



April 14, 2023

MEMORANDUM

TO: VRS Board of Trustees

FROM: Patricia S. Bishop
Director

RE: Agenda Materials for April 20th Board Meeting

We are looking forward to the April 20th 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 prior to the start of the 11:45 a.m. Investment Policy Committee (IPC) brown bag lunch session.

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, in addition to the IPC brown bag session noted above, the Administration, Finance and Talent Management Committee will also meet on Thursday, April 20th, at 10:00 a.m.

Again, we look forward to seeing you next week. 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 B. Myers, Office of the Attorney General
Josette Bulova, VA Municipal League
Lawrence Kochard, VRS Investment Advisory Committee
Bonnie Atwood, VA Retired Teachers Association



Board of Trustees Meeting
VRS, 1111 E. Main St., 3rd Floor Board Room
Thursday, 4/20/2023
1:00 - 3:30 PM ET

I. Approve Minutes

- **February 9, 2023**
Board Minutes 2.9.23 - Page 5
- **March 21, 2023 (Retreat)**
Board Retreat Minutes 3.21.23 - Page 13
- **March 22, 2023 (Retreat)**
Board Retreat Minutes 3.22.23 - Page 16

II. Committee Assignments

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III. Report of the Investment Advisory Committee

IV. Report of the Chief Investment Officer

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Manager Referral Quarterly Summary - QE 3.31.23 - Page 41

V. Asset Liability Management Discussion

ALM Presentation - Page 42

VI. Report of the Investment Policy Committee

Report of the IPC - Page 86

VII. Report of the Defined Contribution Plans Advisory Committee

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VIII. Report of the Audit and Compliance Committee

Report of the A&CC - Page 89

IX. Report of the Administration, Finance and Talent Management Committee

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- **RBA – Reappointment of IAC Members and IAC Chairperson**
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Bio for Mike Beasley - Page 98
Bio for Larry Kochard - Page 100
Bio for Rod Smyth - Page 101
- **RBA – Reappointment of DCPAC Members**
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Resume for Shannon Irvin - Page 103

Bio for Rick Larson - Page 106

Bio for Dave Winter - Page 107

- **RBA – Approve Revised Investment Professionals’ Pay Plan**

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- **RBA – Approve Revised Administrative and Investment Operations and Administration Pay Plans**

RBA - Approve Revised Pay Plans - Page 126

Investment Operations and Administrative Pay Plan Policy - Redline - Page 127

Administrative Pay Plan - Redline - Page 139

- **RBA – Approve Revised Administrative Pay Plan**

RBA - Approve Revised ADM Pay Plan - Page 150

Compensation Presentation - Page 152

ADM Pay Plan - Redline CBIZ Implentation 5.10.23 - Page 192

ADM Pay Plan - Redline CBIZ Implentation 6.10.23 - Page 204

X. Commending Resolution for William A. Garrett

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XI. Report of the Director

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- **FOIA Update**

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Minutes

A regular meeting of the Virginia Retirement System Board of Trustees was held on February 9, 2023, 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
Susan T. Gooden, Ph.D.
W. Brett Hayes
Lindsey K. Pantele (*remotely under § 2.2-3708.3(B)(4)*)

VRS Staff:

Patricia Bishop, Andrew Junkin, Jennifer Schreck, Stephen Adelaar, Advait Apte, Rory Badura, Parham Behrooz, Caroline Cardwell, Jeanne Chenault, Michael Cooper, Perry Corsello, David Cotter, Juanita Cribbs, Sara Denson, Valerie Disanto, Laurie Fennell, Josh Fox, Brian Goodman, Katherine Grawe, JT Grier, Mehtab Haleem, KC Howell, Robert Irving, Wendy Jenkins, Ross Kasarda, LaShaunda King, Matt Lacy, Vu Le, Chung Ma, Curt Mattson, Peter Murphy, Walker Noland, Greg Oliff, Angela Payne, Laura Pugliese, Steven Ramirez, Paula Reid, Mark Rein, Andrew Ringle, Kristy Scott, Michael Scott, Leslie Weldon, Dan Whitlock and Cindy Wilkinson.

Guests:

Lauren Albanese, Financial Investment News; Tom Astin; John Kevin Balaod, With Intelligence; Jamie Bitz, Joint Legislative Audit and Review Commission; Zach Borgerding, Gary Gammon and Erin Rodriguez, Auditor of Public Accounts; Andrea Cinkovic, Alex Meyer and Hillary Tucker, Goldman Sachs; Madeline Katz, Mandate Wire; and Elizabeth Myers, Office of the Attorney General.

The meeting convened at 12:59 p.m.

Opening Remarks

Mr. Andrews called the meeting to order and welcomed everyone to the February 9, 2023, meeting of the Virginia Retirement System Board of Trustees.

After noting the meeting was being held in accordance with § 2.2-3708.3(B)(4) of the *Code of Virginia* and the VRS Remote Meeting Attendance Policy, Mr. Andrews took a roll call for attendance:

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

Mr. Hayes: Present
Mr. Montgomery: Present
Ms. Pantele: Present
Mr. Andrews: Present

Next, the Board congratulated Mr. Montgomery who was recently presented with the Distinguished Virginian Award by the Virginia Sports Hall of Fame. This accomplishment is being recognized by the General Assembly this year by House Joint Resolution 592.

Approval of Minutes

Upon a motion by Mr. Montgomery, with a second by Mr. Garrett, the VRS Board of Trustees approved the minutes from its December 8, 2022, meeting upon the following roll call vote:

Mr. Bell: Aye
Mr. Bennett: Aye
Mr. Disharoon: Aye
Mr. Garrett: Aye
Dr. Gooden: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Pantele: Aye
Mr. Andrews: Aye

Report of the Chief Investment Officer

Mr. Junkin began his report with a market overview and discussed asset allocation, total fund performance and tracking error, concluding that risk measures are within Board-approved levels. Mr. Junkin then discussed the New Investments and Terminations report, the Diverse Investment Manager Engagement (DIME) report, and the Quarterly External Investment Manager Referral report.

Next, Mr. Junkin provided a presentation on Asset Liability Management (ALM) and noted that VRS conducts formal ALM studies on a periodic basis. Mr. Junkin also provided an overview of the ALM study and the asset allocation process.

Mr. Andrews thanked Mr. Junkin for his report.

Report of the Investment Policy Committee

The Board received the report of the Investment Policy Committee and placed it on file.

Approval of Minutes

Mr. Andrews began his report by noting the Committee approved the minutes of its March 24, 2021, meeting.

Asset Liability Management (ALM) Process Education

In preparation for the upcoming discussion of the Asset Liability Study, Steven Peterson, VRS Director of Research, provided a presentation on the agency's investment beliefs and their impacts on asset allocation decisions.

Report of the Benefits and Actuarial Committee

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

Approval of Minutes

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

Cost of Living Adjustments

Virginia Sickness and Disability Program

Rory Badura, Senior Staff Actuary, presented the recommendations of Gabriel, Roeder, Smith & Company (GRS), the plan actuary, regarding statutory annual adjustments to Virginia Sickness and Disability Program (VSDP) creditable compensation for members on long-term disability. For VSDP, Mr. Badura advised that GRS recommends an increase in the creditable compensation for VRS pension benefit purposes of 4.00%, effective July 1, 2023. In addition, a cost-of-living-adjustment (COLA) in the amount of 5.00% shall be applied to long-term disability (LTD) benefit payments for Plan 1 members vested prior to January 1, 2013. A COLA of 3.00% shall be applied for Plan 1 members not vested prior to January 1, 2013, and all Plan 2 and Hybrid Retirement Plan members who have been recipients of LTD benefits for at least one year. The calculations were reviewed by VRS staff and Internal Audit.

Request for Board Action 2022-02-1: Effective July 1, 2023, the following increases shall apply:

- *The creditable compensation used in calculating the member's average final compensation at retirement shall be increased in the amount of 4.00% for a Plan 1, Plan 2 or Hybrid member who has been the recipient of long-term disability (LTD) benefits for at least one calendar year under the Virginia Sickness and Disability Program (VSDP); and*
- *A cost of living adjustment shall be applied to the net LTD benefit payment of 5.00% for Plan 1 members vested prior to January 1, 2013, or 3.00% for Plan 1 members not vested by January 1, 2013, and all Plan 2 and Hybrid members.*

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

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

Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Pantele: Aye
Mr. Andrews: Aye

Virginia Local Disability Program

Mr. Badura advised that for the VLDP program GRS recommends an increase in the creditable compensation used at retirement of 4.00%, effective July 1, 2023. The VLDP plan does not provide for a COLA on LTD benefits being received. The calculations for the increase in creditable compensation were reviewed by VRS staff and Internal Audit.

Request for Board Action 2023-02-2: Effective July 1, 2023, each recipient of LTD benefits under the Virginia Local Disability Program (VLDP) who has been receiving LTD benefits for at least one calendar year, and who ultimately retires directly from LTD, will have their creditable compensation at date of disability increased by an amount set by the Board to be used in determining the member's average final compensation for disability retirement. The recommendation applicable to July 1, 2023 is an increase of 4.00% to be applied to a recipient's creditable compensation.

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

Mr. Bell: Aye
Mr. Bennett: Aye
Mr. Disharoon: Aye
Mr. Garrett: Aye
Dr. Gooden: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Pantele: Aye
Mr. Andrews: Aye

Information Items

2023 COLAs Called for Under Statute Not Requiring Board Approval

Mr. Badura noted that, by statute, VRS cost of living increases are based on the consumer price index for all items, all urban consumers, as published by the Bureau of Labor Statistics of the U.S. Department of Labor. Mr. Badura advised that the COLA increase effective July 1, 2023, of 5.00% is applicable to eligible Plan 1 members vested prior to January 1, 2013. A COLA increase of 3.00% is applicable to Plan 1 members not vested prior to January 1, 2013, and all Plan 2 and Hybrid Plan members effective July 1, 2023. This figure was calculated by GRS, the VRS plan actuary, and verified by VRS and Internal Audit staff. The COLA did not require action by the Committee.

Mr. Badura advised that the *Code of Virginia* requires the Hazardous Duty Supplement provided to hazardous duty employees be reviewed biennially, at which time it is to be increased by any

applicable cost of living adjustments since the last applicable increase. Following a Social Security biennial increase of 15.11%, the annual Hazardous Duty Supplement will increase from \$14,664 to \$16,884 for fiscal year 2023.

The Group Life Insurance Program minimum benefit for members retired with at least 30 years of service is to be increased by the same COLA applicable to VRS Plan 2 members, or 3.00%, effective July 1, 2023. The new minimum life insurance payout, effective July 1, 2023, will be \$9,254. The Group Life Insurance Program minimum did not require action by the Committee. The calculations were reviewed by VRS staff and Internal Audit.

2023 Legislative Update

Ms. Wilkinson provided an update on VRS-related legislation in the 2023 General Assembly session.

2023 B&A Committee Meeting Schedule:

- April 19 at 1:00 p.m.
- June 14 at 1:00 p.m.
- October 18 at 1:00 p.m.
- November 16 at 10:00 a.m.

Mr. Andrews thanked Mr. Garrett for his report.

Legislative Update

Next, Cindy Wilkinson, Director of Policy, Planning and Compliance, provided the Board with an update on VRS-related legislation in the 2023 General Assembly session. Ms. Wilkinson provided an overview of legislation that would modify VRS return to work statutes that permit certain retirees to return to work full-time while receiving a retirement benefit.

Ms. Wilkinson also reviewed legislation related to the Health Insurance Credit (HIC), which is a benefit provided to state and many local employees who retire with at least 15 years of service. The HIC is a flat dollar amount that varies by employer, and proposed legislation would add the Plan 2 COLA increase to certain HIC benefits for certain employees who retire with at least 30 years of service. Ms. Wilkinson discussed the fiscal impact on the unfunded liability and funded status of the plan.

Ms. Wilkinson provided an overview of the introduced budget amendments and noted the General Assembly is expected to adjourn on February 25 and reconvene on April 12 to review the Governor's recommendations and vetoes.

Mr. Andrews thanked Ms. Wilkinson for her presentation.

Custodial and Signature Authorization Resolutions

Trish Bishop, VRS Director, reviewed the updates to the Signature Authorization and Custodial Authorization resolutions with the Board. Ms. Bishop advised that Barry Faison and Ron Schmitz are removed from the resolutions and David Porter, VRS Controller, is added to the Custodial Authorization resolution.

Upon a motion by Mr. Montgomery, with a second by Dr. Gooden, the Board of Trustees affirmed the updates to the Signature Authorization and Custodial Authorization resolutions by the following roll call vote:

Mr. Bell: Aye
Mr. Bennett: Aye
Mr. Disharoon: Aye
Mr. Garrett: Aye
Dr. Gooden: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Pantele: Aye
Mr. Andrews: Aye

Report of the Director

Ms. Bishop began her report with an update on the agency roadmap for FY 2023, noting all projects are progressing as planned with the exception of the Hyper Converged Infrastructure (HCI) data center migration. This project is delayed due to supply chain issues and a change in the data center cage relocation. Next, Ms. Bishop reviewed the new Employer Coverage Elections.

Ms. Bishop advised Senate Joint Resolution 263 was recently introduced in honor of the outstanding service and career accomplishments of former VRS Chief Investment Officer, Ron Schmitz. Lastly, Ms. Bishop noted the Board Retreat will be held March 21-22 at the Westin Richmond Hotel.

Mr. Andrews thanked Ms. Bishop for her report.

Next, Dr. Gooden expressed her appreciation following the VRS Annual Meeting held on December 14, 2022, during which staff celebrated 80 years of serving those who serve others. Dr. Gooden acknowledged the hard work and dedication of current and former employees and thanked the team for the experience.

Mr. Andrews recognized Brian Goodman, Legal Affairs and Compliance Coordinator, who is retiring this spring after 25 years of service to the Commonwealth. Mr. Goodman joined VRS in 2006 and since that time has been appointed by the Attorney General to represent VRS in court for appeals under the Administrative Process Act as well as other matters. In addition, Mr. Goodman has directly supported the Board of Trustees, counseling on a variety of issues such as legislation and securities litigation.

Mr. Andrews congratulated Mr. Goodman on his retirement and expressed the Board's appreciation and gratitude for his exceptional service and faithful representation of VRS.

Closed Session

Mr. Montgomery moved, with a second by Mr. Garrett, that the Virginia Retirement System Board of Trustees convene a closed meeting under the Virginia Freedom of Information Act for the purposes of (a) consultation with legal counsel about actual or probable litigation pursuant to the exemption contained in § 2.2-3711(A)(7) of the *Code of Virginia*, and (b) discussion of an information technology system or software program where discussion in an open meeting would jeopardize the security of such

information technology system or software program, pursuant to the exemption contained in § 2.2-3711(A)(19) of the *Code of Virginia*.

Mr. Bell: Aye
Mr. Bennett: Aye
Mr. Disharoon: Aye
Mr. Garrett: Aye
Dr. Gooden: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Mr. Andrews: Aye

**Ms. Pantele was not present for this vote.*

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

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

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

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

Mr. Bell: Aye
Mr. Bennett: Aye
Mr. Disharoon: Aye
Mr. Garrett: Aye
Dr. Gooden: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Pantele: Aye
Mr. Andrews: Aye

Other Business

Lastly, Mr. Andrews advised the Annual Retreat will be held on March 21 and March 22 at the Westin Richmond Hotel. In addition, the Administration, Finance and Talent Management Committee will meet on March 29, 2023, and the Defined Contribution Plans Advisory Committee will meet on March 30, 2023.

Adjournment

Following a motion by Mr. Montgomery, with a second by Dr. Gooden, the VRS Board of Trustees agreed to adjourn the meeting upon the following roll call vote:

Mr. Bell: Aye
Mr. Bennett: Aye
Mr. Disharoon: Aye
Mr. Garrett: Aye
Dr. Gooden: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Pantele: Aye
Mr. Andrews: Aye

The meeting concluded at 2:40 p.m.

Chair

Secretary

Minutes

The Virginia Retirement System Board of Trustees held its annual retreat on March 21, 2023, at the Westin Richmond, 6631 West Broad Street, 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
Susan T. Gooden, Ph.D.
Jessica L. Hood

Investment Advisory Committee

Lawrence E. Kochard, Ph.D., Chair
Hance West, Vice Chair
Nan G. Leake

Defined Contribution Plans Advisory Committee

C. Matt Harris
Arun Muralidhar

VRS Staff:

Patricia Bishop, Andrew Junkin, Jennifer Schreck, Stephen Adelaar, John Alouf, Advait Apte, Rory Badura, Parham Behrooz, Erica Billingslea, Kevin Bliss, Ty Bowers, Judy Bolt, Rick Brooks, Warren Chang, Jeanne Chenault, Tom Coleman, Michael Cooper, David Cotter, Sara Denson, Laurie Fennell, Laura Fields, Josh Fox, Palmer Garson, Thomas Gayner, Jay Gentry, Brian Goodman, Katherine Grawe, JT Grier, Dane Honrado, KC Howell, Robert Irving, De'Von Jones, Ross Kasarda, LaShaunda King, Kristina Koutrakos, Vu Le, Michael Loomis, Chung Ma, Kidus Molla, Tom Mulvin, Peter Murphy, Teresa Nguyen, Walker Noland, Greg Oliff, Steve Peterson, Vera Pleasants, Laura Pugliese, Steven Ramirez, Paula Reid, Andrew Ringle, Jummai Sarki-Hurd, Dan Schlussler, Kristy Scott, Michael Scott, Carol Timpano, Viet Tran, Korey Turner, Rob Voeks, Lisa Turner, Leslie Weldon, Dan Whitlock, Cindy Wilkinson, Steve Woodall and Olga Zozulya.

Guests:

Lauren Albanese, Financial Investment News; Jeremy Bennett, Virginia Association of Counties; Rupal Bhansali, Malik Murray and Tian Xing, Ariel Investments; Jamie Bitz and Hal Greer, Joint Legislative Audit and Review Commission; Zach Borgerding, Gary Gammon and Erin Rodriguez, Auditor of Public Accounts; Josette Bulova, Virginia Municipal League; Kristin Ceva and Asha Joshi, Payden & Rygel; Declan Denehan and Anders Reinertsen, BNY Mellon; Justin Flores, Private Equity Stakeholder Project; Rick Fowler and Marshall Terry, Virginia Governmental Employees Association; Gregg Gethard, PEI Media; Emily Grimes and Jason Saunders, Department of Planning and Budget; Michael Jay, House Appropriations Committee; Laura Kreutzer, Wall Street Journal; Alec Landor; Encore Global; Kelly Cadden, Ed Carroll, Brendan

Duffy, Nicholas Moore, Doyle Queally and Vik Sawhney, Blackstone; Richard Murrall and Rick Rieder, BlackRock; Kumari Neha, John Okerman and David Swynford, Department of Treasury; Bea Snidow, Virginia Education Association; Mike Tweedy and Tyler Williams, Senate Finance and Appropriations Committee; Zach Gonzalez, and John O'Neil.

Retreat Called to Order

Mr. Andrews welcomed everyone to the Virginia Retirement System Board of Trustees retreat. Mr. Andrews introduced the newest member of the Board of Trustees, Jessica Hood. Ms. Hood serves in the City of Norton's Commonwealth's Attorney's Office as well as the Director of Outreach and Public Relations for Wise County. Mr. Andrews also thanked Chief William Garrett for his service on the VRS Board of Trustees.

Opening Remarks

Trish Bishop, VRS Director, and Andrew Junkin, VRS Chief Investment Officer, provided opening remarks and Mr. Junkin introduced the first speaker, Rupal Bhansali, Chief Investment Officer and Portfolio Manager of Global Equity Strategies with Ariel Investments.

Presentations

Macro/Economic Overview

Guest speaker, Rupal Bhansali, Chief Investment Officer and Portfolio Manager of Global Equity Strategies with Ariel Investments, provided a presentation titled *Macro/Economic Overview*.

Private Markets Outlook

K.C. Howell, VRS Managing Director of Private Markets, hosted a fireside chat focusing on private markets with Vik Sawhney, Chief Administrative Officer and Global Head of Institutional Client Solutions with Blackstone.

Public Markets Outlook

Guest speaker, Rick Rieder, Senior Managing Director and Chief Investment Officer of Global Fixed Income with BlackRock, provided a presentation titled *Public Markets Outlook*.

Emerging Markets Debt

Greg Oliff, VRS Fixed Income Co-Director, hosted a fireside chat on Emerging Market Debt with Kristin Ceva, Managing Director with Payden & Rygel.

Interpreting the Macro Environment

Guest speaker, Richard Murrall, Managing Director of Multi-Asset Strategies and Solutions with BlackRock, provided a presentation titled *Interpreting the Macro Environment*.

Closing Remarks

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

Adjournment

The retreat concluded at approximately 5:05 p.m.

Chair

Secretary

Minutes

The Virginia Retirement System Board of Trustees held its annual retreat on March 22, 2023, at the Westin Richmond, 6631 West Broad Street, 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
Susan T. Gooden, Ph.D.
Jessica L. Hood

Investment Advisory Committee

Hance West, Vice Chair
Nan G. Leake

Defined Contribution Plans Advisory Committee

C. Matt Harris
Arun Muralidhar

VRS Staff:

Patricia Bishop, Andrew Junkin, Jennifer Schreck, John Alouf, Advait Apte, Rory Badura, Parham Behrooz, Kevin Bliss, Judy Bolt, Rick Brooks, Jeanne Chenault, Michael Cooper, David Cotter, Sara Denson, Laurie Fennell, Laura Fields, Josh Fox, Brian Goodman, Jay Gentry, Katherine Grawe, JT Grier, Krystal Groff, Mehtab Haleem, Greg Hines, Dane Honrado, KC Howell, Robert Irving, Ross Kasarda, LaShaunda King, Kristina Koutrakos, Michael Loomis, Chung Ma, Moeen Mostafavi, Walker Noland, Greg Oliff, Steve Peterson, Vera Pleasants, Laura Pugliese, Paula Reid, Dan Schlussler, Kristy Scott, Michael Scott, Katherine Simmons, Carol Timpano, Viet Tran, Rob Voeks, Leslie Weldon, Dan Whitlock, Cindy Wilkinson, Steve Woodall and Olga Zozulya.

Guests:

Adam Berger and Amy Morse, Wellington Management; Zach Borgerding, Gary Gammon and Erin Rodriguez, Auditor of Public Accounts; Josette Bulova, Virginia Municipal League; Thomas Cassara, Agilis; Declan Denehan and Anders Reinertsen, BNY Mellon; Rick Fowler and Marshall Terry, Virginia Governmental Employees Association; Emily Grimes, Department of Planning and Budget; Benita Harper, AON; April Kees, Mike Tweedy and Tyler Williams, Senate Finance and Appropriations Committee; Laura Kreutzer and Heather Gillers, Wall Street Journal; Alec Landor, Encore Global; Tim McCusker, NEPC, LLC; Bea Snidow, Virginia Education Association; and Zach Gonzalez.

Opening Remarks

Andrew Junkin, VRS Chief Investment Officer, welcomed the attendees to the second day of the retreat.

Presentations

Fiduciary & Governance Training

Guest speaker, Benita Falls Harper, Co-Consultant and Associate Partner with Aon, held a Fiduciary and Governance training session.

Liability Primer

Guest speaker, Thomas Cassara, Chief Executive Officer of Agilis, provided a presentation titled *Liability Primer*.

Pension Opportunities and Challenges

Guest speaker, Tim McCusker, Chief Investment Officer of NEPC, LLC, provided a presentation titled *Pension Opportunities and Challenges*.

Top of Mind Risks

Guest speaker, Adam Berger, Asset Allocation Strategist with Wellington Management, provided a presentation titled *Top of Mind Risks*.

Closing Remarks

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

Adjournment

The retreat concluded at approximately 12: 40 p.m.

Chair

Secretary

**Proposed VRS Board of Trustees and Committee Assignments
(Effective April 20, 2023)**

VRS Board of Trustees
A. Scott Andrews, Chair Joseph W. Montgomery, Vice Chair J. Brandon Bell, II John M. Bennett Michael P. Disharoon Susan T. Gooden, Ph.D. W. Brett Hayes Jessica L. Hood Lindsey K. Pantele
Administration, Finance and Talent Management Committee
A. Scott Andrews, Chair Joseph W. Montgomery, Vice Chair W. Brett Hayes Michael P. Disharoon
Audit and Compliance Committee
Joseph W. Montgomery, Chair W. Brett Hayes, Vice Chair A. Scott Andrews
Benefits and Actuarial Committee
John M. Bennett, Chair Jessica L. Hood Lindsey K. Pantele
Defined Contribution Plans Advisory Committee
J. Brandon Bell, II, Chair Susan T. Gooden, Ph.D., Vice Chair Ravindra A. Deo C. Matt Harris Shannon T. Irvin Rick Larson Brenda O. Madden Arun Muralidhar David A. Winter

**Proposed VRS Board of Trustees and Committee Assignments
(Effective April 20, 2023)**

Investment Policy Committee
A. Scott Andrews, Chair Joseph W. Montgomery, Vice Chair J. Brandon Bell, II John M. Bennett Michael P. Disharoon Susan T. Gooden, Ph.D. W. Brett Hayes Jessica L. Hood Lindsey K. Pantele
Investment Advisory Committee
Lawrence E. Kochard, Ph.D., Chair William “Hance” West, Vice Chair Michael Beasley Theodore Economou Palmer P. Garson Thomas S. Gayner Nancy G. Leake W. Bryan Lewis Rod Smyth

Notes:

1. *By charter, the Board chair appoints Board members to each committee.*
2. *By charter, the Board chair and vice chair shall serve in the respective position for the Administration, Finance and Talent Management Committee and Investment Policy Committee.*
3. *For all committees other than the Administration, Finance and Talent Management Committee and Investment Policy Committee, the committee chair is appointed by the Board chair, subject to approval by the Board.*
4. *For all committees other than the Administration, Finance and Talent Management Committee and Investment Policy Committee, the vice chair is elected by the committee members.*

Chief Investment Officer Report

Andrew Junkin



Rate Moves (10Y Nominal, Real & BEI)



USGG10YR Index (US Generic Govt 10 Yr) Rate Moves Daily 31MAR2022-31MAR2023

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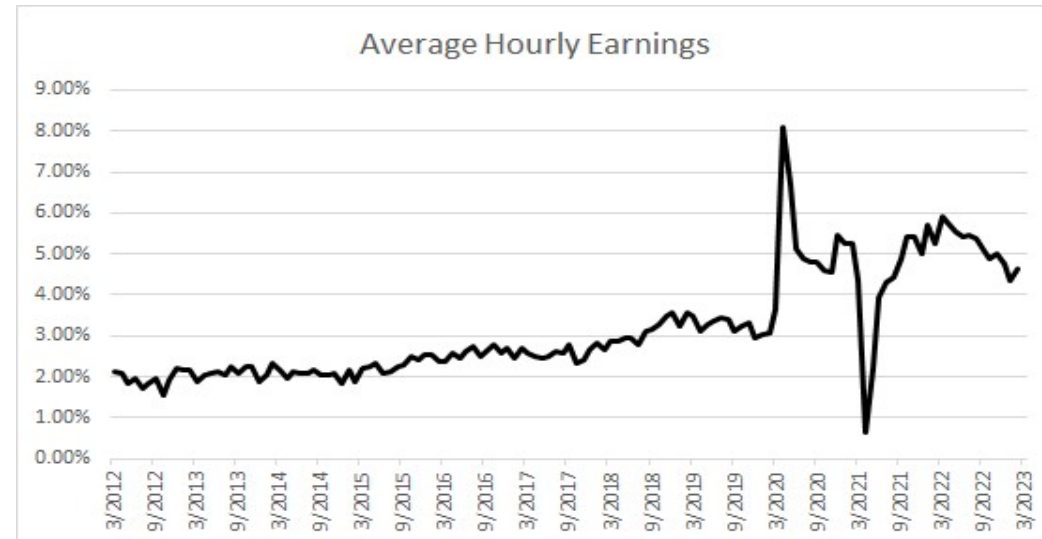
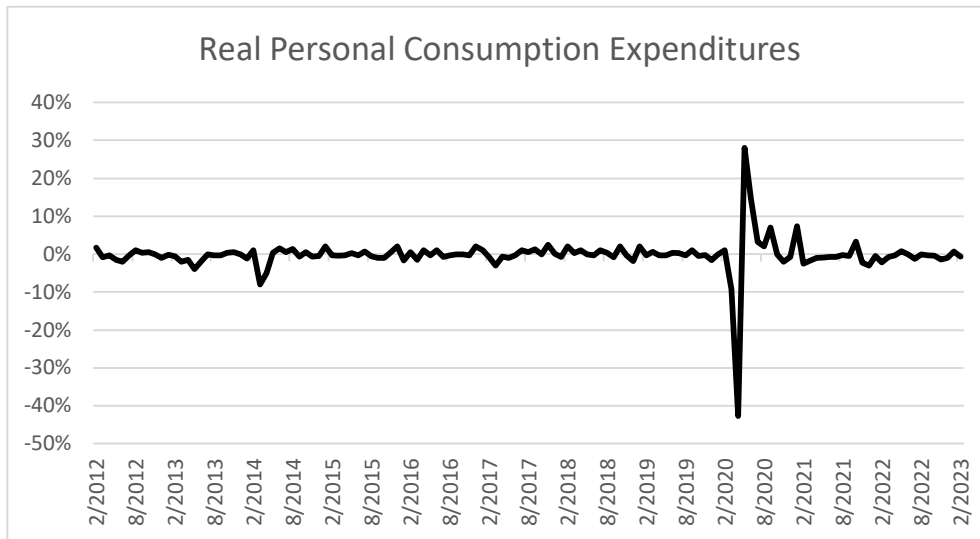
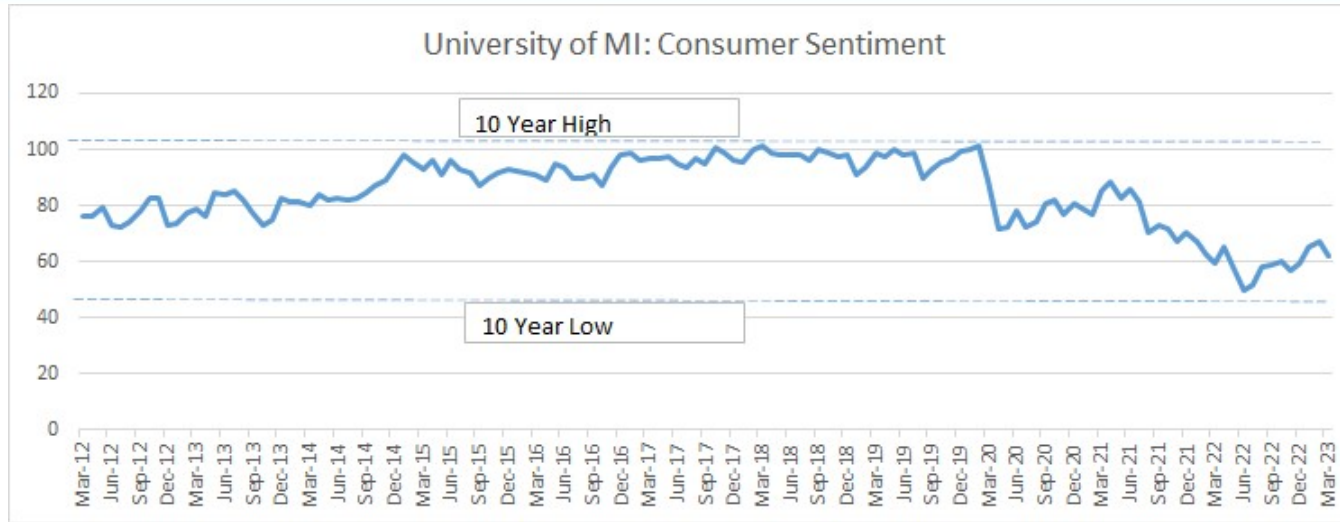
10 Year Nominal

Break Even

Real Rates

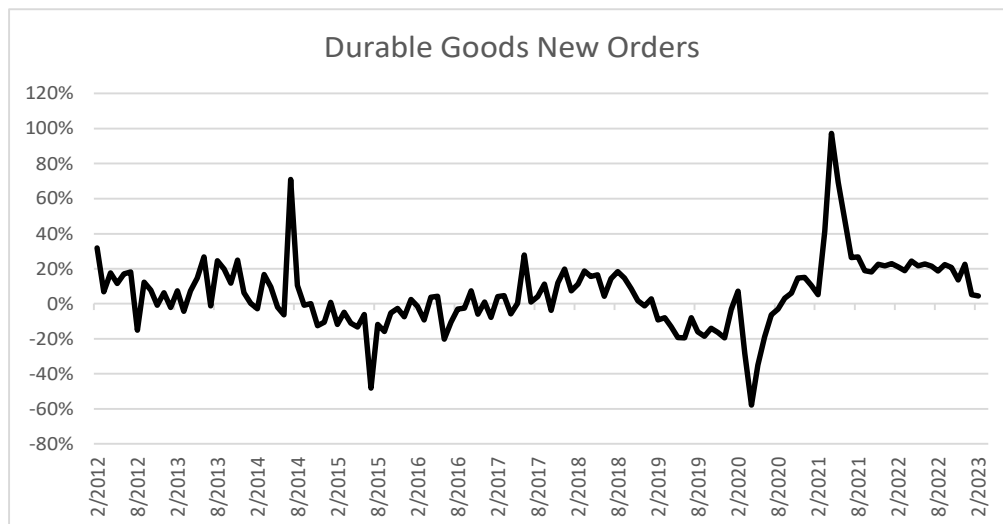
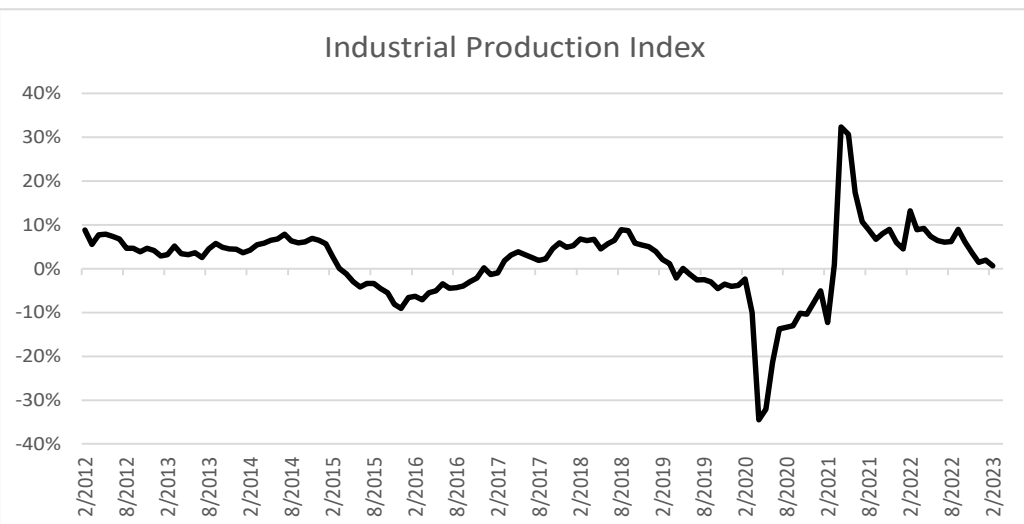
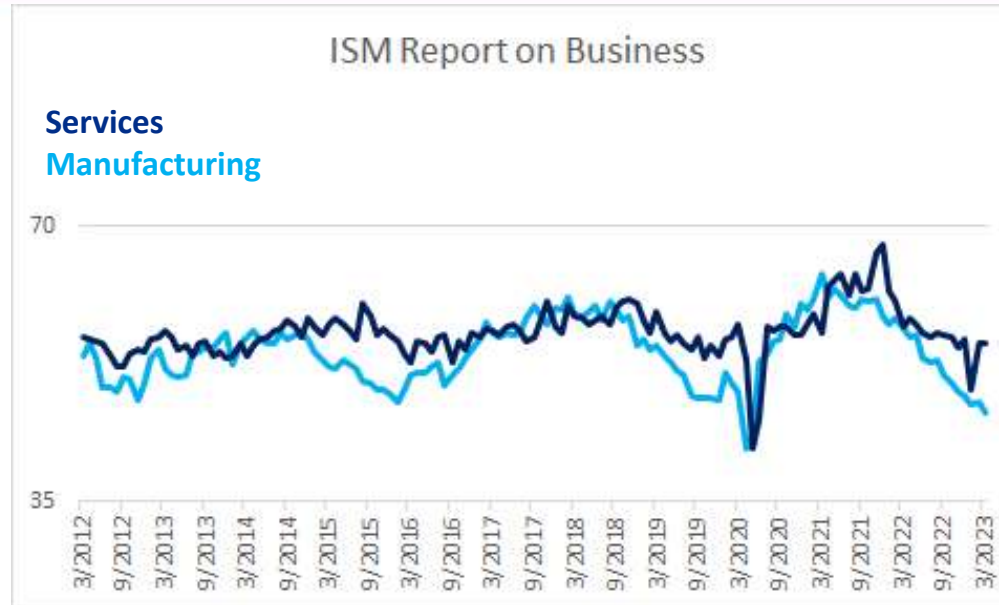
Data Source: Bloomberg

Consumer Activity



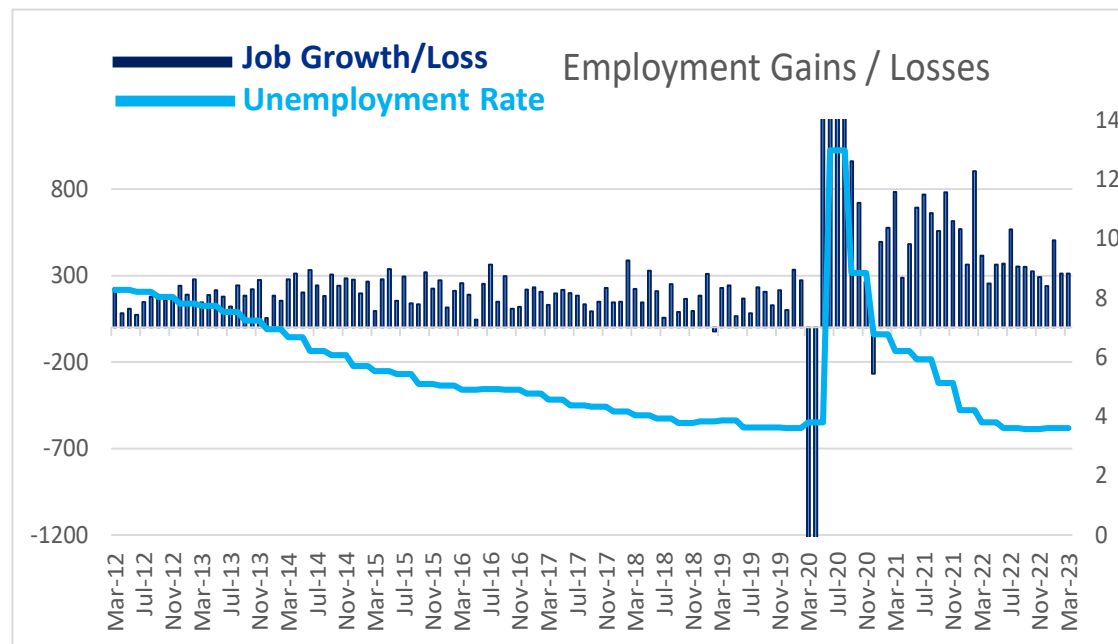
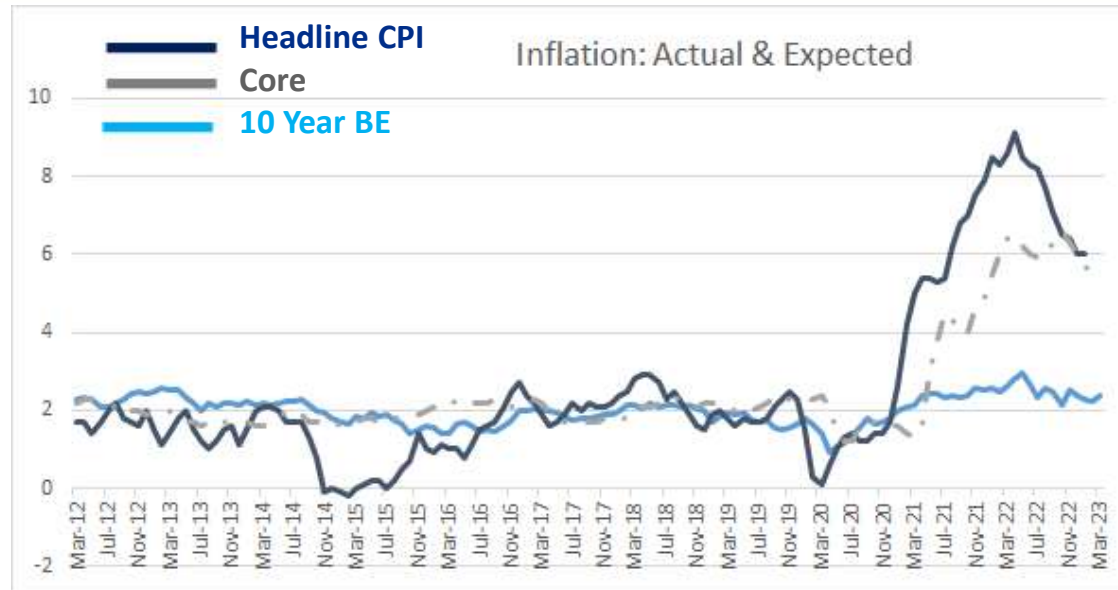
Data Source: Bloomberg

Business Activity



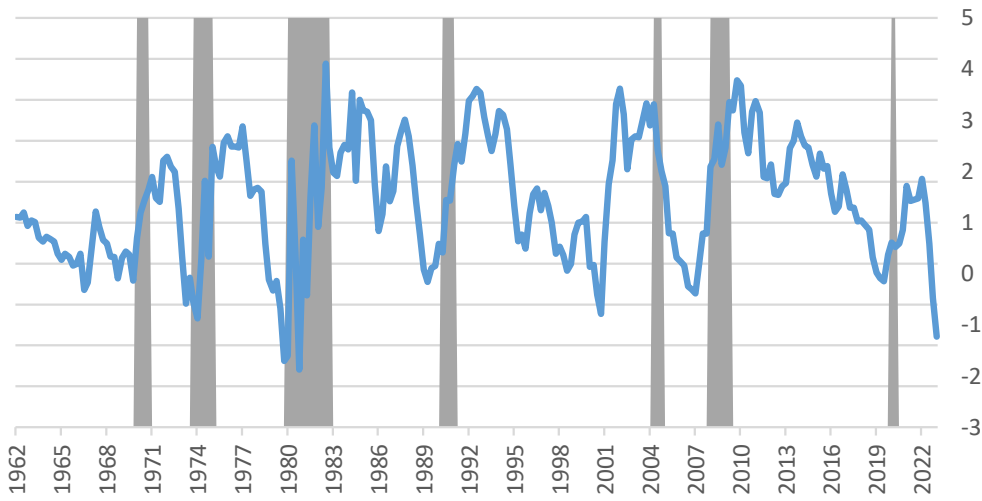
Data Source: Bloomberg

Inflation and Employment

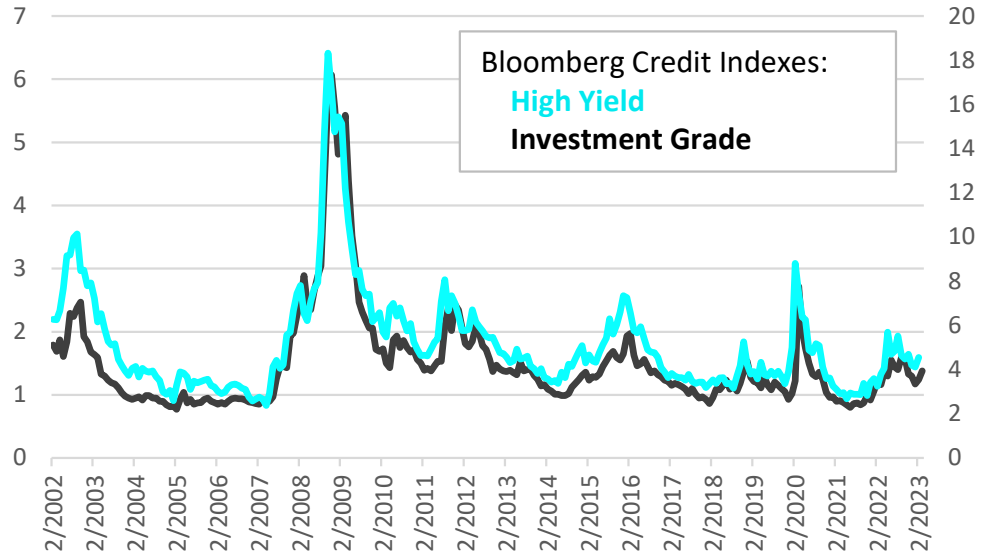


Risk Monitor

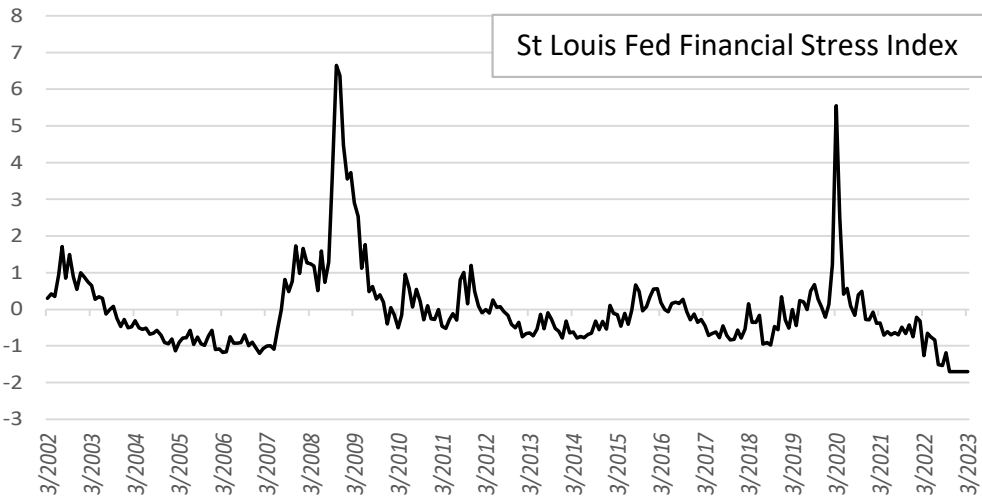
Yield Curve Slope vs Recessions



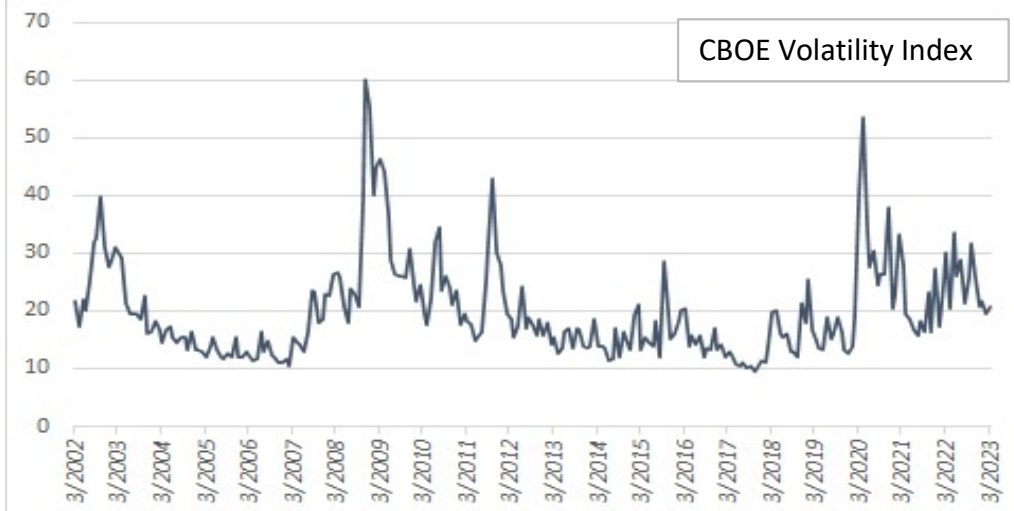
Bloomberg Credit Indexes:
High Yield
Investment Grade



St Louis Fed Financial Stress Index



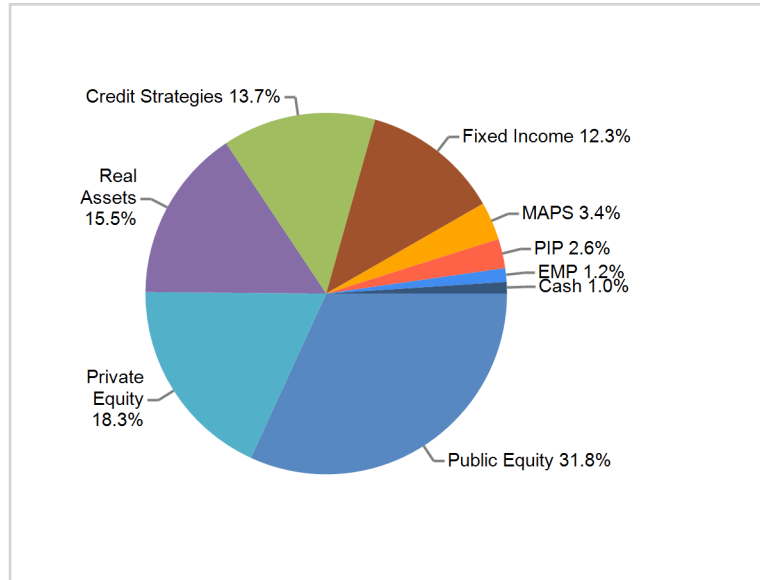
CBOE Volatility Index



Asset Allocation Report

December 31, 2022

For Internal Investment Purposes Only



Tracking Error	
3Yr-Total Fund:	2.03%
3Yr-Total Public:	1.74%
5Yr-Total Fund:	1.93%
5Yr-Total Public:	1.43%

	Current \$Bil	Current Weight	Policy Weight	Variance	Allowable Range		Internal %
Total Fund	100.3						28.3%
Public Equity	31.9	31.8%	34.0%	-2.2%	-5%	+5%	47.1%
Fixed Income	12.4	12.3%	15.0%	-2.7%	-3%	+5%	96.3%
Credit Strategies	13.8	13.7%	14.0%	-0.3%	-5%	+5%	
RS Credit	3.1	3.1%	5.6%	-2.5%			
NRS Credit	10.6	10.6%	8.4%	2.2%			
Real Assets	15.6	15.5%	14.0%	1.5%	-5%	+5%	8.7%
Public RE	1.4	1.4%					99.9%
Private RE	9.6	9.6%					
Other RA	4.6	4.6%					
Private Equity	18.3	18.3%	16.0%	2.3%	-5%	+5%	
MAPS	3.4	3.4%	4.0%	-0.6%	-2%	+2%	
DSTRAT	1.6	1.6%					
RBI	1.8	1.8%					0.4%
PIP	2.6	2.6%	2.0%	0.6%	-2%	+2%	
EMP	1.2	1.2%	0.0%	1.2%		+3%	
Cash	1.0	1.0%	1.0%	0.0%	-1%	+4%	

High-Level Exposure	Current \$Bil	Current Weight	Policy Weight	Variance	Allowable Range	
Total Equity	50.3	50.1%	50.0%	0.1%	-10%	10%
Fixed Income + Cash	13.4	13.4%	16.0%	-2.6%	-4%	9%

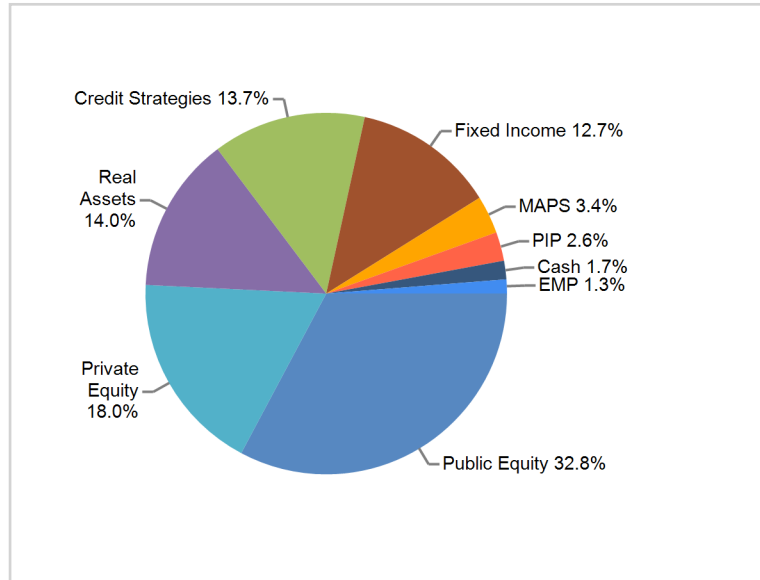
	Current \$Bil	Current Weight	Policy Limit
Hedge Funds	9.8	9.8%	15.0%

* Total Fund includes the following amt held by the Treasurer of VA: \$ 45 million

• The values shown for each asset class on this report may differ from the VRS Monthly Performance Report due to adjustments related to derivative positions in the Rebalance Account, pending transactions, and certain accruals. The values on this report are a more descriptive representation of the Virginia Retirement System's true economic exposure to each asset class.(4 adjustments applied)

*Total Fund and Total Public annualized tracking error is calculated using compounded quarterly returns as of 12/31/2022

* Differences in totals are due to rounding.



Tracking Error	
3Yr-Total Fund:	2.03%
3Yr-Total Public:	1.73%
5Yr-Total Fund:	1.93%
5Yr-Total Public:	1.43%

	Current \$Bil	Current Weight	Policy Weight	Variance	Allowable Range		Internal %
Total Fund	102.1						27.8%
Public Equity	33.5	32.8%	34.0%	-1.2%	-5%	+5%	47.5%
Fixed Income	13.0	12.7%	15.0%	-2.3%	-3%	+5%	96.4%
Credit Strategies	14.0	13.7%	14.0%	-0.3%	-5%	+5%	
RS Credit	3.2	3.1%	5.6%	-2.5%			
NRS Credit	10.8	10.6%	8.4%	2.2%			
Real Assets	14.3	14.0%	14.0%	0.0%	-5%	+5%	
Private RE	9.6	9.4%					
Other RA	4.6	4.5%					
Private Equity	18.4	18.0%	16.0%	2.0%	-5%	+5%	
MAPS	3.5	3.4%	4.0%	-0.6%	-2%	+2%	
DSTRAT	1.6	1.6%					
RBI	1.8	1.8%					0.4%
PIP	2.6	2.6%	2.0%	0.6%	-2%	+2%	
EMP	1.3	1.3%	0.0%	1.3%		+3%	
Cash	1.7	1.7%	1.0%	0.7%	-1%	+4%	

<u>High-Level Exposure</u>	Current \$Bil	Current Weight	Policy Weight	Variance	Allowable Range	
Total Equity	51.9	50.8%	50.0%	0.8%	-10%	10%
Fixed Income + Cash	14.7	14.3%	16.0%	-1.7%	-4%	9%

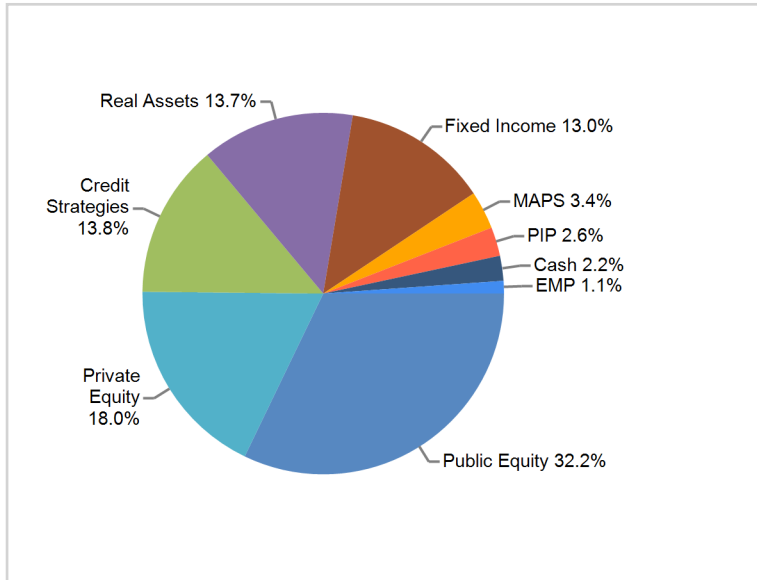
	Current \$Bil	Current Weight	Policy Limit
Hedge Funds	9.9	9.7%	15.0%

* Total Fund includes the following amt held by the Treasurer of VA: \$ 388 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 12/31/2022

* Differences in totals are due to rounding.



Tracking Error	
3Yr-Total Fund:	2.71%
3Yr-Total Public:	1.93%
5Yr-Total Fund:	2.28%
5Yr-Total Public:	1.53%

	Current \$Bil	Current Weight	Policy Weight	Variance	Allowable Range		Internal %
Total Fund	102.9						27.7%
Public Equity	33.1	32.2%	34.0%	-1.8%	-5%	+5%	46.6%
Fixed Income	13.4	13.0%	15.0%	-2.0%	-3%	+5%	96.5%
Credit Strategies	14.2	13.8%	14.0%	-0.2%	-5%	+5%	
RS Credit	3.2	3.1%	5.6%	-2.5%			
NRS Credit	10.9	10.6%	8.4%	2.2%			
Real Assets	14.1	13.7%	14.0%	-0.3%	-5%	+5%	
Private RE	9.3	9.1%					
Other RA	4.8	4.6%					
Private Equity	18.5	18.0%	16.0%	2.0%	-5%	+5%	
MAPS	3.5	3.4%	4.0%	-0.6%	-2%	+2%	
DSTRAT	1.7	1.6%					6.5%
RBI	1.9	1.8%					0.5%
PIP	2.7	2.6%	2.0%	0.6%	-2%	+2%	
EMP	1.2	1.1%	0.0%	1.1%		+3%	
Cash	2.3	2.2%	1.0%	1.2%	-1%	+4%	

<u>High-Level Exposure</u>	Current \$Bil	Current Weight	Policy Weight	Variance	Allowable Range	
Total Equity	51.6	50.2%	50.0%	0.2%	-10%	10%
Fixed Income + Cash	15.7	15.3%	16.0%	-0.7%	-4%	9%

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

* Total Fund includes the following amt held by the Treasurer of VA: \$ 288 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 (3 adjustments applied)

*Total Fund and Total Public annualized tracking error is calculated using compounded quarterly returns as of 3/31/2023

* Differences in totals are due to rounding.

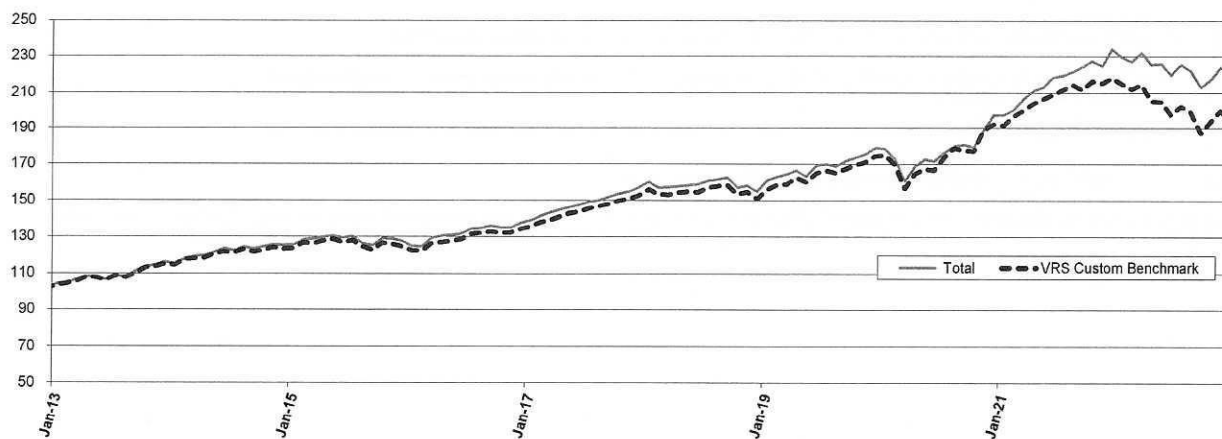
PERFORMANCE SUMMARY
Rolling Periods Ending
December 31, 2022



TOTAL FUND PERFORMANCE

	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month	Fiscal YTD	Cal YTD	Market Value (\$MM)
Total Public Equity Strategies	8.4	5.1	4.7	-15.2	10.5	-2.9	3.9	-15.2	30,427
<i>Benchmark</i>	8.2	5.4	4.4	-18.1	10.0	-3.8	2.8	-18.1	
Total Fixed Income	1.8	1.1	-1.2	-12.6	2.8	-0.2	-2.0	-12.6	12,379
<i>Benchmark</i>	1.1	0.1	-2.7	-13.1	2.3	-0.4	-2.3	-13.1	
Total Credit Strategies	5.9	5.6	5.5	-2.0	1.3	0.2	0.7	-2.0	13,756
<i>Benchmark</i>	4.4	3.4	1.5	-4.9	3.2	0.0	3.4	-4.9	
Total Real Assets	10.7	9.9	10.9	14.4	1.5	0.6	3.4	14.4	15,557
<i>Benchmark</i>	8.9	8.2	9.2	12.9	1.3	-0.1	4.0	12.9	
Total Private Equity	16.4	18.2	20.4	0.0	-0.9	-1.2	-4.9	0.0	18,344
<i>Benchmark</i>	10.6	7.1	5.0	-20.9	-6.5	-9.6	-21.2	-20.9	
Total Private Investment Partnerships	n/a	9.4	10.9	3.5	0.0	0.0	-1.2	3.5	2,636
<i>Benchmark</i>	n/a	6.8	6.6	-3.4	-0.7	-3.1	-4.4	-3.4	
Total Multi-Asset Public Strategies	n/a	n/a	3.1	-4.9	4.7	-0.9	2.5	-4.9	3,412
<i>Benchmark</i>	n/a	n/a	2.5	-9.8	4.7	-1.6	1.1	-9.8	
Total Fund	8.1	7.1	7.4	-5.3	4.0	-1.1	0.7	-5.3	100,252
<i>VRS Custom Benchmark</i>	6.7	4.9	3.6	-11.2	3.5	-3.0	-1.8	-11.2	

10-Year Performance
Indexed to 100



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

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

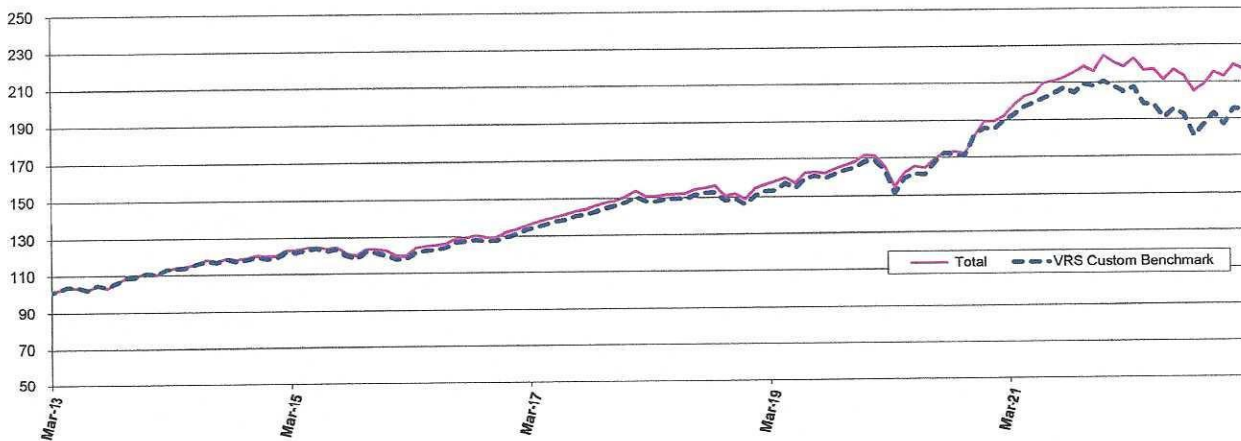
PERFORMANCE SUMMARY
Rolling Periods Ending
February 28, 2023



TOTAL FUND PERFORMANCE

	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month	Fiscal YTD	Cal YTD	Market Value (\$MM)
Total Public Equity Strategies	8.2	5.8	9.4	-5.6	0.9	-2.3	8.0	4.0	31,615
<i>Benchmark</i>	8.1	6.2	9.4	-7.7	0.5	-2.7	7.3	4.4	
Total Fixed Income	1.9	1.6	-2.1	-8.7	0.5	-2.4	-1.3	0.7	12,961
<i>Benchmark</i>	1.1	0.6	-3.6	-9.5	0.1	-2.5	-1.8	0.5	
Total Credit Strategies	5.8	5.7	5.9	0.3	1.3	0.0	1.9	1.2	13,983
<i>Benchmark</i>	4.5	3.8	2.5	-0.9	2.7	-0.3	6.1	2.7	
Total Real Assets	10.6	10.1	11.3	15.3	0.6	-0.1	3.4	0.0	14,271
<i>Benchmark</i>	8.5	7.7	8.5	7.7	-2.1	-1.1	1.9	-2.1	
Total Private Equity	16.4	18.1	20.5	0.1	-1.3	-0.2	-5.0	-0.1	18,367
<i>Benchmark</i>	12.1	9.1	7.9	-11.4	3.3	7.7	-10.0	14.3	
Total Private Investment Partnerships	n/a	9.4	10.9	3.5	0.0	0.0	-1.2	0.0	2,636
<i>Benchmark</i>	n/a	7.8	7.4	-0.3	1.5	2.0	0.1	4.7	
Total Multi-Asset Public Strategies	n/a	n/a	5.7	-0.1	2.2	0.5	5.6	3.1	3,465
<i>Benchmark</i>	n/a	n/a	4.0	-4.4	0.4	-0.9	3.2	2.0	
Total Fund	8.0	7.5	9.3	-0.8	0.6	-1.1	2.4	1.7	102,130
<i>VRS Custom Benchmark</i>	6.8	5.6	6.0	-4.9	1.0	-0.3	2.2	4.1	

10-Year Performance
Indexed to 100



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

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

Total Fund Tracking Error



Figure 1: Policy Tracking Error Rolling Three Year - Plan (as of 12/31/2022)

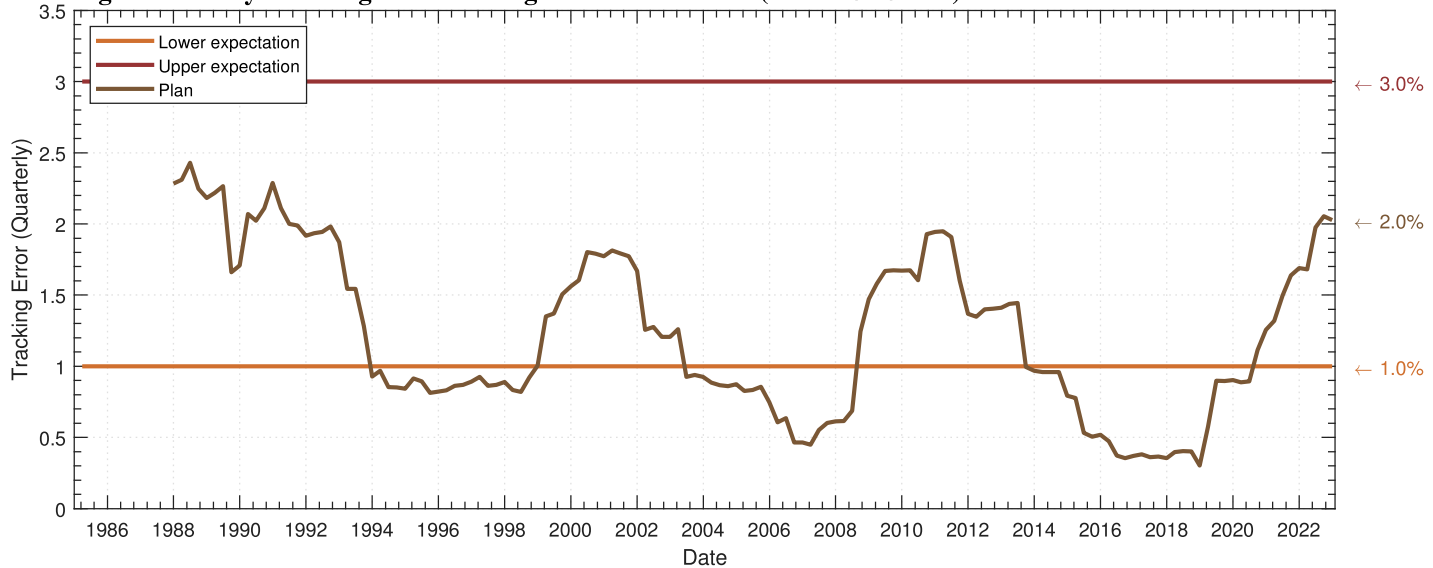
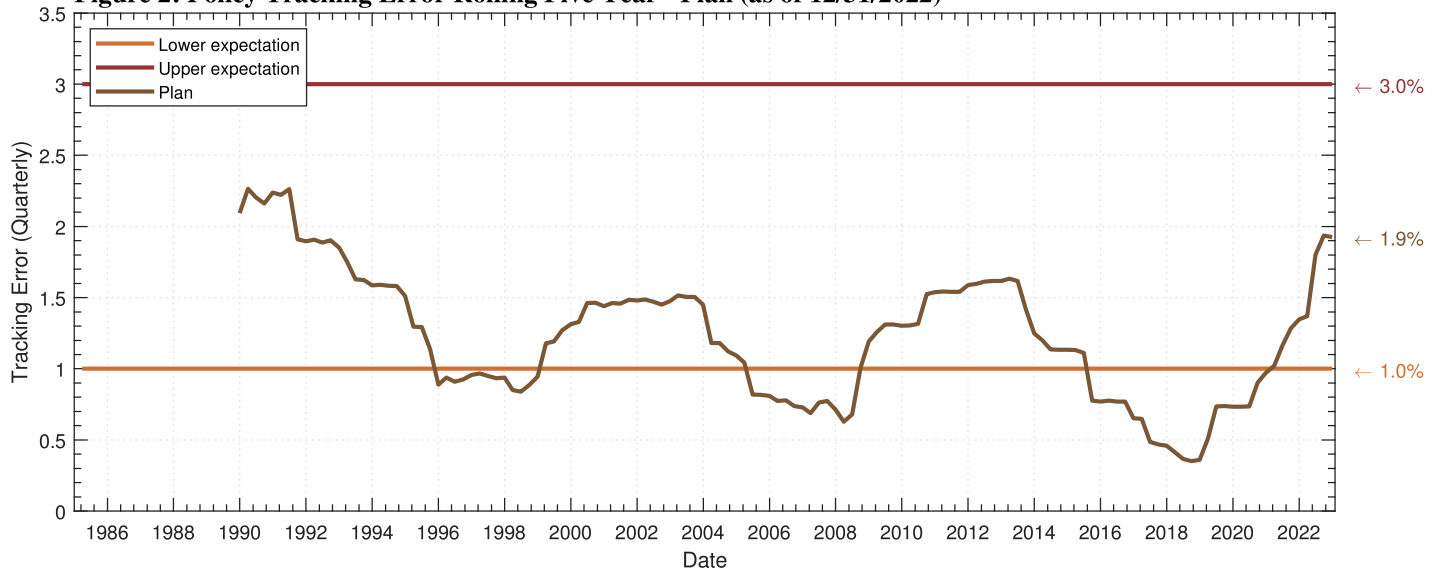


Figure 2: Policy Tracking Error Rolling Five Year - Plan (as of 12/31/2022)



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

VRS Investment Department
 Recap of New Investments/Terminations
 Time Period: 2/9/2023 – 4/20/2023



Program	Action	Effective Date	Commitment/ Current Value	Funding/ Defunding Period	Description
Risk-Based Investments	Hired	03/01/2023	\$300 Million	Immediate	Man AHL – a custom mix of various trend following strategies.
Public Equity	Closed	02/28/2023	\$1 Billion	Immediate	Potomac – Internal U.S. large cap account.
Public Equity	Opened	03/01/2023	\$300 Million	Immediate	Amherst – An internally managed REIT strategy with swap overlay.
Real Assets	Closed	01/03/2023	\$520 Million	Immediate	Montalto – An internally managed international REIT account.
Real Assets	Closed	01/03/2023	\$830 Million	Immediate	Monroe – An internally managed U.S. focused REIT account.
Real Assets	Hired	02/07/2023	\$125 Million	3 Years	Penwood Select Industrial Partners VII, LP – A closed end fund investing in industrial real estate.
Real Assets	Hired	03/15/2023	\$350 Million	5 Years	VA - Pantheon Infrastructure III – A separate account investing in infrastructure funds.
Private Equity	Hired	03/30/2023	\$300 Million	6 Years	Hellman and Friedman XI – A mega buyout fund that will target high quality businesses with defensible competitive positions, strong economic profiles, and a growth orientation in the U.S. and Europe.
Credit Strategies	Hired	03/17/2023	\$150 Million	4 Years	Ares Capital Europe VI – A closed-end fund that will directly originate and provide one-stop, flexible and scaled debt capital to European middle market companies.
Credit Strategies	Hired	03/31/2023	\$250 Million	3 Years	Ares Pathfinder II – An alternative credit fund investing in performing assets that have predictable cash flows and are directly originated by the manager.
Credit Strategies	Hired	03/31/2023	\$150 Million	3 Years	Oaktree Opportunities Fund XII – A closed-end fund focused on investing in both private and public corporate distressed debt opportunities.
Credit Strategies	Hired	03/31/2023	\$250 Million	3 Years	Oak Street Real Estate Capital VI – A closed-end fund seeking income generation through sale-leasebacks with investment grade tenants.

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending March 31, 2023

Investment Program	Activity	Manager Name	Description	VRS Action
Public Equity	On-Going Monitoring of Current VRS Manager	Advent Capital Management (minority-owned firm) ¹	Current VRS convertible bond manager.	Staff performed on-going due diligence and monitoring of this current VRS minority manager during the quarter.
Public Equity	On-Going Monitoring of Current VRS Manager	Ariel Global (minority and women-owned firm) ¹	Current VRS global equity manager.	Staff performed on-going due diligence and monitoring of this current VRS minority and women-owned manager during the quarter.
Public Equity	Virtual Manager Meeting	Axiom Investors (women-owned firm) ²	Manager focused on dynamic growth equity investing.	Staff had an update meeting with this manager to discuss the firm and their strategy.
Public Equity	Virtual Manager Meeting	Bayberry Capital (women-owned firm) ¹	Manager runs a long/short equity strategy.	Staff had an update meeting with this manager to discuss the firm and their strategies.
Public Equity	Virtual Manager Meeting	Earnest (minority-owned firm) ¹	Manager runs U.S., international developed, global and emerging market strategies.	Staff had an update meeting with this manager to discuss the firm and their strategy.
Public Equity	Virtual Manager Meeting	GQG Partners (minority owned firm) ¹	Long-only global and emerging markets equity strategies manager.	Staff held a re-introduction meeting with this manager to discuss the firm and their strategy.
Public Equity	Virtual Manager Meeting	Impactive Capital (minority and women-owned firm) ¹	Manager focused on activist investment management.	Staff had an update meeting with this manager to discuss their firm and strategy.
Public Equity	Virtual Manager Meeting	StemPoint Capital (women-owned firm) ¹	Manager runs a long/short healthcare strategy.	Staff held an introductory meeting with this manager to discuss the firm and their strategy.

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending March 31, 2023

Investment Program	Activity	Manager Name	Description	VRS Action
Public Equity	Virtual Manager Meeting	Telsey Consumer Fund (women-owned firm) ¹	Manager focused on U.S. equity consumer discretionary-focused strategy.	Staff held an introductory meeting with this manager to discuss the firm and their strategy.
Public Equity	Virtual Manager Meeting	Tiger Pacific Capital LP (minority-owned firm) ¹	Manager focused on Asia long/short investments.	Staff had an update meeting with this manager to discuss the firm and their strategy.
Public Equity	Attendance at Virtual Conference	TRS/ERS Emerging Manager Virtual Conference	A conference focused on raising the visibility of diverse and women investment managers.	Staff attended the event during the quarter.
Public Equity and Credit Strategies	Periodic Update Communication with Consultant	N/A	Aon Hewitt Investment Consulting is the consultant used by these two investment programs.	Periodic communication to review the DIME monitoring activity done on behalf of VRS as well as industry trends.
Credit Strategies	Virtual Manager Meeting	GDA Luma Capital Management, LP (minority and women-owned firm) ¹	Manager invests in distressed and special situations.	Staff held an introductory meeting with this manager to discuss the firm and their strategy.
Credit Strategies	Virtual Manager Meeting	Harbourview Equity Partners (minority and women-owned firm) ¹	Manager invests in credit related to music royalties.	Staff held an introductory meeting with this manager to discuss the firm and their strategy.
Credit Strategies	Virtual Manager Meeting	MB Global Partners (women-owned firm) ¹	Manager invests in opportunistic credit and special situations.	Staff held an introductory meeting with this manager to discuss the firm and their strategy.
Credit Strategies and Risk-Based Investments	Periodic Communication with Fund-of-Fund Manager	N/A	Aksia is the consultant used by these two investment programs.	Periodic communication to review DIME and other emerging managers along with other opportunities more broadly.
Fixed Income	On-Going Monitoring of Current VRS Manager	Payden & Rygel (women-owned firm) ¹	Current VRS emerging market debt manager.	Staff had various interactions with this current VRS women-owned manager during the quarter.

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending March 31, 2023

Investment Program	Activity	Manager Name	Description	VRS Action
Private Equity	Virtual Manager Meeting	Aident Capital (minority-owned firm) ¹	Growth fund focused on small and medium sized post-acute care, primary care, and senior housing opportunities in the U.S.	Staff had a meeting with this manager during the quarter.
Private Equity	Virtual Manager Meeting	AiiM Partners (women-owned firm) ¹	Firm invests in businesses that have differentiated technologies and evidence of high-growth market traction in four key areas – energy transition; alternatives materials; food and agriculture; and data and digitization.	Staff had a meeting with this manager during the quarter.
Private Equity	Virtual Manager Meeting	Apiary Capital (minority and women-owned firm) ²	UK based buyout firm invests with a buy-and-build strategy in education, healthcare, financial, business, and technology services sectors.	Staff had a meeting with this manager during the quarter.
Private Equity	Virtual Manager Meeting	Bloccelerate VC (women-owned firm) ¹	A venture investment firm focused on blockchain technology.	Staff had a meeting with this manager during the quarter.
Private Equity	Virtual Manager Meeting	Blue Road Capital (minority-owned firm) ²	Independent private investment firm focused on agriculture and food supply chain businesses.	Staff had a meeting with this manager during the quarter.
Private Equity	Virtual Manager Meeting	Brewer Lane Ventures (minority-owned firm) ¹	An emerging/diverse early-stage VC fund with a concentration on insurance.	Staff had a meeting with this manager during the quarter.
Private Equity	Virtual Manager Meeting	Chicago Pacific Partners (women-owned firm) ¹	Fund focused on growth equity and control buyouts in healthcare services, value-based care, and tech-enabled companies.	Staff had a meeting with this manager during the quarter.

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending March 31, 2023

Investment Program	Activity	Manager Name	Description	VRS Action
Private Equity	Virtual Manager Meeting	DC Percolate (minority-owned firm) ¹	Fund focused on high growth tech and secular themes in late-stage companies to capture economic value from private-to-public transactions with public equity hedges to reduce portfolio risk.	Staff had a meeting with this manager during the quarter.
Private Equity	Virtual Manager Meeting	FENIX (minority and women-owned firm) ¹	Private membership network to support Asian American women executives in the investment industry.	Staff had a meeting with this manager during the quarter.
Private Equity	Virtual Manager Meeting	K1 Investment Management (minority-owned firm) ¹	Firm invests in enterprise software companies.	Staff had a meeting with this manager during the quarter.
Private Equity	Virtual Manager Meeting	Leeds Illuminate (women-owned firm) ¹	Growth equity fund invests in education, workforce development and workforce access.	Staff had a meeting with this manager during the quarter.
Private Equity	Virtual Manager Meeting	Motley Fool Ventures (minority-owned firm) ²	Venture capital fund focused on early stage, technology-focused private companies.	Staff had a meeting with this manager during the quarter.
Private Equity	Virtual Manager Meeting	Next Coast ETA (minority-owned firm) ²	Venture fund focused on investing with diverse future CEOs to provide capital, technology, and operational support needed to create exceptional outcomes.	Staff had a meeting with this manager during the quarter.
Private Equity	Virtual Manager Meeting	Ouroboros Group (women-owned firm) ¹	A digital transformation private equity buyout firm that uses proprietary AI to source deep-value healthcare and consumer opportunities.	Staff had a meeting with this manager during the quarter.

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending March 31, 2023

Investment Program	Activity	Manager Name	Description	VRS Action
Private Equity	Virtual Manager Meeting	Solitaire Partners (minority-owned firm) ¹	Fund invests in consumer products, retail, health and wellness, hospitality, food and beverage industries.	Staff had a meeting with this manager during the quarter.
Private Equity	Virtual Manager Meeting	Stewart Asset Management (women-owned firm) ²	Fund of funds manager investing and seeding new emerging and diverse managers in private equity.	Staff had a meeting with this manager during the quarter.
Private Equity	Virtual Manager Meeting	Ulu Ventures (minority and women-owned firm) ¹	A venture investment firm focused on investing in early-stage companies.	Staff had a meeting with this manager during the quarter.
Private Equity	Virtual Manager Meeting	WM Partners (minority-owned firm) ¹	Firm focused on acquiring emerging and established brands in the natural consumer health sector primarily in the U.S.	Staff had a meeting with this manager during the quarter.
Private Equity	Virtual Manager Meeting	Xponance (minority and women-owned firm) ¹	Investment firm with public and private markets investment strategies.	Staff had a meeting with this manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	Asia Alternatives (minority and women-owned firm) ¹	A fund-of-funds manager focusing on alternative investments in Asia.	Staff had a meeting with this manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	SIRIS Capital (minority-owned firm) ¹	A middle market buyout firm making control investments in data/telecommunications, technology, and technology-enabled business service companies in North America.	Staff had a meeting with this manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	Sycamore Partners (minority-owned firm) ¹	Middle market buyout fund targeting consumer and retail companies.	Staff had a meeting with this manager during the quarter.

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending March 31, 2023

Investment Program	Activity	Manager Name	Description	VRS Action
Private Equity	On-Going Monitoring of Current VRS Manager	Veritas Capital (minority-owned firm) ²	Large market buyout fund targeting primarily technology or technology-enabled solutions to government entities.	Staff had a meeting with this manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	Vista Equity Partners (minority-owned firm) ¹	A large market buyout fund targeting enterprise software companies.	Staff had a meeting with this manager during the quarter.
Real Assets	Virtual Manager Meeting	Blue Road Capital (minority-owned firm) ²	Value-add manager invests in agricultural production and supply chain sectors.	Staff held an introductory meeting with this manager to discuss their background, company, current fundraise initiative, and market update.
Real Assets	Virtual Manager Meeting	Chicago Pacific Founders (women-owned firm) ¹	Real estate manager focused on opportunistic and value-add senior housing and medical offices.	Staff held an introductory meeting with this manager to discuss their background, company, current fundraise initiative, and market update.
Real Assets	Virtual Manager Meeting	Hawkeye Partners (women-owned firm) ¹	Real estate manager focused on GP investments in specific transactions or entity level.	Staff held an update meeting with this manager to discuss the updates to their refined focus, investment activity, and market update.
Real Assets	Virtual Manager Meeting	IRA Capital (minority-owned firm) ¹	Real estate manager focused on core-plus senior living and medical office properties in the U.S.	Staff held an introductory meeting with this manager to discuss their background, company, current fundraise initiative, and market update.
Real Assets	Virtual Manager Meeting	MSquared (women-owned firm) ²	Value-add real estate manager focused on mixed use MF development/rehab where they are adding net rental housing units to the market.	Staff held an introductory meeting with this manager to discuss their background, company, current fundraise initiative, and market update.
Real Assets	Virtual Manager Meeting	Newport Capital Partners (service-disabled veteran) ¹	Value-add real estate manager focused on neighborhood, needs-based retail throughout the U.S.	Staff held an update meeting with this manager to discuss the updates to their fund focus, investment activity, and market update.

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending March 31, 2023

Investment Program	Activity	Manager Name	Description	VRS Action
Real Assets	Virtual Manager Meeting	Trio Investment Group (minority-owned firm) ¹	Real estate manager focused on triple net lease sale-leaseback transactions throughout the U.S.	Staff held an introductory meeting with this manager to discuss their background, company, current fundraise initiative, and market update.
Real Assets	On-Going Monitoring of Current VRS Manager	Artemis Real Estate Partners (women-owned firm) ¹	Current VRS real estate manager.	Staff performed on-going due diligence and monitoring of this current VRS women-owned manager during the quarter.
Real Assets	On-Going Monitoring of Current VRS Manager	Capri EGM (minority-owned firm) ¹	Current VRS real estate manager.	Staff performed on-going due diligence and monitoring of this current VRS minority-owned manager during the quarter.
Real Assets	On-Going Monitoring of Current VRS Manager	Grain Management (minority-owned firm) ¹	Current VRS infrastructure manager.	Staff performed on-going due diligence and monitoring of this current VRS minority-owned manager during the quarter.
Real Assets	On-Going Monitoring of Current VRS Manager	Pantheon Ventures	Current VRS infrastructure and natural resource fund-of-funds manager.	Staff had periodic communication with this manager to discuss potential DIME firms in their market.
Real Assets	On-Going Monitoring of Current VRS Manager	Pritzker Realty Group (women-owned firm) ¹	Current VRS real estate manager.	Staff performed on-going due diligence and monitoring of this current VRS women-owned manager during the quarter.
Real Assets	Periodic Update Communication with Consultant	N/A	The Townsend Group is the consultant used by Real Assets.	Periodic communication to review the DIME monitoring activity done on behalf of VRS as well as real estate and infrastructure industry trends.

Index:

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

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending March 31, 2023

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

VRS Investment Department
Quarterly External Investment Manager Referral Report
Activity for Quarter Ending March 31, 2023

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



Board Meeting Discussion Virginia Retirement System

April 20, 2023

Tom Cassara

Mike Faulkner

Actuarial and investment consulting – Macro investment strategies – Pension annuity purchases
Pension plan termination – Derivative strategies – Pooled employer plan consulting – OCIO

Objectives of Discussion

- Provide ALM background and update
- Discuss and determine risk factors
- Early analysis and interpreting of base case results
- Next steps



Background



Asset/Liability Modeling

- VRS conducts a strategic asset/liability modeling study at least every 3 years with updates in between
- Purpose of the study is to:
 - Review the strategic asset allocation
 - Examine alternative asset allocations
 - Confirm expected future rates of return
- In addition, a study will provide additional information
 - Future trends in financial outcomes
 - Anticipate future cash flow needs
 - Identify possible risks and mitigation strategies

Asset/Liability Modeling

- Asset/Liability modeling is not an exact science, but rather a long-term trend predictor and risk measuring tool
- Results should not be viewed on an absolute basis but rather on a relative basis to alternative options
 - Many assumptions are inherent in a study
 - Rarely do outcomes follow assumptions
 - Within a more complex study, such as with VRS, simplifying assumptions are also needed. For example:
 - We are only reviewing the larger pension plans
 - Simplifying assumptions used in measuring future plan liabilities and payroll
- Important to review not only a base case scenario but also specific economic scenarios to understand risks, especially regime changes

Asset/Liability Modeling

- Finally, some factors can not be anticipated and are not included in this study:
 - Future employment changes in the workforce
 - Legislative or policy changes

Current Asset Allocation

- Below is the current target asset allocation

	Target Allocation	Expected Return	CF Yield	Standard Deviation
Public Equity	34%	7.0%	2.8%	18.1%
Fixed Income	15%	4.9%	4.8%	5.6%
Credit Strategies	14%	7.9%	0.0%	6.4%
Real Assets	14%	6.5%	6.2%	14.3%
Private Equity	16%	9.0%	0.0%	23.1%
PIP	2%	7.8%	0.0%	19.4%
Dstrat	2%	6.7%	0.0%	12.4%
RBI	2%	6.2%	0.0%	5.1%
Cash	1%	3.7%	0.0%	0.5%
Currency Return Addition		0.1%		
Fund Total:	100%	7.1%	2.5%	12.6%



Making sense of output



Outcomes

- The ALM study produces 20 years of 10,000 trials for each given investment regime or scenario
- This can easily lead to a case of data overload
- To offset the potential data overload, it's important to set decision criteria for reviewing the output and guiding decisions
- These criteria need to align with the goals of the Board

Key Outcomes for Analysis

- For this report, we have focused on three key measures:
 - Future funded status
 - Employer contribution levels as a percentage of payroll
 - Cash flow needs
 - Defined as benefit payments minus contributions
- The analysis was done for the State employees plan and the Teachers plan since they are the two largest
- Also shown are alternative asset allocations to help illustrate the relative differences within a study and to help quantify risk and risk mitigation through a change in asset allocation
 - These alternative portfolios are for illustrative purposes only and are not recommendations
- The cash flow ratio is a measure that helps illustrate shorter term risk.
- Due to various risk management tools used by VRS, the contribution level is more of a longer-term risk measure
- Funded status is an important measure, but harder to utilize since contribution streams differ between scenarios

Setting the Decision Criteria

- Defining goals are critical to enhancing decision making
 - The more specific, typically the better
- Goals should be aligned to ultimate outcomes desired (or avoided) and can balance between expectations and risk mitigation
- Examples:
 - Desire to minimize chance of the employer contribution ratio exceeding 20%
 - Contribution ratio to decline over time by 3% nominally
 - Minimize likelihood of cash flow needs from exceeding 4.0% for more than 2 years in a row
 - Have funded status improve over time

Developing a Scorecard

The following is an example to help summarize results

% times contribution rate exceeds 20% <small>(average over 20 years)</small>	
Current	12%
Higher Risk	14%
Lower Risk	11%

% times cash flow needs exceed 4% of market value <small>(average over 20 years)</small>	
Current	27%
Higher Risk	26%
Lower Risk	29%

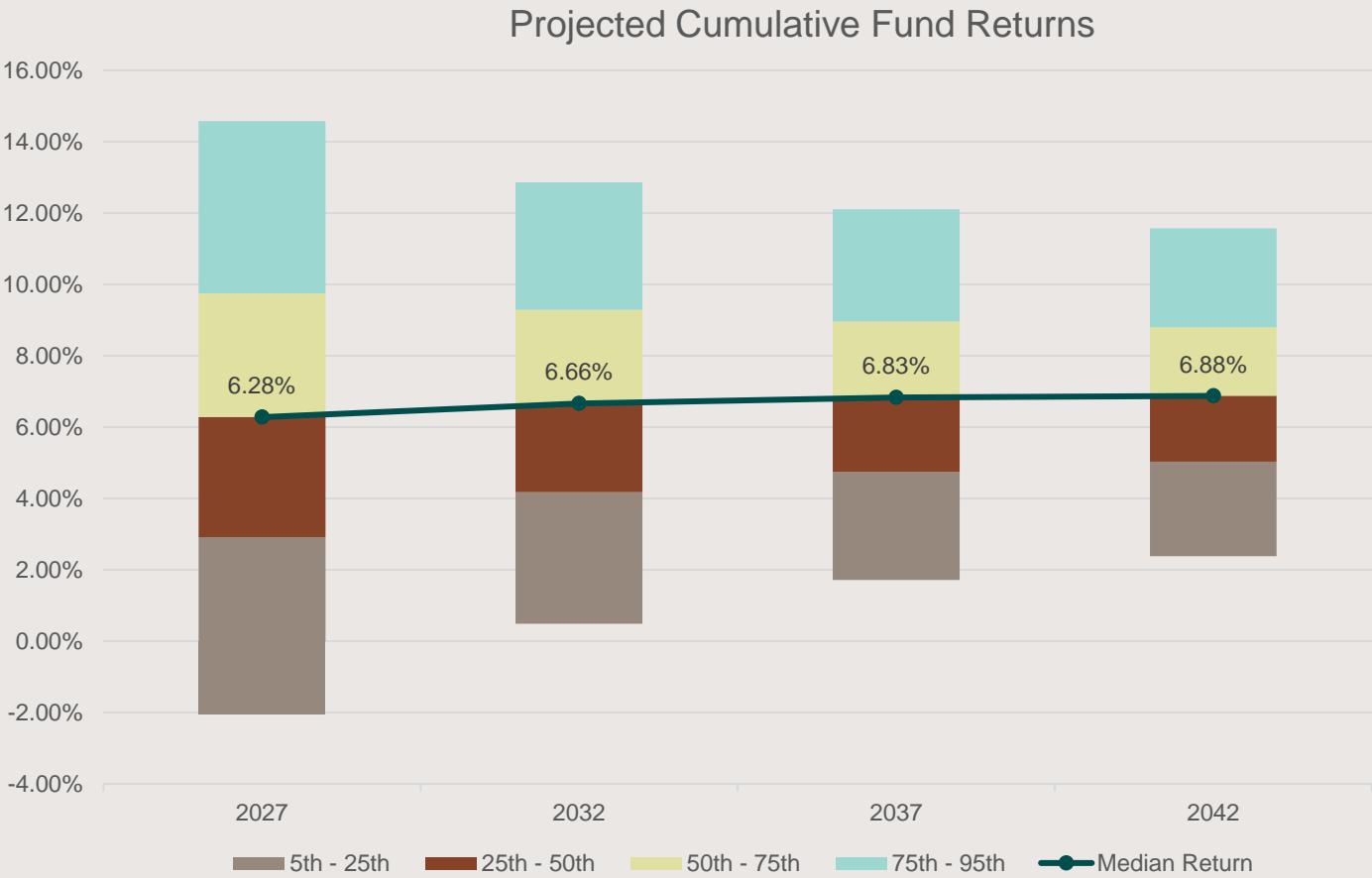
Expected rate of return over 10 years	
Current	6.7%
Higher Risk	7.0%
Lower Risk	5.8%

Expected change in median contribution rate over 10 years	
Current	-1.8%
Higher Risk	-2.5%
Lower Risk	-0.2%



Initial results

Investment Returns – Current Allocation



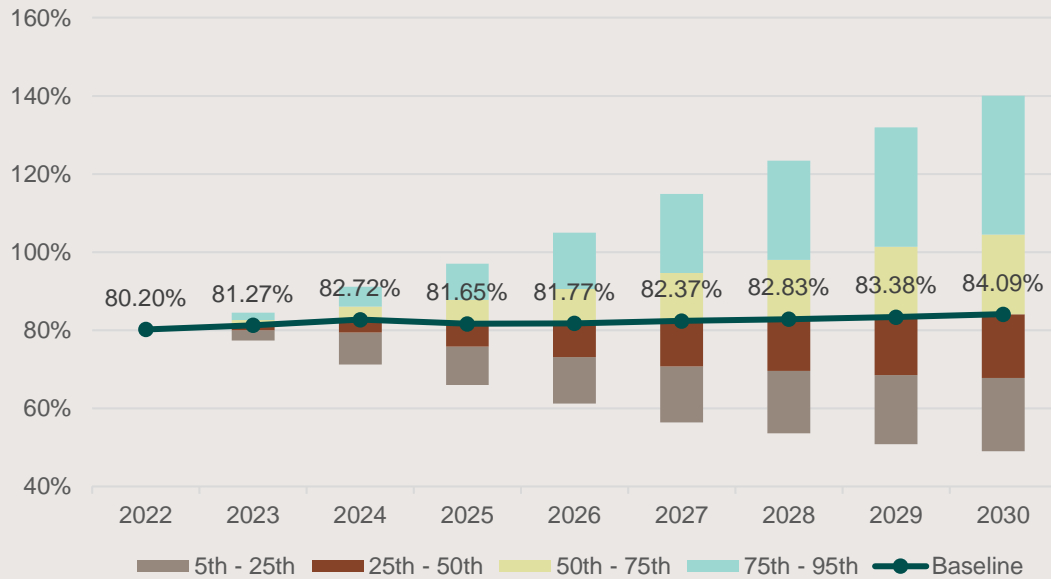
- Observation:
- Long term, current allocation supports the 6.75% assumed return
 - Current 6.75% assumed return is approximately the 45th percentile

The actual rate of return of about 2.0% from July 1, 2022 to February 28, 2023 is included in the above

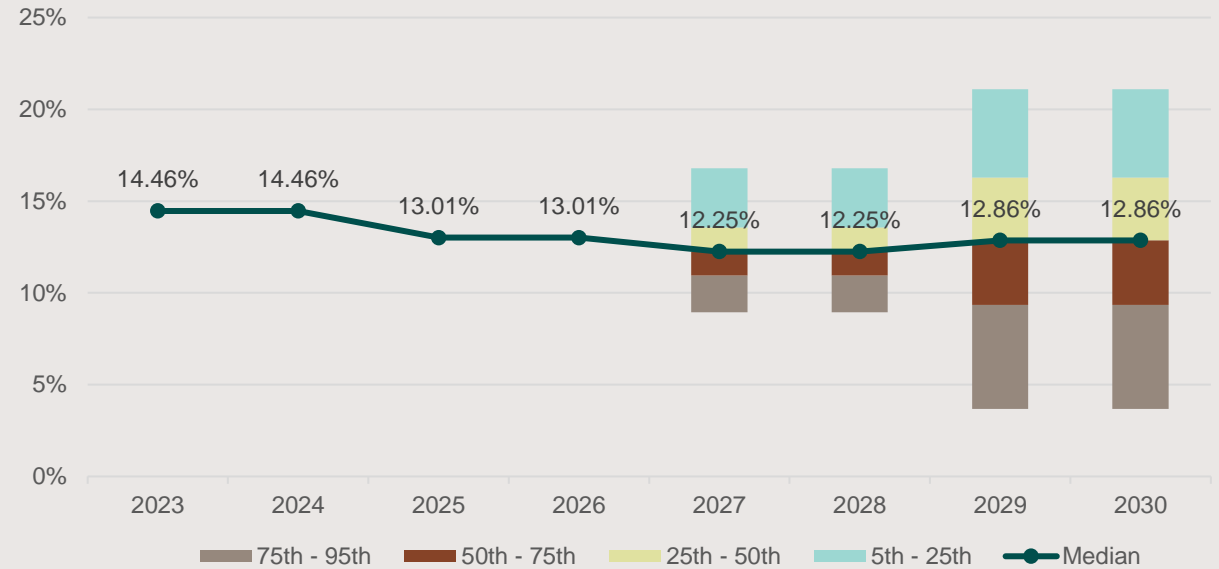
Base Case – State Employees

The following shows stochastic outcomes for a base case scenario for the State Employee’s Pension Plan

Projected Funded Status
State Plan



Projected Employer Contribution Rates
State Plan

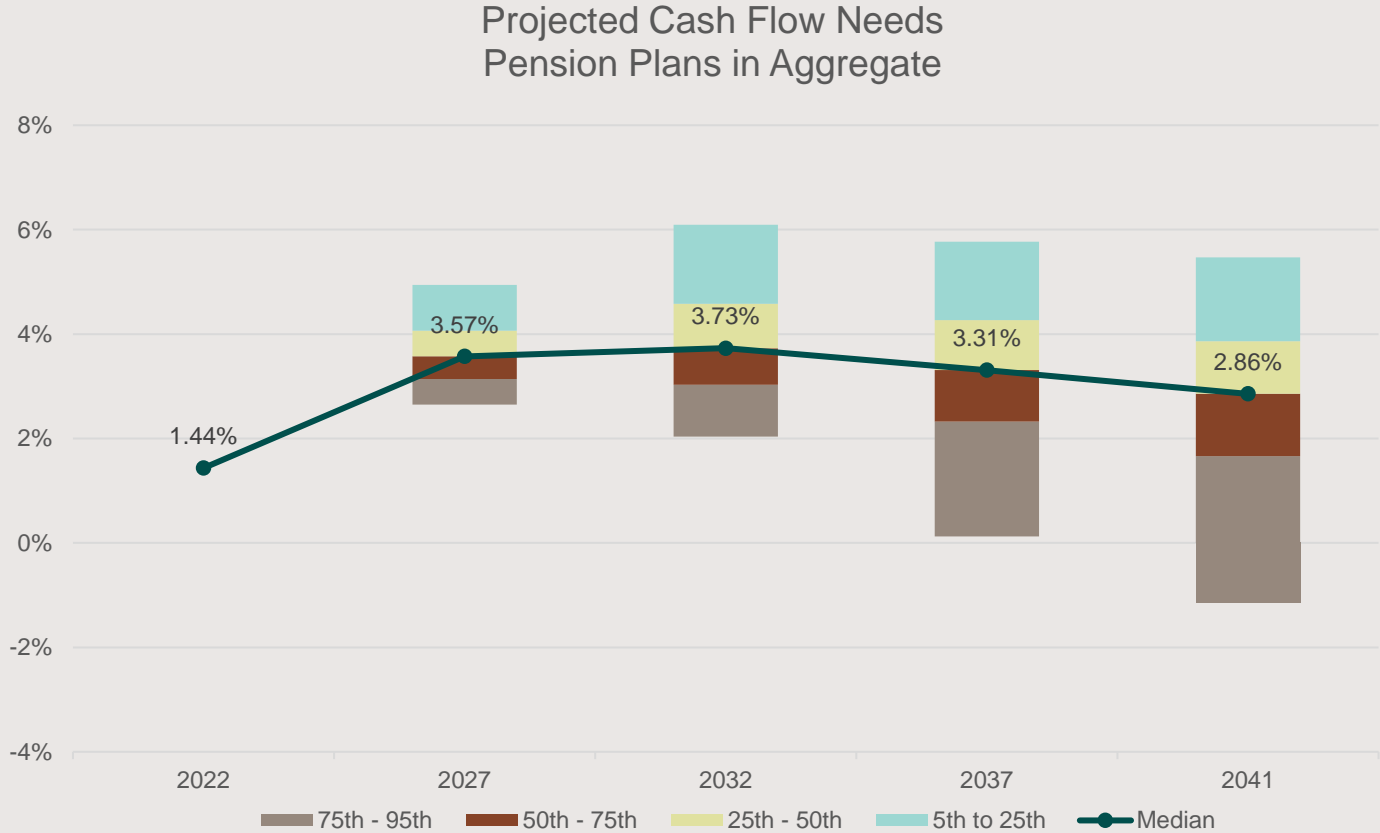


Observations:

- Funded status is expected to slightly improve
- Contributions should remain relatively level but volatility will first appear after 3 years
 - Please note, the above chart reflects that contribution rates are set for 2-year periods

Base Case – Cash Flow Needs

The following shows stochastic outcomes for the base case scenario for all the plans



Observations:

- Cash flow needs of plan expected to increase over short to mid term
- Thus, it will be expected for the fund to be raising cash consistently throughout a year
- In many times, this can be a drag on investment performance, especially in down markets

Cash flow yield is expected to be 2.5% annually

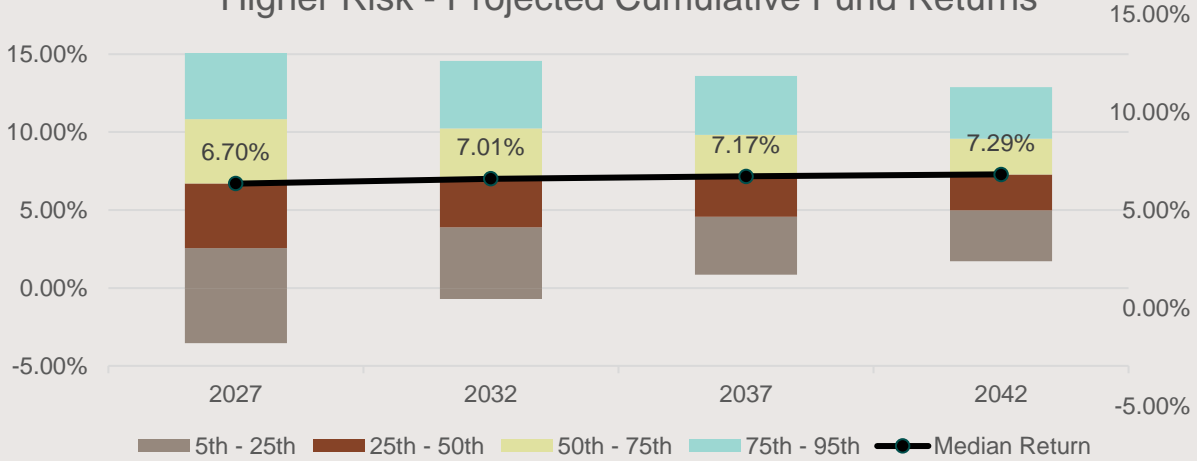
Alternative Portfolios

- To illustrate the differences between portfolios, we have provided initial analysis for two “extreme” portfolios versus the current target allocation

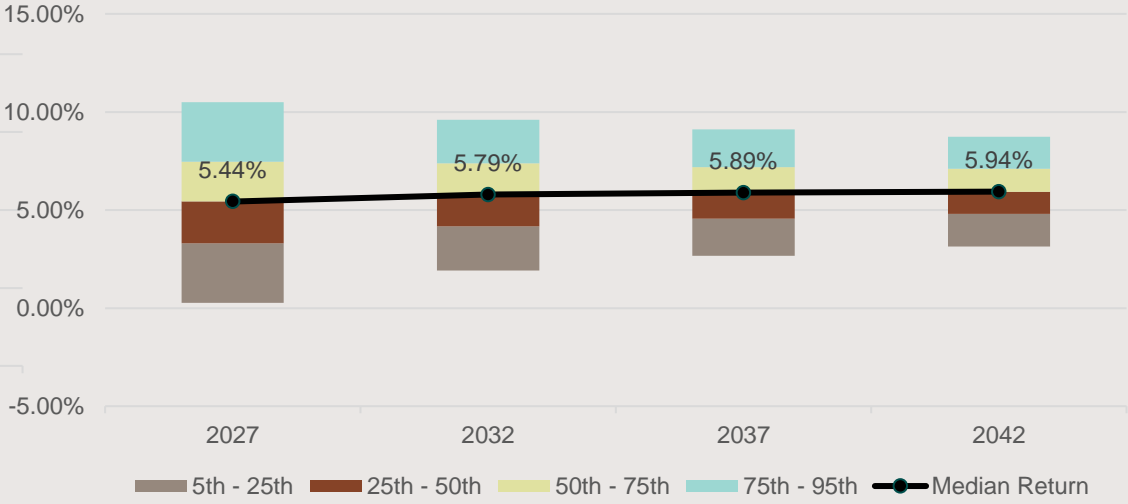
	Current Target	Higher Risk (85% Growth)	Lower Risk (35% Growth)
Public Equity	34%	40%	19%
Fixed Income	15%	4%	52%
Credit Strategies	14%	8%	10%
Real Assets	14%	15%	6%
Private Equity	16%	26%	6%
PIP	2%	2%	2%
Dstrat	2%	2%	2%
RBI	2%	2%	2%
Cash	1%	1%	1%
Fund Expected Return	7.14%	7.50%	6.17%
Fund Standard Deviation	12.63%	15.48%	7.73%
Fund CF Yield	2.54%	2.24%	3.40%

Investment Returns – Alternate Allocation

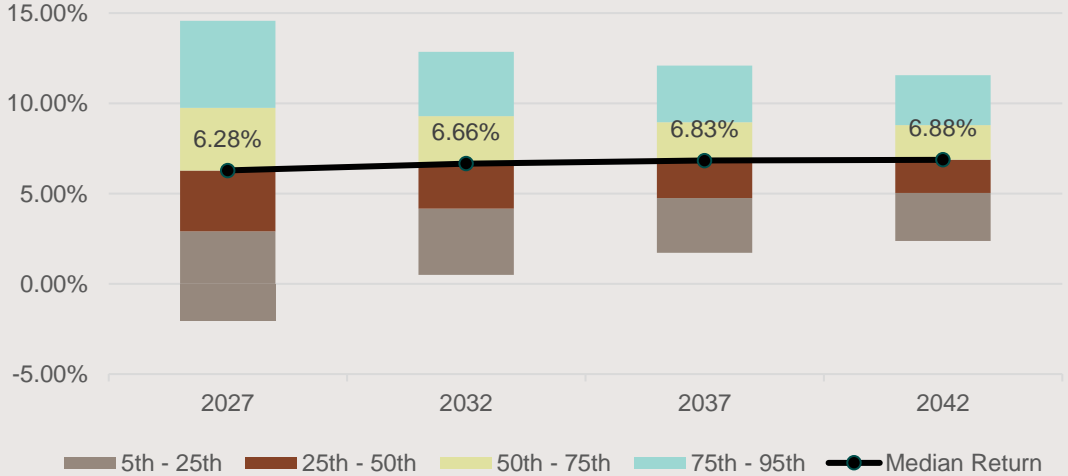
Higher Risk - Projected Cumulative Fund Returns



Lower Risk - Projected Cumulative Fund Returns



Current - Projected Cumulative Fund Returns

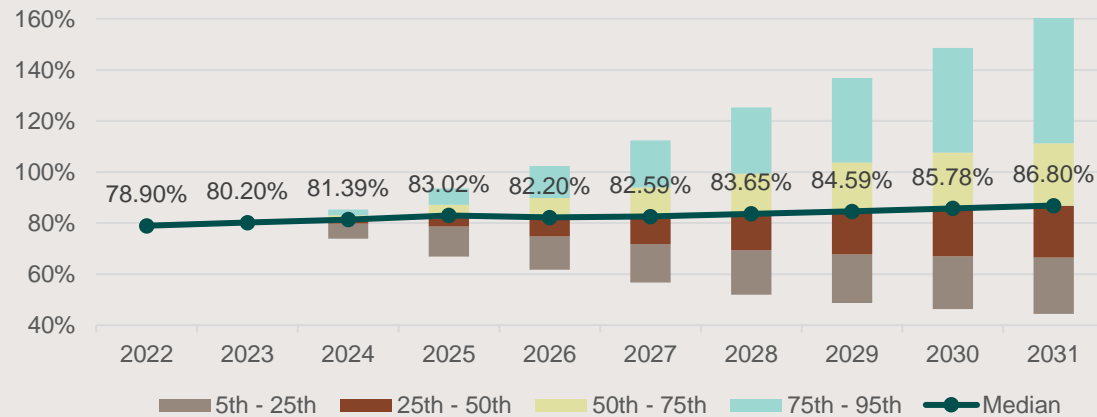


Observations:

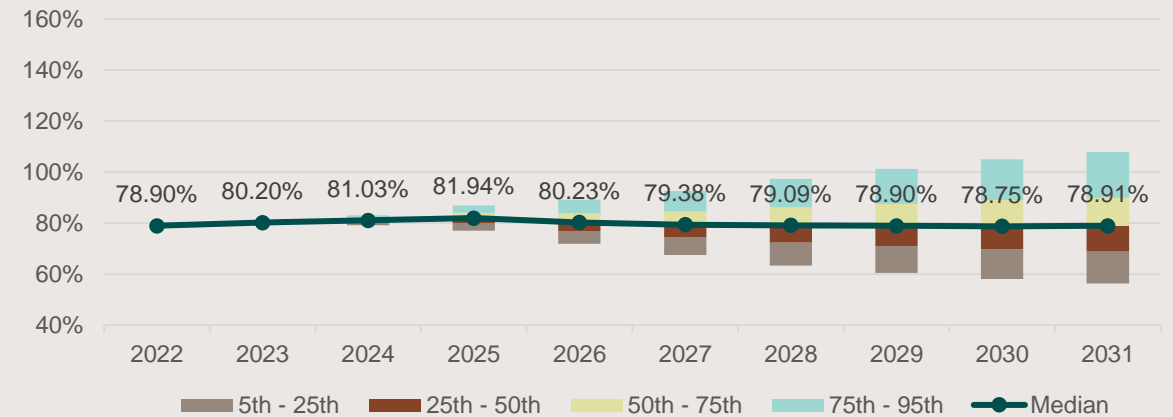
- Results follow the expectations in that more risk produces higher longer-term returns
- Lower risk portfolio would probably require a change to the funding discount rate

Alternate Allocations – State Plan Funded Status

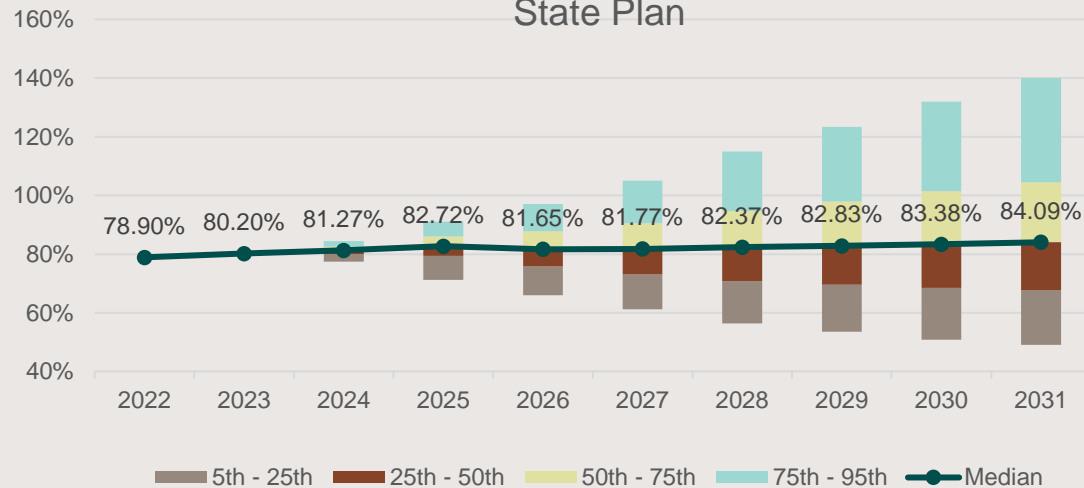
Higher Risk - Projected Funded Status
State Plan



Lower Risk - Projected Funded Status
State Plan



Current - Projected Funded Status
State Plan

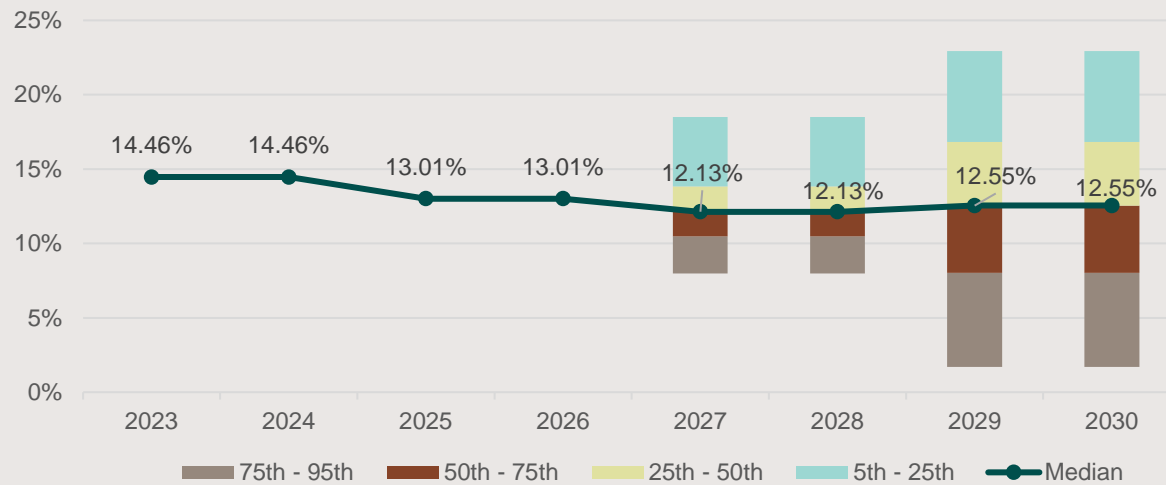


Observations:

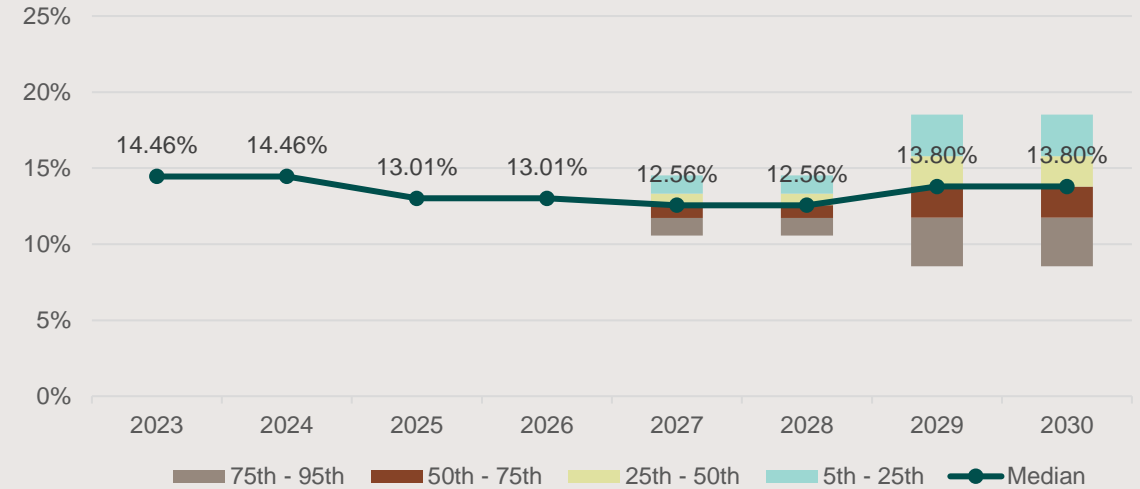
- Lower risk probably understates funded status as discount rate would need to be lowered
- Need to factor in contribution projections in judging funded status, as higher risk may require more contributions in poor markets

Alternate Allocations – State Plan Contribution Rate

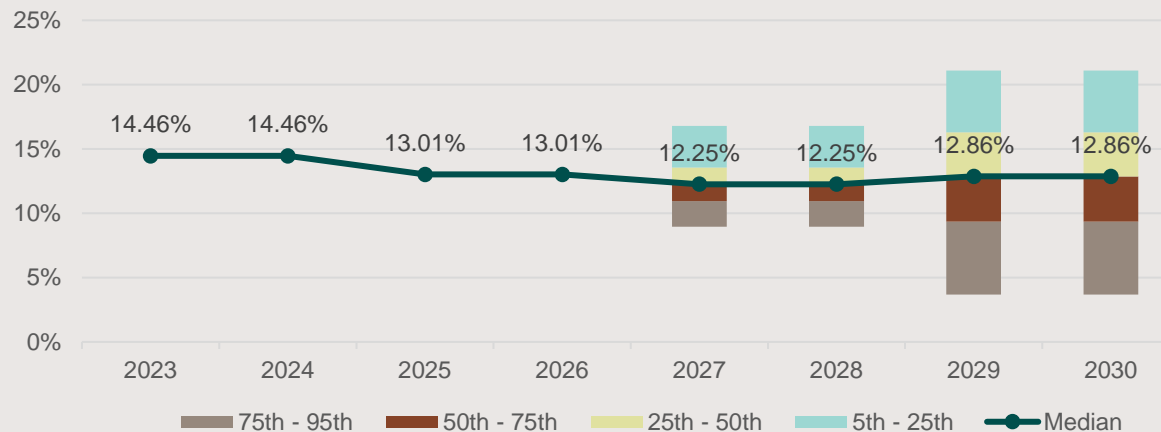
Higher Risk - Projected Employer Contribution Rates
State Plan



Lower Risk - Projected Employer Contribution Rates
State Plan



Current - Projected Employer Contribution Rates
State Plan

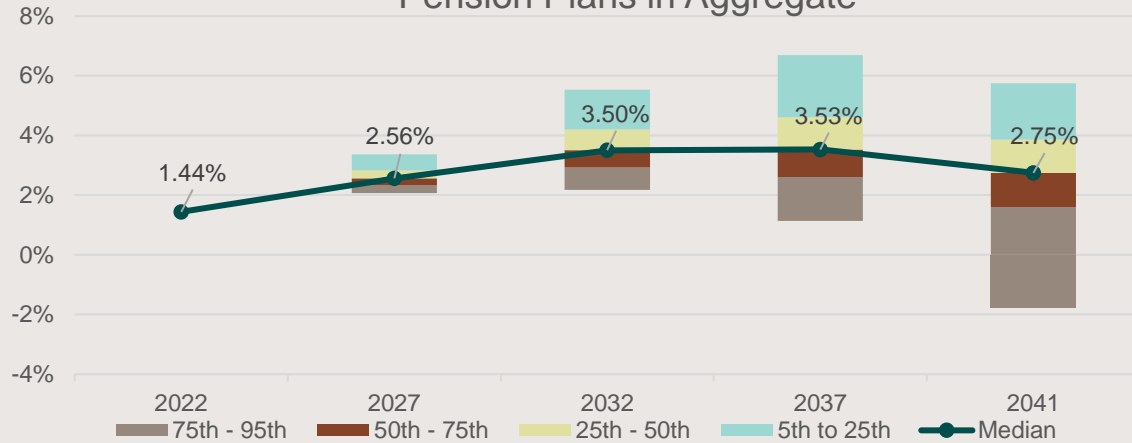


Observations:

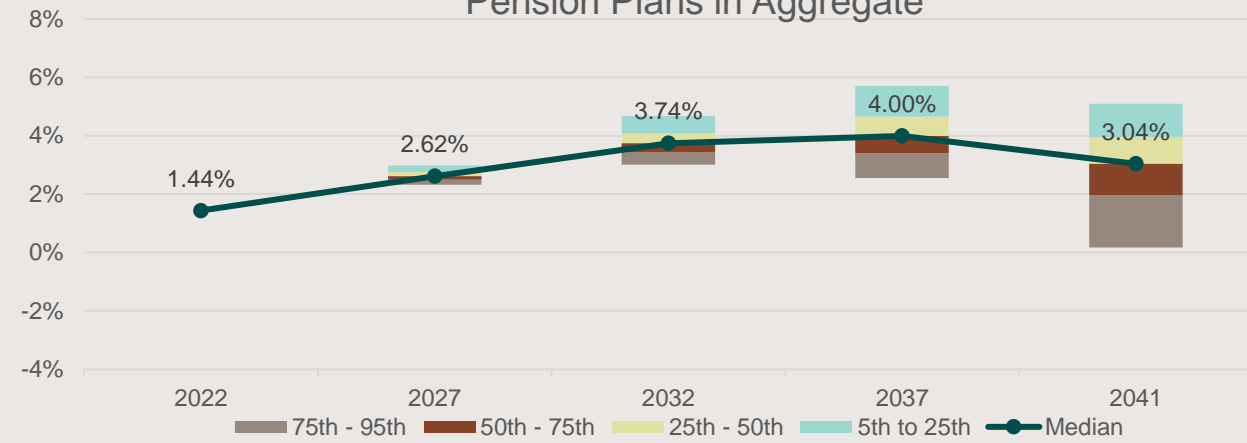
- Benefit of lower risk comes through in predictability of contribution rate
- Higher risk produces lower expected contributions

Alternate Allocations – Cash Flow Needs

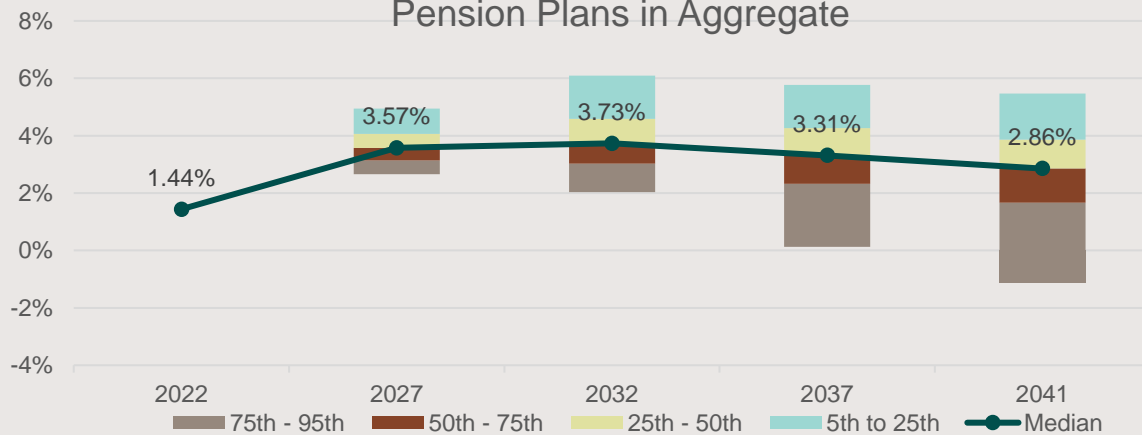
Higher Risk - Projected Cash Flow Needs
Pension Plans in Aggregate



Lower Risk - Projected Cash Flow Needs
Pension Plans in Aggregate



Current - Projected Cash Flow Needs
Pension Plans in Aggregate



Observations:

- Higher risk portfolio slightly improves cash flow needs as a result of higher market values
- All scenarios, including lower risk, have cash flow needs

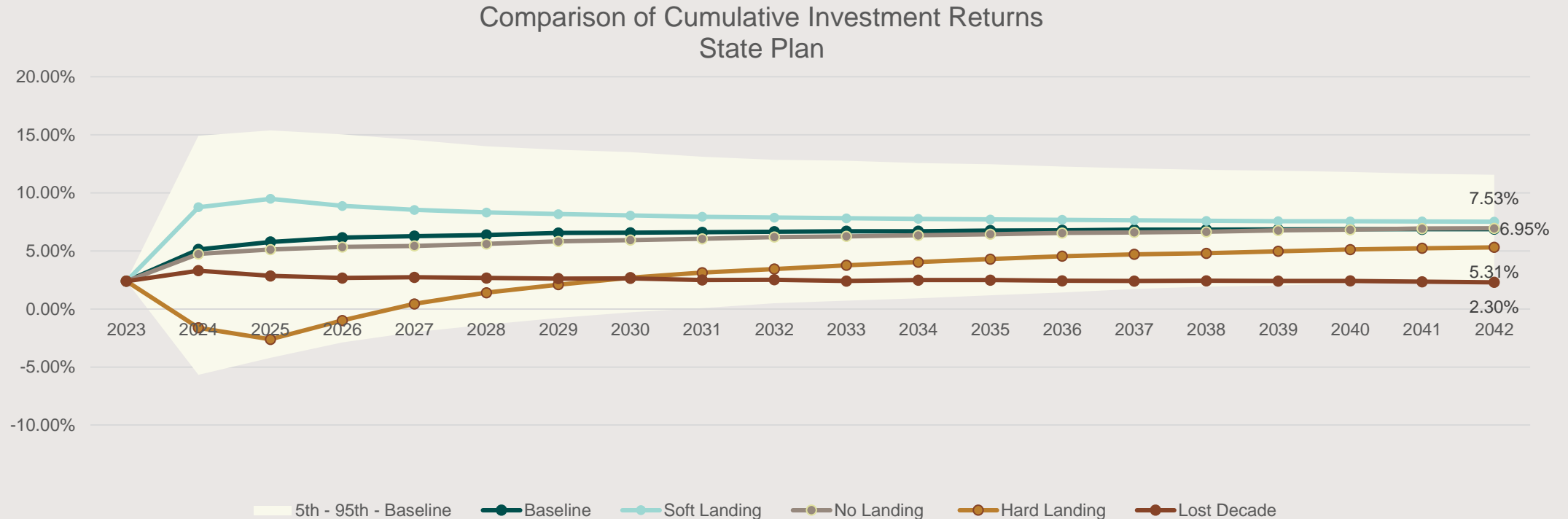
Scenario Testing

- We then reviewed results across 4 different scenarios
 - Soft Landing
 - No Landing
 - Hard Landing
 - Lost Decade

- Definitions of these scenarios are in the appendix

Investment Returns

The following shows the projected median asset returns for the various scenarios with the shaded region representing the 5th to 95th percentile of the base case



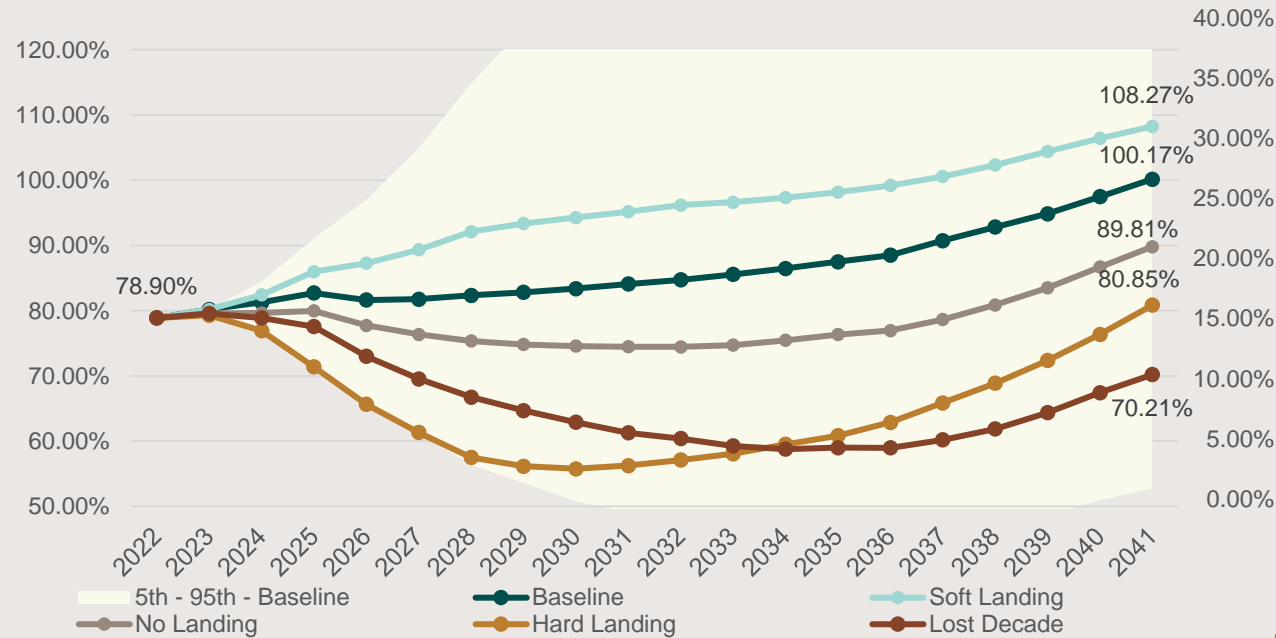
Observations:

- As expected, soft landing will produce more favorable outcomes than the base case, a hard landing produces poor results in short term, but then rebounds.
- Worse scenario, from a long-term investment perspective will be a lost decade
- Scenarios depicted tend to focus on poorer outcomes to focus on the downside potential

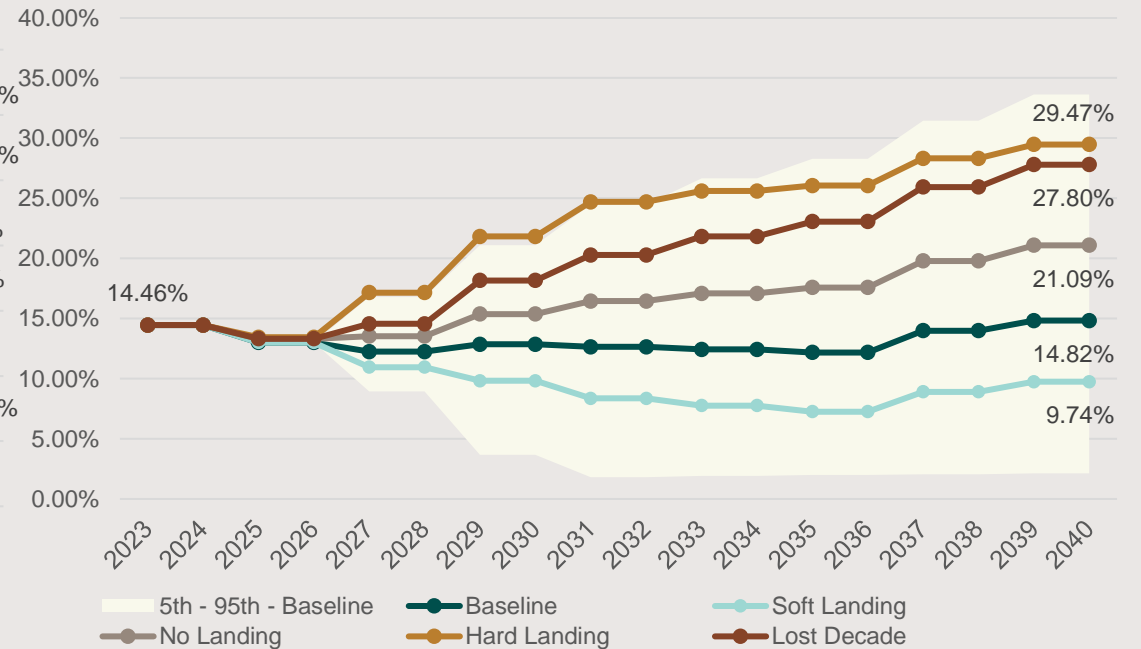
Scenarios – State Employees

The following shows the median results for the four economic scenarios for the State Employee’s Pension Plan

Comparison of Estimated Funded Status
State Plan



Comparison of Estimated Employer Contribution Rates
State Plan

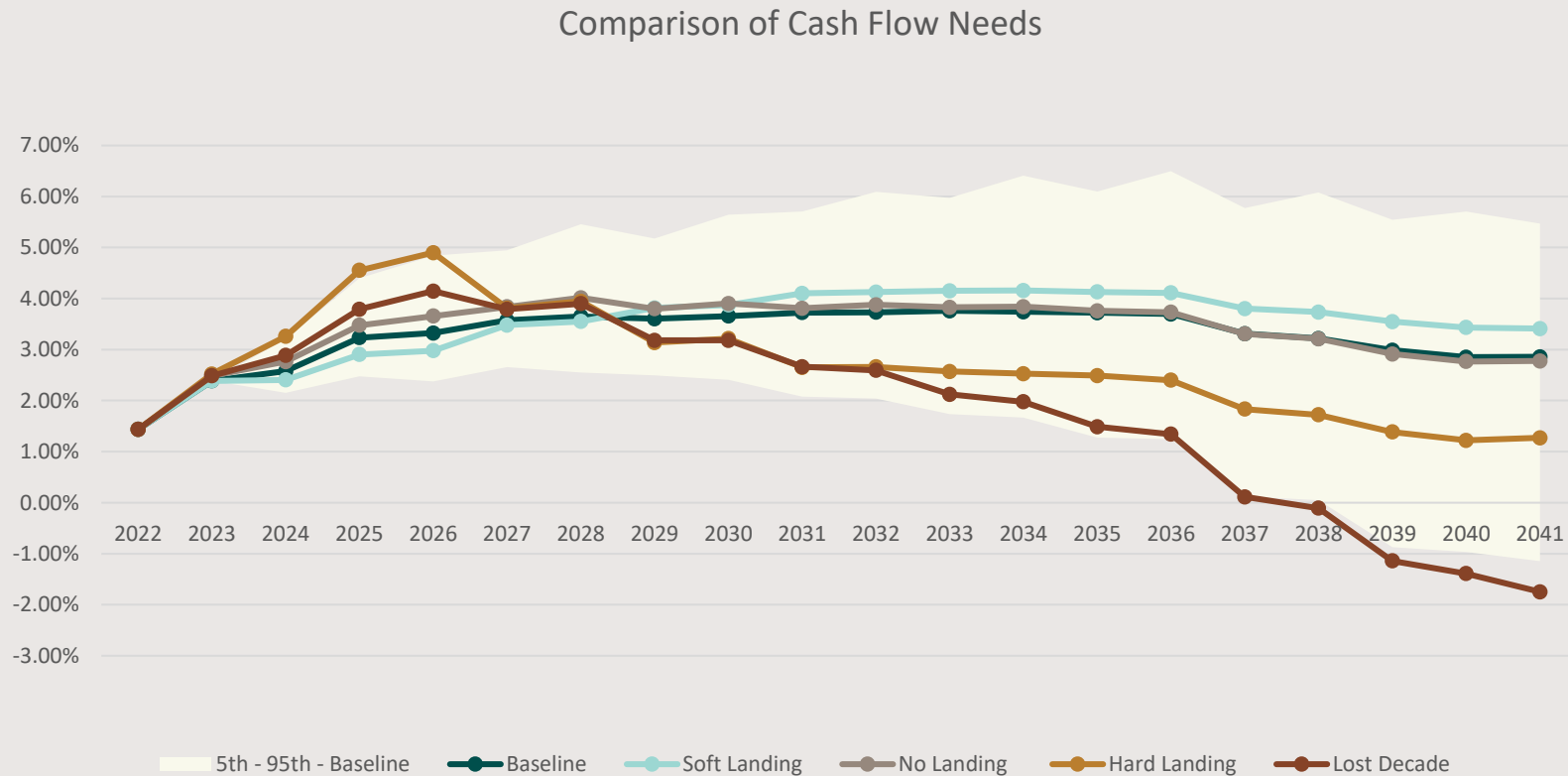


Observations:

- Impact on funded status is somewhat mitigated by level of contributions, need to balance funded status outcome with level of contribution
 - For final report we aim to develop a metric to help measure this impact.
- Median contributions in a hard landing and lost decade can nearly double over the next 10-20 years

Scenarios– Cash Flow Needs

The following shows the median results for the four economic scenarios for Retirement System



Observations:

- All scenarios show an increase in cash flow needs over next 10 years
- Scenarios with high contribution levels and lower inflation show an improved position after 10+ years



Next Steps

Next Steps

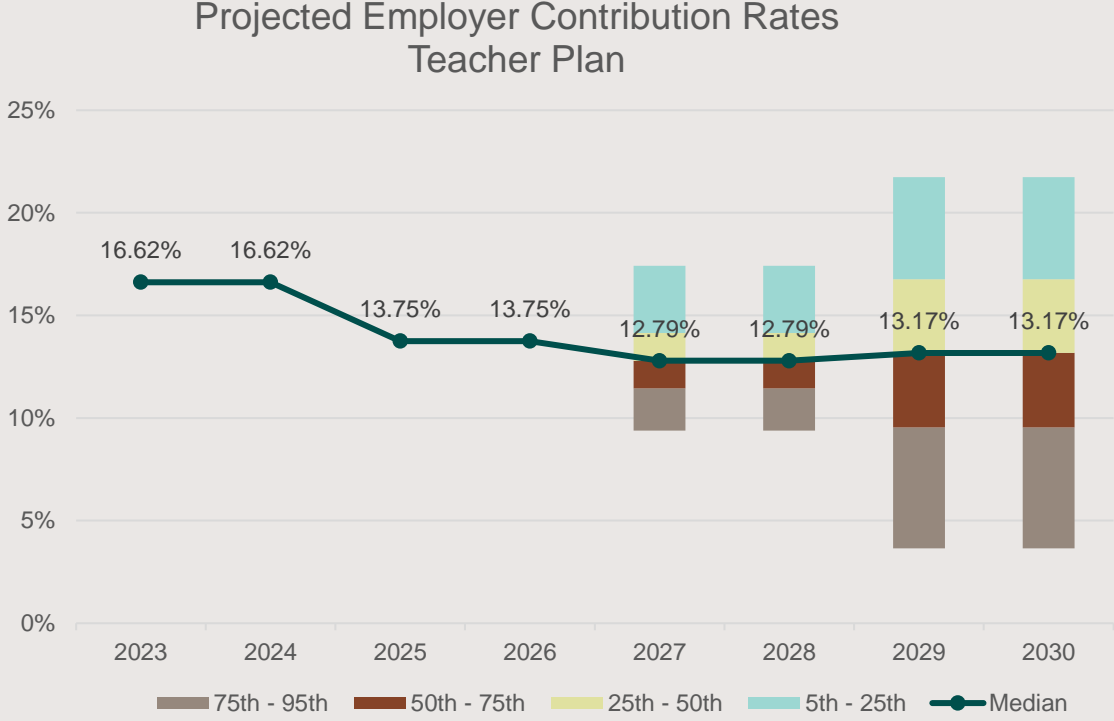
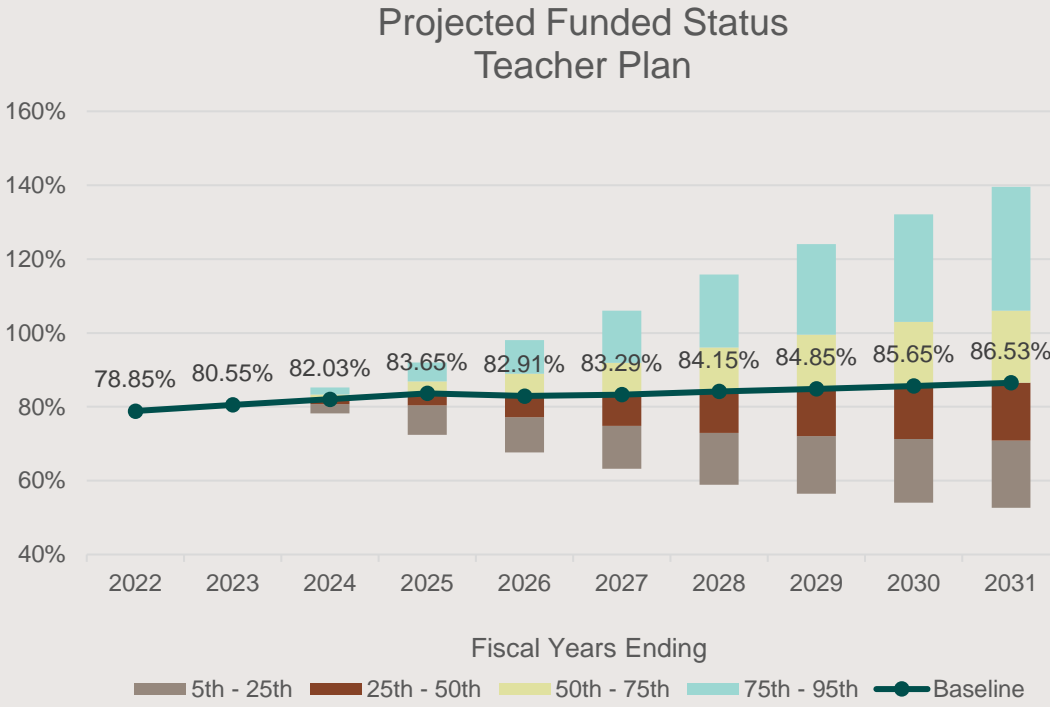
- Develop and refine risk measures to help in reviewing alternative asset allocations
- Choose alternative asset allocations to be modeled
 - Focus on showing portfolios adjusted
 - More risk, illustrating difference between credit and equity changes
 - Less risk, similarly, differentiating between credit and equity changes
- Run and summarize analysis



Teachers results

Base Case – Teachers

The following shows stochastic outcomes for a base case scenario for the Teacher’s Employee’s Pension Plan

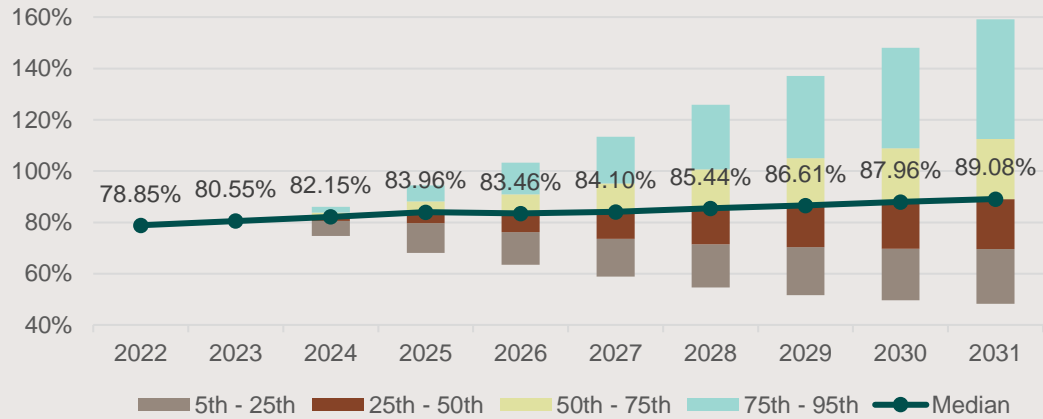


Observations:

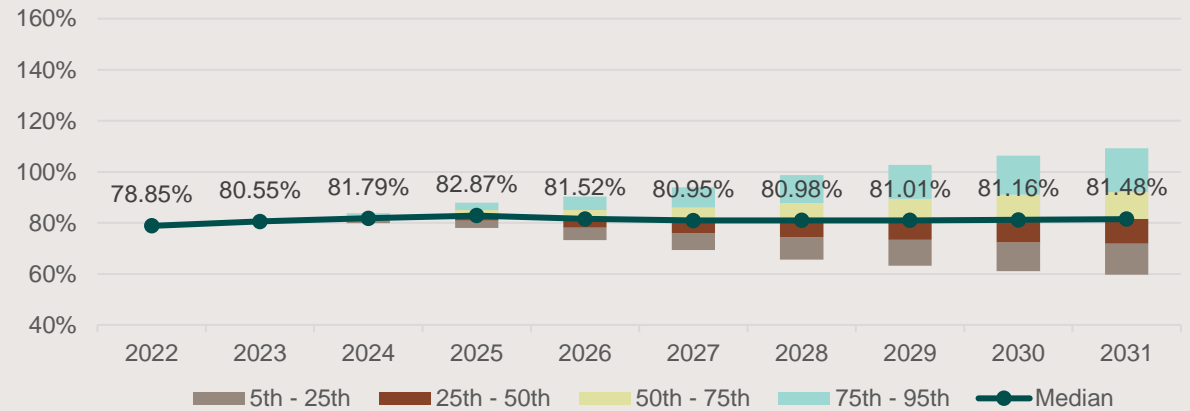
- Very similar pattern to what is seen with the State, but slightly better expected improvement in the funded status

Alternate Allocations – Teacher Plan Funded Status

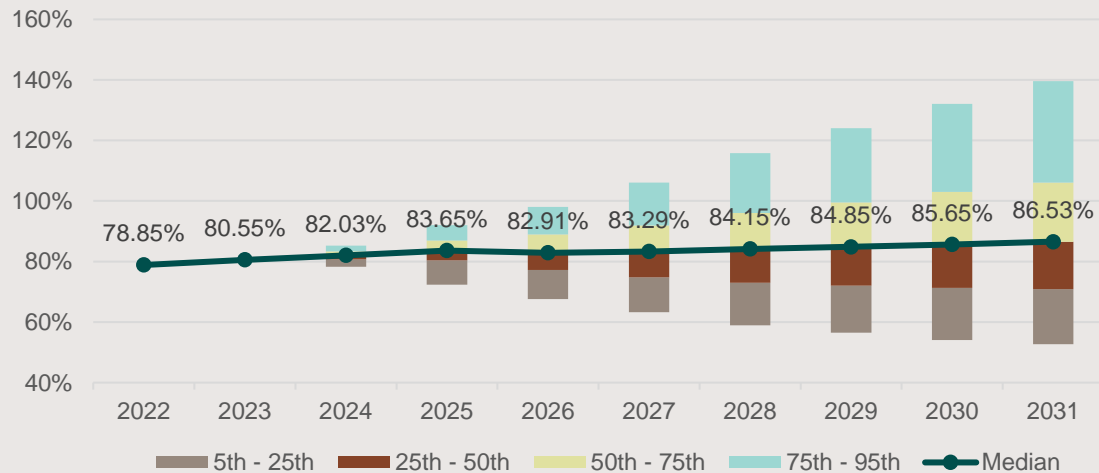
High Risk - Projected Funded Status
Teacher Plan



Low Risk - Projected Funded Status
Teacher Plan



Current - Projected Funded Status
Teacher Plan

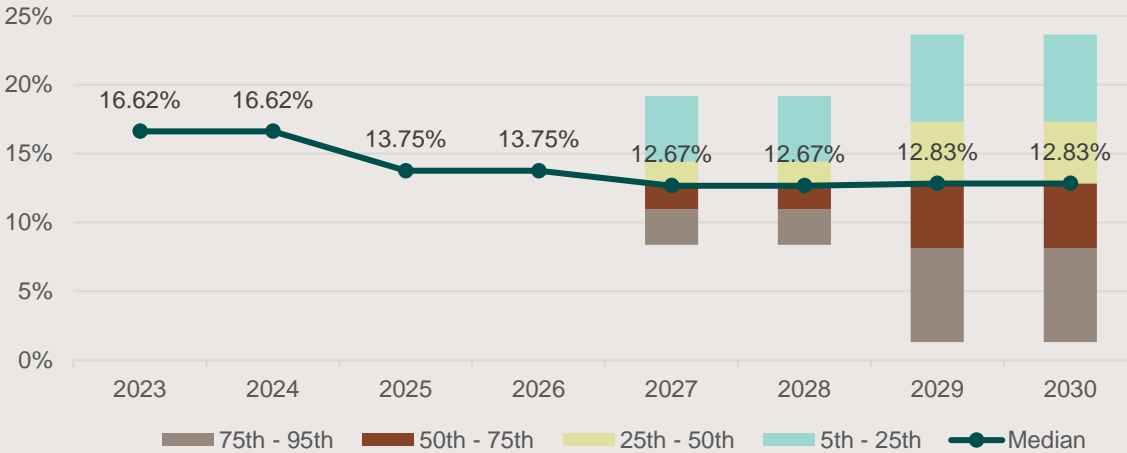


Observations:

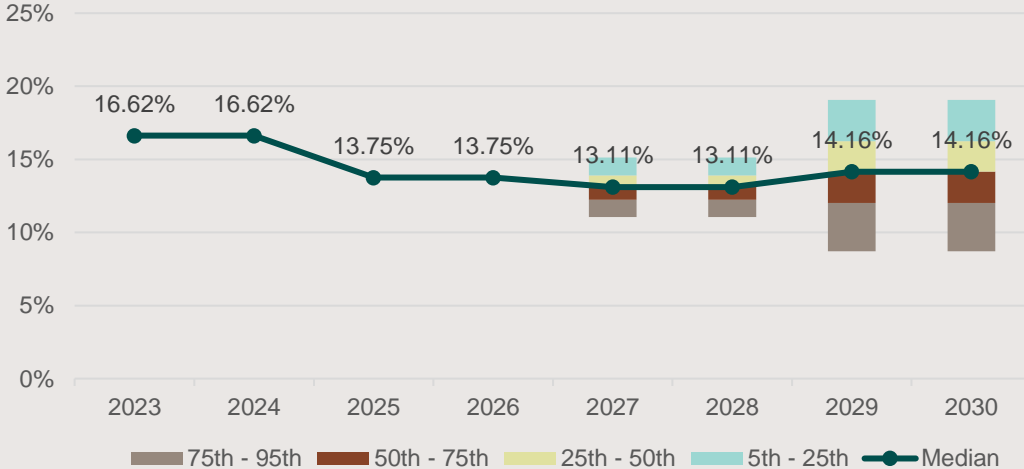
- Very similar results to State plan

Alternate Allocations – Teacher Plan Contribution Rate

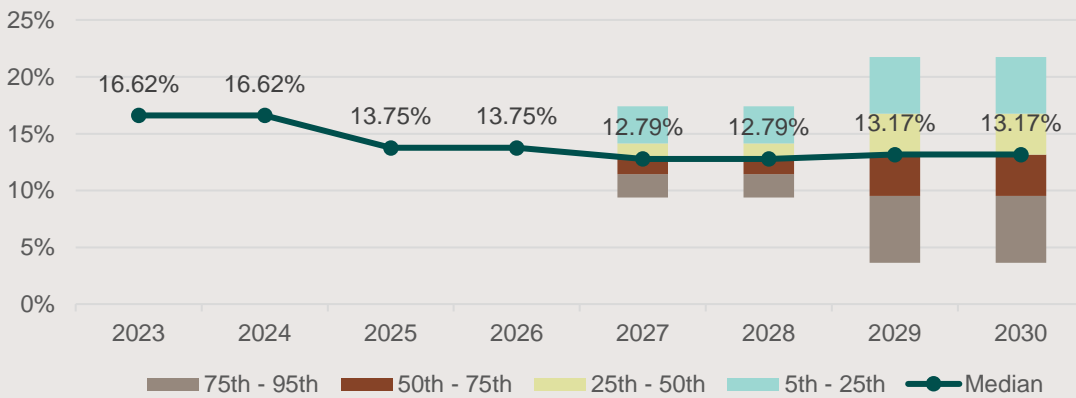
Higher Risk - Projected Employer Contribution Rates
Teacher Plan



Low Risker - Projected Employer Contribution Rates
Teacher Plan



Current - Projected Employer Contribution Rates
Teacher Plan

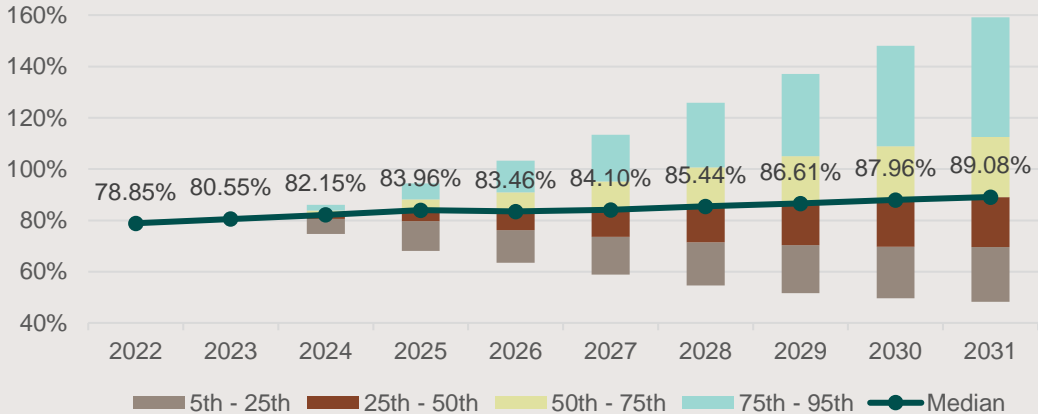


Observations:

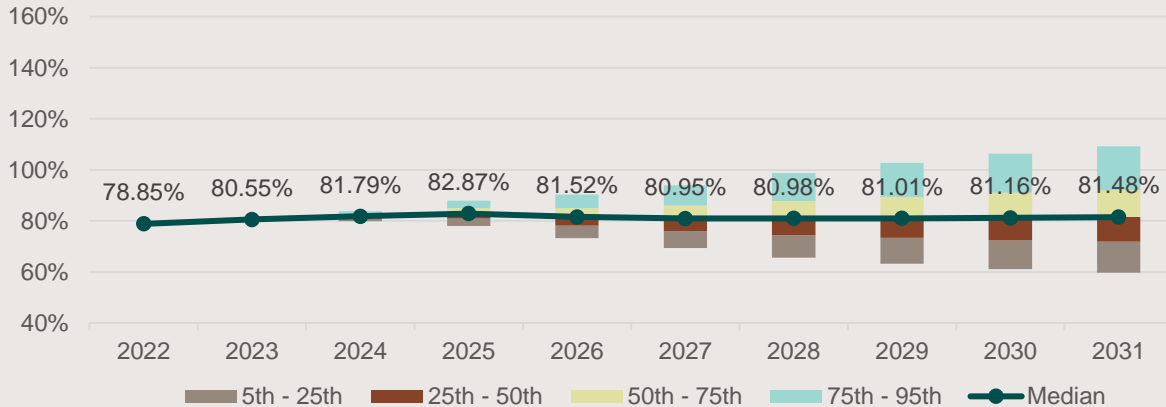
- Once again, very similar to State plan

Alternate Allocations – Teacher Plan Funded Status

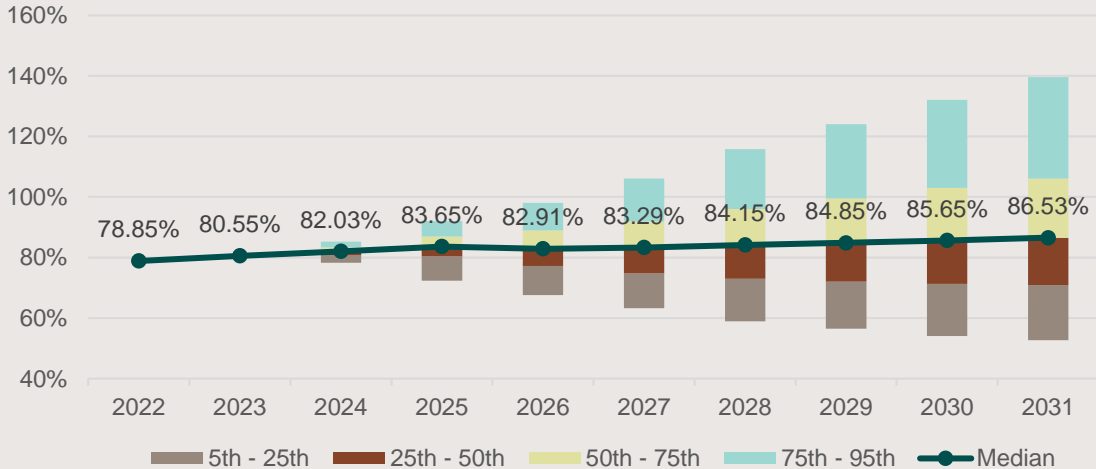
Higher Risk - Projected Funded Status
Teacher Plan



Lower Risk - Projected Funded Status
Teacher Plan



Current - Projected Funded Status
Teacher Plan



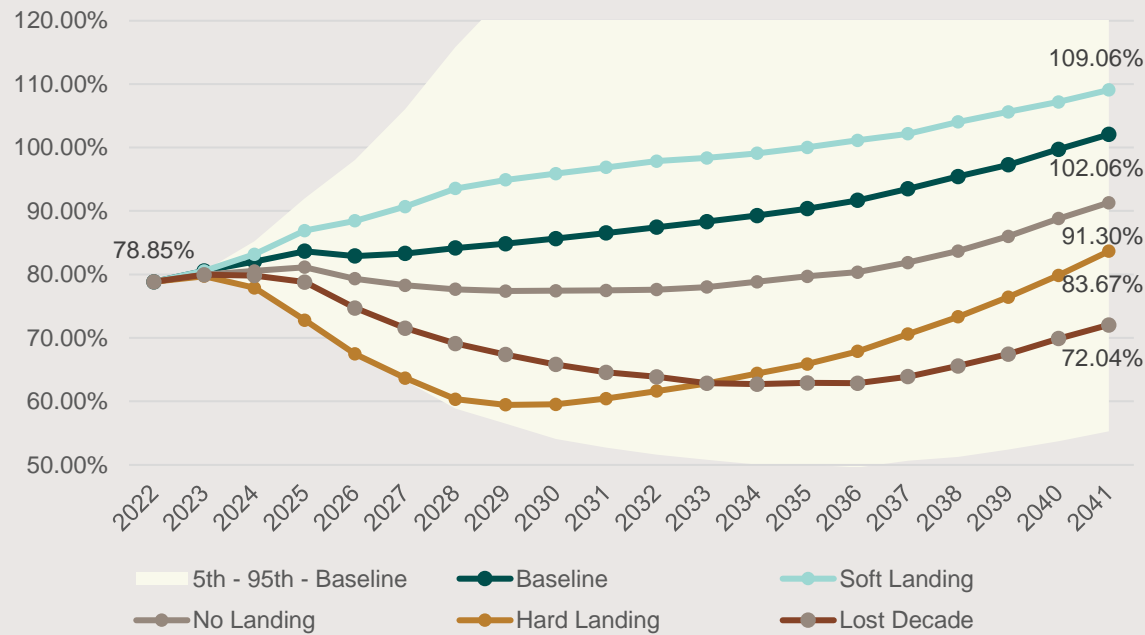
Observations:

- Very similar results to State plan

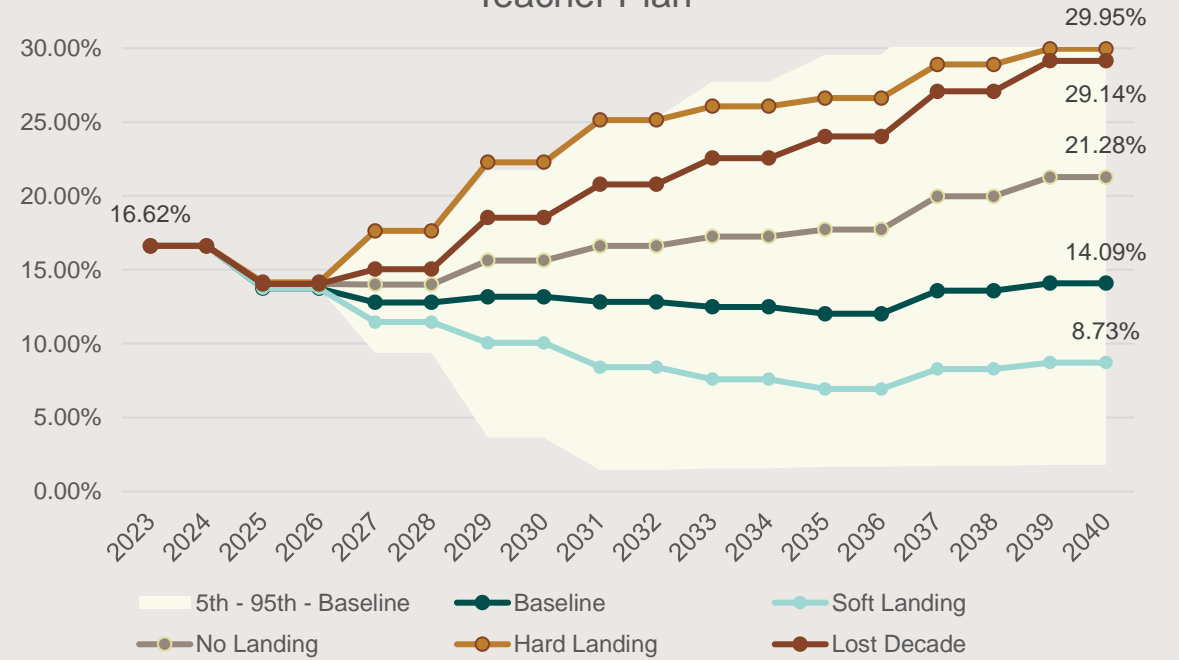
Scenarios– Teachers

The following shows the median results for the four economic scenarios for the Teacher’s Employee’s Pension Plan

Comparison of Estimated Funded Status Teacher Plan



Comparison of Estimated Employer Contribution Rates Teacher Plan



Observations:

- Very similar results to the State plan



Appendix

Scenario definitions

- Hard Landing– The Fed fails to achieve a soft landing. While the first half of 2022 was largely about downward revisions in equity valuations, the second half was about downward revisions in (real) earnings forecasts. Growth expectations retracted, inflation is persistent especially in services, and higher nominal rates result in a significant slowdown in housing and consumer durables. Households continue to spend down savings inventoried during the pandemic while real incomes continue to fall off. The Fed is forced into a more aggressive rate hiking cycle that is not priced into the market. Real economic growth is hit hard along with risk assets which take 4 years to recover to pre-landing levels.
- Soft Landing - This is a Goldilocks case in which inflation responds immediately to Fed policy moves and is back to a targeted 2.5% by the end of 2023. Both inflation and real growth surprise to the upside along with earnings growth and sentiment drives returns on all asset classes above expectations for years 1-2 before settling back to the baseline.

Scenario definitions

- No Landing - inflation persists and Fed policy is ineffective at achieving a non-inflationary equilibrium. Short rates (and inflation) therefore remain 'elevated' though not excessive and real growth equilibrates around its historical average of 3%. While risk assets do comparatively well (above expectations), fixed income and credit as well as real assets take several years to return to their long run target returns.
- Lost Decade (Japan) - The economy collapses into an extended low growth, deflationary equilibrium similar to Japan's experience beginning in the 1990's. Risk assets such as public equity and real assets are especially hit hard. Fund returns equilibrate around 2.5% annually with very little volatility. Policy is ineffectual.
- Baseline – current FY 2023 estimates followed by latest forward return estimates.

Liability Risk Factors

Item	Current Assumption	Impact	Contribution Impact	Liquidity Impact
Inflation	2.5%	Benefit payments	20 years	Immediate
Merit increases		Payroll and normal cost	Immediate	Immediate
Longevity	Improvements each year	Liability	20 years	Small impact immediately
Unanticipated retirement	Based on experience	Benefit payments and payroll	20 years	Immediate
Workforce reduction	Not assumed	Lower normal cost, but lower payroll	Immediate	Smaller contributions
Legislative change	Not assumed	Depends on design	Depends on design	Most likely immediate impact

- Impact on contributions is based on how experience differs from the actuarial assumptions
 - However, changes in payroll and normal cost are impacted immediately
 - Most other changes will have a smaller immediate impact
- The liquidity ratio however is immediately impacted
- Key reminder: Assets are first smoothed over 5 years and then all experience is amortized over 20 years

Non-Investment Risks

Item	Impact	Contribution Impact	Liquidity Impact	Hedging
Inflation	Benefit payments	20 years	Immediate	Inflation assets
Inflation and merit increases	Payroll and normal cost	Immediate	Immediate	Inflation assets
Longevity	Liability	20 years	Small impact immediately	“Hot” portfolio
Unanticipated retirement	Benefit payments and payroll	20 years	Immediate	“Hot” portfolio
Workforce reduction	Lower normal cost, but lower payroll	Immediate	Smaller contributions	“Hot” portfolio
Legislative Change	Unknown	Unknown	Likely immediate impact	Not possible

Other considerations are that there may be pressure to limit an increase in the contribution percentage

Additional thoughts

VRS has mitigated some of the impact of many non-investment related risks to the plan:

- Plan design changes
- CPI limit on retiree benefits
- 20-year amortization of gains and losses

Largest non-investment risk for VRS will be for scenarios such as:

- Prolonged high inflationary period
- Material decrease in payroll / active participants
- Material number of retirements, especially those with subsidized early retirement
- Legislative changes

Increased needs for liquidity will arise in the short term:

- May create desire to anticipate portfolio changes in planning period
- Look for opportunities to increase annual investment cash flow

Increase in contribution rates will most likely occur, if net amortization amounts remain constant

Basic Data

Employer contributions ranging from 14-31% of payroll (\$4.5B)

\$101B of assets and ~\$115B of liability

Benefit payments of \$5.8B

Expected investment return of 6.75% (~\$6.8B)

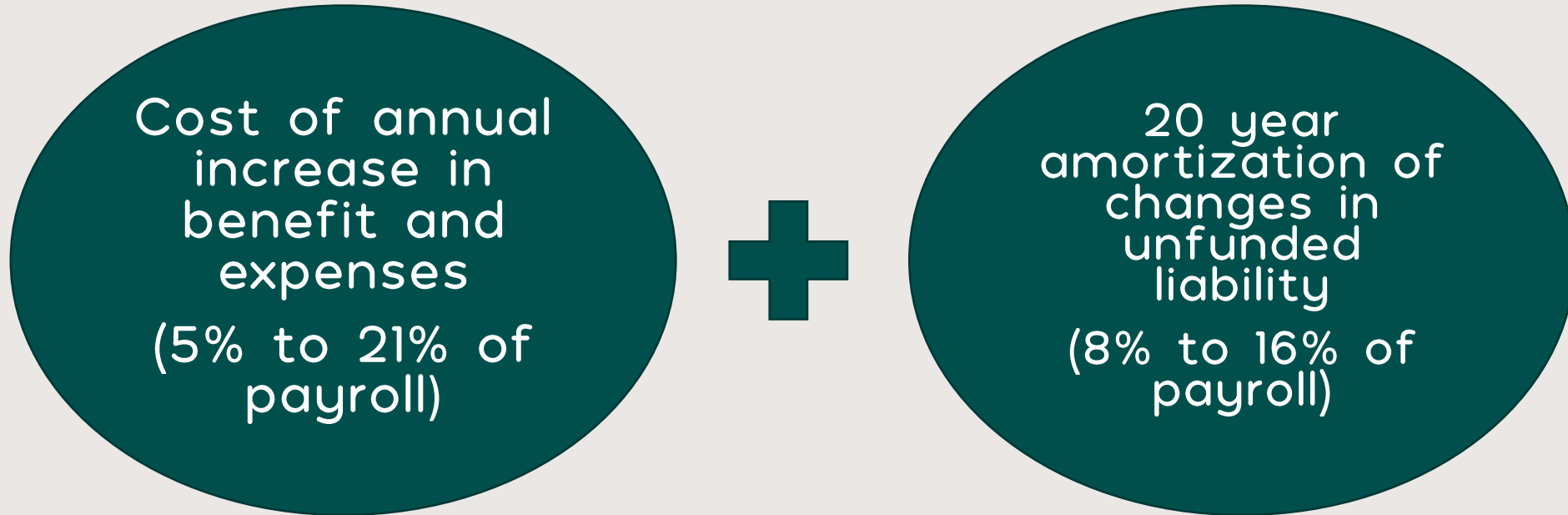
Larger plan(s) are funded between 82% and 84% as of June 30, 2022

Plan Design Key Features

Feature	Plan 1	Plan 2	Hybrid
General Group Covered	Hired < 7/1/2010	Hired between 7/1/2010 & 1/1/2014	Hired > 1/1/2014
Employee Contribution	5% of compensation	5% of compensation	4% DB / 1% DC
Retiree CPI increase	100% of 1 st 3% and 50% of next 4%	100% of 1 st 2% and 50% of next 2%	100% of 1 st 2% and 50% of next 2%

- All plans are based on final average earnings and service at retirement
- Generally paid as an annuity
- Early retirement subsidies exist in all plans but smaller subsidy in Plan 2 and Hybrid due to restrictions on retirement age

Annual Contribution Calculation



- Above is expressed as a percentage of payroll
- For amortization purposes, asset gains and losses are first “smoothed” over 5 years
- Original amortization began 7/1/2013 over 30 years

Liquidity Ratio



Today liquidity ratios are less than 4%

- Higher ratios will require assets to be periodically sold to meet benefit obligations
- Based on current valuation assumptions, projected liquidity needs are expected to double in 2-3 years and triple in 5-6 years with biggest impact for Teachers and State employees
- General assembly provided an additional \$750M in 2022 and will provide another \$250M in 2023

Important performance and legal information

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PAST PERFORMANCE IS NOT AN INDICATION OF FUTURE RESULTS.

SECURITY INDICES: This presentation includes data related to the performance of various securities indices which may provide an appropriate basis for comparison with underlying investments and the client's total investment portfolio. The performance of securities indices is not subject to fees and expenses associated with investment funds. Investments cannot be made directly in the indices. The information provided herein has been obtained from sources which Agilis Partners LLC believes to be reasonably reliable but cannot guarantee its accuracy or completeness.

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AGILIS

Report

The Investment Policy Committee met on April 20, 2023, and took up the following matters:

APPROVAL OF MINUTES

The Committee approved the minutes of its February 9, 2023, meeting.

DISCUSSION ON PORTFOLIO DIVERSIFICATION

In preparation for the upcoming discussion of the Asset Liability Study, Andrew Junkin, VRS Chief Investment Officer, and Chung Ma, Managing Director, Portfolio Solutions Group, led a discussion on portfolio diversification.

Submitted to the Board of Trustees on April 20, 2023.

Scott Andrews, Chair
Investment Policy Committee

Report

The Defined Contribution Plans Advisory Committee (DCPAC) convened on March 30, 2023, at 1:00 p.m. and took up the following matters:

WELCOME AND INTRODUCTION

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

ADMINISTRATION

DC Plans Overview

Staff provided an overview of the DC Plans, as well as an update on administrative reports for the fourth quarter of 2022. An overview of assets and accounts across the various defined contribution plans, as well as account trends was also provided. It was also noted that a refresh was completed in December for the DCP website.

Staff advised the Committee that assets in the COV 457 and Cash Match Plans increased approximately 5% from the previous quarter. Hybrid Retirement Plan assets and accounts have increased 15% and 3%, respectively, during the same timeframe. Additional updates regarding voluntary participation rates, contribution elections and auto-escalation were also provided to the Committee. Further, staff provided details on plan asset allocation, ORPHE and upcoming DC Plans events.

DC Plans Unbundled Recordkeeper RFP Update

Staff provided an update on the DC Plans Recordkeeper RFP. Responses were due on December 2, 2022, and finalists will be determined by April 2023.

INVESTMENTS

Performance Reports

Staff provided an overview of the February 28, 2023, performance reports to the DCPAC, including the unbundled DC plans investment options and the bundled TIAA investment menu in the Retirement Choice (RC) contract for ORPHE.

Callan 2023 Defined Contribution Trends Survey Highlights

Staff provided an overview of highlights from the Callan 2023 DC Trends survey, which was included in the meeting materials Appendix for the Committee to review. The Callan 2023 DC Trends survey results represented 99 large DC plan sponsors that span a range of industries across corporate, tax-exempt, and government organizations.

Retirement Income Industry Update

Staff provided an update on the retirement income industry. Staff noted that public and corporate DC plan sponsors are focusing more on the distribution phase due to the shift in retirement income trends. Additional trends in retirement income were also presented to the Committee.

OTHER BUSINESS

Legislative Update

Staff reviewed DC plan-related legislation that passed during the 2023 regular session of the General Assembly. Staff also reviewed the recently enacted SECURE 2.0 Act with the Committee, including the potential impacts to VRS plans.

DCPAC Appointments

Staff informed the Committee of the request for reappointment of Shannon Irvin, Rick Larson and David Winter to the DCPAC. The Committee made a motion to support the recommendation by the Administration, Finance and Talent Management Committee to reappointments.

DISCUSSION OF NEW IDEAS

Dr. Arun Muralidhar shared an article written by a colleague regarding retirement planning. The article, titled *"The Crisis in Retirement Planning"* was shared with the Committee. Dr. Muralidhar indicated his intention to discuss this topic further at the Committee's June meeting.

2023 MEETINGS

Senator Bell confirmed the remaining DCPAC meeting dates in 2023, all at 1:00 p.m.:

- Thursday, June 1st
- Thursday, September 7th
- Thursday, November 30th

There was no other business to come before the Committee.

Submitted to the Board of Trustees on April 20, 2023.

J. Brandon Bell, Chair
Defined Contribution Plans Advisory Committee

Report

The Audit and Compliance Committee met on March 29, 2023. Mr. Montgomery welcomed committee members, Board members, agency officials, representatives from stakeholder groups and other members of the public joining in person and through electronic means. The committee discussed the following:

APPROVAL OF MINUTES

The committee approved the minutes of its December 8, 2022 meeting.

AUDIT REPORTS

The committee received two audit reports.

- The annual review of VRS' *Conformance with VITA's IT Security Program* determined as of January 1, 2023 VRS' Security Policies and Standards generally conform with VITA's mandatory Information Technology security program. There were no formal recommendations as a result of this review.
- The review of *Credit Strategies and Private Investment Partnerships Programs* determined VRS provides appropriate oversight and monitoring of the programs. There were no formal recommendations as a result of this review.

ANNUAL REPORT ON CODE OF ETHICS

The Internal Audit Director noted the Internal Audit department's adherence to the VRS Code of Ethics, Institute of Internal Auditors' Code of Ethics, and similar frameworks required by professional designations and memberships.

The Chief Operating Officer and the Regulatory and Legal Officer provided annual reports on their respective processes for communicating VRS' Code of Ethics and Conduct and for monitoring compliance, as required by the Audit and Compliance Committee Charter. Both indicated compliance with the reporting and certification requirements for their respective programs as of the meeting date.

AUDIT PLAN PROGRESS AS OF DECEMBER 31, 2022

The Internal Audit Director reported on the progress on the annual Audit Plan as of December 31, 2022, the mid-point of the fiscal year.

MISCELLANEOUS UPDATES

The Committee received the following miscellaneous updates:

Quarterly Report on Fraud, Waste and Abuse Hotline Cases

It was shared there were no Fraud, Waste and Abuse Hotline complaints reported to Internal Audit via the Office of the State Inspector General or other sources during the period of November 1, 2022 through January 31, 2023.

Internal Audit's Review of Cost of Living Adjustments

Internal Audit noted its review of the proposed "Cost of Living Adjustments" as calculated by VRS' actuary, Gabriel, Roeder, Smith & Company, was completed and the results were provided to the Benefits and Actuarial Committee and Board of Trustees at their respective meetings in February 2023.

Management's Quarterly Travel Expense and Per Diem Report

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

Next Committee Meeting Date

The committee's next meeting is scheduled for Tuesday, June 13, 2023 at 1 p.m.

Respectfully submitted to the Board of Trustees on April 20, 2023.

Joseph W. Montgomery, Chair
Audit and Compliance Committee

Report

The Administration, Finance and Talent Management Committee met on March 29, 2023, and discussed the following:

APPROVAL OF MINUTES

The Committee approved the minutes of its December 8, 2022, meeting.

REAPPOINTMENT OF INVESTMENT ADVISORY COMMITTEE (IAC) MEMBERS AND CHAIRPERSON

Andrew Junkin, Chief Investment Officer, advised the Committee that the terms for two members of the IAC are set to expire. Michael Beasley and Rod Smyth both expressed interest in continuing their service on the IAC. In addition, Mr. Junkin informed the Committee that the term of the IAC Chairperson is also set to expire, and that Lawrence Kochard indicates his interest in continuing to serve in that role.

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

Request for Board Action: *The Board reappoints to the Investment Advisory Committee: Michael Beasley for a two-year term ending June 20, 2025, and Rod Smyth for a two-year term ending June 20, 2025. The Board also reappoints Lawrence E. Kochard as Chairperson of the Investment Advisory Committee for a two-year term ending on May 31, 2025.*

REAPPOINTMENT OF DEFINED CONTRIBUTION PLANS ADVISORY COMMITTEE (DCPAC) MEMBERS

Trish Bishop, Director, presented the recommendations for the reappointment of three members of the DCPAC. Ms. Bishop advised the Committee that Shannon Irvin, Rick Larson and David Winter all indicated their willingness to continue serving on the DCPAC.

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

Request for Board Action: *The Board reappoints Shannon T. Irvin, Rick Larson and David A. Winter to the Defined Contribution Plans Advisory Committee (DCPAC), each for a two-year term ending June 20, 2025.*

APPROVE REVISED INVESTMENT PROFESSIONALS' PAY PLAN

Paula Reid, Director of Human Resources, provided an overview of the proposed amendments to the Investment Professionals' Pay Plan. Ms. Reid noted that the revisions include the removal of the Chief Managing Director position as it is no longer needed in the pay plan. Further, Ms. Reid advised the Committee that Item 483 of the 2022 Appropriation Act requires the Department of Human Resource Management to increase by 5% the minimum and maximum of each of the salary bands in the Commonwealth's Classified Compensation Plan. Generally, the VRS Board of Trustees also adjusts the salary scales of its pay plans in accordance with the requirements of the Appropriation Act. This change, effective June 10, 2023, is constituent with the changes to be made to the Commonwealth's Classified Compensation Plan.

Ms. Reid also informed that Board that if, subsequent to the approval of the RBA, an Appropriation Act is enacted in 2023 that provides any additional changes other than the 5% salary scale adjustments contained in Item 483 of the 2022 Appropriation Act, the Investment Professionals' Pay Plan will be amended to remain consistent with the changes made to the Commonwealth's Classified Compensation Plan.

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

Request for Board Action: *The Virginia Retirement System Board of Trustees approves an amended Investment Professionals' Pay Plan, effective June 10, 2023.*

APPROVE REVISED ADMINISTRATIVE PAY PLAN AND INVESTMENT OPERATIONS AND ADMINISTRATION PAY PLAN

Ms. Reid next updated the Committee on proposed revisions to the Administrative and Investment Operations and Administration Pay Plans. Similar to the changes for the Investment Professionals' Pay Plan, a 5% increase to the minimum and maximum of the salary scales is proposed for both plans, consistent with changes made to the Commonwealth's Classified Compensation Plan. Further consistent with the proposed changes to the Investment Professionals' Pay Plan, should an Appropriation Act be enacted in 2023, subsequent to the approval of the RBA, that provides any additional changes other than the 5% salary scale adjustments contained in Item 483 of the 2022 Appropriation Act, the Administrative Pay Plan and Investment Operations and Administration Pay Plans will be amended to be consistent with the changes made to the Commonwealth's Classified Compensation Plan.

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

Request for Board Action: *The VRS Board of Trustees approves an amended Administrative Pay Plan and Investment Operations and Administration Staff Pay Plan, effective June 10, 2023.*

QUARTERLY BUDGET UPDATE

Jon Farmer, Budget and Performance Reporting Manager, provided an update on the FY 2023 budget. Mr. Farmer advised the Committee that VRS began the fiscal year with approximately \$119 million and through February 2023 has expended approximately \$69 million. Mr. Farmer noted that the agency is on track to conclude the fiscal year with an estimated \$14.8 million in unexpended appropriation.

CLOSED SESSION

The Committee next convened a closed meeting under the Virginia Freedom of Information Act to discuss information describes the design, function, operation or access control features of a security system which is used to control access to or use of an automated data processing system, pursuant to the public safety exemption at § 2.2-3711(A)(19) of the *Code of Virginia*, and for consultation with legal counsel pursuant to § 2.2-3711(A)(8) of the *Code of Virginia*.

Submitted to the Board of Trustees on April 20, 2023.

A. Scott Andrews, Chair
Administration, Finance and Talent Management Committee

Report

The Administration, Finance and Talent Management Committee met on April 20, 2023, and discussed the following:

APPROVAL OF MINUTES

The Committee approved the minutes of its March 29, 2023, meeting.

APPROVE REVISED ADMINISTRATIVE PAY PLAN

Paula Reid, Director of Human Resources, presented proposed changes to the Administrative Pay Plan. Ms. Reid advised the Committee that CBIZ Compensation Consulting (CBIZ) conducted a comprehensive compensation study for administrative staff with the objective of enhancing the agency's ability to attract, retain and motivate qualified individuals, establish structures that are flexible in meeting changing needs, and is well-aligned with broader agency goals and strategies.

Ms. Reid outlined the recommendations offered by CBIZ, including:

- Increase the compensation of all applicable employees to the minimum of their respective proposed salary ranges.
- Implement the compensation plan uniformly across all positions.
- Consider compression-based pay adjustments as appropriate in the future.
- Implement additional methods to reward employee performance and move individuals through pay grades.
- Conduct a comprehensive market review every three to five years.

Regarding changes specific to the Administrative Pay Plan, Ms. Reid advised the Committee of the following recommendations:

- Institute a new job grade system to replace the current plan to create a consistent system for evaluating employee roles and providing more flexibility in rewarding employees based on their skills.
- Add in-grade salary adjustments for changes in job duties and employee retention, consistent with recent changes made to the Department of Human Resource Management Compensation Policy 3.05.

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

Request for Board Action: *The Virginia Retirement System Board of Trustees approves an amended Administrative Pay Plan ("Pay Plan"), effective May 10, 2023, and approves the adoption of the recommendations of the compensation market study conducted by CBIZ, Inc.*



**Administration, Finance and Talent
Management Committee
Committee Report to the Board of Trustees
April 20, 2023
Page 2 of 2**

Submitted to the Board of Trustees on April 20, 2023.

A. Scott Andrews, Chair
Administration, Finance and Talent Management Committee

Reappointment of IAC Members and IAC Chair.

Requested Action

The Board reappoints to the Investment Advisory Committee: Michael Beasley for a two-year term ending June 20, 2025, and Rod Smyth for a two-year term ending June 20, 2025. The Board also reappoints Lawrence E. Kochard as Chairperson of the Investment Advisory Committee for a two-year term ending on May 31, 2025.

Rationale for Requested Action

Michael Beasley and Rod Smyth currently serve on the Investment Advisory Committee (IAC) and are willing to be reappointed for another two-year term. Mr. Beasley is Retired Chairman Emeritus of Strategic Investment Solutions, Inc. and Rod Smyth is a founding partner and Chairman of the Board at Riverfront Investment Group.

Under the Investment Advisory Committee (IAC) Charter:

The VRS Board chairperson shall appoint the chairperson of the IAC, subject to a two-thirds vote by the Board. No member of the Board may serve as IAC chairperson. The IAC chairperson is appointed for a two-year term and may be reappointed for additional two-year terms.

The IAC chairperson is charged with:

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

The Chairperson of the Board has appointed Mr. Kochard to chair the IAC, and this RBA brings that appointment to the Board for its consideration. Mr. Kochard is Chief Investment Officer at Makena Capital Management.

Authority for Requested Action

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

The above action is approved.

A. Scott Andrews, Chair
VRS Board of Trustees

Date

MICHAEL RAWSON BEASLEY

Experienced Investment Advisor seeking Independent Board Member position

EXPERIENCE

STRATEGIC INVESTMENT SOLUTIONS, INC. (SIS), 1994-2012 Chm/CEO, San Francisco

Designed a business model for a startup pension consulting business that would distinguish itself from a large field of competitors in three ways: (1) a pure consulting focus free from conflicts-of-interest, (2) 100% employee-owned and (3) serve as a named fiduciary to its clients. Business model came to fruition as SIS, co-founded with a colleague, incorporated in California, and registered with the SEC in January 1994. Operations commenced in July 1994 with a staff of eight. Set minimum client assets-under-management at \$500 million to attract larger and more strategically oriented clients and to attain profitability sooner.

Grew SIS to 30 employees advising 32 clients (state and county plans, corporate trusts, endowments, foreign funds and high net worth families) with firm-wide aggregate assets in excess of \$500 billion.

Frequently spoke at conferences, gained membership on advisory boards, including private partnerships on behalf of client investors. Extensive board experience, including chairmanship of SIS for 18 years. Advised SEC Investment Division on conflict-of-interest issues affecting the U.S. consulting industry. Made presentations at private conferences and other types of forums including state legislatures as expert witness.

CALLAN ASSOCIATES, 1991-1993, Executive Vice President, San Francisco

Led the client consulting division overseeing the regional offices in San Francisco, Chicago, NYC, Atlanta and consulting support units including Systems, Programming, Database Support, and Technology. Maintained lead consulting role for three state pension funds and one corporate trust. Integrated the delivery of consulting emphasizing vertical communication among consulting and support units, best practices, efficiency, accuracy and client response time. Managed team of 120 staff while representing Callan to clients and the media.

CALLAN ASSOCIATES, 1986-1991, Senior Vice President, Atlanta/New York City

Established and staffed Callan's regional office in Atlanta. Built client base and achieved profitability in under two years. Assumed additional responsibility of managing New York City office in 1988. Chaired Manager Search Committee for two years that oversaw manager selection process for more than 400 institutional clients.

MERRILL LYNCH, 1973-1986, Vice President, Davenport, Jacksonville, Atlanta

Established the corporate financial services office of Merrill Lynch Capital Markets Group in Jacksonville, Florida. Responsible for the delivery of all non-underwriting products and services to private corporations and local municipalities.

Managed the Corporate Financial Services Group for the U.S. Southern Region after Merrill's Atlanta Office absorbed its Jacksonville Office. A strong interest in pension fund investing ultimately led to working as lead investment advisor to several county, city and corporate pension plans. When Merrill Lynch sold its pension services to SEI Corp. in October 1985, decided to remain involved with pension fund investing and resigned in March 1986.

UNITED STATES ARMY, 1969-1973, Officer, Company Commander (2), served combat tour in Vietnam, 1971-1972, MACV Advisory Team 87.

PARTIAL LIST OF CAREER LEAD CONSULTING CLIENTS

Arkansas Public Employees Retirement System
Cox Enterprises
PacifiCorp
Illinois Teachers Retirement System
Sweden Pension Plan AP 6
Louisiana State Employees Retirement System
Southern Company
Oregon Investment Council
Tennessee Consolidated Retirement System
US Army Non-Appropriated Fund Williams Companies
Central Bank of Chile/Ministry of Finance
Ohio Public Employees

BOARD EXPERIENCE

Virginia Retirement System Investment Advisory Committee, Richmond, Va. 2015-present
Pavilion Financial Corporation, Winnipeg, Manitoba, Canada 2014-2017
YouSpace Corporation, Chairman, Santa Clara, California 2014-2020

PERSONAL AWARDS

Three-time New Mexico State Small Bore Rifle Champion
Captain U.S. Advanced Marksmanship Unit
Combat Infantry Badge
Vietnamese Cross of Gallantry with Valor
Bronze Star Medal

EDUCATION

New Mexico Military Institute, 1968, English

Larry Kochard

Larry Kochard is the Chief Investment Officer at Makena Capital Management and a member of Makena's Executive. Larry was previously the Chief Executive Officer and Chief Investment Officer of the University of Virginia Investment Management Company (UVIMCO) for seven years. As CEO, Larry provided leadership for all aspects of UVIMCO's operations and served as UVIMCO's primary representative to the university, related foundations, and the public. As CIO, Larry was responsible for the investment management of UVIMCO's Long Term Pool, overseeing the asset allocation, portfolio management, risk management and manager selection activities of the investment staff. Prior to joining UVIMCO, Larry served as CIO at Georgetown University. From 2001 to 2004, he was Managing Director of Equity and Hedge Fund Investments for the Virginia Retirement System. From 1997 to 2004, he taught in the McIntire School of Commerce at the University of Virginia, first as an adjunct and later as a full-time assistant professor. He spent the early part of his career in debt capital markets at Goldman Sachs and corporate finance at Fannie Mae and DuPont. Larry received his B.A. in Economics from the College of William & Mary, an M.B.A. degree in Finance and Accounting from the University of Rochester, and an M.A. and Ph.D. in Economics from the University of Virginia. He is a CFA Charterholder.

He serves as Chairman of the Investment Advisory Committee of the Virginia Retirement System, member of the Advisory Board of UK based firm Eighteen48, and Foundation Director and member of the Investment Committee of Virginia Museum of Fine Arts. Larry was the 2015 winner of the Rodney H. Adams Award for Endowment Management from the National Association of College and University Business Officers (NACUBO), which recognizes outstanding contributions to university endowment and investment management. Larry is a longtime moderator of the premier endowment and foundation industry conference, NMS, and is the author of several industry publications, including *Foundation and Endowment Investing: Philosophies and Strategies of Top Investors and Institutions*. More recently, Larry wrote the foreword of and was profiled in *Inside the World's Top Institutional Offices: Conversations With 80 Institutional Investors*.



Rod Smyth

Chairman of the Board

Rod is one of RiverFront's four Founding Partners. Rod has been an important contributor to our investment decisions since our strategies were inception and serves as the Chairman of our Board of Directors. He has also become a mentor to our investment team members, bringing his experience and wisdom to their decision-making processes. Rod has nearly 40 years of investment experience both as a portfolio manager and investment strategist. Rod began working with many members of the RiverFront team in 1995, when he moved to Richmond to work for Wachovia Securities after working in the investment industry overseas. At Wachovia Securities, and its predecessor firms, Rod served as the firm's Chief Investment Strategist for eight years and as a portfolio manager for its Global Asset Allocation portfolios.

Rod has been a regular contributor over the years on financial news channels (CNBC, Fox Business and Bloomberg) and is frequently quoted in the financial press.

Rod earned an MA in Economics from Dundee University in Scotland.

Whether as an investment strategist or on stage, Rod is a performer. He comes by it naturally, as his mother was a trained singer and his father an amateur conductor. His talents range from singing in a choir to performing in front of television cameras as a strategist. Rod's youngest son, an accomplished actor, recently said that he also wanted to study business so he could be a "financial actor" like his dad.

✉ rsmyth@riverfrontig.com

☎ 804-549-4802

COMMUNITY INVOLVEMENT

"I love the mission at RiverFront to support one local charity with a major gift each year, where associates can get involved in person. I am proud that, as a small firm, we are a major donor in the city of Richmond. When we started the firm, we promised ourselves that if we were successful, we would be generous; I believe we are fulfilling that promise."



Reappointment of DCPAC Members.

Requested Action

The Board reappoints Shannon T. Irvin, Rick Larson and David A. Winter to the Defined Contribution Plans Advisory Committee (DCPAC), each for a two-year term ending June 20, 2025.

Rationale for Requested Action

Ms. Irvin, Mr. Larson and Mr. Winter currently serve on the DCPAC and are willing to be reappointed for another two-year term. Ms. Irvin is Assistant Superintendent for Administration at Nelson County Public Schools, Mr. Larson is the Assistant Vice President for Human Resources, Training and Performance at James Madison University, and Mr. Winter is the owner of Winter HR Consulting, LLC.

Authority for Requested Action

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

The above action is approved.

A. Scott Andrews, Chair
VRS Board of Trustees

Date

SHANNON T. IRVIN

Assistant Superintendent for Administration

Extensively experienced and goal-oriented school administrator with a demonstrated track record of leading the preparation and analysis of financial reports to summarize and forecast financial position. Proven expertise in driving efficiency and productivity through evaluation of financial management systems and implementation of process improvements. Talented leader directing highly skilled financial management teams to support achievement of overall division goals and objectives. *Core competencies include:*

- Accounting Management
- Financial Analysis
- Forecasting
- Purchasing
- Insurances
- Cash Management
- Budgeting
- Cost Reductions
- Recruiting/Licensure
- Employee Benefits
- Technology Integration
- Regulatory Compliance
- Efficiency Improvements
- Personnel Management
- Retirement Counseling

CAREER EXPERIENCE

Nelson County Public Schools, Lovington, Virginia, 1993 – Present

Assistant Superintendent for Administration – 2007 - Present

Assistant Superintendent for Finance & Personnel – 2000 – 2007

Executive Director for Finance and Personnel – 1995 – 2000

Supervisor of Finance – 1993 – 1995

Direct financial management functions including development of monthly/quarterly financial statements, financial forecasts, and budgets. Oversee general accounting functions, including AR/AP, payroll, employee benefits, account reconciliation, and cash management. Administer all financial management systems, evaluating and integrating new applications. Develop highly skilled accounting and financial management team to achieve established objectives. Interact with the School Board and Superintendent concerning financial forecasts and reports.

- Oversight responsibility for Technology – Technology Plan development and integration of purchases with accompanying E-Rate Reimbursements. Highlights include 1:1 Computer initiative division-wide.
- Oversight responsibility for Food Services including Financial Reporting and Verifications. Began with program with minimal cash balances to now having three month operating cash reserves while also changing to more healthful choices for students in program offerings.

Continued...

- Oversight responsibility for Transportation and Facilities Maintenance including development of the Capital Improvement Plan (CIP). During course of employment, the County built new or renovated all school facilities.
- Responsible for Teacher Licensure, Teacher Recruitment and Retention as well as employee compensation and benefits programs. The division maintains 100% Highly Qualified Status for Instructional Personnel.
- During course of employment led division to increase beginning teacher compensation from 106th in the State of Virginia to 9th in the State of Virginia

County of Campbell, Rustburg, Virginia, 1991 – 1993

Director of Finance & Budget

Prepared financial reports, developed budgets, and performed variance analysis in accordance with Generally Accepted Accounting Principles (GAAP). Compiled periodic financial reporting packages for County Administrator. Carried out internal audits to ensure regulatory compliance and operational efficiency/accuracy. Built and led teams in carrying out special projects.

- Secured Bonds for Capital Improvement Projects
- Served as Human Resource Specialist for Employee Benefit and Retirement Counseling

Lynchburg College, Lynchburg, Virginia 1988 – 1991

Senior Accountant

Closed and prepared monthly financial statements and audit reports. Performed monthly account reconciliations and monitored general ledger transactions. Worked in collaboration with the Controller to ensure accuracy and integrity of financial information in support of overall business objectives.

Key Achievements:

- Collected Past Due Accounts on College-owned Rental Property
- Conducted Campus-wide inventory in accordance with GASB 34.

Southern States Cooperative, Richmond, Virginia, 1986 – 1988

Accountant

Carried out general ledger functions, including account analysis and reconciliation, journal entries, and AR/AP. Prepared financial statements

Key Achievement:

- Consistently met deadlines while demonstrating strong analytical and problem-solving skills to achieve corporate objectives.

EDUCATION

Master of Administration, Personnel Management (1991) GPA 3.78/4.00

LYNCHBURG COLLEGE – Lynchburg, Virginia

Bachelor of Business Administration, Concentration in Accounting (1985) cum laude

RADFORD UNIVERSITY – Radford, Virginia

Postgraduate coursework through Virginia Tech and Lynchburg College

EDUCATION CONTINUED

PROFESSIONAL ORGANIZATIONS

VIRGINIA ASSOCIATION OF SCHOOL BUSINESS OFFICIALS (VASBO) - PRESIDENT 2016/2017;

REGISTERED SCHOOL BUSINESS ADMINISTRATOR

SOUTHEAST ASSOCIATION OF SCHOOL BUSINESS OFFICIALS (SASBO)

LIFETIME MEMBER

AMERICAN ASSOCIATION OF SCHOOL BUSINESS OFFICIALS (ASBO)

CERTIFIED ADMINISTRATOR OF SCHOOL FINANCE & OPERATIONS (SFO)

VIRGINIA ASSOCIATION OF SCHOOL PERSONNEL ADMINISTRATORS (VASPA) – REGION V REPRESENTATIVE

SCHOOL SYSTEMS OF VIRGINIA WORKERS COMPENSATION INSURANCE POOL - BOARD MEMBER

ADVISORY BOARD FOR THE SCHOOL OF EDUCATION, LEADERSHIP STUDIES AND COUNSELING – UNIVERSITY OF LYNCHBURG, LYNCHBURG, VIRGINIA 24501 – BOARD MEMBER

ADVISORY BOARD FOR THE VIRGINIA RETIREMENT SYSTEM DEFINED CONTRIBUTION PLANS- 1200 EAST MAIN STREET, RICHMOND, VIRGINIA 23219 – BOARD MEMBER

Rick Larson

Biographical Statement

In his role as Assistant Vice President for Human Resources (HR), Training and Performance at James Madison University (JMU) in Harrisonburg, Virginia, Rick is responsible for the HR and Talent Development departments. Rick earned an M.S. Ed. in Adult Education and Human Resource Development from JMU, and his Bachelor of Individualized Study as a JMU undergraduate, while working full time for the university.

Rick has worked in higher education for over 40 years, holding positions in administration, finance, and student affairs. Rick is a certified Senior Professional in Human Resources (SPHR) and a Society of Human Resource Management Senior Certified Professional (SHRM-SCP).

Rick is a widower whose daughter, Katy, lives in Fredericksburg with her husband, Jon, and their two children, Henry and Maggie.

About David A. Winter

Dave Winter is an experienced human resources professional with broad knowledge of HR strategies, functions and processes, including retirement plans. Dave has served as the President of Winter HR Consulting, LLC, and as the top HR executive for service and manufacturing corporations in multi-national settings. In addition, he has held roles in legal, finance and line management. Dave holds a BA in Psychology from the University of Virginia and an MBA from the University of Richmond. He is a former board member of the Richmond Human Resource Management Association and was certified as a Senior Professional in Human Resources and SHRM Senior Certified Professional. Dave currently serves on the Virginia Retirement System Defined Contribution Plans Advisory Committee.

Dave grew up in a US Air Force family, living in France, California, Alaska and Virginia. He is a long-time resident of the Richmond, VA, area after living in Maryland, Texas and California during his career. Dave is a volunteer guest instructor at the Reginald F. Lewis College of Business at Virginia State University. He also volunteers at the Virginia Voice, a radio reading service for the visually impaired, and is a Reading Buddy with Richmond Public Schools. He loves spending time with his partner Sarah, his two grown children and five grandchildren.



Approve changes to Investment Professionals’ Pay Plan.

Requested Action

The Virginia Retirement System Board of Trustees approves an amended Investment Professionals’ Pay Plan (“Pay Plan”), effective June 10, 2023.

Description/Background

The VRS Board of Trustees approved the current Pay Plan on June 23, 2022.

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

- Remove the position of Chief Managing Director. The position was added to ensure the smooth transition of the new Chief Investment Officer. Now that the new CIO is in place, there is no further need for the position in the Pay Plan.
- In addition, Item 483 of the 2022 Appropriation Act requires the Department of Human Resource Management to increase by 5% the minimum and maximum of each of the salary bands in the Commonwealth’s Classified Compensation Plan. Generally, the VRS Board of Trustees also adjusts the salary scales in its pay plans in accordance with the requirements of the Appropriation Act. An increase of 5% to the minimum and maximum of each grade of the salary scales of the Investment Professionals’ Pay Plan, effective June 10, 2023, is consistent with changes to be made to the Commonwealth’s Classified Compensation Plan.

However, if, subsequent to the approval of this action, an Appropriation Act is enacted during 2023 that provides for a change to the Commonwealth’s Classified Compensation Plan other than the 5% increase contained in Item 483 of the 2022 Appropriation Act, then the minimum and maximum of each grade of the salary scales of the Investment Professionals’ Pay Plan shall be amended in an amount consistent with the changes made to the Commonwealth’s Classified Compensation Plan in such 2023 Appropriation Act as of the effective date of the change specified in such 2023 Appropriation Act.

A blacklined version of the revised Pay Plan is attached.

Authority for Requested Action

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

The above action is approved.

A. Scott Andrews, Chair
VRS Board of Trustees

Date



VIRGINIA RETIREMENT SYSTEM
INVESTMENT PROFESSIONALS'
PAY PLAN
Effective ~~October 18, 2022~~ June 10,
2023

Investment Professionals' Pay Plan

October 18, 2022 June 10, 2023

OVERVIEW & PAY PHILOSOPHY

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

This pay plan includes three core elements:

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

Overall, this pay plan is designed to:

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

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

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

I. Base Salary

SALARY RANGES

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

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

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Each position’s salary range includes a defined:

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

Grade	Position	Salary Range (\$ Thousands)		
		Min (\$)	Mid (\$)	Max (\$)
10	Chief Investment Officer/ Chief Managing Director	341,250	451,500	567,000
		358,313	474,075	595,350
9	Managing Director	288,750	383,250	477,750
		303,188	402,413	501,638
8	Program Director	246,750	330,750	414,750
		259,088	347,288	435,488
7	Director – Strategy, Research, Risk and/or Investment Decision Support	215,250	288,750	362,250
		226,013	303,188	380,363
6	Senior Portfolio Manager	215,520	288,750	362,250
		226,013	303,188	380,363
5	Portfolio Manager	168,000	225,750	283,500
		176,400	237,038	297,675
4	Senior Investment Officer	141,750	189,000	236,500
		148,838	198,450	248,325
3	Investment Officer	110,250	147,000	183,750
		115,763	154,350	192,938
2	Senior Investment Analyst	84,000	110,250	136,500
		88,200	115,763	143,325
1	Investment Analyst	68,250	89,250	110,250
		71,663	93,713	115,763

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

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

Salary Adjustments

Oversight & Administration

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

Merit Increases

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

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ineligible for performance increases to their base salary and market adjustments to their

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

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

Starting Salaries

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

Reallocation

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

In-grade Adjustments

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

Promotions

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

Downward Assignment

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

II. Incentive Pay Plan

PLAN ADMINISTRATION

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

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

Investment Professionals' Pay Plan

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

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

PLAN ELIGIBILITY

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

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

Positions Eligible to Participate in the Investment Professional's Pay Plan

Chief Investment Officer/~~Chief Managing Director~~
Managing Director – Portfolio Solutions Group
Managing Director – Private Market Assets and DC Plans
Managing Director – Public Market Assets
Program Director
Director – Strategy, Research, Risk and/or Investment Decision Support
Senior Portfolio Manager
Portfolio Manager
Senior Investment Officer
Investment Officer
Senior Investment Analyst
Investment Analyst

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

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

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

OVERALL INCENTIVE PLAN MECHANICS

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

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

Investment Professionals' Pay Plan

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

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

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

INCENTIVE OPPORTUNITIES

Incentive opportunities will vary by position based on multiple criteria:

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

Actual awards can vary based on performance.

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For the fiscal year ending June 30, 2023, and all subsequent years, unless as otherwise determined, the Plan's incentive opportunities are as follows:

Incentive Levels	
VRS Position	Incentive ¹ (% Salary)
Chief Investment Officer/ Chief Managing Director	70 ²
Managing Director – Portfolio Solutions Group	65 ²
Managing Director – Private Market Assets and DC Plans	65 ²
Managing Director – Public Market Assets	65 ²
Program Director	60 ²
Director – Strategy, Research, Risk and/or Investment Decision Support	50
Senior Portfolio Manager	50
Portfolio Manager	40
Senior Investment Officer	30
Investment Officer	30
Senior Investment Analyst	20
Investment Analyst	10

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

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

INCENTIVE WEIGHTINGS

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

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

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

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

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

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

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

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

QUANTITATIVE PLAN COMPONENTS

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

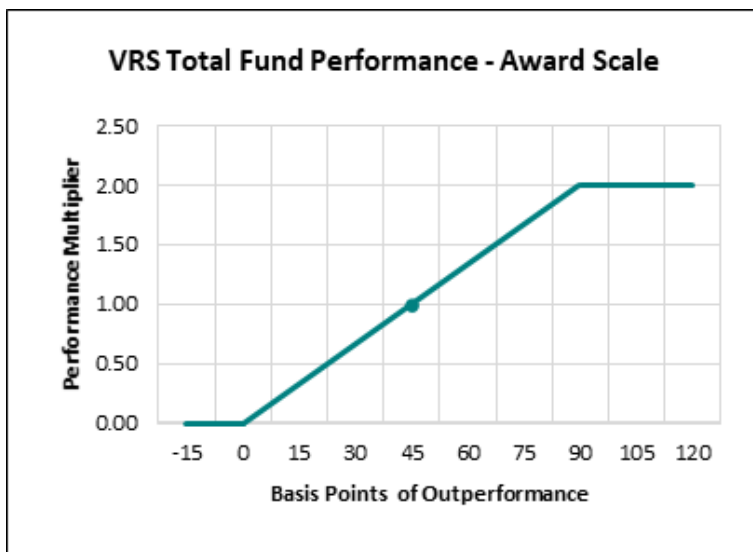
For purposes of this Plan:

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

Investment Professionals' Pay Plan

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



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

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

QUALITATIVE PLAN COMPONENT

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

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

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

Investment Professionals' Pay Plan
Effective October 18, 2022

DETERMINING PRELIMINARY AWARDS

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

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

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

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

Preliminary Award **\$91,200**

DETERMINING FINAL AWARDS

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

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

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

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

Final Award **\$91,200**

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

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

Preliminary Award \$91,200

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

Final Award \$93,936

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

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

Preliminary Award \$91,200

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

Final Award \$77,520

PAYING OUT FINAL AWARDS

Board Review

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

Final Award Payout

Final awards will be paid out as follows:

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

Timing of Cash Payouts

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

Investment Professionals' Pay Plan
Effective October 18, 2022

INCENTIVE PLAN PROVISIONS

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

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

PARTICIPATION

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

AMOUNTS SUBJECT TO ANNUAL DEFERRAL

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

INVESTMENT RETURN

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

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FUND TRANSFERS AND DISTRIBUTIONS

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

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

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

TAXATION

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

IV. Other Compensation Plan Information

Competitive Pay Increases

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

Sign-on Bonuses

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

Relocation Expenses

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

Employment at Will

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

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

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409A Compliance

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

CLASS STRUCTURE

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

Chief Investment Officer/Chief Managing Director

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

Managing Director

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

Program Director

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

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

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

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

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

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

Senior Portfolio Manager

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

Portfolio Manager

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

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

Senior Investment Officer

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

Investment Officer

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

**Investment Professionals' Pay Plan
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Senior Investment Analyst

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

Investment Analyst

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



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

Requested Action

The VRS Board of Trustees approves an amended Administrative Pay Plan and Investment Operations and Administration Staff Pay Plan, effective June 10, 2023.

Description/Background

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

However, if, subsequent to the approval of this action, an Appropriation Act is enacted during 2023 that provides for a change to the Commonwealth's Classified Compensation Plan other than the 5% increase contained in Item 483 of the 2022 Appropriation Act, then the minimum and maximum of each grade of the salary scales of the Administrative Pay Plan and the Investment Operations and Administration Staff Pay Plan shall be amended in an amount consistent with the changes made to the Commonwealth's Classified Compensation Plan in such 2023 Appropriation Act as of the effective date of the change specified in such 2023 Appropriation Act.

Rationale for Requested Action

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

Authority for Requested Action

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

The above action is approved.

A. Scott Andrews, Chair
VRS Board of Trustees

Date

Supersedes:

~~06/10/21~~07/10/2022

Effective Date:-

~~07/10/2022~~06/10/2023

I. Purpose

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

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

II. Policy

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

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

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

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

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

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

Administrative Policies

Policy Title: Investment Operations and Administration Staff Pay Plan

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

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

The Rating Scale definitions are as follows.

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

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

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

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

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

Starting Salary

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

Salary Adjustments

A. Introductory Period

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

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

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

B. Promotions

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

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

C. Lateral

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

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

D. Downward Assignments (Voluntary or Performance Related)

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

lower than the current grade.

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

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

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

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

E. Job Reclassifications

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

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

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

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

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

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

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

F. Regrade

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

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

G. Acting Pay

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

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

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

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

H. In-grade Adjustments

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

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

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

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

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

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

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

I. Competitive Pay Increases

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

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

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

J. Increases Governed by the Appropriation Act

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

Bonuses

A. Sign-on

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

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

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

Refer to the Employee Sign-on Bonus Program Policy.

B. Referral

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

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

Refer to the Employee Referral Program Policy.

C. Performance

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

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

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

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

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

guaranteed.

D. Gainsharing

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

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

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

Other VRS Pay Plans

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

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



Salary Ranges

Grade	Minimum	Midpoint	Maximum
1	<u>\$45,090</u> \$42,943	<u>\$56,362</u> \$53,678	<u>\$67,634</u> \$64,413
2	<u>\$50,727</u> \$48,311	<u>\$63,408</u> \$60,389	<u>\$76,088</u> \$72,465
3	<u>\$57,066</u> \$54,349	<u>\$71,333</u> \$67,936	<u>\$85,600</u> \$81,524
4	<u>\$64,315</u> \$61,252	<u>\$80,392</u> \$76,564	<u>\$96,471</u> \$91,877
5	<u>\$72,480</u> \$69,029	<u>\$90,600</u> \$86,286	- <u>\$108,721</u> \$103,544
6	<u>\$81,669</u> \$77,780	<u>\$102,085</u> \$97,224	- <u>\$122,502</u> \$116,669
7	<u>\$91,876</u> \$87,501	<u>\$114,845</u> \$109,376	- <u>\$137,816</u> \$131,253
8	<u>\$103,107</u> \$98,197	<u>\$128,883</u> \$122,746	- <u>\$154,659</u> \$147,294
9	<u>\$116,378</u> \$110,836	<u>\$145,471</u> \$138,544	- <u>\$174,566</u> \$166,253
10	<u>\$130,668</u> \$124,446	<u>\$163,338</u> \$155,560	- <u>\$196,005</u> \$186,671
11	<u>\$147,004</u> \$140,004	<u>\$183,754</u> \$175,004	- <u>\$220,504</u> \$210,004
12	<u>\$165,378</u> \$157,503	<u>\$206,722</u> \$196,878	- <u>\$248,068</u> \$236,255
Minimum is 80% of midpoint. Maximum is 120% of midpoint.			
Bandwidth is 50%.			
Difference between grades is 10-15%.			



Position Titles and Salary Grades

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

Administrative Policies

Policy Title: Investment Operations and Administration Staff Pay Plan

Appendix



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



VIRGINIA RETIREMENT SYSTEM
HUMAN RESOURCES POLICIES AND PROCEDURES

Title: ADMINISTRATIVE PAY PLAN

Policy Number: 3.10

Supersedes:

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

Effective Date:

~~07/10/2022~~06/10/2023

I. Authority

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

II. Purpose

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

III. Policy

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

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

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

IV. Procedure

A. Job Placement

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

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

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

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

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

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

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

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

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

B. Starting Salary

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

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

C. Salary Adjustments

1. Introductory Increases

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

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

The Performance Management Policy outlines details.

2. Promotions

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

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

3. Lateral

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

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

4. Downward Assignments (Voluntary or Involuntary)

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

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

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

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

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

5. Job Reclassifications

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

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

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

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

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

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

6. Regrade

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

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

7. Acting Pay

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

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

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

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

8. In-grade

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

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

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

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

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

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

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

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

9. Competitive

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

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

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

10. Increases Governed by the Appropriations Act

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

D. Bonuses

1. Sign-on

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

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

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

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

2. Referral

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

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

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

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

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

3. Performance

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

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

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

The **Performance Management Policy** outlines details.

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

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

4. Gainsharing

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

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

The **Performance Management Policy** outlines details.

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

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

5. Employee Recognition Bonus

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

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

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

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

V. Additional Information

A. VRS Pay Plans

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

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

B. Key Terms

FLSA - The Fair Labor Standards Act

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

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

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

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

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

APPENDIX 1 – PAY RANGES

Administrative SALARY RANGES			
Grade	Min	Mid	Max
1	\$28,194 <u>29,604</u>	\$44,002 <u>46,202</u>	\$59,811 <u>62,802</u>
2	\$32,858 <u>34,501</u>	\$50,438 <u>52,960</u>	\$68,019 <u>71,420</u>
3	\$36,142 <u>37,949</u>	\$54,972 <u>57,721</u>	\$73,801 <u>77,491</u>
4	\$39,757 <u>41,745</u>	\$59,960 <u>62,958</u>	\$80,162 <u>84,170</u>
5	\$43,733 <u>45,920</u>	\$65,445 <u>68,717</u>	\$87,159 <u>91,517</u>
6	\$48,107 <u>50,512</u>	\$71,481 <u>75,055</u>	\$94,856 <u>99,599</u>
7	\$54,361 <u>57,079</u>	\$80,112 <u>84,118</u>	\$105,863 <u>111,156</u>
8	\$59,798 <u>62,788</u>	\$87,613 <u>91,994</u>	\$115,429 <u>121,200</u>
9	\$65,776 <u>69,065</u>	\$95,865 <u>100,658</u>	\$125,955 <u>132,253</u>
10	\$72,352 <u>75,970</u>	\$104,941 <u>110,188</u>	\$137,530 <u>144,407</u>
11	\$79,588 <u>83,567</u>	\$114,927 <u>120,673</u>	\$150,266 <u>157,779</u>
12	\$87,548 <u>91,925</u>	\$125,910 <u>132,206</u>	\$164,271 <u>172,485</u>
13	\$96,302 <u>101,117</u>	\$137,991 <u>144,891</u>	\$179,681 <u>188,665</u>
14	\$105,932 <u>111,229</u>	\$151,281 <u>158,845</u>	\$196,629 <u>206,460</u>
15	\$116,526 <u>122,352</u>	\$165,900 <u>174,195</u>	\$215,274 <u>226,038</u>
16	\$128,178 <u>134,587</u>	\$181,981 <u>191,080</u>	\$235,783 <u>247,572</u>
17	\$140,996 <u>148,046</u>	\$199,669 <u>209,652</u>	\$258,342 <u>271,259</u>

Technology SALARY RANGES			
Grade	Min	Mid	Max
T1	\$39,819 <u>41,810</u>	\$60,017 <u>63,018</u>	\$80,215 <u>84,226</u>
T2	\$43,800 <u>45,990</u>	\$65,508 <u>68,783</u>	\$87,217 <u>91,578</u>
T3	\$48,180 <u>50,589</u>	\$71,550 <u>75,128</u>	\$94,920 <u>99,666</u>
T4	\$52,998 <u>55,648</u>	\$78,196 <u>82,106</u>	\$103,394 <u>108,564</u>
T5	\$58,298 <u>61,213</u>	\$85,505 <u>89,780</u>	\$112,712 <u>118,348</u>
T6	\$64,128 <u>67,334</u>	\$93,547 <u>98,224</u>	\$122,966 <u>129,114</u>
T7	\$70,541 <u>74,068</u>	\$102,393 <u>107,513</u>	\$134,243 <u>140,955</u>
T8	\$77,595 <u>81,475</u>	\$112,121 <u>117,727</u>	\$146,648 <u>153,980</u>
T9	\$85,356 <u>89,624</u>	\$122,825 <u>128,966</u>	\$160,294 <u>168,309</u>
T10	\$93,889 <u>98,583</u>	\$134,596 <u>141,326</u>	\$175,304 <u>184,069</u>
T11	\$103,280 <u>108,444</u>	\$147,547 <u>154,924</u>	\$191,815 <u>201,406</u>
T12	\$113,607 <u>119,287</u>	\$161,792 <u>169,882</u>	\$209,978 <u>220,477</u>
T13	\$124,967 <u>131,215</u>	\$177,463 <u>186,336</u>	\$229,957 <u>241,455</u>
T14	\$137,464 <u>144,337</u>	\$195,208 <u>204,968</u>	\$252,952 <u>265,600</u>

Approve changes to Administrative Pay Plan.

Requested Action

The Virginia Retirement System Board of Trustees approves an amended Administrative Pay Plan (“Pay Plan”), effective May 10, 2023, and approves the adoption of the recommendations of the compensation market study conducted by CBIZ, Inc.

Description/Background

The VRS Board of Trustees approved the current Administrative Pay Plan on June 23, 2022.

The proposed amendments adjust the salary ranges for administrative and technology positions consistent with the adjustments to the Commonwealth’s Classification Compensation Plan in the Appropriations Act, make changes to the procedures for certain salary adjustments, and make other technical amendments. The amendments to the Administrative Pay Plan include the following:

- Adjusts the salary ranges for administrative and technology positions consistent with the adjustments to the Commonwealth’s Classification Compensation Plan in the Appropriations Act
- Allows the following in-grade salary adjustments:
 - An increase of 1% to 10% for an employee who assumes new higher-level duties and responsibilities critical to operations.
 - An increase of 1% to 10% as a retention adjustment to prevent employees from seeking outside employment.
- Requires the approval of the director of human resources, in addition to the current internal equity review and approval of the appropriate member of the Director’s Executive Committee (DEC), for the following salary adjustments:
 - A salary increase in excess of 15% when an employee is promoted to a job in a higher salary grade.
 - A salary increase in excess of 5% when an employee laterally moves into a different position within the same salary grade.
 - Not placing an employee’s salary who moves to a position within a lower salary grade into the pay range for the new position.

In addition, VRS engaged CBIZ, Inc., to conduct a compensation market study to review how VRS can remain competitive in the employment market. VRS recently received several recommendations which will impact the Administrative Pay Plan. The recommendations of the CBIZ, Inc., study are as follows:

- Create a new pay structure and increase the compensation of all employees to the minimum of their respective proposed salary ranges. The range minimum represents the level at which entry-level pay can be considered market competitive.
- Implementation of the compensation plan should occur uniformly across all positions. While different implementation scenarios may recognize budget constraints, partial or sporadic implementation can result in pay equity issues.
- Consider compression-based pay adjustments as a later phase of implementation. This will help to ensure that employee compensation is commensurate with experience and performance. It will also allow for enhanced flexibility to onboard new employees without creating pay inequities.

- Consider implementing additional ways to reward performance and move individuals throughout pay grades.
- Update structures annually. In order to reduce the administrative burden associated with salary structure maintenance, CBIZ will provide update factors that will allow VRS to update the recommended salary structures for five years after the study.
- Conduct a comprehensive market review every three to five years to ensure that the ranges remain market competitive.

A redlined version of the revised Administrative Pay Plan and a copy of the CBIZ, Inc., study recommendations are attached.

Authority for Requested Action

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

The above action is approved.

A. Scott Andrews, Chair
VRS Board of Trustees

Date

VRS Compensation Study Results and Recommendations



Defining the Employee Value Proposition

Designing the employee experience that will help the right talent join, stay and deliver their best.



source: Mercer.com

CBIZ Compensation Consulting (“CBIZ”) was engaged by the Virginia Retirement System (“VRS”) to:

- Partner with VRS staff to update job descriptions
- Conduct a comprehensive compensation study for its employees
- Review current compensation practices
- Update the compensation plan



To assist VRS in implementing a compensation system that considers both market and internal factors, CBIZ:

- Matched VRS' positions to positions in the market
- Developed a new salary structure
- Calculated an approximate cost of implementing the recommendations



The objective of the compensation study is to provide VRS with a plan that:

- Enhances the ability to attract, retain and motivate qualified individuals
- Establishes structures that are flexible in order to meet changing needs
- Is well-aligned with broader goals and strategies



The scope of the study included:

- A competitive market analysis of base salary and total cash compensation
- Update a salary structure consistent with current best practices
- Reconciliation of actual compensation with market-competitive compensation
- Calculation of implementation costs
- Overall recommendations





Base Salary: The annual fixed rate that an individual is paid for performing a job.

Data Points



- **50th percentile:** the value that falls in the middle of the sampled data*
- **75th percentile:** the value that falls at the third quarter of the sampled data**

* Data point of reference for the proposed pay grade assignments for non-customer contact center positions.

** Data point of reference for the proposed pay grade assignments for the customer contact center positions and technology positions.

Competitive Market Analysis

*Approximately 85% of organizations strive to compensate employees at the **median** of the competitive labor market.**

- **Median pay** - half of the employers pay more and half pay less.
- VRS intends to be **competitive with pay**; generally setting the pay structure (i.e. salary ranges/grades) at the **market median**.



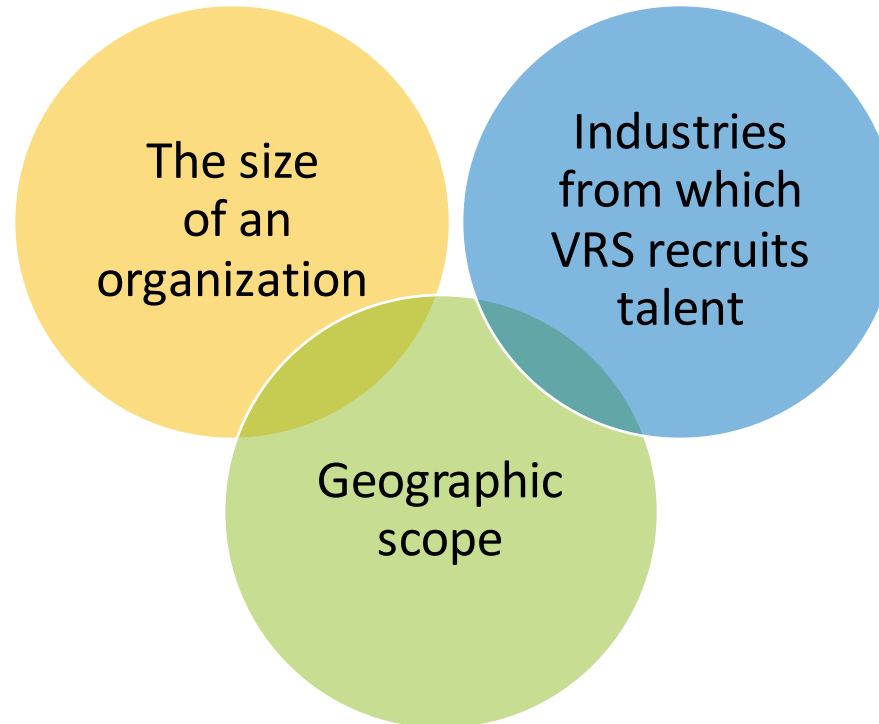
**According to a recent WorldatWork survey of market pricing practices.*

In ascertaining the competitiveness of compensation, it was necessary to determine what similar employers pay for jobs comparable to those at VRS.

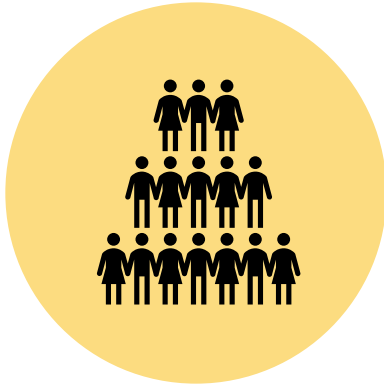
To achieve this, CBIZ used its:

- Proprietary survey database with data from hundreds of published salary surveys; including data based on geographic area, organization size, years of experience and industry.
- 2021 Public Pension Survey.





- These labor market influences were considered for the jobs included in the study.
- Surveys focus on different market characteristics (e.g., some focus on size, others focus on geography or industry).
- CBIZ determined each characteristic as it relates to each position at VRS before conducting the market analysis.



Size of Organization

While compensation for many positions is based primarily upon location, industry, job tasks, and responsibilities, **compensation for upper-level positions is also significantly affected by the size of the organization.**

CBIZ compared VRS to organizations of similar asset size.



Geographic Influence

- National searches are commonly conducted for senior management positions, as these employees may relocate.
- In contrast, lower-paid salaried employees seldom relocate.
- To accurately reflect this marketplace characteristic, survey data must be comprised of participants who reflect the geographic scope of the position in question.

CBIZ primarily utilized data specific to Richmond, Virginia, which is expected to be the primary market for recruiting employees under the scope of the analysis.



Industry Influence

- Some jobs only exist within a certain industry and are most accurately priced to that industry exclusively.
- Some jobs are found in all industries, and the true market for these jobs usually considers this broader market.

CBIZ focused on pension and retirement funds and the broader labor market, as appropriate.

CBIZ used a database that compiles multiple salary sources from thousands of organizations because it:

- Provides a more complete view of the market
- Focuses on different market characteristics to define market peers
- Allows VRS to more closely define peers and peer relationships
- Allows for statistical validation of the collected data

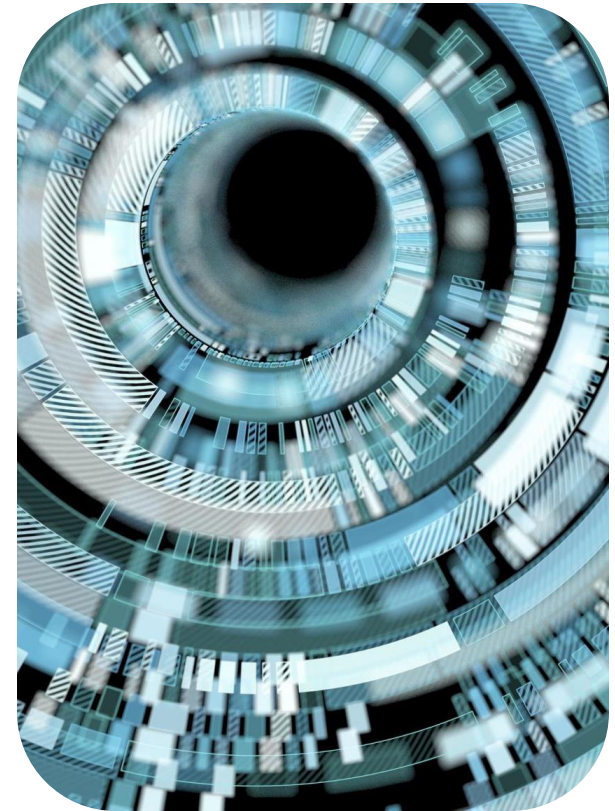


- CBIZ reviewed the content of job analysis questionnaires and each job description provided and searched the salary survey job descriptions to find the best possible match.
- When a valid match was found, the corresponding salary survey market data were recorded.



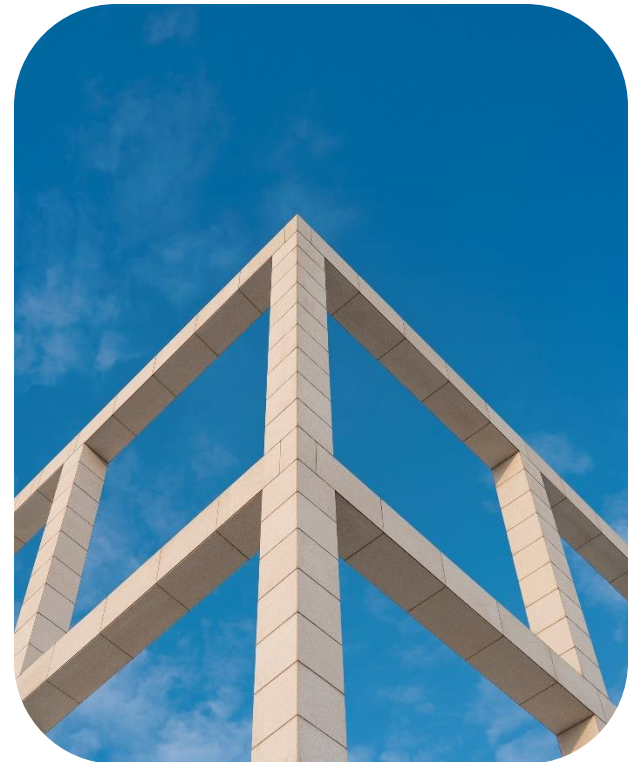
A comprehensive review of the included positions compared to the market base salary and market total cash compensation.

- The study contains a summary look at how VRS positions compare to the labor market and the reported percentiles.
- Market data were also compared to VRS current average compensation by position.
- On average, under current VRS' base pay is approximately **3.4%** below the published survey data market median.



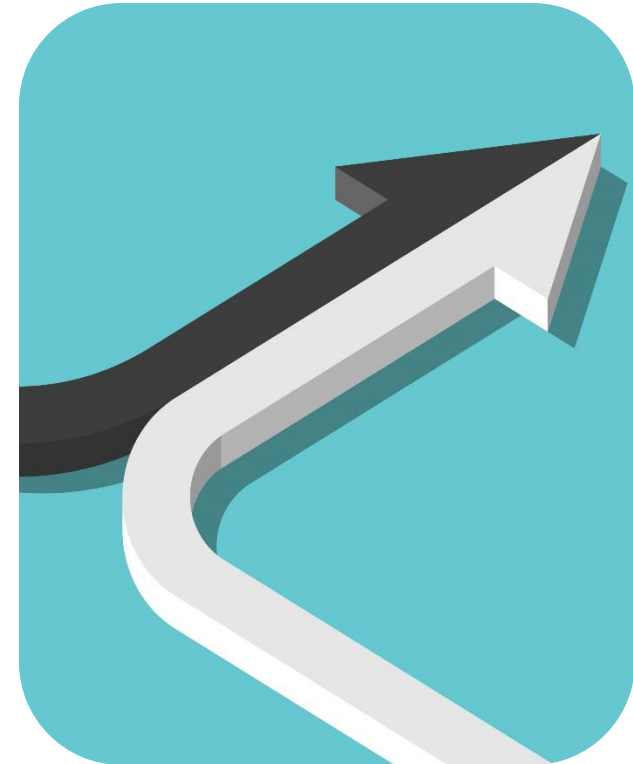
A critical element of the compensation plan is the salary structure.

- A compensation framework comprised of multiple grades, each of which has an associated salary range.
- Groups jobs with similar market values and/or internal equity into the same grade.
- Ensures that each employee receives a salary that is reasonable given their assigned grade and corresponding salary range.



CBIZ developed a salary structure for administrative positions and one for technology positions.

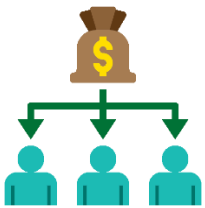
- Provides a system for slotting all jobs and allows for future growth.
- Salary grade midpoint designed to approximate market median for each job
- Each position slotted into a grade based on the grade midpoint that most closely corresponds to the market 50th/75th percentile based on the appropriate positions.





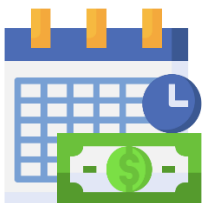
- **Create a new pay structure and increase the compensation of all employees to the minimum of their respective proposed salary ranges.**

The range minimum represents the level at which entry-level pay can be considered market-competitive.



- **Implementation of the compensation plan should occur uniformly across all positions.**

Partial or sporadic implementation can result in pay equity issues.



- **Consider compression-based pay adjustments as a later phase of implementation.**

This will help to ensure that employee compensation is commensurate with experience and performance. It will also allow for enhanced flexibility to onboard new employees without creating pay inequities.



- **Consider implementing additional ways to reward performance and move individuals throughout pay grades.**



- **Update structures annually.**
CBIZ will provide update factors that will allow VRS to update the recommended salary structures for five years after the study.

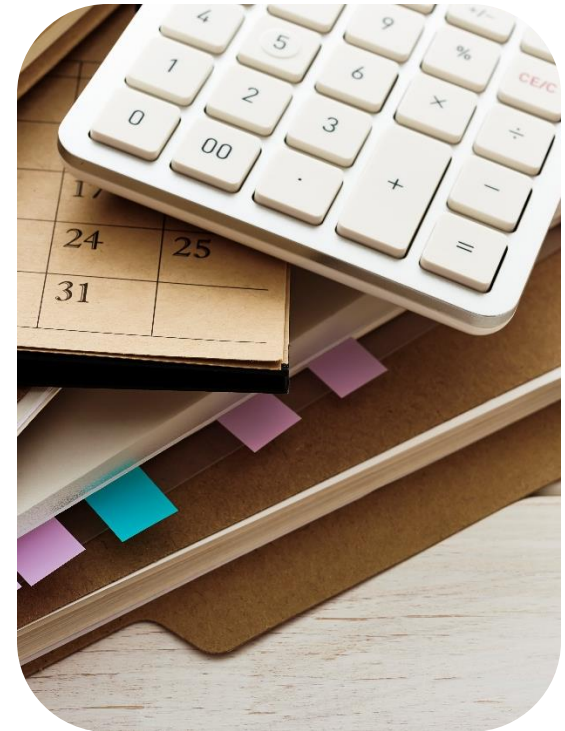


- **Conduct a comprehensive market review every three to five years.**
This ensures that the ranges remain market-competitive.

The initial cost to implement would be approximately **\$470,695*** – including approximately **\$387,992** for the Customer Contact Center positions.

This is the cost to bring all employees to the minimum of their respective proposed ranges and represents **1.2%** of total payroll.

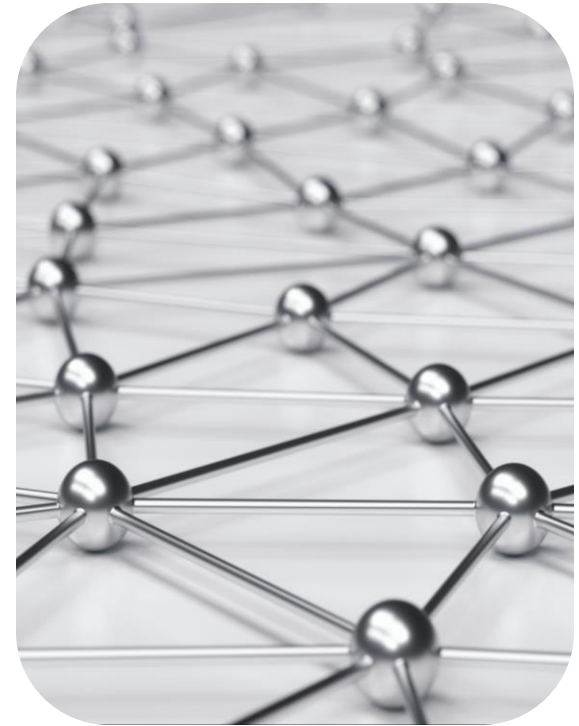
*Cost as of 4/03/23



New Pay Grade System

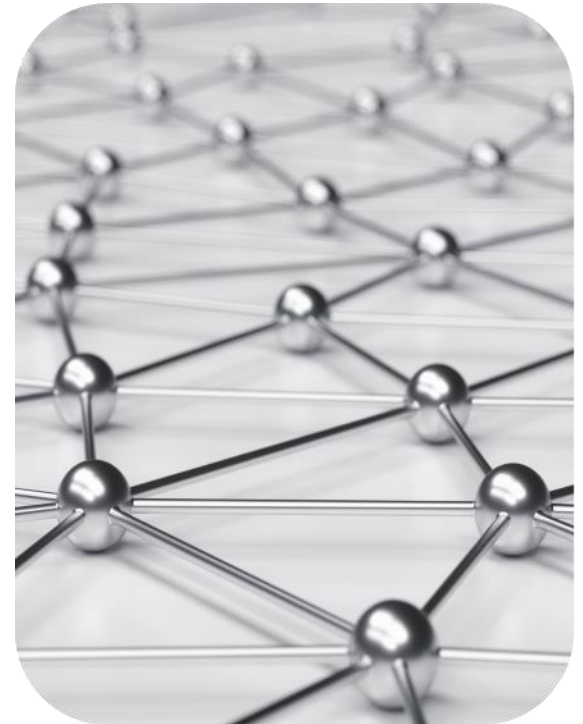
The CBIZ study indicated that our system:

- Contained far too many grades, especially for an agency of this size.
- Limited the pay range for each grade.
- Provided limited flexibility to pay individuals more within their grade.
- Has not evaluated grades in many years, and many positions have been added to the organization with many different skills and knowledge required.



Adopt a new job grade system for the VRS administrative staff which will replace the current plan.

- Creates a consistent system to evaluate employee roles and provides more flexibility to reward employees based on their skills.
- Approximately 87 positions will change grade from today.
- In many cases, the employee will receive higher pay in the grade-adjustment process.



Pay Grade Changes

Current Administrative Salary Ranges

Grade	Min	Mid	Max
1	\$28,194.00	\$44,002.00	\$59,811.00
2	\$32,858.00	\$50,438.00	\$68,019.00
3	\$36,142.00	\$54,972.00	\$73,801.00
4	\$39,757.00	\$59,960.00	\$80,162.00
5	\$43,733.00	\$65,445.00	\$87,159.00
6	\$48,107.00	\$71,481.00	\$94,856.00
7	\$54,361.00	\$80,112.00	\$105,863.00
8	\$59,798.00	\$87,613.00	\$115,429.00
9	\$65,776.00	\$95,865.00	\$125,955.00
10	\$72,352.00	\$104,941.00	\$137,530.00
11	\$79,588.00	\$114,927.00	\$150,266.00
12	\$87,548.00	\$125,910.00	\$164,271.00
13	\$96,302.00	\$137,991.00	\$179,681.00
14	\$105,932.00	\$151,281.00	\$196,629.00
15	\$116,526.00	\$165,900.00	\$215,274.00
16	\$128,178.00	\$181,981.00	\$235,783.00
17	\$140,996.00	\$199,669.00	\$258,342.00

Administrative Salary Ranges with 5% increase effective 6/10/23

Grade	Min	Mid	Max
1	\$29,603.70	\$46,202.10	\$62,801.55
2	\$34,500.90	\$52,959.90	\$71,419.95
3	\$37,949.10	\$57,720.60	\$77,491.05
4	\$41,744.85	\$62,958.00	\$84,170.10
5	\$45,919.65	\$68,717.25	\$91,516.95
6	\$50,512.35	\$75,055.05	\$99,598.80
7	\$57,079.05	\$84,117.60	\$111,156.15
8	\$62,787.90	\$91,993.65	\$121,200.45
9	\$69,064.80	\$100,658.25	\$132,252.75
10	\$75,969.60	\$110,188.05	\$144,406.50
11	\$83,567.40	\$120,673.35	\$157,779.30
12	\$91,925.40	\$132,205.50	\$172,484.55
13	\$101,117.10	\$144,890.55	\$188,665.05
14	\$111,228.60	\$158,845.05	\$206,460.45
15	\$122,352.30	\$174,195.00	\$226,037.70
16	\$134,586.90	\$191,080.05	\$247,572.15
17	\$148,045.80	\$209,652.45	\$271,259.10

Pay Grade Changes

Current Technology Salary Ranges

Grade	Min	Mid	Max
T1	\$39,819.00	\$60,017.00	\$80,215.00
T2	\$43,800.00	\$65,508.00	\$87,217.00
T3	\$48,180.00	\$71,550.00	\$94,920.00
T4	\$52,998.00	\$78,196.00	\$103,394.00
T5	\$58,298.00	\$85,505.00	\$112,712.00
T6	\$64,128.00	\$93,547.00	\$122,966.00
T7	\$70,541.00	\$102,393.00	\$134,243.00
T8	\$77,595.00	\$112,121.00	\$146,648.00
T9	\$85,356.00	\$122,825.00	\$160,294.00
T10	\$93,889.00	\$134,596.00	\$175,304.00
T11	\$103,280.00	\$147,547.00	\$191,815.00
T12	\$113,607.00	\$161,792.00	\$209,978.00
T13	\$124,967.00	\$177,463.00	\$229,957.00
T14	\$137,464.00	\$195,208.00	\$252,952.00

Technology Salary Ranges with 5% increase effective 6/10/23

Grade	Min	Mid	Max
T1	\$41,809.95	\$63,017.85	\$84,225.75
T2	\$45,990.00	\$68,783.40	\$91,577.85
T3	\$50,589.00	\$75,127.50	\$99,666.00
T4	\$55,647.90	\$82,105.80	\$108,563.70
T5	\$61,212.90	\$89,780.25	\$118,347.60
T6	\$67,334.40	\$98,224.35	\$129,114.30
T7	\$74,068.05	\$107,512.65	\$140,955.15
T8	\$81,474.75	\$117,727.05	\$153,980.40
T9	\$89,623.80	\$128,966.25	\$168,308.70
T10	\$98,583.45	\$141,325.80	\$184,069.20
T11	\$108,444.00	\$154,924.35	\$201,405.75
T12	\$119,287.35	\$169,881.60	\$220,476.90
T13	\$131,215.35	\$186,336.15	\$241,454.85
T14	\$144,337.20	\$204,968.40	\$265,599.60

Pay Grade Changes

Administrative Salary Ranges – CBIZ Recommendations Effective 5/10/23

Grade	Min	Midpoint	Max	Range Spread	Midpoint Differential
1	\$38,502.06	\$46,202.47	\$53,902.88	0.4	
2	\$42,352.26	\$50,822.71	\$59,293.17	0.4	0.1
3	\$46,587.49	\$55,904.99	\$65,222.48	0.4	0.1
4	\$51,246.24	\$61,495.48	\$71,744.73	0.4	0.1
5	\$56,370.86	\$67,645.03	\$78,919.20	0.4	0.1
6	\$62,007.95	\$74,409.54	\$86,811.13	0.4	0.1
7	\$66,816.73	\$81,850.49	\$96,884.25	0.45	0.1
8	\$73,498.40	\$90,035.54	\$106,572.68	0.45	0.1
9	\$80,848.24	\$99,039.09	\$117,229.95	0.45	0.1
10	\$87,154.40	\$108,943.00	\$130,731.60	0.5	0.1
11	\$95,869.84	\$119,837.30	\$143,804.76	0.5	0.1
12	\$107,853.57	\$134,816.96	\$161,780.36	0.5	0.125
13	\$121,335.27	\$151,669.08	\$182,002.90	0.5	0.125
14	\$136,799.57	\$174,419.45	\$212,039.33	0.55	0.15
15	\$157,319.50	\$200,582.36	\$243,845.23	0.55	0.15
16	\$180,917.43	\$230,669.72	\$280,422.01	0.55	0.15

Administrative Salary Ranges – CBIZ Recommendations - with 5% Increase Effective 6/10/23

Grade	Min	Midpoint	Max
1	\$40,427.16	\$48,512.59	\$56,598.02
2	\$44,469.87	\$53,363.85	\$62,257.82
3	\$48,916.86	\$58,700.23	\$68,483.61
4	\$53,808.55	\$64,570.26	\$75,331.97
5	\$59,189.40	\$71,027.28	\$82,865.17
6	\$65,108.34	\$78,130.01	\$91,151.68
7	\$70,157.56	\$85,943.01	\$101,728.47
8	\$77,173.32	\$94,537.32	\$111,901.31
9	\$84,890.65	\$103,991.05	\$123,091.44
10	\$91,512.12	\$114,390.15	\$137,268.18
11	\$100,663.33	\$125,829.17	\$150,995.00
12	\$113,246.25	\$141,557.81	\$169,869.38
13	\$127,402.03	\$159,252.54	\$191,103.05
14	\$143,639.55	\$183,140.42	\$222,641.30
15	\$165,185.48	\$210,611.48	\$256,037.49
16	\$189,963.30	\$242,203.21	\$294,443.11

Pay Grade Changes

Technology Salary Ranges – CBIZ Recommendations Effective 5/10/23

Grade	Min	Midpoint	Max	Range Spread	Midpoint Differential
T1	\$52,487.27	\$62,984.72	\$73,482.18	0.4	
T2	\$57,736.00	\$69,283.19	\$80,830.39	0.4	0.1
T3	\$63,509.60	\$76,211.51	\$88,913.43	0.4	0.1
T4	\$69,860.55	\$83,832.67	\$97,804.78	0.4	0.1
T5	\$76,846.61	\$92,215.93	\$107,585.25	0.4	0.1
T6	\$84,531.27	\$101,437.53	\$118,343.78	0.4	0.1
T7	\$91,086.76	\$111,581.28	\$132,075.80	0.45	0.1
T8	\$100,195.43	\$122,739.41	\$145,283.38	0.45	0.1
T9	\$110,214.98	\$135,013.35	\$159,811.72	0.45	0.1
T10	\$118,811.74	\$148,514.68	\$178,217.62	0.5	0.1
T11	\$130,692.92	\$163,366.15	\$196,039.38	0.5	0.1
T12	\$143,762.21	\$179,702.76	\$215,643.32	0.5	0.1
T13	\$158,138.43	\$197,673.04	\$237,207.65	0.5	0.1
T14	\$170,541.45	\$217,440.34	\$264,339.24	0.55	0.1

Technology Salary Ranges – CBIZ Recommendations - with 5% Increase Effective 6/10/23

Grade	Min	Midpoint	Max
T1	\$55,111.63	\$66,133.96	\$77,156.29
T2	\$60,622.80	\$72,747.35	\$84,871.91
T3	\$66,685.07	\$80,022.09	\$93,359.10
T4	\$73,353.58	\$88,024.30	\$102,695.02
T5	\$80,688.94	\$96,826.73	\$112,964.52
T6	\$88,757.83	\$106,509.40	\$124,260.97
T7	\$95,641.10	\$117,160.34	\$138,679.59
T8	\$105,205.20	\$128,876.38	\$152,547.55
T9	\$115,725.73	\$141,764.01	\$167,802.30
T10	\$124,752.33	\$155,940.42	\$187,128.50
T11	\$137,227.57	\$171,534.46	\$205,841.35
T12	\$150,950.32	\$188,687.90	\$226,425.48
T13	\$166,045.35	\$207,556.69	\$249,068.03
T14	\$179,068.52	\$228,312.36	\$277,556.20

Additional Pay Plan Adjustments

VRS Current Administration and Technology Plan allows for:

In Grade Salary Adjustments: An increase in base pay to ensure competitiveness, retention and to recognize increased skills, abilities, knowledge, or responsibilities outside of the position classification process.

- **Market Adjustment:** 1% - 10%
- **Internal Alignment Adjustment:** 1% - 10%
- **Individual Accomplishment Adjustment:** 1% - 10%
- **Skill Acquisition and Application Adjustment:** 1% - 10%



Additional Pay Plan Adjustments:

Recommendation to add In-grade Salary Adjustments for the following reasons (consistent with recent changes to DHRM Compensation Policy 3.05):

- **Change in Job Duties Adjustment:** May be awarded to an employee who assumes new higher-level duties and responsibilities critical to agency operations. 1% - 10%
- **Retention Adjustment:** May be granted to prevent employees from seeking employment outside the agency; employees in high value occupations; employees assigned to key functions. 1%-10%



Defining the Employee Value Proposition

Designing the employee experience that will help the right talent join, stay and deliver their best.



source: Mercer.com

Thank you!
Any Questions?

Appendix



Recruitment and Attraction

Current Vacancies

56

Active Recruitments (FY to date)

79

Turnover

FY	Head count	Vol Turnover	Total Turnover
2018	329	27	0.080
2019	338	22	0.070
2020	344	29	0.080
2021	349	14	0.040
2022	348	37	0.110
2023	358	29	0.080

Challenges

- **Positions harder to fill**
Labor shortage; fewer qualified applicants
- **Time to hire varies**
Some positions take longer to fill
- **“Domino Effect”**
Can occur due to promoting from within
- **Unique challenges**
ex. CCC – Difficulty retaining new hires
- **Recruitment is more complex**
Counter-offers; applicants desire greater flexibility; work/life balance; post-COVID
- **More movement in the job market**
*“Revolving door;” emphasis on attraction **and** retention*



Efforts to Meet Challenges

Greater Efficiency in the Recruitment Process

Spark Hire Virtual Interviews

- Implemented during pandemic
- Applicants video themselves responding to questions
- Allows hiring managers to determine who is qualified prior to interview

New state-wide recruitment system – PageUp

HR and CCC Leadership partnered to:

- Develop greater process efficiency
Emphasis on applicant screening and interview scheduling
- Identify and attend demos of skills assessment systems for contact centers
With the goal of procuring the best system to assess success of CCC applicants

Increased emphasis on VRS as an employer and marketing specific job vacancies

Careers page on the VRS web site : HR partnered with PR

- Highlights VRS' unique culture.
- Excellent videos and employee testimonials.
- Emphasizes VRS' current hybrid work model and VRS benefits.
- VRS' current job vacancies and how to apply.
- We have received excellent feedback.

Positions advertised on the state's recruitment system and Indeed

- Two vacancies highlighted each month on LinkedIn.
- HR collaborates with hiring managers to identify specialized job sites for specific vacancies.
- Relationship-building with local colleges/universities.

Comprehensive Onboarding Initiative

Revised new employee orientation to have an increased focus on:

- VRS culture
- Understanding the business of VRS
- Core competencies and expectations
- Strategic plan, policies and benefits

New hire survey: Obtains feedback from new employees about the process.

Manager's Checklist: Assists managers with onboarding.

Meet the Director: Employees have a dialogue and discussion with the VRS Director during their first quarter of employment.



Enhanced focus on professional development and growth/compensation

EDGE (Empower, Develop, Grow and Engage) is a comprehensive training and development initiative focused on VRS' culture and core competencies.

Training offered specifically for managers and individual contributors.

Feedback has been overwhelmingly positive!

Planning has already begun for classes for next fiscal year, including manager training on recruiting and the onboarding process.



Enhanced focus on professional development and growth and compensation

Job descriptions updated

- **Market Study** of pay grades and salary ranges
- **Recommendations** for competitive grade and range changes shared with AFT and Board
- **Allows greater movement** within grades; plan based on skill development recognition
- **Aligns** with recent DHRM changes
- **Lays foundation** for career ladders within most admin and tech job classifications
- **Template for career ladders** already created and implemented in DC Plans



Enhanced focus on employee engagement

- **Celebrating employees** at Annual Meeting, Public Service Week and Customer Service Week
- **DEC Food/Beverage Cart** distribution periodically to all VRS buildings grades; plan based on skill development recognition
- **Facilitating focus groups** to obtain feedback from employees on the hybrid work schedule
- **Continued emphasis on professional development and compensation** has a direct positive impact on employee satisfaction and engagement





VIRGINIA RETIREMENT SYSTEM
HUMAN RESOURCES POLICIES AND PROCEDURES

Title: ADMINISTRATIVE PAY PLAN

Policy Number: 3.10

Supersedes:

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

Effective Date:

~~07/10/2022~~05/10/2023

I. Authority

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

II. Purpose

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

III. Policy

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

The Plan includes ~~17-16~~ salary grades for general classifications and 14 salary grades for technology classifications as identified in Appendix 1.

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

IV. Procedure

A. Job Placement

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

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

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

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

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

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

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

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

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

B. Starting Salary

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

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

C. Salary Adjustments

1. Introductory Increases

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

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

The Performance Management Policy outlines details.

2. Promotions

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

When employees compete and are hired into a job in a higher grade, they are typically eligible for a salary increase between 5% and 15%. Any exception requires additional justification, an internal equity review and approval of the appropriate DEC member and the director of human resources.

For non-competitive promotions, the salary will be subject to review to ensure internal equity. Promotional salaries must be at or above the minimum of the new salary grade. Promotional pay cannot place an employees' salary above the maximum of the salary grade.

3. Lateral

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

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

4. Downward Assignments (Voluntary or Involuntary)

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

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

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

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

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

5. Job Reclassifications

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

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

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

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

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

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

6. Regrade

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

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

7. Acting Pay

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

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

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

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

8. In-grade

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

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

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

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

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

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

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

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Change in job duties adjustment: May be awarded to an employee who assumes new higher level duties and responsibilities that are critical to the operations of the agency. An in-grade adjustment of 1% to 10% of salary is typically provided.

Retention adjustment: May be granted to prevent employees from seeking employment outside the agency including:

a. Employees in occupations that have high value in the labor market when salaries have not been competitive with the marketplace. In such cases, the adjustment is normally granted to all employees in a particular occupation or functional area to avoid turnover.

b. Individual employees who are assigned to key functions.

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

9. Competitive

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

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

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

10. Increases Governed by the Appropriations Act

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

D. Bonuses

1. Sign-on

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

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

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

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

2. Referral

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

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

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

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

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

3. Performance

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

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

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

The **Performance Management Policy** outlines details.

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

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

4. Gainsharing

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

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

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

5. Employee Recognition Bonus

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

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

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

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

V. Additional Information

A. VRS Pay Plans

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

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

B. Key Terms

FLSA - The Fair Labor Standards Act

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

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

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

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

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

APPENDIX 1 – PAY RANGES – Effective 5/10/2023

Administrative SALARY RANGES			
Grade	Min	Mid	Max
1	\$28,194 <u>38,502</u>	\$44,002 <u>46,202</u>	\$59,811 <u>53,902</u>
2	\$32,858 <u>42,352</u>	\$50,438 <u>50,822</u>	\$68,019 <u>59,293</u>
3	\$36,142 <u>46,587</u>	\$54,972 <u>55,904</u>	\$73,801 <u>65,222</u>
4	\$39,757 <u>51,246</u>	\$59,960 <u>61,495</u>	\$80,162 <u>71,744</u>
5	\$43,733 <u>56,370</u>	\$65,445 <u>67,645</u>	\$87,159 <u>78,919</u>
6	\$48,107 <u>62,007</u>	\$71,481 <u>74,409</u>	\$94,856 <u>86,811</u>
7	\$54,361 <u>66,816</u>	\$80,112 <u>81,850</u>	\$105,863 <u>96,884</u>
8	\$59,798 <u>73,498</u>	\$87,613 <u>90,035</u>	\$115,429 <u>106,572</u>
9	\$65,776 <u>80,848</u>	\$95,865 <u>99,039</u>	\$125,955 <u>117,229</u>
10	\$72,352 <u>87,154</u>	\$104,941 <u>108,943</u>	\$137,530 <u>130,731</u>
11	\$79,588 <u>95,869</u>	\$114,927 <u>119,837</u>	\$150,266 <u>143,806</u>
12	\$87,548 <u>107,853</u>	\$125,910 <u>134,816</u>	\$164,271 <u>161,780</u>
13	\$96,302 <u>121,335</u>	\$137,991 <u>151,669</u>	\$179,681 <u>182,002</u>
14	\$105,932 <u>136,799</u>	\$151,281 <u>174,419</u>	\$196,629 <u>212,039</u>
15	\$116,526 <u>157,319</u>	\$165,900 <u>200,582</u>	\$215,274 <u>243,845</u>
16	\$128,178 <u>180,917</u>	\$181,981 <u>230,669</u>	\$235,783 <u>280,422</u>
17	\$140,996	\$199,669	\$258,342

Technology SALARY RANGES			
Grade	Min	Mid	Max
T1	\$39,819_ 52,487	\$60,017_ 62,984	\$80,215_ 73,482
T2	\$43,800_ 57,736	\$65,508_ 69,283	\$87,217_ 80,830
T3	\$48,180_ 63,509	\$71,550_ 76,211	\$94,920_ 88,913
T4	\$52,998_ 69,860	\$78,196_ 83,832	\$103,394_ 97,804
T5	\$58,298_ 76,846	\$85,505_ 92,215	\$112,712_ 107,585
T6	\$64,128_ 84,531	\$93,547_ 101,437	\$122,966_ 118,343
T7	\$70,541_ 91,086	\$102,393_ 111,581	\$134,243_ 132,075
T8	\$77,595_ 100,195	\$112,121_ 122,739	\$146,648_ 145,283
T9	\$85,356_ 110,214	\$122,825_ 135,013	\$160,294_ 159,811
T10	\$93,889_ 118,811	\$134,596_ 148,514	\$175,304_ 178,217
T11	\$103,280_ 130,692	\$147,547_ 163,366	\$191,815_ 196,039
T12	\$113,607_ 143,762	\$161,792_ 179,702	\$209,978_ 215,643
T13	\$124,967_ 158,138	\$177,463_ 197,673	\$229,957_ 237,207
T14	\$137,464_ 170,541	\$195,208_ 217,440	\$252,952_ 264,339



VIRGINIA RETIREMENT SYSTEM
HUMAN RESOURCES POLICIES AND PROCEDURES

Title: ADMINISTRATIVE PAY PLAN

Policy Number: 3.10

Supersedes: 07/10/2022

Effective Date:

0506/10/2023

I. Authority

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

II. Purpose

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

III. Policy

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

The Plan includes 16 salary grades for general classifications and 14 salary grades for technology classifications as identified in Appendix 1.

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

IV. Procedure

A. Job Placement

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

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

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

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

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

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

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

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

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

B. Starting Salary

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

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

C. Salary Adjustments

1. Introductory Increases

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

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

The Performance Management Policy outlines details.

2. Promotions

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

When employees compete and are hired into a job in a higher grade, they are typically eligible for a salary increase between 5% and 15%. Any exception requires additional justification, an internal equity review and approval of the appropriate DEC member and the director of human resources.

For non-competitive promotions, the salary will be subject to review to ensure internal equity. Promotional salaries must be at or above the minimum of the new salary grade. Promotional pay cannot place an employees' salary above the maximum of the salary grade.

3. Lateral

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

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

4. Downward Assignments (Voluntary or Involuntary)

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

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

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

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

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

5. Job Reclassifications

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

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

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

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

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

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

6. Regrade

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

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

7. Acting Pay

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

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

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

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

8. In-grade

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

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

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10. Increases Governed by the Appropriations Act

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

D. Bonuses

1. Sign-on

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

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2. Referral

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Policy Title: Administrative Pay Plan

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

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V. Additional Information

A. VRS Pay Plans

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

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

B. Key Terms

FLSA - The Fair Labor Standards Act

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

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

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

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

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

APPENDIX 1 – PAY RANGES – Effective 6/10/23

Administrative SALARY RANGES			
Grade	Min	Mid	Max
1	\$ <u>38,502</u> <u>40,427</u>	\$ <u>46,202</u> <u>48,512</u>	\$ <u>53,902</u> <u>56,598</u>
2	\$ <u>42,352</u> <u>44,469</u>	\$ <u>50,822</u> <u>53,363</u>	\$ <u>59,293</u> <u>62,257</u>
3	\$ <u>46,587</u> <u>48,916</u>	\$ <u>55,904</u> <u>58,700</u>	\$ <u>65,222</u> <u>68,483</u>
4	\$ <u>51,246</u> <u>53,808</u>	\$ <u>61,495</u> <u>64,570</u>	\$ <u>71,744</u> <u>75,331</u>
5	\$ <u>56,370</u> <u>59,189</u>	\$ <u>67,645</u> <u>71,027</u>	\$ <u>78,919</u> <u>82,865</u>
6	\$ <u>62,007</u> <u>65,108</u>	\$ <u>74,409</u> <u>78,130</u>	\$ <u>86,811</u> <u>91,151</u>
7	\$ <u>66,816</u> <u>70,157</u>	\$ <u>81,850</u> <u>85,943</u>	\$ <u>96,884</u> <u>101,728</u>
8	\$ <u>73,498</u> <u>77,173</u>	\$ <u>90,035</u> <u>94,537</u>	\$ <u>106,572</u> <u>111,901</u>
9	\$ <u>80,848</u> <u>84,890</u>	\$ <u>99,039</u> <u>103,991</u>	\$ <u>117,229</u> <u>123,091</u>
10	\$ <u>87,154</u> <u>91,512</u>	\$ <u>108,943</u> <u>114,390</u>	\$ <u>130,731</u> <u>137,268</u>
11	\$ <u>95,869</u> <u>100,663</u>	\$ <u>119,837</u> <u>125,829</u>	\$ <u>143,806</u> <u>150,995</u>
12	\$ <u>107,853</u> <u>113,246</u>	\$ <u>134,816</u> <u>141,557</u>	\$ <u>161,780</u> <u>169,869</u>
13	\$ <u>121,335</u> <u>127,402</u>	\$ <u>151,669</u> <u>159,252</u>	\$ <u>182,002</u> <u>191,103</u>
14	\$ <u>136,799</u> <u>143,639</u>	\$ <u>174,419</u> <u>183,140</u>	\$ <u>212,039</u> <u>222,641</u>
15	\$ <u>157,319</u> <u>165,185</u>	\$ <u>200,582</u> <u>210,611</u>	\$ <u>243,845</u> <u>256,037</u>
16	\$ <u>180,917</u> <u>189,963</u>	\$ <u>230,669</u> <u>242,203</u>	\$ <u>280,422</u> <u>294,443</u>

Technology SALARY RANGES			
Grade	Min	Mid	Max
T1	\$ 52,487 <u>55,111</u>	\$ 62,984 <u>66,133</u>	\$ 73,482 <u>77,156</u>
T2	\$ 57,736 <u>60,622</u>	\$ 69,283 <u>72,747</u>	\$ 80,830 <u>84,871</u>
T3	\$ 63,509 <u>66,685</u>	\$ 76,211 <u>80,022</u>	\$ 88,913 <u>93,359</u>
T4	\$ 69,860 <u>73,353</u>	\$ 83,832 <u>88,024</u>	\$ 97,804 <u>102,695</u>
T5	\$ 76,846 <u>80,688</u>	\$ 92,215 <u>96,826</u>	\$ 107,585 <u>112,964</u>
T6	\$ 84,531 <u>88,757</u>	\$ 101,437 <u>106,509</u>	\$ 118,343 <u>124,260</u>
T7	\$ 91,086 <u>95,641</u>	\$ <u>111,581</u>	\$ 132,075 <u>138,679</u>
T8	\$ 100,195 <u>105,205</u>	\$ <u>122,739</u>	\$ 145,283 <u>152,547</u>
T9	\$ 110,214 <u>115,725</u>	\$ 135,013 <u>141,764</u>	\$ 159,811 <u>167,802</u>
T10	\$ 118,811 <u>124,752</u>	\$ 148,514 <u>155,940</u>	\$ 178,217 <u>187,128</u>
T11	\$ 130,692 <u>137,227</u>	\$ 163,366 <u>171,534</u>	\$ 196,039 <u>205,841</u>
T12	\$ 143,762 <u>150,950</u>	\$ 179,702 <u>188,687</u>	\$ 215,643 <u>226,425</u>
T13	\$ 158,138 <u>166,045</u>	\$ 197,673 <u>207,556</u>	\$ 237,207 <u>249,068</u>
T14	\$ 170,541 <u>179,068</u>	\$ 217,440 <u>228,312</u>	\$ 264,339 <u>277,556</u>



Resolution of Appreciation

PRESENTED TO

Chief William A. Garrett

*W*HEREAS, William A. Garrett was appointed to serve on the Virginia Retirement System Board of Trustees beginning February 2018 and concluding February 2023; and

*W*HEREAS, Chief Garrett served as a Member and then as 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

*W*HEREAS, Chief Garrett also served as a Member of the Chief Investment Officer Search Committee, evaluating candidates and the skills that are needed to sustain the system in the future; and

*W*HEREAS, Chief Garrett served the members and retirees of the system with steady leadership, paired with experience in and extensive knowledge of the essential roles performed by local government employees in the Commonwealth and demonstrated servant leadership by unfailingly supporting and acknowledging the accomplishments and contributions of VRS staff; and

*N*OW, THEREFORE, BE IT RESOLVED, that on April 20, 2023, we, the members of the Board of Trustees of the Virginia Retirement System, hereby acknowledge Chief Garrett'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 his contributions, stewardship, and commitment as a member of the Board of Trustees.

A. SCOTT ANDREWS, CHAIR



VRS Project Portfolio FISCAL YEAR 2023 March 2023

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	●													
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	Operations	★													
FYE 2022	Operations	★													
Retirement Wave 2022	Operations	★													
Teacher Contracts	Operations	★													
MBPs	Operations	★													
Annual Code of Ethics Training	Operations	★													
Annual Security Awareness Training	Operations	★													
FOIA Training	Operations	N/S													
ACFR	Operations	★													
PAFR	Operations	★													
LODA Annual Report	Operations	★													
GASB 67	Operations	★													
GASB 68	Operations	●													
GASB 74	Operations	★													
GASB 75	Operations	●													
Actuarial Valuations	Operations	●													
myVRS Annual Updates	Operations	★													
1099/W2	Operations	★													

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

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
Hyper Converged Infrastructure (HCI) Data Center Migration	6/1/2023	Flexential Richmond notified VRS on December 9, 2022, that VRS must move out of its current cage space by the end of March 2023. Flexential’s landlord forced Flexential to vacate the space. The HCI Data Center Migration project is on hold so VRS resources can focus on the Flexential Richmond Cage Relocation, which should be completed in March 2023. The HCI Data Center Project timeline will be re-baselined after the Flexential Richmond Cage Relocation is complete.

Red Status Items

Item	Due Date	Comments
N/A		

Realignments/Adjustments

Item	Due Date	Comments
N/A		

Director's Report

April 20, 2023

Trish Bishop, VRS Director



New Employer Coverage



Coverage Elected

Details

**Enhanced Hazardous Duty
1.85% Multiplier**

- **Peumansend Creek Regional Jail Authority** (Caroline County),
Effective July 1, 2023
- **Town of Middleburg**
(Loudoun County),
Effective February 1, 2023

**Enhanced Hazardous Duty Benefits
for Emergency Medical Technicians**

- **Grayson County,**
Effective March 1, 2023

Health Insurance Credit

- **Potomac and Rappahannock
Transportation Commission**
(Prince William County),
Effective March 1, 2023

NCPERS Certificate of Transparency

VRS recently received a Certificate of Transparency from the National Conference on Public Employee Retirement Systems (NCPERS) for its participation in the 2023 Public Retirement Systems Study.

NCPERS recognized VRS for furthering open disclosure, increasing the range of available data and contributing to the public's understanding of public retirement systems.



Conflict of Interests Act (COIA)



- Board members must complete COIA training, required in odd-numbered years, **by May 1.**
- Board members appointed in 2023 should have taken COIA training and do not need to retake it.
- Jillian Sherman will send an email with more information.
- COIA filings were due to the Virginia Ethics Council Feb. 1.
- Code of Ethics training and acknowledgment is different from COIA training.

Conflict of Interests Act (COIA)



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- COIA filings were due to the Virginia Ethics Council Feb. 1.
- Code of Ethics training and acknowledgment is different from COIA training.

FOIA Electronic Meetings Policy April 2023



Changes to FOIA effective September 1, 2022

- Remote participation by individual Board or Committee members (four reasons)
 - § 2.2-3708.3 (B)
- “All-virtual” meetings of the **entire** Board or Committee
 - § 2.2-3708.3 (C)
- Virtual meeting due to a declared state of emergency
 - § 2.2-3708.2

Four reasons individual members may participate remotely- a physical quorum is still required

No limits:

- Due to the member's temporary or permanent disability (§ 2.2-3708.3 (B)(1));
- due to a family member's medical condition that requires the Board or Committee member to care for the family member (§ 2.2-3708.3 (B)(2));
or
- because the member's residence is more than 60 miles from the meeting location (§ 2.2-3708.3 (B)(3))

Limited:

- For a personal matter not specifically described (§ 2.2-3708.3 (B)(4))
 - no more than two meetings per calendar year or
 - 25% of the meetings rounded up to the next whole number, whichever is greater.

The entire Board or an entire Committee may meet electronically for a reason other than a declared state of emergency, § 2.2-3708.3 (C)

- No in-person participation allowed– “all-virtual meetings”
- Use is limited to no more than two times per calendar year or 25% of the meetings of the public body held rounded up to the next whole number, whichever is greater, and the same public body may not hold two all-virtual meetings consecutively.
- Electronic public access must be provided
- If access is disrupted, the Board or Committee must recess until access is restored for the public
- No more than two members of the public body are together in any one remote location unless the location is open to the public to physically access it
- Additional administrative requirements handled by VRS staff

The Board or a Committee may meet electronically due to a declared state of emergency, § 2.2-3708.2

- Physical quorum not required to be present
- If the Governor has declared a state of emergency in accordance with § 44-146.17 or
- If the locality where the public body meets has declared a local state of emergency pursuant to § 44-146.21
- If the emergency makes it impracticable or unsafe to assemble a quorum and the meeting is to provide for the continuity of operations or the discharge of the purposes, duties, and responsibilities of the Board or Committee
 - Public notice provided contemporaneously with notice to members
 - Public access required
 - Additional administrative requirement handled by VRS staff

VRS Board and Committees- FOIA Electronic Meetings

Executive Summary

Members needing to participate remotely must contact the FOIA Officer, Jillian Sherman, at FOIA@varetire.org and the VRS staff member who supports the Board or Committee impacted as soon as possible.

Remote Participation by Individual Members

Individual Board and Committee members may participate remotely in in-person meetings under Va. Code § 2.2-3708.3(B) for the following reasons as often as needed:

1. Medical condition or disability of a member that prevents attendance.
2. Medical condition of a member's family member that prevents attendance.
3. The member's principal **residence** is more than 60 miles from the meeting location.

Members may also participate remotely for a:

4. Personal matter that prevents attendance. The nature of the personal matter must be disclosed with specificity and included in the minutes.

However, per calendar year, a member may invoke reason 4 for no more than (i) two meetings of the Board or each Committee or (ii) 25% of the meetings of the Board or each Committee rounded up to the next whole number, whichever is greater.

A physical quorum at the meeting location is still required for a member to participate remotely under reasons 1-4.

All-Virtual Meetings

The Board or a Committee can meet completely remotely under Va. Code § 2.2-3708.3(C) for any reasons acceptable to the Board or Committee. No in-person participation is allowed and:

- Per calendar year, the Board and each Committee are limited to using this option no more than (i) two meetings or (ii) 25% of the meetings held rounded up to the next whole number, whichever is greater.
- The same Board or Committee may not hold two all-virtual meetings consecutively.
 - The Board cannot hold two back-to-back all-virtual meetings, and each Committee cannot hold two back-to-back all-virtual meetings. However, the Board may hold an all-virtual meeting and any Committee can hold an all-virtual meeting before or after since they are separate public bodies.

All-Virtual Meetings for a declared state of emergency

The Board or a Committee can meet electronically under Va. Code § 2.2-3708 when a state or local state of emergency has been declared if:

- The emergency makes it impracticable or unsafe to assemble a quorum and
- The meeting is to provide for the body's continuity of operations or the discharge of its purposes, duties, and responsibilities.

VRS Board and Committees- FOIA Electronic Meetings Highlights

There are three types of electronic meeting attendance: remote participation by individual Board or Committee members, all-virtual meetings of the entire Board or Committee, and virtual meetings held due to a declared state of emergency. The Board and each standing, advisory, or ad hoc committee (A&P, A&C, B&A, DCPAC, IAC, etc.) are separate public bodies for purposes of FOIA meeting requirements.

Members needing to participate electronically should contact the FOIA Officer, Jillian Sherman, at FOIA@varetire.org and the VRS staff member who supports the Board or Committee impacted.

Remote Participation by Individual Members

There are four reasons individual Board and Committee members may attend meetings remotely under § 2.2-3708.3(B) of the Code of Virginia. A physical quorum is required for each of these.

For three of the circumstances, members may choose to attend meetings remotely as often as they wish:

- due to the member's temporary or permanent disability;
- due to a family member's medical condition that requires the Board or Committee member to care for the family member; or
- because the member's residence is more than 60 miles from the meeting location.

For the fourth circumstance, attending remotely for a personal matter not already addressed above, each member is limited to attending meetings remotely to no more than two meetings per calendar year or 25% of the meetings rounded up to the next whole number, whichever is greater. For example, 25% of 9 meetings is 2.25, which would be rounded up to 3 meetings.

All-Virtual Meetings (not for a declared state of emergency)

VRS has adopted a policy that allows the entire Board or Committee to meet electronically under § 2.2-3708.3(C).

If the Board or Committee chooses to have an all-virtual meeting, no in-person participation is allowed and:

- The Board and each Committee are each limited to using this option no more than two times per calendar year or 25% of the meetings held rounded up to the next whole number, whichever is greater, and the same body may not hold two all-virtual meetings consecutively.
 - In other words, the Board cannot hold two back-to-back all-virtual meetings, and each Committee cannot hold two back-to-back all-virtual meetings, even if those are the only two all-virtual meetings held.
 - However, the Board may hold an all-virtual meeting and any Committee can hold an all-virtual meeting before or after since they are separate public bodies.
- Electronic public access provided
- If access is disrupted, meeting must recess until access is restored for the public
- No more than two members of the public body are together in any one remote location unless the location is open to the public to physically access it

- Additional administrative requirements, handled by VRS staff

Virtual Meetings for a declared state of emergency

The public body may also meet electronically due to a declared state of emergency, and a physical quorum not required to be present (§ 2.2-3708.2):

- When the Governor has declared a state of emergency in accordance with § 44-146.17 or
- the locality where the public body meets has declared a local state of emergency pursuant to § 44-146.21
- if the emergency makes it impracticable or unsafe to assemble a quorum and the meeting is to provide for the continuity of operations or the discharge of purposes, duties and responsibilities
 - Public notice provided contemporaneously with notice to members
 - Public access is required

Additional administrative requirements will be handled by VRS staff.