrant a different pay grade. This is typically determined by a market analysis or internal classification review, performed by HR in coordination with the CIO.

Employees typically receive salary increases between 2% and 15%. Regrade increases are approved by the CIO, in coordination with HR. Salaries must be at or above the minimum of the new pay grade.

G. Acting Pay

Acting pay is provided when an employee is temporarily assigned to assume the responsibilities of a position in a higher salary grade.

Less Than Two Years Duration: The employee will receive at least a 5% salary adjustment while serving in an acting position. If the 5% increase does not place the employee at the minimum salary of the acting position, the salary must be increased to the minimum of the acting range. The acting amount shall not exceed the maximum of the acting range. When the employee returns to the former position, his or her salary will be reduced by the dollar amount received

while performing the “acting” job responsibilities.

Beyond Two Years Duration: When employees are deemed to be “acting” by performing the full duties of a position for more than two years, the supervisor may choose to promote the individual without going through a competitive process. If the employee is promoted, the employee is eligible for a promotional increase. Otherwise, the position will be open for recruitment. The permanent filling of the position may involve no change in current salary or could include a pay increase, depending upon the circumstances and available budget.

If an employee is acting in a position that is the same salary grade, acting pay would not be provided unless there is sufficient justification to support that the duties of the acting position are substantially different.

H. In-grade Adjustments

In-grade salary adjustments occur when employees receive an increase in base pay to ensure competitiveness, retention, and to recognize increased skills, abilities, knowledge, or responsibilities outside of the position classification process. These adjustments should only be provided once per fiscal year. Listed below are the categories and descriptions of in-grade salary adjustments.

Market adjustment: Warranted in cases where external market forces exist due to high demand for a particular skill or position which may result in significantly higher turnover. Market adjustments may also occur if it is determined that an individual’s salary is significantly lower than market study findings. Salary adjustments can apply to an individual or classification of employees to ensure competitiveness and retention of staff. An in-grade adjustment of 1% to 10% of salary is typically provided.

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Individual accomplishment adjustment: May be awarded to recognize the attainment of a higher level of expertise through professional certification requiring continuing education credits (CEUs). In-grade adjustments are awarded at the time of the original certification. If the certification does not require CEUs, an in-grade adjustment will not be provided; however, a bonus may be considered. Additionally, an in-grade adjustment for completion of a degree that relates to a current or career path position may be provided. Other similar situations may be considered as justification for an individual accomplishment adjustment. An in-grade adjustment of 1% to 10% of salary is typically provided.

Skill acquisition and application adjustment: May be awarded to recognize the acquisition and application of relevant, pre-defined, job-based skills, resulting in increased value to the organization. Typically, an Individual Development Plan identifies the needed skills and the skill acquisition plan. Formal assessments, through testing or demonstration of the skills acquired and applied to the job, may result in an in-grade adjustment. An in-grade adjustment of 1% to 4% of salary is typically provided.

The employee's supervisor must request the in-grade adjustment in writing and include documentation supporting the need for a pay adjustment. The CIO approves in-grade adjustments, in coordination with HR.

When an employee's salary is at or above the salary maximum for his/her job grade, a bonus payment may be awarded. The CIO approves the bonus, in coordination with HR.

I. Competitive Pay Increases

A competitive pay increase is an option available to supervisors to retain top performers, who have received an external job offer, when the loss is determined to be detrimental to the organization. Employees must furnish a copy of the respective job offer.

The supervisor requests, in writing, a competitive pay increase and includes documentation supporting the need for an adjustment and justification for the increase. The CIO approves the increase, in coordination with HR.

Competitive pay increases apply to base salary and may not exceed the salary maximum for the salary range. In extraordinary circumstances, when an employee's base salary is at maximum, a bonus is an option. In these situations, the CIO approves the action, in coordination with HR.

J. Increases Governed by the Appropriation Act

VRS will implement pay actions consistent with the provisions of the Appropriation Act.

Bonuses

A. Sign-on

Sign-on bonuses may be provided to qualified external candidates when the position is determined to be hard-to-fill, or when there is a demonstrated need to provide supplemental pay to compete with the market.

The amount of the sign-on bonus will vary depending on the position and the supply of candidates. The amount of the bonus typically ranges from 1% to 20% of the midpoint of the

Administrative Policies

Policy Title: Investment Operations and Administration Staff Pay Plan



salary range.

Fifty percent of the sign-on bonus will be paid in the first paycheck with the remainder of the bonus being paid following the successful completion of the introductory period.

Refer to the Employee Sign-on Bonus Program Policy.

B. Referral

Referral bonuses may be provided to full and part-time employees who refer a candidate hired into a full-time position.

The amount of the referral bonus is \$1,000. Fifty percent is paid in the paycheck following the referred employee's first full pay cycle with the remainder of the bonus being paid following the successful completion of the referred employee's introductory period.

Refer to the Employee Referral Program Policy.

C. Performance

Performance bonuses, where applicable, are provided to the Investment operations and administration staff following the annual review process.

Subject to the approval of the VRS Board of Trustees, eligible employees who receive an overall rating of "exceptional" will receive a 4% bonus and employees who receive an overall rating of "exceeds" will receive a 2% bonus, based on their salary as of June 30. Employees who receive an overall "meets," "does not meet" or "needs improvement" rating will not receive a performance bonus.

The performance cycle and thus, bonus payments, align with the fiscal year, July 1 through June 30.

While the VRS Board of Trustees remains mindful of the value that staff adds to the organization and supportive of the pay plan, the VRS Board of Trustees also specifically reserves the right to cancel, reduce, or delay the amount of any bonuses payable under this plan when, in the sole discretion of the VRS Board of Trustees, extreme budgetary pressures, economic, market or other conditions are such that the VRS Board of Trustees deems such action necessary under the circumstances.

Consistent with the preceding paragraph, payment of performance bonuses under this plan is not guaranteed.

D. Gainsharing

The Investment Department's operations and administration staff employees may receive a lump-sum bonus equal to 2.5% of salary if their performance "meets expectations", "exceeds expectations" or is "exceptional", as rated in their annual performance assessment and the employee consistently works, as a team member, to accomplish the goals of the Investment Department. Additionally, Investment Department's operations and administration staff employees are eligible to be recognized and rewarded under the provisions of the VRS

Administrative Policies

Policy Title: Investment Operations and Administration Staff Pay Plan
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Other VRS Pay Plans

In addition to the Investment Operations and Administration Staff Pay Plan, VRS maintains several other pay plans to meet specific employment and compensation needs. These plans are as follows:

- **Administrative Pay Plan** - This pay plan is separate from the investment operations and administration staff pay plan and includes its own salary and classification structure.
- **Investment Professionals' Pay Plan** - This pay plan is separate from the administrative plan and includes its own salary and classification structure as well as incentive pay guidelines.
- **Executive Pay Plan** – This pay plan provides the annual salary and bonus amounts provided to the Agency Director, Chief Investment Officer and Audit Director by the VRS Board of Trustees.



Salary Ranges

Grade	Minimum	Midpoint	Maximum
1	\$42,943 ^{\$40,}	\$53,678 ^{\$51,}	\$64,413 ^{\$61,}
2	\$48,311 ^{\$46,}	\$60,389 ^{\$57,}	\$72,465 ^{\$69,}
3	\$54,349 ^{\$51,}	\$67,936 ^{\$64,}	\$81,524 ^{\$77,}
4	\$61,252 ^{\$58,}	\$76,564 ^{\$72,}	\$91,877 ^{\$87,}
5	\$69,029 ^{\$65,}	\$86,286 ^{\$82,}	\$103,544 ^{\$98}
6	\$77,780 ^{\$74,}	\$97,224 ^{\$92,}	\$116,669 ^{\$11}
7	\$87,501 ^{\$83,}	\$109,376 ^{\$10}	\$131,253 ^{\$12}
8	\$98,197 ^{\$93,}	\$122,746 ^{\$11}	\$147,294 ^{\$14}
9	\$110,836 ^{\$10}	\$138,544 ^{\$13}	\$166,253 ^{\$15}
10	\$124,446 ^{\$11}	\$155,560 ^{\$14}	\$186,671 ^{\$17}
11	\$140,004 ^{\$13}	\$175,004 ^{\$16}	\$210,004 ^{\$20}
12	\$157,503 ^{\$15}	\$196,878 ^{\$18}	\$236,255 ^{\$22}
Minimum is 80% of midpoint. Maximum is 120% of midpoint.			
Bandwidth is 50%.			
Difference between grades is 10-15%.			



Position Titles and Salary Grades

Group	Title	Grade
Executive	Chief Administrative Officer	12
Executive	Deputy Chief Administrative Officer	11
Regulatory and Legal	Regulatory and Legal Officer	10
Regulatory and Legal	Regulatory and Legal Lead Senior Analyst	9
Regulatory and Legal	Regulatory and Legal Analyst III	8
Regulatory and Legal	Regulatory and Legal Analyst II	6
Regulatory and Legal	Regulatory and Legal Analyst I	4
Regulatory and Legal	Office Administrator	6
Compliance	Compliance Officer	10
Compliance	Compliance Lead Senior Analyst	9
Compliance	Compliance Analyst III	8
Compliance	Compliance Analyst II	6
Compliance	Compliance Analyst I	5
Operations	Operations Manager	10
Operations	Operations Lead Senior Analyst	9
Operations	Operations Analyst III	8
Operations	Operations Analyst II	6
Operations	Operations Analyst I	4
Systems	Decision Systems Manager	10
Systems	Decision Systems Principal	10
Systems	Decision Systems Analyst III	9
Systems	Decision Systems Analyst II	8
Systems	Decision Systems Analyst I	7

Administrative Policies

Policy Title: Investment Operations and Administration Staff Pay Plan

Appendix



Group	Title	Grade
Systems	Decision Data Analyst II	6
Systems	Decision Data Analyst I	4
Admin	Portfolio Assistant	3
Admin	Executive Assistant	3
Admin	Administrative Assistant	1



June 10, 2022

MEMORANDUM

TO: VRS Board of Trustees

FROM: Patricia S. Bishop *PSB*
Director

RE: 2022 Salary Increases

Contingent upon the Governor's signing, Item 483 of the 2023 Appropriation Act will provide salary increases for employees of the Commonwealth, including VRS staff. Specifically, the Appropriation Act includes a 5 percent increase, effective July 10, 2022, for all classified and other salaried employees who received the equivalent of "contributor" or better on their most recent evaluation.¹

Section IV(C)(10) of the VRS Administrative Pay Plan, effective June 10, 2021, indicates that VRS *will implement pay actions consistent with the provisions of the Appropriation Act*. Similarly, Section II(J) of the Investment Operations and Administration Staff Pay Plan, effective June 10, 2021, indicates the same for employees covered under that pay plan. Finally, Section I of the Investment Professionals' Pay Plan, effective April 19, 2022, provides for salary increases consistent with the Appropriation Act for investment professionals. Accordingly, all eligible VRS employees will receive the salary increase described above (contingent upon final approval by the Governor), effective July 10, 2022.

In order to accommodate the salary increase described above, the 2023 Appropriation Act will require an increase of 5 percent to the minimum and maximum salary for each pay band within the Commonwealth's Classified Compensation Plan. In keeping with the changes to the Commonwealth's pay plan, increases to the minimum and maximum salaries of the pay bands in the VRS Administrative Pay Plan, Investment Operations and Administration Staff Pay Plan, and Investment Professionals' Pay Plan are also proposed. An RBA and associated changes to the pay plans will be presented to the Administration and Personnel Committee for consideration at its June 14, 2022 meeting. Should the Administration and Personnel Committee act favorably upon the RBA, it will proceed to the full Board for its review, consideration and final approval.

If you have any questions or concerns, please feel free to contact me at your convenience.

¹ The equivalent performance level for VRS is "meets expectations".



Virginia
Retirement
System®

**80 Years of Serving
Those Who Serve Others.**

VRS Education and Training Overview

June 23, 2022



VRS Strategy Map



Goal 1:
Organizational Strength,
Culture and Engagement



Goal 2:
Superior Governance and
Long-Term Financial Health



Vision

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

Mission

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

Goal 5:
Technology and
Infrastructure



Goal 3:
Member, Retiree
and Employer
Education, Outreach
and Partnership



Goal 4:
Digital Transformation and
Secure Service Delivery



Education and Training Customers



Employers

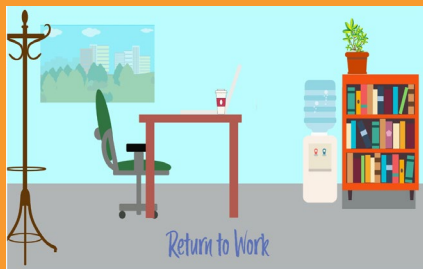
Members

Retirees

Business Units

Customer Contact Center

Training Mediums and Products



E-LEARNING



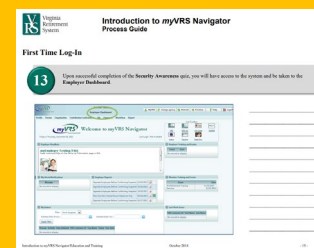
Refund & Distribution Amounts

WEBINARS

Training mediums and products for audiences



MANUALS



PROCESS GUIDES

Determining the Type of Benefit

Name	Retirement Plan	Age	Years of Service	Unreduced or Reduced Retirement
Evan	Plan 1	57	32	
Georgina	Plan 2	65	25	
Bernie	Hybrid	62	10	
Daria	Plan 2	67	7	
Frank	Plan 1	52	12	

LIVE/VIRTUAL CLASSES



VIDEOS

Education and Training Team



LEADERS

- Training Manager
- Training Design Supervisor
- Business Documentation Supervisor



DESIGNERS

- Curriculum Developer
- E-learning Designer



TRAINERS

- Senior Trainer
- Curriculum Developer/Trainer



WRITERS

- Technical Writer



ADMIN

- SharePoint Administrator
- Administrative Assistant



AWARENESS



FIT



CONNECTIONS



EASE OF
DISCOVERY





OVERVIEW SERIES

- 1 Overview E-course
- 4-part Introduction to VRS Webinar Series



BENEFITS SERIES

- 10 Benefits E-courses
- Monthly Benefits Webinars




TECHNICAL SERIES



- 4 Technical E-courses
- 46 Embedded Video Snippets
- 18 Process Guides
- 2-day Virtual Training Class

VRS Website for Employers




[VRS Website for Employers](#)

[About](#)
[Careers](#)
[Newsroom](#)
[VRS Home](#)

[Employer Hub](#)
[Training](#)
[Financial Reporting](#)
[Plans](#)
[Benefits](#)
[Forms](#)
[Publications](#)

Education & Training

Home / Education & Training

VRS Training Academy

What type of training do you need? Your current experience level and position will guide what courses you should take. You may be new to your role or you may have been in your position for a few years. You may help your employees with benefits questions or you may deal solely with payroll topics. You may need to know a little bit about everything!

To help you find the training you need, VRS offers three series: Overview, Benefits, and Technical. View series and course descriptions below to determine the right fit for you.

For a complete description of VRS e-courses and resources, view the [VRS Training Academy Curriculum](#)

Overview Series

Benefits Series

Technical Series

Checklists & Job Aids



VRS TRAINING ACADEMY CURRICULUM

What type of training do you need? Your current experience level and position will guide what courses you should take. You may be new to your role or you may have been in your position for a few years. You may help your employees with benefits questions or you may deal solely with payroll topics. You may need to know a little bit about everything!

To help you find the training you need, VRS offers three series: Overview, Benefits, and Technical. View series and course descriptions below to determine the right fit for you.

Clickable table of contents

OVERVIEW SERIES

Overview Series courses provide a high-level introduction to VRS benefits and systems topics. Overview training is a great way for new employers to get started or for experienced employers to get a refresher on VRS topics.

2

BENEFITS SERIES

Benefits Series courses offer a more in-depth look at benefits topics. These courses are intended to give employers the context and details they need to administer and counsel their employees on VRS benefits.

3

TECHNICAL SERIES

Technical Series courses offer more in-depth details about systems topics and contain video demonstrations. Systems training is ideal for employers who need step-by-step instructions on how to perform myVRS Navigator processes and the context behind those steps.

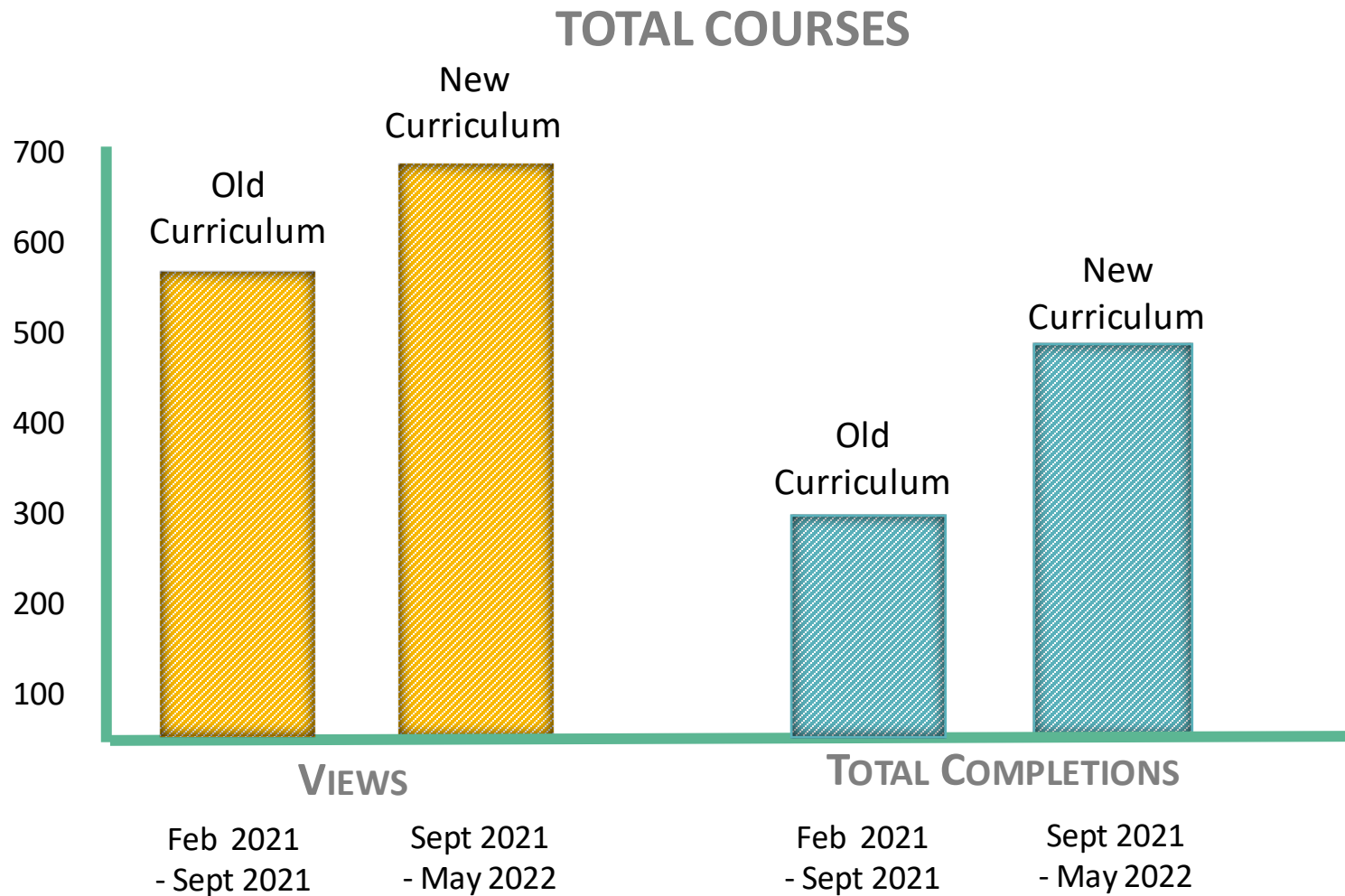
6

Overview Series

Overview Series courses provide a high-level introduction to VRS benefits and systems topics. Overview training is a great way for new employers to get started or for experienced employers to get a refresher on VRS topics. Use the E-learning buttons below to access those courses directly in the COVLC.

For a complete description of VRS e-courses and resources, view the [VRS Training Academy Curriculum](#)

Training Academy E-learning Stats

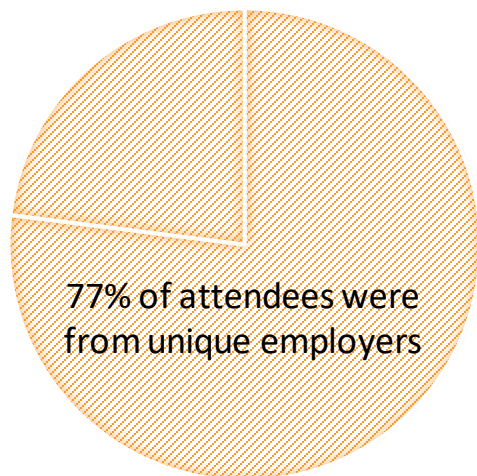


INTRODUCTION TO VRS SERIES

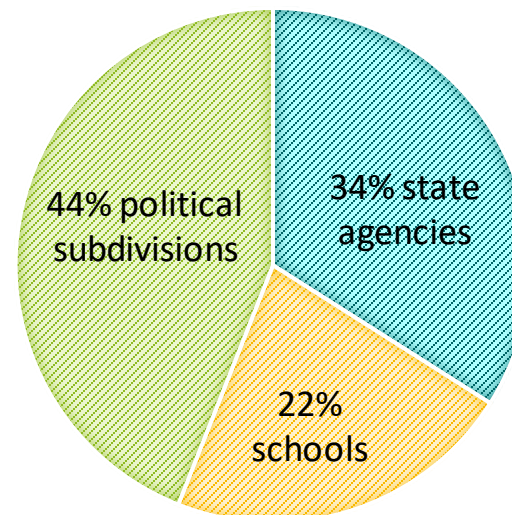
September 2021 - May 2022

530 total attendees

UNIQUE EMPLOYERS

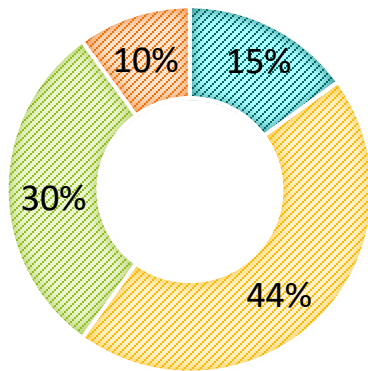


EMPLOYER TYPES



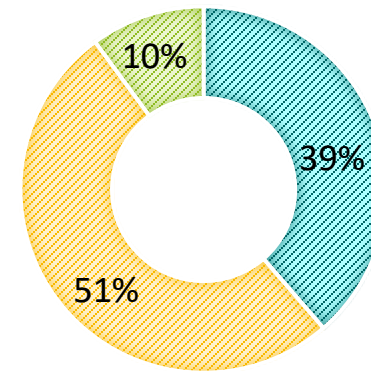
UNDERSTANDING

■ 5 ■ 4 ■ 3 ■ 2 ■ 1



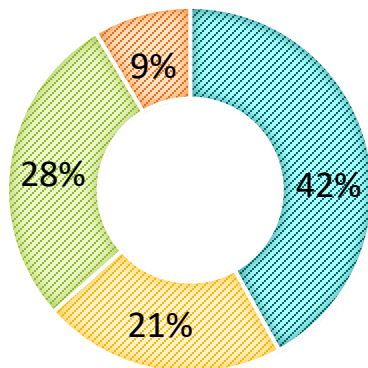
TRAINING EXPECTATIONS

■ Exceeded ■ Met ■ Did Not Meet



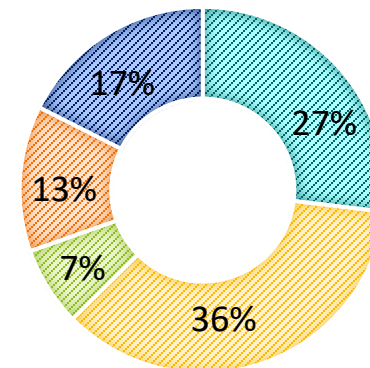
LEARNING STRATEGIES

■ Slides ■ Manuals ■ Activities ■ Knowledge Checks



PREFERRED FORMAT

■ E-learning ■ Webinar ■ Classroom ■ Virtual ■ Video



Customer Feedback



Keep the courses coming, they are much appreciated! It feels great to have the partnership and resources VRS has to offer!

~ Ciara Everett, VRS Employer



The training gave me a better understanding of how to counsel employees from the beginning of employment to the end.

~ Tanya Taylor, VRS Employer



Thank you for offering so many avenues to gain more knowledge into VRS!

~ Carey Majeau, VRS Employer



I recommended the Introduction to VRS webinar series to every new Benefits Administrator, and they loved the courses because it gave a broad overview of the benefits.

~ Sharon Lindsey, VRS Employer Representative





Virginia
Retirement
System®

**80 Years of Serving
Those Who Serve Others.**

Helping members plan for tomorrow, today



Resolution of Appreciation

PRESENTED TO

O'Kelly E. McWilliams, III, Esq.

*W*HEREAS, O'Kelly E. McWilliams, III, Esq., was appointed to the Virginia Retirement System Board of Trustees beginning March 2017 and he served through April 2022; and

*W*HEREAS, the Governor of Virginia appointed him to serve as Chair of the Virginia Retirement System Board of Trustees in March 2020 and he served through April 2022 with honor and distinction, and introduced the Administration Update Series to further emphasize services available to members; and

*W*HEREAS, Mr. McWilliams further contributed to the System by serving as a Member and then Chair of the Investment Policy Committee, Chair of the Administration and Personnel Committee; Chair of the Chief Investment Officer Search Committee; a Member of the Audit and Compliance Committee; and a Member of the Benefits and Actuarial Committee; and

*W*HEREAS, Mr. McWilliams led the Board and the Virginia Retirement System with distinction during an unprecedented global pandemic and guided the System and its administration throughout this challenging time, exercising steady leadership and providing reassurance to staff and System members; and

*W*HEREAS, he guided the System during a period of significant change and achievement, including enabling members to submit retirement applications online using myVRS and establishing additional online services, including beneficiary management and direct deposit changes; and

*W*HEREAS, Mr. McWilliams led the VRS Board as the VRS Trust Fund marked a historic double-digit return of 27.5% in fiscal year 2021, while also marking a milestone as the fund exceeded \$100 billion for the first time;

*N*OW, THEREFORE, BE IT RESOLVED, that on June 23, 2022, we, the members of the Board of Trustees of the Virginia Retirement System, hereby acknowledge Mr. McWilliams' superior leadership of the System, and express our deep gratitude for his support and unwavering dedication to the Board of Trustees, the Virginia Retirement System, its members and the Commonwealth of Virginia.

A. SCOTT ANDREWS, CHAIR

Technology Services Board Meeting June 2022



VRS Strategy Map



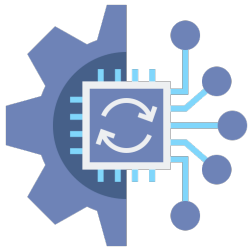
Investing in Employees and Increasing Engagement





Application Development Team

- Microsoft Cloud architectures
- Nutanix DevOPS and Karbon
- AWS and .NET application architectures
- Puppet Training (automating infrastructure creation)



Infrastructure Team

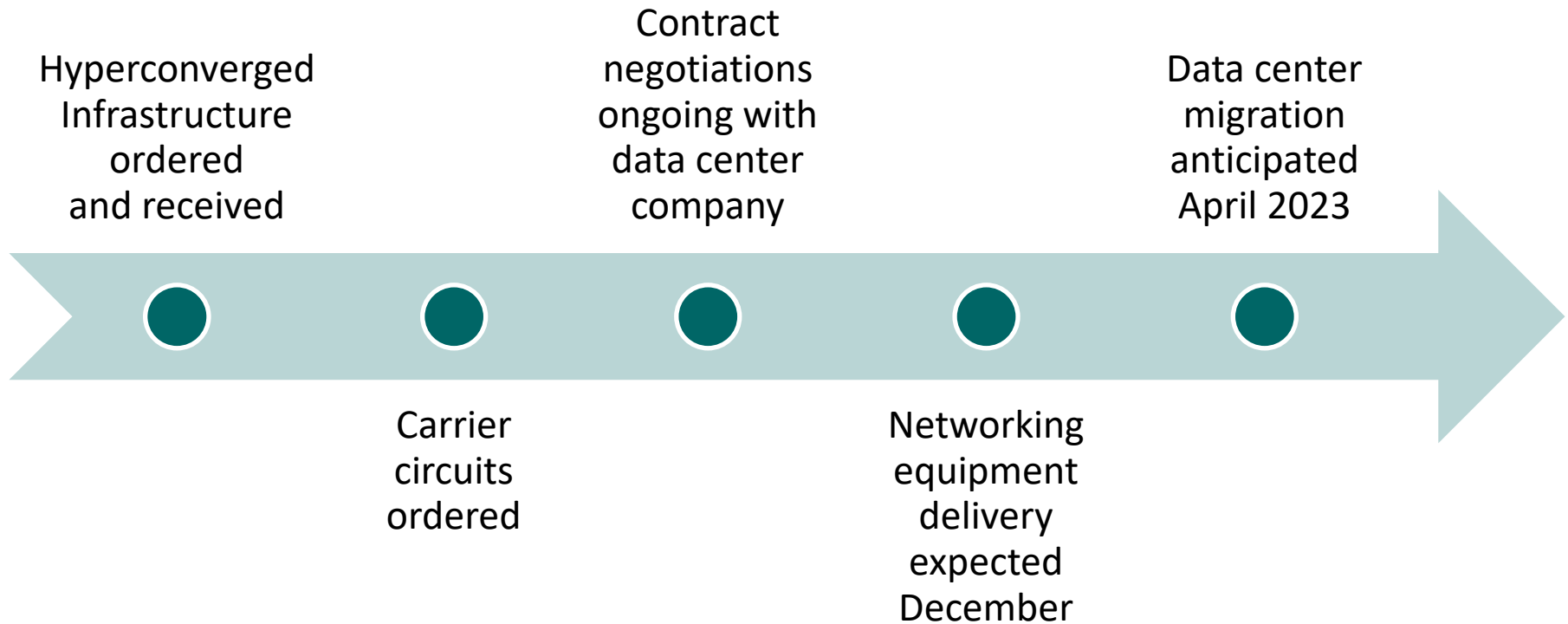
- Arista Networks certification (cloud networking)
- Nutanix certification (hyperconverged platform)




Security Team

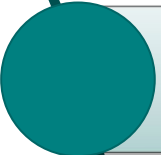
- Palo Alto Networks (firewall training)

Data Center Progress

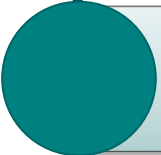




CrowdStrike: Implemented 24/7 data security enhancements




VNAV Generation 2: Work underway to improve user experience and support future enhancements



SharePoint Online: Move to cloud-based service completes March 2023



Project Management Office (PMO): Implementing IT processes, standards, policies and governance



Cherwell: Executed platform to manage VRS internal service desk tickets




VRS Conference Room Equipment: Implemented technology to support hybrid workforce



Wireless Network: Replacing network to enhance speed and capacity; on track for fall 2022



Microsoft 365: Negotiating contract for managed services



Microsoft Dynamics: Awarded contract to improve current procurement and accounting processes



VRS Project Portfolio FISCAL YEAR 2022 May 2022 - Monthly Status

Status Indicator

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

		2021						2022						
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
Agency Performance Objectives (APOs)	Status													
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 Initiatives¹	Status													
Upgrade Angular JS Framework to Angular	★													
IT Security - Fraud Prevention Initiatives	N/S													
Security Maturity Assessment	★													
Sagitec Framework Upgrade	★													
SharePoint Online	●													
Other Projects²	Status													
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	●													
LODA Annual Report	★													
Develop Strategy and Begin CCC Customer Experience Survey	●													
Develop Strategy for Handling Undelivered Mail Received by VRS and TPAs	●													
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													
COLA 2021	★													
FYE 2021	★													
Retirement Wave 2021	★													
Teacher Contracts	★													
MBPs	★													
Annual Code of Ethics Training	★													
Annual Security Awareness Training	★													
FOIA Training	N/S													
ACFR	★													
PAFR	★													
GASB 67	★													
GASB 68	●													
GASB 74	★													
GASB 75	●													
Actuarial Valuations	★													
myVRS Annual Updates	★													
1099/W2	★													

Operational/Ongoing Activities	Status	2021						2022						
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
Annual Roadmap Review	●													
Biennium Budget	★													
FYE 2022	●													
Retirement Wave 2022	●													
Commonwealth Bond Disclosure	●													
ORPHE Surcharge Billing for FY 2023	●													
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	★													

¹Initiatives led directly by Technology Services.

²Other initiatives are led by other business units and supported by Technology Services.

³ Update Employee Job Descriptions Phase 1 scope focuses on updating, reviewing and finalizing job descriptions. The corresponding system changes (RAMS) will be part of phase 2.

Yellow Status Items

Item	Due Date	Comments
N/A		

Red Status Items

Item	Due Date	Comments
N/A		

Realignments/Adjustments

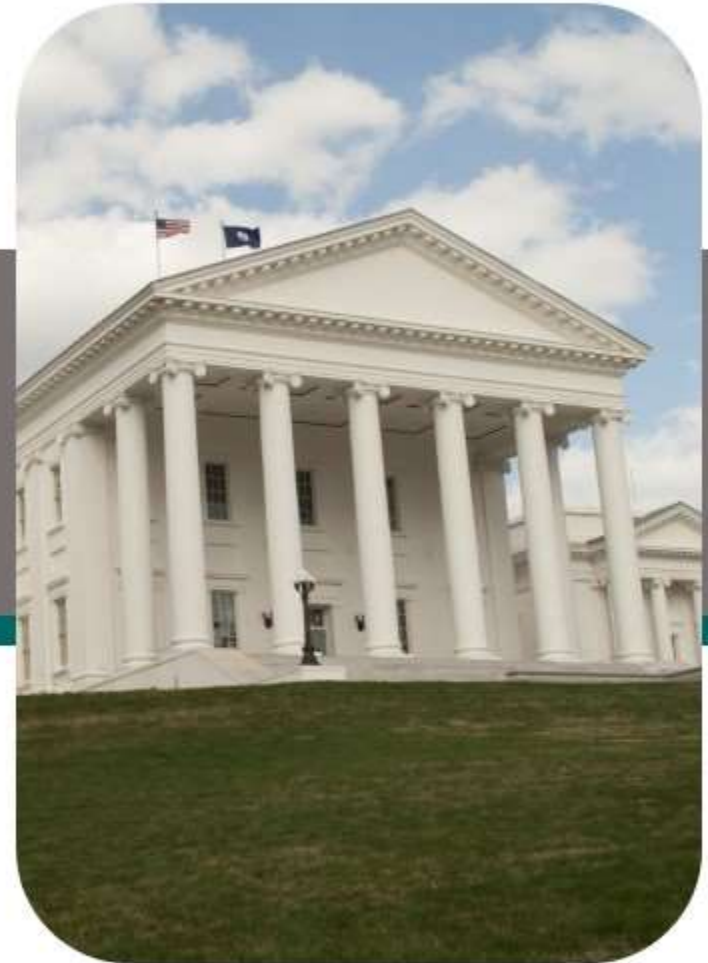
Item	Due Date	Comments
N/A		

New Coverage Elections



Coverage Elected	Details
Group Life Insurance Program	Big Sandy Soil and Water Conservation District (Buchanan County), effective April 1, 2022
Commonwealth of Virginia 457 Deferred Compensation Plan	Town of Marion (Smyth County), effective May 1, 2022 Blue Ridge Juvenile Detention Center (Albemarle County), effective June 1, 2022 Albemarle County , effective June 1, 2022 Albemarle County Public Schools , effective June 1, 2022 Charlottesville Albemarle Technical Education Center (City of Charlottesville), effective June 1, 2022 Fredericksburg City Public Schools , effective September 1, 2022
New VRS Employer With Enhanced Hazardous Duty Benefits for Law Enforcement Officers, Group Life Insurance and Tax-Deferred Purchase of Prior Service	Town of Glade Spring (Washington County), effective July 1, 2022
New School Division Due to Consolidation of Existing School Divisions: Alleghany County Public Schools, Covington City Public Schools and Jackson River Technical Center	Alleghany Highlands Public Schools (Alleghany County), effective July 1, 2022
Enhanced Hazardous Duty Benefits for Firefighters and Emergency Medical Technicians	Westmoreland County , effective July 1, 2022

Budget- Special Session I Rates and Funding



Status as of June 22nd

On June 15th Governor Youngkin proposed amendments to the budget for the remainder of this fiscal year (HB 29) and the budget for the next two years (HB 30). The General Assembly met to consider the Governor's recommendations at noon on Friday, June 17th. None of the Governor's proposed amendments changed the VRS-related provisions. HB 29 was enacted on June 17th, and HB 30 was signed by the Governor on June 22nd.



VRS Rates—No Changes in the Conference Reports or the Governor’s Proposed Amendments

Item #	Description
483	Fund the required Board-certified contribution rates for JRS, SPORS, VaLORS and OPEBs. Fund the prior biennium’s higher Board-certified contribution rates for State (14.46% vs. 14.13%) and Teachers (16.62% vs. 14.76%), as well as for any OPEB plan rates that decreased.
483	Fund LODA premiums at \$681.84 per covered employee.

2022 Budget – VRS Infusion



VRS Funding- HB 29

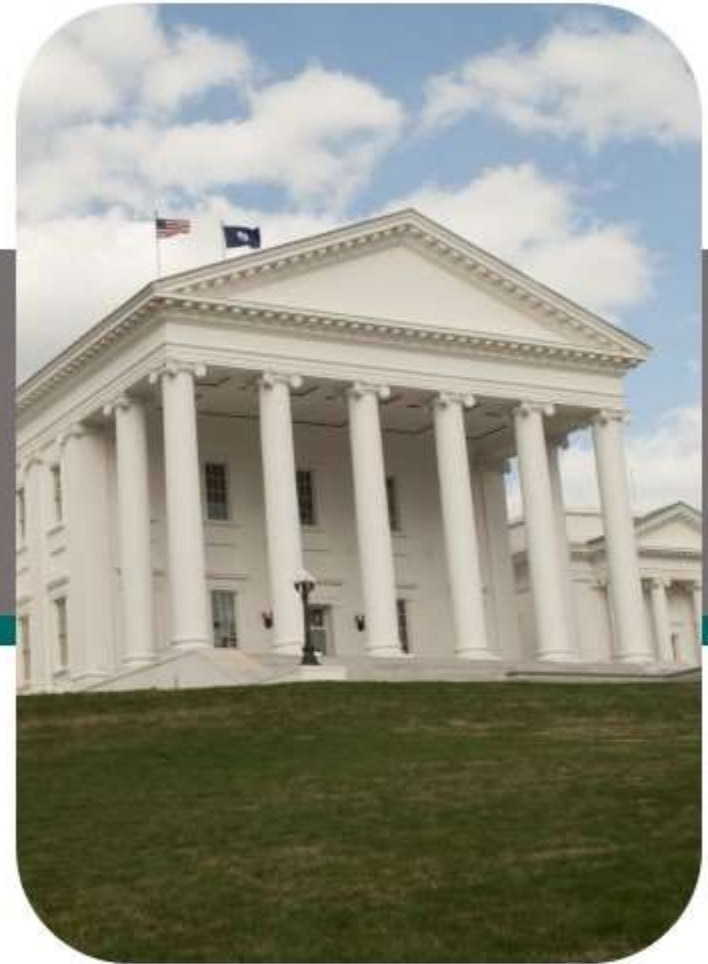
Item #	Description
277 #1c	Provides \$750,000,000 in FY 2022 on or before June 30, 2022 to reduce the unfunded liabilities of the State Plan, the Teacher Plan, SPORS, VaLORS, JRS, State HIC, Teacher HIC, GLI plan, and HIC for constitutional officers, local social services employees, and registrars.
<ol style="list-style-type: none">1. \$219,156,319 to the state employee plan.2. \$442,371,087 to the public school teacher plan.3. \$10,957,816 to the State Police Officers' Retirement System.4. \$19,886,407 to the Virginia Law Officers' Retirement System.5. \$6,250,014 to the Judicial Retirement System.6. \$8,522,746 to the HIC plan for state employees.7. \$12,013,013 to the HIC plan for public school teachers.8. \$30,438,378 to the GLI plan.9. \$275,975 to the HIC plan for Constitutional Officers and their employees.10. \$121,754 to the HIC plan for local social services employees.11. Any remaining balance, estimated at \$6,494, to HIC plan for Registrars and their employees.	

2022 Budget – VRS Infusion

VRS Funding- HB 30

Item #	Description
269	Moves \$750 million lump sum payment to VRS to FY 2022 (HB 29). Making the payment a year earlier than originally proposed will allow the funds to be invested earlier and realize an additional year of investment returns prior to the next valuation.
483	<p>Additional \$80.4 million GF split between FY 23 (\$25,309,001) and FY 24 (\$55,100,000) for certain HIC plans to increase funded status to 30%.</p> <ol style="list-style-type: none">1. Estimated \$77,118,170 to the HIC plan for state employees.2. Estimated \$1,576,017 to the HIC plan for Constitutional Officers and their employees.3. Estimated \$1,714,814 to the HIC plan for local social services employees. <p>This appropriation is not contingent on revenue forecasts.</p>
485	Up to an additional \$250 million to address the unfunded liability of the statewide plans, contingent on general fund revenues collected for fiscal year 2022 in excess of the official fiscal year 2022 revenue estimate.

Budget – Special Session I Salary Actions



State and Teacher Salary Increases-HB 30



Item #	Description
Item 483	Provides a 5% salary increase for state employees effective July 10, 2022 (August 1, 2022 paycheck), and June 10, 2023 (July 1, 2023 paycheck). Employees must have attained a rating of at least contributor on their latest performance appraisal.
Item 483	Provides for a one-time bonus payment of \$1,000 to state employees on December 1, 2022 (for those employed on or before August 10 and employed until at least November 10th).
Item 137	Provides that the 5% salary increase for Teachers in the first year is effective on August 1, 2022 and the second year on July 1, 2023. It additionally clarifies that local school divisions must use revenues derived from local sources to match the state share of funding for the compensation supplement.
Item 137	HB 30 also provides for a \$1,000 bonus for SOQ-funded positions effective December 1, 2022, with no local match required.

Various other pay actions for specific groups of employees are also included in the FY 23-24 budget.

VGFOA Honors Barry Faison



The Virginia Government Finance Officers Association (VGFOA) recently honored Barry Faison for his dedicated service.



The Communicator Awards



Academy of Interactive and Visual Arts (AIVA) Marketing Effectiveness category

2022 Communicator Award of Distinction

- SmartStep Auto-Increase Awareness Campaign
- 30% increase in page views from same period in previous year



DCP
Virginia Retirement System

RESOLUTION
FOR PAYMENT OF RETIREMENT SYSTEM FUNDS
IN THE STATE TREASURY AND SIGNING OFFICIAL DOCUMENTS

Pursuant to the authority vested in the Board of Trustees of the Virginia Retirement System by *Code of Virginia* § 51.1-149, on this 23rd day of June 2022 it is hereby

RESOLVED, that all prior designations by the Board of Trustees of the Virginia Retirement System of persons authorized to sign vouchers and Voucher Transmittals issued by the Retirement System for the payment of funds of the Retirement System in the State Treasury are hereby revoked; and

BE IT FURTHER RESOLVED, that the State Treasurer, the Director of Operations, and the Director of Cash Management and Investments, or their designees, are hereby designated by the Board as those persons authorized to sign only those vouchers issued by the Retirement System for the payment of funds of the Retirement System in the State Treasury which are contained in Agency Business Unit 15800 Account Number 103607, which has been designated by the Comptroller as the short-term investment account, including but not limited to, funds used to purchase short-term securities to mature within two (2) years and to effect repurchase agreements involving securities of varying maturities which are held as short-term investments; and

BE IT FURTHER RESOLVED, that the Director of the Retirement System, the Chief Financial Officer, the Chief Operating Officer, the Customer Services Director and the Chief Technology Officer, whose signatures appear herein, are hereby designated by the Board as those persons authorized to sign Voucher Transmittals issued by the Retirement System for the payment of any and all funds of the Retirement System in the State Treasury and any and all accounts designated by the Comptroller as Retirement System funds accounts, including Agency Business Unit 15800 Account Number 103607, provided that such Voucher Transmittals shall be initialed by appropriate supervisory and management level staff personnel; and

BE IT FURTHER RESOLVED, that the Chief Financial Officer, the Customer Services Director and the Chief Technology Officer are not authorized to sign a Voucher Transmittal prepared in their respective department; and

BE IT FURTHER RESOLVED, that the Director of the Retirement System, the Chief Operating Officer, the Chief Investment Officer or the Chief Administrative Officer - Investments are hereby designated full authority to sign any and all official documents in the name of the Board of Trustees of the Virginia Retirement System including, but not limited to, leases, deeds, contracts, equity index futures and options on such futures, signature cards, minutes and purchase orders; and

BE IT FURTHER RESOLVED, that a copy of this resolution shall be forward immediately to the Office of the Comptroller.

ATTEST:

A. Scott Andrews
Chairman, VRS Board of Trustees

Patricia S. Bishop
Secretary to the VRS Board of Trustees

***SIGNATURE PAGE
FOR PAYMENT OF RETIREMENT SYSTEM FUNDS
IN THE STATE TREASURY AND SIGNING OFFICIAL DOCUMENTS***

Patricia S. Bishop, Director

Mark A. Rein, Chief Technology and Security
Officer

Barry C. Faison, Chief Financial Officer

Ronald D. Schmitz, Chief Investment Officer

Michael P. Cooper, Chief Operating Officer

Robert L. Irving, Customer Services Director

Curtis M. Mattson, Chief Administrative
Officer - Investments

COMMONWEALTH OF VIRGINIA
CITY OF RICHMOND, TO-WIT:

The foregoing instrument was acknowledged before me this 23rd day of June 2022 by A. Scott Andrews; Patricia S. Bishop; Barry C. Faison; Mark A. Rein; Ronald D. Schmitz; Michael P. Cooper; Robert L. Irving and Curtis M. Mattson.

LaShaunda B. King, Notary Public

My commission expires Sept. 30, 2022.

***RESOLUTION
FOR MASTER CUSTODIAL SERVICES***

Pursuant to the authority vested in the Board of Trustees of the Virginia Retirement System by *Code of Virginia* § 51.1-149, on this 23rd day of June 2022, it is HEREBY

PREVIOUS DESIGNATIONS REVOKED

RESOLVED, that all prior designations by the Board of Trustees of the Virginia Retirement System of persons authorized to sign investment invoices and actions involving the distribution or payment of funds or transfer of assets of the Virginia Retirement System under your custodial control as well as actions involving administrative matters and proxies within their custodial control are hereby revoked; and

VRS ASSET TRANSFERS AND ACCOUNT PAYMENTS

BE IT FURTHER RESOLVED, that dual signatures, one of which shall be from the Director of the Virginia Retirement System, the Chief Financial Officer, the Chief Operating Officer, the Customer Services Director, or the Chief Technology Officer and the second shall be from the Chief Investment Officer, the Chief Administrative Officer - Investments, the Investments Compliance Officer or the Investments Office Administrator, are hereby required and that those persons are designated and authorized by the Board to sign for all actions involving the distribution or payment of funds or transfer of assets of the Virginia Retirement System under your custodial control that (i) are not initiated by an authorized investment advisor associated with the settlement of a purchase or sale transaction and (ii) are not for the payment of investment management, consulting or custodian fees. If investment personnel are unavailable, any two of the listed VRS administrative personnel could sign. However, in no event shall both signatures be those of investment department personnel; and

VRS ACCOUNT ADMINISTRATIVE MATTERS

BE IT FURTHER RESOLVED, that the Director of the Virginia Retirement System, the Chief Investment Officer, the Chief Administrative Officer - Investments, the Investments Compliance Officer, the Investments Office Administrator, the Controller and the Manager of Investment Accounting are designated by the Board as those additional persons authorized to open and close accounts and take other administrative actions for the VRS accounts not involving the signing of official documents in the name of the Board of Trustees of the VRS or the distribution or payment of funds or transfer of assets of the Virginia Retirement System under your custodial control; and

PROXIES

BE IT FURTHER RESOLVED, that the Chief Investment Officer, the Chief Administrative Officer - Investments, or the Investments Compliance Officer are hereby designated by the Board as the persons authorized to sign proxies for the VRS accounts; and

COMPLIANCE

BE IT FURTHER RESOLVED, that the Director of the Virginia Retirement System, the Chief Investment Officer, the Chief Administrative Officer - Investments, or the Investments Compliance Officer are hereby designated by the Board as those persons authorized to sign for all actions involving compliance issues to include, but not be limited to, class actions suits, tax exemptions, authorized signatures, stock and bond powers, required resolutions as needed, etc.

ATTEST:

A. Scott Andrews, Chair
VRS Board of Trustees

Patricia S. Bishop
Secretary to the Board/VRS Director

**VIRGINIA RETIREMENT SYSTEM AUTHORIZED SIGNATURES
FOR MASTER CUSTODIAL SERVICES**

Patricia S. Bishop
Director

Ronald D. Schmitz
Chief Investment Officer

Barry C. Faison
Chief Financial Officer

Mark A. Rein
Chief Technology and Security Officer

Michael P. Cooper
Chief Operating Officer

Robert L. Irving
Customer Services Director

Curtis M. Mattson
Chief Administrative Officer - Investments

Leslie B. Weldon
Controller

Laurie L. Fennell
Investments Compliance Officer

Abida W. Arezo
Manager of Investment Accounting

Danita R. Barnes
Investments Office Administrator

**COMMONWEALTH OF VIRGINIA
CITY OF RICHMOND, TO-WIT:**

The foregoing instrument was acknowledged before me this 23rd day of June 2022 by A. Scott Andrews; Patricia S. Bishop; Ronald D. Schmitz; Barry C. Faison; Mark A. Rein; Michael P. Cooper; Robert L. Irving; Curtis M. Mattson; Leslie B. Weldon; Laurie L. Fennell, Abida W. Arezo and Danita R. Barnes.

LaShaunda B. King, Notary Public

My commission expires September 30, 2022.

Deficit Provision Acknowledgment Form

(Appendix A of DPB's New Year Start-up instructions)

Section A (for all agencies)

Agency Acknowledgement

I have received, read, and understand your instructions regarding indebtedness of state agencies as they relate to the requirements of § 4-3.01 of the current Appropriation Act.

Agency Name _____ Agency Code _____

Other agencies in the Act (if any) for which your agency is responsible: _____

Agency/Cabinet Head Name _____

Agency/Cabinet Head Signature _____

(Personal signature is required above and cannot be delegated)

Date _____

Section B (if applicable to your agency)

Supervisory Board *(see §2.2-2100 of the Code of Virginia for what constitutes a "supervisory board")*

I have provided each member of the supervisory board of this agency with a copy of the notice in this memorandum and I will provide the same material to those appointed to the board in the future.

(Personal Signature of Agency Head)

Date: _____

E-mail to:

Digitally sign or scan the signed original; Save as a PDF, and Email to budget@dpb.virginia.gov.

NOTE: Provide your agency name and agency number as well as the phrase "Deficit Provision Acknowledgment Form" in the subject line of the email.

1 indirect cost recovery. Such increase shall be made in the program incurring the costs.

2 3. Statewide indirect cost recoveries shall be paid into the general fund of the state treasury, unless the agency is specifically
3 exempted from this requirement by language in this act. Any statewide indirect cost recoveries received by the agency in excess
4 of the exempted sum shall be deposited to the general fund of the state treasury.

5 c. INSTITUTIONS OF HIGHER EDUCATION:

6 The following conditions shall apply to indirect cost recoveries received by institutions of higher education:

7 1. Seventy percent shall be retained by the institution as an appropriation of moneys for the conduct and enhancement of
8 research and research-related requirements. Such moneys may be used for payment of principal of and interest on bonds issued
9 by or for the institution pursuant to § 23.1-1106, Code of Virginia, for any appropriate purpose of the institution, including, but
10 not limited to, the conduct and enhancement of research and research-related requirements.

11 2. Thirty percent of the indirect cost recoveries for the level of sponsored programs authorized in the appropriations in Part 1 of
12 Chapter 1042 of the Acts of Assembly of 2003, shall be included in the educational and general revenues of the institution to
13 meet administrative costs.

14 3. Institutions of higher education may retain 100 percent of the indirect cost recoveries related to research grant and contract
15 levels in excess of the levels authorized in Chapter 1042 of the Acts of Assembly of 2003. This provision is included as an
16 additional incentive for increasing externally funded research activities.

17 d. REPORTS

18 The Director, Department of Planning and Budget, shall make available via electronic means a report to the Chairmen of the
19 Senate Finance and House Appropriations Committees and the public no later than September 1 of each year on the indirect
20 cost recovery moneys administratively appropriated.

21 e. REGULATIONS:

22 The State Comptroller is hereby authorized to issue regulations to carry out the provisions of this subsection, including the
23 establishment of criteria to certify that an agency is in compliance with the provisions of this subsection.

24 **§ 4-3.00 DEFICIT AUTHORIZATION AND TREASURY LOANS**

25 § 4-3.01 DEFICITS

26 a. GENERAL:

27 1. Except as provided in this section no state agency shall incur a deficit. No state agency receiving general fund appropriations
28 under the provisions of this act shall obligate or expend moneys in excess of its general fund appropriations, nor shall it
29 obligate or expend moneys in excess of nongeneral fund revenues that are collected and appropriated.

30 2. The Governor is authorized to approve deficit funding for a state agency under the following conditions:

31 a) an unanticipated federal or judicial mandate has been imposed,

32 b) insufficient moneys are available in the first year of the biennium for start-up of General Assembly-approved action, or

33 c) delay pending action by the General Assembly at its next legislative session will result in the curtailment of services required
34 by statute or those required by federal mandate or will produce a threat to life, safety, health or property.

35 d) Such approval by the Governor shall be in writing under the conditions described in § 4-3.02 a Authorized Deficit Loans of
36 this act and shall be promptly communicated to the Chairmen of the House Appropriations and Senate Finance Committees
37 within five calendar days of deficit approval.

38 3. Deficits shall not be authorized for capital projects.

39 4. The Department of Transportation may obligate funds in excess of the current biennium appropriation for projects of a
40 capital nature not covered by § 4-4.00 Capital Projects, of this act provided such projects a) are delineated in the Virginia
41 Transportation Six-Year Improvement Program, as approved by the Commonwealth Transportation Board; and b) have
42 sufficient cash allocated to each such project to cover projected costs in each year of the Program; and provided that c)
43 sufficient revenues are projected to meet all cash obligations for such projects as well as all other commitments and
44 appropriations approved by the General Assembly in the biennial budget.

45 b. UNAUTHORIZED DEFICITS: If any agency contravenes any of the prohibitions stated above, thereby incurring an
46 unauthorized deficit, the Governor is hereby directed to withhold approval of such excess obligation or expenditure. Further,
47 there shall be no reimbursement of said excess, nor shall there be any liability or obligation upon the state to make any

1 appropriation hereafter to meet such unauthorized deficit. Further, those members of the governing board of any such agency who
 2 shall have voted therefor, or its head if there be no governing board, making any such excess obligation or expenditure shall be
 3 personally liable for the full amount of such unauthorized deficit and, at the discretion of the Governor, shall be deemed guilty of
 4 neglect of official duty and be subject to removal therefor. Further, the State Comptroller is hereby directed to make public any such
 5 unauthorized deficit, and the Director, Department of Planning and Budget, is hereby directed to set out such unauthorized deficits in
 6 the next biennium budget. In addition, the Governor is directed to bring this provision of this act to the attention of the members of
 7 the governing board of each state agency, or its head if there be no governing board, within two weeks of the date that this act
 8 becomes effective. The governing board or the agency head shall execute and return to the Governor a signed acknowledgment of
 9 such notification.

10 c. TOTAL AUTHORIZED DEFICITS: The amount which the Governor may authorize, under the provisions of this section during
 11 the current biennium, to be expended from loans repayable out of the general fund of the state treasury, for all state agencies, or
 12 other agencies combined, in excess of general fund appropriations for the current biennium, shall not exceed one and one-half
 13 percent (1 1/2%) of the revenues collected and paid into the general fund of the state treasury as defined in § 4-2.02 b. of this act
 14 during the last year of the previous biennium and the first year of the current biennium.

15 d. The Governor shall report any such authorized and unauthorized deficits to the Chairmen of the House Appropriations and Senate
 16 Finance Committees within five calendar days of deficit approval. By August 15 of each year, the Governor shall provide a
 17 comprehensive report to the Chairmen of the House Appropriations and Senate Finance Committees detailing all such deficits.

18 § 4-3.02 TREASURY LOANS

19 a. AUTHORIZED DEFICIT LOANS: A state agency requesting authorization for deficit spending shall prepare a plan for the
 20 Governor's review and approval, specifying appropriate financial, administrative and management actions necessary to eliminate the
 21 deficit and to prevent future deficits. If the Governor approves the plan and authorizes a state agency to incur a deficit under the
 22 provisions of this section, the amount authorized shall be obtained by the agency by borrowing the authorized amount on such terms
 23 and from such sources as may be approved by the Governor. At the close of business on the last day of the current biennium, any
 24 unexpended balance of such loan shall be applied toward repayment of the loan, unless such action is contrary to the conditions of
 25 the loan approval. The Director, Department of Planning and Budget, shall set forth in the next biennial budget all such loans which
 26 require an appropriation for repayment. A copy of the approved plan to eliminate the deficit shall be transmitted to the Chairmen of
 27 the House Appropriations and the Senate Finance Committees within five calendar days of approval.

28 b. ANTICIPATION LOANS: Authorization for anticipation loans are limited to the provisions below.

29 1.a) When the payment of authorized obligations for operating expenses is required prior to the collection of nongeneral fund
 30 revenues, any state agency may borrow from the state treasury the required sums with the prior written approval of the Secretary of
 31 Finance or his designee as to the amount, terms and sources of such funds; such loans shall not exceed the amount of the anticipated
 32 collections of such revenues and shall be repaid only from such revenues when collected.

33 b) When the payment of authorized obligations for capital expenses is required prior to the collection of nongeneral fund revenues or
 34 proceeds from authorized debt, any state agency or body corporate and politic, constituting a public corporation and government
 35 instrumentality, may borrow from the state treasury the required sums with the prior written approval of the Secretary of Finance or
 36 his designee as to the amount, terms and sources of such funds; such loans in anticipation of bond proceeds shall not exceed the
 37 amount of the anticipated proceeds from debt authorized by the General Assembly and shall be repaid only from such proceeds
 38 when collected.

39 2. Anticipation loans for operating expenses shall be in amounts not greater than the sum identified by the agency as the minimum
 40 amount required to meet the projected expenditures. The term of any anticipation loans granted for operating expenses shall not
 41 exceed twelve months.

42 3. Before an anticipation loan for a capital project is authorized, the agency shall develop a plan for financing such capital project;
 43 approval of the State Treasurer shall be obtained for all plans to incur authorized debt.

44 4. Anticipation loans for capital projects shall be in amounts not greater than the sum identified by the agency as required to meet the
 45 projected expenditures for the project within the current biennium.

46 5. To ensure that such loans are repaid as soon as practical and economical, the Department of Planning and Budget shall monitor
 47 the construction and expenditure schedules of all approved capital projects that will be paid for with proceeds from authorized debt
 48 and have anticipation loans.

49 6. Unless otherwise prohibited by federal or state law, the State Treasurer shall charge current market interest rates on anticipation
 50 loans made for operating purposes and capital projects subject to the following:

51 a) Anticipation loans for capital projects for which debt service will be paid with general fund appropriations shall be exempt from
 52 interest payments on borrowed balances.

53 b) Interest payments on anticipation loans for nongeneral fund capital projects or nongeneral fund operating expenses shall be made