



November 10, 2022

MEMORANDUM

TO: VRS Board of Trustees

FROM: Patricia S. Bishop
Director

RE: Agenda Materials for November 15th Board Meeting

We are looking forward to the November 15th 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.

For your reference, the Benefits and Actuarial Committee will be meeting on Monday, November 14th at 1:00 p.m.

Again, we look forward to seeing you at the Board of Trustees meeting on Tuesday. If you have any questions, please feel free to contact me.

Attachments

cc: The Honorable Stephen E. Cummings, Secretary of Finance

Craig Burns, Department of Taxation
Michael Jay, House Appropriations Committee
April Kees, Senate Finance Committee
Mike Tweedy, 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
Tuesday, 11/15/2022
1:00 - 3:30 PM ET

I. Approve Minutes

• **October 18, 2022**

Board Minutes 10.18.22 - Page 4

II. Report of the Chief Investment Officer

Asset Allocation Report 9.30.22 - Page 12

Daily Asset Allocation Report 11.8.22 - Page 13

Performance Summary 9.30.22 - Page 14

Plan Tracking Error 9.30.22 - Page 15

New Investments and Terminations - Page 16

III. CEM Cost Effective Analysis of VRS Investment Program

CEM Presentation_INV - Page 17

IV. Report of the Benefits and Actuarial Committee

Report of the B&AC - Page 32

• **RBA -**

Accept the Plan Actuary's Valuations as of June 30, 2022 for the Political Subdivision Retirement Plans; the Health Insurance Credit (HIC) Plans for Political Subdivisions; the State-Funded HIC for Constitutional Officers, Social Services Employees and Registrars; the Virginia Sickness and Disability Program (VSDP) including the Self-Funded Long-Term Care, and the Virginia Local Disability Program (VLDP) including the Self-Funded Long-Term Care.

RBA - Accept Local Plan Valuations - Page 34

November Board Meeting Final 11.15.22 - Page 35

• **RBA - Accept revised LODA premium for FY 2024 as recommended by the Plan Actuary, effective July 1, 2023.**

RBA_LODA_RateFY2024 - Page 68

November LODA Board Final - Page 69

V. RBA – Review Revised Governance Policy and Committee Charters (2nd Review)

• **RBA – Amend Board Governance Documents to Reflect the Renaming of the Administration and Personnel Committee to the Administration, Finance and Talent Management Committee**

RBA - Amend Board Governance Documents (Rename A&P Committee) - Page 95

Edits to Board Governance Policy - Page 96

Edits to AFT Committee Charter - Page 116

Edits to A&C Committee Charter - Page 120

Edits to Code of Ethics - Page 126

VI. Report of the Director

FY 2023 Agency Roadmap Update - September - Page 136

Director's Report Slides - Page 138

2023 VRS Board and Committee Meeting Schedule - Page 148

Minutes

A regular meeting of the Virginia Retirement System Board of Trustees was held on October 18, 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
W. Brett Hayes
Lindsey K. Pantele

VRS Staff:

Patricia Bishop, Ron Schmitz, Jennifer Schreck, Andrew Junkin, Stephen Adelaar, Advait Apte, Rory Badura, Parham Behrooz, Kevin Bliss, Caroline Cardwell, Lakiesha Cheatham, Jeanne Chenault, Michael Cooper, David Cotter, Harriet Covey, Juanita Cribbs, Sara Denson, Valerie Disanto, Barry Faison, Jonathan Farmer, Laurie Fennell, Josh Fox, Brian Goodman, Katherine Grawe, JT Grier, Krystal Groff, Dane Honrado, KC Howell, Robert Irving, Ross Kasarda, LaShaunda King, Matt Lacy, Chung Ma, Curt Mattson, Walker Noland, Greg Oliff, Angela Payne, Steven Ramirez, Mark Rein, Rob Voeks, Leslie Weldon, Dan Whitlock, Cindy Wilkinson and Steve Woodall.

Guests:

Jim Anderson, Becky Stouffer and Kurt Dosson, Gabriel, Roeder, Smith & Company; Lauren Albanese, Financial Investment News; John Kevin Balaod, With Intelligence; David Barry and Mario Marroquin, Markets Group; Jeremy Bennett, Virginia Association of Counties; Jamie Bitz, Joint Legislative Audit and Review Commission; Madeline Katz, Financial Times; Mitchell King and Brigid Schutsky, BlackRock; Alex Meyer, Goldman Sachs; Elizabeth Myers, Office of the Attorney General; Jennifer O'Dell, Iluna; Erin Rodriguez, Auditor of Public Accounts; Michael Tweedy, Senate Finance and Appropriations Committee; and Bea Snidow, Virginia Education Association.

The meeting convened at 1:00 p.m.

Opening Remarks

Mr. Andrews called the meeting to order and welcomed everyone to the October 18, 2022, meeting of the Virginia Retirement System Board of Trustees.

Approval of Minutes

Following a motion by Mr. Montgomery, and a second by Mr. Disharoon, the VRS Board of Trustees unanimously approved the minutes from its September 22, 2022, meeting.

Report of the Chief Investment Officer

Ron Schmitz, Chief Investment Officer, began his report with a market overview and discussed asset allocation, total fund portfolio and tracking error, concluding that risk measures are within Board-approved levels.

Next, Mr. Schmitz discussed the New Investment and Terminations report, the Diverse Investment Manager Engagement (DIME) report, and the External Investment Manager Referral report. In addition, Mr. Schmitz informed the Board that market volatility and related market actions, as well as Fund liquidity needs, may cause individual equity and/or fixed income related asset classes to exceed their allowable ranges. However, the overall equity and/or fixed income exposure may be within the aggregated allowable range. Mr. Schmitz recommended the addition of two high-level rebalancing ranges, one for equity exposures (public and private equity) and one for fixed income exposures (fixed income and cash), that would give him, as CIO, the flexibility to manage the rebalancing process in the best economic interests of the total fund given the current market conditions and allow for easier management of the asset allocation.

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

Request for Board Action 2022-10-21: The VRS Board of Trustees approves additional changes to update the Defined Benefit Plan Strategic Asset Allocation and Allowable Ranges to also reflect two high-level rebalancing ranges, one for equity exposures (public and private equity) and one for fixed income exposures (fixed income and cash), in addition to the previously approved Board target asset mix and hedge funds policy limit.

Mr. Andrews thanked Mr. Schmitz for his report.

Report of the Benefits and Actuarial Committee

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

APPROVAL OF MINUTES

Mr. Garrett began his report by noting the Committee approved the minutes of its April 19, 2022, meeting.

ELECTION OF COMMITTEE VICE CHAIR

The Committee unanimously approved the nomination of John Bennett to serve as Vice Chairman.

GABRIEL, ROEDER, SMITH & COMPANY (GRS) 2022 ACTUARIAL VALUATION RESULTS FOR FIVE STATEWIDE RETIREMENT PLANS, GROUP LIFE INSURANCE, AND STATE AND TEACHER HEALTH INSURANCE CREDIT PLANS

Jim Anderson and Becky Stouffer from the VRS plan actuary, Gabriel, Roeder, Smith & Company (GRS), presented the June 30, 2022, actuarial valuations for the Five Statewide Retirement Plans, Group Life Insurance and the State and Teacher Health Insurance Credit Plans. The VRS actuary conducts annual

valuations as of the close of the fiscal year (June 30). In odd-numbered years the valuations are used to establish employer contribution rates. The results in even-numbered years are shared with the Board of Trustees to inform the Board of any emerging trends or indications of the magnitude and direction of contribution rates.

The market value return for the total fund of 0.60% fell short of the long-term assumed rate of return of 6.75%. Despite lower-than-expected returns for fiscal year 2022, recognition of prior gains led to improved funded status for all pension plans on an actuarial basis. In addition, the \$750 million one-time infusion from the 2022 Appropriation Act served to increase funded status by approximately 0.80% for most plans. Fiscal year 2022 also included higher than expected cost-of-living increases and pay increases for most employer groups that exceeded assumed increases, which led to higher-than-expected liabilities.

The OPEB plans also benefited from the receipt of a portion of the \$750 million one-time contribution, which increased the funded status by approximately 0.85% for the HIC plans and GLI. Each OPEB plan saw an increase in funded status similar to the pension plans.

Due to a recently implemented allocation methodology for the HIC benefits, the State and Teacher HIC plans saw a reduction in the employer cost for the informational valuation. The new methodology allocates a prorated portion of HIC liability to each employer a member worked for that offered the HIC benefit.

The group life plan saw a slight increase in the employer rate mainly due to an increase in the active life coverage rate from 14.7 cents per \$1,000 of coverage to 16.2 cents per \$1,000 that became effective on July 1, 2022.

GRS also provided a summary of the recently modified Actuarial Standards of Practice 4 (ASOP 4), which will require plans to disclose plan liabilities using a low-default-risk obligation measure (LDRM). While this requirement will not impact contributions or funding, it is an item to be added to the Risk Assessment section of the reports beginning in 2023.

FUNDING POLICY AMENDMENTS

Following the GRS presentation of the actuarial valuations, Rory Badura, Senior Staff Actuary, presented the proposed amendments to the VRS Funding Policy. The Funding Policy memorializes the methods by which the Board has elected to govern required funding for pension and OPEB plans with the goal of ensuring that future contributions, along with current assets, are sufficient to provide for all benefits expected to be paid when due.

Staff is proposing modifications to the Funding Policy to explicitly set out amortization periods for unfunded liabilities generated by elected plan amendments to be 10 years rather than 20 years in the amortization period section of the policy. For HIC elections, any employer would be required to pay an initial contribution equal to the greater of two years of expected benefit payments or the amount required to reach at least 25% funded for its HIC plan, with the remainder of the unfunded liability amortized over no more than 10 years.

The proposed changes ensure that employers electing the HIC have initial funds available to pay benefits and to establish at least a minimum funded status at the outset and that the amortization period for all elected plan amendments be shortened to 10 years. This change mirrors the current requirement that an employer electing to participate in VRS must be at least 75% funded for pension benefits at the time of the election, and that any benefit enhancements not reduce the funded status below 75%.

Upon a motion by Mr. Garrett, with a second by Mr. Bennett, the VRS Board of Trustees approved the following requests for board action:

Request for Board Action 2022-10-22: *The Virginia Retirement System Board of Trustees accepts the June 30, 2022 Actuarial Valuations conducted by the VRS plan actuary, Gabriel, Roeder, Smith & Company, for the Five Statewide Retirement Plans, Group Life Insurance, and the Health Insurance Credit for both State and Teachers.*

Request for Board Action 2022-10-23: *The Board approves the changes to the VRS Funding Policy Statement presented at this meeting and attached to this RBA. The changes reflect a new requirement that when electing the health insurance credit (HIC), employers will be required to pay an initial contribution equal to the greater of two years of expected benefit payments or the amount required to reach at least a 25 percent funded status for its HIC plan, with the remainder of the unfunded liability amortized over no more than 10 years, as well as requiring that the amortization period for unfunded liabilities generated by all elected plan amendments be set at 10 years rather than the current 20 years.*

INFORMATION ITEM

Upcoming B&A Committee Meeting:

The Committee will meet on November 14, 2022, at 1:00 p.m. to receive the valuations for the local plans, Virginia Local Disability Program (VLDP), the Virginia Sickness and Disability Program (VSDP) and the Line of Duty Act Fund. In addition, staff will be finalizing the 2023 meeting schedule in the coming weeks.

Mr. Andrews thanked Mr. Garrett for his report. Mr. Andrews next thanked GRS and the VRS staff actuaries for ensuring a smooth transition and their hard work in developing, validating and delivering the results.

Report of the Administration and Personnel Committee

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

APPROVAL OF MINUTES

Mr. Andrews began his report by noting the Committee approved the minutes of its September 14, 2022, meeting.

REVISIONS TO THE INVESTMENT PROFESSIONALS' PAY PLAN

Michael Cooper, Chief Operating Officer, reviewed the changes to the Investment Professionals' Pay Plan. The revisions are based on the recent McLagan Investment Pay Review and include decreasing the

Senior Investment Analyst investment compensation target from 25% to 20% and increasing the Investment Analyst investment compensation target from 5% to 10%.

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

Request for Board Action 2022-10-24: *The Virginia Retirement System Board of Trustees approves an amended Investment Professionals' Pay Plan ("Pay Plan"), effective October 18, 2022.*

APPOINTMENT AND REAPPOINTMENT OF INVESTMENT ADVISORY COMMITTEE (IAC) MEMBERS

Ron Schmitz advised the Committee of IAC members' terms that are expiring. Theodore Economou, Thomas Gayner and Lawrence Kochard are interested in continuing to serve on the IAC. Palmer Garson has agreed to fill the expiring term held by Deborah Allen Hewitt.

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

Request for Board Action 2022-10-25: *The Board reappoints Theodore Economou, Thomas Gayner and Lawrence Kochard to the Investment Advisory Committee, each for a two-year term ending September 13, 2024, February 19, 2025, and February 16, 2025, respectively, and appoints Palmer P. Garson for a two-year term ending October 16, 2024.*

REVIEW REVISED GOVERNANCE POLICY AND COMMITTEE CHARTERS

Cindy Wilkinson, Director of Policy, Planning and Compliance, reviewed the proposed revisions to the Board's governance policy and Committee charters. At its last meeting, the Administration and Personnel (A&P) Committee agreed to a staff recommendation to rename the committee to the Administration, Finance and Talent Management Committee (AFT). The revisions to the governance documents update the Committee's name. Ms. Wilkinson advised the Committee that the Board is required to review the changes twice before taking final action.

With a motion by Mr. Montgomery and a second by Mr. Garrett, the Committee unanimously recommended approval of the following RBA:

Request for Board Action: *The Virginia Retirement System Board of Trustees approves amendments to its Governance Policy; the Administration and Personnel Committee charter; the Audit and Compliance Committee charter; and the Code of Ethics to accommodate the change in the name of the Administration and Personnel Committee to the Administration, Finance and Talent Management Committee.*

Proxy Voting Discussion (Corporate Governance Report)

Next, Dan Whitlock provided the Fiscal Year 2022 Corporate Governance Report to the Board and led the annual proxy voting discussion. Mr. Whitlock began by thanking Stephen Adelaar and Brian Goodman for their contributions to the report and noted in September 2018, the Board of Trustees adopted a revised Proxy Voting and Litigation Policy. The policy's guiding principle encompasses an emphasis on fiduciary responsibility to the best interest of the plan's participants and beneficiaries.

Mr. Whitlock advised that Institutional Shareholder Services, Inc. (ISS) continues to be the proxy research and implementation provider for VRS. During the last fiscal year, staff reviewed and evaluated the services provided and determined that ISS continues to meet the needs of VRS.

Mr. Whitlock advised VRS collected \$5.8 million in class action proceeds during FY 2022 on behalf of the defined benefit plan, mostly from its custodian, Bank of New York Mellon (BNY Mellon). In addition, VRS selected and appointed four law firms to seek legal advice related to the recovery of investment losses outside of the Office of the Attorney General's (OAG) process (the firms are also appointed by OAG for recovery of U.S. investment losses). At this time, VRS is not currently pursuing lead plaintiff in any litigation.

Mr. Whitlock concluded his report by noting VRS continues to be a non-voting member of the Council of Institutional Investors (CII) and staff continues to view the organization as a cost-effective resource for research on corporate governance issues and that participation in other corporate governance organizations is not necessary at this time.

Mr. Andrews thanked Mr. Whitlock for his report.

Commending Resolution for Troilen G. Seward, Ed.S.

Next, Mr. Andrews presented the following commending resolution of service for Troilen G. Seward:

WHEREAS, Troilen Gainey Seward, Ed.S., was first appointed to serve of the Virginia Retirement System Board of Trustees in March 2012, and in recognition of her extensive knowledge of the system, she was subsequently reappointed for a second term in March 2017; and

WHEREAS, Mrs. Seward served as a Member and as Vice Chair of the Benefits and Actuarial Committee, evaluating information presented on plan benefits, funding, and actuarial principles, contributing to committee discussions and serving in these roles with commitment and distinction; and

WHEREAS, Mrs. Seward served as a Member of the Administration and Personnel Committee, Investment Policy Committee, the Strategic Projects Committee, and the Chief Investment Officer Search Committee, sharing her insights, which contributed greatly to these deliberations; and

WHEREAS, Mrs. Seward served the members and retirees of the system with steady leadership and integrity, paired with in-depth experience in and extensive knowledge of the public education system in the Commonwealth; and

WHEREAS, Mrs. Seward frequently and estimably served as the Board's ambassador at meetings of the Virginia Retired Teachers Association, where she engaged with members and presented the audience with legislative, administrative, and benefit updates concerning the system;

NOW, THEREFORE, BE IT RESOLVED, that on October 18, 2022, we, the members of the Board of Trustees of the Virginia Retirement System, hereby acknowledge Mrs. Seward's loyal and faithful service to the Board of Trustees, the Virginia Retirement System, its members, retirees, and the Commonwealth of Virginia, and are grateful for her contributions, stewardship, and commitment.

Commending Resolution for Deborah Allen Hewitt, Ph.D.

Next, Mr. Andrews presented the following commending resolution of service for Deborah Allen Hewitt:

WHEREAS, Deborah Allen Hewitt, Ph.D., began her service to the Virginia Retirement System in October 2002 by serving as a member of the Investment Advisory Committee and continued her faithful service to the members, retirees, and beneficiaries of the system through 2022; and

WHEREAS, by virtue of Dr. Hewitt's academic background and in-depth knowledge and understanding of investment, financial, and economic matters, she contributed rigor to the Investment Advisory Committee discussions; and

WHEREAS, Dr. Hewitt gained knowledge and understanding of other countries and their economies by traveling extensively abroad, then returning and sharing these insights with the Committee, resulting in interesting and engaging Committee conversations and dialogue; and

WHEREAS, Dr. Hewitt possessed a keen interest in enhancing institutional investor knowledge and education, which served to enrich the Committee; and

WHEREAS, Dr. Hewitt, one of the longest serving members of the Investment Advisory Committee, served during the challenging investor environment of the Financial Crisis and Great Recession, and with her calm demeanor and steady influence provided value to the Committee discussions and to the Virginia Retirement System Board of Trustees;

NOW, THEREFORE, BE IT RESOLVED, that on October 18, 2022, we, the members of the Board of Trustees of the Virginia Retirement System, hereby recognize Dr. Hewitt's loyal and unwavering service to the Investment Advisory Committee and acknowledge her long-standing contributions for the betterment of the System, including her faithful service to the Investment Advisory Committee, the Board of Trustees, members, and beneficiaries of the System, and to the Commonwealth of Virginia.

Report of the Director

Trish Bishop, VRS Director, began her report with an update on the agency road map for FY 2023, noting all projects are progressing as planned, as well as a review of New Coverage Elections.

Ms. Bishop announced that the Government Finance Officers Association (GFOA) presented VRS with the Certificate of Excellence in Financial Reporting for the 2021 Annual Comprehensive Financial Report (ACFR). This is the 40th report for which VRS has received the Certificate of Achievement, which is the highest form of recognition in the area of governmental accounting and financial reporting.

Next, Ms. Bishop advised the first week of October was Customer Service Week, during which VRS honored employees who serve members, retirees and employers. Staff enjoyed various activities, as well as coffee and treats distributed by VRS leadership. In addition, VRS is participating in the Commonwealth of Virginia Campaign which mobilizes and encourages state employees to engage in the community through giving. Staff is hosting the second annual 5k walk/run on October 22 in an effort to raise additional donations.

Lastly, Ms. Bishop advised that the agency's annual meeting will be held at the Greater Richmond Convention Center to honor the achievements of staff and present various awards.

Mr. Andrews thanked Ms. Bishop for her report.

Other Business

Lastly, Mr. Andrews reviewed the following meeting schedule:

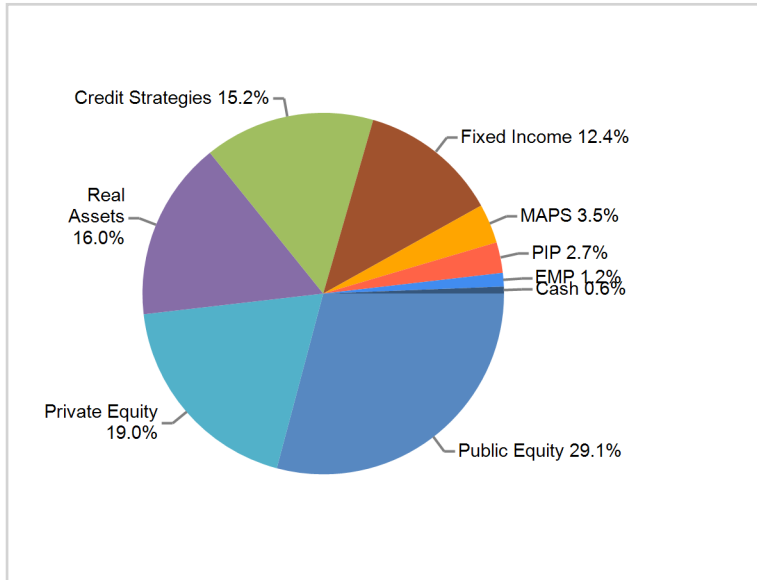
- Benefits and Actuarial Committee – November 14 at 1:00 p.m.
- Board of Trustees – November 15 at 1:00 p.m.
- Investment Advisory Committee – November 30 at 9:00 a.m.

Adjournment

There being no further business and following a motion by Mr. Montgomery, with a second by Mr. Bell, the VRS Board of Trustees agreed to adjourn the meeting at 2:30 p.m.

Chair

Secretary



Tracking Error	
3Yr-Total Fund:	2.05%
3Yr-Total Public:	1.71%
5Yr-Total Fund:	1.94%
5Yr-Total Public:	1.41%

	Current \$Bil	Current Weight	Policy Weight	Variance	Allowable Range		Internal %
Total Fund	96.8						26.5%
Public Equity	28.2	29.1%	34.0%	-4.9%	-5%	+5%	45.4%
Fixed Income	12.0	12.4%	15.0%	-2.6%	-3%	+5%	96.3%
Credit Strategies	14.8	15.2%	14.0%	1.2%	-5%	+5%	
RS Credit	4.3	4.5%	5.6%	-1.1%			
NRS Credit	10.4	10.8%	8.4%	2.4%			
Real Assets	15.5	16.0%	14.0%	2.0%	-5%	+5%	8.1%
Public RE	1.3	1.3%					99.9%
Private RE	9.6	9.9%					
Other RA	4.7	4.8%					
Private Equity	18.4	19.0%	16.0%	3.0%	-5%	+5%	
MAPS	3.4	3.5%	4.0%	-0.5%	-2%	+2%	
DSTRAT	1.7	1.7%					
RBI	1.8	1.8%					0.4%
PIP	2.7	2.7%	2.0%	0.7%	-2%	+2%	
EMP	1.2	1.2%	0.0%	1.2%		+3%	
Cash	0.6	0.6%	1.0%	-0.4%	-1%	+4%	

High-Level Exposure	Current \$Bil	Current Weight	Policy Weight	Variance	Allowable Range	
Total Equity	46.6	48.2%	50.0%	-1.8%	-10%	10%
Fixed Income + Cash	12.6	13.1%	16.0%	-2.9%	-4%	9%

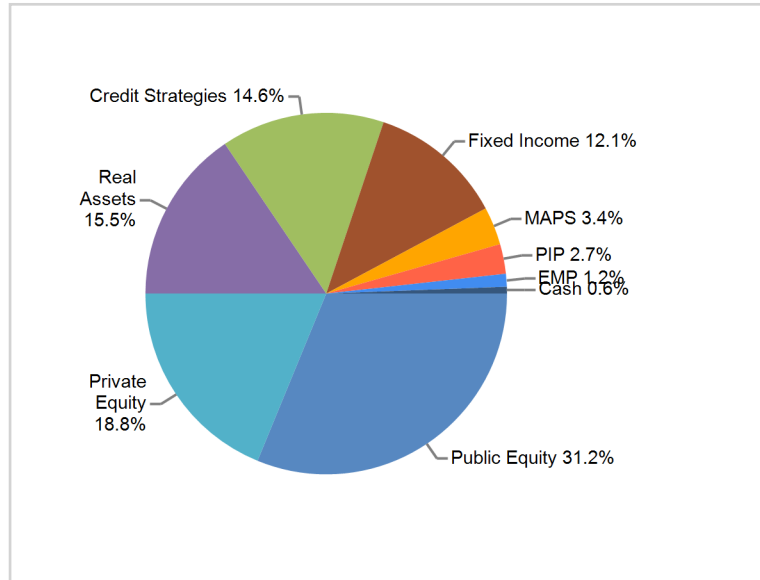
	Current \$Bil	Current Weight	Policy Limit
Hedge Funds	9.4	9.7%	15.0%

* Total Fund includes the following amt held by the Treasurer of VA: \$ 62 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.(5 adjustments applied)

*Total Fund and Total Public annualized tracking error is calculated using compounded quarterly returns as of 9/30/2022

* Differences in totals are due to rounding.



Tracking Error	
3Yr-Total Fund:	2.05%
3Yr-Total Public:	1.71%
5Yr-Total Fund:	1.94%
5Yr-Total Public:	1.41%

	Current \$Bil	Current Weight	Policy Weight	Variance	Allowable Range		Internal %
Total Fund	98.9						27.9%
Public Equity	30.9	31.2%	34.0%	-2.8%	-5%	+5%	47.5%
Fixed Income	11.9	12.1%	15.0%	-2.9%	-3%	+5%	96.4%
Credit Strategies	14.4	14.6%	14.0%	0.6%	-5%	+5%	
RS Credit	3.7	3.7%	5.6%	-1.9%			
NRS Credit	10.8	10.9%	8.4%	2.5%			
Real Assets	15.4	15.5%	14.0%	1.5%	-5%	+5%	8.5%
Public RE	1.3	1.3%					99.9%
Private RE	9.5	9.6%					
Other RA	4.6	4.6%					
Private Equity	18.6	18.8%	16.0%	2.8%	-5%	+5%	
MAPS	3.4	3.4%	4.0%	-0.6%	-2%	+2%	
DSTRAT	1.5	1.5%					5.9%
RBI	1.8	1.9%					0.3%
PIP	2.6	2.7%	2.0%	0.7%	-2%	+2%	
EMP	1.1	1.2%	0.0%	1.2%		+3%	
Cash	0.6	0.6%	1.0%	-0.4%	-1%	+4%	

High-Level Exposure	Current \$Bil	Current Weight	Policy Weight	Variance	Allowable Range	
Total Equity	49.5	50.0%	50.0%	0.0%	-10%	10%
Fixed Income + Cash	12.5	12.7%	16.0%	-3.3%	-4%	9%

	Current \$Bil	Current Weight	Policy Limit
Hedge Funds	9.6	9.7%	15.0%

* Total Fund includes the following amt held by the Treasurer of VA: \$ 142 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 9/30/2022

* Differences in totals are due to rounding.

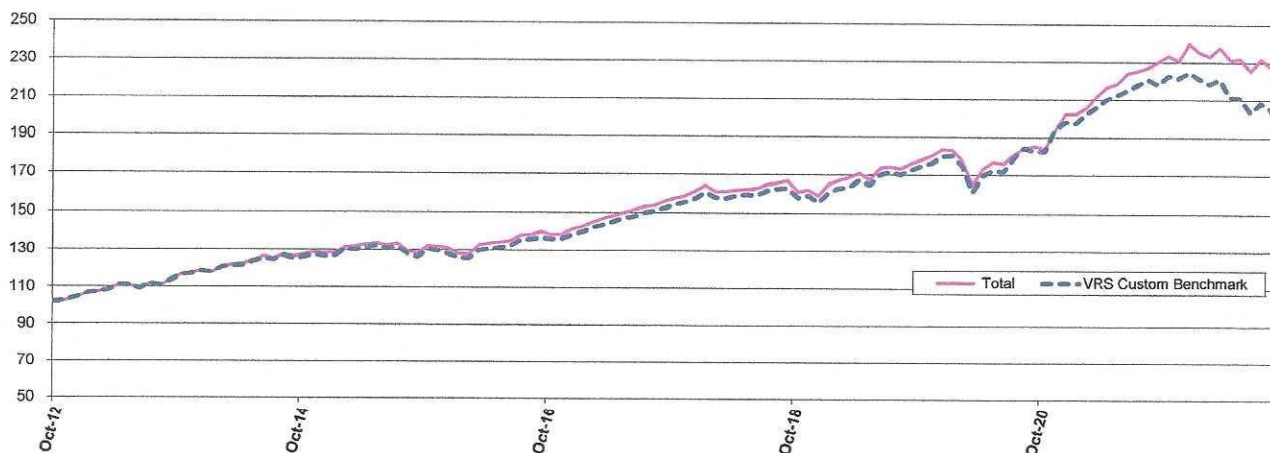
PERFORMANCE SUMMARY
Rolling Periods Ending
September 30, 2022



TOTAL FUND PERFORMANCE

	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month	Fiscal YTD	Cal YTD	Market Value (\$MM)
Total Public Equity Strategies	7.6	4.1	3.9	-19.4	-6.0	-8.4	-6.0	-23.3	27,600
<i>Benchmark</i>	7.5	4.5	3.8	-20.9	-6.5	-9.6	-6.5	-25.5	
Total Fixed Income	1.6	0.6	-2.0	-14.9	-4.6	-4.6	-4.6	-14.9	12,047
<i>Benchmark</i>	0.9	-0.3	-3.3	-15.1	-4.6	-4.4	-4.6	-15.1	
Total Credit Strategies	6.1	5.6	6.0	-1.4	-0.6	-1.9	-0.6	-3.2	14,756
<i>Benchmark</i>	4.3	2.9	1.5	-7.2	0.2	-3.0	0.2	-7.9	
Total Real Assets	10.8	10.0	10.9	20.0	1.9	1.7	1.9	12.7	15,527
<i>Benchmark</i>	9.1	8.3	9.2	17.5	2.7	0.1	2.7	11.5	
Total Private Equity	16.9	19.2	22.1	8.7	-4.1	-3.8	-4.1	0.9	18,427
<i>Benchmark</i>	12.1	9.6	7.9	-16.2	-15.7	-8.6	-15.7	-15.3	
Total Private Investment Partnerships	n/a	9.7	11.2	8.2	-1.2	-1.2	-1.2	3.5	2,652
<i>Benchmark</i>	n/a	7.3	7.2	-1.1	-3.8	-3.4	-3.8	-2.7	
Total Multi-Asset Public Strategies	n/a	n/a	2.6	-7.0	-2.2	-3.9	-2.2	-9.2	3,408
<i>Benchmark</i>	n/a	n/a	1.9	-11.4	-3.4	-4.9	-3.4	-13.8	
Total Fund	7.9	7.0	7.5	-5.0	-3.1	-4.0	-3.1	-8.9	96,795
<i>VRS Custom Benchmark</i>	6.6	4.8	3.8	-11.6	-5.2	-6.0	-5.2	-14.3	

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 9/30/2022)

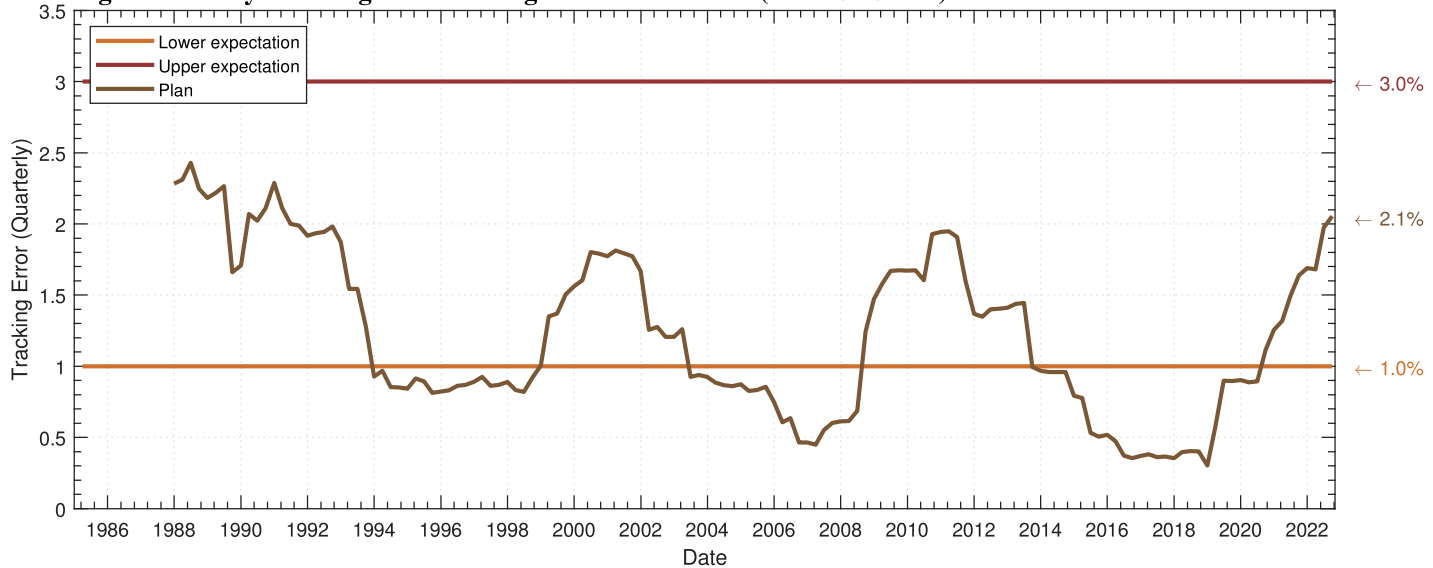
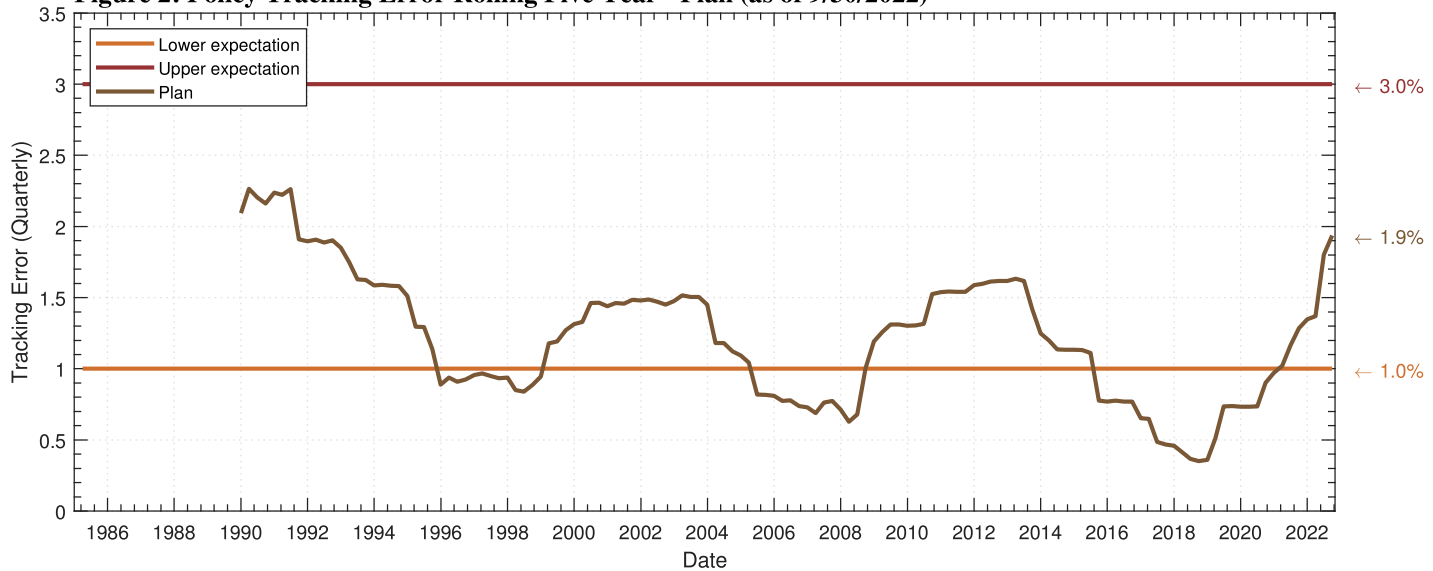


Figure 2: Policy Tracking Error Rolling Five Year - Plan (as of 9/30/2022)



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
Real Assets	Terminated	10/14/2022	\$88 Million	Immediate	Brookfield Global Listed Infrastructure – A separate account to invest in publicly listed infrastructure companies.
Dynamic Strategies	Terminated	10/25/2022	\$370 Million	Immediate	MSIM Dynamic Strategies – A global asset allocation portfolio investing across public markets.

Virginia Retirement System

Investment Benchmarking Analysis - Summary of Results

For the 5 year period ending December 31, 2021



Mike Heale
Head, Business Development

Key takeaways

Returns

- Your 5-year net total return was 11.2%. This was equal to the U.S. Public median of 11.2% and close to the peer median of 11.3%.

Value added

- Your 5-year net value added was 1.0%. This was above both the U.S. Public median of 0.7% and the peer median of 0.8%.

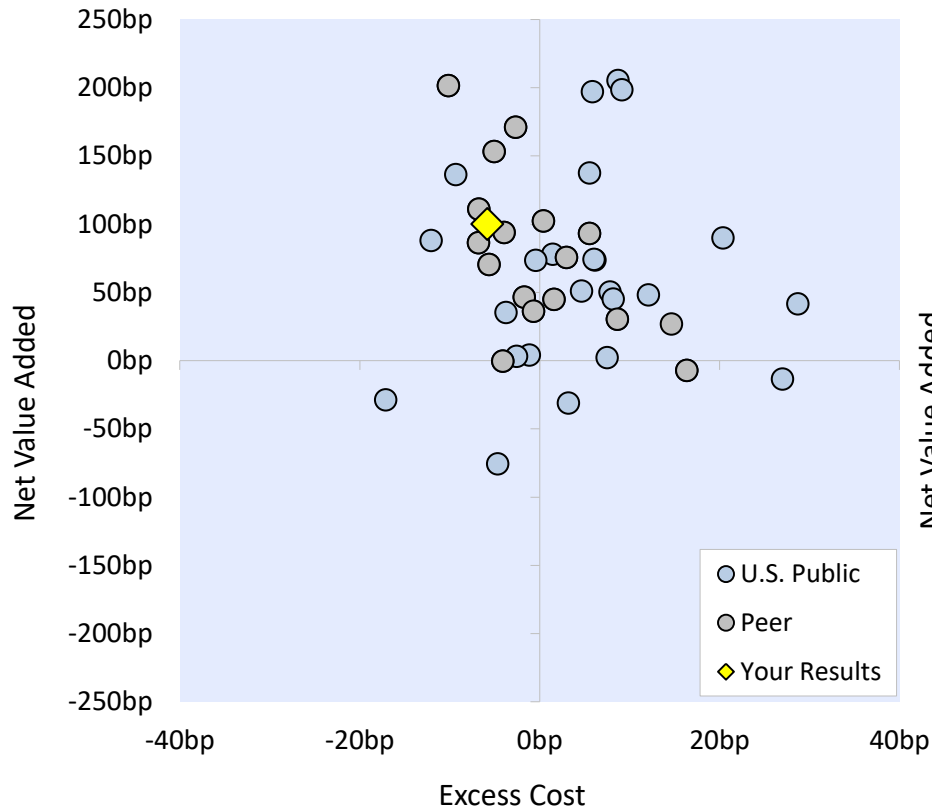
Cost and cost effectiveness

- Your investment cost of 69.0 bps was below your benchmark cost of 74.5 bps. This suggests that your fund was low cost compared to your peers.
- Your fund was low cost because it paid less than peers for similar services and it had a lower cost implementation style.

Your 5-year and 10-year performance placed in the positive value added, low cost quadrant of the cost effectiveness chart.

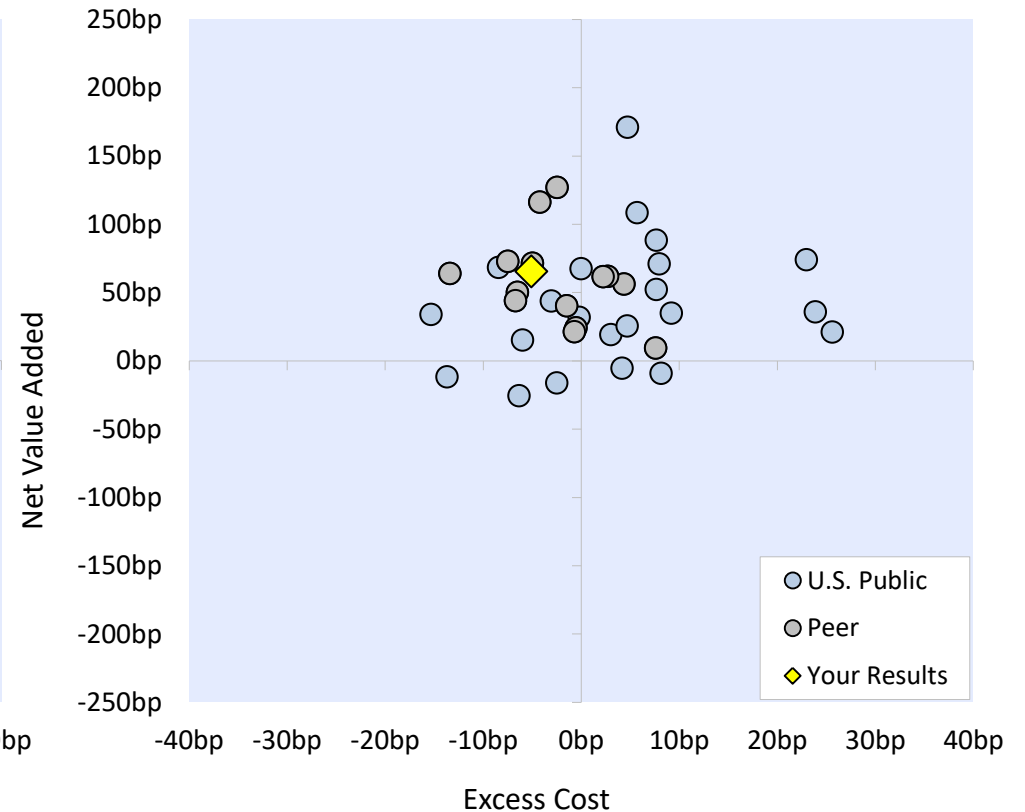
5-Year net value added versus excess cost

(Your 5-year: net value added 100 bps, cost savings 6 bps)



10-year net value added versus excess cost

(Your 10-year: net value added 65 bps, cost savings 5 bps¹)



1. Your 10-year cost savings of 5 basis points is the average of your cost savings for the past 10 years.

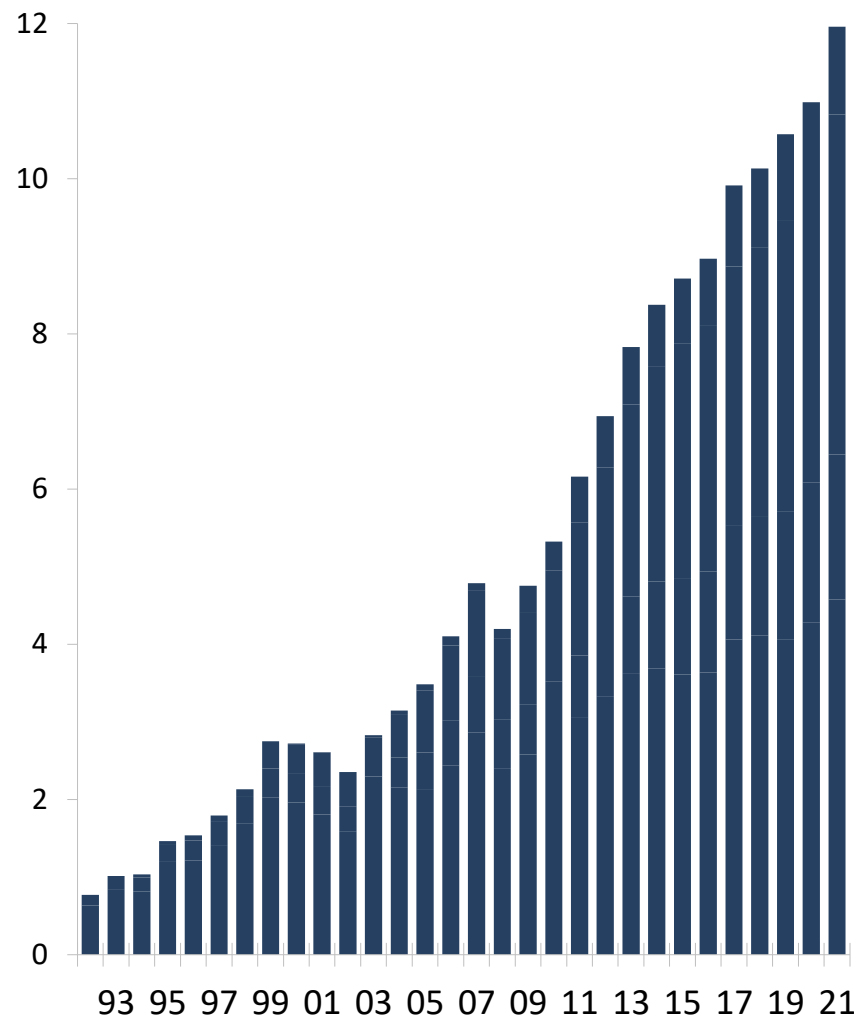
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	10-year
Net value added	500.0 bp	8.0 bp	(12.0) bp	(19.0) bp	49.0 bp	(16.5) bp	88.0 bp	80.0 bp	70.0 bp	(70.0) bp	65.5 bp
Excess cost	(5.5) bp	(7.3) bp	(5.7) bp	(5.0) bp	(5.6) bp	(4.2) bp	(1.0) bp	(4.0) bp	(6.8) bp	(5.7) bp	(5.1) bp

This benchmarking report compares your cost and return performance to the 281 funds in CEM's extensive pension database.

- 145 U.S. pension funds participate. The median U.S. fund had assets of \$13.2 billion and the average U.S. fund had assets of \$31.6 billion. Total participating U.S. assets were \$4.6 trillion.
- 68 Canadian funds participate with assets totaling \$1.9 trillion.
- 59 European funds participate with aggregate assets of \$4.4 trillion. Included are funds from the Netherlands, Norway, Sweden, Finland, Ireland, Denmark and the U.K.
- 6 Asia-Pacific funds participate with aggregate assets of \$1.1 trillion. Included are funds from Australia, New Zealand, China and South Korea.
- 3 funds from other regions participate.

The most meaningful comparisons for your returns and value added are to the U.S. Public universe, which consists of 46 funds.

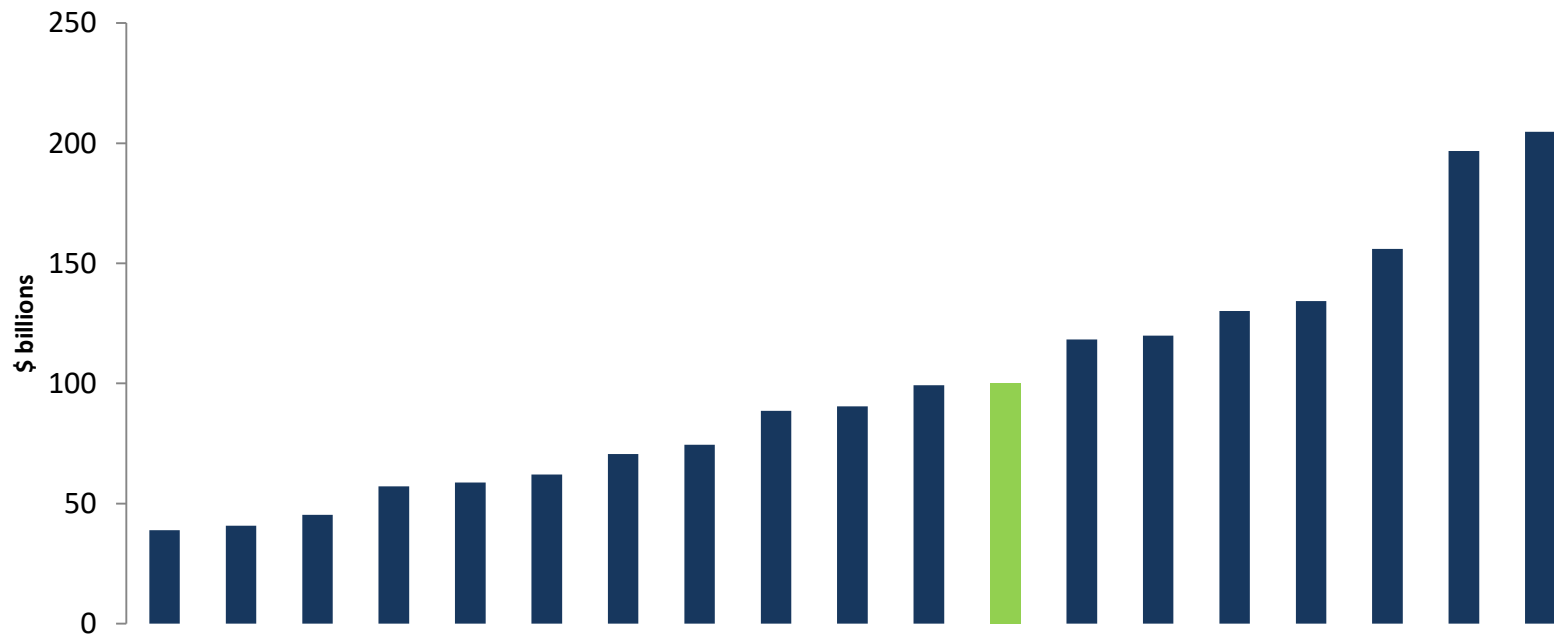
Participating assets (\$ trillions)



The most valuable comparisons for cost performance are to your custom peer group because size impacts costs.

Peer group for Virginia Retirement System

- 19 U.S. Public sponsors from \$39.0 billion to \$204.7 billion
- Median size of \$90.4 billion versus your \$100.3 billion



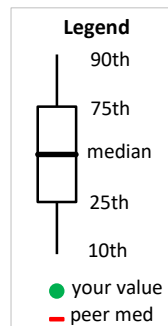
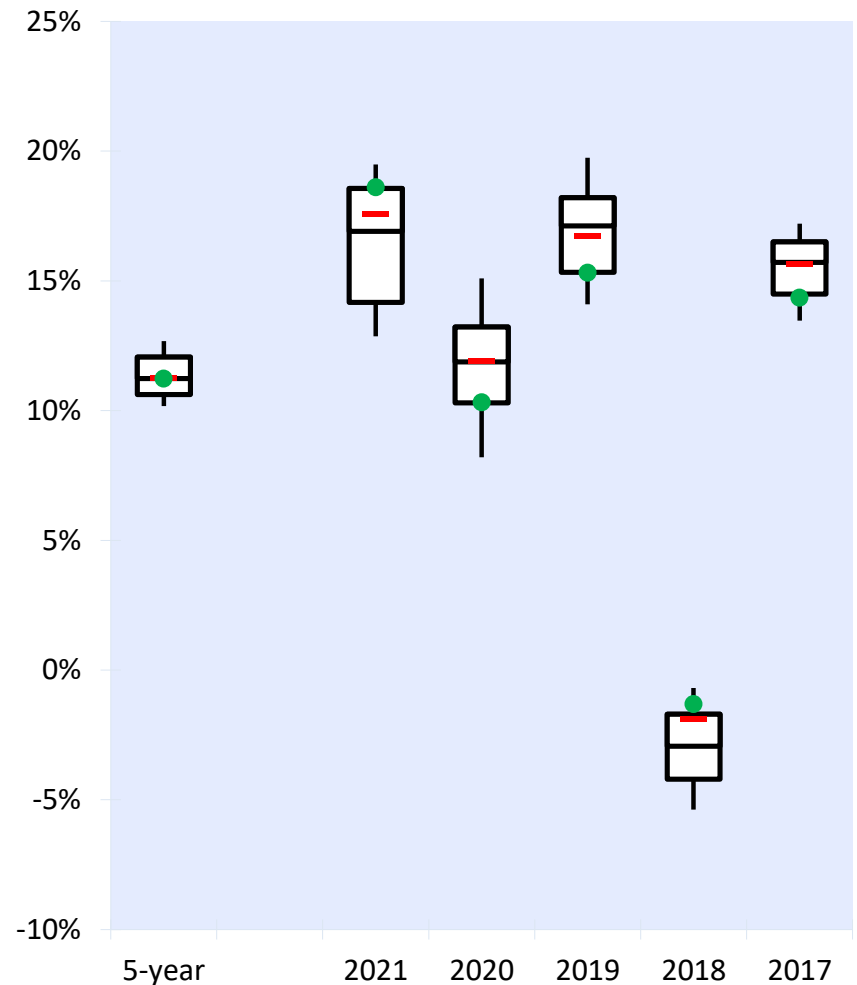
Your 5-year net total return of 11.2% was equal to the U.S. Public median of 11.2% and close to the peer median of 11.3%

Total returns, by themselves, provide little insight into the reasons behind relative performance. Therefore, we separate total return into its more meaningful components: policy return and value added.

	Your 5-year
Net total fund return	11.2%
- Policy return	10.2%
= Net value added	1.0%

This approach enables you to understand the contribution from both policy mix decisions (which tend to be the board's responsibility) and implementation decisions (which tend to be management's responsibility).

U.S. Public net total returns - quartile rankings



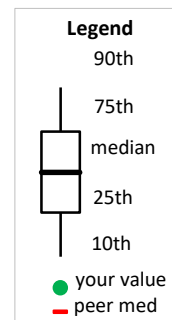
Your 5-year policy return of 10.2% was below both the U.S. Public median of 10.7% and the peer median of 10.7%.

Your policy return is the return you could have earned passively by indexing your investments according to your policy mix.

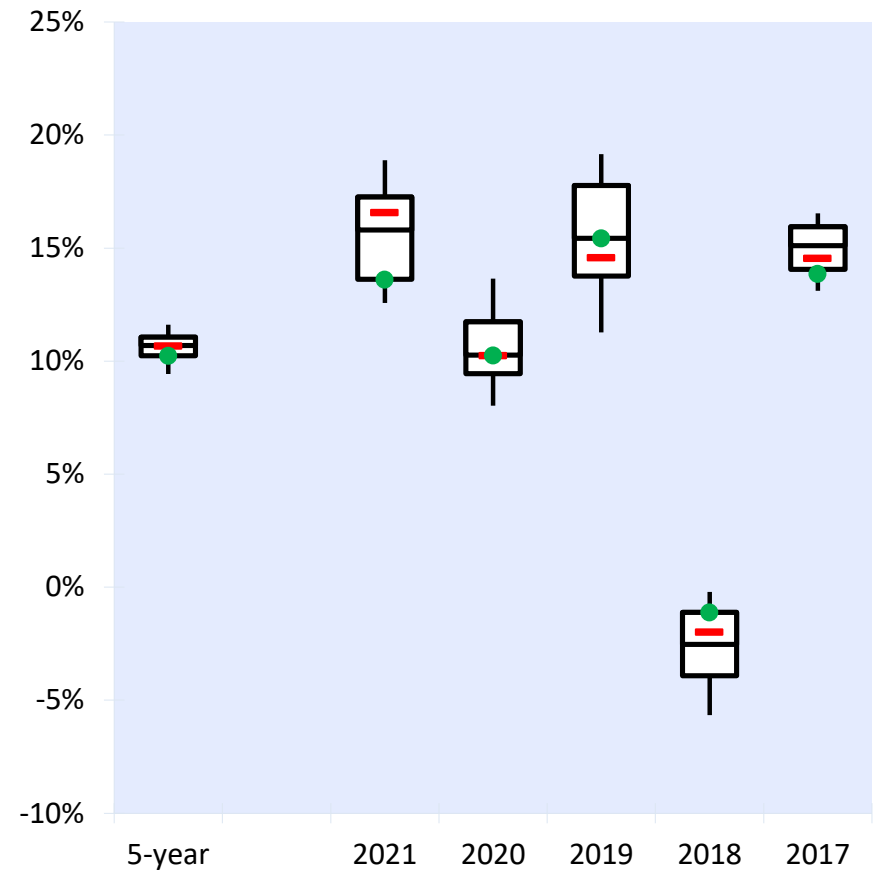
Having a higher or lower relative policy return is not necessarily good or bad. Your policy return reflects your investment policy, which should reflect your:

- Long term capital market expectations
- Liabilities
- Appetite for risk

Each of these three factors is different across funds. Therefore, it is not surprising that policy returns often vary widely between funds.



U.S. Public policy returns - quartile rankings



Your 5-year policy return of 10.2% was below the U.S. Public median of 10.7% primarily because of policy mix differences.

	5-year average policy mix ¹			5-year benchmark return	
	Your Fund	U.S. Publ Avg.	More/ Less	Your Fund	U.S. Publ Avg.
Stock - U.S.	0%	18%	-18%	17.9%	17.7%
Stock - EAFE	0%	5%	-5%	10.6%	9.8%
Stock - Global	39%	12%	27%	15.0%	14.5%
Other Stock ²	0%	12%	-12%	n/a ³	n/a ³
Total Stock	39%	46%	-7%	14.6%	14.4%
Fixed income - U.S.	16%	17%	-1%	3.6%	3.7%
Fixed income - Inflation indexed	0%	3%	-3%	n/a ³	5.3%
Cash	0%	-1%	2%	n/a ³	1.2%
Other Fixed Income ²	7%	8%	0%	n/a ³	n/a ³
Total Fixed Income	24%	27%	-3%	4.8%	4.5%
Global TAA	0%	1%	-1%	n/a ³	7.4%
Multi-strategy funds	2%	3%	-1%	n/a ³	4.7%
REITs	2%	1%	1%	8.8%	9.3%
Real estate ex-REITs	11%	8%	3%	6.5%	7.4%
Other Real Assets ²	1%	3%	-2%	n/a ³	n/a ³
Private equity ⁴	13%	9%	4%	16.0%	14.4%
Private debt	7%	2%	5%	n/a ³	6.3%
Total	100%	100%			

1. 5-year weights are based only on plans with 5 years of continuous data.
2. Other stock includes: Stock - Emerging and Stock - ACWI x U.S.. Other fixed income includes: Fixed income - U.S. gov't, fixed income - long bonds and Fixed income - High yield. Other real assets include: Commodities, Natural resources and Infrastructure.
3. A value of 'n/a' is shown if asset class returns are not available for the full 5 years or if they are broad and incomparable.
4. You have 2% policy allocation to Private Investment Partnerships (PIP), which is included in your Private Equity policy weighting.

Differences in policy return are caused by differences in policy mix and benchmarks. At the end of 2021 your policy mix compared to your peers and the U.S. Public universe as follows:

Policy asset mix

Asset class	Your fund		Peer avg.	U.S. Publ avg.
	2017	2021	2021	2021
Stock - U.S.	0%	0%	13%	18%
Stock - EAFE	0%	0%	3%	4%
Stock - Global	43%	36%	17%	13%
Other Stock ¹	0%	0%	9%	11%
Total Stock	43%	36%	42%	47%
Fixed income - U.S.	17%	15%	16%	16%
Fixed income - Inflation indexed	0%	0%	3%	3%
Fixed income - High yield	3%	5%	1%	2%
Fixed income - Emerging	3%	1%	1%	1%
Cash	0%	1%	-1%	-1%
Other Fixed Income ¹	5%	0%	7%	5%
Total Fixed Income	29%	22%	27%	26%
Global TAA	0%	2%	0%	1%
Multi-strategy funds	0%	2%	3%	3%
REITs	2%	2%	0%	1%
Real estate ex-REITs	9%	12%	9%	8%
Other Real Assets ¹	3%	0%	3%	3%
Private equity ²	9%	16%	12%	10%
Private debt	4%	8%	3%	2%
Total	100%	100%	100%	100%

1. Other stock includes: Stock - Emerging and Stock - ACWI x U.S.. Other fixed income includes: Fixed income - U.S. gov't, fixed income - long bonds and Fixed income - High yield. Other real assets include: Commodities, Natural resources and Infrastructure.
2. You have 2% policy allocation to Private Investment Partnerships (PIP), which is included in your Private Equity policy weighting.

Net value added is the component of total return from active management. Your 5-year net value added was 1.0%.

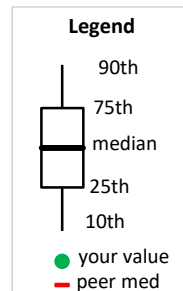
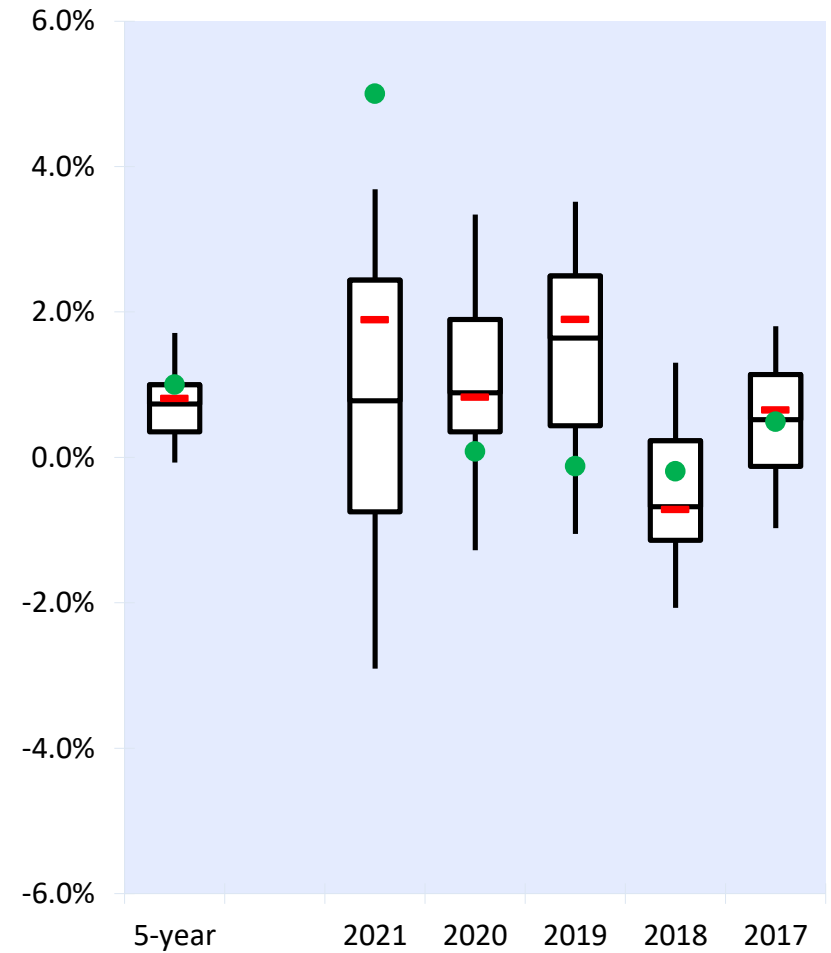
Net value added equals total net return minus policy return.

Value added for Virginia Retirement System

Year	Net return	Policy return	Net value added
2021	18.6%	13.6%	5.0%
2020	10.3%	10.2%	0.1%
2019	15.3%	15.4%	-0.1%
2018	-1.3%	-1.1%	-0.2%
2017	14.4%	13.9%	0.5%
5-Year	11.2%	10.2%	1.0%

Your 5-year net value added of 1.0% compares to a median of 0.8% for your peers and 0.7% for the U.S. Public universe.

U.S. Public net value added - quartile rankings



Your investment costs were \$692.0 million or 69.0 basis points in 2021.

Asset management costs by asset class and style (\$000s)	Internal Management			External Mgmt		Total	
	Passive	Active	Overseeing of external	Active base fees	Perform. fees ³		
Stock - U.S. large cap		2,496	44	2,046		4,586	
Stock - U.S. small cap		324	62	6,254		6,641	
Stock - EAFE		4,499	67	6,133		10,699	
Stock - Emerging		373	114	5,430		5,916	
Stock - Global			650	36,740		37,390	
Fixed income - U.S.		3,725				3,725	
Fixed income - Emerging		465	186	2,076		2,727	
Fixed income - High yield		327	378	8,772		9,477	
Fixed income - Convertibles			87	6,285		6,371	
Fixed income - Public mortgages			51	3,653		3,704	
Fixed income - Other			1			1	
Cash			252	1,603		1,855	
REITs	99	266	0			366	
Infrastructure ³			95	3,984		4,079	
Infrastructure - LP ³			487	20,536		21,024	
Infrastructure - Co-invest. ³			90	0		91	
Infrastructure - FoFs ^{2 3}			48	5,025		5,072	
Natural resources ³			202	6,984		7,186	
Natural resources - LP ³			341	12,286		12,627	
Natural resources - Co-invest. ³			36			36	
Real estate ex-REITs ³			859	34,690		35,549	
Real estate ex-REITs - LP ³			484	26,909		27,393	
Real estate ex-REITs - Co-invest. ³			112	2,094		2,207	
Real estate ex-REITs - Joint venture ³			461	8,203		8,664	
Global TAA		313	507	6,362		7,182	
Multi-strategy funds - External active			2,518	100,614		103,133	
Private equity - Diversified - LP ³		3	2,210	225,673		227,885	
Private equity - Diversified - Co-invest. ³			688	803		1,491	
Private equity - Diversified - FoFs ^{2 3}			132	23,178		23,310	
LBO - LP ^{1 3}			310	16,579		16,889	
Private credit - LP ³			936	40,627		41,563	
Private credit - Evergreen ³			918	38,486		39,404	
Private credit - Co-invest. ³			131	601		731	
Derivatives/Overlays	580		694	2,700		3,974	
Total excluding private asset performance fees						682,947	68.1bp
Oversight, custodial and other costs ⁴							
Oversight & consulting						3,580	
Trustee & custodial						4,500	
Consulting and performance measurement						0	
Audit						0	
Other						935	
Total oversight, custodial & other costs						9,015	0.9bp
Total investment costs (excl. transaction costs & private asset performance fees)						691,962	69.0bp

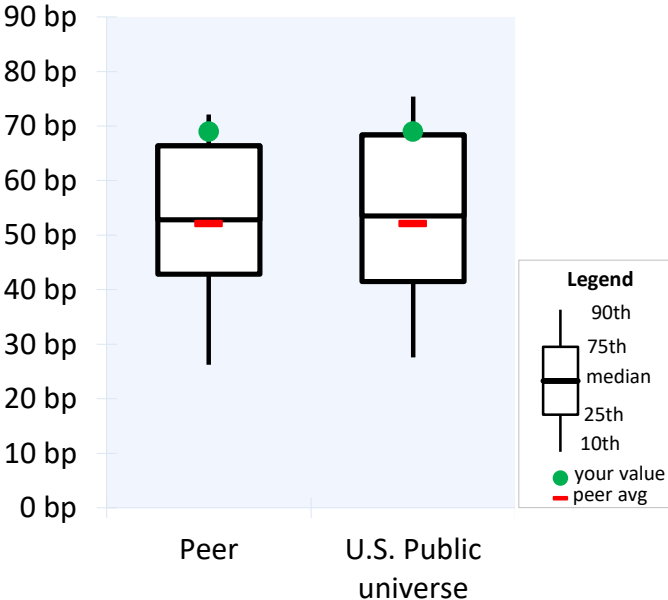
Footnotes

1. Default base fees for one or more mandates were added.
2. Default underlying costs for one or more mandates were added.
3. Total cost excludes carry/performance fees for hedge funds, real estate, infrastructure, natural resources and private equity. Performance fees are included for the public market asset classes.
4. Excludes non-investment costs, such as benefit insurance premiums and preparing cheques for retirees.

Benchmark cost analysis suggests that your fund was low cost by 5.5 basis points in 2021.

Comparison of costs before adjusting for asset mix:

Before adjusting for differences in asset mix, your cost of 69.0 bps was above the peer median of 52.8 bps.



Comparison of costs after adjusting for asset mix:

Your benchmark cost is an estimate of what your cost would be given your actual asset mix and the median costs that your peers pay for similar services. It represents the cost your peers would incur if they had your actual asset mix.

Your cost versus benchmark

	\$000s	basis points
Your total investment cost	691,962	69.0 bp
Your benchmark cost	747,401	74.5 bp
Your excess cost	(55,439)	(5.5) bp

Your fund was low cost because it paid less than peers for similar services and it had a lower cost implementation style.

Reasons for your low cost status

	Excess Cost/ (Savings)	
	\$000s	bps
1. Lower cost implementation style		
• More active management (vs. lower cost passive)	32,351	3.2
• More in-house management (vs. external management)	(17,173)	(1.7)
• More evergreen relationships (vs. traditional partnerships)	(25,255)	(2.5)
• Less fund of funds	(398)	(0.0)
• More co-investments (vs. traditional partnerships)	(8,221)	(0.8)
• Less overlays	(908)	(0.1)
	<u>(19,606)</u>	<u>(2.0)</u>
2. Paying less than peers for similar services		
• External investment management costs	(36,416)	(3.6)
• Internal investment management costs	848	0.1
• Oversight, custodial & other costs	(264)	(0.0)
	<u>(35,833)</u>	<u>(3.6)</u>
Total savings	(55,439)	(5.5)

If the assets you manage in-house were managed externally and you paid peer median costs, your cost would have been higher by approximately \$60.7 million or 6.1 bps.

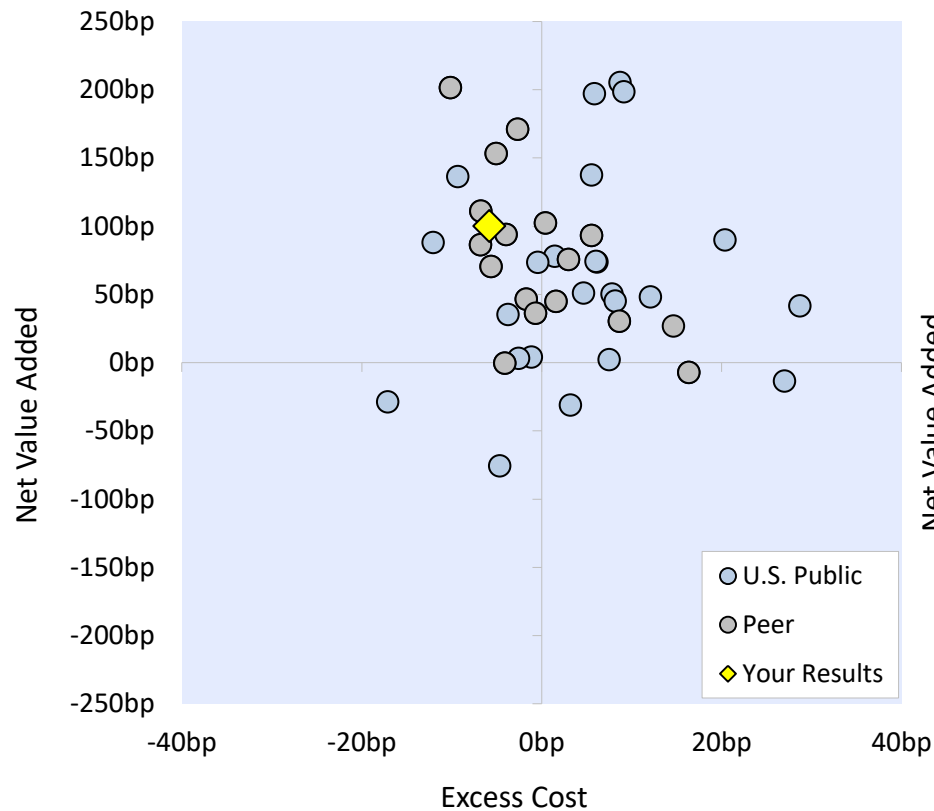
Cost savings achieved by managing assets in-house

Style	Your avg holdings in \$mils	Cost in bps			Cost/(savings) \$000s
		Your Fund	Peer median	More/ (less)	
<i>Assets managed in-house</i>	(A)			(B)	(A X B)
Stock - U.S. large cap	8,567	2.9	22.8	(19.9)	(17,053)
Stock - U.S. small cap	742	4.4	62.3	(57.9)	(4,297)
Stock - EAFE	4,117	10.9	41.7	(30.8)	(12,667)
Stock - Emerging	682	5.5	60.4	(55.0)	(3,751)
Fixed income - U.S.	11,337	3.3	13.1	(9.8)	(11,074)
Fixed income - Emerging	425	11.0	25.7	(14.7)	(626)
Fixed income - High yield	374	8.8	31.3	(22.5)	(841)
REITs	546	1.8	6.9	(5.1)	(276)
REITs	730	3.6	41.0	(37.3)	(2,727)
Real estate	1,567	55.3	100.2	(44.9)	(7,038)
Global TAA	161	19.5	43.5	(24.0)	(386)
Total savings due to in-house management					(60,735)
Total in basis points					(6.1) bp

Your 5-year and 10-year performance placed in the positive value added, low cost quadrant of the cost effectiveness chart.

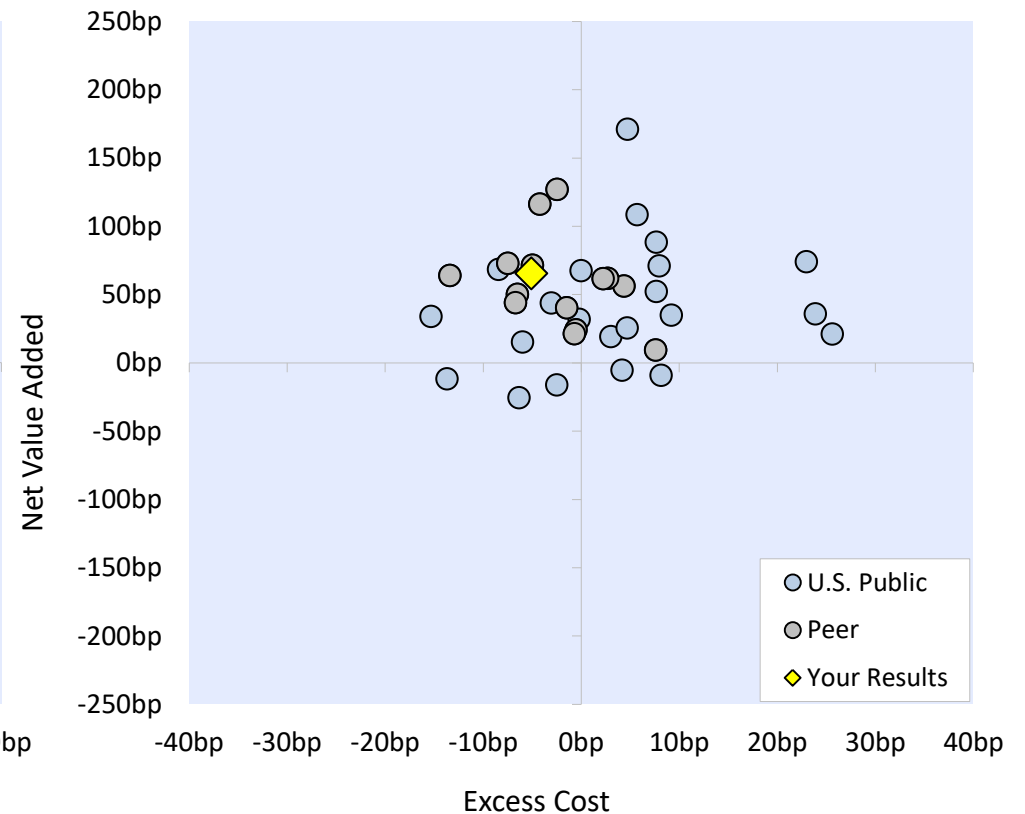
5-Year net value added versus excess cost

(Your 5-year: net value added 100 bps, cost savings 6 bps)



10-year net value added versus excess cost

(Your 10-year: net value added 65 bps, cost savings 5 bps¹)



1. Your 10-year cost savings of 5 basis points is the average of your cost savings for the past 10 years.

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	10-year
Net value added	500.0 bp	8.0 bp	(12.0) bp	(19.0) bp	49.0 bp	(16.5) bp	88.0 bp	80.0 bp	70.0 bp	(70.0) bp	65.5 bp
Excess cost	(5.5) bp	(7.3) bp	(5.7) bp	(5.0) bp	(5.6) bp	(4.2) bp	(1.0) bp	(4.0) bp	(6.8) bp	(5.7) bp	(5.1) bp

Report

The Benefits and Actuarial Committee met on November 14, 2022, and took up the following matters:

APPROVAL OF MINUTES

The Committee approved the minutes of its October 17, 2022, meeting.

GABRIEL, ROEDER, SMITH & COMPANY (GRS) 2022 ACTUARIAL VALUATION RESULTS FOR POLITICAL SUBDIVISION RETIREMENT PLANS, THE VIRGINIA SICKNESS AND DISABILITY PROGRAM (VSDP), THE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP), THE LOCAL HEALTH INSURANCE CREDIT (HIC) PLANS, AND THE LINE OF DUTY ACT (LODA) FUND.

Jim Anderson and Becky Stouffer from the VRS plan actuary, Gabriel, Roeder, Smith & Company (GRS), presented the June 30, 2022 actuarial valuations for the Political Subdivision Plans, the Virginia Sickness and Disability Program (VSDP), the Virginia Local Disability Program (VLDP), Local Health Insurance Credit (HIC) Plans and the Line of Duty Act (LODA) Fund. The VRS actuary conducts annual valuations as of the close of the fiscal year (June 30). In odd-numbered years the valuations are used to establish employer contribution rates. The results in even-numbered years are shared with the Board of Trustees to inform the Board of any emerging trends or indications of the magnitude and direction of contribution rates.

Similar to the state-wide pension plans, despite lower-than-expected returns for fiscal year 2022, recognition of prior investment gains led to improved funded status for the political subdivision pension plans in aggregate on an actuarial asset basis. Fiscal year 2022 also included higher than expected cost-of-living increases and pay increases for political subdivision plans in aggregate which led to higher-than-expected liabilities.

The HIC plans for political subdivisions as well as the state-funded HIC plans for Constitutional Officers, Social Services Employees, and Registrars all had an increase in funded status and a slight decrease in contribution rates. Due to a recently implemented allocation methodology for the HIC benefits, the HIC plans for political subdivisions saw an increase in liability, however it was offset by unrecognized gains from the prior valuation. The new methodology allocates a prorated portion of HIC liability to each employer a member worked for that offered the HIC benefit.

The VSDP plan and VLDP plans for Teachers and Political Subdivisions all had a slight decrease in plan funded status mainly due to slight differences in application of the actuarial funding method used by GRS. This also led to slightly lower contribution rates for each plan compared to the 2021 valuation.

GRS then presented information on the Line of Duty Act Fund (LODA). The LODA plan is a pay-as-go plan that must collect the required funds to pay benefits expected to be incurred over the coming year. With a notable decrease in the covered headcount as well as an expected increase in plan claims, GRS working with VRS staff, recommended an increase in the LODA premium to \$830.00 per FTE beginning July 1, 2023. The increase in rate was set to cover FY 2024 costs including 1-month of reserve for incurred but not reported claims (IBNR).

GRS will also deliver an abbreviated version of their presentation to the full Board of Trustees.

The Committee recommended approval of the following actions to the full Board of Trustees:

Request for Board Action: *The Virginia Retirement System Board of Trustees accepts the June 30, 2022 Actuarial Valuations conducted by the VRS plan actuary, Gabriel, Roeder, Smith & Company, for the Political Subdivision Retirement Plans; the Health Insurance Credit (HIC) Plans for Political Subdivisions; the State-Funded HIC for Constitutional Officers, Social Services Employees and Registrars; the Virginia Sickness and Disability Program (VSDP) including Self-Funded Long-Term Care; and the Virginia Local Disability Program (VLDP), including Self-Funded Long-Term Care.*

Request for Board Action: *The Board accepts the increased FY 2024 premium for the Line of Duty Death and Health Benefits Trust Fund (the LODA Fund) as recommended by the Plan Actuary for FY 2024.*

INFORMATION ITEM

Review of Stress Test and Sensitivity Analysis Report

Rory Badura, Senior Staff Actuary, presented the findings of the VRS Stress Test and Sensitivity Analysis Report. He noted that the report is based on the June 30, 2021 actuarial valuation and analyzes the potential effect on plan funding over the next several years and contains various adverse economic scenarios that illustrated impacts of higher inflation and continued market volatility. The report focuses on adverse events as they better highlight areas of risk.

Confirmed 2023 B&A Committee Meeting Schedule:

The Committee reviewed its 2023 meeting schedule.

Submitted to the Board of Trustees on November 15, 2022.

John M. Bennett, Vice Chair
Benefits and Actuarial Committee



Accept the Plan Actuary's Valuations as of June 30, 2022 for the Political Subdivision Retirement Plans; the Health Insurance Credit (HIC) Plans for Political Subdivisions; the State-Funded HIC for Constitutional Officers, Social Services Employees and Registrars; the Virginia Sickness and Disability Program, including the Self-Funded Long-Term Care; and the Virginia Local Disability Program, including the Self-Funded Long-Term Care.

Requested Action

The Virginia Retirement System Board of Trustees accepts the June 30, 2022 Actuarial Valuations conducted by the VRS plan actuary, Gabriel, Roeder, Smith & Company, for the Political Subdivision Retirement Plans; the Health Insurance Credit (HIC) Plans For Political Subdivisions; the State-Funded HIC For Constitutional Officers, Social Services Employees and Registrars; the Virginia Sickness and Disability Program, including the Self-Funded Long-Term Care; and the Virginia Local Disability Program, including Self-Funded Long-Term Care.

Description/Background

The VRS plan actuary conducts actuarial valuations annually as of the close of the fiscal year (June 30). The results of the valuations are used to establish employer contribution rates in odd-numbered years. The results in even-numbered years are shared with the Board of Trustees to inform the Board of any emerging trends or indications of the magnitude and direction of contribution rates.

Authority for Requested Action

Code of Virginia § 51.1-124.22(A)(3) authorizes the Board to employ an actuary as its technical advisor for the administration of the Retirement System.

The above action is approved.

A. Scott Andrews, Chair
VRS Board of Trustees

Date



June 30, 2022 Annual Actuarial Valuation Results

**Presented by: Becky Stouffer, ASA, MAAA, FCA and
Jim Anderson, FSA, EA, MAAA, FCA**



We are Glad to be Here for Part II!

- GRS replicated Cavanaugh Macdonald 2021 actuarial results within tolerances
- Today's focus: 2022 Valuations – Part II
- GRS incorporated “Best Practice” approaches



Agenda



Big Picture – Pension & OPEB

Highlights of 2022 Pension Valuations

Highlights of 2022 OPEB Valuations





BIG PICTURE

BIG PICTURE – PENSION/OPEB

Big Picture – November Meeting Content

Pension	Other Post-Employment Benefits (OPEB)
Political Subdivisions	Health Insurance Credit (HIC) <ul style="list-style-type: none">• Political Subdivisions• Constitutional Officers• Social Services Employees• Registrars
	Virginia Sickness and Disability Program
	Virginia Local Disability Program <ul style="list-style-type: none">• Political Subdivisions• Teachers
	Line of Duty Act Fund LODA (separate presentation)



Big Picture: Actuarial Valuation Results

- June 30, 2022 Actuarial Valuations of VRS Pension and OPEB plans are informational
 - Measure funding progress as of June 30, 2022
 - Develop inputs for use in June 30, 2023 valuations

Odd year valuations determine contribution rates for 2 years



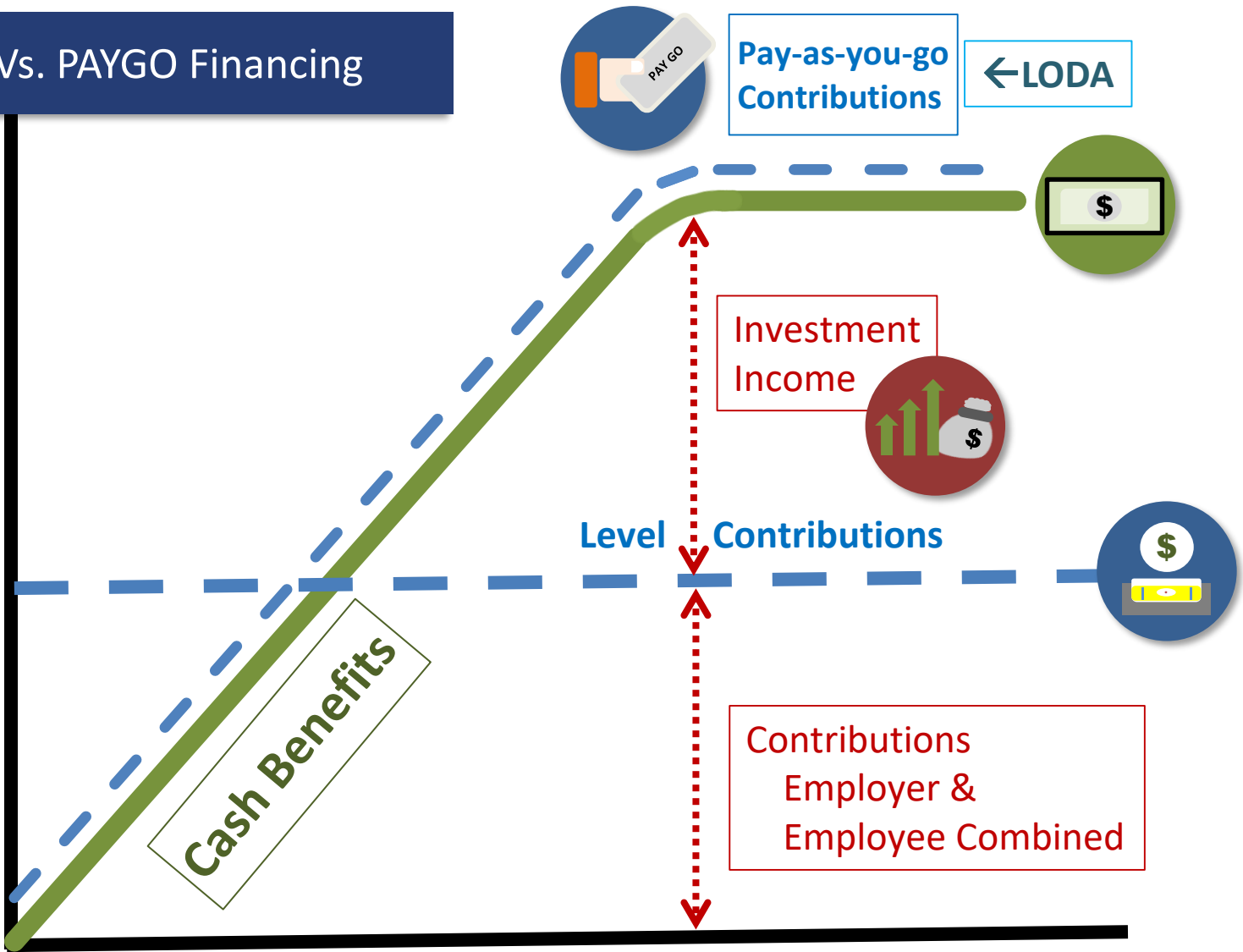
Big Picture: General Funding Objectives

- Intergenerational equity with respect to plan costs
- Stable or increasing ratio of assets to liabilities
- Stable pattern of contribution rates



Pre-funding Vs. PAYGO Financing

% of Active Employee Pays

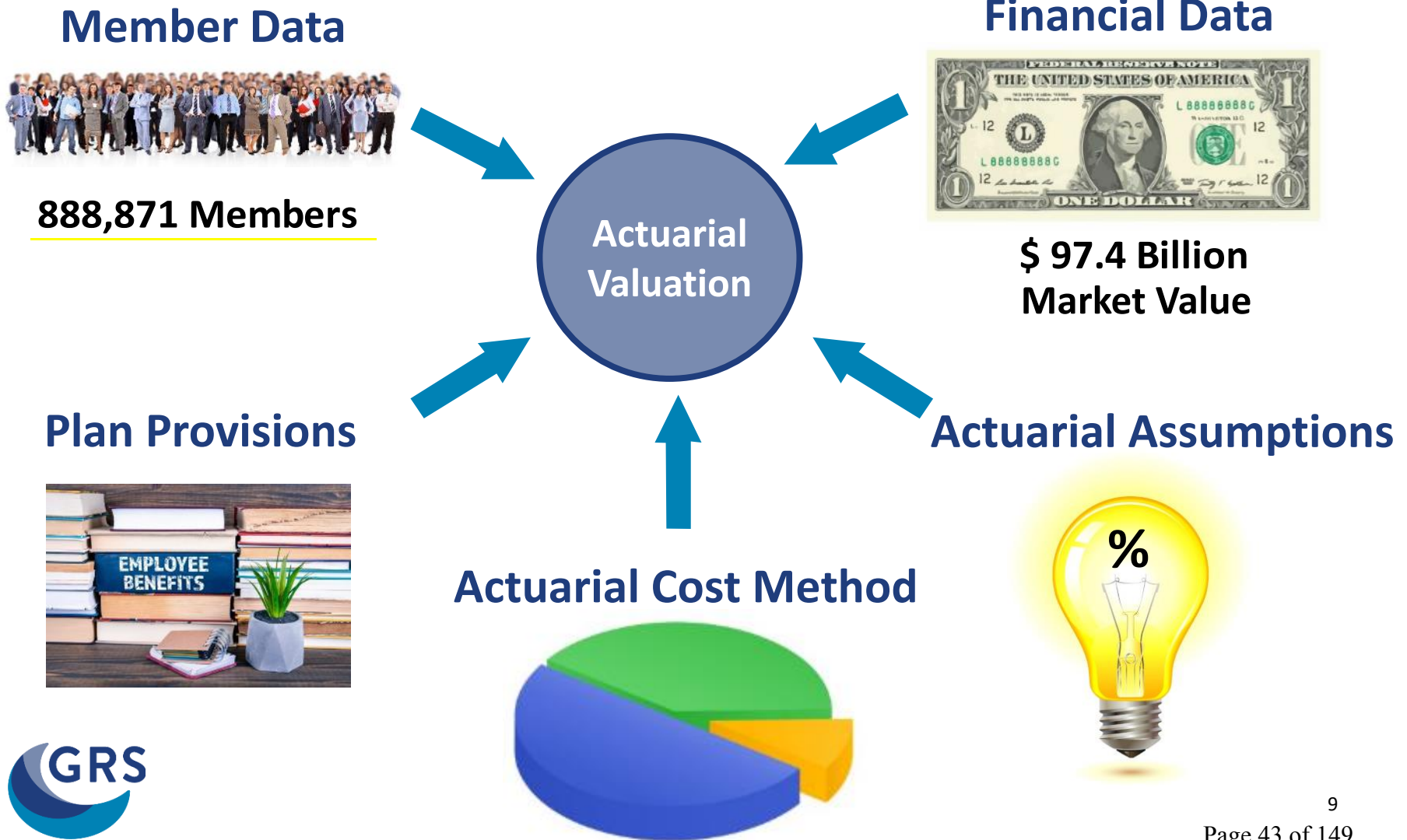



Start

50 Years of Time



Actuarial Valuation Process – Statewide Pension and Political Subdivisions



The background of the slide features three spotlights mounted on a ceiling, casting beams of light onto a white podium on a stage. The scene is set against a blue gradient background.

JUNE 30, 2022

VALUATION RESULTS HIGHLIGHTS

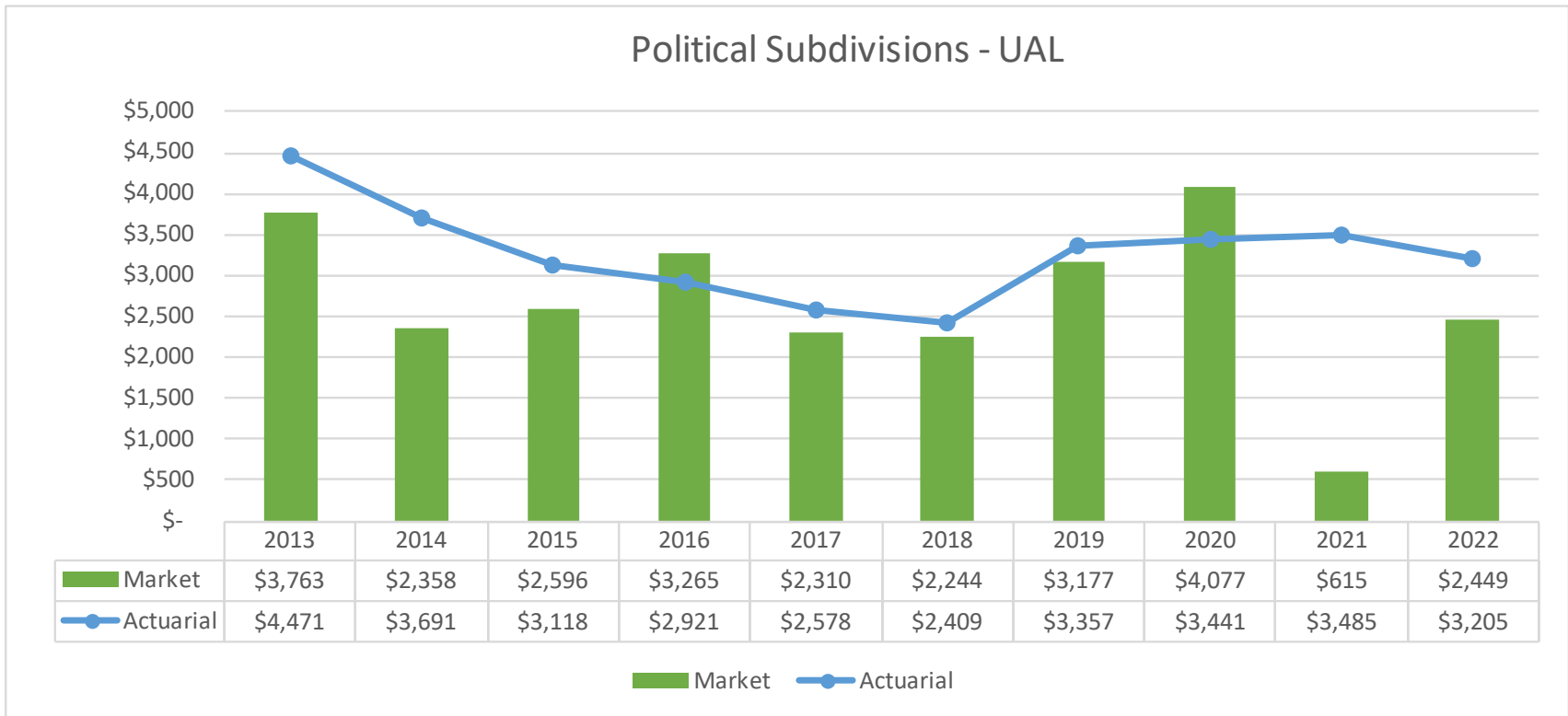


Active Participants at June 30, 2022

System	Plan 1	Plan 2	Hybrid	Total 2022	Total 2021	Percent Change
State	26,621	13,083	34,344	74,048	73,686	0.5%
Teachers	58,598	27,974	66,784	153,356	149,793	2.4%
SPORS	969	916	-	1,885	1,947	-3.2%
VaLORS	2,123	5,166	-	7,289	7,823	-6.8%
JRS	154	45	262	461	453	1.8%
Pol. Sub.	34,446	30,856	44,604	109,906	108,613	1.2%
Total	122,911	78,040	145,994	346,945	342,315	1.4%



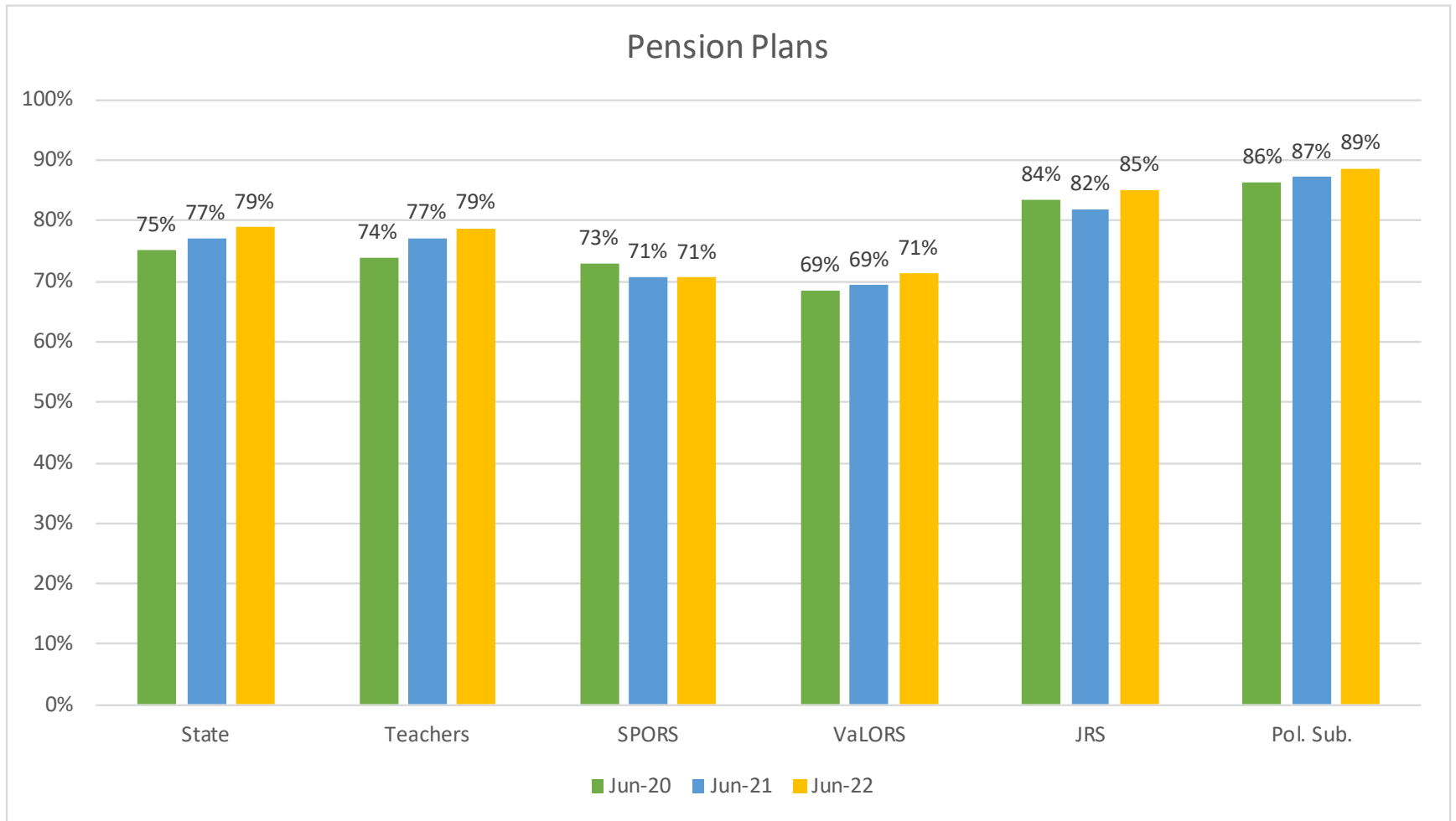
Why We Smooth Asset Returns



Phased-in asset gains dampened the impact of VRS 2021-2022 asset experience falling short of the assumed rate of return



Funded Status (AVA) – Pension Plans



Funded Status (AVA) – Pension Plans, Political Subdivisions

Funded Status as of June 30, 2022 for 598 Employers

Average Funded Status

96.8%

Pol. Sub. With
no Enhanced
Hazardous Duty

Average Funded Status

86.8%

Pol. Sub. With
Enhanced
Hazardous Duty

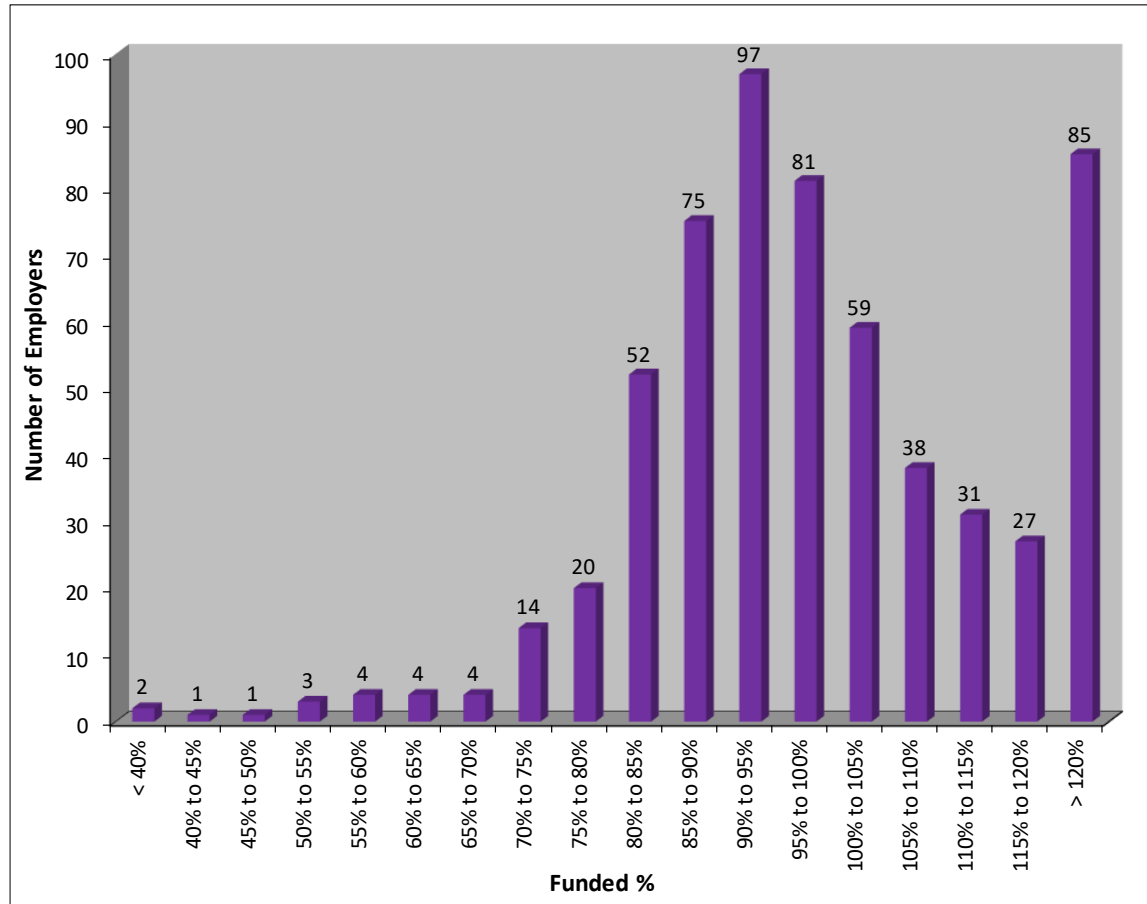


Chart shows Funded status distribution, 33 employers <75% to 240 employers > 100%
The chart above shows 598 employers; employers with 0 actives are excluded.



Calculated Employer Contributions

- Will vary significantly for System, Plan and Employer based on:

Benefit Features

Demographics

Funded Status

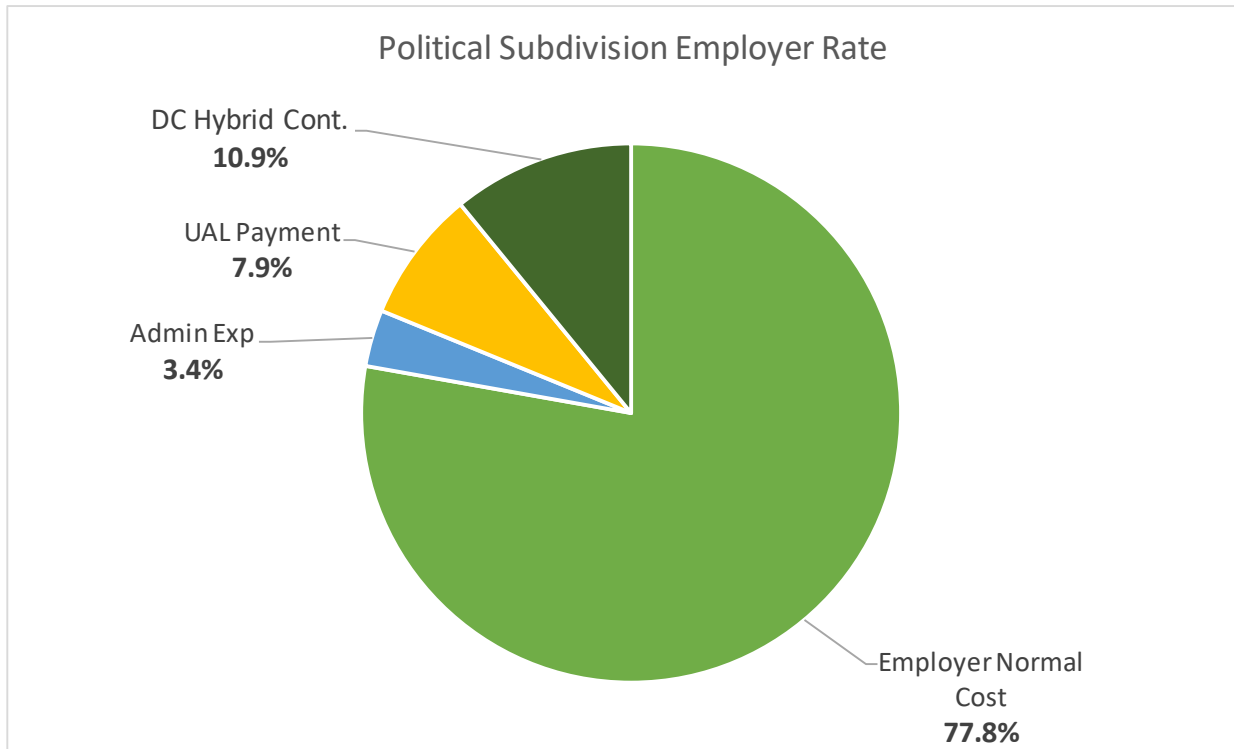


- Two Components:

Normal Cost – this represents the cost of the current year benefit earned by each active member

Amortization of Unfunded Liability – uses a systematic method (funding policy) to pay off the unfunded liability for each employer

Calculated Pension Contributions – Political Subdivisions Average Employer Rate



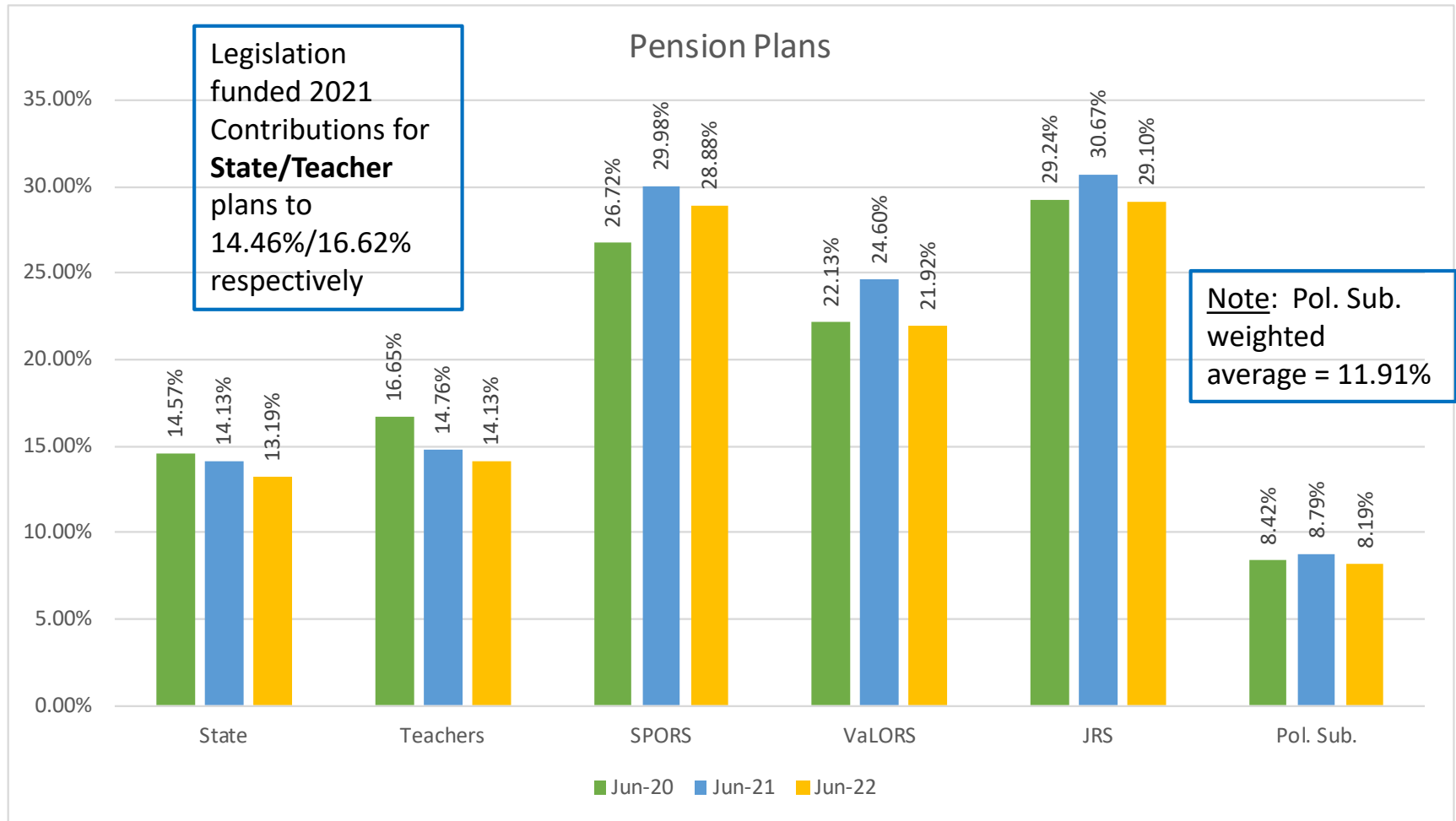
Normal Cost ultimately decreases to Plan 2/Hybrid level

Component	% of Pay
Employer NC	6.37%
Admin Exp	0.28%
UAL Payment	0.65%
DC Hybrid Cont.	0.89%
Total:	8.19%

Note: 7.9% of aggregate Political Sub. Contribution is for UAL payment – vs. ~50% for Statewide pension plans (other than JRS)



Actuarially Determined Employer Contribution Rates – Pension Plans



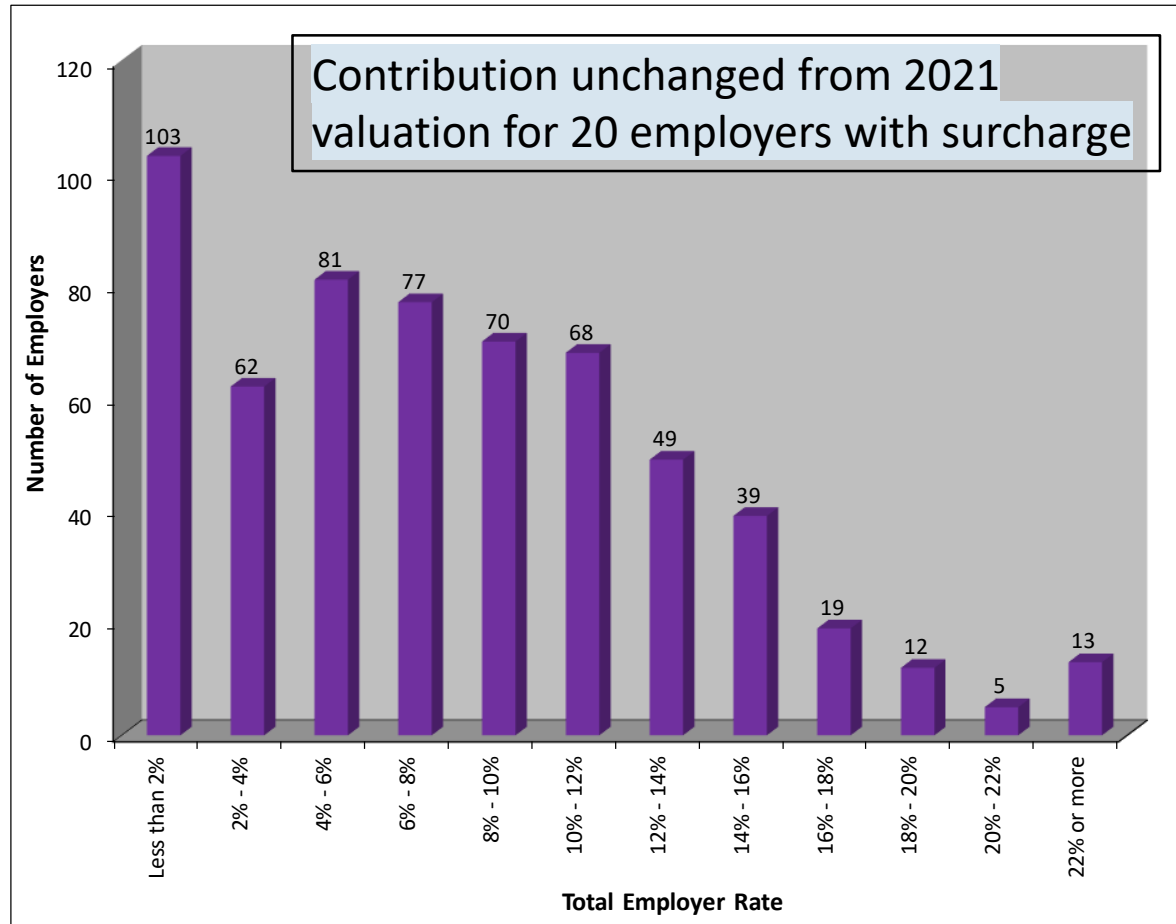
Actuarially Determined Employer Contribution (ADEC) Rates – Political Subdivisions Pension

ADEC Rate as of June 30, 2022 for 598 Employers

Average ADEC Rate

5.83%

Pol. Sub. With no Enhanced Hazardous Duty



Average ADEC Rate

13.85%

Pol. Sub. With Enhanced Hazardous Duty



The chart above shows 598 employers; employers with 0 actives are excluded.

Political Subdivisions: Pension Results Commentary

- Liability changes
 - 4 New Political Subdivisions for Pension
 - 20 Employers have surcharge
 - Arithmetic average charge = 2.8%
 - No Employers have additional funding charge
 - Changes in coverage
 - Salary and COLA experience

Pension Results Commentary

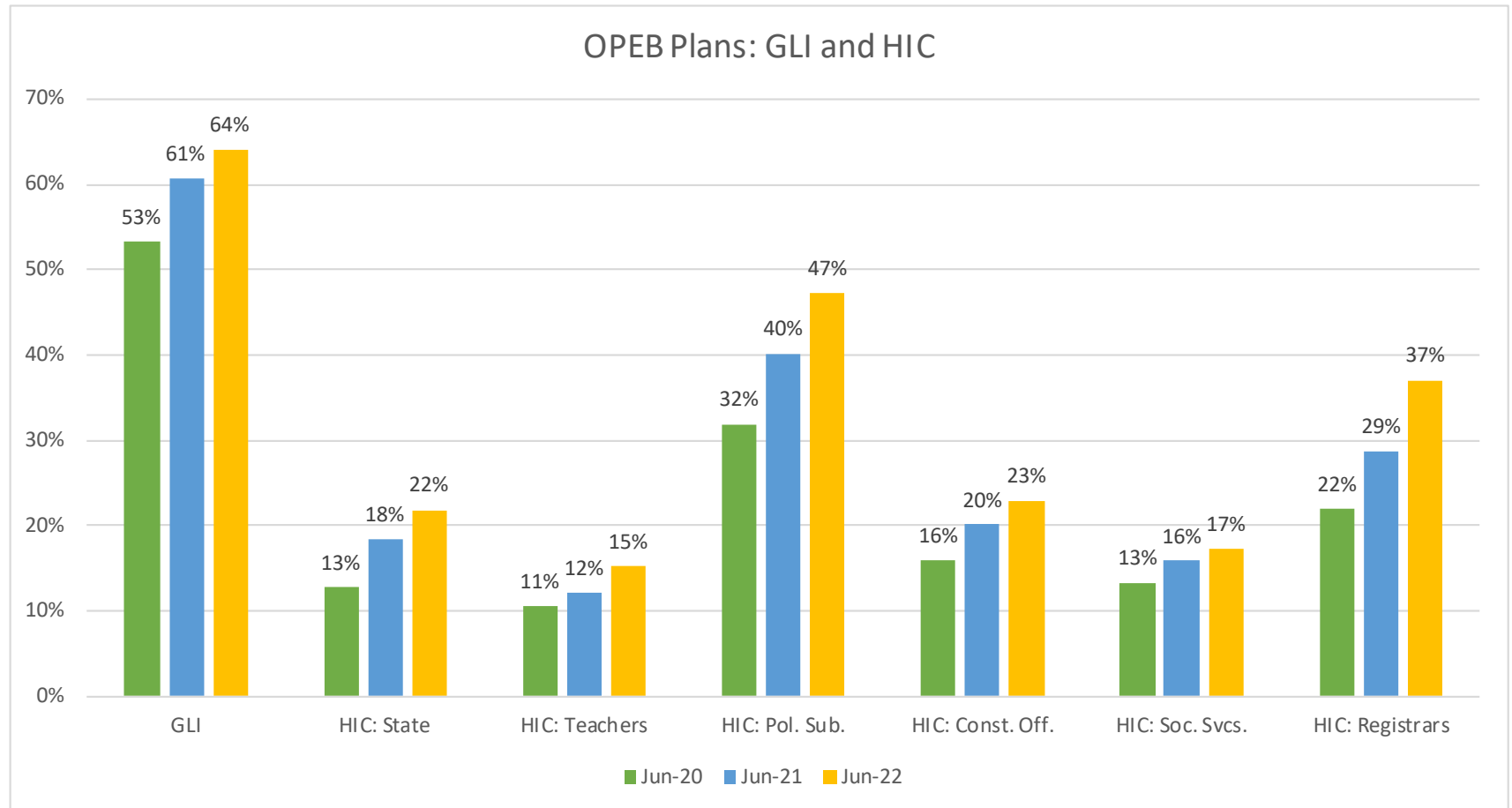
- Demographic changes vary by employer
 - Active population up slightly for Political Subdivisions in total

OPEB: HIC Allocation to Employers

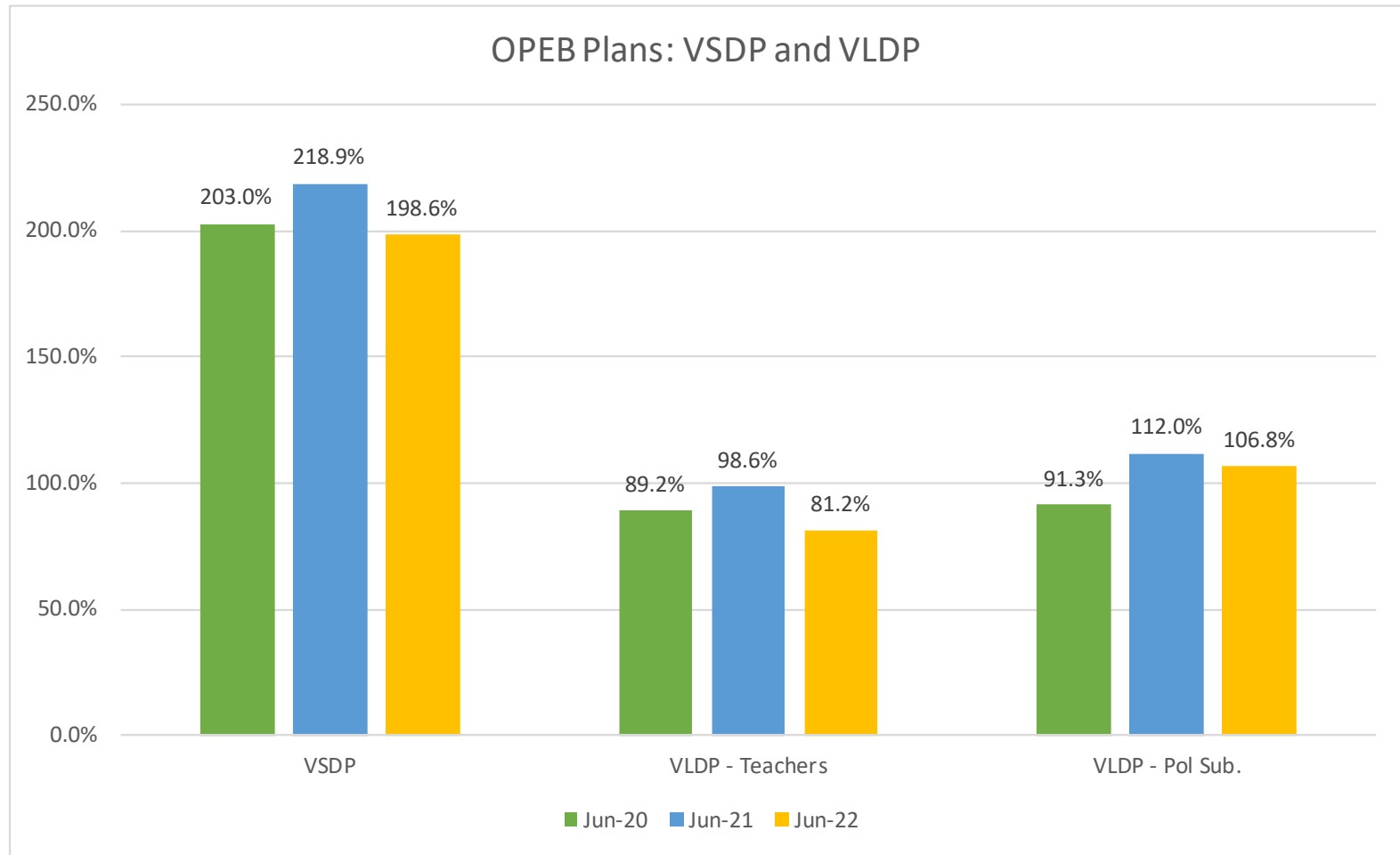
- Health Insurance Credit actual benefit payments charged back to the employer(s)
 - For each disbursement for each payee
- Prior allocation: charged last employer with HIC benefit based on total service
- Revised allocation: allocate to all employers the retiree worked for based on
 - Service
 - Accrual level



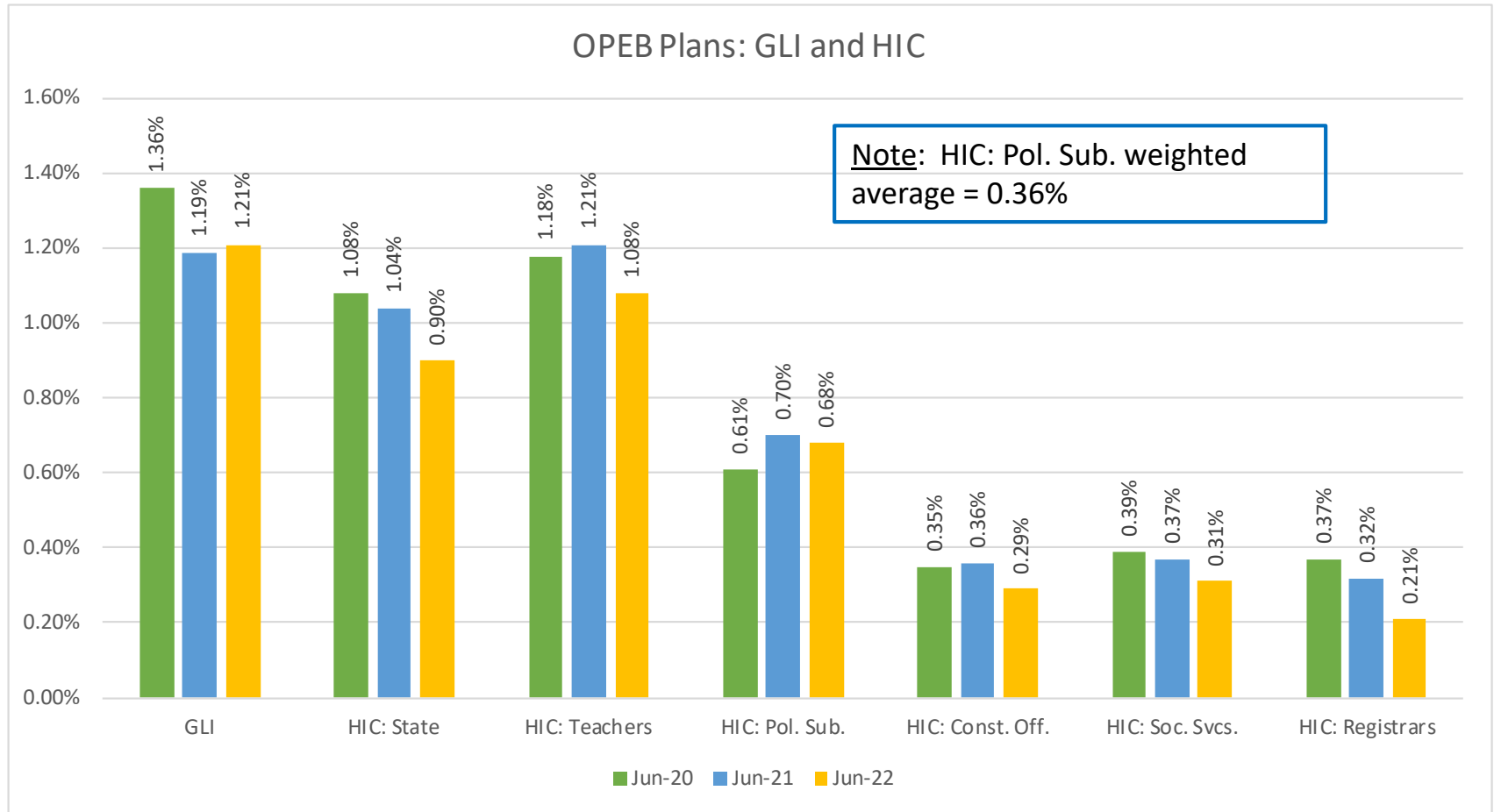
Funded Status (AVA) – OPEB Plans



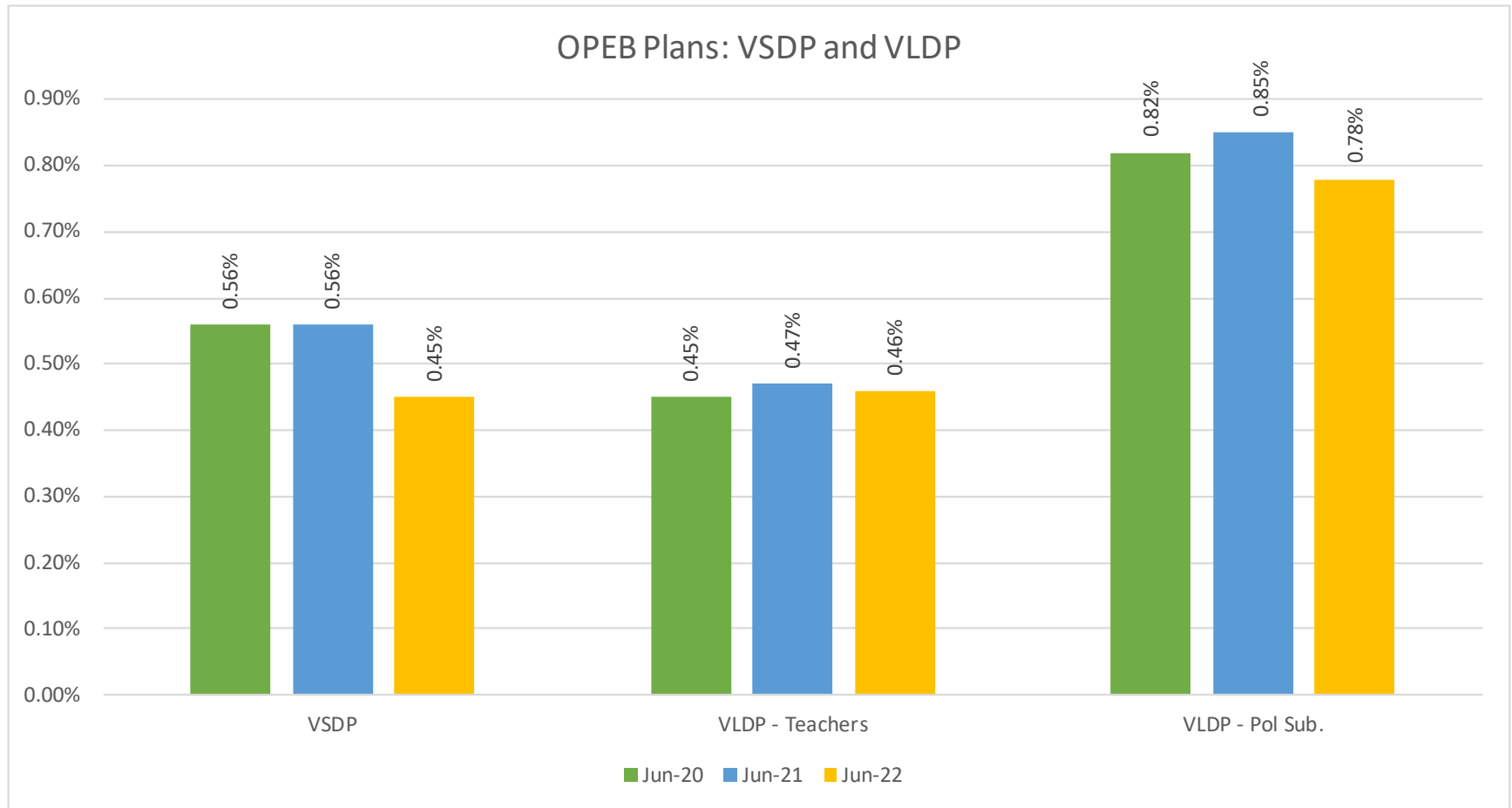
Funded Status (AVA) – OPEB Plans



Actuarially Determined Employer Contribution Rates – OPEB Plans



Actuarially Determined Employer Contribution Rates – OPEB Plans



OPEB Results Commentary

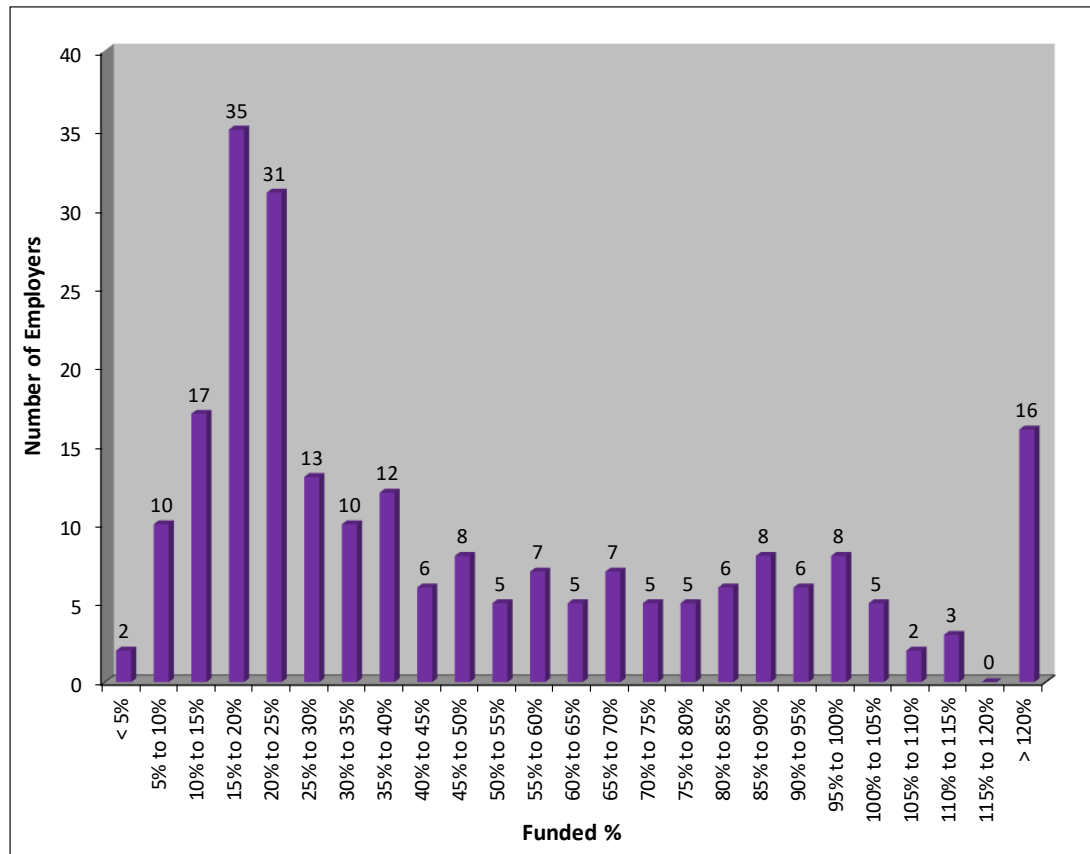
- Impact of additional \$51 million infusion in June 2022

	Additional Contribution	Funded Status Impact	Contrib. Rate Impact
HIC - State	\$8,522,746	+0.85%	-0.00%
HIC - Teachers	\$12,013,013	+0.84%	-0.01%
GLI	\$30,438,378	+0.84%	-0.01%
HIC - Constit. Off.	\$275,975	+0.83%	-0.01%
HIC - Soc. Svcs.	\$121,754	+0.82%	-0.00%
HIC – Registrars	\$6,494	+1.19%	-0.00%



Funded Status (AVA) – OPEB HIC Political Subdivisions

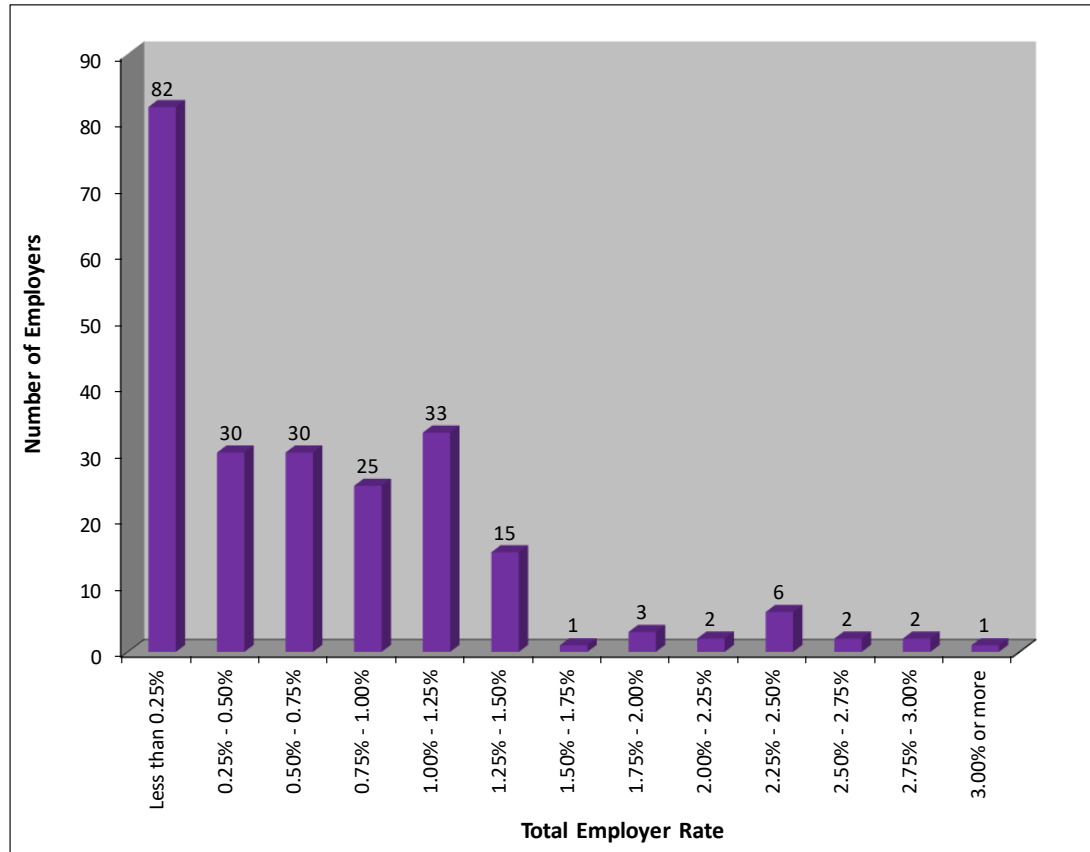
Funded Status as of June 30, 2022 for 232 Employers



The chart above shows 232 employers; employers with 0 actives are excluded.

Actuarially Determined Employer Contribution (ADEC) Rates – OPEB HIC Political Subdivisions

ADEC Rate as of June 30, 2022 for 232 Employers



The chart above shows 232 employers; employers with 0 actives are excluded.



Contribution unchanged from 2021
valuation for 161 employers with surcharge

OPEB Results Commentary

- New HIC allocation methodology
- 4 Employers have additional funding charge , average charge = 0.4%
- 161 Employers have surcharge , average charge = 0.36%

Conclusion



1. Improved Funded Status on Actuarial Asset Basis

- Despite lower than expected returns for fiscal year 2022, recognition of prior gains led to improved funded status

2. Contributions

- Lower for Pension
- Lower for OPEB

3. Looking Forward:

- Planned additional funding for 2023-2024 based on 2022 appropriation act
- Market volatility/inflation
- Continued monitoring of payroll growth and head count



THANK YOU

QUESTIONS

Disclaimers

- This presentation expresses the views of the authors and does not necessarily express the views of Gabriel, Roeder, Smith & Company.
- Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.



Disclaimers

- This presentation is intended to be used in conjunction with the forthcoming actuarial valuation reports. This presentation should not be relied on for any purpose other than the purposes described in the valuation reports.
- This presentation shall not be construed to provide tax advice, legal advice or investment advice.
- Jim Anderson and Becky Stouffer are independent of the plan sponsor, are Members of the American Academy of Actuaries (MAAA), and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.





Accept revised LODA premium for FY 2024 as recommended by the Plan Actuary, effective July 1, 2023.

Requested Action

The Board accepts the increased FY 2024 premium for the Line of Duty Death and Health Benefits Trust Fund (the LODA Fund) as recommended by the Plan Actuary for FY 2024.

Description/Background

At its November 16, 2021 meeting, the Board of Trustees certified a full-time equivalent premium rate of \$681.84 for the Line of Duty Death and Health Benefits Trust Fund for the FY 2023-2024 biennium, effective July 1, 2022.

The Plan Actuary, however, has determined that given the LODA Fund’s pay-as-you-go status, additional funds are required in order to prevent the potential for negative cash flow in fiscal year 2024. The increase is the result of several factors, with the most impactful being a drop in the Full-Time equivalent (FTE) headcount from 19,087 FTEs to 17,900 FTEs, along with an increase in the number of claims during the year. The recommendation is for an increase in the FY 2024 rate to \$830.00 effective July 1, 2023. Generally, the required dollars collected from premiums will remain relatively level over the biennium if the headcounts are static. However, because this plan has no pre-funding, in the case of a substantial drop in the FTE headcounts or unfavorable plan experience, the premium level needs to increase in order to collect the required funding to pay expected benefits for the upcoming year.

Rationale for Requested Action

The Board typically certifies LODA premiums on a biennial basis but is authorized to determine participating employer contribution rates required for the LODA Fund. In addition, by Code the Line of Duty Death and Health Benefits Trust Fund premiums are developed on a current disbursement or pay-as-you-go basis. Because the Line of Duty Act is not part of the VRS pension plan, under the exclusive benefit rule the VRS trust fund cannot be used to fund benefits and there is no other source of funds to make benefit payments other than the annual premiums, Health Insurance Credit reimbursements, and any investment earnings.

Authority for Requested Action

Code of Virginia § 9.1-400.1 authorizes the Board to set the participating employer contribution rates for the Line of Duty Death and Health Benefits Trust Fund.

The above action is approved.

A. Scott Andrews, Chair
VRS Board of Trustees

Date



**June 30, 2022
Annual Actuarial
Valuation Results –
Line Of Duty Act Fund**

**Presented by: Becky Stouffer, ASA, MAAA;
Jim Anderson, FSA, EA, MAAA; and Kurt Dosson, ASA, MAAA**



November 15, 2022

Agenda

- Big Picture – Line Of Duty Act Fund
- Highlights of 2022 Valuation
- Appendix



A man in a dark suit and light blue shirt is pointing his right index finger towards the camera. The background is a blurred cityscape with digital overlays. On the right side, there are three circular icons: a group of three people, a money bag with a dollar sign, and a lightbulb with a magnifying glass. The text 'BIG PICTURE' is overlaid in large, white, bold letters with a blue glow effect.

BIG PICTURE

BIG PICTURE - Line Of Duty Act Fund

Big Picture: Line Of Duty Act Fund (LODA)

- GRS replicated Cavanaugh Macdonald 2021 actuarial results within tolerances
- Today's focus: 2022 Valuation
- GRS incorporated “Best Practice” approaches
 - Tweaks, not major changes



Big Picture: Actuarial Valuation Results

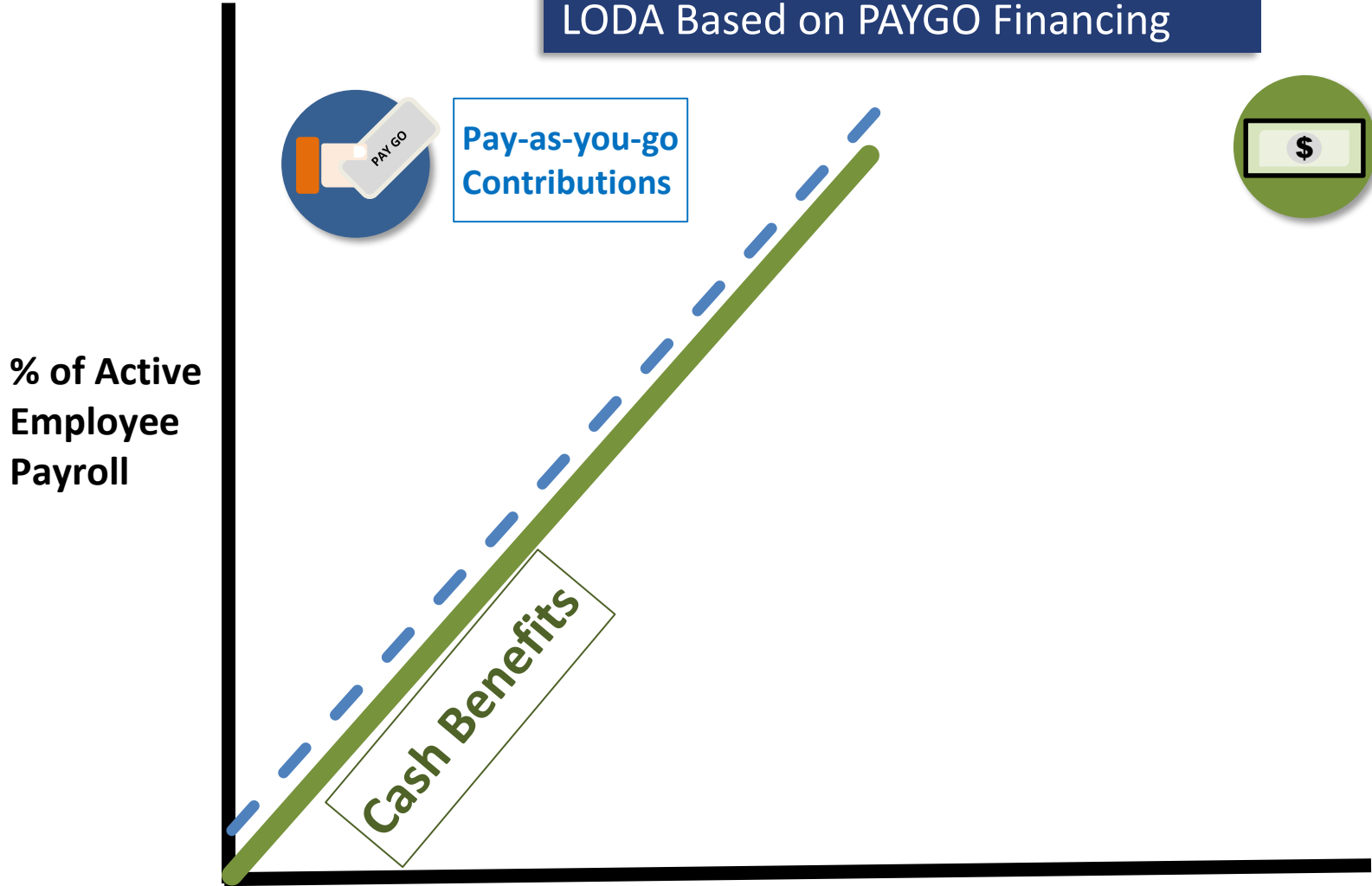
June 30, 2022 LODA Actuarial Valuation develops

1. Generally develops informational Pay-As-You-Go (PAYGO) rate per Full Time Equivalent (FTE) Employee
2. Actuarially Determined Employer Contribution (for accounting purposes only)

Odd year valuations
determine LODA PAYGO Rate
for 2 years



A Different Approach: LODA Based on PAYGO Financing



% of Active
Employee
Payroll

Start

Years of Time



Big Picture: Line Of Duty Act Fund (LODA)

- Pay-As-You-Go Financing
 - Required for participating employer contributions by Section 9.1-400.1 of the *Code of Virginia*
 - Costs
 - Death and health care premium payments from Department of Human Resource Management (DHRM)
 - Health Insurance Credit (HIC) reimbursements (used to offset claims)
 - Administrative expenses



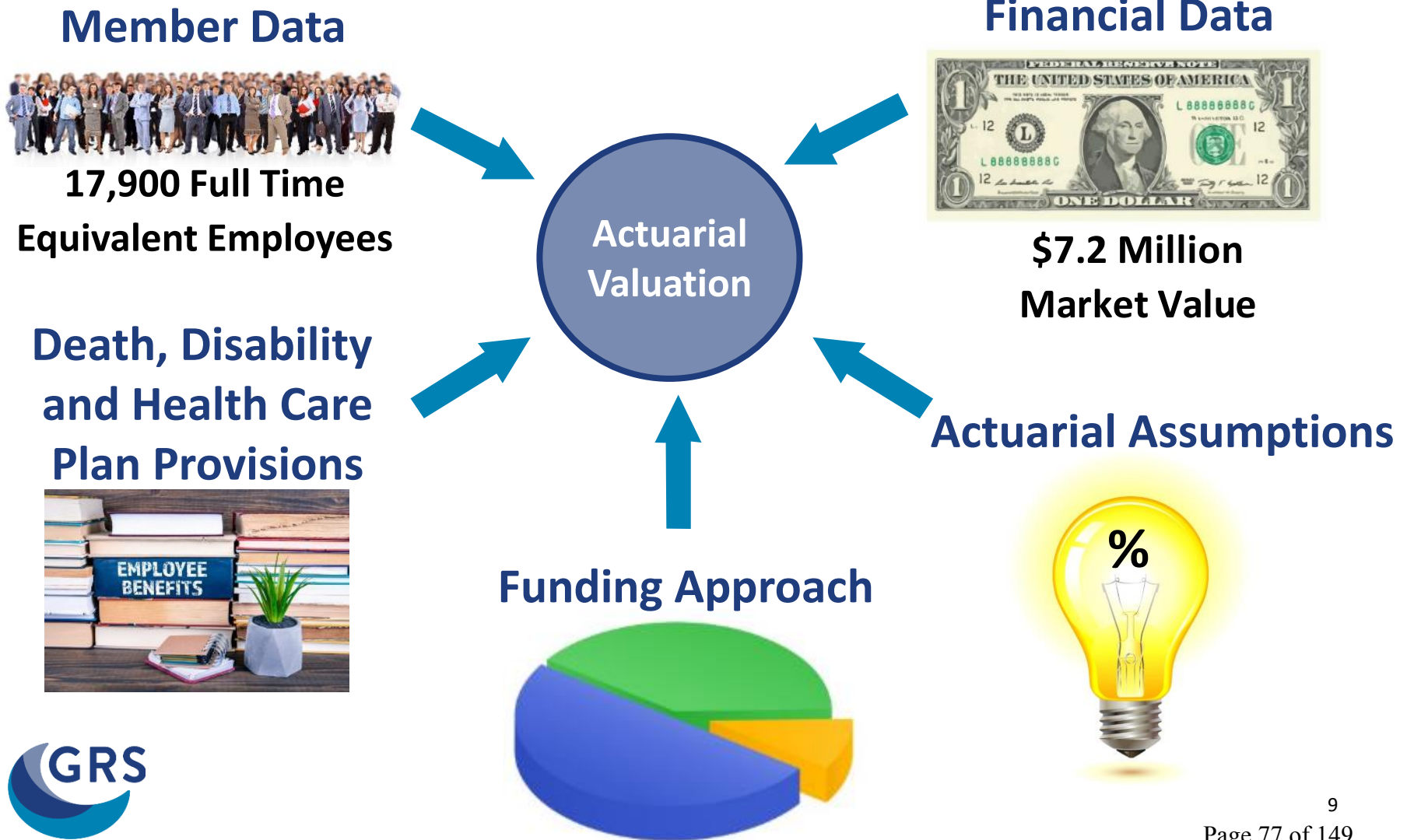
Big Picture: Line Of Duty Act Fund (LODA)


- Project benefit payments for future years
 - Plan covers the cost of health care premiums for current beneficiaries
 - Cover the cost of any new claims that are expected to occur during the year (new health care premiums & death claims)
- Set Employer contributions per Full Time Equivalent (FTE) so that
 - Assets sufficient to cover costs for a two year period with some cushion



Actuarial Valuation Process

Line of Duty Act Fund



Three spotlights are positioned at the top of the frame, casting beams of light onto a white podium on a stage. The background is a solid blue color.

JUNE 30, 2022

VALUATION RESULTS HIGHLIGHTS



Active Participants

Employer Group	Weight	FY 2021 Counts	FY 2022 Counts
State/VaLORS/SPORS	100%	9,577	8,701
National Guard*			
Full-Time	100%	1,044	1,044
Part-Time	10%	752	752
<i>Total State & National Guard</i>		11,373	10,497
Participating Political Subdivisions			
Full-Time	100%	7,106	6,875
Volunteers	25%	608	528
<i>Total Pol. Sub. Employees</i>		7,714	7,403
<i>Aggregated Total</i>		19,087	17,900

*National Guard counts unchanged – Dept. of Military Affairs did not provide 2022 data



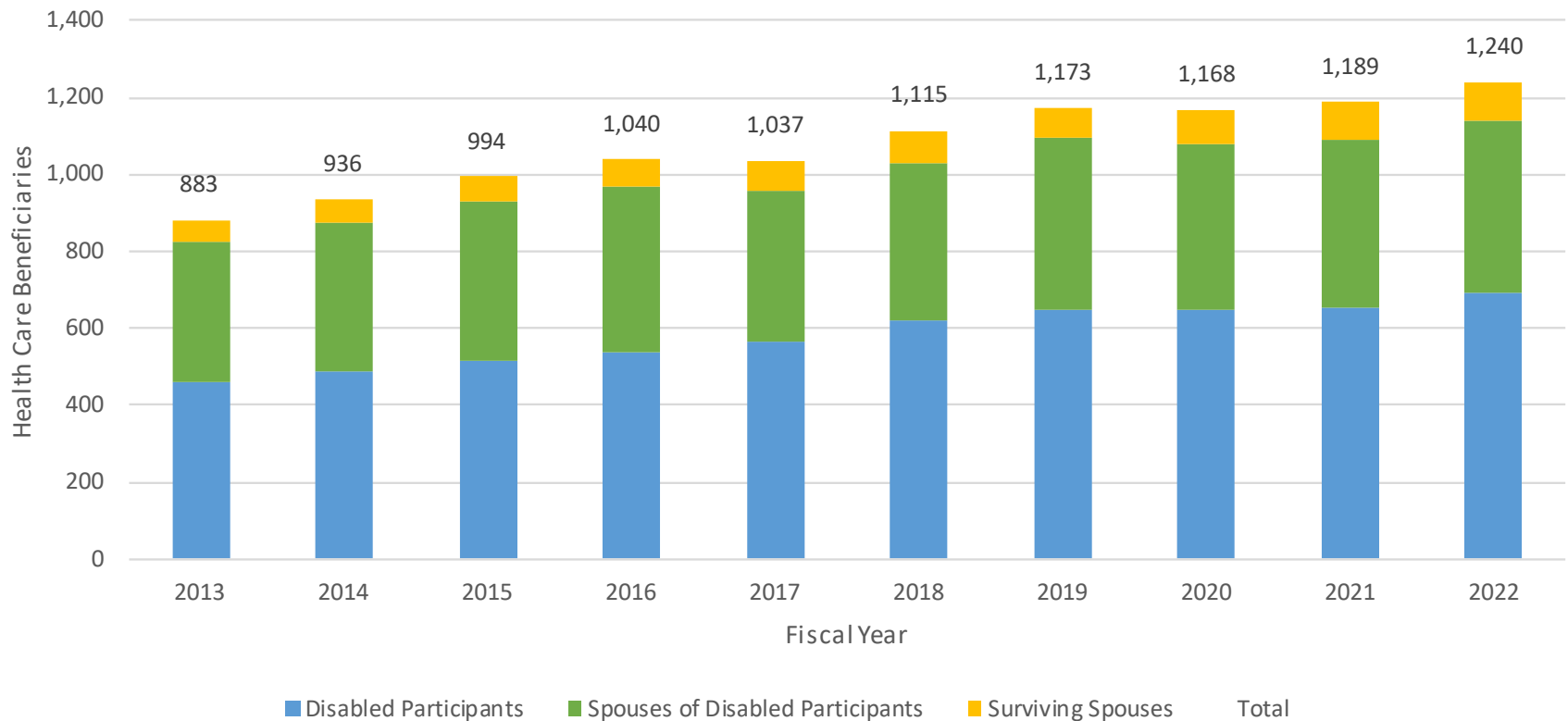
Health Care Beneficiaries

Beneficiary Type	Total 2021	Total 2022
Disabled Participants	653	691
Spouses of Currently Disabled Participants	440	449
Surviving Spouses	96	100
Total	1,189	1,240



Health Care Beneficiaries: 10-year History

LODA Fund - Health Care Beneficiaries



Health Care Premiums

Health care costs based on premium amounts invoiced by DHRM for those receiving LODA benefits

- Premium amounts reflect recent claims experience of current LODA beneficiaries

Assumed trend for future health care costs

- Pre-65: 7% initially, decreasing 0.25% over 9 years to a 4.75% ultimate rate
- Post-65: 5.25% initially, decreasing to 5.125%, 5%, and to a 4.75% ultimate rate



Initial Monthly Per Capita Costs – Provided by DHRM

FY 2023				
Membership Level	LODA Plan Current LODA Employment	LODA Plan Former LODA Employment	Medicare Primary	Medicare Part B Premium
Single	\$1,084	\$1,119	\$296	\$164.90
Two Person	\$1,850	\$1,882	N/A	N/A
Family (3 or more family members)	\$2,623	\$2,653	N/A	N/A

FY 2022				
Membership Level	LODA Plan Current LODA Employment	LODA Plan Former LODA Employment	Medicare Primary	Medicare Part B Premium
Single	\$1,016	\$1,049	\$293	\$170.10
Two Person	\$1,733	\$1,764	N/A	N/A
Family (3 or more family members)	\$2,458	\$2,486	N/A	N/A

- For pre-Medicare members, premiums increased ~6.7% vs. 7.0% expected.
- For Medicare eligible members, premiums increased ~1.0% vs. 5.25% expected.
- The projected 2023 Medicare Part B premium reflects a decrease of ~3.1% from 2022.



Market Value Assets: June 30, 2021 - June 30, 2022

Line of Duty Act:

Beginning balance	7,552,697
-------------------	-----------

Additions:

Member contributions	-
Employer contributions	13,770,559
Health Insurance Credit Offset	474,802
Miscellaneous revenue	177,000
Total additions	14,422,361

Deductions:

Line of Duty Act reimbursements	
Health Care Benefits	13,987,376
Death Benefits	125,000
Administrative expenses	782,350
Non-Participating Employer Administrative Expenses	128,250
Other expenses	-
Total deductions	15,022,976

Investment Income (Net)	261,657
-------------------------	---------

Ending balance	7,213,739
-----------------------	------------------

LODA fund assets expected to earn 6.75% return



Putting It All Together: Development of LODA Employer Costs Per FTE

- Combine
 - Demographics of group as of June 30, 2022
 - Health care premium rates as of June 30, 2022
 - Health care trend and other actuarial assumptions
 - Health Insurance Credit (HIC) Program Reimbursements
 - Administrative Expenses
 - Net fiscal year 2022 amount is \$782,350, assumed to increase at 3% per annum for future years



Putting It All Together: Fiscal Year 2023-2024

Results Based on Scheduled Contribution

	FY 2023	FY 2024
FTE Employees		
- Expected (2021)	19,087	19,087
- Informational (2022)	17,900	17,900
Employer Contributions*	\$ 13,254,190	\$ 12,204,731
Benefit Costs	(15,211,889)	(17,239,265)
Miscellaneous Revenue	50,213	51,719
Administrative Expenses	(805,821)	(829,996)
Investment Income	395,353	134,283
Net Cash Flow	(2,317,954)	(5,678,527)
End of Year Position	\$ 4,895,786	\$ (782,742)

*Based on scheduled contribution for Fiscal Year 2023

Due to projected end of year deficit an adjusted 2024 rate is needed to ensure the plan will have funds available to pay benefits.



Putting It All Together: Fiscal Year 2023-2024

Results for 1-month Benefit Reserve at FYE 2024

	FY 2023	FY 2024
FTE Employees		
- Expected (2021)	19,087	19,087
- Informational (2022)	17,900	17,900
Employer Contributions*	\$ 13,254,190	\$ 14,821,207
Benefit Costs	(15,211,889)	(17,239,265)
Miscellaneous Revenue	50,213	51,719
Administrative Expenses	(805,821)	(829,996)
Investment Income	-	195,903
Net Cash Flow	(2,713,307)	(3,000,432)
End of Year Position	\$ 4,500,432	\$ 1,500,000

*Based on scheduled contribution for FY 2023 and \$830/FTE for FY 2024

Adjusted rate was developed assuming no investment income during 2023 and includes a 1-month reserve at year end



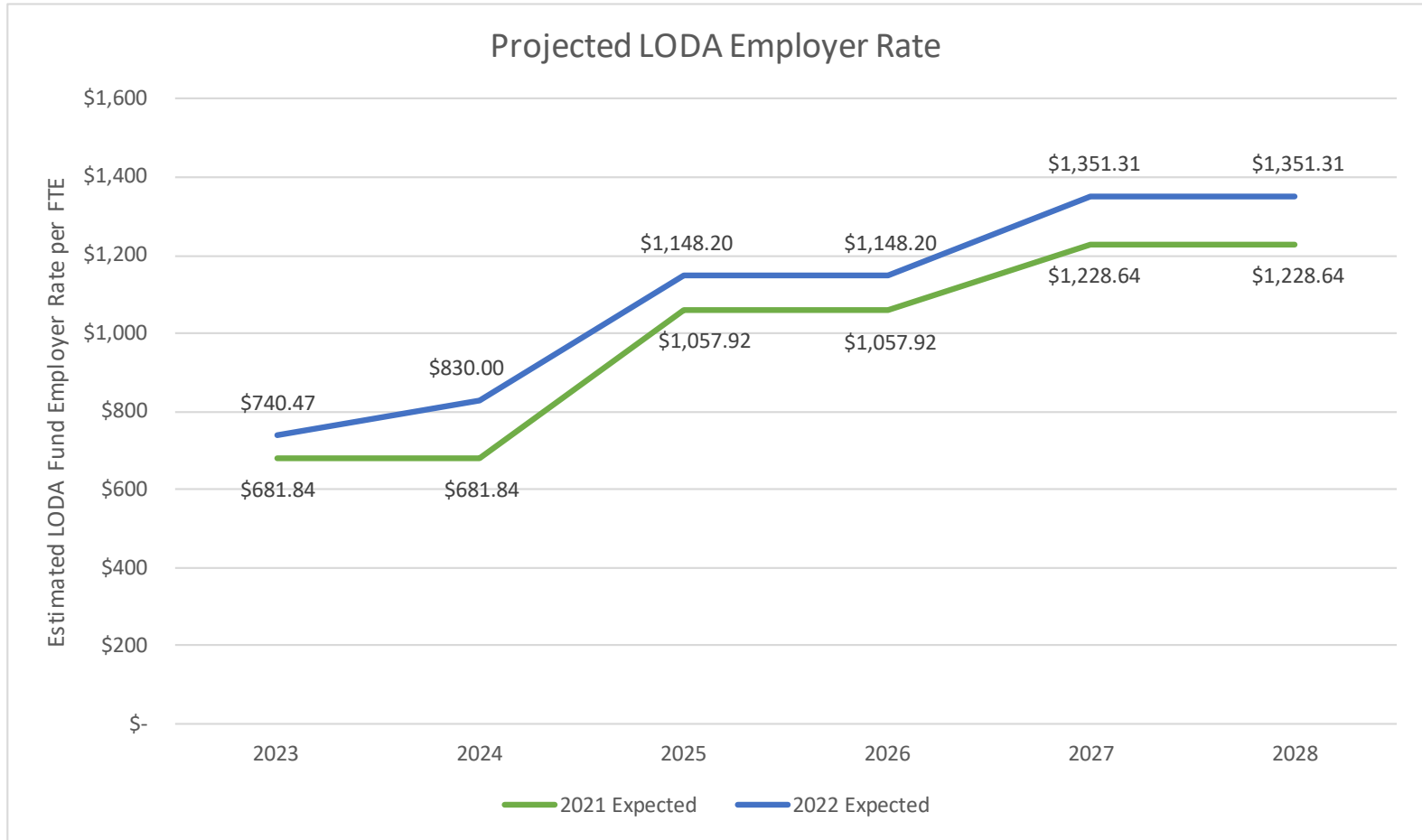
Putting It All Together: LODA Rate History

Valuation Date	Fiscal Year	Board Certified Rate	Adjusted Rate	Informational Rate
6/30/2022	2024	\$681.84	\$830.00 ¹	\$732.57 ¹
6/30/2021	2023	681.84	N/A	N/A
6/30/2020	2022	695.18	\$722.55	758.03
6/30/2019	2021	695.18	717.31	N/A
6/30/2018	2020	705.77	N/A	729.25
6/30/2017	2019	705.77	N/A	N/A

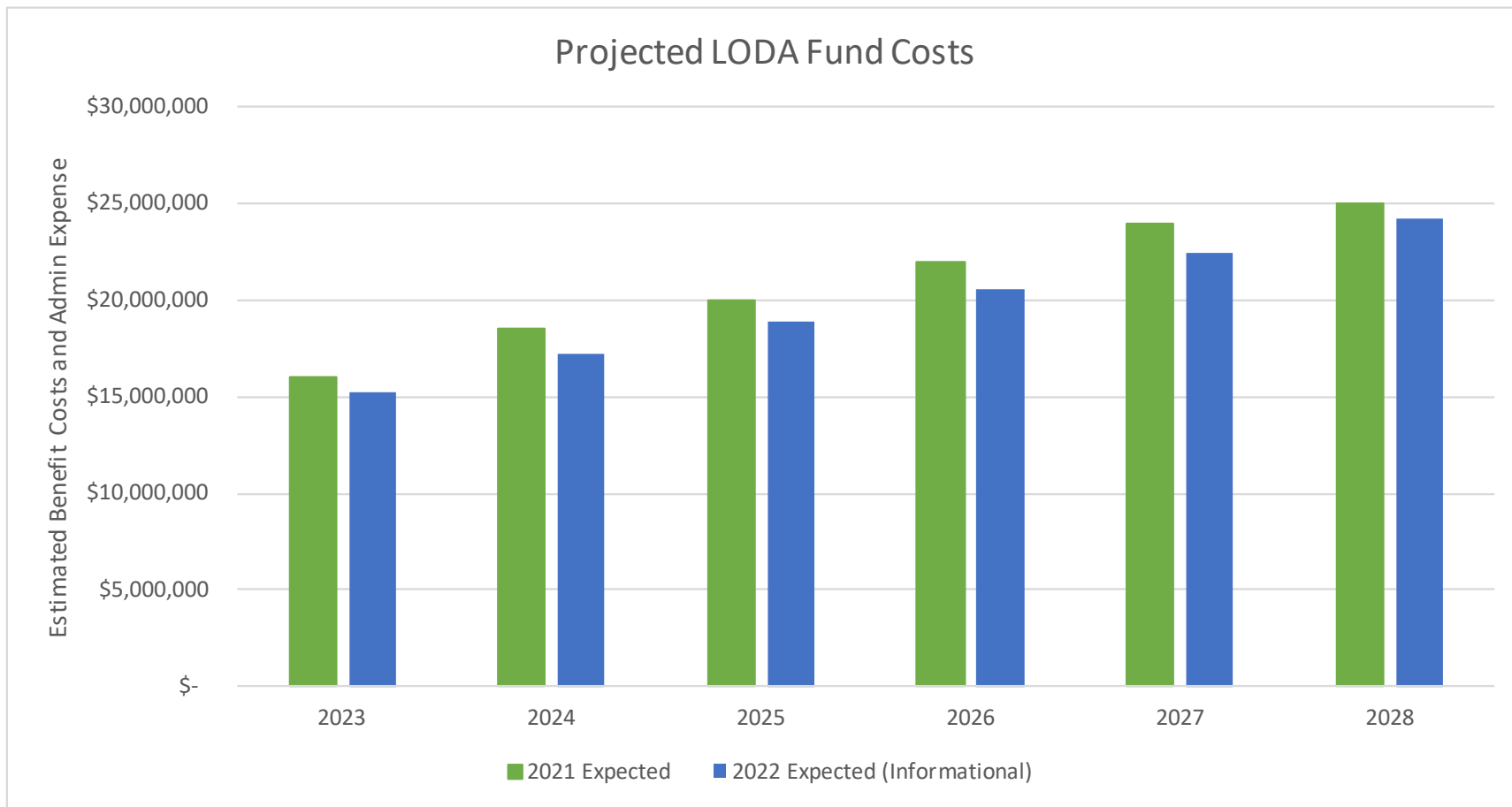
¹ Informational rates based on June 30, 2022 valuation



Putting It All Together



Putting It All Together: Projected Benefit Payments



LODA: Conclusions

- LODA Fund contributions are likely to increase annually, due to
 - PAYGO financing approach
 - Health care inflation
 - Increasing number of beneficiaries
 - Static/Decreasing FTE employee count



THANK YOU

QUESTIONS

Disclaimers

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Amend Board governance documents to reflect the renaming of the Administration and Personnel Committee to the Administration, Finance and Talent Management Committee.

Requested Action

The Virginia Retirement System Board of Trustees approves amendments to its Governance Policy; the Administration and Personnel Committee charter; the Audit and Compliance Committee charter; and, the Code of Ethics and Conduct to accommodate the change in the name of the Administration and Personnel Committee to the Administration, Finance and Talent Management Committee.

Description/Background

At its September 14, 2022, meeting, the Administration and Personnel Committee agreed to recommend to the Board that its name be changed to the **Administration, Finance and Talent Management Committee**. There are several governance-related documents that require amendments.

The affected documents are:

- Board Governance Policy;
- Administration and Personnel Committee charter;
- Audit and Compliance Committee charter; and
- Code of Ethics and Conduct.

In accordance with its duties under the Administration and Personnel Committee charter, the Administration and Personnel Committee reviewed the Board’s Governance Policy, the two affected committee charters, the Code of Ethics and Conduct and the proposed amendments. The Administration and Personnel Committee concurs with and recommends the proposed amendments.

In accordance with the Board’s Governance Policy, the Administration and Personnel Committee presented the proposed Governance Policy and committee charter amendments at a prior Board meeting to allow the changes to be voted on for final approval at today’s meeting.

Authority for Requested Action

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

The above action is approved.

A. Scott Andrews, Chair
VRS Board of Trustees

Date

BOARD OF TRUSTEES GOVERNANCE POLICY

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BOARD OF TRUSTEES GOVERNANCE POLICY

I. PURPOSE

This Governance Policy is established to:

- A. Set forth the policies and procedures pursuant to which the Board of Trustees will fulfill its statutory and fiduciary responsibilities;
- B. Ensure that the Board will perform its functions in a manner that is consistent with and in furtherance of the principles set forth below; and
- C. Facilitate the organized, efficient, and cohesive functioning of the Board.

II. AUTHORITY

Title 51.1 of the *Code of Virginia* establishes the Virginia Retirement System (“VRS”) as an independent agency of the Commonwealth, and sets forth the purpose, powers, and duties of the Board of Trustees (the “Board”) relative to its responsibilities as administrator and trustee of the retirement systems and plans provided for therein and in Article X, Section 11 of the Constitution of Virginia.

Pursuant to Title 51.1, the Board administers and is trustee of the funds of the Virginia Retirement System Trust, including Plan 1, Plan 2, the defined benefit component of the Hybrid Retirement Plan, and Plan 1 and Plan 2 hazardous duty benefits for political subdivision employees; the State Police Officers’ Retirement System Trust, including Plan 1 and Plan 2; the Virginia Law Officers’ Retirement System Trust, including Plan 1 and Plan 2; the Judicial Retirement System Trust, including Plan 1 and Plan 2, and the defined benefit component of the Hybrid Retirement Plan for judges; the Virginia Sickness and Disability Program (VSDP) Trust for state employees, including VSDP long-term care; the Virginia Local Disability Program (VLDP) Trust for eligible school division and political subdivision employees, including VLDP long-term care; a disability retirement option for certain members not covered under VSDP or VLDP; the Hybrid 457 Deferred Compensation Plan; the Hybrid 401(a) Cash Match Plan; the Optional Retirement Plan for Political Appointees, the Optional Retirement Plan for School Superintendents, the Optional Retirement Plan for Employees of Higher Education (ORPHE); the Commonwealth of Virginia 457 Deferred Compensation Plan; the Virginia Cash Match Plan; the Virginia Supplemental Retirement Plan; the Group Life Insurance Program; the Retiree Health Insurance Credit Program; and the Line of Duty Death and Health Benefits Trust Fund.

In addition, pursuant to Title 51.1, the Board administers or has substantial oversight responsibilities for the Benefit Restoration Plan, the Commonwealth of Virginia Voluntary Group Long Term Care Insurance Program, and the Volunteer Firefighters' and Rescue Squad Workers' Service Award Fund Program, as well as benefit eligibility determinations under the Line of Duty Act in Title 9.1.

III. PRINCIPLES

A. COMMITMENT:

The Board is dedicated to seeing that VRS accomplishes its mission and fulfills its vision. These are:

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

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

B. GOVERNING STYLE:

1. To achieve its commitment, the Board will govern with an emphasis on:
 - a) Outward vision and strategic leadership rather than administrative focus;
 - b) Encouraging diversity of viewpoints;
 - c) Maintaining a clear distinction between the roles of the Board and those of the Director, the Chief Investment Officer, and the Audit Director;
 - d) Collective determination rather than individual decision-making; and
 - e) Being proactive rather than reactive.
2. Accordingly, in all of its deliberations, actions, and decisions, the Board will be guided by the following principles:
 - a) The Board's focus will be to set long-term objectives and goals for members, retirees and beneficiaries, not on day-to-day administrative operations;
 - b) The Board will set broad organizational values and perspectives to guide VRS staff;
 - c) The Board will exercise whatever self-discipline is needed to govern with excellence. Discipline will apply to matters such as preparation for meetings, attendance, policy-making principles, respect of clarified roles, and speaking with one voice;

- d) The Board will be accountable to the members, retirees and beneficiaries for competent, conscientious and effective accomplishment of its obligations; and no officer, individual, or committee of the Board will usurp this role or hinder this commitment.
- e) The Board will monitor its own processes and performance, and it will ensure the continuity and advancement of its governance capability by orientation of new Board members and ongoing training and development of all Board members.

IV. STRUCTURE AND FUNCTION OF THE BOARD

A. COMPOSITION

1. The members of the Board are appointed, serve, and can be removed pursuant to *Code of Virginia* § [51.1.124.20](#), as it may be amended from time to time:
 - a) The VRS Board is composed of nine members, each appointed for a term of five years. No member may serve for more than two consecutive five-year terms and, should a member be appointed to complete the remainder of a former member's term, he or she may serve only one complete five-year term thereafter.
 - b) The Governor appoints five Board members and the Joint Rules Committee of the General Assembly appoints four members of the Board. All appointments must be confirmed by the General Assembly.
 - c) Of the five members appointed by the Governor, two shall have a minimum of five years of experience in the direct management, analysis, supervision or investment of assets; one shall have at least five years of direct experience in the management and administration of employee benefit plans; one shall be a local employee; and, one shall be a faculty member or employee of a state-supported institution of higher education.
 - d) Of the four members appointed by the General Assembly, two shall have a minimum of five years of experience in the direct management, analysis, supervision or investment of assets; one shall be a state employee; and one shall be a teacher.
 - e) Board members are subject to removal from office only as set forth in sections 24.2-230 through 24.2-238 of the Code of Virginia.
2. All new Board members shall complete an orientation program as soon as practicable after the date of their appointment to the Board.
3. All Board members shall sign an affirmation pledging to uphold both the letter and the spirit of the attached Board of Trustees Code of Ethics and Conduct as

soon as practicable after the date of their appointment to the Board, and at least annually thereafter.

B. STANDARD OF CARE

As provided in Article X, Section 11 of the Constitution of Virginia:

“The General Assembly shall maintain a retirement system for state employees and employees of participating political subdivisions and school divisions. The funds of the retirement system shall be deemed separate and independent trust funds, shall be segregated from all other funds of the Commonwealth, and shall be invested and administered solely in the interests of the members and beneficiaries thereof. Neither the General Assembly nor any public officer, employee, or agency shall use or authorize the use of such trust funds for any purpose other than as provided in law for benefits, refunds, and administrative expenses, including but not limited to legislative oversight of the retirement system. Such trust funds shall be invested as authorized by law. Retirement system benefits shall be funded using methods which are consistent with generally accepted actuarial principles. The retirement system shall be subject to restrictions, terms, and conditions as may be prescribed by the General Assembly.”

The Board standard of care is further described in § 51.1-124.30 of the *Code of Virginia*:

“The Board shall discharge its duties with respect to the Retirement System solely in the interest of the beneficiaries thereof and shall invest the assets of the Retirement System with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. The Board shall also diversify such investments so as to minimize the risk of large losses unless under the circumstances it is clearly prudent not to do so.” *Code of Virginia* § 51.1-124.30.C.

“No officer, director or member of the Board or of any advisory committee of the Retirement System or any of its tax exempt subsidiary corporations whose actions are within the standard of care in subsection C above shall be held personally liable for losses suffered by the Retirement System on investments made under the authority of this chapter.” *Code of Virginia* § 51.1-124.30.D.

C. CHAIRPERSON

The Governor designates which of the nine members of the Board shall serve as chairperson, subject to confirmation by the General Assembly. In accordance with § 51.1-124.20(D) of the *Code of Virginia*, the chairperson may serve no more than two two-year terms.

The chairperson is charged with:

1. Facilitating the operation of Board meetings;
2. Reviewing proposed agendas for Board meetings;
3. Presiding over meetings of the Board;
4. When required, certifying any actions taken by the Board;
5. Communicating on behalf of the Board to outside entities interested in VRS; and
6. Performing such additional duties as provided herein or as may be set by resolution of the Board.

D. VICE-CHAIRPERSON

The vice-chairperson is a member of the Board, elected by a majority vote of the Board. The election of the vice-chairperson shall take place at the first regular meeting following the installation of a new chairperson or at the first regular meeting following the reappointment of the chairperson. The vice-chairperson is elected for a two-year term, and may be re-elected for two additional terms.

In the event of the absence or incapacity of the chairperson, the vice-chairperson shall preside over Board meetings, and shall fulfill such other duties and responsibilities of the chairperson as may be necessary.

E. SECRETARY

The Director shall act as secretary to the Board. The Director shall continue to serve as secretary until such time as he or she is unable or unwilling to continue to do so, or until such time as the Board appoints another secretary.

The Secretary to the Board has the following duties and responsibilities:

1. To maintain a current list of the membership of the Board and of each committee;
2. To notify Board members of meetings;
3. To coordinate and disseminate information to the members of the Board;
4. To maintain official minutes and records of all proceedings of the Board;
5. To respond to requests received by VRS under the Freedom of Information Act (FOIA);
6. To accept service of process on behalf of the Board;
7. To notify Board members of training and filing requirements related to the State and Local Government Conflict of Interests Act (COIA);
8. To prepare, prior to each meeting, an agenda for use by the presiding chairperson; and
9. To coordinate presentations for the Board.

F. MEETINGS/ATTENDANCE

The Board determines and approves a regular meeting schedule on an annual basis. Changes in the schedule may be made in coordination with the Board members. The Board is authorized to schedule additional meetings, if deemed necessary, after giving appropriate notice to all members of the Board and to the public.

Attendance at Board meetings is considered to be an essential element of a Board member's fiduciary responsibility. Therefore, members are expected to attend all meetings unless there are extenuating circumstances that prevent such attendance.

G. PROCEDURAL STANDARDS

1. The rules contained in the current edition of *Robert's Rules of Order Newly Revised* shall govern all proceedings of the Board and VRS committee meetings insofar as they are applicable and not inconsistent with any of the policies adopted by the Board. Special note is to be made of the rules provided for procedure in small boards which are deemed to be appropriate for use in all meetings contemplated in these policies, including meetings of all advisory, standing, and special committees.
2. Unless otherwise specified by the Board, voting by proxy is not allowed.
3. A majority of members of the Board shall constitute a quorum at Board meetings.
4. Except as otherwise specified herein, approval of an action or decision shall be by a majority of those voting.

H. RESPONSIBILITIES AND DUTIES OF THE BOARD

To fulfill its fiduciary and administrative responsibilities, the Board may, as necessary, review, monitor, and oversee the following items, among others:

1. Agency mission and vision
2. Budget vs. Actual expenditures
3. Internal controls
4. Strategic plan and objectives
5. Design of Defined Benefit plans and programs
6. Design of Group Life and other Insurance programs
7. Design of Defined Contribution programs
8. Performance of Director, Audit Director, and Chief Investment Officer
9. Investment performance
10. Funded status
11. Actuarial valuations and demographic and economic assumptions
12. Financial health of VRS through review of financial statements

To fulfill its fiduciary and administrative responsibilities, the Board shall approve the following items, among others, as needed:

1. Governance documents
2. Agency Performance Objectives
3. Agency compensation plans
4. Funding policy and contribution rates
5. Asset allocation targets (policy risk/reward parameters)
6. Allowable ranges around the policy targets
7. Total fund and program level benchmarks
8. Active risk limits relative to policy
9. Defined Benefit Plan Investment Policy Statement
10. Defined Contribution Plans Investment Policy Statements
11. Investment Belief Statements for defined benefit and defined contribution plans
12. Appointments to Standing, Special, and Advisory Committees
13. Appointment and termination of Custodian Bank
14. Appointment and termination of Plan Actuary
15. Appointment of Director, Audit Director, and Chief Investment Officer
16. Investment and administrative budgets
17. Legislation to be introduced at VRS request
18. Cost of living increases where approval is required by statute
19. Internal Audit long-term and annual work plans.

V. CONNECTION OF THE BOARD TO VRS OPERATIONS

The Board is connected to the operations, conduct, and achievements of VRS through the Director, the Chief Investment Officer, and the Audit Director.

The individuals in these three positions are appointed, employed, monitored, and evaluated directly by the Board. They constitute the Board's only link to each area of VRS. Therefore, as specified below, all authority and accountability of the VRS staff, as far as the Board is concerned, is considered the authority and accountability of one of these three people.

The Director and the Chief Investment Officer are responsible for direct operational decision making and administration of the policies and guidelines established by the Board. The power to delegate authority, to execute contracts, or sign official documents on behalf of the Board rests solely with the Board, and this authority is exercised by signature resolutions passed by the Board from time to time.

A. DIRECTOR

Pursuant to *Code of Virginia* § 51.1-124.22(A), the Board shall appoint a Director, who shall not be a member of the Board, to serve as the chief administrative officer of the VRS at the pleasure of the Board.

The Board herewith delegates to the Director full responsibility to administer the provisions of Title 51.1 of the *Code of Virginia* under the general direction of the Board and in compliance with the statutes and such policies, rules, guidelines, and procedures as the Board may adopt.

This delegation includes, but is not limited to, the following duties and authority:

1. Determining the accuracy and timeliness of all payments due to VRS;
2. Accounting for and depositing payments made to VRS;
3. Making payment and distributing funds consistent with Title 51.1 of the *Code of Virginia* and other applicable state and federal laws and regulations;
4. Responding to all correspondence regarding rights and benefits of members and employers;
5. Assisting committees of the Board in the discharge of their functions, including providing an orientation program to Board members as soon as practicable after the date of their appointment, in coordination with the CIO and Audit Director;
6. Maintaining VRS records, files, and documents;
7. Developing and maintaining communications and relationships with other state agencies, public retirement systems, and organizations involved with or having an impact on public retirement issues;
8. Representing VRS before the General Assembly and/or any of its committees and agencies on matters relating to the administration of VRS;
9. Serving as liaison with legal, medical, and actuarial professionals and third party administrators;
10. Monitoring the activities and performance of consultants and outside service providers hired by VRS;
11. Developing, approving, and monitoring progress towards completion of divisional business plans and projects;
12. Overseeing the day-to-day administrative operations of VRS;
13. Assigning duties to administrative staff;
14. Determining the appropriate organizational structure and staffing for all functions of VRS other than those performed by the investment and internal audit departments;
15. Determining administrative staff compensation within the parameters of the current compensation plan;
16. Developing, implementing, and supervising plans, policies, standards, programs, and services for applicable personnel;
17. Hiring, retaining, and terminating administrative staff;
18. Providing the Board and the Board chairperson with timely information necessary to discharge their fiduciary duties;
19. Developing, amending, and refining policies for Board approval, including, but not limited to, the following:
 - a) Strategic plan and objectives;
 - b) Service quality standards;

- c) Agency performance evaluation; and
- d) Other administrative policies;
- 20. Issuing final case decisions regarding applications for disability retirement and other matters that have been appealed pursuant to the Administrative Process Act;
- 21. Evaluating and establishing service credits;
- 22. Verifying eligibility for, computing, and paying service retirement allowances;
- 23. Determining whether to discontinue recovery of and waive overpayments, and reporting such determinations to the Benefits and Actuarial Committee when it is outside of normal business operations;
- 24. Making determinations regarding new and/or amended employer coverage;
- 25. Approving and authorizing payment of refund requests;
- 26. Adjudicating questions regarding interpretation and application of relevant law and policy;
- 27. Referring questions to the Board when the determination would be precedent-setting;
- 28. Developing and maintaining the administrative portion of the VRS budget ;
- 29. Monitoring Agency-wide expenditures versus budget;
- 30. Developing and implementing internal controls;
- 31. Coordinating with the Chief Investment Officer in such a manner as to ensure operational efficiency at both the Board and agency levels;
- 32. Absent express Board action otherwise, performing the duties of Secretary to the Board; and
- 33. Performing such additional duties when directed to do so by the Board.

The power to delegate authority to disburse or transfer public funds or assets, execute contracts, or sign official documents on behalf of the Board rests solely with the Board. Therefore, only the Director and any other staff member so authorized by any signature resolutions approved by the Board, and consistent with such signature resolutions, may execute contracts and official documents on behalf of VRS and authorize the disbursement or transfer of public funds or assets of VRS. This authority may not be further delegated by the Director to any other person or persons.

The Director may, however, as he or she deems reasonable, delegate any other of the Director's responsibilities, duties, and authority to members of the administrative staff in order to facilitate the efficient functioning of VRS.

B. CHIEF INVESTMENT OFFICER

Pursuant to *Code of Virginia* § 51.1-124.24(A), the Board shall appoint a Chief Investment Officer ("CIO"), who shall not be a member of the Board, to direct, manage and administer the investment department at the pleasure of the Board.

The Board herewith delegates to the CIO full responsibility to devise and approve investment strategies that are intended to move the defined benefit and defined

contribution plans investment programs towards their broad objectives and goals. As such, the CIO should be free to devise any strategy that is within the policies and guidelines as the Board may adopt.

This delegation includes, but is not limited to, the following duties and authority:

1. Planning, organizing and directing the investment work of VRS;
2. Implementing investment policies and strategies established by the Board;
3. Determining asset allocation within the guidelines established by the Board;
4. Supervising, evaluating, and monitoring the investment portfolio and associated investment activities;
5. Hiring and/or terminating consultants;
6. Hiring and/or terminating investment managers;
7. Developing and maintaining the investment department portion of the VRS budget;
8. Developing and implementing internal controls;
9. Implementing investment-related regulatory requirements;
10. Providing the Board and the Board Chairperson with timely information necessary to discharge their fiduciary duties;
11. Representing VRS before the General Assembly and/or any of its committees and agencies on investment matters;
12. Determining the appropriate organizational structure and staffing for the investment functions of VRS;
13. Determining investment staff compensation within the parameters of the current compensation plan;
14. Developing, implementing, and supervising plans, policies, standards, programs, and services for investment personnel;
15. Hiring, retaining, and terminating investment staff;
16. Overseeing the day-to-day investment operations;
17. Responding to applicable correspondence regarding investment matters;
18. Assisting committees of the Board in the discharge of their functions, including providing an orientation program to Board members as soon as practicable after the date of their appointment, in coordination with the Director and Audit Director;
19. Monitoring activities and performance of internal and external investment managers;
20. Recommending to the Board the appointment, replacement, and termination of the custodian bank;
21. Maintaining necessary systems and technology for investment management and support of all investment functions, in compliance with applicable Virginia Information Technologies Agency (VITA) security standards;
22. Developing, amending, and refining policies for Board approval, including, but not limited to, the following:
 - a) VRS Defined Benefit Plan Investment Policy Statement;

- b) VRS Defined Benefit Plan Investment Belief Statements
 - c) VRS Investment Policy Statement For An Unbundled Defined Contribution Plan Structure;
 - d) VRS Investment Policy Statement For A Bundled Defined Contribution Plan Structure;
 - e) VRS Defined Contribution Plans Investment Belief Statements; and
 - f) Other applicable investment policies;
23. Monitoring compliance with and continued appropriateness of the defined benefit and the defined contribution plans fund policies and guidelines;
24. Coordinating with the Director in such a manner as to ensure operational efficiency at both the Board and agency levels; and
25. Performing such additional duties when directed to do so by the Board.

The power to delegate authority to disburse or transfer public funds or assets, execute contracts, or sign official documents on behalf of the Board rests solely with the Board. Therefore, only the CIO and any other staff member so authorized by any signature resolutions approved by the Board, and consistent with such signature resolutions, may execute contracts and official documents on behalf of VRS. This authority may not be further delegated by the CIO to any other person or persons. The CIO may, however, as he or she deems reasonable, delegate any other of the CIO's responsibilities, duties, and authority to members of the investment staff in order to facilitate the efficient functioning of the investment department of VRS. Notwithstanding the foregoing, an authorized entity may execute necessary documents on behalf of VRS as may be required by contract or agreement.

C. AUDIT DIRECTOR

The Board shall appoint an Audit Director, who reports directly to the Board through the Audit and Compliance Committee, to serve at the pleasure of the Board.

The Board herewith delegates to the Audit Director full responsibility to provide objective analyses, appraisals, recommendations, and pertinent comments concerning the implementation of and adherence to established policies and procedures throughout VRS.

This delegation includes, but is not limited to, the following duties and authority:

1. Reviewing and appraising the soundness, adequacy and applications of accounting, financial, and other operating controls, and promoting effective control at a reasonable cost;
2. Ascertaining the extent of compliance with established policies, plans, and procedures;
3. Ascertaining the extent to which assets are accounted for and safeguarded from losses of all kinds;
4. Ascertaining the reliability of financial data developed within the organization;

5. Recommending operating improvements;
6. Developing a comprehensive long-range audit plan and implementing the plan after review and approval by the Audit and Compliance Committee and approval by the Board;
7. Approving audit scopes and objectives; audit procedures; sampling plans; and, the extent of Information System audit coverage;
8. Supervising examinations of VRS operations and other special projects;
9. Ensuring all audit procedures are performed and are documented in accordance with departmental policies and procedures;
10. Revising the long-range and annual audit plans, as necessary, to accommodate changing needs and unexpected events;
11. Reporting to the Audit and Compliance Committee on a regular basis and, when necessary, reporting directly to the Board;
12. Assisting committees of the Board in the discharge of their functions, including providing an orientation program to Board members as soon as practicable after the date of their appointment, in coordination with the Director and CIO;
13. Monitoring implementation of audit recommendations;
14. Determining the appropriate organizational structure and staffing for the internal audit department;
15. Hiring, retaining, and terminating a professional and proficient audit staff;
16. Determining Internal Audit staff compensation within the parameters of the current compensation plan.
17. Establishing an Internal Audit Department Charter; and
18. Performing such additional duties when directed to do so by the Board.

The Audit Director has sole authority to determine the scope of internal audit activities, and shall not be restricted by the Director or the CIO.

The Audit Director shall have unrestricted access to all VRS activities, records, properties, and personnel pertinent to each area under review. Special arrangements shall be made for the examination of records that are confidential in nature.

The Audit Director shall have direct access to the Director and to the CIO in any instance where the Audit Director believes such access is needed to fulfill the stated objectives of the Department.

The Audit Director may, as he or she deems reasonable, delegate any of the Audit Director's responsibilities, duties, and authority to members of the internal audit staff in order to facilitate the efficient functioning of the internal audit department.

VI. COMMITTEES

A. ADVISORY COMMITTEES

Pursuant to *Code of Virginia* § 51.1-124.26, the Board shall appoint an Investment Advisory Committee to provide the Board with sophisticated, objective, and prudent investment advice to serve at the pleasure of the Board.

In addition, the Board may appoint such advisory committees as it deems necessary to further assist it in fulfilling its fiduciary duty as trustee of the VRS funds. The Board shall also set forth the purpose and authority of the advisory committee.

The recommendations of an advisory committee are not binding upon the Board.

Each advisory committee may include no more than two (2) Board members. No individual Board member may serve on more than one advisory committee. Other than such Board members, no elected or appointed official may serve on any such advisory committees.

Appointment to an advisory committee shall require a two-thirds vote of the Board. Advisory committee members serve at the pleasure of the Board and may be removed by a majority vote of the Board.

The Board of Trustees Code of Ethics and Conduct shall also apply to all advisory committee members, who shall sign an affirmation pledging to uphold both the letter and the spirit of that Code as soon as practicable after the date of their appointment to the advisory committee, and at least annually thereafter.

Once appointed by the Board, an advisory committee shall develop a committee charter subject to approval and adoption by the Board. Each advisory committee charter shall include a statement of the purpose and authority for which the committee was appointed, a description of the committee's duties and responsibilities, and an overview of the composition and operating procedures of the committee.

The Board has established the following advisory committees:

1. INVESTMENT ADVISORY COMMITTEE (REQUIRED BY LAW)

The purpose of the Investment Advisory Committee is to provide the Board with sophisticated, objective, and prudent investment advice. It shall consist of seven to nine members.

The Investment Advisory Committee shall, except for the defined contribution plans investments:

- a) Review, evaluate, and monitor investments and investment opportunities;

- b) Make appropriate recommendations to the Board about such investments and investment opportunities; and
- c) Make recommendations to the Board about overall asset allocation.

2. DEFINED CONTRIBUTION PLANS ADVISORY COMMITTEE

The purpose of the Defined Contribution Plans Advisory Committee (DCPAC) is to review matters relating to or affecting plan administration, plan design and investments of the various defined contribution plans established pursuant to the *Code of Virginia* and to make recommendations to the Board regarding those matters.

In addition to the duties and responsibilities outlined in its charter, the DCPAC shall assist the Board with its statutory responsibilities to review and oversee the policies and procedures constituting the process by which the Board reviews and determines whether to approve requests by institutions of higher education that seek to withdraw from participation in the Optional Retirement Plan for Employees of Institutions of Higher Education.

B. STANDING COMMITTEES

The Board may establish such standing committees as it determines would be necessary or helpful in fulfilling its responsibilities.

The purpose and authority of a standing committee must be carefully set forth to avoid conflict with authority delegated to the Director, the CIO, and/or the Audit Director.

Once created, a standing committee shall remain in existence until such time as the Board takes the necessary action to dissolve it.

Unless otherwise specified, all standing committees established by the Board are subject to the following principles and guidelines:

1. Standing committees are to focus their efforts on matters of material significance to the VRS Board, and refrain from any involvement in operational details or decision-making that are the responsibility of the Director, the CIO, and/or the Audit Director.
2. Standing committees may assist the Board by suggesting policy alternatives for Board consideration.
3. A standing committee does not speak or act for the Board, unless the Board specifically delegates such authority to it for a specific and time-limited purpose.
4. Each standing committee shall notify all Board members of the time and place of all committee meetings. Board members may choose to attend any committee meeting, regardless of whether or not they are members of the committee. Any

member of the VRS Board who is not a member of the standing committee but is present at a meeting of that committee may serve as an alternate to an absent member of the committee for purposes of constituting a quorum, and any such participation shall not be considered voting by proxy. Moreover, any VRS Board member who is not a member of the standing committee but is present at a meeting of that committee shall have all the rights and privileges afforded to a member of the committee while present at such meeting, including voting and being counted toward a quorum, and any such participation shall not be considered voting by proxy.

Once established by the Board, a standing committee shall develop a committee charter subject to approval and adoption by the Board. Each committee charter shall include a statement of the purpose and authority for which the committee was established, a description of the committee's duties and responsibilities, and an overview of the composition and operating procedures of the committee.

The Board has established the following standing committees:

1. ADMINISTRATION, FINANCE AND TALENT MANAGEMENT COMMITTEE

The purpose of the Administration, Finance and Talent Management Committee is to review matters relating to or affecting administrative functions, personnel plans, the budget, and finance, and to make recommendations to the full Board regarding those matters.

2. AUDIT AND COMPLIANCE COMMITTEE

The purpose of the Audit and Compliance Committee is to review matters relating to or affecting internal and external audit, including, but not limited to, VRS' financial reporting process, systems of internal control, auditing procedures and process, and process for monitoring compliance with laws, regulations and the Code of Conduct; and to submit reports or make recommendations to the full Board regarding those matters.

3. BENEFITS AND ACTUARIAL COMMITTEE

The purpose of the Benefits and Actuarial Committee is to review matters relating to or affecting benefits, benefit administration, and actuarial soundness of all plans administered by VRS except for the defined contribution plans, and to make recommendations to the full Board regarding those matters.

4. INVESTMENT POLICY COMMITTEE

The purpose of the Investment Policy Committee is to facilitate the determination of appropriate defined benefit plan investment policies, setting guidelines under which

those policies will be carried out, and to make appropriate recommendations to the full Board regarding those policies and guidelines. It is the intent of the Board that all substantive concerns, discussions, and recommendations regarding VRS investment policy be directed to the Investment Policy Committee for vetting and reporting back to the Board for action, if any.

C. SPECIAL COMMITTEES

The Board may establish a special committee, as needed, to carry out a specified task. Upon completion of the task for which it was established, and presentation of its final report to the Board, a special committee shall cease to exist. A special committee may not be appointed to perform a task that falls within the assigned function of any existing standing or advisory committee.

VII. RELATIONSHIP WITH THE PUBLIC

Because it is a public body responsible for the management of public funds, the VRS Board has the responsibility to conduct its business in an environment that is open to public scrutiny. In doing so, the VRS Board shall operate in full compliance with both the letter and the spirit of the Virginia Freedom of Information Act (FOIA) and the State and Local Government Conflict of Interests Act (COIA).

A. PRINCIPLES

1. VRS shall maintain open communication with the public, the employers, and members it serves, and the news media.
2. VRS shall make public information available in as efficient a manner as possible, while protecting the confidentiality of the members, retirees, beneficiaries, and employers it serves.
3. The public shall be granted access to all meetings and to all records of meetings of the Board and Board committees except for such meetings as are closed pursuant to and in accordance with FOIA.

B. COMMUNICATION WITH THE MEDIA

1. The Chairperson of the Board is authorized to act as spokesperson for the Board and for VRS.
2. The Chairperson may delegate all or a part of this authority as he or she deems appropriate, subject to approval by the Board. The Board herewith approves the following delegation:
 - a) The Director or his or her designee is authorized to act as spokesperson regarding administrative and operational matters.

- b) The CIO or his or her designee is authorized to act as spokesperson regarding investment matters.
3. The Chairperson shall, to the extent possible, review all official press releases regarding Board policy, activities, or other matters prior to publication.

VIII. OPINIONS OF THE ATTORNEY GENERAL

Pursuant to *Code of Virginia* § 2.2-505(A), requests from VRS for written advice in the form of official advisory opinions from the Attorney General must be made in writing by the Board Chairperson or by the Director. Before requesting an official advisory opinion of the Attorney General, the Director shall review the request with and obtain the prior approval of the Board Chairperson and, where feasible, the Board of Trustees.

IX. AMENDMENT OF GOVERNANCE POLICY

The VRS Board of Trustees Governance Policy and committee charters, in whole or in part, may be altered, amended, modified, and/or rescinded, and new policies or provisions may be adopted in lieu thereof, by a two-thirds vote of the Board, provided that a copy of the proposed amendment is submitted in writing at the preceding regular meeting,

In the case of urgent and/or extraordinary circumstances requiring the immediate action of the Board, the Board may amend a policy or provision at the same meeting at which the proposed amendment is introduced, provided that such action is by unanimous consent. Furthermore, any such amendment must be submitted for reconsideration at the next Board meeting and, only if it then is reaffirmed by a two-thirds vote, shall such amendment permanently become a part of the Governance Policy or committee charter.

Notwithstanding the foregoing, the Administration, Finance and Talent Management Committee shall periodically review the Governance Policy and committee charters. The Committee shall report its findings and recommended changes to the Board.

X. VALIDITY OF GOVERNANCE POLICY

In the event any of the provisions set forth in the Governance Policy shall be deemed to be invalid as a result of any conflict with a provision of the *Code of Virginia* or the Appropriation Act, such conflict shall not invalidate the entirety of the Governance Policy, but the remaining provisions of the Governance Policy shall continue in full force and effect.

In the event any of the provisions set forth in the Governance Policy are found to be in conflict with any provision(s) of the committee charters adopted hereunder, the Governance Policy shall supersede and take precedence over any conflicting provisions of a committee charter.

COMMITTEE CHARTER FOR THE ADMINISTRATION, FINANCE AND TALENT MANAGEMENT COMMITTEE

PURPOSE

The purpose of the Administration, Finance and Talent Management Committee (Committee) is to review matters relating to or affecting administrative functions, personnel plans, the budget, and finance, and to make recommendations to the full Board regarding those matters.

AUTHORITY

The Committee is authorized to request, gather, and consider whatever information it deems relevant to the matters brought before it, and to report its findings or recommendations on those matters to the Board. The Committee is not empowered to take any further or independent action unless such action is specifically authorized or directed by the Board.

DUTIES AND RESPONSIBILITIES

To fulfill the purpose for which it was established, the Committee shall perform the following:

1. Review administrative issues identified by the Board, the Director, or the Chief Investment Officer and make recommendations to the Board regarding such issues.
2. Review VRS budget proposals and make related recommendations to the Board.
3. Regularly review the status of the budget in relation to actual expenditures and identify for the Board any areas in need of attention.
4. Review and make recommendations to the Board regarding VRS's mission and strategic plan and objectives as needed.
5. Review and make recommendations to the Board regarding requests for carry-forward funds, additional revenue appropriations, transfers of appropriations from the second year to the first year of a biennium, and transfers between programs in timely fashion so as to enable the Board to act on these issues before they are forwarded to the Department of Planning and Budget.

6. Review and make recommendations to the Board regarding non-budgeted purchasing requests that exceed the Director's authority as set forth in the VRS purchasing guidelines.
7. Review and make recommendations to the Board regarding the establishment of or changes to personnel and compensation policies and plans.
8. Review and make recommendations to the Board regarding the annual Agency Performance Outcomes and related Agency Operating Standards.
9. Review and make recommendations to the Board regarding the performance of the Director and the Chief Investment Officer.
10. Work with the Chief Investment Officer and the chairperson of the Investment Advisory Committee to identify potential new members for the Investment Advisory Committee and to determine which candidate(s) will be recommended to the Board for appointment to the Investment Advisory Committee.
11. Review each member of the Investment Advisory Committee who is eligible for reappointment and determine whether to recommend that the member be reappointed by the Board.
12. Investigate any allegations or complaints regarding violation(s) of the Board's Code of Ethics and Standards of Conduct and report findings to the Board, together with recommendations regarding action to be taken.
13. Periodically, as needed, review the Board's Governance Policy and committee charters, and recommend such changes as are deemed appropriate.
14. Perform such other duties when directed to do so by the Board.

COMPOSITION

The Committee is composed of at least three (3) and no more than five (5) Board members: The chairperson of the Board, the vice-chairperson of the Board, and additional Board members appointed by the chairperson of the Board, subject to approval by the Board.

The terms of the chairperson and vice-chairperson of the Committee run concurrently with their terms as chairperson and vice-chairperson of the Board. The other Committee members are appointed for a two-year term and may be reappointed for additional two-year terms.

OFFICERS

Chairperson

The VRS Board chairperson shall serve as the chairperson of the Committee.

The chairperson is charged with:

1. Facilitating the operation of the Committee meetings;
2. Reviewing proposed agendas for Committee meetings;
3. Presiding over meetings of the Committee;
4. Reporting to the Board on the matters considered by the Committee, and the recommendations of the Committee; and
5. Performing such additional duties as are required to facilitate the Committee's fulfillment of its responsibilities.

Vice-Chairperson

The VRS Board vice-chairperson shall serve as the vice-chairperson of the Committee.

In the event of the absence or incapacity of the Committee chairperson, the vice-chairperson shall preside at meetings of the Committee and shall fulfill such other duties and responsibilities of the chairperson as may be necessary.

Secretary

The Director, or the Director's designee, shall act as secretary to the Committee. The Director shall continue to serve as secretary until such time as he or she is unable or unwilling to continue to do so, or until such time as the Committee appoints another secretary.

The secretary has the following duties:

1. Help the chairperson develop the agenda for Committee meetings;
2. Notify Committee members of meetings;
3. Coordinate and distribute information to Committee members;
4. Act as liaison between the Committee and VRS staff;
5. Coordinate matters on the agenda and presentations for the Committee; and
6. Maintain the minutes and records of all Committee meetings.

CONDUCT OF BUSINESS

1. The rules contained in the current edition of *Robert's Rules of Order Newly Revised* shall govern all Committee meetings insofar as they are applicable and not inconsistent with any of the policies adopted by the Board, including this

- charter, with particular attention to the rules provided for conduct of business in committees.
2. Unless otherwise specified by the Board, voting by proxy is not allowed.
 3. A majority of the appointed members of the Committee shall constitute a quorum at meetings of the Committee. For the purposes of determining the presence of a quorum, an abstention or disqualification shall be considered an absence. However, any member of the Board who is not a member of the Committee but is present at a Committee meeting may serve as an alternate to an absent member of the Committee for purposes of constituting a quorum, and any such participation shall not be considered voting by proxy. Moreover, any Board member who is not a member of the Committee but is present at a Committee meeting shall have all the rights and privileges afforded to a Committee member while present at such meeting, including voting and being counted toward a quorum, and any such participation shall not be considered voting by proxy. The presence of any alternate at a Committee meeting and the participation by any Board member who is not a member of the Committee shall be recorded in the minutes of the Committee meeting.
 4. Except as otherwise specified herein, approval of an action or decision shall be by a majority of those Committee members present and voting at a Committee meeting.
 5. The Committee chairperson will seek at all times to develop a consensus of opinion among Committee members in order to be able to present clear and concise recommendations to the Board. In the event that a consensus is not obtainable, the Committee chairperson will present the range of opinions and their rationale to the Board.
 6. The Committee chairperson will report to the Board on the content and results of each Committee meeting. The chairperson or vice-chairperson will sign all meeting minutes, as applicable.
 7. The Committee will generally meet at least twice per year and more often if necessary to meet the objectives listed in this charter.

CHANGES IN THE CHARTER

The Committee may, from time to time, deem it necessary to alter, amend, modify, or rescind all or a part of this charter. Such revisions, once approved by a majority vote of the Committee, shall be submitted to the Board for final approval. If approved by a two-thirds vote of the Board, such revisions shall be incorporated into and made a part of this charter.

COMMITTEE CHARTER

AUDIT AND COMPLIANCE COMMITTEE

PURPOSE

The purpose of the Audit and Compliance Committee (Committee) is to review matters relating to or affecting internal and external audit, including, but not limited to, VRS' financial reporting process, systems of internal control, auditing procedures and process, and process for monitoring compliance with laws, regulations, and the Code of Conduct, and to submit reports or make recommendations to the full Board regarding those matters.

AUTHORITY

The Committee is authorized to request, gather, and consider whatever information it deems relevant to the matters brought before it, and to report its findings or recommendations on those matters to the Board. The Committee is not empowered to take any further or independent action unless such action is specifically authorized or directed by the Board.

DUTIES AND RESPONSIBILITIES

To fulfill the purpose for which it was established, the Committee shall perform the following:

1. Monitor internal and external audit functions and report to the Board following each Committee meeting on the reports and matters presented to or considered by the Committee.
2. Review the effectiveness of internal and external auditing methods including coordination of efforts. (Note: While members of the Committee are expected to become sufficiently familiar with the accounting practices of VRS so that they are able to do this, they are not expected to become accounting experts. They may, as necessary and in good faith, rely upon the professional accounting expertise of the Audit Director and of the external auditors.)

3. Review and make recommendations to the Board regarding both the annual and long-range audit plans developed by the Audit Director and provide feedback in response thereto.
4. Monitor progress of work on the annual work plan through review of the Audit Director's semi-annual progress reports, and reports of any revisions made to the work plan.
5. Receive and review reports of the Audit Director and report on same to the Board with recommendations, if any, for necessary action.
6. Make appropriate inquiries of management and the Audit Director to determine whether there are inappropriate scope or resource limitations.
7. Consider the effectiveness of the VRS' internal control system, including information technology security and control.
8. Receive and review reports from the Audit Director regarding the effectiveness and sufficiency of the internal audit department including the appropriateness of the department's funding and organizational structure. Determine whether requests by the Audit Director for changes in the staffing of that department should be submitted to the Administration, Finance and Talent Management Committee.
9. Review annual report of the Audit Recommendation Follow-Up System and monitor status of management's progress in response to audit recommendations.
10. Review and approve changes to the Internal Audit Department Charter.
11. Ensure that an independent, full-scope quality assurance review of the internal audit department is performed at least once every five years, review the report of such review, recommend to the Board what, if any, corrective actions are necessary, and monitor the implementation of such corrective actions as are mandated by the Board.
12. Ensure the internal audit department has unrestricted access to all VRS activities, records, properties, and personnel applicable to the area under review. The Board has endorsed this right and has resolved that the scope of internal audit activities not be restricted by actions of management.
13. Provide the opportunity for meetings between the Committee and the Audit Director whenever the Committee or Audit Director finds such to be necessary.
14. Review and make recommendations to the Board regarding the performance of the Audit Director.
15. In cases where the Director or the Chief Investment Officer disagrees with an audit recommendation, the matter shall be presented to the Committee, which shall make an initial determination as to whether the audit recommendation requires management action or should be deleted and will present that determination to the Board for a final decision.
16. Receive and review reports from management regarding the process for communicating the VRS Code of Conduct to agency personnel, and for monitoring compliance therewith. This includes the processes and compliance

- mechanisms in place for both administrative and investment department personnel.
17. Conduct entrance and exit conferences with the Auditor of Public Accounts, and report to the Board on the scope and substance of those meetings.
 18. As necessary, request permission from the full Board to retain independent counsel (through the Office of the Attorney General), accountants, or others to advise the Committee.
 19. Receive and review reports of the Auditor of Public Accounts and any other external auditors, and report on same to the Board with recommendations, if any, for necessary action. Review the annual financial statements and other sections of the annual report, and consider whether they are complete and consistent with information known to Committee members, and to the best of their knowledge reflect appropriate accounting principles. Have management and the external auditors review all matters required to be communicated to the Committee under generally accepted government auditing standards. Allow for meetings with the external auditors to discuss any matters that the Committee or auditors believe should be discussed.
 20. Periodically consider the desirability of an audit by an independent accounting firm and, if such audit is deemed necessary, present such a recommendation to the Board together with a list of candidate firms.
 21. Perform such other duties when directed to do so by the Board.

COMPOSITION

The Committee is composed of at least three (3) Board members appointed by the chairperson of the Board, subject to approval by the Board.

Each member is appointed for a two-year term, and may be reappointed for additional two-year terms.

OFFICERS

Chairperson

The VRS Board chairperson shall appoint the chairperson of the Committee, subject to approval by the Board.

The Committee chairperson is appointed for a two-year term, and may be reappointed for additional two-year terms.

The chairperson is charged with:

1. Facilitating the operation of the Committee meetings;
2. Reviewing proposed agendas for Committee meetings;
3. Presiding over meetings of the Committee;
4. Reporting to the Board on the matters considered by the Committee, and the recommendations of the Committee; and
5. Performing such additional duties as are required to facilitate the Committee's fulfillment of its responsibilities.

Vice-Chairperson

The Committee shall elect its vice-chairperson at the first meeting following the appointment or reappointment of a chairperson, or at the first meeting following such time as a sitting vice-chairperson becomes unable or unwilling to complete his or her term.

The term of the vice-chairperson shall commence upon election and shall terminate at the first meeting of the Committee following the appointment or reappointment of a Committee chairperson.

In the event of the absence or incapacity of the Committee chairperson, the vice-chairperson shall preside at meetings of the Committee and shall fulfill such other duties and responsibilities of the chairperson as may be necessary.

Secretary

The Audit Director, or the Audit Director's designee, shall act as secretary to the Committee. The Audit Director shall continue to serve as secretary until such time as he or she is unable or unwilling to continue to do so, or until such time as the Committee appoints another secretary.

The secretary has the following duties:

1. Help the chairperson develop the agenda for Committee meetings;
2. Notify Committee members of meetings;
3. Coordinate and distribute information to Committee members;
4. Act as liaison between the Committee and VRS staff;
5. Coordinate matters on the agenda and presentations for the Committee; and
6. Maintain the minutes and records of all Committee meetings.

CONDUCT OF BUSINESS

1. The rules contained in the current edition of *Robert's Rules of Order Newly Revised* shall govern all Committee meetings insofar as they are applicable and not inconsistent with any of the policies adopted by the Board, including this charter, with particular attention to the rules provided for conduct of business in committees.
2. Unless otherwise specified by the Board, voting by proxy is not allowed.
3. A majority of the members of the Committee shall constitute a quorum at meetings of the Committee. For the purposes of determining the presence of a quorum, an abstention or disqualification shall be considered an absence. However, any member of the Board who is not a member of the Committee but is present at a Committee meeting may serve as an alternate to an absent member of the Committee for purposes of constituting a quorum, and any such participation shall not be considered voting by proxy. Moreover, any Board member who is not a member of the Committee but is present at a Committee meeting shall have all the rights and privileges afforded to a Committee member while present at such meeting, including voting and being counted toward a quorum, and any such participation shall not be considered voting by proxy. The presence of any alternate at a Committee meeting and the participation by any Board member who is not a member of the Committee shall be recorded in the minutes of the Committee meeting.
4. Except as otherwise specified herein, approval of an action or decision shall be by a majority of those Committee members present and voting at a Committee meeting.
5. The Committee chairperson will seek at all times to develop a consensus of opinion among Committee members in order to be able to present clear and concise recommendations to the Board. In the event that a consensus is not obtainable, the Committee chairperson will present the range of opinions and their rationale to the Board.
6. The Committee chairperson will report to the Board on the content and results of each Committee meeting. The chairperson or vice-chairperson will sign all meeting minutes, as applicable.
7. The Committee shall meet at least four times per year.

CHANGES IN THE CHARTER

The Committee may, from time to time, deem it necessary to alter, amend, modify, or rescind all or a part of this charter. Such revisions, once approved by a majority vote of the Committee, shall be submitted to the Board for final approval. If

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approved by a two-thirds vote of the Board, such revisions shall be incorporated into and made a part of this charter.

BOARD OF TRUSTEES CODE OF ETHICS AND CONDUCT

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I. PURPOSE

The VRS Board is the trustee of the funds of the plans that it administers and, as such, is obligated to discharge all of its duties solely in the interest of the VRS members, beneficiaries, and participants of all said plans.

In addition, the Board is charged with oversight responsibility for several other plans and, as to these, the Board has fiduciary obligations.

In furtherance of these duties and obligations, the Board of Trustees hereby adopts this Code of Ethics and Conduct, which is established to define the ethical and behavioral guidelines within which all Board of Trustees members and non-Board members of committees of the Board (hereafter referred to as Board members) are expected to conduct themselves while serving as Board members.

Adherence to this Code will allow the Trustees to pursue the mandates of their Governance Policy, foster harmonious relations between Board members, and facilitate mutual respect and public confidence.

II. FIDUCIARY DUTIES

By virtue of the authority given to the VRS Board to exercise control over the disposition of the assets and funds described in Section II of the Board of Trustees Governance Policy, each Board member is a fiduciary and, as such, owes a special duty to VRS and to VRS members, beneficiaries, and participants.¹

As a fiduciary, each Board member shall adhere to the duties of loyalty, prudence and following plan documents. In doing so, each Board member shall:

- A. Discharge his or her duties solely in the interest of the members, beneficiaries and participants of the VRS systems and plans for the exclusive purpose of providing benefits to VRS members, beneficiaries and participants.
- B. Be loyal to VRS members, beneficiaries and participants, and not to the source of his or her appointment.

¹ Members of the Investment Advisory Committee (IAC) and Defined Contribution Plans Advisory Committee (DCPAC) are not members of the Board of Trustees and therefore are not considered fiduciaries of the Virginia Retirement System. Unless otherwise stated, references to fiduciary duties do not apply to IAC and DCPAC members.

- C. Treat all VRS members, beneficiaries and participants equally and fairly. A Board member's loyalty is to VRS members, beneficiaries and participants as a group, and not to individuals or groups of individuals.
- D. Discharge his or her duties with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.
- E. Be informed so as to be familiar with applicable state and federal laws and other matters relating to his or her duties as a Board member.
- F. Strive to understand and work towards VRS objectives.
- G. Prepare for and attend all Board and assigned committee meetings, and shall strive to maintain a continuing awareness of the actions and activities of the Board and its committees.
- H. Take advantage of educational opportunities so as to be properly informed.
- I. Seek out expert assistance in matters where he or she lacks familiarity.
- J. In conjunction with all Board members, engage in performing ongoing oversight of those employed directly by the Board (i.e., the Director, the Chief Investment Officer and the Audit Director).
- K. Review and follow all plan documents and related laws.

III. CODE OF ETHICS

In adhering to the Board's commitment to upholding the highest standards of integrity, ethical principles and professional conduct, each Board member shall:

- A. Conduct himself or herself with integrity, competence and dignity, including when dealing with fellow Board members, the Director, the Chief Investment Officer, the Audit Director, all VRS advisory committee members, VRS members, business partners, VRS employees, other stakeholders and the public.
- B. Maintain high ethical and moral character, both professionally and personally, such that his or her conduct shall not reflect negatively upon the Board of Trustees or VRS.

- C. Use proper care and exercise independent professional judgment.
- D. Maintain the confidentiality of information owned, obtained or developed by VRS, including information provided in closed meetings.
- E. Adhere to the Commonwealth of Virginia's State and Local Government Conflict of Interests Act ([Code of Virginia § 2.2-3100 et seq.](#)).
- F. Take affirmative steps to avoid breaches of duty (through negligence or intentional action or omission), unauthorized communication with individuals seeking to influence the Board and unauthorized communications with individuals who may receive personal gains as a result of Board actions.
- G. Recognize that all VRS business transactions must be based on integrity, competence and financial merit and benefit to VRS members, beneficiaries and participants, and not on personal relationships.
- H. Disclose in writing to the Board chair and secretary any outside business or financial interest that could influence the impartial discharge of his or her official responsibilities and duties.

IV. STANDARDS OF CONDUCT

In furtherance of the Board's commitment to seeing that VRS accomplishes its mission and fulfills its vision, each Board member shall:

- A. Refrain from engaging in conduct that would discredit or compromise the integrity of the Board of Trustees and VRS.
- B. Avoid any conflict of interest with respect to his or her fiduciary responsibilities, including:
 - 1. Not using his or her position to obtain employment at VRS for themselves, family members or close associates.
 - 2. Not seeking, accepting or being offered a position of employment at VRS until five years after the termination of his or her service on the Board or any advisory committee.

3. Abstaining from a vote on any issue in which he or she has an unavoidable conflict of interest, as referenced in Section III (H). He or she may participate in the discussion concerning the issue unless a majority of the Board votes otherwise.
- C. In conjunction with all Board members, provide oversight of the Director, Chief Investment Officer and Audit Director, who are delegated responsibility to administer the day-to-day operations of the organization as outlined in the Board's Governance Policy. While providing oversight, each Board member shall not:
1. Give orders or directions to any employee of VRS, except to the Director, Chief Investment Officer and Audit Director.
 2. Become involved in operational management.
- D. Discuss in open Board meetings all substantive matters. Board members who contact VRS staff on substantive matters are encouraged to communicate the same to all other Board members.
- E. Refer all proposals or other communications regarding potential or existing investments or other contracts or services directly to the Chief Investment Officer or the Director, as appropriate.
- F. Take proactive steps to avoid communication or contact with prospective or actual applicants or bidders upon the release of any procurement vehicle for the selection of advisors, managers, consultants, contractors or any other vendor.
- G. File, as a condition to becoming a Board member and as required thereafter, a disclosure statement of personal interests and such other information required in accordance with [§ 2.2-3100 et seq. of the Code of Virginia](#).
- H. Adhere to the responsibilities of a co-fiduciary by not enabling, knowingly participating in or concealing a breach by another Board member. If a Board member is aware of a breach he or she shall take all reasonable steps to prevent or halt such breach and report it to the Board chair and secretary.

V. GIFTS

In accordance with Commonwealth of Virginia’s State and Local Government Conflict of Interests Act ([Code of Virginia § 2.2-3100 et seq.](#)), each Board member shall avoid the appearance of impropriety regarding the acceptance of gifts. The *Code of Virginia* defines “gifts” as any gratuity, favor, discount, entertainment, hospitality, loan, forbearance or other item having monetary value. It includes services as well as gifts of transportation, local travel, lodging and meals, whether provided in-kind, by purchase of a ticket, payment in advance or reimbursement after the expense has been incurred.

In furtherance of this objective, each Board member shall not:

- A. Accept gifts from any person or entity engaged in business with VRS.
- B. Receive, accept, seek or solicit, directly or indirectly, anything of economic value as a gift, gratuity or favor from a person if it reasonably could be expected that the gift, gratuity or favor would:
 - 1. Influence the vote, action or judgment of the Board member.
 - 2. Be considered as part of a reward for action or inaction.
- C. Accept or receive any gift through an intermediary, if he or she knows, or has reason to know, that the gift originated from a source that would make the gift prohibited under this policy.
- D. Accept a gift if the source of the gift is not identified. If the source of any gift cannot be ascertained, the gift shall be donated to a suitable charitable organization or otherwise discarded.
- E. Accept any complimentary work, analysis or other “favor” offered or performed by a current, prospective or potential vendor of VRS that is intended to benefit personally the involved Board member if such work, analysis or other “favor” is offered to or performed for such Board member because of his or her capacity as a Trustee of the Virginia Retirement System.
- F. Solicit, encourage, or accept entertainment, including but not limited to meals, refreshments or entry fees from a current, prospective or potential vendor of VRS.
- G. Accept cash, cash equivalents or securities of any value.

Board members should direct questions regarding gifts to the Board secretary, who may request or direct the Board member to request clarification from the Virginia Conflict of Interest and Ethics Advisory Council.

VI. SPONSORED TRAVEL

For the purposes of this policy:

“Sponsored travel” shall mean payment of travel and related expenses by a source other than VRS or the person(s) traveling on behalf of VRS.

“Source of funds” shall be the person or entity directly providing the reimbursement to VRS and not others who may pay dues or otherwise provide funding to that person or entity.

A Board member, acting in his or her capacity as such, may accept sponsored travel to give a speech, participate in a panel or seminar, or provide a similar service at a professional or educational conference, convention or seminar when his or her participation is requested due to the experience, expertise or opinions related to the performance of his or her duties for VRS provided that:

- A. The source of the funds is not a person or entity that is in a business relationship with VRS, has ever been in a business relationship with VRS or potentially may enter into a business relationship with VRS.
- B. The speech, seminar, or other forum for which the sponsored travel has been offered will not be publicized, promoted, or represented in any way as being sponsored by a person or entity that is in a business relationship with VRS, has ever been in a business relationship with VRS or potentially may enter into a business relationship with VRS.
- C. The sponsored travel is specifically approved as herein provided.
- D. The Board maintains a public record of all such sponsored travel, as set forth herein.
- E. Approval of sponsored travel shall be sought, obtained and recorded as follows:
 - 1. A written request to accept sponsored travel shall include:
 - a) A description of the event to be attended.

- b) Identification of the person or entity that has offered to pay the expenses.
 - c) A description of the expenses that will be covered or reimbursed.
 - d) The names of the persons to whom the request has been submitted.
2. All requests for sponsored travel by Board members, its committee members, the Director, the Chief Investment Officer and the Audit Director shall be approved by the Audit and Compliance Committee. Requests for such approval shall be submitted to the Director who will forward the requests to the Audit and Compliance Committee for approval.
 3. The Audit and Compliance Committee will, to the extent practical, approve or disapprove the request within three (3) business days of having received it.
- F. Records of all sponsored travel shall be maintained as follows:
1. A report of all sponsored travel, including a copy of the original request and an itemization of all expenses paid for, shall be submitted along with all other reports of travel for review by the Audit and Compliance Committee.
 2. The Audit and Compliance Committee shall report to the Board on all sponsored travel, which report shall be maintained in the minutes of the Board.
- G. The Director, Chief Investment Officer and Audit Director may, in his or her discretion and pursuant to the duties and responsibilities delegated to them, adopt this policy for application to travel by VRS staff or otherwise amend the policies and procedures for travel and reimbursement as they pertain to VRS staff.

VII. ALL VRS RELATED TRAVEL

No spouse, family member or other invitee of a Board member traveling on behalf of VRS may accompany the Board member unless the spouse, family member, invitee or Board member pays for all additional or incremental costs and expenses associated with such attendance.

VIII. GENERAL PROVISIONS

- A. This Code of Ethics and Conduct shall not be construed as excusing any Board member from any other restrictions of state or federal law concerning conflicts of interest and fiduciary duties, nor shall it be construed as superseding such state or federal law.
- B. Any breach of this Code of Ethics and Conduct shall be referred to the Administration, Finance and Talent Management Committee, which shall investigate, as necessary, and report its findings to the Board together with a recommended course of action.
- C. All Board members will sign an affirmation, annually, pledging to uphold this Code of Ethics and Conduct.

IX. AFFIRMATION

VIRGINIA RETIREMENT SYSTEM BOARD OF TRUSTEES
CODE OF ETHICS AND CONDUCT

I hereby pledge to uphold the Virginia Retirement System Board of Trustees Code of Ethics and Conduct.

Member Name

Board or Advisory Committee

Signature

Date



VRS Project Portfolio FISCAL YEAR 2023 September 2022 Status

Status Indicator

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

Agency Performance Objectives (APOs)	Strategic Alignment	Status	2022						2023							
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun		
Cardinal HCM Implementation – Cardinal Release 3 State Agencies and VRS Retirees with State Health Insurance	Digital Transformation and Secure Service Delivery	●														
Records Management Program - Phase 2 Implementation	Superior Governance and Long-Term Financial Health	●														
Hyper Converged Infrastructure (HCI) Data Center Migration	Technology Infrastructure	●														
Hybrid Plan – Contribution Separation Legislation Implementation Phase 1	Superior Governance and Long-Term Financial Health	●														
Customer Experience Review	Member, Retiree and Employer Education, Outreach and Partnership	●														
Comprehensive Agency Training Program – EDGE (Empower, Develop, Grow and Engage)	Organization Strength Culture and Engagement	●														
IT Initiatives ¹	Strategic Alignment	Status	2022						2023							
Continuous improvement of IT Security Processes	Digital Transformation and Secure Service Delivery	●														
VNAV Security and Technology Improvement	Digital Transformation and Secure Service Delivery	●														
Conduct Analysis and Gather Requirements for RAMS Replacement	Digital Transformation and Secure Service Delivery	●														
Complete SPO and Decommission SP On-Premise Assets	Technology Infrastructure	●														
Other Projects ²	Strategic Alignment	Status	2022						2023							
Employee Engagement Initiative Implementation	Organization Strength Culture and Engagement	●														
ERM Implementation	Superior Governance and Long-Term Financial Health	●														
Enhance Agency Roadmap Process	Superior Governance and Long-Term Financial Health	N/S														
Implement Performance Management Evaluation Process	Organization Strength Culture and Engagement	●														
Develop and Release DC/Hybrid Record Keeping Services RFP	Superior Governance and Long-Term Financial Health	●														
Select and Onboard VSDP and VLDP Long Term Care Services Business Partner	Superior Governance and Long-Term Financial Health	●														
Review and Update Agency Operational Measures	Superior Governance and Long-Term Financial Health	N/S														
Implement New ID Badging System	Technology Infrastructure	●														
CCC Customer Satisfaction Survey Managed Services	Digital Transformation and Secure Service Delivery	●														
Migration to new Actuarial firm	Superior Governance and Long-Term Financial Health	●														
GASB 96 (accounting and financial reporting for subscription-based information technology arrangements (SBITAs))	Superior Governance and Long-Term Financial Health	●														
Operational/Ongoing Activities	Strategic Alignment	Status	2022						2023							
COLA 2022		★														
FYE 2022		★														
Retirement Wave 2022		★														
Teacher Contracts		★														
MBPs		●														
Annual Code of Ethics Training		N/S														
Annual Security Awareness Training		N/S														
FOIA Training		N/S														
ACFR		●														
PAFR		●														
LODA Annual Report		●														
GASB 67		●														
GASB 68		N/S														
GASB 74		●														
GASB 75		N/S														
Actuarial Valuations		●														
myVRS Annual Updates		N/S														
1099/W2		N/S														

Operational/Ongoing Activities	Strategic Alignment	Status	2022						2023						
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
Annual Roadmap Review		N/S													
FYE 2023		N/S													
Retirement Wave 2023		N/S													
Commonwealth Bond Disclosure		N/S													
ORPHE Surcharge Billing for FY 2024		N/S													
Data Fixes		●													
ALM Backlog Prioritization		●													
Employer VNAV Security Review		N/S													
VRS Fund Sensitivity and Stress Testing Report for GA		●													
Legislation FY 2023		N/S													

¹Initiatives led directly by Technology Services.

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

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

**Enhanced Hazardous Duty Benefits
for Law Enforcement Officers
with the 1.85% Multiplier**

**Town of Shenandoah (Page County),
Effective January 1, 2023**



Public Pension Coordinating Council

**Public Pension Standards Award
For Funding and Administration
2022**

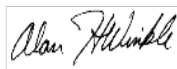
Presented to

Virginia Retirement System

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)



Alan H. Winkle
Program Administrator

VRS received the **2022 Standards Award for Funding and Administration** – its 19th consecutive award – from the Public Pension Coordinating Council (PPCC) in recognition of the agency’s fulfillment of public pension standards.

JLARC JOINT LEGISLATIVE AUDIT & REVIEW COMMISSION

- **December 12 at 10 a.m.** in the Pocahontas Building - JLARC staff will present their VRS annual review.
- Although VRS will not present to the Commission, we will attend and be available to respond to questions.

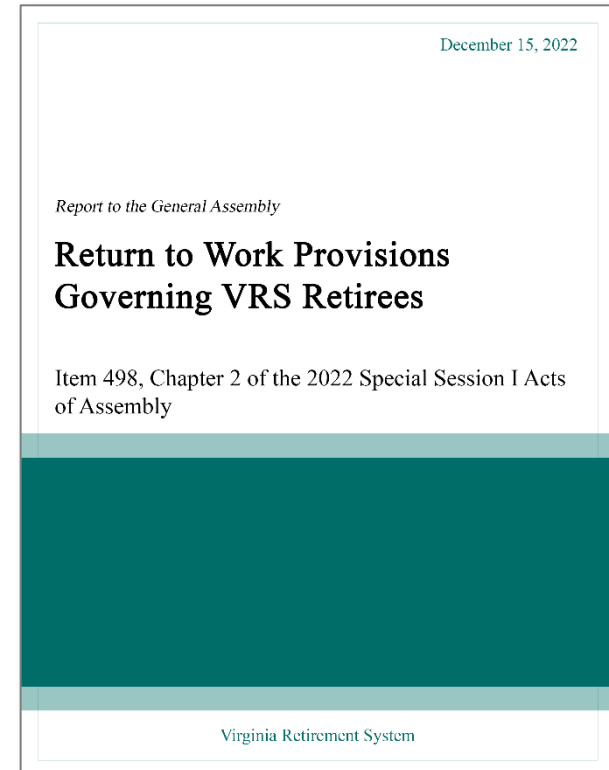


- The annual code of ethics and standards of conduct training will be distributed electronically again this year.
- The materials are self-guided and can be completed by Board and committee members on their own.
- Upon review of the training materials, Board and committee members will be asked to electronically sign and return the affirmation statement.
- Materials and instructions will be distributed via email at the beginning of December.

Return-to-Work Report



- The 2022 Appropriation Act required VRS to review return-to-work provisions and present a report to the General Assembly by Dec. 15.
- The report will include:
 - An overview of the Internal Revenue Service laws and regulations regarding return to work.
 - An analysis of Virginia’s return-to-work provisions compared to those of other public employee pension plans.
 - An actuarial analysis of potential modifications to the return-to-work provisions.



Please mark your calendars for the VRS Annual Meeting:

- **Greater Richmond Convention Center**
- **Wednesday, December 14, 2022**
- **8:30 a.m. – 11:30 a.m.**
- **Theme: “Celebrating 80 Years of Serving Those Who Serve Others”**

This is the agency’s opportunity to celebrate annual achievements and to present awards.





2023 VRS Board and Committee Meeting Calendar

See your:

- Board packets
- Email
- Director's Desk

Pensions & Investments

SUPER SAVINGS

VRS nabs Art Caple award for superhero campaign

The National Association of Government Defined Contribution Administrators bestowed its 2022 Art Caple President's Award for Excellence to the Virginia Retirement System, Richmond, and to its record keeper MissionSquare Retirement for a campaign last year encouraging 457 plan participants to make use of the savings auto-increase feature.

The Art Caple award is given out every year to a public sector retirement plan that has "championed the participant-first mentality" demonstrated by former NAGDCA President Mr. Caple in his "efforts to build financial security for public employees," the association said in an Oct. 3 release.

To boost savings in VRS' Commonwealth of Virginia 457 Deferred Compensation Plan and drive engagement with the plan's website, MissionSquare developed a superhero named Captain Save-It to inspire participant use of its SmartStep auto-increase feature, the release said.



As of June 30, assets in the Commonwealth of Virginia 457 Plan stood at \$3.7 billion.

Rasch Cousineau, a Portland, Ore.-based member of NAGDCA's Awards Committee Chair, explained in an email why the VRS campaign was so atten-

tion-grabbing:

"VRS won this year's Art Caple award in part because it used an innovative variety of communication methods to deliver impactful results."

"From digital banners and newsletters to animations and splash-screen pop-ups, these methods all shared the goal of encouraging VRS participants to be their own 'savings hero,'" he said. Some 3,600 participants chose to "save more now," 461 participants chose to be "smart steppers" and 1,240 participants chose to "wait to save" for a total of 5,356 VRS participants improving their retirement readiness.

SmartStep allows participants to become "savings superheroes" by arranging for automatic annual increases in their contribution amounts. The campaign drove traffic to the plan's contributions web page, which included details about the SmartStep feature, and resulted in a 30% increase in page views over 2020, the release noted.

— PALASH GHOSH

Diwali Celebration



Diwali is India's biggest and most important holiday of the year. Also known as the festival of lights, the holiday celebrates light prevailing over darkness, or good prevailing over evil.

The festival started Oct. 24 and is celebrated over five days.

VRS celebrated Diwali on Oct. 26 by sharing food and other items from the culture. Employees look forward to the annual celebration!



- VRS ranked **fifth among all participating agencies** that contributed to the 2021 Commonwealth of Virginia Campaign (CVC) campaign with **over \$53,000 in donations**.
- This year's 2022 CVC campaign is in progress and has already raised more than \$6,800 to date.



The starting line of this year's VRS 5K fundraiser on Oct. 22!
With approximately 45 participants, the event raised \$1,125 for the CVC.



Date	Time	Meeting
January		
-		
February		
2/7/2023	1:00 p.m.	B&A
2/9/2023	1:00 p.m.	Board
March		
3/21/2023	TBD	Board Retreat
3/22/2023	TBD	Board Retreat
3/29/2023	10:30 a.m.	AFT
	1:00 p.m.	A&C
3/30/2023	1:00 p.m.	DCPAC
April		
4/12/2023	9:00 a.m.	IAC
4/19/2023	1:00 p.m.	B&A
4/20/2023	1:00 p.m.	Board
May		
-		
June		
6/1/2023	1:00 p.m.	DCPAC
6/7/2023	10:30 a.m.	AFT
	1:00 p.m.	A&C
6/14/2023	1:00 p.m.	B&A
6/15/2023	1:00 p.m.	Board



Date	Time	Meeting
July		
7/13/2023	1:00 p.m.	Board
August		
8/23/2023	9:00 a.m.	IAC
September		
9/7/2023	1:00 p.m.	DCPAC
9/20/2023	10:00 a.m.	A&C
	1:00 p.m.	AFT
9/21/2023	1:00 p.m.	Board
October		
10/18/2023	1:00 p.m.	B&A
10/19/2023	1:00 p.m.	Board
November		
11/15/2023	9:00 a.m.	IAC
11/16/2023	10:00 a.m.	B&A
	1:00 p.m.	Board
11/30/2023	1:00 p.m.	DCPAC
December		
12/7/2023	10:00 a.m.	A&C
	1:00 p.m.	Board