



September 15, 2023

MEMORANDUM

TO: VRS Board of Trustees
FROM: Patricia S. Bishop
Director
RE: Agenda Materials for September 21st Board Meeting

We are looking forward to the September 21st Board meeting beginning at 1:00 p.m. in the VRS Boardroom located at 1111 East Main Street, Bank of America - Pavilion Building, 3rd floor. Enclosed are the agenda and meeting materials. Boxed lunches will be available beginning at 11:00 a.m.

Listed below is a recap of the meetings scheduled for next week:

Meeting	Date	Location
Audit and Compliance Committee	Wednesday, September 20 th , 10:00 a.m.	Bank of America Pavilion, 1111 E. Main St., 3 rd floor conference room
Administration, Finance and Talent Management Committee	Wednesday, September 20 th , 1:00 p.m.	Bank of America Pavilion, 1111 E. Main St., 3 rd floor conference room
Board of Trustees – Brown Bag Lunch Meeting	Thursday, September 21 st , 11:30 a.m.	Bank of America Pavilion, 1111 E. Main St., 3 rd floor conference room
Board of Trustees	Thursday, September 21 st , 1:00 p.m.	Bank of America Pavilion, 1111 E. Main St., 3 rd floor conference room

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, 9/21/2023
1:00 - 3:30 PM ET

I. Approve Minutes

- **June 15, 2023**

- Board Minutes 6.15.23 - Page 5*

- **September 21, 2023 (Brown Bag Lunch Meeting)**

- Brown Bag Session Minutes 9.21.23 - Page 15*

II. Report of the Investment Advisory Committee

III. Report of the Chief Investment Officer

- Chief Investment Officer Report - Page 17*

- Asset Allocation Report 6.30.23 - Page 23*

- Daily Asset Allocation Report 9.7.23 - Page 24*

- Performance Summary 6.30.23 - Page 25*

- Plan Tracking Error 6.30.23 - Page 26*

- New Investments and Terminations - Page 27*

- DIME Quarterly Summary 6.30.23 - Page 29*

- Manager Referral Quarterly Summary 6.30.23 - Page 36*

IV. Annual CEM Benchmarking Report on Administration

- CEM Pension Admin Report FY 2022 - Page 37*

V. Report of the Defined Contribution Plans Advisory Committee

- Report of the DCPAC - Page 60*

VI. Report of the Audit and Compliance Committee

- Report of the A&CC - Page 62*

- **RBA – Approve FY2024 Audit Plan**

- RBA - Approve FY2024 Annual Plan - Page 65*

- Proposed FY2024 Audit Plan - Consolidated - Page 66*

- **RBA – FY2023 Internal Audit Director’s Performance Review**

- RBA - Audit Directors Performance Review - Page 70*

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

- Report of the AFT Committee - Page 71*

- **RBA – Attainment of FY2023 Agency Performance Outcomes (APOs) and Operational Measures**

- RBA - Attainment of FY23 APOs and OMs (Corresponding Bonus) - Page 74*

- FY23 APO Status Report - Page 76*

- FY23 Operational Measures - Page 83*

- Customer Survey Slides - Page 101*

- FY23 APO and OM Memorandum - Page 104*

- **RBA – FY2023 Performance Bonuses for Eligible Administrative and Investment Operations and Administration Employees**

- RBA - Performance Bonuses (Eligible Administrative and Investment Operations and Administration Employees) - Page 105*

- **RBA – Review and Authorize Budget Request to the Department of Planning and Budget**

RBA - Authorize Budget Request to DPB Fall 2023 - Page 106

New Initiative Summaries for the Board_25-26 - Page 107

FY23 YE Budget Report - Page 109

FY24 YTD Budget Report - Page 111

- **RBA – Reappointment of IAC Members**

RBA - Reappoint IAC Members - Page 113

Bio for Hance West - Page 114

Bio for Nan Leake - Page 115

- **RBA – Approve Revised Pay Plans**

RBA - Approve Revised Pay Plans - Page 116

Administrative Pay Plan - Page 117

Administrative Pay Plan - Redline - Page 128

Investment Professionals Pay Plan - Page 139

Investment Professionals Pay Plan - Redline - Page 155

Investment Operations and Administrative Pay Plan - Page 171

Investment Operations and Administrative Pay Plan - Redline - Page 182

- **RBA – FY2023 Incentive Pay for Investment Professionals**

RBA - Approve FY23 Investment Incentive Pay - Page 193

FY23 Incentive Compensation Information - Page 195

FY23 Incentive Compensation Memorandum - Page 196

- **RBA – FY2023 Director’s Performance Review**

RBA - Director Performance Review - Page 197

FY23 Director's Performance Report - Page 199

VIII. Report of the Director

FY24 Agency Roadmap Update - August - Page 227

Director's Report - Page 229

IX. Closed Session

- **Securities Litigation**

Minutes

A regular meeting of the Virginia Retirement System Board of Trustees was held on June 15, 2023, in Richmond, Virginia with the following members participating:

Board members:

A. Scott Andrews, Chair (*remotely under § 2.2-3708.3(B)(1)*)

Hon. J. Brandon Bell, II

John M. Bennett

Michael P. Disharoon (*remotely under § 2.2-3708.3(B)(3)*)

Susan T. Gooden, Ph.D.

W. Brett Hayes (*remotely under § 2.2-3708.3(B)(4)*)

Jessica L. Hood

Lindsey K. Pantele

VRS Staff:

Patricia Bishop, Andrew Junkin, Jennifer Schreck, Stephen Adelaar, John Alouf, Advait Apte, Rory Badura, Daniel Ball, Parham Behrooz, Erica Billingslea, Kevin Bliss, Ty Bowers, Tim Brown, Jessica Budd, Caroline Cardwell, Jeanne Chenault, Michael Cooper, Perry Corsello, David Cotter, Juanita Cribbs, Sara Denson, Michael Desai, Valerie Disanto, Laurie Fennell, Laura Fields, Antonio Fisher, Katherine Grawe, JT Grier, Mehtab Haleem, Kelly Hiers, Dane Honrado, KC Howell, Robert Irving, Wendy Jenkins, LaShaunda King, Kristina Koutrakos, Brian Lackey, Matt Lacy, Ryan LaRoche, Liliane Nixon, Chung Ma, Jennifer MacKnight, Curt Mattson, Kidus Molla, Joyce Monroe, Walker Noland, Angela Payne, Steve Peterson, Vera Pleasants, Matt Priestas, Laura Pugliese, Paula Reid, Andrew Ringle, Robert Robinson, Jummai Sarki-Hurd, Dan Schlussler, Kristy Scott, Michael Scott, Virginia Sowers, Viet Tran, Scott Weaver, Rachel Webb, Leslie Weldon, Dan Whitlock, and Cindy Wilkinson.

Guests:

Jamie Bitz, Joint Legislative Audit and Review Commission; Tom Cassara and Mike Faulkner, Agilis; Denise Fortune and Gavin Gruenberg, Voya Financial; Gary Gammon and Erin Rodriguez, Auditor of Public Accounts; Emily Grimes, Department of Planning and Budget; Carolina LaMonica, MissionSquare; Madeline Katz, Mandate Wire; Mitchell King and Brigid Schutsky, BlackRock; Matthew McCue, Financial Investment News; Elizabeth Myers, Office of the Attorney General; Andrew Ness, SageView; Bea Snidow, Virginia Education Association; Mike Tweedy, Senate Finance and Appropriations Committee; and Tom Astin.

The meeting convened at 1:00 p.m.

Opening Remarks

Mr. Andrews called the meeting to order and welcomed everyone to the June 15, 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)(1), § 2.2-3708.3(B)(3) and § 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
Dr. Gooden: Present
Mr. Hayes: Present
Ms. Hood: Present
Ms. Pantele: Present
Mr. Andrews: Present

Approval of Minutes

Upon a motion by Mr. Bennett, with a second by Ms. Pantele, the VRS Board of Trustees approved the minutes from its April 20, 2023, meeting, upon the following roll call vote:

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

Report of the Chief Investment Officer

Andrew Junkin, Chief Investment Officer, introduced Tim Brown, who joins VRS as part of the Pension Real Estate Association Foundation summer internship. Next, 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 reviewed the New Investments and Terminations report.

Next, Mr. Junkin reviewed the recommended changes to the benchmarks for Credit Strategies, Private Equity, and Private Investment Partnerships.

Request for Board Action 2023-06-08: The VRS Board of Trustees approves the recommended benchmarks for Credit Strategies, Private Equity, and Private Investment Partnerships.

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

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

Mr. Andrews thanked Mr. Junkin for his report.

Asset Liability Modeling Discussion

Mr. Junkin introduced Tom Cassara and Mike Faulkner with Agilis, who led a discussion on asset liability management (ALM). Mr. Cassara provided a brief overview of the long-term and short-term goals and objectives of the ALM study. Mr. Cassara then reviewed the current and alternative portfolios and noted the current portfolio is well diversified and is well-positioned to meet the current long term expected rate of return of 6.75%.

Next, Mr. Cassara reviewed the alternative portfolio outcomes, which included equity allocation changes, diversification and adding leverage. He advised that adding further diversification, including the potential of adding leverage, is expected to be more efficient than the current portfolio regarding managing risk. Of the portfolios with increased diversification, the Leveraged Diversification portfolio was the only portfolio that did not result in an expected increase in contributions versus the current portfolio.

Mr. Faulkner discussed the results of the stress test, which examined how each portfolio compares under four alternative economic scenarios. Mr. Faulkner noted the results show the current allocation and the alternative asset allocations are efficient and viable options. To further reduce potential risk, Mr. Faulkner noted additional diversification will help reduce risk, however such diversification may increase expected required contributions. Mr. Faulkner stated the use of leverage to achieve diversification generally mitigates this increase in cost.

Next, Mr. Junkin provided an overview of key principles and next steps, including an evaluation of alternative portfolio options and implementation roadmap. Mr. Junkin advised that modest changes to the asset allocation provide for more resiliency to uncertainty and downside scenarios and liquidity management becomes increasingly more important as complexity is introduced into the portfolio.

Request for Board Action 2023-06-9: The VRS Board of Trustees approves the FY 2024 Defined Benefit Plan Strategic Asset Allocation and Allowable Ranges, effective July 1, 2023.

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

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

Request for Board Action 2023-06-10: The VRS Board of Trustees selects and approves the long-term defined benefit plan strategic asset allocation of Option 4: Leverage Diversify (also labeled as Alternative Portfolio (5) Leveraged Diversification in the Agilis/VRS Staff Presentation). Staff will recommend for the

Board's further approval an implementation plan which will include a transition plan, allowable ranges, and a total fund tracking error range to be determined at an upcoming Board meeting.

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

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

Report of the Defined Contribution Plans Advisory Committee

The Board received the report of the Defined Contribution Plans Advisory Committee (DCPAC) and placed it on file.

ADMINISTRATION

Administrative Reports & Communications

Mr. Bell began his report by noting staff provided an overview of the DC Plans, as well as an update on administrative reports for the first quarter of 2023. An overview of assets and accounts across the various defined contribution plans, as well as account trends, was also provided.

Staff advised the Committee that assets and accounts, taken across all plans in totality, were both up since year end. The increase is primarily related to the impact of auto escalation in the Hybrid Retirement Plan.

Staff provided details of the age-based catch-up contributions of the SECURE 2.0 federal legislation and the challenges it poses to the administration of DC plans. An update was provided on the Hybrid Plan rate separation, which will be effective July 1, 2024. Employer support is being provided to assist with this transition. Further, staff provided details on ORPHE and upcoming DC Plans events, including the TD Ameritrade/Schwab transition.

INVESTMENTS

Performance Reports

Staff provided an overview of the April 30, 2023, performance reports to the DCPAC, including the unbundled DC plans investment options and the bundled TIAA investment menu for ORPHE.

VRS Primary Pension Plans Basic Characteristics

As part of staff's ongoing DC retirement income product/solution discussion, staff provided the Committee with a high-level overview of some of the key features found within the various VRS primary pension plans. Primary pension plan benefits serve as a foundational source of a member's retirement

income and therefore, understanding these benefits helps set the stage for evaluating DC retirement income products/solutions in a holistic manner for VRS members.

OTHER BUSINESS

COV 457 Plan

Staff provided an overview of the proposed 457 Plan Document amendments. These amendments will, among other provisions, authorize VRS to suspend elective age-based catch-up deferrals to the plan for participants age 50 or older for any year, beginning in 2024. In addition, these amendments eliminate the first day of the month rule for initial elections, allow automatic pre-tax contributions to become effective as soon as administratively practicable, and update the Plan Document to reflect the current required minimum distribution age and maximum amount of elective deferrals under federal law. The Committee approved a motion to recommend the RBA to the Board.

Request for Board Action 2023-06-11: The Virginia Retirement System Board of Trustees approves the amended and restated Commonwealth of Virginia 457 Deferred Compensation Plan (Plan), effective July 1, 2023.

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

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

DISCUSSION OF NEW IDEAS

No new ideas were presented.

2023 MEETINGS

The DCPAC will meet at 1:00 p.m. on the following dates:

- Thursday, September 7th
- Thursday, November 30th

Additionally, the ORPHE Annual Employer Update will be scheduled for September 2023 (TBD) and will appear on the DCPAC agenda as an upcoming event. This is not a DCPAC meeting; however, members may attend if interested.

RECOMMENDATION FOR DC PLANS THIRD-PARTY ADMINISTRATOR

Staff and outside consultant, Andrew Ness of SageView, provided comments on the RFP process and an analysis of proposals in closed session. After the Committee returned to open session, the Committee

unanimously voted to recommend that the Board approve the Request for Board Action recommending Voya Financial as the DC Plans Third-Party Administrator. The new contract will be effective January 1, 2025.

Mr. Bell advised that VRS consulted with SageView to develop the recordkeeping Request for Proposal (RFP) for the VRS defined contribution plans and provide an analysis on proposals received. SageView representative Andrew Ness reviewed the bidders and provided background information and statistics on each organization. An evaluation committee was established to review the proposals and conduct interviews with the finalists and provide the results to the DCPAC.

Mr. Bell thanked Mr. Ness for his presentation.

Request for Board Action 2023-06-12: *The Virginia Retirement System Board of Trustees accepts the recommendation of the Defined Contribution Plans Advisory Committee (DCPAC) for Voya to serve as the Board of Trustees' third-party record keeper for the VRS defined contribution plans subject to negotiation of a contract.*

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

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

Mr. Andrews thanked Mr. Bell for his report.

Report of the Administration, Finance and Talent Management Committee

The Board received the report of the Administration, Finance and Talent Management Committee and placed it on file.

APPROVAL OF MINUTES

Mr. Andrews began his report by noting the Committee approved the minutes of its April 20, 2023, meeting.

DISCUSSION AND CONSIDERATION OF FY 2024 AGENCY PERFORMANCE OUTCOMES (APOs) AND OPERATIONAL MEASURES

Michael Cooper reviewed the proposed Agency Performance Outcomes (APOs) and operational measures for FY 2024. Mr. Cooper noted that APOs are considered stretch goals for the organization, requiring input across all business units, and operational measures reflect the agency's day-to-day business operations.

Staff proposes five APOs for FY 2024, each with multiple subcomponents. Sixteen operational measures are also proposed for the fiscal year. To satisfy the requirements for the gainsharing bonus, staff must accomplish four of the five APOs and 13 of the 16 operational measures.

Request for Board Action 2023-06-13: *The VRS Board of Trustees approves the FY 2024 Agency Performance Outcomes (APOs) and Agency Operational Measures.*

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

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

CUSTOMER EXPERIENCE INITIATIVE UPDATE

Mr. Cooper next presented an update on the agency's customer experience initiative. The agency worked with its consultants, KPMG and ICMI, to evaluate its current customer experience program and identify opportunities for enhancement. Staff has developed a roadmap to implement the new enhancements over the next several years, including two APOs for FY 2024.

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 April 2023 has expended approximately \$83 million. Mr. Farmer noted that the agency is on track to conclude the fiscal year with an estimated \$11.3 million in unexpended appropriation.

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. Bennett began his report by noting the Committee approved the minutes of its February 7, 2023, meeting.

ELECTION OF COMMITTEE VICE CHAIR

The Committee unanimously approved the nomination of Lindsey K. Pantele to serve as Vice Chair.

INFORMATION ITEMS

Actuarial Principles 101

Rory Badura, Senior Staff Actuary, gave a presentation on actuarial principles and the valuation process for the VRS defined benefit plans that included overviews of actuarial terminology, the VRS funding policy, and development of contribution rates and funded ratios.

Group Life Insurance

Robert Irving, Customer Services Director, presented the proposed premium rate recommendation for basic life and optional life from Securian for fiscal year 2024, the group life insurance third-party administrator.

There is no change to the basic maximum premium rates. Mortality experience and future expectation increased from last year driven by retirees; however, given the three-year pricing horizon, the rates will be held at their current level.

Mortality experience and future expectation on the optional plan remain good. The adjusted loss ratio of 80.1% over the last five-year period (2018-2022) allows VRS to offer a 5% overall premium rate reduction effective July 1, 2023, and are guaranteed through June 30, 2024.

Consistent with Securian's rate setting principles for the optional plan, the rate changes reflect experience by age band in order to have equity in pricing among the various age brackets.

Upcoming B&A Committee

- Wednesday, October 18 at 1:00 p.m.
- Thursday, November 16 at 10:00 a.m.

Mr. Andrews thanked Mr. Bennett for his report.

Report of the Audit and Compliance Committee

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

APPROVAL OF MINUTES

In Mr. Montgomery's absence, Mr. Andrews noted the Committee approved the minutes of its March 29, 2023, meeting.

STATUS UPDATE ON THE 2022 EMPLOYER ASSURANCES REVIEW

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

ENTRANCE WITH THE APA FOR THE VRS 2023 ANNUAL COMPREHENSIVE FINANCIAL REPORT AUDIT

The Committee held its annual entrance conference with the APA to review the approach and scope of the examination of VRS' Annual Comprehensive Financial Report for the Fiscal Year Ending June 30, 2023.

AUDIT REPORTS

The Committee received two audit reports.

- The review of *Service Retirements* determined sufficient controls are in place to support retirement application processing and that the associated processes are working as intended. There were no formal recommendations as a result of this review.
- The *Review of VRS' Master Custodian* determined that a general assessment found an appropriate operating environment and controls associated with the recordkeeping and safeguarding of assets held by the master custodian. Further, the review determined that VRS and the master custodian had complied with the contractual agreement and related amendments. There were no formal recommendations as a result of this review.

INTRODUCTION OF THE IAA IPPF EVOLUTION

The Committee was provided with an overview of the Institute of Internal Auditors' (IIA) current project to update its *International Professional Practices Framework (IPPF)*, and how the VRS Internal Audit Department is providing feedback for the project and preparing for the changes.

MISCELLANEOUS UPDATES

The Committee received the following miscellaneous updates:

Quarterly Report on Fraud, Waste and Abuse Hotline Cases

The Audit Director 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 February 1, 2023, through April 30, 2023.

Management's Quarterly Travel Expenses and Per Diem Report

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

Next Committee Meeting

The Committee's next meeting is scheduled for Wednesday, September 20, 2023, at 10:00 a.m.

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, and expressed her appreciation to staff for their hard work and collaborative efforts to achieve these milestones. Ms. Bishop then reviewed the new Employer Coverage Elections.

Ms. Bishop advised that since its implementation in December of 2020, VRS has received a total of 31,478 service retirement applications of which 7,814, or 25%, were submitted online through myVRS. In addition, 43% of the July 1, 2023 retirement applications were submitted via myVRS.

Next, Ms. Bishop provided the Board with the following announcements:

- VRS received a Communicator Award of Distinction from the Academy of Interactive and Visual Arts (AIVA) for the Hybrid Retirement Plan Auto-Escalation Campaign.
- VRS ranked #8 in the Top 10 Agencies for the Commonwealth of Virginia Campaign (CVC) for donations during the 2022 campaign.

- During May 8-15, VRS celebrated Virginia Public Service Week to recognize staff for their commitment, dedication and service to the Commonwealth and to VRS.
- The Joint Legislative Audit and Review Commission will hold its annual meeting on July 10, 2023, at 10:00 a.m. Ms. Bishop, Mr. Junkin and Mr. Andrews will be presenting the annual VRS agency update.
- Ron Stokes, Senior Operations Analyst, was recognized by NBC12 Acts of Kindness for helping individuals reduce their debt by more than \$900,000 through financial wellness classes in the community.

DPB Deficit Provision Acknowledgement Form

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

Mr. Andrews thanked Ms. Bishop for her report.

Other Business

Lastly, Mr. Andrews noted the July 13 Board meeting has been cancelled and the Investment Advisory Committee will meet on August 23, 2023.

Adjournment

Upon a motion by Mr. Bennett, with a second by Ms. Pantele, the VRS Board of Trustees unanimously agreed to adjourn the meeting*.

There being no further business, the meeting concluded at 2:27 p.m.

Chair

Secretary

**Dr. Gooden exited the meeting at 2:26 p.m. and was not present for this vote.*

Minutes

The Virginia Retirement System Board of Trustees held an informal assemblage (“Brown Bag Lunch Session”) for the purpose of Trustee education on September 21, 2023, in Richmond, Virginia, with the following members participating:

Board members present:

A. Scott Andrews, Chair
Joseph W. Montgomery, Vice Chair
Hon. J. Brandon Bell, II (arrived at 12:27 p.m.)
John M. Bennett
Michael P. Disharoon
Susan T. Gooden, Ph.D.
Jessica L. Hood
Lindsey K. Pantele

VRS Staff:

Patricia Bishop, Andrew Junkin, Jennifer Schreck, Rory Badura, Jeanne Chenault, Michael Cooper, David Cotter, Sara Denson, JT Grier, Greg Hines, Ross Kasarda, LaShaunda King, Chung Ma, Curt Mattson, Emily Trent, Scott Weaver, Leslie Weldon and Cindy Wilkinson.

Guests participating were:

Jim Anderson, Becky Stouffer, Gabriel, Roeder, Smith & Company; Chau Nguyen, Westlake Capital Partners, and Justin Flores, Private Equity Stakeholder Project.

The informal meeting convened at 11:36a.m.

Welcome and Introductions

Mr. Andrews welcomed everyone to the informal Brown Bag Session of the VRS Board of Trustees and noted that the purpose of the meeting was Trustee education.

Actuarial Valuations, Liquidity and Cash Management

Jim Anderson and Becky Stouffer with Gabriel, Roeder, Smith & Company presented information related to actuarial principles and key Board considerations for annual valuations. Greg Hines, VRS Risk Management, and Leslie Weldon, Chief Financial Officer, gave a presentation on plan liquidity and cash management.

Adjournment

There being no further business, the meeting adjourned at 12:56 p.m.

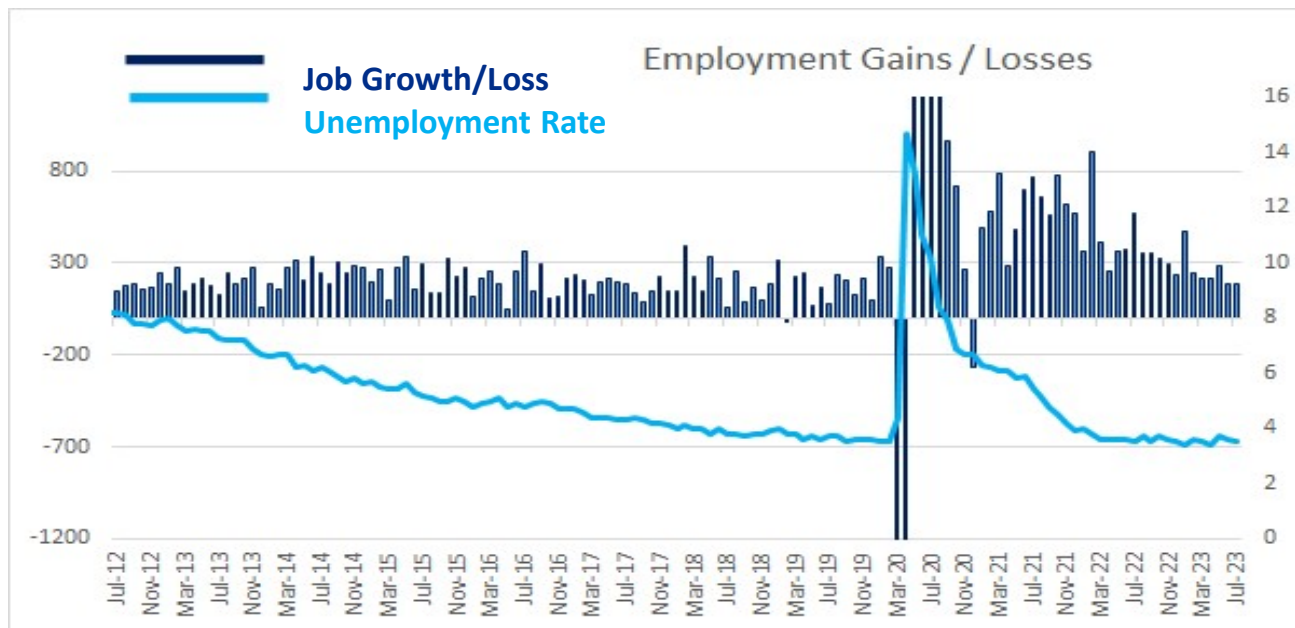
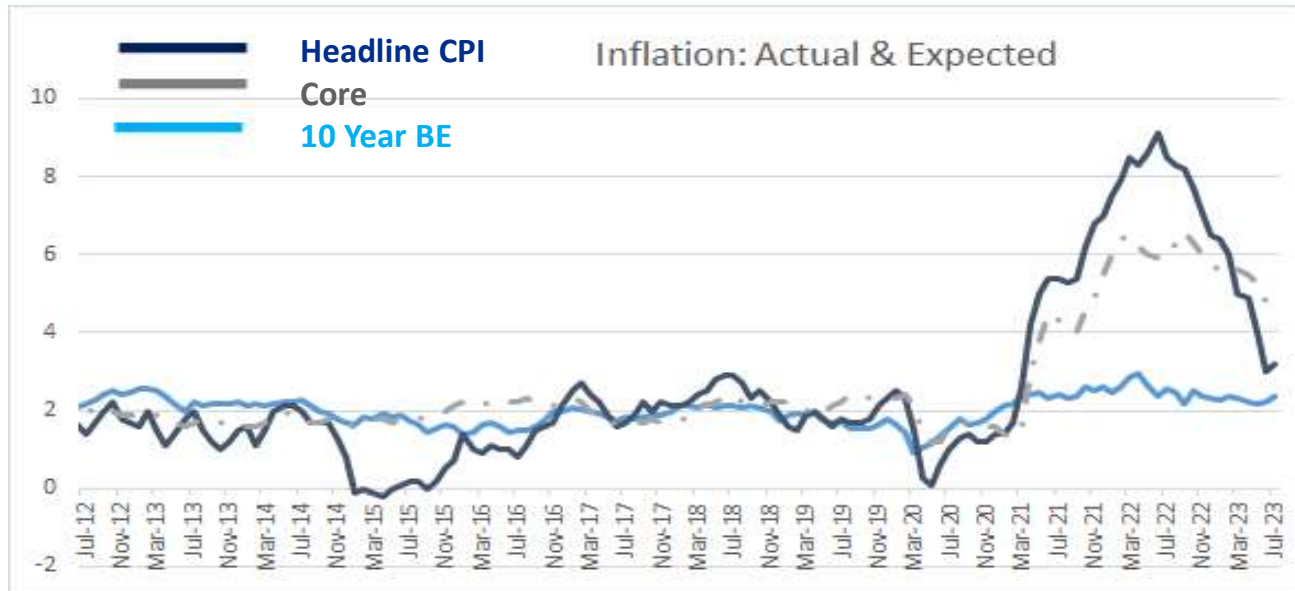
Chair

Secretary

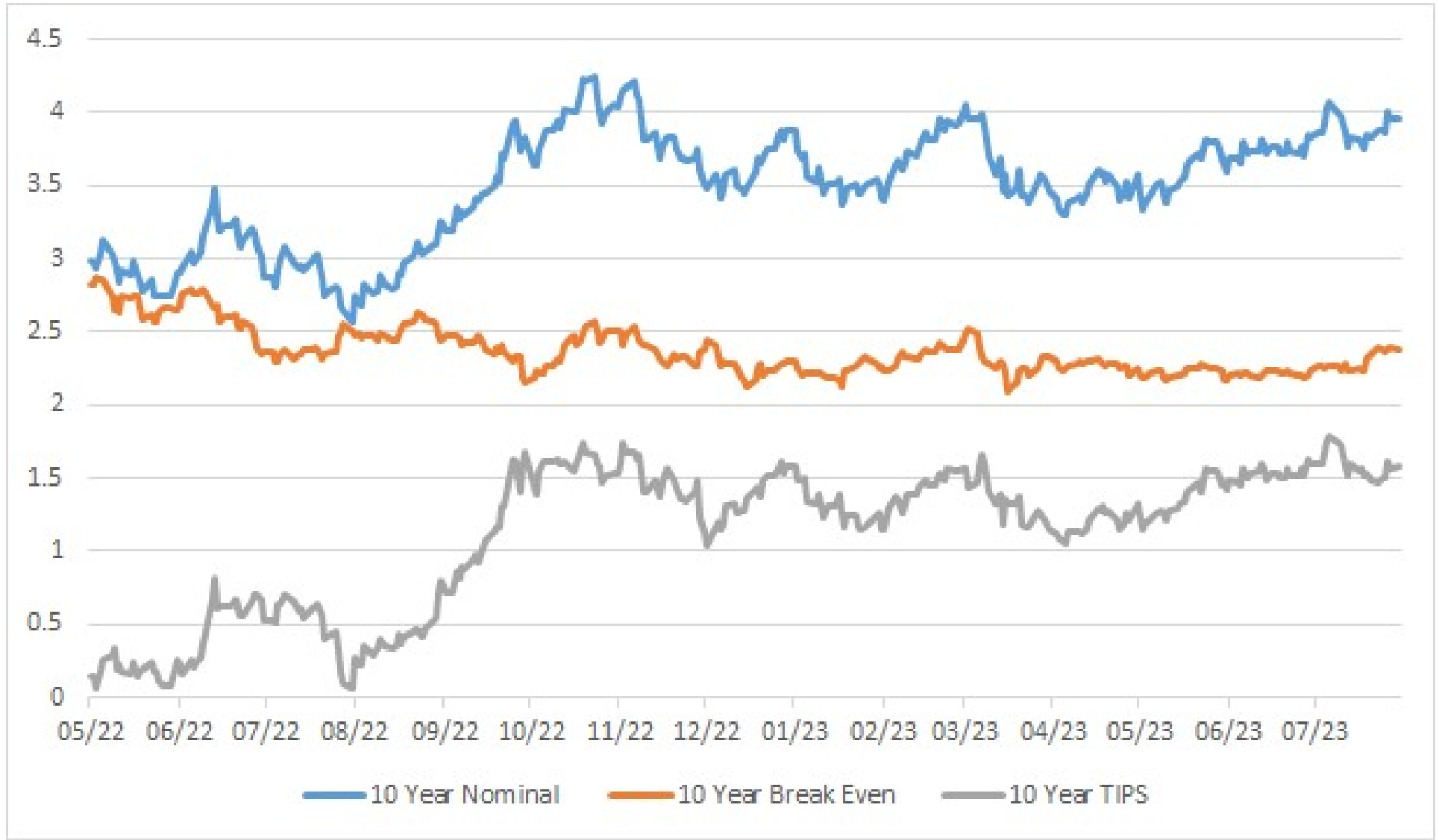
Chief Investment Officer Report Market Review - September 2023 Andrew Junkin



Inflation and Employment

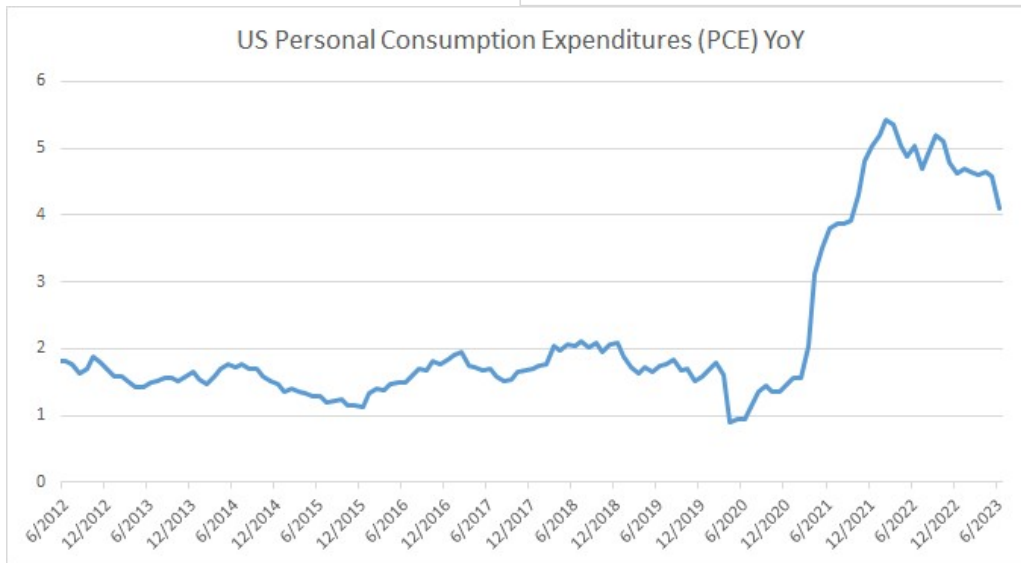
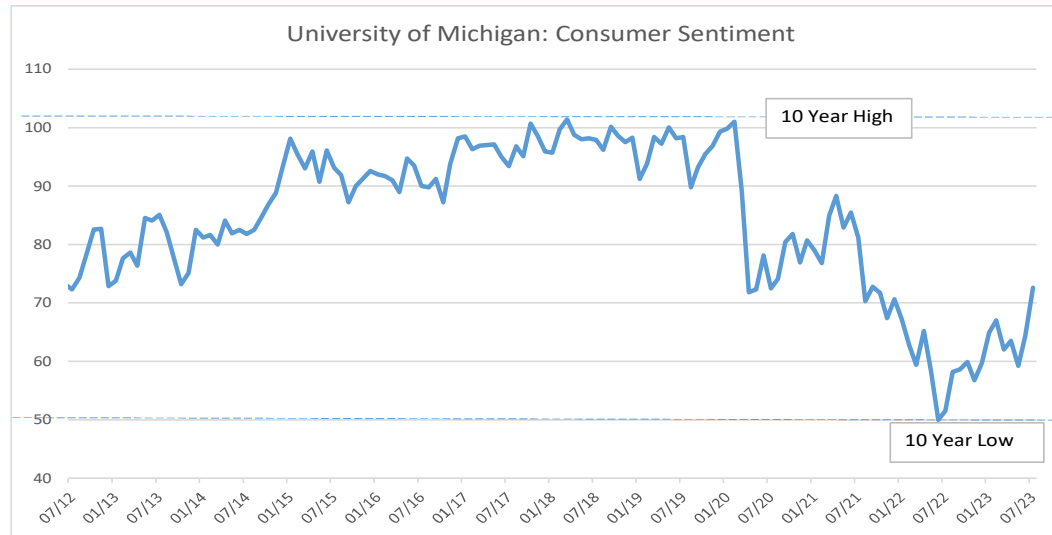


Rate Moves (10Y Nominal, Real & BEI)



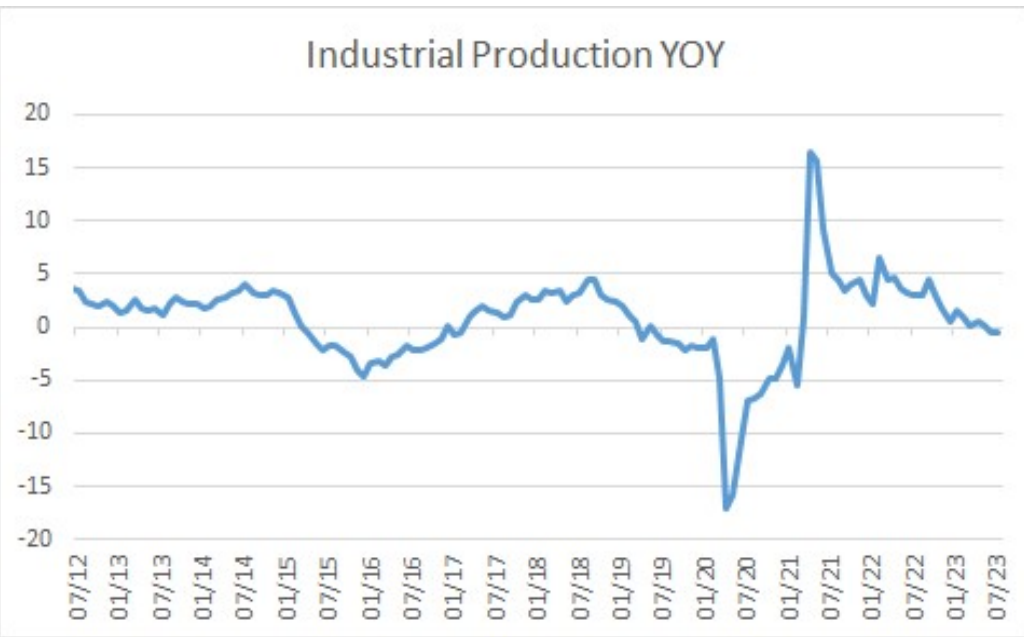
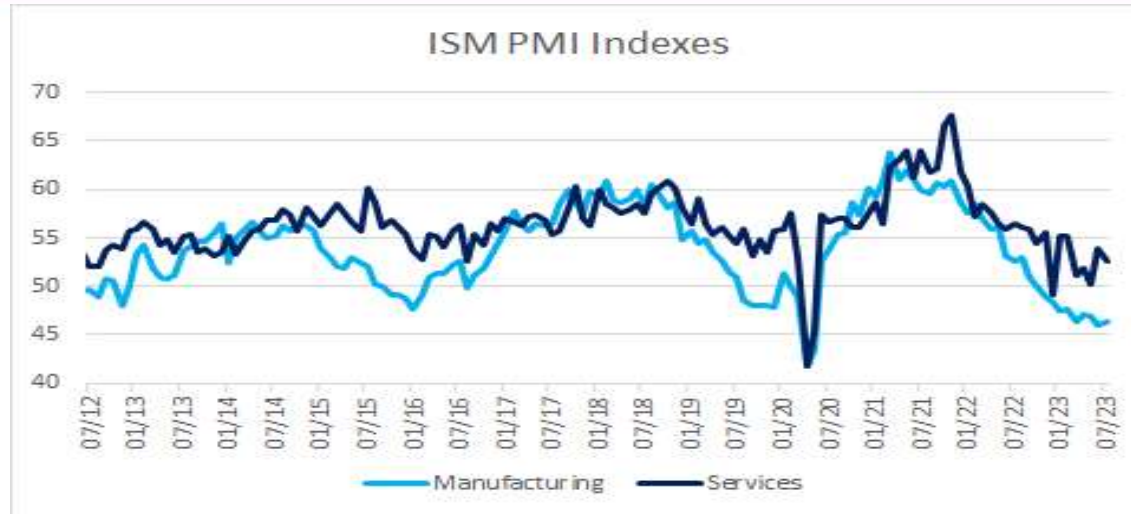
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Consumer Activity



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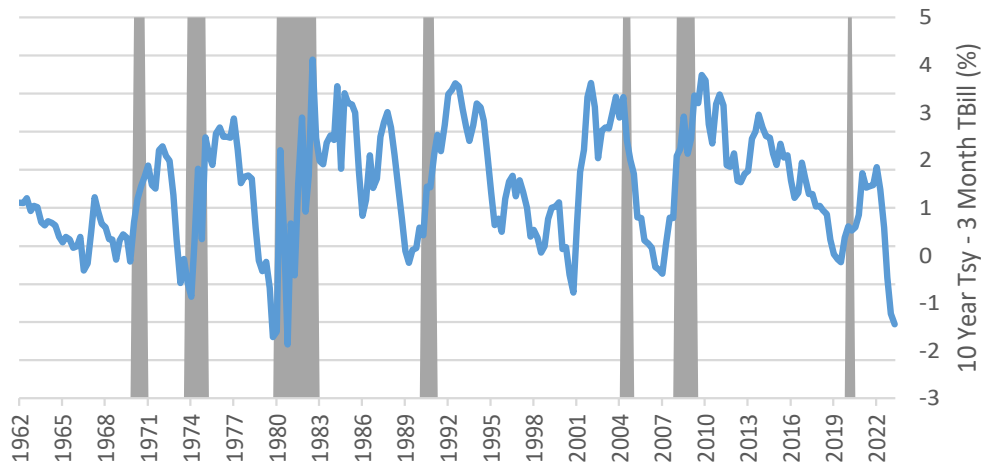
Business Activity



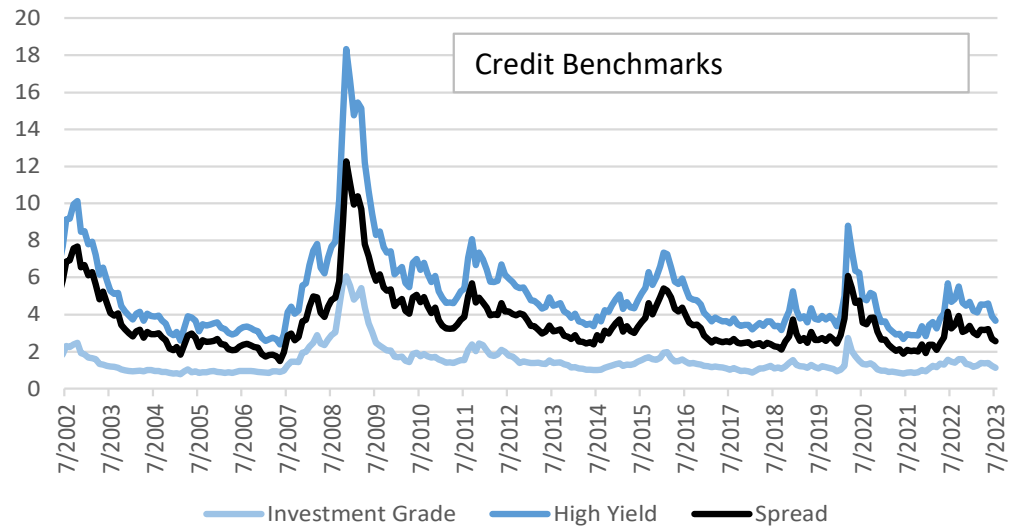
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Risk Monitor

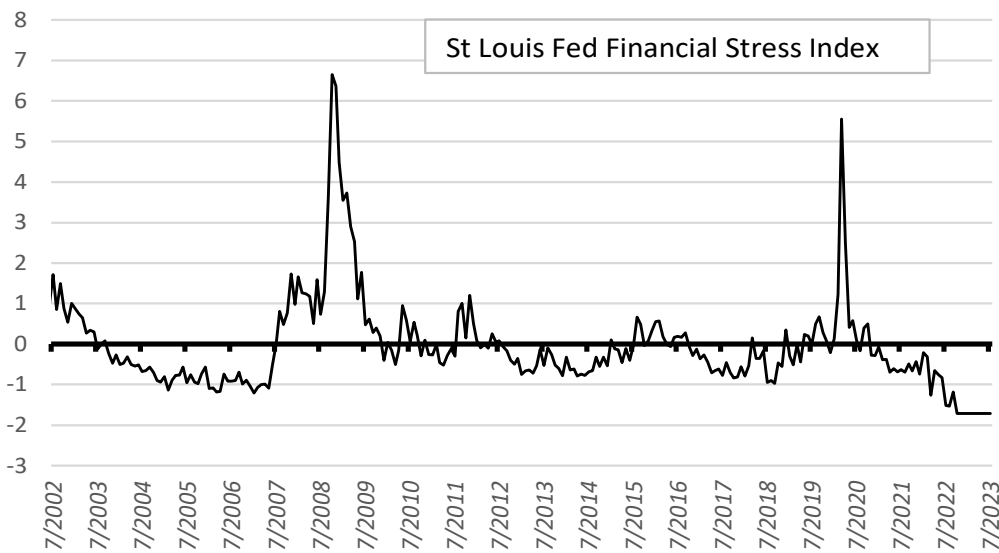
Yield Curve Slope vs Recessions



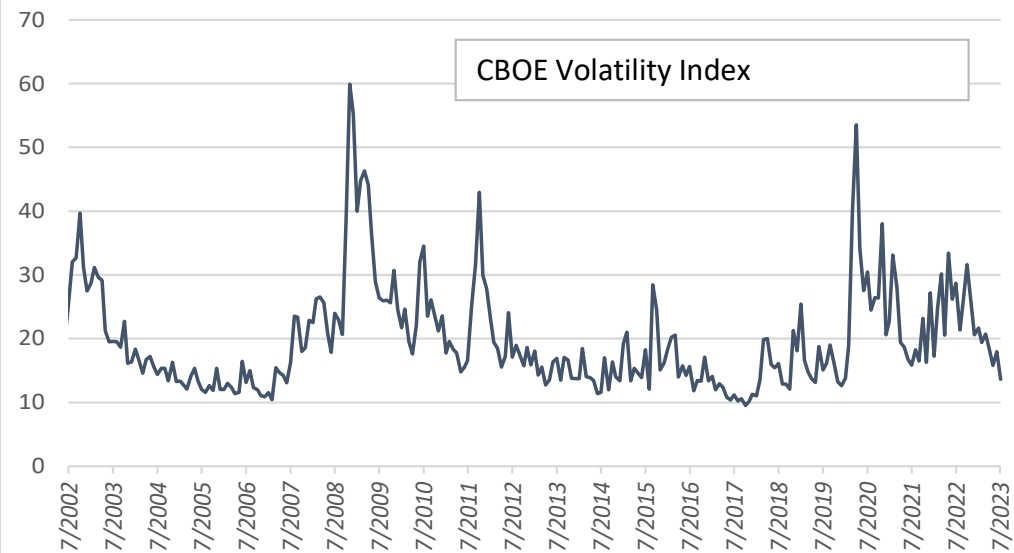
Credit Benchmarks



St Louis Fed Financial Stress Index



CBOE Volatility Index

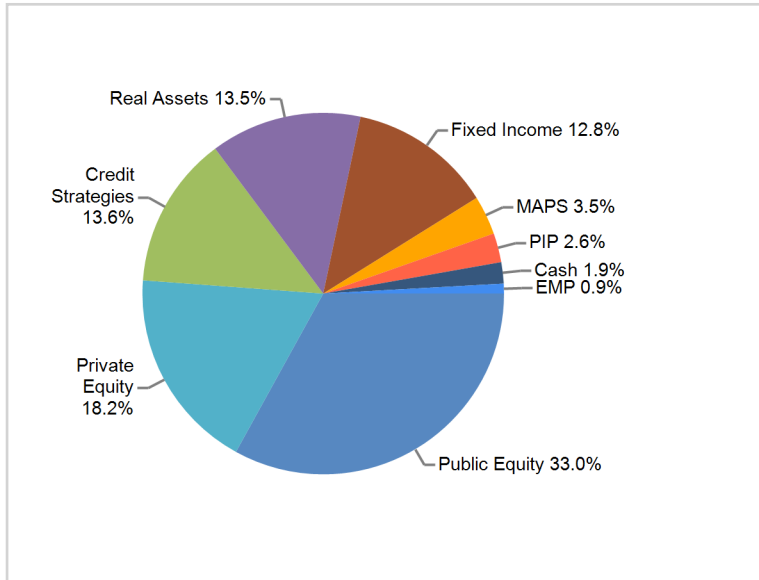


Data Source: Bloomberg

Asset Allocation Report

June 30, 2023

For Internal Investment Purposes Only



Tracking Error	
3Yr-Total Fund:	2.75%
3Yr-Total Public:	1.71%
5Yr-Total Fund:	2.28%
5Yr-Total Public:	1.50%

	Current \$Bil	Current Weight	Policy Weight	Variance	Allowable Range		Internal %
Total Fund	105.0						27.6%
Public Equity	34.7	33.0%	34.0%	-1.0%	-5%	+5%	46.9%
Fixed Income	13.5	12.8%	15.0%	-2.2%	-3%	+5%	94.7%
Credit Strategies	14.3	13.6%	14.0%	-0.4%	-5%	+5%	
RS Credit	2.8	2.7%	5.6%	-2.9%			
NRS Credit	11.5	11.0%	8.4%	2.6%			
Real Assets	14.2	13.5%	14.0%	-0.5%	-5%	+5%	
Private RE	9.4	8.9%					
Other RA	4.8	4.6%					
Private Equity	19.1	18.2%	16.0%	2.2%	-5%	+5%	
MAPS	3.7	3.5%	4.0%	-0.5%	-2%	+2%	
DSTRAT	1.7	1.6%					
RBI	2.0	1.9%					0.4%
PIP	2.7	2.6%	2.0%	0.6%	-2%	+2%	
EMP	0.9	0.9%	0.0%	0.9%		+3%	
Cash	2.0	1.9%	1.0%	0.9%	-1%	+4%	

<u>High-Level Exposure</u>	Current \$Bil	Current Weight	Policy Weight	Variance	Allowable Range	
Total Equity	53.8	51.2%	50.0%	1.2%	-10%	10%
Fixed Income + Cash	15.5	14.7%	16.0%	-1.3%	-4%	9%

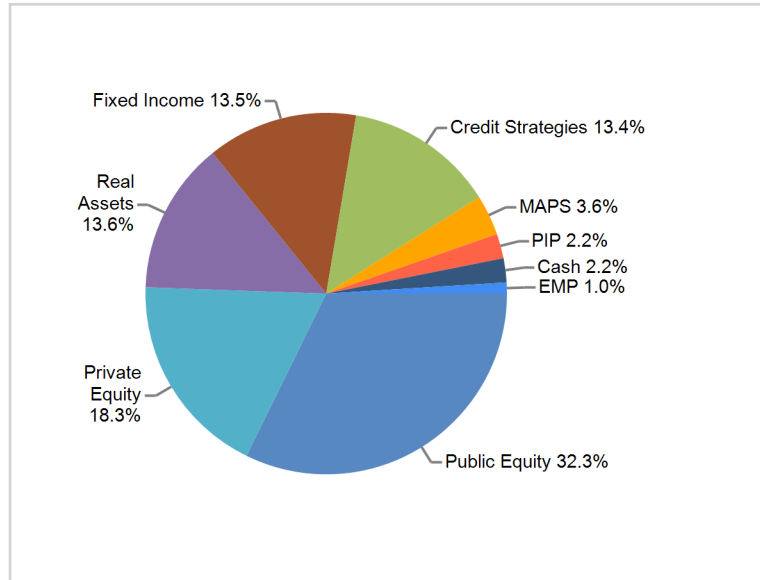
	Current \$Bil	Current Weight	Policy Limit
Hedge Funds	9.8	9.3%	15.0%

* Total Fund includes the following amt held by the Treasurer of VA: \$ 76 million

• The values shown for each asset class on this report may 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.(3 adjustments applied)

*Total Fund and Total Public annualized tracking error is calculated using compounded quarterly returns as of 6/30/2023

* Differences in totals are due to rounding.



Tracking Error	
3Yr-Total Fund:	2.75%
3Yr-Total Public:	1.71%
5Yr-Total Fund:	2.28%
5Yr-Total Public:	1.50%

	Current \$Bil	Current Weight	Policy Weight	Variance	Allowable Range		Internal %
Total Fund	104.2						28.2%
Public Equity	33.6	32.3%	34.0%	-1.7%	-5%	+5%	47.6%
Fixed Income	14.0	13.5%	15.0%	-1.5%	-3%	+5%	94.9%
Credit Strategies	14.0	13.4%	14.0%	-0.6%	-5%	+5%	
Real Assets	14.2	13.6%	14.0%	-0.4%	-5%	+5%	
Private RE	9.4	9.0%					
Other RA	4.8	4.6%					
Private Equity	19.1	18.3%	16.0%	2.3%	-5%	+5%	
MAPS	3.8	3.6%	4.0%	-0.4%	-2%	+2%	
DSTRAT	1.7	1.6%					6.5%
RBI	2.1	2.0%					0.2%
PIP	2.3	2.2%	2.0%	0.2%	-2%	+2%	
EMP	1.0	1.0%	0.0%	1.0%		+3%	
Cash	2.2	2.2%	1.0%	1.2%	-1%	+4%	

High-Level Exposure	Current \$Bil	Current Weight	Policy Weight	Variance	Allowable Range	
Total Equity	52.7	50.6%	50.0%	0.6%	-10%	10%
Fixed Income + Cash	16.3	15.6%	16.0%	-0.4%	-4%	9%

	Current \$Bil	Current Weight	Policy Limit
Hedge Funds	9.6	9.2%	15.0%

* Total Fund includes the following amt held by the Treasurer of VA: \$ 78 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 6/30/2023

* Differences in totals are due to rounding.

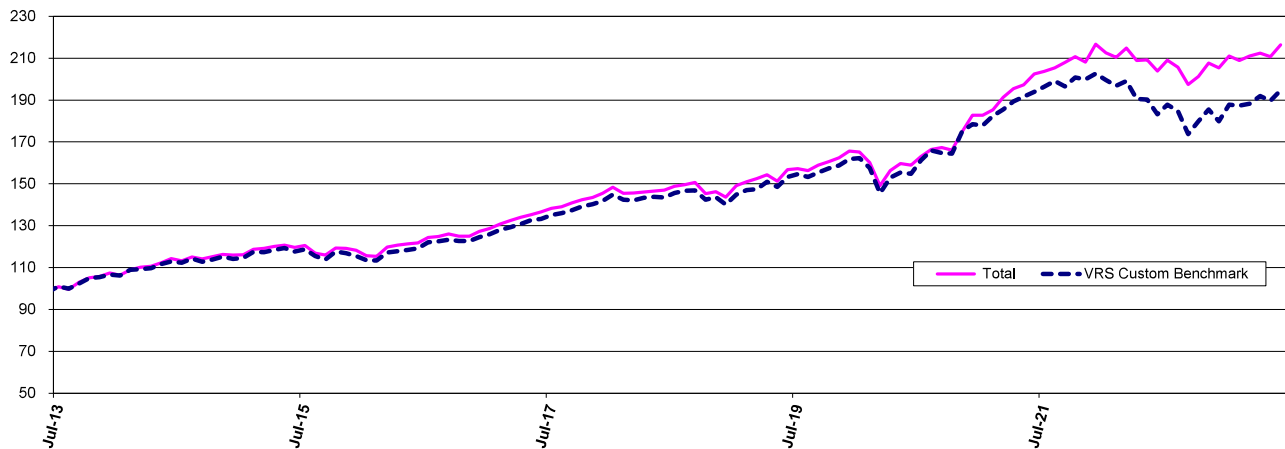
PERFORMANCE SUMMARY
Rolling Periods Ending
June 30, 2023



TOTAL FUND PERFORMANCE

	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month	Fiscal YTD	Cal YTD	Market Value (\$MM)
Total Public Equity Strategies	8.7	7.5	11.6	15.6	5.1	5.5	15.6	11.3	34,691
<i>Benchmark</i>	8.8	8.0	11.4	16.7	6.0	5.9	16.7	13.5	
Total Fixed Income	2.3	1.9	-2.5	0.5	-0.5	-0.1	0.5	2.6	13,453
<i>Benchmark</i>	1.6	0.8	-3.6	-0.1	-0.6	-0.1	-0.1	2.3	
Total Credit Strategies	6.1	6.4	8.3	5.7	2.9	2.0	5.7	5.0	14,327
<i>Benchmark</i>	4.9	4.4	4.3	9.2	2.2	1.8	9.2	5.6	
Total Real Assets	10.0	8.4	11.2	1.7	-0.7	-0.6	1.7	-1.7	14,196
<i>Benchmark</i>	8.0	6.4	7.6	-0.7	-1.4	-0.5	-0.7	-4.5	
Total Private Equity	16.1	17.5	24.9	-0.7	2.9	3.0	-0.7	4.4	19,077
<i>Benchmark</i>	11.1	9.2	16.0	-7.3	7.1	2.5	-7.3	17.7	
Total Private Investment Partnerships	n/a	9.3	16.0	1.9	1.1	1.1	1.9	3.2	2,737
<i>Benchmark</i>	n/a	7.2	10.5	1.1	2.5	1.2	1.1	5.8	
Total Multi-Asset Public Strategies	n/a	4.1	7.3	7.7	3.6	2.6	7.7	5.1	3,664
<i>Benchmark</i>	n/a	4.8	4.8	7.4	2.7	2.1	7.4	6.2	
Total Fund	8.2	8.0	10.8	6.1	2.5	2.7	6.1	5.3	105,041
<i>VRS Custom Benchmark</i>	7.1	6.3	7.9	6.3	3.4	2.7	6.3	8.3	

10-Year Performance
Indexed to 100



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

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

Total Fund Tracking Error

Figure 1: Policy Tracking Error Rolling Three Year - Plan (as of 06/30/2023)

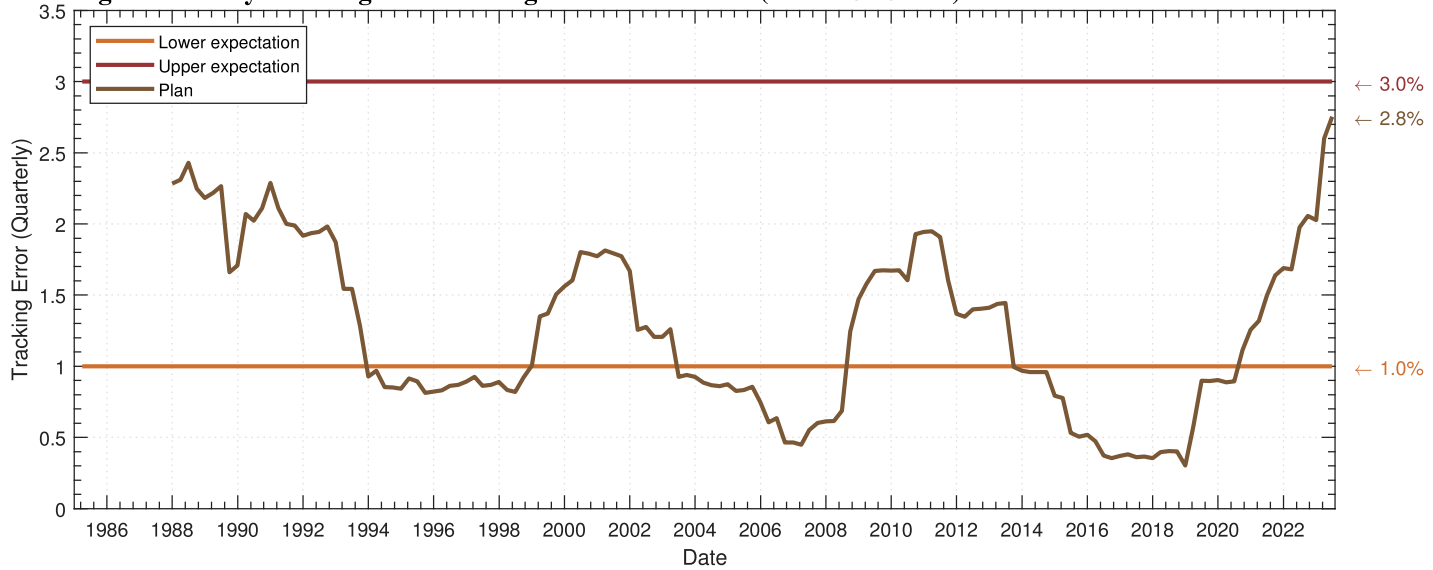
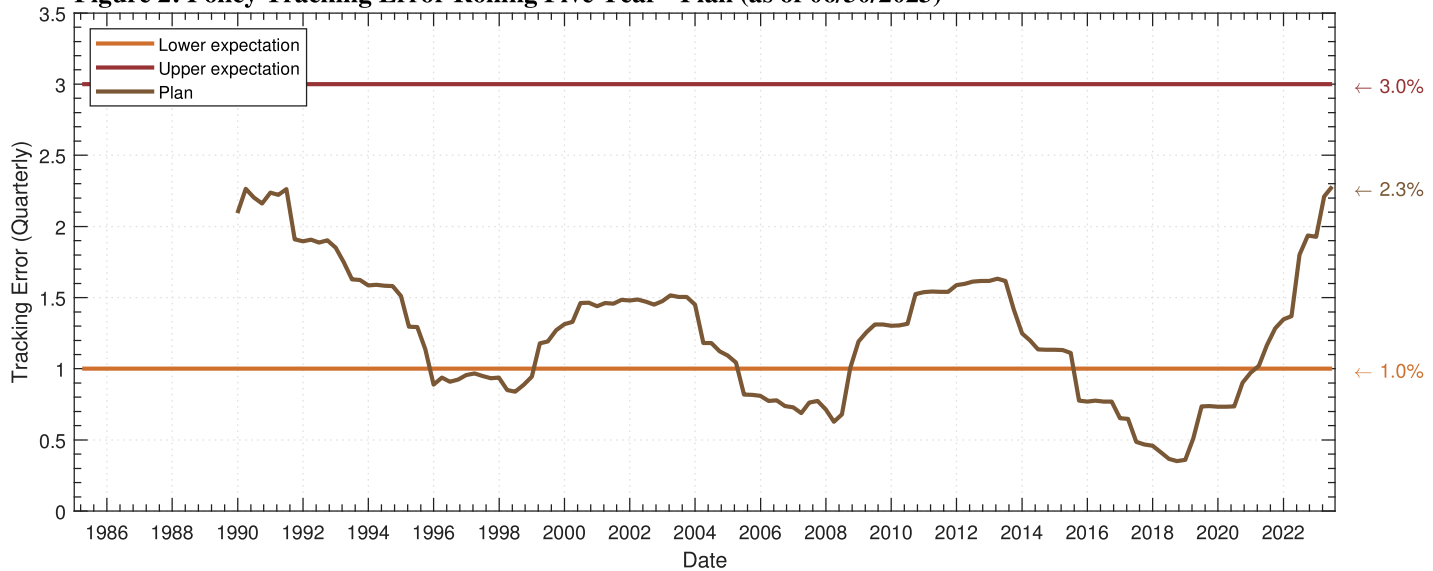


Figure 2: Policy Tracking Error Rolling Five Year - Plan (as of 06/30/2023)



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

Program	Action	Effective Date	Commitment/Current Value	Funding/Defunding Period	Description
Real Assets	Hired	07/28/2023	\$125 Million	5 Years	LS Power Equity Partners V – A closed-end fund investing in power generation and energy transition infrastructure assets in North America.
Real Assets	Hired	08/08/2023	\$200 Million	5 Years	Global Infrastructure Partners Fund V – A closed-end commingled fund investing in global infrastructure.
Real Assets	Hired	08/23/2023	\$125 Million	4 Years	Meadow Real Estate VI – A closed-end commingled fund investing in opportunistic real estate in select global gateway cities.
Private Equity	Hired	7/1/2023	\$300 Million	6 Years	GTCR XIV - A buyout fund that invests in Financial Services and Technology, Healthcare, Business & Consumer Services, and Technology, Media & Telecommunications.
Private Equity	Hired	7/1/2023	\$300 Million	6 Years	TA XV - A growth equity fund that will invest in global, private, middle-market companies in select growth industries: Technology, Healthcare, Financial Services, Consumer, and Business Services.
Private Equity	Hired	07/03/2023	€200 Million	6 Years	CVC IX – A global European-based buyout fund investing principally in Europe with the remaining capital mostly deployed in North America and focusing on the Financial Services, Technology, Healthcare, and Sports & Media sectors.
Private Equity	Hired	07/31/2023	\$200 Million	5 Years	NGP XIII – An energy fund investing in North American businesses in oil and natural gas production and energy midstream industries.
Credit Strategies	Terminated	05/31/2023	\$628 Million	Immediate	Beach Point Credit – A separate account investing in broadly syndicated bank loans.
Credit Strategies	Hired	06/21/2023	\$585 Million	Immediate	OHA Oak Hill Syndicated Loan – A fund of one mandate investing primarily in leveraged loans and high yield bonds.
Credit Strategies	Hired	08/18/2023	\$150 Million	3 Years	Orchard Global EganTree III – A closed-end fund investing in regulatory capital relief transactions.

* 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
 Recap of New Investments/Terminations
 Time Period: 6/16/2023 – 9/21/2023



Program	Action	Effective Date	Commitment/ Current Value	Funding/ Defunding Period	Description
Credit Strategies	Terminated	07/14/2023	\$140 Million	3 Years	Schroders mandate - An account investing in both securitized and direct real estate debt investments.
Risk-Based Investments	Hired	06/30/2023	\$250 Million	Immediate	Aksia Totsumen – A fund that will invest in convex and defensive strategies.
Public Equity	Terminated	08/17/2023	\$195 Million	Immediate	*Advent Global Convertibles – An account investing in global convertible securities.

* 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 June 30, 2023

Investment Program	Activity	Manager Name	Description	VRS Action
Private Equity	Virtual Manager Meeting	Astira Capital Partners (minority and women-owned firm) ¹	A middle market firm investing in “B2B workflow solutions” businesses targeting Governance, Risk, Compliance, Government Technology, Financial Services, and Marketing Services.	Staff had a meeting with this manager during the quarter.
Private Equity	Virtual Manager Meeting	Digital Alpha (minority-owned firm) ¹	North American focused, middle-market digital infrastructure firm.	Staff had a meeting with this manager during the quarter.
Private Equity	Virtual Manager Meeting	Dynasty Equity (minority-owned firm) ²	A buyout fund investing across the sports ecosystem.	Staff had a meeting with this manager during the quarter.
Private Equity	Virtual Manager Meeting	LFE Capital (women-owned firm) ¹	A private equity firm providing growth capital to health and wellness products and services companies.	Staff had a meeting with this manager during the quarter.
Private Equity	Manager Meeting	Luminate Capital Partners (women-owned firm) ¹	A growth buyout firm investing in the enterprise software market.	Staff had a meeting with this manager during the quarter.
Private Equity	Virtual Manager Meeting	One Rock Capital Partners (minority-owned firm) ¹	A middle market firm focusing on control-stake equity investments in middle-market companies in North America.	Staff had a meeting with this manager during the quarter.
Private Equity	Virtual Manager Meeting	PACE Healthcare Capital (women-owned firm) ¹	A venture capital firm investing in digital health and healthcare tech companies.	Staff had a meeting with this manager during the quarter.
Private Equity	Manager Meeting	Paceline Equity Partners (women-owned firm) ²	A private equity firm focused on value-oriented and special situations investments across private equity, corporate debt, and real assets in all market environments.	Staff had a meeting with this manager during the quarter.

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending June 30, 2023

Investment Program	Activity	Manager Name	Description	VRS Action
Private Equity	Manager Meeting	Palladium Equity Partners (minority and women-owned firm) ¹	A middle market buyout fund investing in founder owned rollups with Hispanic themes.	Staff had a meeting with this manager during the quarter.
Private Equity	Virtual Manager Meeting	The Artemis Fund (women-owned firm) ¹	A venture capital firm leading seed rounds in disruptive fintech, e-commerce tech, and care-tech companies founded and led by women.	Staff had a meeting with this manager during the quarter.
Private Equity	Virtual Manager Meeting	Valor Equity Partners (minority-owned firm) ¹	A fund focused on providing flexible capital to growing companies.	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 call with this manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	Clearlake Capital Group (minority-owned firm) ¹	A private equity fund investing in special situations and distressed opportunities in small and medium-sized companies.	Staff had a meeting with this manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	ICV Capital Partners (minority-owned firm) ¹	A private equity fund investing in market leaders in stable to growing niches in smaller middle market companies with a value theme at the purchase.	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 call with this manager during the quarter.

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending June 30, 2023

Investment Program	Activity	Manager Name	Description	VRS Action
Private Equity	On-Going Monitoring of Current VRS Manager	TSG Consumer Partners (women-owned firm) ²	Growth fund investing exclusively in middle market consumer-branded companies.	Staff had a meeting with this manager during the quarter.
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 and women-owned firm) ¹	A large market buyout fund targeting enterprise software companies.	Staff had a meeting with this manager during the quarter.
Private Equity	Attendance at DIME Conference	Grosvenor Consortium Conference	Attended a conference focused on small, emerging, and diverse investment managers.	Staff attended the event during the quarter.
Real Assets	Virtual Manager Meeting	AoRa Development (minority-owned firm) ¹	Manager focused on sustainable investing in multifamily assets primarily in New York.	Staff held an introductory meeting with this manager to discuss their background, company, and current fundraise initiative.
Real Assets	Virtual Manager Meeting	Arena Capital Holdings (women and minority-owned firm) ¹	Manager focused on workforce housing as well as single-tenant leased retail.	Staff held an introductory meeting with this manager to discuss their background, company, and current fundraise initiative.
Real Assets	Virtual Manager Meeting	D4IR (minority-owned firm) ¹	Manager focused on climate change technologies.	Staff held an introductory meeting with this manager to discuss their background, company, and current fundraise initiative.
Real Assets	Virtual Manager Meeting	Digital Alpha (minority-owned firm) ¹	North American focused, middle-market digital infrastructure firm.	Staff held an introductory meeting with this manager to discuss their background, company, and current fundraise initiative.
Real Assets	Virtual Manager Meeting	EIV Capital (women-owned firm) ¹	Manager investing across the energy value chain in both midstream and upstream opportunities.	Staff held an update meeting with this manager to discuss their background, company, and current fundraise initiative.

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending June 30, 2023

Investment Program	Activity	Manager Name	Description	VRS Action
Real Assets	Virtual Manager Meeting	Elion Partners (minority-owned firm) ¹	U.S. focused, last-mile logistics industrial real estate focused group.	Staff held a virtual meeting with this manager to discuss updates to current fundraise initiative, the market and to learn more about their underwriting approach.
Real Assets	Virtual Manager Meeting	Palistar Digital Infrastructure (minority-owned firm) ¹	North American focused, middle-market digital infrastructure firm.	Staff held an introductory meeting with this manager to discuss their background, company, and current fundraise initiative.
Real Assets	Virtual Manager Meeting	Vineyard Infrastructure (minority-owned firm) ¹	Firm focused on Next Generation infrastructure opportunities, primarily focused on North American digital infrastructure opportunities.	Staff held an update meeting with this manager to discuss their background, company, and current fundraise initiative.
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.

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending June 30, 2023

Investment Program	Activity	Manager Name	Description	VRS Action
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.
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.
Dynamic Strategies	Virtual Manager Meeting	V-Square Quantitative Management (minority-owned firm) ¹	Manager runs passive and factor-based equity and fixed income strategies.	Staff held an update meeting with this manager to discuss the firm's approach and strategy.
Public Equity	Virtual Manager Meeting	Causeway (women-owned firm) ¹	Manager runs international, global, and emerging markets strategies.	Staff held an update meeting with the manager to discuss the firm and their strategy.
Public Equity	Virtual Manager Meeting	V-Square Quantitative Management (minority-owned firm) ¹	Manager runs passive and factor-based equity and fixed income strategies.	Staff held an introductory meeting with this manager to discuss the firm and their strategy.
Public Equity	Virtual Manager Meeting	Xponance (women-owned firm) ¹	Manager runs systematic global equity strategy.	Staff held an introductory meeting with this manager to discuss the firm and their strategy.
Public Equity	Manager Meeting	Yiheng Capital (minority-owned firm) ¹	Manager runs a Chinese hedge fund.	Staff held an introductory meeting with this manager to discuss the firm and their strategy.
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.

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending June 30, 2023

Investment Program	Activity	Manager Name	Description	VRS Action
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 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	Sycamore Tree Capital Partners (minority-owned firm) ¹	Strategy focused on collateralized loan obligation management.	Staff had a meeting with this manager to discuss the firm and their strategy.
Credit Strategies	Virtual Manager Meeting	Antara Capital (minority-owned firm) ¹	Strategy focused on event-driven credit and special situations equity manager.	Staff had a meeting with this manager to discuss the firm and their strategy.
Credit Strategies	Virtual Manager Meeting	Reverence Capital (minority-owned firm) ¹	Manager focused on private credit.	Staff had a meeting with this manager to discuss the firm and their strategy.
Credit Strategies	Virtual Manager Meeting	Brightwood Capital Advisors (minority-owned firm) ¹	Manager focused on direct lending.	Staff had a meeting with this manager to discuss the firm and their strategy.
Credit Strategies	Virtual Manager Meeting	Kah Capital Management (minority-owned firm) ¹	Manager focused on mortgage credit.	Staff had a 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.

Index:

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending June 30, 2023

- 1 – The manager is considered Diverse Investment Management Engagement (DIME) under the Commonwealth of Virginia definition, which defines ownership threshold of 51% or more.
- 2 – The manager is considered DIME under the definition that considers industry best practices and defines an ownership threshold of greater than or equal to 33% and less than 51% of firm ownership or carry.

VRS Investment Department
Quarterly External Investment Manager Referral Report
Activity for Quarter Ending June 30, 2023

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



CEM Pension Admin Report – FY 2022

Virginia Retirement System
September 21, 2023

64 leading global pension systems participate in the benchmarking service.

Participants

United States

Arizona SRS
CalPERS
CalSTRS
Colorado PERA
Delaware PERS
Florida RS
Idaho PERS
Illinois MRF
Indiana PRS
Iowa PERS
Kansas PERS
Kentucky PPA
LACERA
Michigan ORS
Minnesota State RS
North Carolina RS
NYC TRS
NYCERS
NYSLRS
Ohio PERS
Oregon PERS
Pennsylvania PSERS

PSRS PEERS of Missouri
South Dakota RS
STRS Ohio
TRS Illinois
TRS of Texas
Utah RS
Virginia RS
Washington State DRS

Canada

Alberta Pension Services
Alberta Teachers
BC Pension Corporation
Canadian Forces PP
Federal Public Service PP
LAPP of Alberta
Municipal Pension Plan of BC
Ontario Pension Board
Ontario Teachers
OPTrust
RCMP

The Netherlands*

ABN Amro PF
ABP
Metaal en Techniek
PF Vervoer
PFZW
Rabobank PF

Middle East

Abu Dhabi RPB

United Kingdom*

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

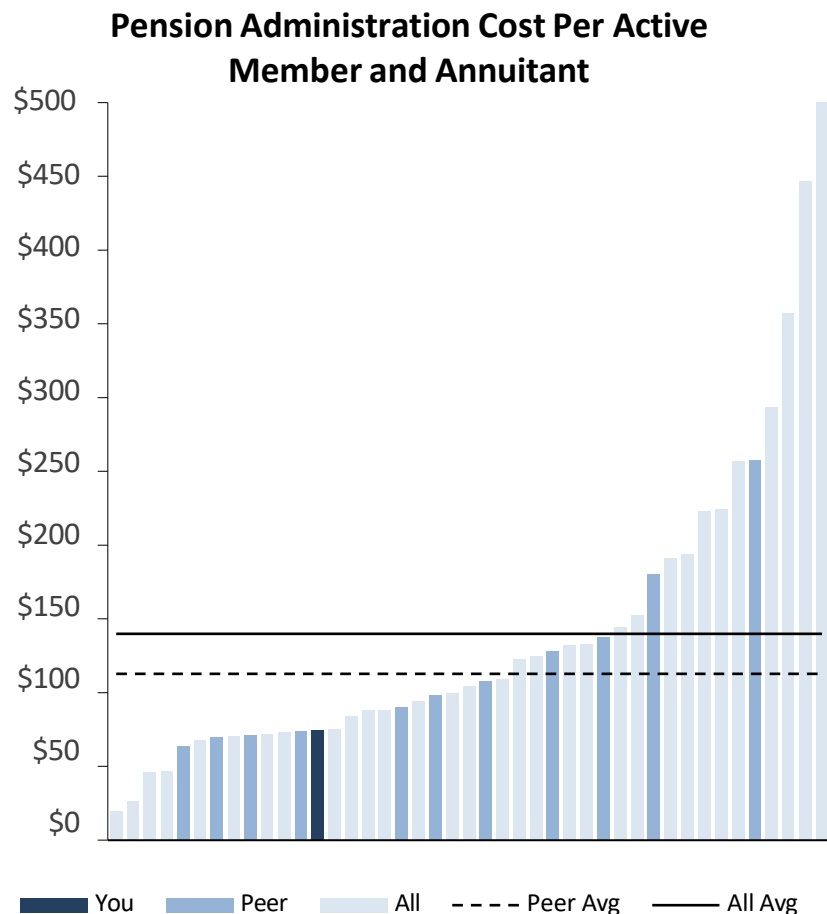
* Systems in the UK and most systems in the Netherlands, except ABP and PFZW, complete different benchmarking surveys and hence your analysis does not include their results.

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

Custom Peer Group for Virginia RS			
Peers (sorted by size)	Membership (in 000's)		
	Active Members	Annuitants	Total
NYSLRS	506	508	1,014
CalSTRS	449	327	776
Virginia RS	343	235	578
Washington state DRS	340	218	558
Ohio PERS	290	219	509
Pennsylvania PSERS	254	245	499
Michigan ORS	168	286	454
Indiana PRS	247	171	418
Arizona SRS	208	167	376
STRS Ohio	211	159	370
Colorado PERA	238	131	369
Oregon PERS	178	161	339
Peer Median	250	219	476
Peer Average	286	236	522

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

Your total pension administration cost of \$74 per active member and annuitant was \$39 below the peer average of \$113.



Category	\$000s	\$ per Active Member and Annuitant	
		You	Peer Avg
<u>Front office</u>			
Member Transactions	3,969	7	13
Member Communication	6,403	11	18
Collections & Data Maintenance	2,661	5	8
<u>Governance and support</u>			
Governance and Financial Control	2,830	5	7
Major Projects	0	0	12
Information Technology	21,323	37	33
Building	1,776	3	5
Legal	1,189	2	5
HR, Actuarial, Audit, Other	2,812	5	12
Total Pension Administration	42,964	74	113

Your total pension administration cost was \$43.0 million. This excludes the fully-attributed cost of administering healthcare, and optional and third-party administered benefits of \$10.7 million.

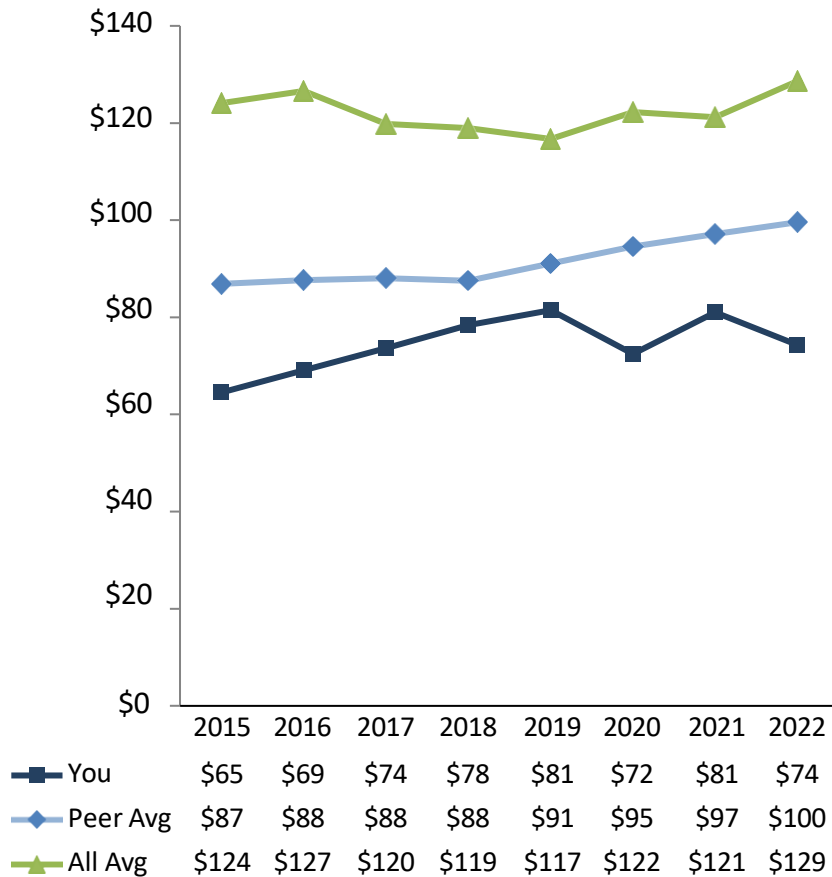
Reasons why your cost per member was \$39 below the peer average:

Reason	You	Peer Avg	Impact \$ per active member and annuitant
1 Fewer front office FTE per 10,000 members	2.2 FTE	3.5 FTE	-\$20
2 Lower third party costs per member in the front office	\$3	\$6	-\$3
3 Higher costs per FTE			
Salaries and Benefits	\$114,381	\$111,885	
Building and Utilities	\$9,358	\$8,672	
HR	\$3,197	\$4,566	
IT Desktop, Networks, Telecom	<u>\$51,395</u>	<u>\$18,292</u>	
Total	\$178,331	\$143,415	\$19
4 Lower support costs per member ¹			
Governance and Financial Control	\$7	\$10	
Major Projects	\$0	\$16	
IT Strategy, Database, Applications	\$16	\$27	
IT Security	\$7	\$3	
Actuarial, Legal, Audit, Other	<u>\$7</u>	<u>\$17</u>	
Total	\$38	\$73	-\$35
Total			-\$39

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

Cost trends:

Trend in Total Pension Administration Costs



Trend analysis is based on systems that have provided 8 consecutive years of data (11 of your 12 peers and 34 of the 43 systems in the universe).

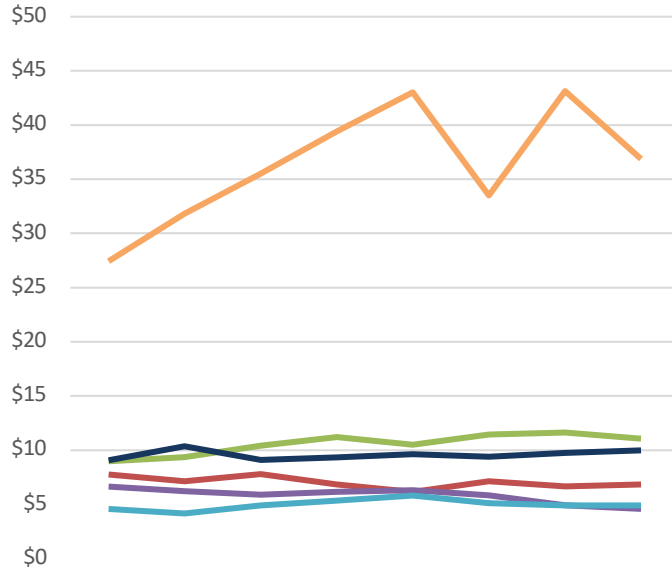
Between 2015 and 2022 your total pension administration cost per active member and annuitant increased 2.0% per annum.

During the same period, the average cost of your peers with 8 consecutive years of data increased 2.0% per annum.

Costs related to IT upgrade projects and the implementation of new programs had the biggest impact from 2015 to 2022. The impact was an increase of \$10 per member.

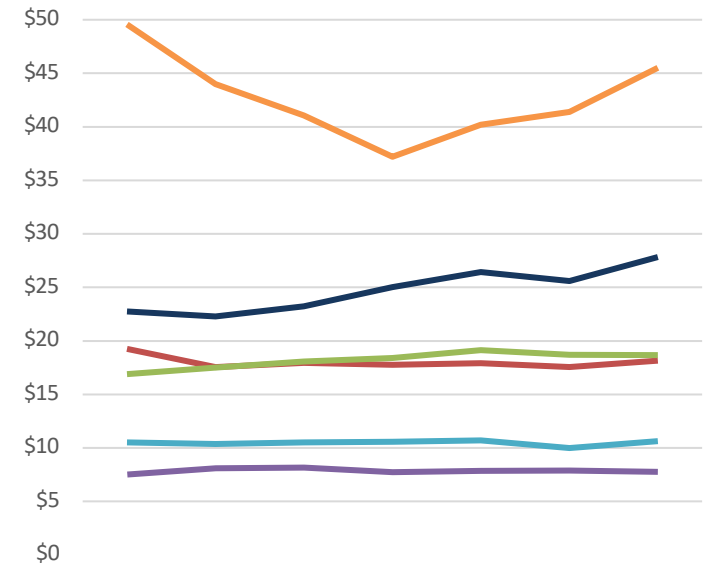
Maintaining and/or replacing legacy systems is impacting the costs for most systems.

You



	2015	2016	2017	2018	2019	2020	2021	2022
IT and Major Projects	27	32	36	39	43	34	43	37
Member Transactions	8	7	8	7	6	7	7	7
Member Communication	9	9	10	11	11	11	12	11
Collections and Data	7	6	6	6	6	6	5	5
Governance	5	4	5	5	6	5	5	5
Support	9	10	9	9	10	9	10	10

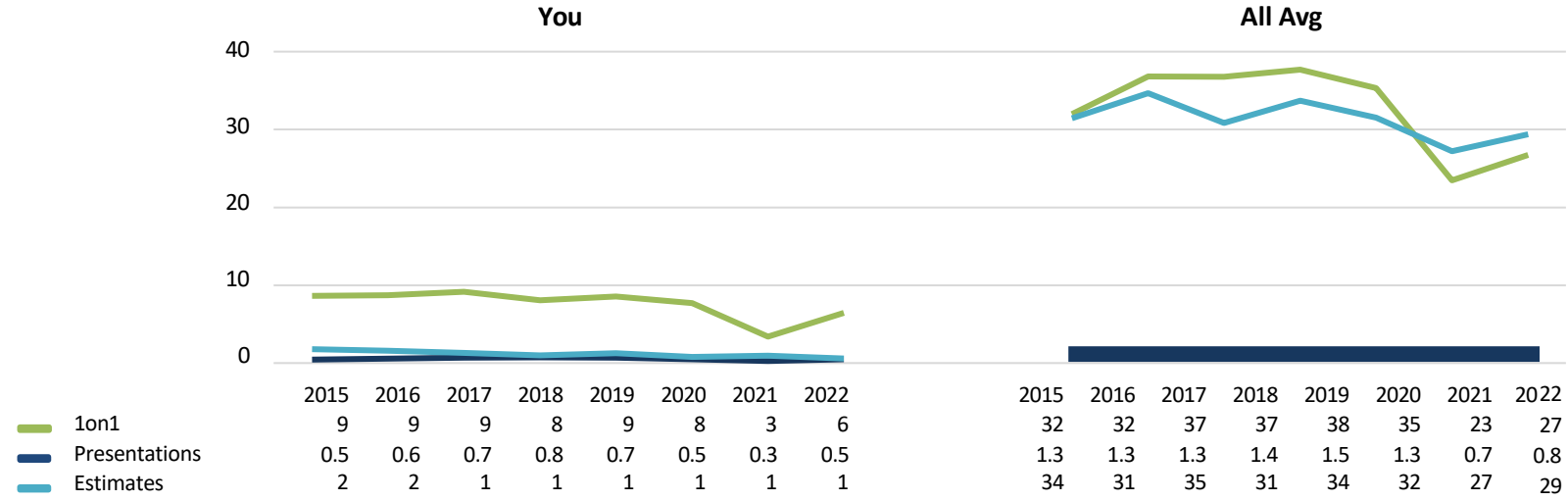
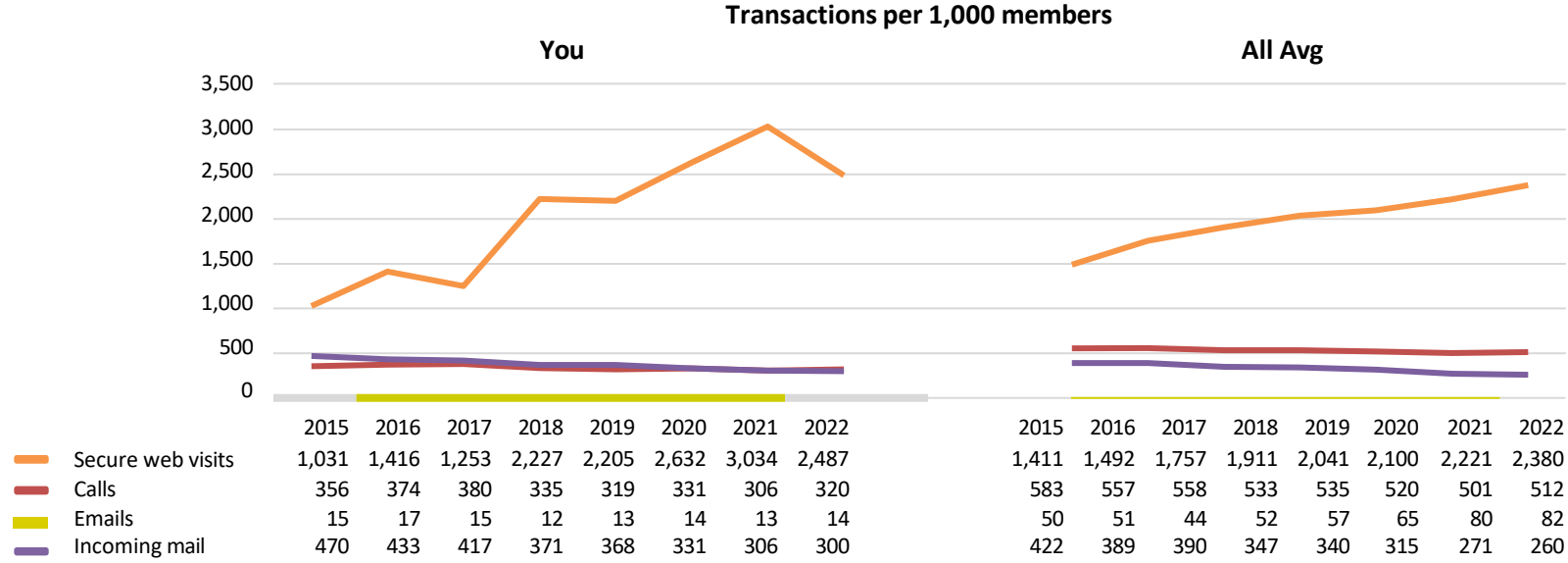
Cost per Member - All Avg



	2015	2016	2017	2018	2019	2020	2021	2022
IT and Major Projects	47	50	44	41	37	40	41	46
Member Transactions	20	19	18	18	18	18	18	18
Member Communication	17	17	18	18	18	19	19	19
Collections and Data	8	8	8	8	8	8	8	8
Governance	11	11	10	11	11	11	10	11
Support	22	23	22	23	25	26	26	28

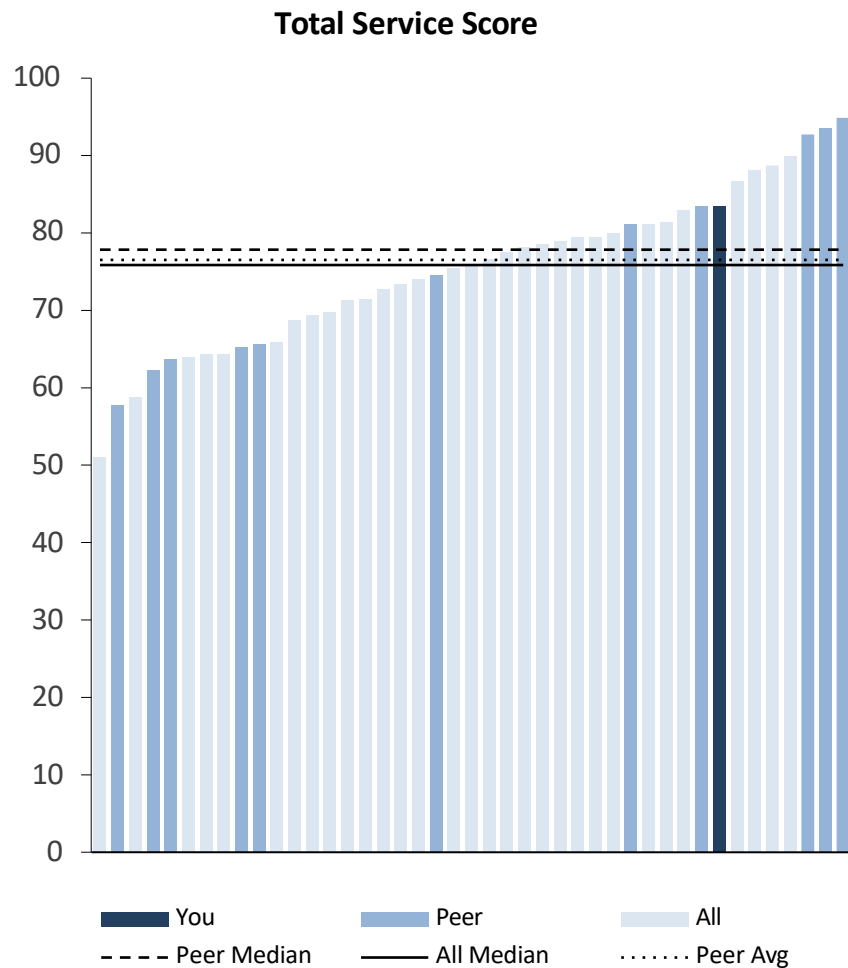
Trend analysis is based on 34 systems that provided 8 consecutive years of data.

IT investments and the pandemic have accelerated digital adoption.



Trend analysis is based on 34 systems that provided 8 consecutive years of data.

Your total service score was 83. This was above the peer median of 78.



Service Scores by Activity			
Activity	Weight	You	Peer Median
1. Member Transactions			
Pension Payments	10.0%	100	100
Pension Inceptions	7.4%	92	91
Refunds, Withdrawals, and Transfers-out	1.3%	93	95
Purchases and Transfers-in	3.1%	100	91
Disability	3.8%	82	78
2. Member Communication			
Call Center	21.0%	71	61
1-on-1 Counseling	7.4%	82	77
Member Presentations	6.5%	100	100
Written Pension Estimates	4.7%	93	90
Mass Communication			
Website	21.3%	93	87
News and Targeted Communication	2.8%	67	81
Member statements	4.7%	88	86
3. Other			
Member Experience Surveying	5.0%	13	34
Disaster Recovery	1.0%	100	87
Weighted Total Service Score	100%	83	78

Service is defined from a member's perspective. Higher service means more channels, faster turnaround times, more availability, more choice, better content and higher quality.

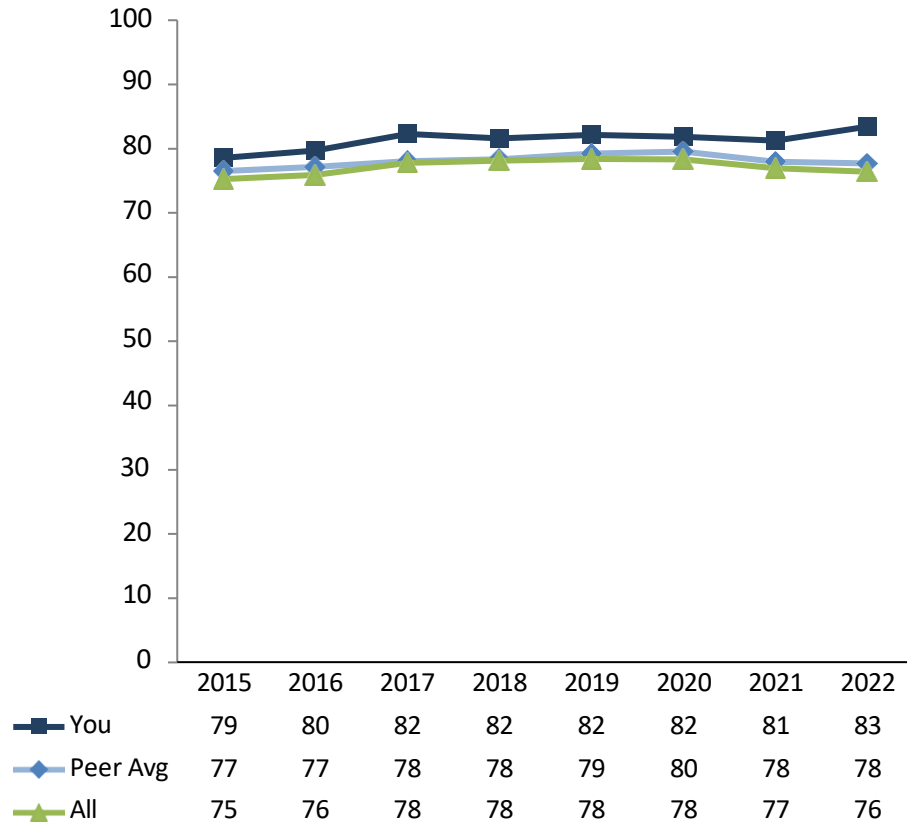
Higher service is not necessarily cost-effective. For example, the ability to answer the telephone 24 hours a day is higher service, but not cost effective.

Examples of key service measures included in your total service score:

Select Key Service Metrics	You		Peer Avg
	2021	2022	
<u>Member Contacts</u>			
• % of calls resulting in undesired outcomes (busy signals, messages, hang-ups)	13%	13%	21%
• Average total wait time including time negotiating auto attendants, etc.	302 secs	292 secs	472 secs
<u>Website</u>			
• Can members access their own data in a secure environment?	Yes	Yes	100% Yes
• Do you have an online calculator linked to member data?	Yes	Yes	92% Yes
• # of other website tools offered such as changing address information, registering for counseling sessions and/or workshops, viewing or printing tax receipts, etc.	19	19	17
<u>1 on-1 Counseling and Member Presentations</u>			
• % of your active membership that attended a 1-on-1 counseling session	0.6%	1.1%	2.2%
• % of your active membership that attended a presentation	1.5%	1.8%	6.8%
<u>Pension Inceptions</u>			
• What % of annuity pension inceptions are paid without an interruption of cash flow greater than 1 month between the final pay check and the first pension check?	100.0%	100.0%	87.0%
<u>Member Statements</u>			
• How current is an active member's data in the statements that the member receives?	2.0 mos	2.0 mos	2.0 mos
• Do statements provide an estimate of the future pension entitlement?	Yes	Yes	67% Yes

Your service score has increased from 79 to 83 between 2015 and 2022.

Trends in Total Service Scores



Trend analysis is based on systems that have provided 8 consecutive years of data (11 of your 12 peers and 34 of the 43 systems in the universe).

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

Changes that had a positive impact in 2022:

- Group counseling has returned to pre-pandemic levels with the delivery shifting to webinars as opposed to in the field.
- 1on1 counseling has returned with both pre-scheduled in-house meetings and at the member's place of employment in addition to online sessions.

Longer Term changes:

- Website: digital enhancements such as online retirement applications, online refund applications, an online financial planner, online counseling appointment scheduling system and beneficiary management system have had a positive impact on your service score.

Key takeaways:

Cost

- Your total pension administration cost of \$74 per active member and annuitant was \$39 below the peer average of \$113.
- Your total pension administration cost per member was lower because:
 - You had fewer front office FTE per 10,000 active members and annuitants.
 - You had lower support costs per member.
- Between 2015 and 2022 your total pension administration cost per active member and annuitant increased 2.0% per annum.
- During the same time period, the average cost of your peers with 8 consecutive years of data increased 2.0% per annum.

Service

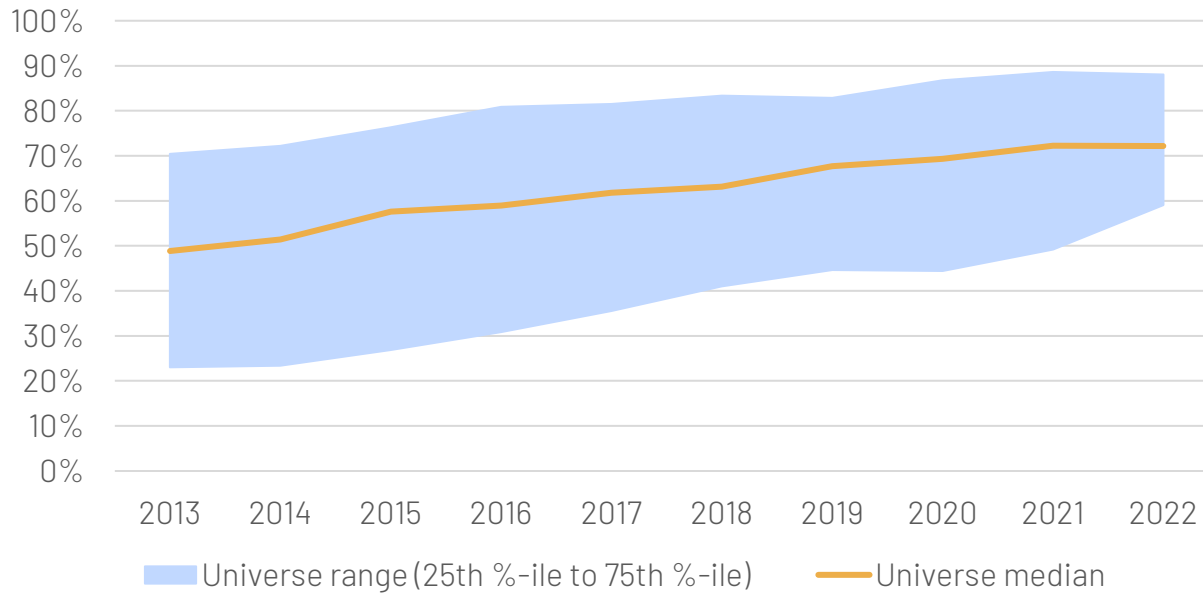
- Your total service score was 83. This was above the peer median of 78.
- Your service score has increased from 79 to 83 between 2015 and 2022.
- Your service score increased by 2 from 2021 to 2022 as 1on1 and group counseling is returning post pandemic.

Global Trends



Average digital reach has increased by 20%.

Digital reach between 2013 and 2022

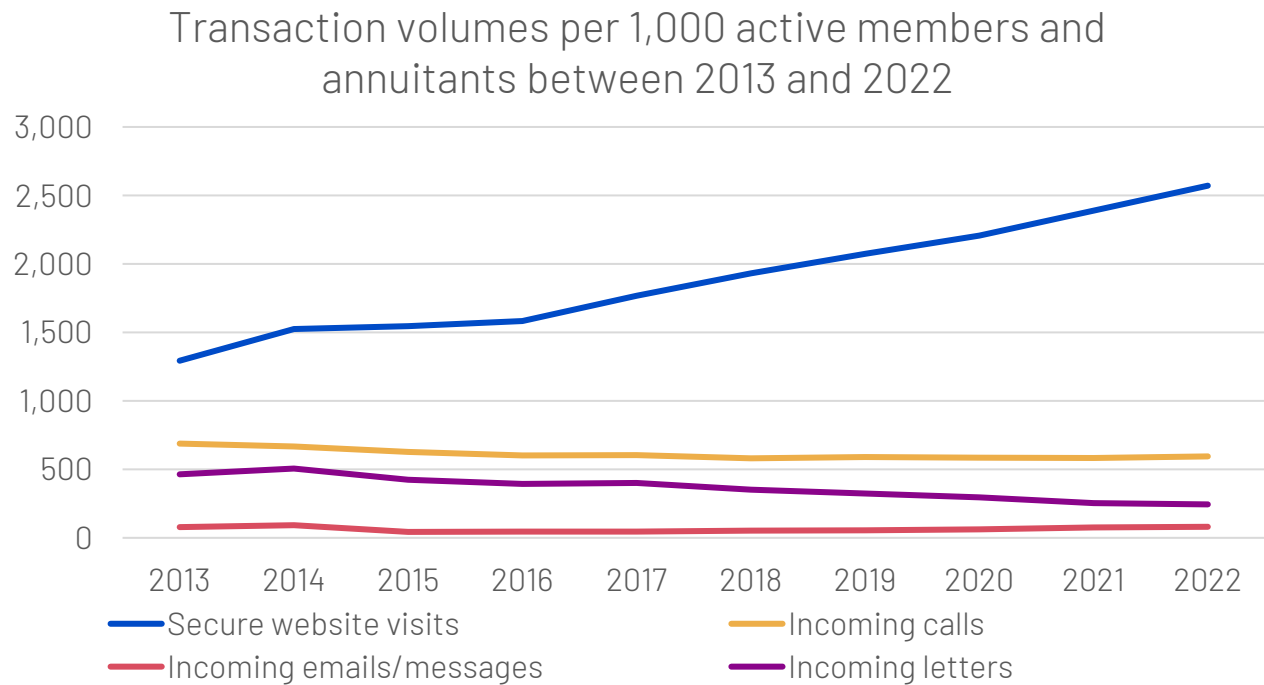


Digital reach measures the proportion of your self-service volumes as a % of total volumes.

e.g.:

Total secure website visits (A)	400,000
Incoming calls (B)	70,000
Incoming emails/messages (C)	9,000
Incoming letters (D)	20,000
Digital reach $[A / (A + B + C + D)]$	80%

Secure website visits have doubled.

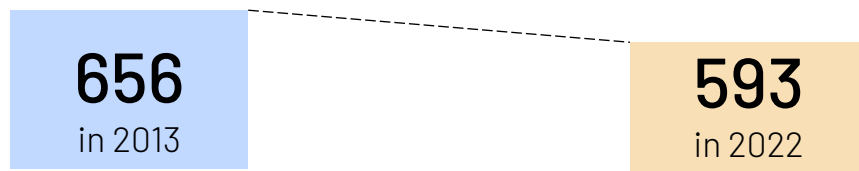


Change in transaction volumes between 2013 and 2022:

- Secure website visits, **+99%**
- Incoming calls, **-14%**
- Incoming emails, **+4%**
- Incoming letters, **-48%**
- Counseling sessions, **-26%**
- Written estimates, **-14%**
- Online estimates, **+50%**

The nature of member calls has changed for most plans.

Incoming calls per 1,000 active members and annuitants



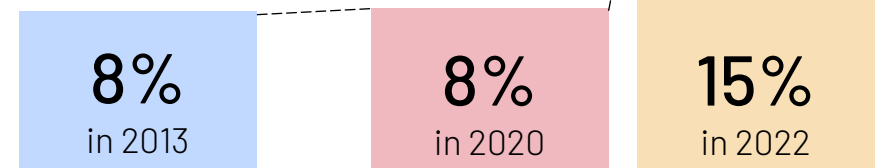
Call wait time, in seconds



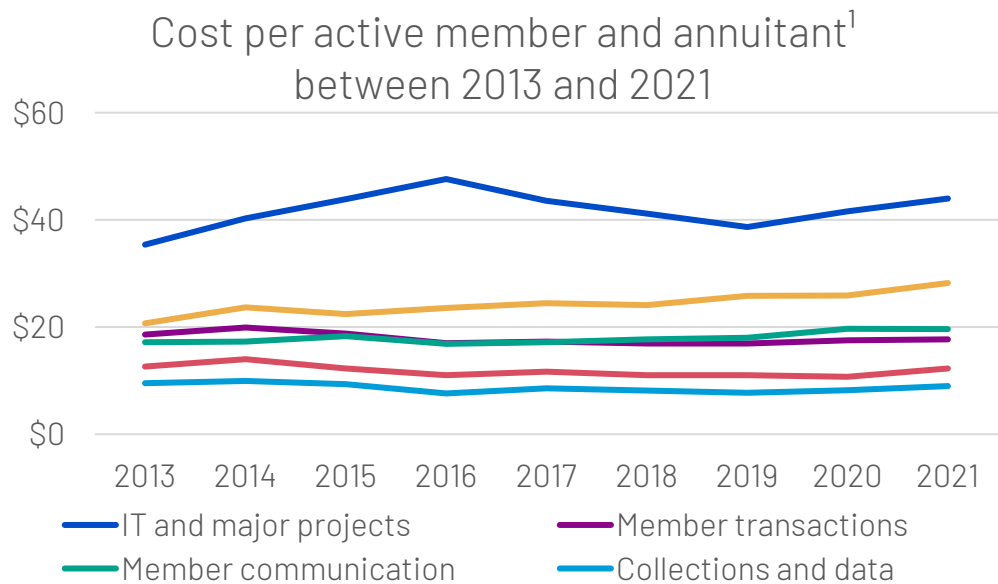
Time on call, in seconds



Percentage of undesired call outcomes



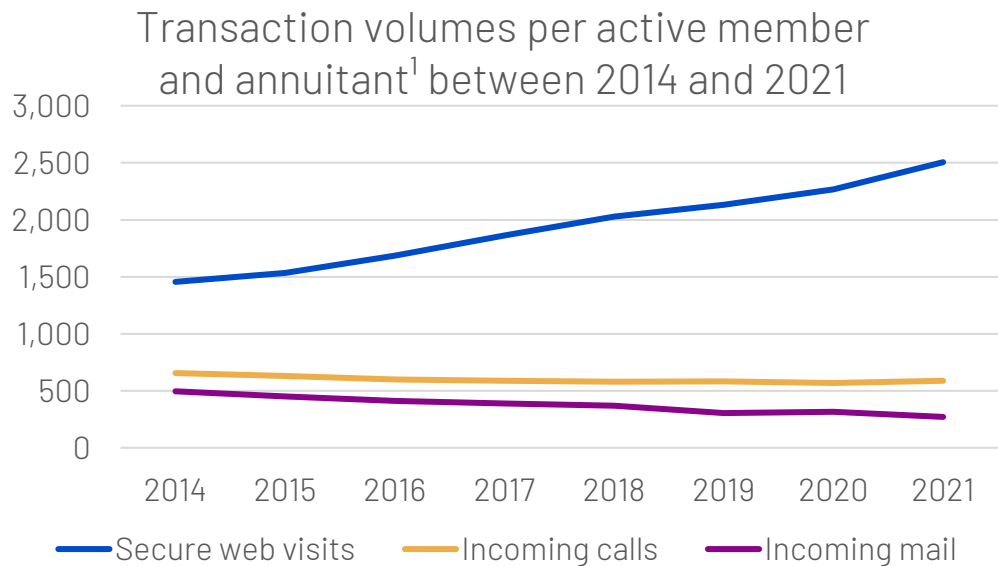
Maintaining and/or replacing legacy systems is impacting costs and member service strategies for most pension systems.



IT and major projects represented one third of total pension administration costs in 2021 for the average pension system.

1. Based on 30 plans with 9 consecutive years of data.

Digitization and the pandemic have accelerated digital adoption... but increased a pension system's total transaction volumes.



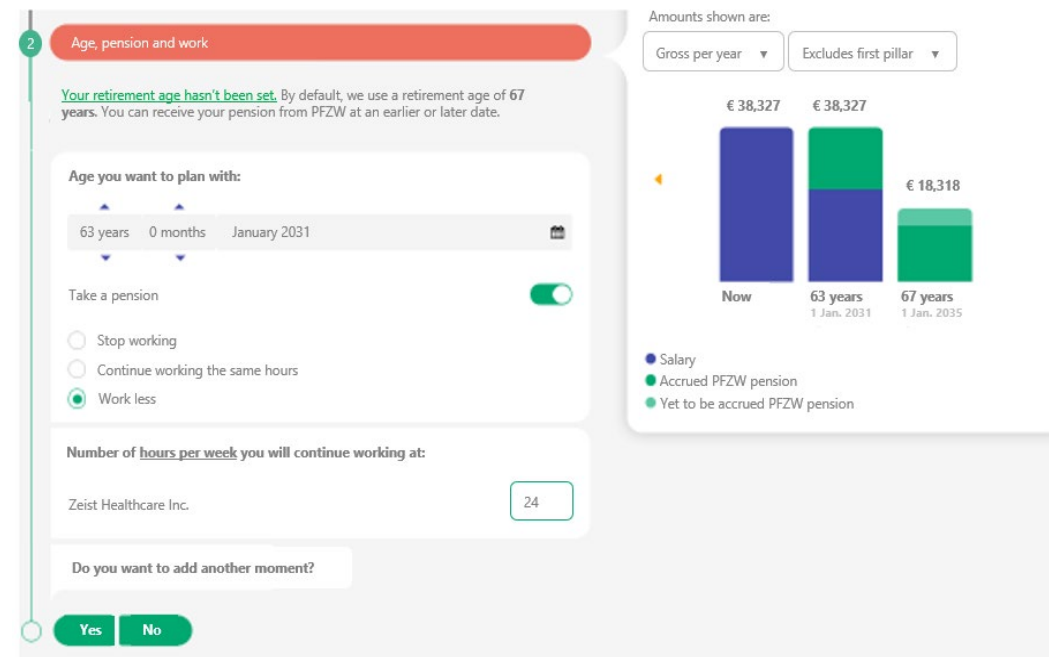
Secure website visits increased by 72% between 2014 and 2021. Incoming member calls decreased by 10% in the same period, while mail from members decreased by 45%.

1. Based on 30 plans with 8 consecutive years of data.

Most member websites are **not** user-friendly.

Leading websites:

- Have a simple and personalized starting point
- Focus on life and career events
- Avoid legalese, jargon and acronyms
- Guide members through a process that is unfamiliar and complex for them with as much ease as possible
- Look modern



Customer experience is mission critical for some pension systems.

Why?

- Member expectations are higher than ever before.
- Leadership believes customer experience is strategically critical for the future of (Defined Benefit) pension systems.
- Plans that solicit and manage member feedback can exercise better cost control.

What are the pillars of a CX program?

- Surveying
- Root cause analysis
- Feedback management
- Customer journeys
- Member-centric culture & strategy
- Board/executive engagement

Systems are proactively engaging their members with targeted campaigns to reduce call volumes.

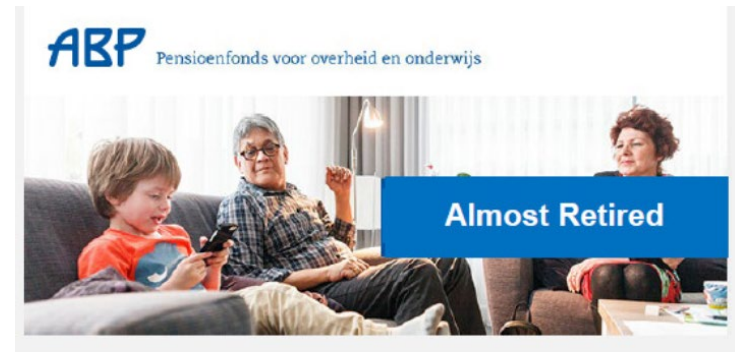
Reassurance emails for retiring members:

40%
fewer calls

...from members that received an email.

+17
retiring
member NPS

Member satisfaction increased by 23% for members that received an email.



Dear Mr. Widdershoven,

You will retire on November 1st. We want to assure you of a warm welcome as a pensioner at ABP. In this email you will learn what you can expect from us.

- ✓ You will receive your first pension payment on February 21st. The other [payment dates for 2021](#) can be found on [abp.nl](#).
- ✓ Your benefit statement shows how high your pension payment will be. This letter can be found in MyABP, under 'Contact moments'.
- ✓ Every year, in January, you will receive an annual statement and payment specification.
- ✓ You will also receive a payment specification if your pension increases or decreases.

[View your benefit statement in MyABP](#) ➔

Plans are using AI tools to innovate member service.

Digital data readiness:

- Cleaning pension data with machine learning algorithms

Pension planning:

- Predicting member retirement spending based on sociodemographic data

Verification:

- Tracking/identifying members with facial recognition technology

Contact center support:

- Improving the quality of virtual assistants (i.e., chatbots)
- Real-time, on-call member satisfaction metrics based on voice recognition
- Predicting a member's next question
- Transcribing member calls to text, a format that is more conducive to data analytics
- An AI assistant that integrates CRM and browser-based solutions helps redirect members to digital, guide workflow, decrease handle time



Report

The Defined Contribution Plans Advisory Committee (DCPAC) convened on September 7, 2023 at 1:00 p.m. and took up the following matters:

WELCOME

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

ADMINISTRATION

Administrative Reports & Communications

Staff provided an overview of the DC plans, as well as an update on administrative reports for the second quarter of 2023. An overview of assets and accounts across the various defined contribution plans, as well as account trends was also provided. Staff shared that assets and accounts have increased slightly since last quarter.

Staff provided an update on the age-based catch-up contributions of the SECURE 2.0 provision. VRS made the decision to pause age-based catch-up contributions for 2024 due to implementation challenges. However, the IRS has granted an administration transition period of two years for plans to come into compliance with this provision, Section 603. Staff further presented various optional provisions from SECURE 2.0 which are under consideration.

Staff reminded the committee that the FOCUS newsletter is one of the primary mediums to communicate to participants and members. These newsletters are included with the quarterly statements. There are multiple versions with varied and timely topics.

Highlights from Hybrid 2023 Automatic Escalation were shared, which included the number of participants who used auto-escalation and the results of those who remained, increased or decreased their voluntary percentages. Staff also shared an overview of ORPHE assets, including participant counts and balances with DCP (MissionSquare) and TIAA.

DC Plans Record Keeper Transition Update

Staff provided an update on the DC Plans Record Keeper Project. We are in full planning mode with Voya. Discovery meetings are in progress with various teams. Project plan is forthcoming.

INVESTMENTS

Annual Investment Review

Staff reviewed investment duties and responsibilities of the DCPAC. Staff provided the Committee with its annual investments review as of June 30, 2023, which included investments for the unbundled DC plans and the TIAA ORPHE. Staff highlighted the participant fee savings due to moving to lower share classes for various funds and informed the Committee of ongoing monitoring of DC investment trends and developments such as default investment options, investment menu structure, behavioral finance, investment advice and retirement income. Staff also included Vanguard’s How America Saves 2023 Report in the Appendix to serve as a reference.

OTHER BUSINESS

Discussion of New Ideas

A discussion was held about thoughts on next steps regarding the SECURE 2.0 optional provisions. Staff stated conversations will be had with employers along with additional research in order to make final decisions on the optional provisions. Further discussions were held about behavioral finance and participant behavior along with the possibility of educational sessions.

2023 MEETINGS

Senator Bell confirmed the following DCPAC meeting date for 2023:

- November 30th at 1:00 p.m.

The ORPHE Annual Employer Update is scheduled for September 19, 2023. This is not a DCPAC Committee meeting; however, members may attend if interested.

There was no other business to come before the Committee.

That concludes my report to the Board.

Submitted to the Board of Trustees on September 21, 2023.

J. Brandon Bell, Chair
Defined Contribution Plans Advisory Committee

Report

The Audit and Compliance Committee met on September 20, 2023. Mr. Montgomery welcomed committee members, board members, agency officials, 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 June 13, 2023 meeting.

EXIT ON THE 2022 EMPLOYER ASSURANCES REVIEW AND UPDATE ON THE 2023 ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR) AUDIT

The Auditor of Public Accounts (APA) reported the Employer Assurances Review, covering GASB Statements No. 68 and 75, has concluded. The APA has issued their related opinions for the Pension and Other Post-Employment Benefit (OPEB) plans.

The APA also reported the 2023 VRS ACFR Audit is progressing as planned and is on scheduled to be finished in advance of December 15, 2023.

INTERNAL AUDIT ASSURANCE REVIEWS

The committee received the results for the following reviews completed by the Internal Audit Department:

Agency Performance Outcomes and Agency Operational Measures

The principal auditor for investments and operations discussed Internal Audit's review of management's representations regarding the agency performance outcomes and operational measures for the fiscal year ended June 30, 2023, noting nothing came to Internal Audit's attention that indicated the outcomes and measures were not appropriately represented for the fiscal year.

VRS' Investment Incentive Compensation

The principal auditor for investments and operations noted Internal Audit completed its review of the Investment Department's proposed incentive compensation amounts and determined they were accurately calculated in accordance with the authorized pay plan and related eligibility requirements were met.

INTERNAL AUDIT DEPARTMENT'S ANNUAL PROGRESS REPORTS FOR FISCAL YEAR 2023

The committee received the following updates:

Internal Audit Department's Annual Report

The audit director provided the committee with a summary of Internal Audit's accomplishments over the past year as well as an overview of the department's initiatives for the coming fiscal year. She recognized the contributions of the internal audit team, highlighting their internal and external service during the year.

The audit director explicitly confirmed the department and its staff are organizationally independent of the activities they examine. The audit director also discussed the augmentation the department's information technology audit resources to meet the needs of the proposed audit plan. Finally, she discussed the the Institute of Internal Auditors' *Standards* including review of the relevant charters and planned response to *The Standards* update expected in 2024.

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

The annual ARFUS report as of June 30, 2023 was presented. The audit director noted ARFUS contained eleven recommendations, four were represented as implemented, one which was issued by the APA. Three recommendations were released, one with comment, leaving eight outstanding as of June 30, 2023.

Annual Plan and Long-Range Plan Progress

The audit director discussed the annual plan results for the fiscal year ended June 30, 2023, along with the status of the long-range plan for the four years ending June 30, 2024.

PROPOSED FY2024 ANNUAL AUDIT PLAN

The audit director discussed the proposed annual audit plan for fiscal year 2024, which is derived from the approved long-range audit plan. The committee reviewed the plan and voted to recommend approval of the following action to the full Board:

Request for Board Action: *The VRS Board of Trustees approves the proposed FY2024 Annual Audit Plan.*

MISCELLANEOUS UPDATES

The committee received the following miscellaneous updates:

Quarterly Report on Fraud, Waste and Abuse Hotline Cases

The audit director 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 May 1, 2023 through July 31, 2023.

Management's Quarterly Travel Expense and Per Diem Report

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

Committee Meeting Schedule for Calendar Year 2024

The committee received an update on the progress of determining the 2024 committee meeting dates.

Next Committee Meeting Date

The committee's final 2023 committee meeting is scheduled for Thursday, December 7, 2023 at 10 a.m.

AUDIT REPORT

The committee received a report on Internal Audit's review of *Human Resources and Employee Payroll* which determined sufficient controls are in place to support human resources and employee payroll processes and the associated controls are operating as intended. There were no formal recommendations as a result of this review.

AUDIT REPORT AND AUDIT DIRECTOR'S PERFORMANCE EVALUATION (CLOSED SESSION)

The committee went into closed session to receive the *Logical and Physical Access* audit report and review the audit director's performance for the fiscal year ended June 30, 2023.

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

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

Respectfully submitted to the Board of Trustees on September 21, 2023.

Joseph W. Montgomery, Chair
Audit and Compliance Committee

Approve FY 2024 Annual Audit Plan.

Requested Action

The VRS Board of Trustees approves the proposed FY 2024 Annual Audit Plan.

Description/Background

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

Annually the Audit Director looks to the guidance provided by the Long-Range plan and develops the Annual Audit plan. FY 2024 is the fourth and final year in the Long-Range plan, as a result certain adjustments have been proposed based on the changing risk environment within the organization.

Rationale for Requested Action

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

Authority for Requested Action

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

The above action is approved.

A. Scott Andrews, Chair
VRS Board of Trustees

Date

Internal Audit Proposed FY 2024 Annual Plan



Proposed Plan	1-2
Explanatory Notes and Acronyms	3

Approved Projects	Original FY 2024 Budget	FY 2023 Plan Carry Over	Other Proposed Changes	Proposed FY 2024 Plan
RISK BASED PROJECTS				
Carry Over from Prior Annual Plan ⁽¹⁾				
Human Resources, Internal Payroll and Leave Administration	-	250		250
Investment Decision Systems Review	-	600		600
Logical and Physical Access Review	-	150		150
VRS Infrastructure Review ⁽⁶⁾	***	100		100
Investments				
Global Public Equity Program	600			600
Investment Balances, Performance Reporting and Investment Manager Compensation	750			750
Benefits				
Long-term Care ⁽³⁾	400		(400)	-
Member and Employer Contributions	700			700
Purchase of Prior Service ⁽⁴⁾	700		(400)	300
Refunds	600			600
Operations				
Procurement and Contract Management (Administration and Investments) ⁽⁵⁾	600		(600)	-
Information Technology				
Conformance of VRS Information Security Program with VITA Standards ⁽⁶⁾	150		(150)	-
Hosted System Review - Administration and Investments ⁽⁷⁾	700		(500)	200
VNAV and Related Systems Review ⁽⁷⁾	600		(600)	-
OTHER AUDIT REPORTING AND SUPPORT				
Other Reporting				
Audit Quality Assurance Improvement Program	150		550	700
Audit Quality Assurance Improvement Program - External	10			10
Audit Recommendation Follow-Up System Annual Review	150			150
Audit Recommendation Follow-Up System Quarterly Monitoring	25			25
Report on Fraud, Waste and Abuse Hotline Cases	75			75
Review of Investment Incentive Compensation Plan	75			75
Review Results of Agency Performance Outcomes (APOs)	75			75
Verification of Cost of Living Adjustments (COLAs)	20			20

Approved Projects	Original FY 2024 Budget	FY 2023 Plan Carry Over	Other Proposed Changes	Proposed FY 2024 Plan
OTHER AUDIT REPORTING AND SUPPORT, Continued				
Audit Support				
Coordination with the APA	40			40
Data Analytics and Support	900			900
Develop and Update Annual and Long-Range Plans	225			225
Monitor Annual and Long-Range Plan Progress	100			100
Audit and Compliance Committee Support				
Review, Compile and Publish Meeting Materials	300			300
Attend Audit and Compliance Meetings	80			80
Prepare Committee Report and Meeting Minutes	80			80
ONGOING ACTIVITIES				
Risk Monitoring Activities				
Attend Board and other Committee Meetings	170			170
Attend Executive Team Meetings (DEC, Roadmap, C-suite)	100			100
Monitor and Review Professional Literature	90			90
Participate in Professional Organizations (APPFA, IIA, ISACA, Tableau User Groups)	90			90
Other Administrative Activities				
Continuing Professional Education	360			360
Continuing Professional Education Administration	150			150
External Reporting and Other Interactions (OSIG/VITA)	10			10
Internal Audit Staff Meetings and Mentoring	300			300
Manage Budget, Departmental Files, SPCC and Purchasing	100			100
Participate in VRS Events/Committees	150			150
Performance Standards and Evaluations	60			60
OTHER TIME				
Annual Leave ⁽⁸⁾	800		150	950
Holidays ⁽⁹⁾	600		96	696
Other Leave (Sick, Personal, Volunteer, etc) ⁽⁸⁾	660		150	810
Unplanned Hours ⁽¹⁰⁾	735		604	1,339
TOTAL TIME	12,480	1,100	(1,100)	12,480

Notes:

- (1) Due to unforeseen circumstances impacting the timing of work, certain audit projects will initiate in one fiscal year and be reported out in the next fiscal year. These projects are identified as a part of planning for the upcoming fiscal year annual audit plan and their impact is considered when determining the extent of available resources.
- (2) This project will be completed using information technology staff augmentation resources approved in the FY2023 budget. The included hours acknowledge procurement and supervisory responsibilities necessary to support this initiative.
- (3) As noted in the FY 2021 – 2024 Long-Range Plan Progress report, this project is being deferred for consideration in a later period as the risk profile for the audit area has changed.
- (4) As noted in the FY 2021 – 2024 Long-Range Plan Progress report, this project will be initiated later in the fiscal year to support competing operational priorities, resulting in the carry over of the project into the next long-range cycle.
- (5) Deferring this project for consideration in a later period given ongoing agency initiatives/enhancements in this area.
- (6) This routine project which provides support for the other information technology projects is being deferred for consideration in the next long-range cycle given changes to VRS Information Security Program and pending changes to VITA’s standards. For FY2024 Internal Audit will continue to achieve the objectives of this audit through other means during the execution of the IT related projects and objectives.
- (7) These projects are required to be repeated on a 3-year cycle based on the last report. Due to the timing of the previous project their timing is being adjusted.
- (8) Adjusted to reflect actual staff leave trends given tenure.
- (9) Adjusted to reflect known holidays on the Department of Human Resources 2023 and 2024 calendars for state employees.
- (10) Proposed adjustments in unplanned hours to accommodate modifications to planned projects and other strategic initiatives.

Acronyms not Described Elsewhere:

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

Audit Director's Performance Review.

Requested Action

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

Description/Background

The Audit and Compliance Committee reviewed and evaluated the performance of the Audit Director. Based on this review and evaluation, the Committee recommends that the Board approve a 7% performance bonus for the Audit Director payable October 16, 2023.

Rationale for Requested Action

The Audit and Compliance Committee recommends that the Board approve a 7% performance bonus for the Audit Director, payable October 16, 2023, based on the Committee's review and evaluation of the Audit Director's performance during FY 2023. The Audit and Compliance Committee Charter in paragraph 14 of the duties and responsibilities section states "Review and make recommendations to the Board regarding the performance of the Audit Director." Section IV. H.(8) of the Board Governance Policy provides that the Board may review, monitor and oversee the performance of the Audit Director. Also, the Executive Pay Plan contemplates granting a performance bonus to the Audit Director.

Authority for Requested Action

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

The above action is approved.

A. Scott Andrews, Chair
VRS Board of Trustees

Date

Report

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

APPROVAL OF MINUTES

The Committee approved the minutes of its June 13, 2023, meeting.

REVIEW ATTAINMENT OF FY2023 AGENCY PERFORMANCE OUTCOMES (APOS) AND OPERATIONAL MEASURES

Michael Cooper, Chief Operating Officer, reviewed the results of the FY 2023 agency performance outcomes (APOS) and operational measures. Mr. Cooper noted that the agency had six APOs for the fiscal year, with a target of completing at least five. Staff met this goal by successfully completing all six APOs. In addition, there were sixteen operational measures for the year, of which thirteen had to be met to meet the target for the year. Staff successfully met its target for fifteen of the sixteen operational measures. The only measure not met for the year was the call abandonment rate. Mr. Cooper noted that while not meeting the call abandonment rate target for the year, the agency's recent SMS surveying data indicates an overwhelmingly positive customer experience for those communicating with the customer contact center.

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

Request for Board Action: *The VRS Board of Trustees approves (i) the attainment of FY 2023 APOs and Operational Measures and (ii) a lump-sum bonus equal to 2.5% of salary for eligible administrative employees and eligible Investment Department operations and administration employees.*

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

Paula Reid, Human Resources Director, presented a request for board action to approve the performance bonuses for eligible administrative and investment operations and administration employees. Eligible employees who earn an "exceptional" rating on their performance evaluation qualify for a 4% bonus. Employees who earn an "exceeds" rating on their performance evaluation are eligible for a 2% bonus. The bonus amount is based on their salary as of June 30, 2023.

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

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

BUDGET UPDATE (YEAR END RESULTS AND BIENNIUM BUDGET PROPOSAL)

Michael Cooper presented the FY 2023 year-end budget results, explaining that VRS finished with an unexpended appropriation of \$9.94 million, which will be returned to the Fund. Mr. Cooper next provided an update on the agency's FY 2024 budget, noting that expenses to date are in line with budgeted amounts. Next, Mr. Cooper provided a detailed review of the agency's FY 2025-2026 biennium budget proposal. Following discussion on the proposals with the committee members, a request for board action was considered.

Request for Board Action: *The VRS Board of Trustees authorizes staff to request spending authority from the Department of Planning and Budget and legislature, as applicable, to execute planned initiatives for the next two fiscal years.*

REAPPOINTMENT OF INVESTMENT ADVISORY COMMITTEE (IAC) MEMBERS

Andrew Junkin, Chief Investment Officer, informed the committee of two IAC members due for reappointment. Mr. Junkin indicated that Hance West and Nan Leake have been active and engaged participants of the IAC and each are willing to continue their service on the IAC.

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

Request for Board Action: *The Board reappoints William "Hance" West and Nancy G. Leake to the Investment Advisory Committee, each for a two-year term ending December 31, 2025.*

APPROVE REVISED PAY PLANS

Paula Reid advised the Committee that the Governor has approved the 2023 Appropriation Act, which includes a 2% salary increase for eligible employees of the Commonwealth, as well as related changes to the pay bands of the Commonwealth's pay plan. In keeping with these changes, Ms. Reid advised that VRS is proposing to amend the pay bands of its three pay plans as well.

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

Request for Board Action: *The Board approves an amended Administrative Pay Plan, Investment Operations and Administration Staff Pay Plan and Investment Professionals' Pay Plan, effective December 10, 2023.*

INFORMATIONAL ITEM (INTERNAL AUDIT DIRECTOR'S PERFORMANCE REVIEW)

Mr. Andrews informed the Committee that the Audit and Compliance (A&C) Committee reviewed the Internal Audit Director's performance at its September 20, 2023, meeting. Each year, the A&C Committee reviews the Internal Audit Director's performance and makes a recommendation for a performance bonus to the Board of Trustees. A copy of the request for board action to provide a performance bonus in the amount of 7% was shared with the committee for informational purposes.

COMPENSATION AND BENEFITS (CLOSED SESSION)

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

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

Request for Board Action: *The VRS Board of Trustees approves payment of an incentive amount of approximately \$9,164,370.33 for FY 2023 to VRS investment professionals as authorized by the Investment Professionals' Pay Plan.*

Internal Audit reviewed the proposed investment incentive compensation for the fiscal year that ended June 30, 2023, and found that the aggregate amount was accurately computed in accordance with the Investment Professionals' Pay Plan.

Request for Board Action: *The VRS Board of Trustees approves a 5% performance bonus for the VRS Director payable on October 16, 2023 and supplemental payment of \$89,250.00 made on December 1, 2023 as authorized in the 2023 Appropriation Act.*

Submitted to the Board of Trustees on September 21, 2023.

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



Attainment of FY 2023 APOs and Operational Measures (and corresponding lump-sum bonus).

Requested Action

The VRS Board of Trustees approves the attainment of FY 2023 APOs and Operational Measures and a lump-sum bonus equal to 2.5% of salary for eligible administrative employees and eligible Investment Department operations and administration employees.

Description/Background

VRS' Agency Performance Outcomes (APOs): The Board approves APOs for each fiscal year. Successful attainment of the APOs is one half of the gainsharing portion of the performance management program, and it is to be paid as a lump-sum bonus equal to 2.5% of salary for FY 2023, as set forth in the Administrative Pay Plan. The expectation is that all employees will work collaboratively and contribute to attaining the annual APOs. The goal is to complete five (5) of the six (6) APOs for FY2023.

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

The agency achieved fifteen (15) of the sixteen (16) operational measures for FY 2022. Additionally, VRS successfully completed all six (6) of the FY 2023 APOs.

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

Cost: The approximate total cost for the 2.5% bonus payments to eligible employees is \$674,550.20, to be paid from the FY 2024 budget.

Rationale for Requested Action

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

Authority for Requested Action

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

The above action is approved.

A. Scott Andrews, Chair
VRS Board of Trustees

Date



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2023

Summary

APO Status Indicator

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

Overall Measure: 5 of 6 completed

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

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



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2023

APO 1

APO Status Indicator

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

APO 1 Measure: 5 of 6 completed

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

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



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2023

APO 2

APO Status Indicator

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

APO 2 Measure: 3 of 4 completed

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



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2023

APO 3

APO Status Indicator

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

APO 3 Measure: 4 of 5 completed

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



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2023

APO 4

APO Status Indicator

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

APO 4 Measure: 4 of 4 completed

Hybrid Plan – Contribution Separation Legislation Implementation Phase 1

Strategic Goal:

Superior Governance and Long-Term Financial Health

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



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2023

APO 5

APO Status Indicator

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

APO 5 Measure: 3 of 4 completed

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



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2023

APO 6

APO Status Indicator

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

APO 6 Measure: 4 of 6 completed

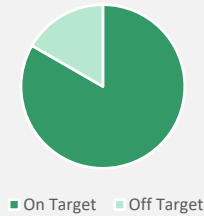
Comprehensive Agency Training Program – EDGE (Empower, Develop, Grow and Engage)

Strategic Goal:

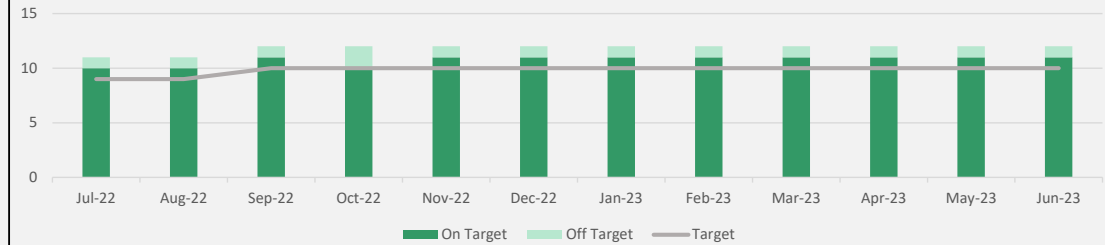
Organizational Strength, Culture and Engagement

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

Current Status - All Operational Measures



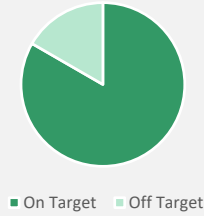
YTD Status - All Operational Measures



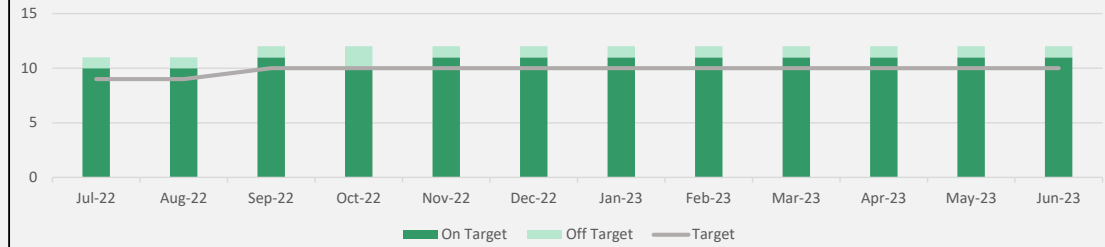
OM #	Operational Measure (OM)	Description	Strategic Goal	Target (Goal)	Current Status	YTD Status	Reporting Frequency	Comments
1	Timeliness of Monthly Financial Account Reconciliations	Percentage of monthly financial control reconciliations completed by last business day of the following month	Superior Governance and Long-Term Financial Health	> 95.00%	100.00%	100.00%	Monthly	
2	Average Abandoned Call Rate	Percentage of calls to the Customer Counseling Center (CCC) that result in hang-ups while in the queue	Member, Retiree and Employer Education, Outreach and Partnership	< 7.00%	20.93%	15.24%	Monthly	
3	Timeliness of Response to Messages Received by the Customer Counseling Center (CCC)	Average response time to emails received by the CCC	Member, Retiree and Employer Education, Outreach and Partnership	.75 business days	0.41	0.39	Monthly	
4	Timeliness of Monthly Retirement Disbursements	Percentage of monthly retirement disbursements processed no later than the first business day of the month	Superior Governance and Long-Term Financial Health	100.00%	100.00%	100.00%	Monthly	
5	Timeliness of Service Retirements Processed	Percentage of service retirements processed so that retiring members are set up to receive retirement benefits on the first retirement payment date for which they are eligible	Superior Governance and Long-Term Financial Health	95.00%	100.00%	99.85%	Monthly	
6	Accuracy of Service Retirements Processed	Percentage of service retirements processed for which the corresponding benefit payment correctly reflects the member's service record	Superior Governance and Long-Term Financial Health	99.00%	100.00%	99.97%	Monthly	
7	Timeliness of Disability Retirements Processed	Percentage of disability retirements processed within 30 days of VRS receiving notification of approval by the Medical Review Board	Superior Governance and Long-Term Financial Health	98.00%	96.67%	98.38%	Monthly	
8	Accuracy of Disability Retirements Processed	Percentage of disability retirements processed for which the corresponding benefit paid correctly reflects the member's service record	Superior Governance and Long-Term Financial Health	99.00%	100.00%	100.00%	Monthly	
9	Timeliness of Workflow Documentation Imaging	Percentage of workflow documents imaged within one business day of receipt	Digital Transformation and Secure Service Delivery	99.50%	100.00%	100.00%	Monthly	
10	Planned IT System Availability	Percentage of time critical systems are available during periods of planned availability	Technology Infrastructure	99.50%	100.00%	99.98%	Monthly	
11	Timeliness of Employer Contribution Confirmations	Percentage of Employer Contribution Confirmation (CC) snapshots completed in VNAV by the end of the month in which they are due	Superior Governance and Long-Term Financial Health	97.00%	100.00%	100.00%	Monthly	
12	Implementation of Corrective Action to Audit Recommendations	Percentage of audit recommendations for which VRS management represents that corrective action has been implemented by the approved target date	Superior Governance and Long-Term Financial Health	> 95.00%	100.00%	100.00%	Quarterly	
13	Preventable Employee Turnover	Percentage of employees voluntarily separating VRS employment due to preventable experiences	Organizational Strength, Culture and Engagement	< 10.00%	5.45%	5.45%	Annual	

June-23

Current Status - All Operational Measures



YTD Status - All Operational Measures



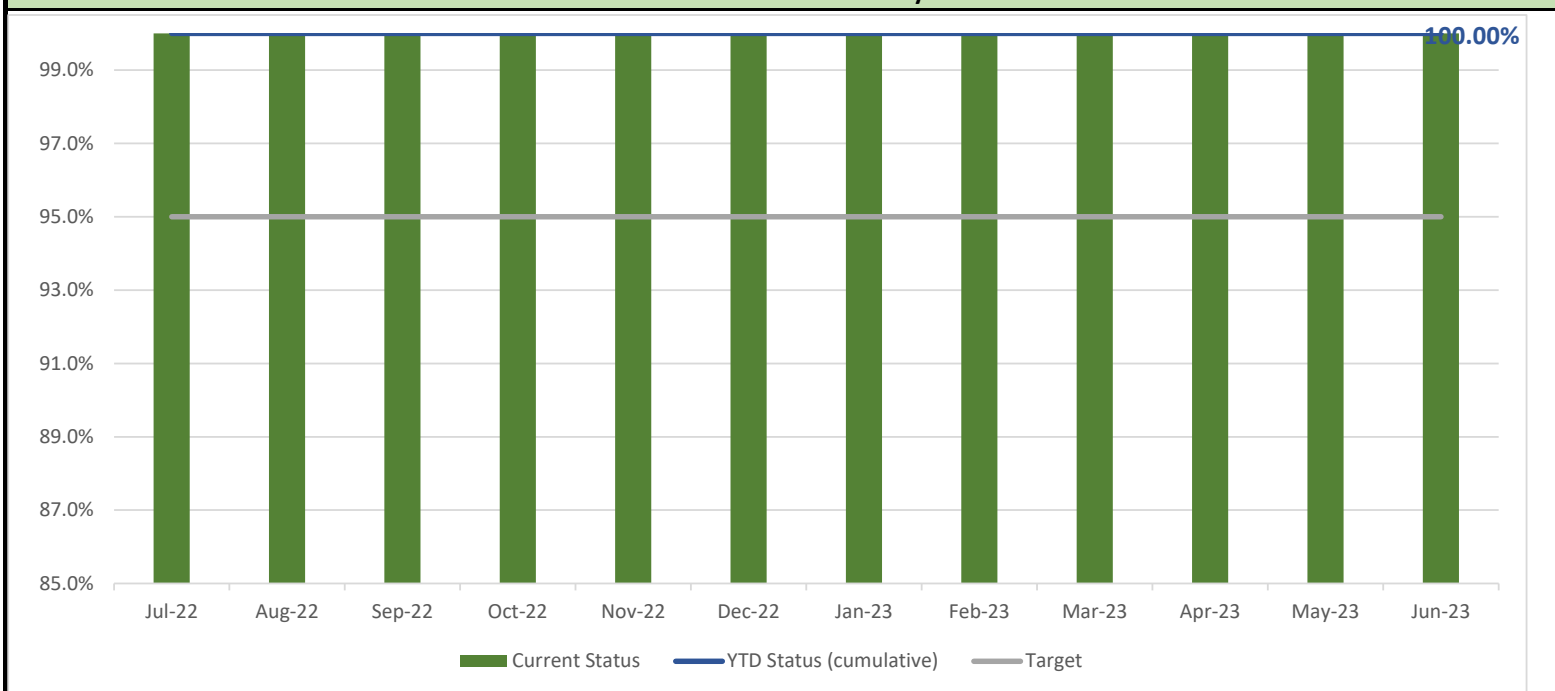
OM #	Operational Measure (OM)	Description	Strategic Goal	Target (Goal)	Current Status	YTD Status	Reporting Frequency	Comments
14	Cost to Administer Defined Benefit Plans	Annual pension administration cost for defined benefit plans, as compared to peer group median reported by CEM Benchmarking, Inc.	Superior Governance and Long-Term Financial Health	FY 2022 CEM Peer Cost Average	\$ 74.00	\$ 74.00	Annual	Will not know FY 2022 CEM peer cost until spring 2023
15	Systems Security Awareness	Percentage of eligible staff who have completed security training in compliance with the agency's and Commonwealth's security policies	Digital Transformation and Secure Service Delivery	100.00%	100.00%	100.00%	Annual	Measure reported on an annual basis
16	Employee Professional Development	Percentage of full-time VRS administration employees receiving at least 8 hours of professional development	Organizational Strength, Culture and Engagement	85.00%	97.00%	97.00%	Annual	Measure reported on an annual basis

Overall Measure: 13 of 16 meet or exceed target

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

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

YTD Performance History



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

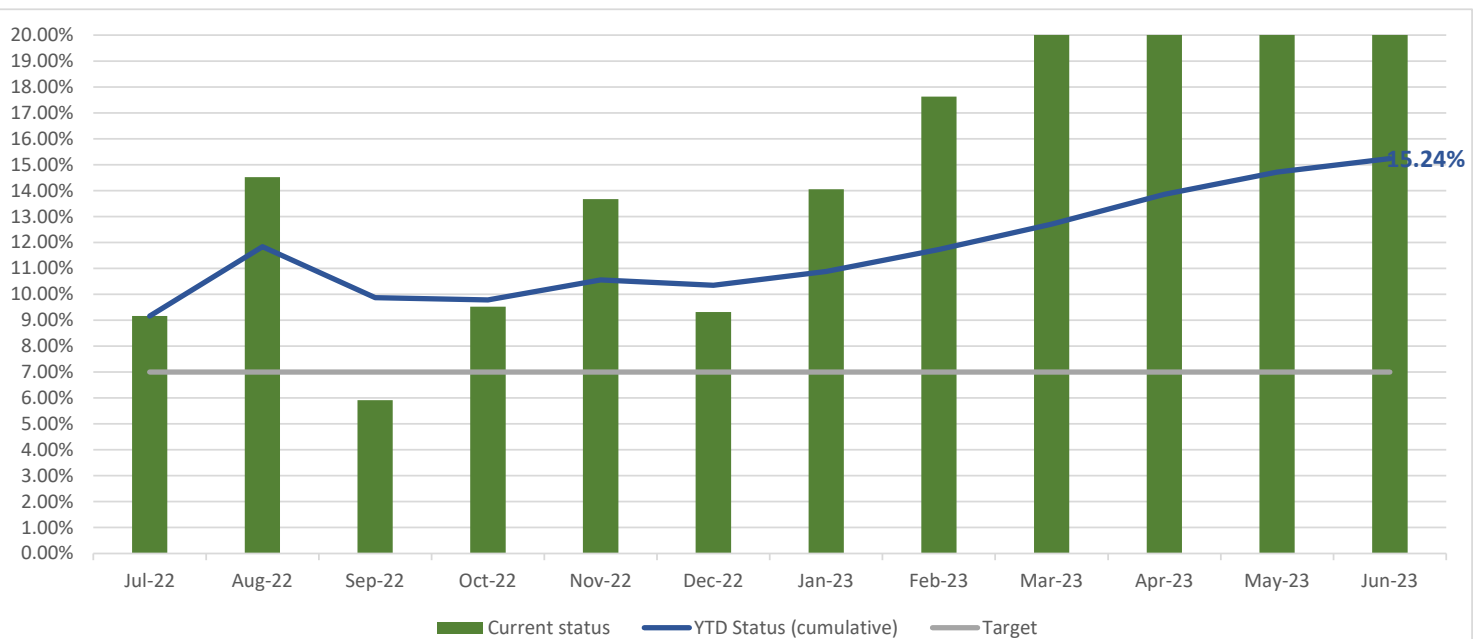
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Overall Measure: 13 of 16 meet or exceed target

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

Operational Measure	Average Abandoned Call Rate		
Strategic Goal	Member, Retiree and Employer Education, Outreach and Partnership		
Description	Percentage of calls to the Customer Counseling Center (CCC) that result in hang-ups while in the queue		
Calculation Methodology	The number of abandoned calls (defined as a caller hanging up prior to reaching a knowledgeable person), divided by the total number of calls received by the CCC support teams. Average rate is calculated on a cumulative basis.		
Data Source	Customer Counseling Center Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	< 7.00%	Baseline (Performance History)	6.20%
Target Rationale: To account for anticipated high call volume due to system changes and the transition to a return to the office		Baseline Rationale: 5 year average = 6.2%	
Current Reporting Month Status	20.93%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	15.24%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Regulatory or legislative changes that impact customer benefits and result in increased call volumes (i.e. federal tax code change)	Prepare and implement a staffing augmentation plan for times when additional resources are needed on short notice to react to call influxes due to external causes	
2	The ongoing transition to the hybrid work environment impacts processes and agency resources, including system unavailability, which may cause an increase in call volume	Prepare a staffing augmentation plan for times when additional resources are needed on short notice to react to call influxes	
3	Need for increased security requirements for accessing members' records in accordance with industry best practices which cause longer call times	Identify opportunities to expedite the requisite validation process while still ensuring compliance with VRS security protocols to protect member data	

YTD Performance History



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

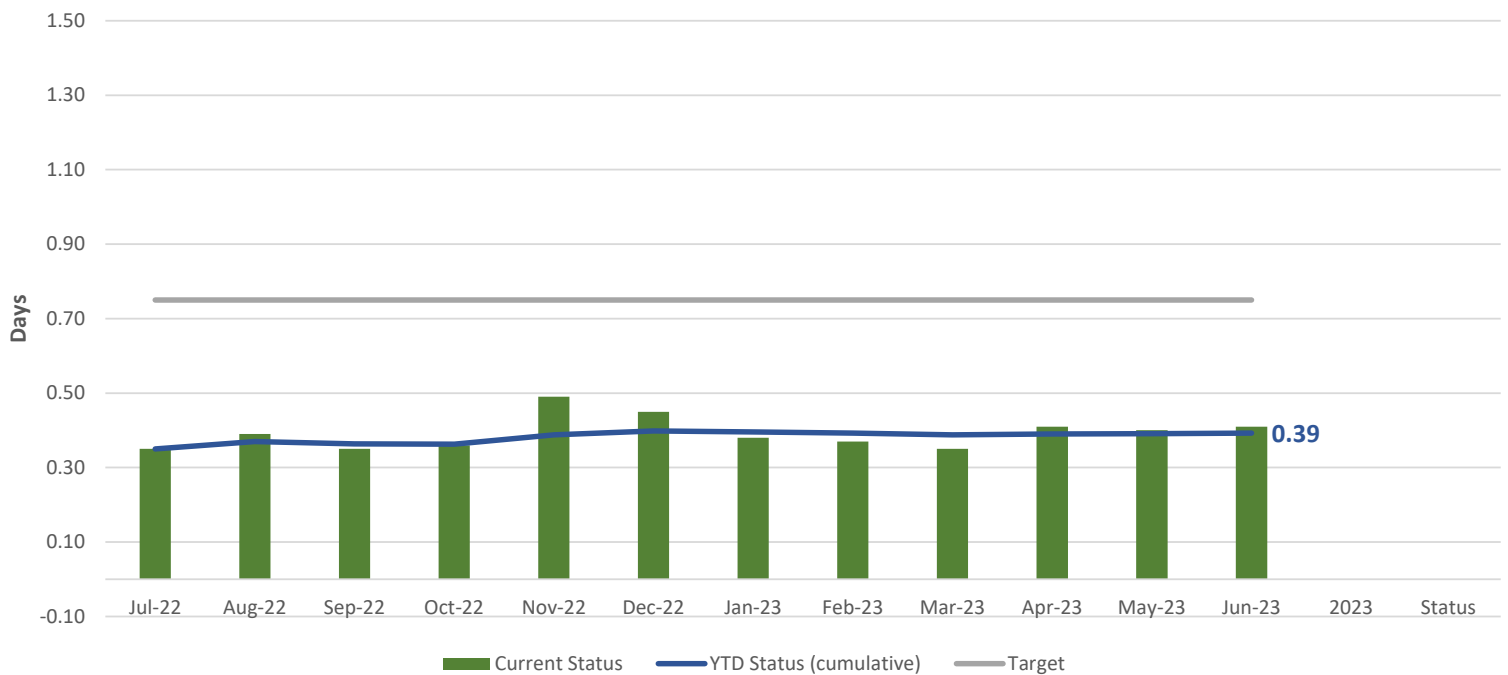
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Overall Measure: 13 of 16 meet or exceed target

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

Operational Measure	Timeliness of Response to Messages Received by the Customer Counseling Center (CCC)		
Strategic Goal	Member, Retiree and Employer Education, Outreach and Partnership		
Description	Average response time to emails received by the CCC		
Calculation Methodology	The number of messages responded to within two business days, divided by the total number of messages responded to by the CCC. Note: In FY 2022, the CCC may transition its electronic communications from the current traditional email platform to secure messaging conducted through myVRS.		
Data Source	Customer Counseling Center Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	.75 business days	Baseline (Performance History)	1.30 business days
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 1.3 days</i>	
Current Reporting Month Status	0.41	YTD Status (Cumulative; used at year-end to determine whether target has been met)	0.39
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Transition may occur in FY 2023 from traditional emails to secure messaging through the MyVRS portal	Proactively train CCC staff on the process changes that will occur when secure messaging is implemented	
2	Ongoing transition to hybrid work environment impacts processes and agency resources, including email/secure messaging capabilities	Prepare a staff augmentation plan for times when additional resources are needed to address email backlogs resulting from system outages	
3	Historically high rate of turnover of CCC staff	Continue recruitment and retention measures to attract and retain CCC staff	

YTD Performance History



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

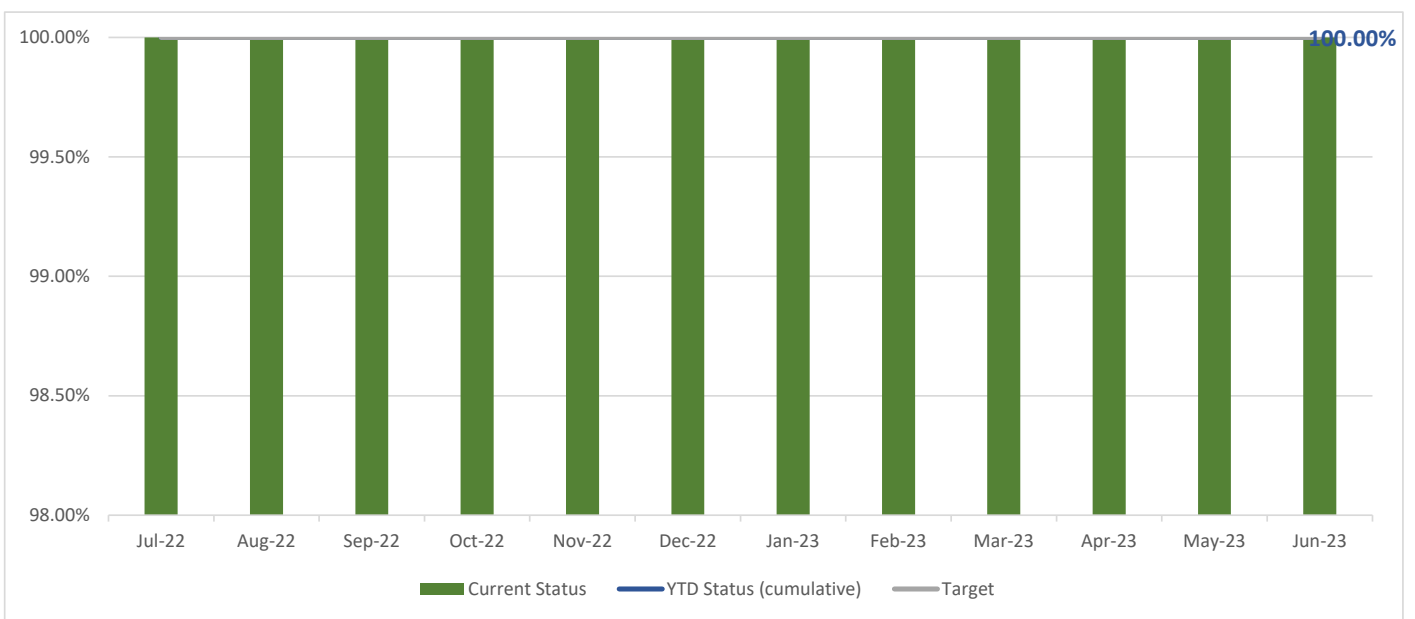
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Overall Measure: 13 of 16 meet or exceed target

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

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

YTD Performance History



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

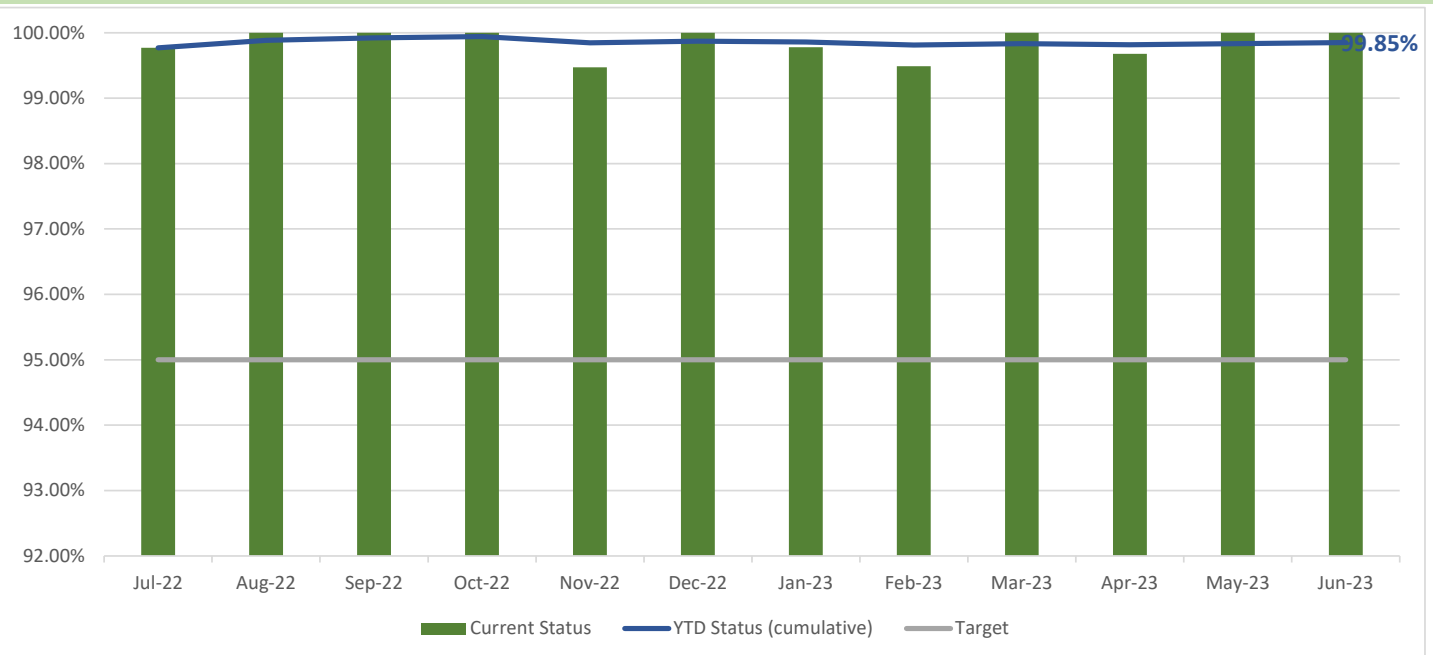
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Overall Measure: 13 of 16 meet or exceed target

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

Operational Measure	Timeliness of Service Retirements Processed		
Strategic Goal	Superior Governance and Long-Term Financial Health		
Description	Percentage of service retirements processed so that retiring members are set up to receive retirement benefits on the first retirement payment date for which they are eligible		
Calculation Methodology	The number of service retirement payments processed by the first payment date on which the member is eligible to receive retirement benefits, divided by the total number of initial payments made for the same time period. The "first payment date on which the member is eligible to receive retirement benefits" is based on the date by which VRS receives a member's retirement application that is determined by VRS to be complete, accurate, and ready for payment processing. "Processed" is defined as funds having been paid to retirees; "disbursed" is defined as the funds having been paid out of the VRS account.		
Data Source	Service Retirement Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	95.00%	Baseline (Performance History)	97.90%
<i>Target Rationale: Accounts for system conversion and ongoing pandemic</i>		<i>Baseline Rationale: 5 year average = 97.90%</i>	
Current Reporting Month Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	99.85%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Ongoing implementation of myVRS enhancements, which will significantly change current processes	Provide ample opportunity for advanced training; augment staffing as needed to ensure adequate resources during transition	
2	Ongoing transition to hybrid work environment impacts processes and agency resources, including technology outages that limit ability to process retirements	Enact business continuity plan for technology outages	
3	Sensitivity of data that requires strong controls and several levels of approvals; risk of staff absences or unavailability	Cross-train existing staff and ensure redundancy-of staff authorized to approve retirements	

YTD Performance History



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

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

Overall Measure: 13 of 16 meet or exceed target

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

Operational Measure	Accuracy of Service Retirements Processed		
Strategic Goal	Superior Governance and Long-Term Financial Health		
Description	Percentage of service retirements processed for which the corresponding benefit payment correctly reflects the member's service record		
Calculation Methodology	The number of service retirement applications processed and corresponding benefit paid accurately, divided by the total number of initial service retirement benefits processed and paid. An accurate benefit payment is defined as the benefit amount correctly reflecting the member's service record. "Processed" is defined as funds having been paid to retirees; "paid" is defined as the funds having been paid out of the VRS account.		
Data Source	Service Retirement Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	99.00%	Baseline (Performance History)	99.00%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 99%</i>	
Current Reporting Month Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	99.97%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Ongoing implementation of myVRS enhancements, which will significantly change current processes	Provide ample opportunity for advanced training; augment staffing as needed to ensure adequate resources during transition	
2	Ongoing transition to hybrid work environment impacts processes and agency resources, including technology outages that limit ability to process retirements	Enact business continuity plan for technology outages	
3	Sensitivity of data that requires strong controls and several levels of approvals; risk of staff absences or unavailability	Cross-train existing staff and ensure redundancy of staff authorized to approve retirements	

YTD Performance History



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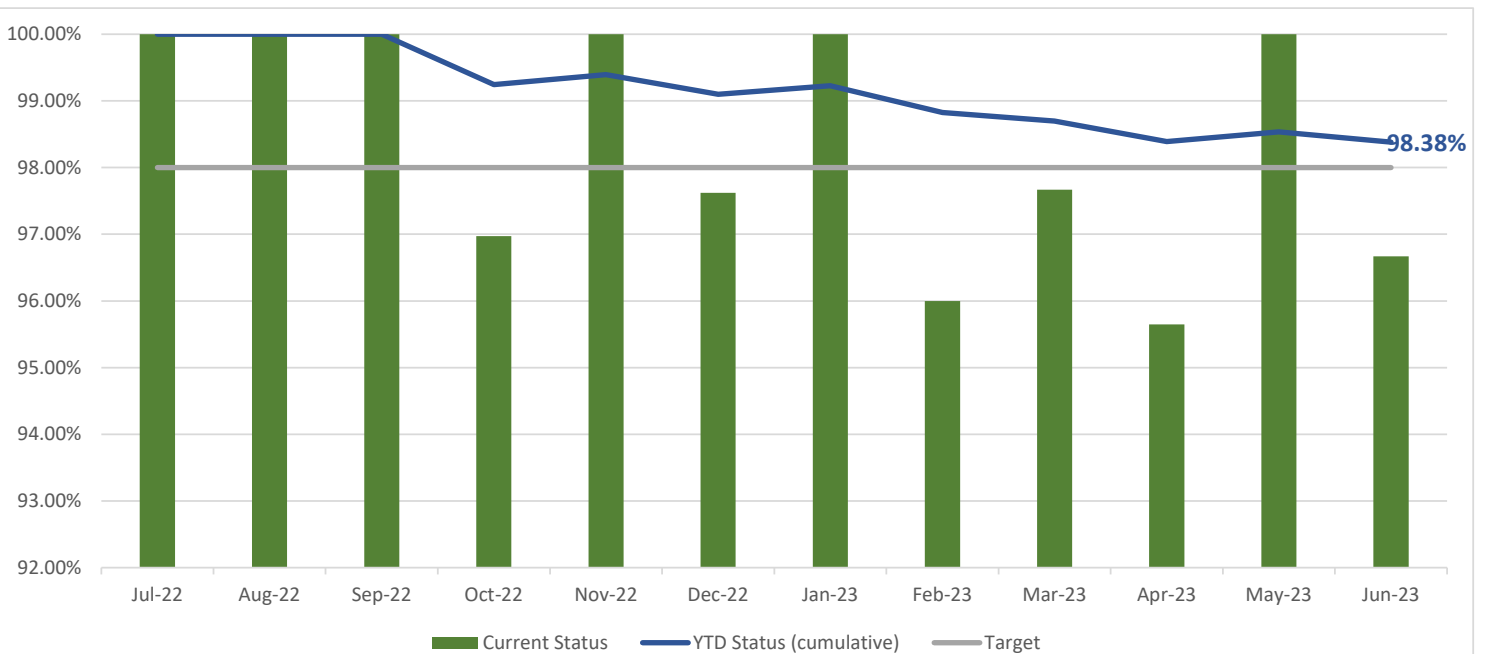
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Overall Measure: 13 of 16 meet or exceed target

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

Operational Measure	Timeliness of Disability Retirements Processed		
Strategic Goal	Superior Governance and Long-Term Financial Health		
Description	Percentage of disability retirements processed within 30 days of VRS receiving notification of approval by the Medical Review Board		
Calculation Methodology	The number of disability retirements processed within 30 days after VRS receives notice of approval of the application by the Medical Review Board. "Processed" is defined as funds having been paid to retirees; "paid" is defined as the funds having been paid out of the VRS account.		
Data Source	Disability Retirement Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	98.00%	Baseline (Performance History)	98.80%
Target Rationale: To account for potential processing delays due to system conversion in FY 2021 and ongoing pandemic impacts		Baseline Rationale: 5 year average = 98.80%	
Current Reporting Month Status	96.67%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	98.38%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Ongoing implementation of myVRS enhancements, which will significantly change current processes	Provide ample opportunity for advanced training; augment staffing as needed to ensure adequate resources during transition	
2	Ongoing transition to hybrid work environment impacts processes and agency resources, including technology outages that limit ability to process retirements	Enact business continuity plan for technology outages	
3	Sensitivity of data that requires strong controls and several levels of approvals; risk of staff absences or unavailability	Cross-train existing staff and ensure redundancy of staff authorized to approve retirements	

YTD Performance History



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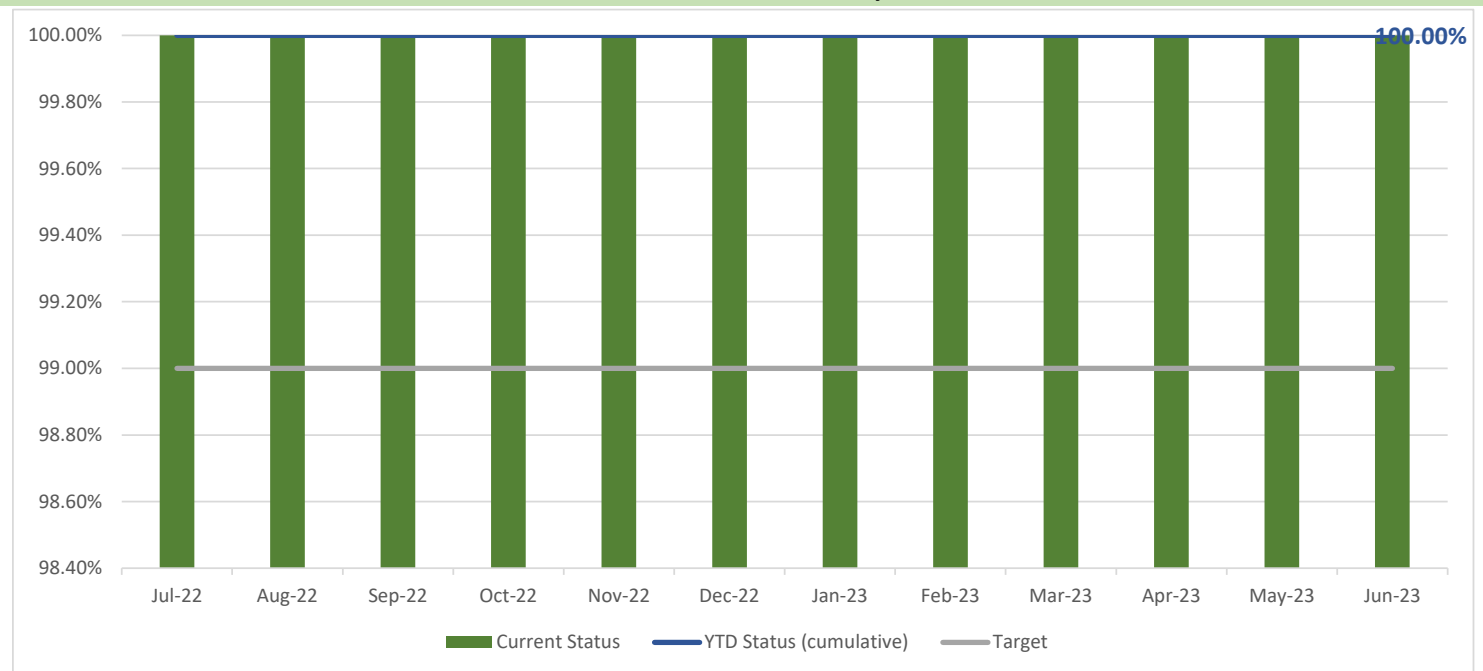
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Overall Measure: 13 of 16 meet or exceed target

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

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

YTD Performance History



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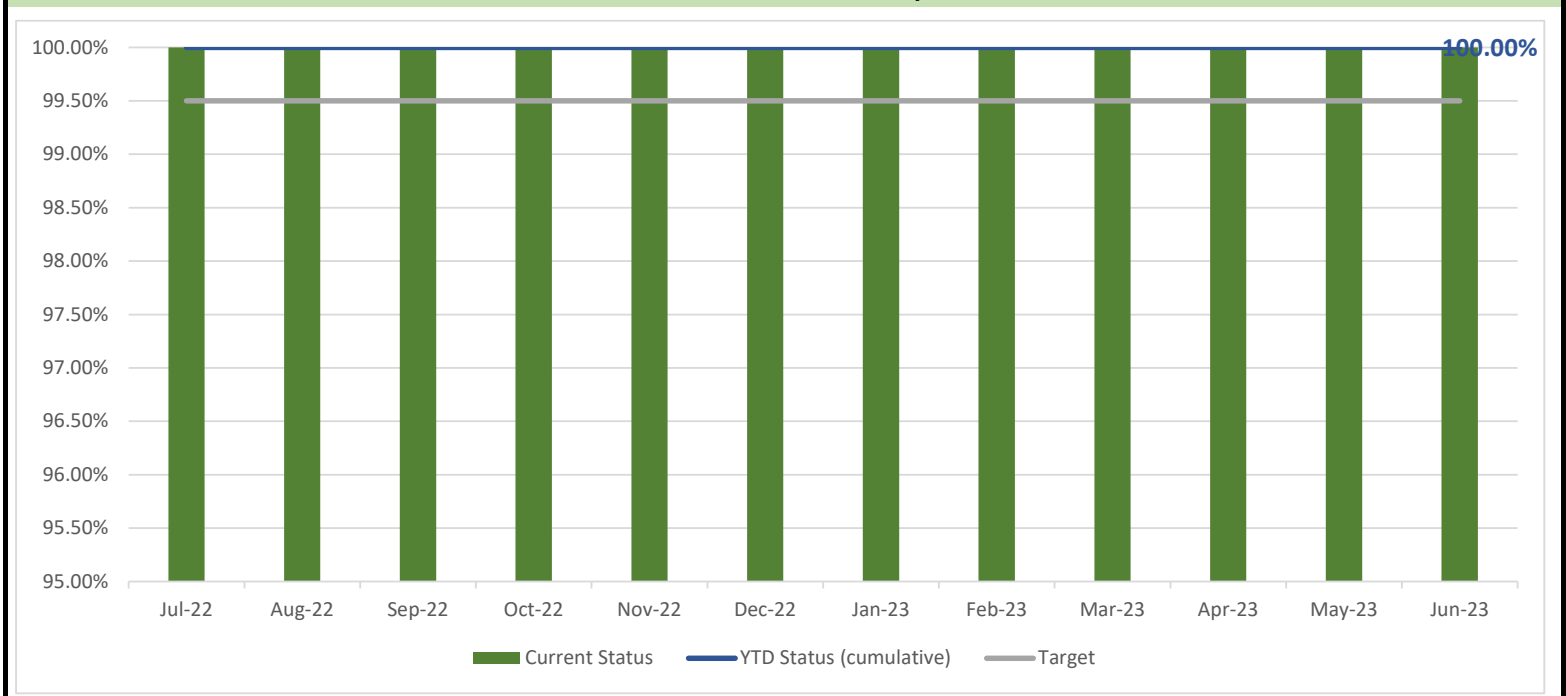
Overall Measure: 13 of 16 meet or exceed target

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

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

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

YTD Performance History

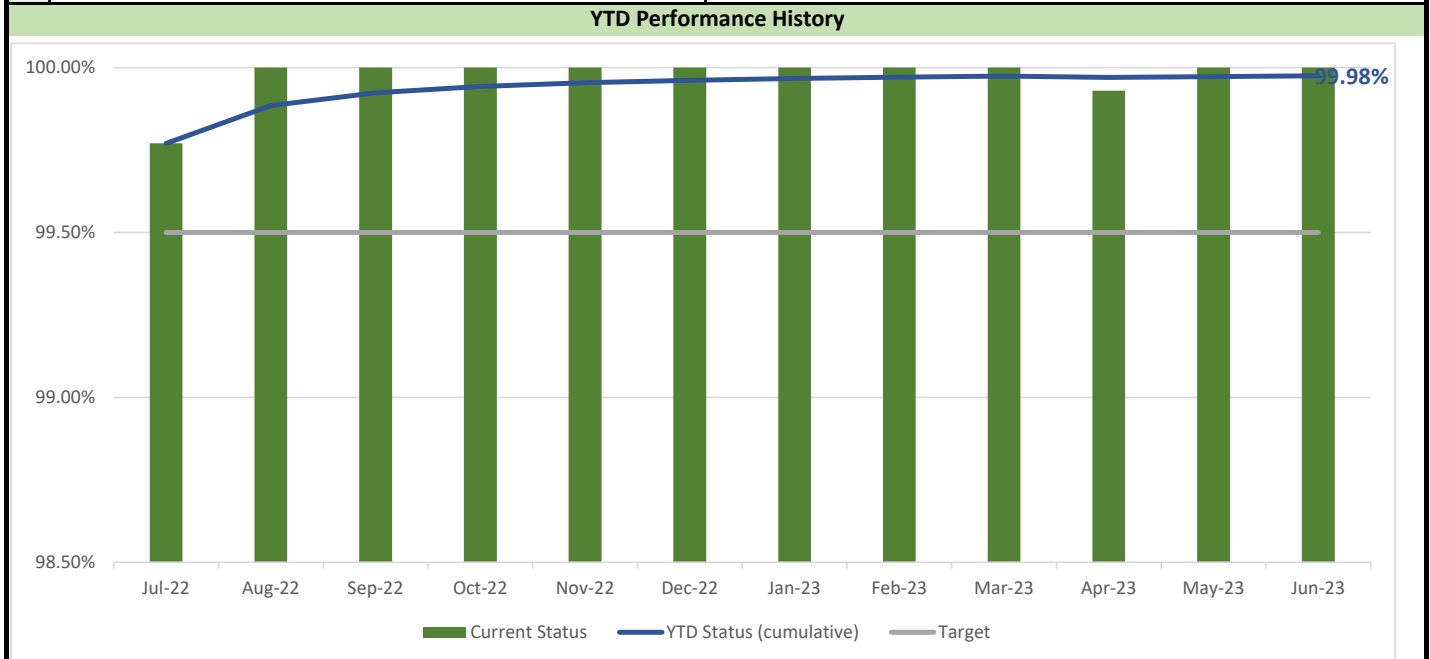


VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

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Operational Measure	Planned IT System Availability		
Strategic Goal	Technology Infrastructure		
Description	Percentage of time critical systems are available during periods of planned availability		
Calculation Methodology	Percentage of time during which critical business systems are available for use by VRS staff and customers, divided by the total time for which it was planned that said systems would be available. Critical business systems include: VNAV, telephone, email, internet, myVRS, Imaging, Investments, D365, Customer Counseling Center Cisco phone system, and remote access. Note: business systems deemed "critical" may change periodically depending on business needs or system changes (ex: RIMS was decommissioned in spring 2019 and is no longer considered a critical business system as of that time). Periods of availability are pre-determined based on business needs and requirements regarding routine system testing, maintenance and upgrades. "Availability" is defined as being able to be used by the majority of persons for whom it is intended and for the majority of purposes for the system's intended use.		
Data Source	Technology Services SLEs Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	99.50%	Baseline (Performance History)	99.90%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 99.9%</i>	
Current Reporting Month Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	99.98%

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



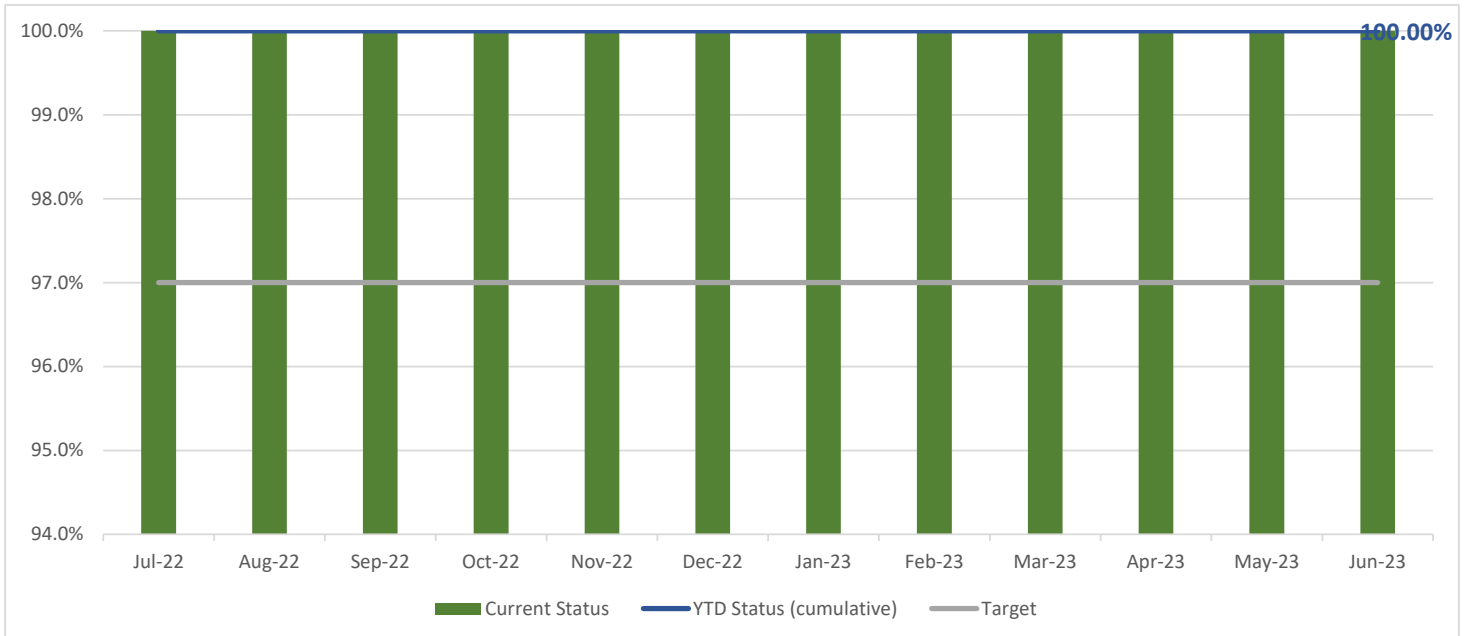
VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Overall Measure: 13 of 16 meet or exceed target

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

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

YTD Performance History



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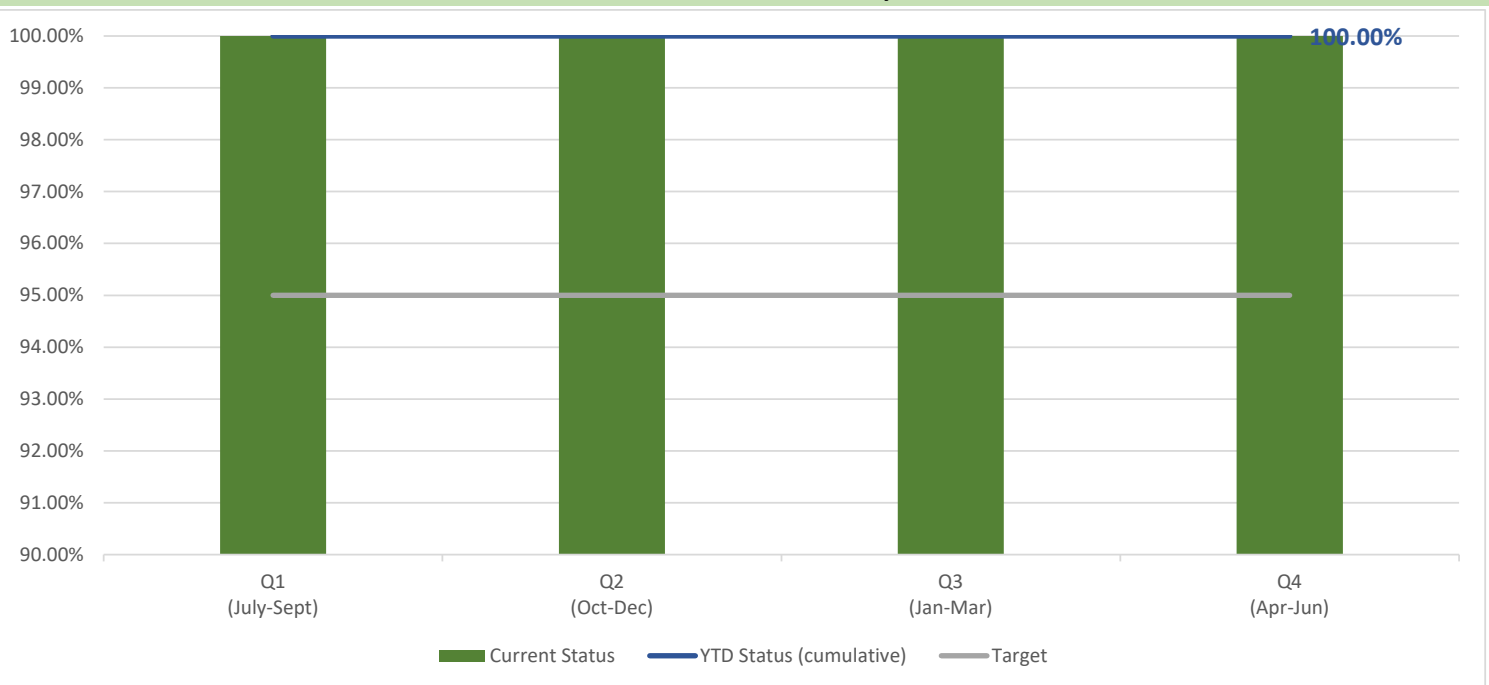
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Overall Measure: 13 of 16 meet or exceed target

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

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

YTD Performance History



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Overall Measure: 13 of 16 meet or exceed target

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

Operational Measure	Preventable Employee Turnover		
Strategic Goal	Organizational Strength, Culture and Engagement		
Description	Percentage of employees voluntarily separating VRS employment due to preventable experiences		
Calculation Methodology	The number of Administration employees who voluntarily separate from VRS employment due to preventable reasons, divided by the total number of Administration employees who voluntarily separate VRS employment, when total employee turnover exceeds 5% within the same period of time. Preventable turnover is determined from exit interview results, and includes substantiated reports of unsuccessful supervision or management, unsatisfactory work environment, insufficient resources to complete one's job effectively, and unavailability of training opportunities.		
Data Source	Human Resources Department Exit Interview Survey Results	Reporting Frequency	Annual
Target (Performance Goal)	< 10.00%	Baseline (Performance History)	5.88%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: FY 2019 results</i>	
Current Reporting Month Status	5.45%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	5.45%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Unrealistic employee expectations regarding VRS work environment and responsibilities	Provide clear position descriptions and responsibilities upon hire; outline organization culture and expectations on a regular basis; ensure open communication between employees, managers and supervisors	
2	Reorganization due to myVRS enhancements may alter current work responsibilities for some employees	Provide clear and open communication throughout the implementation process; Offer sufficient training opportunities for employees tasked with new responsibilities	
3	Ongoing transition to hybrid work environment impacts employee morale	Continue direct outreach to employees, provide EAP resources and implement employee engagement activities	
YTD Performance History			
[Reported as an annual measure]			

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

Overall Measure: 13 of 16 meet or exceed target

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

Operational Measure	Cost to Administer Defined Benefit Plans		
Strategic Goal	Superior Governance and Long-Term Financial Health		
Description	Annual pension administration cost for defined benefit plans, as compared to peer group median reported by CEM Benchmarking, Inc.		
Calculation Methodology	VRS pension administration cost per active member and annuitant for defined benefit plans as compared to that of its peer group, as calculated by CEM Benchmarking, Inc. The average peer cost calculated by CEM is available on delay and will not be known until spring 2023. At that time the FY 2023 annual agency cost will be compared to the to the FY 2022 CEM peer cost to determine whether VRS's cost is lower than the peer average.		
Data Source	CEM Benchmarking, Inc.	Reporting Frequency	Annual
Target (Performance Goal)	Lower than the FY 2022 CEM Peer Cost Average	Baseline (Performance History)	N/A
<i>Target Rationale: Measuring VRS annual administrative cost for FY 2022 against the most current peer data as provided by CEM Benchmarking, Inc.</i>		<i>Baseline Rationale: N/A</i>	
Current Reporting Month Status	\$74	YTD Status (Used at year-end to determine whether target has been met)	\$74
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Significant unanticipated costs to administer pension plans due to external influences, including the ongoing pandemic and transition to a return to the office	Work within existing agency allocations and prioritize spending plans to ensure administrative expenditures remain reasonable	
2	Dependent upon expenditure patterns for the CEM Peer group for administrative cost average	Maintain communications with CEM peers to stay informed on any spending abnormalities that may skew CEM-calculated peer costing	
3	FY 2022 CEM cost not known until late into FY 2023 (limiting agency ability to react if missing target)	Proactively calculate and monitor agency administrative cost in anticipation of receiving the FY 2022 CEM cost; adjust agency spending if out of line with recent CEM peer cost averages	
YTD Performance History			
<p>[Average Pension Administration Cost for VRS' Peer Group, as provided by CEM Benchmarking, will be known in spring 2023]</p>			
<p>VRS Mission: <i>VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.</i></p> <p>VRS Vision: <i>To be the trusted leader in the delivery of benefits and services to those we serve.</i></p>			

Operational Measure	Systems Security Awareness		
Strategic Goal	Digital Transformation and Secure Service Delivery		
Description	Percentage of eligible staff who have completed security training in compliance with the agency's and Commonwealth's security policies		
Calculation Methodology	Percentage of eligible staff who have completed the agency's annual security training, VRS User IT Security Policy Training ("security training"), divided by the total eligible agency staff. Employees who join the agency during FY 2022 are required to complete security training within 30 days after their start date. All staff are required to complete the training during the annual training window. The training provides information on such critical security practices as protecting sensitive data, utilizing effective passphrases, reviewing acceptable technology use policies, being on alert for phishing and other malpractices, and more. The percentage is calculated on a cumulative basis and reported annually (with the total requirement recalculated monthly as new staff are hired and required to obtain security training).		
Data Source	Technology Services SLEs Performance Report	Reporting Frequency	Annual
Target (Performance Goal)	100.00%	Baseline (Performance History)	100.00%
<i>Target Rationale: Maintain high security awareness</i>		<i>Baseline Rationale: All VRS staff completed security training in FY 2020</i>	
Current Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	100%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Unavailability of the Virginia Learning Center (VLC, a non-VRS application) for training	Provide sufficient time for staff to obtain training within prescribed timeline to allow for possible VLC system unavailability	
2	Ongoing transition to hybrid work environment impacts processes and agency resources, including technology outages that limit system availability	Enact business continuity plan for technology outages	
3	New training requirements as set-forth by the Commonwealth Security Policy that require changes to the prepared security training	Proactively coordinate with different units within VRS to ensure sufficient time and resources to make necessary changes to the prepared training	
YTD Performance History			
[Reported as an annual measure]			
VRS Mission: <i>VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.</i>			
VRS Vision: <i>To be the trusted leader in the delivery of benefits and services to those we serve.</i>			

Overall Measure: 13 of 16 meet or exceed target

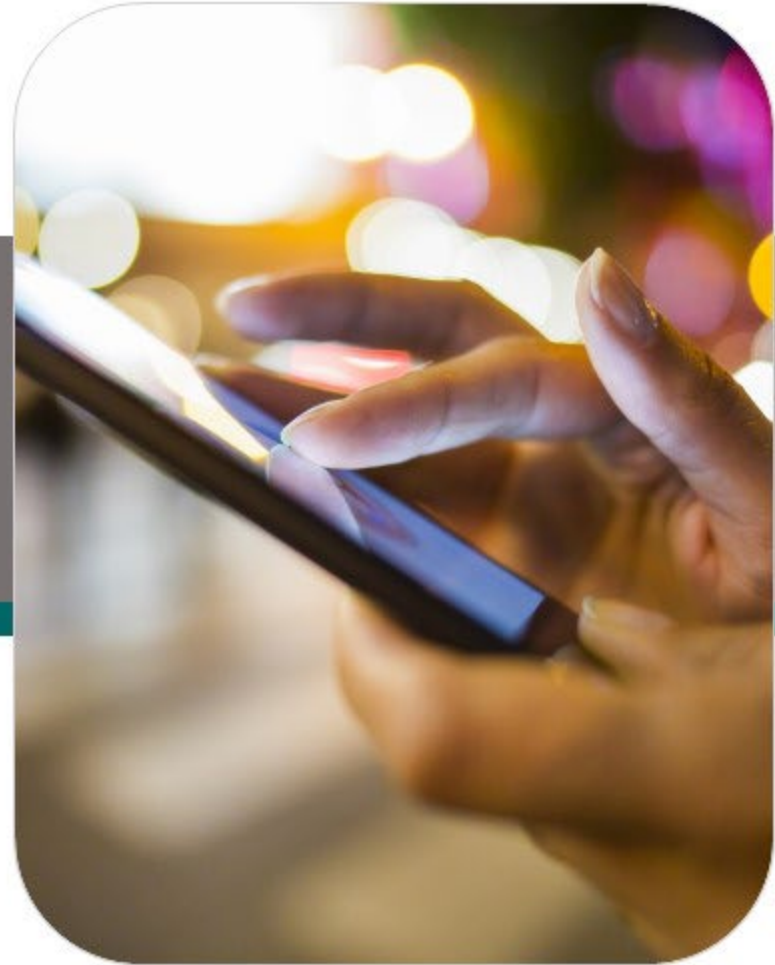
Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

Operational Measure	Employee Professional Development		
Strategic Goal	Organizational Strength, Culture and Engagement		
Description	Percentage of full-time VRS administration employees receiving at least 8 hours of professional development		
Calculation Methodology	The number of eligible full-time VRS administration employees who have completed at least 8 hours of professional development, divided by the total number of eligible full-time administration employees. Eligible employees are full-time administration staff hired after July 1, 2021 who are not on short- or long-term disability or FMLA during FY 2022. Qualifying professional development includes courses designated in the Virginia Learning Center (VLC), as well as conferences, webinars, college or trade school classes, and any other professional development as approved by the Human Resources Director. Number of hours received is tracked on a cumulative basis and reported quarterly.		
Data Source	Human Resources Performance Report	Reporting Frequency	Annual
Target (Performance Goal)	85.00%	Baseline (Performance History)	91.30%
<i>Target Rationale: Maintain recent performance and increased total # of hours</i>		<i>Baseline Rationale: 5 year average = 91.32%</i>	
Current Status	97.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	97.00%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Limited staff flexibility to obtain professional development due to significant staff time dedicated to HCI data center and other system enhancements.	Encourage staff to plan for professional development opportunities before and/or after periods of time dedicated to HCI data center and other system enhancements.	
2	Dependence on IT system availability/accessibility for trainings and/or time tracking	Advise staff to plan to be proactive about obtaining professional development and reporting their hours earned as they go	
3	Limited progressive course availability on relevant subject matter area	Ongoing communication between managers and staff to expand and identify new learning opportunities	
YTD Performance History			
[Reported as an annual measure]			
VRS Mission: <i>VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.</i> VRS Vision: <i>To be the trusted leader in the delivery of benefits and services to those we serve.</i>			

Overall Measure: 13 of 16 meet or exceed target

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

Alida Conversational Survey



- Contracted with Alida to provide customer experience surveys for members, retirees and employers
- Alida's Conversational Survey serves as an interim solution until we replace the current CISCO telephony solution
- Customer Contact Center began capturing customer feedback in May 2023
- Feedback through September indicates a 99% favorable experience and 73% satisfaction with wait time to reach an agent
- Survey was conducted during the peak call volume period for July retirements, COLA and Health Insurance enrollment

Customer Satisfaction Experience Totals

Combined Average for All Audiences
May 2023 – Sep 2023





Date: September 12, 2023
To: Trish Bishop, Director
From: Jennifer Schreck, Internal Audit Director
Joshua Fox, Principal Auditor
Subject: Review of FY2023 Agency Performance Outcomes and Operational Measures

A handwritten signature in black ink, appearing to be 'J. Schreck', is written over the 'From:' line.

As part of our annual process, Internal Audit has reviewed the status of the 2023 Agency Performance Outcomes (APOs) and Operational Measures (OMs), as set forth by management for the fiscal year ended June 30, 2023. The purpose of our review was to obtain reasonable, but not absolute assurance that the status of such outcomes and measures were fairly represented in management's status reports.

Based upon our review of available documentation, attendance at VRS Board and Committee meetings and discussions with various VRS personnel, nothing came to our attention to cause us to question the representations set forth by management with respect to either the APOs or the OMs. Accordingly, we have no reason to believe that the APOs and OMs were not appropriately represented as satisfied for the fiscal year ended June 30, 2023.

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



Performance bonuses for eligible administrative employees and Investment Department operations and administration employees.

Requested Action

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

Description/Background

The Board approved the current Administrative Pay Plan and the current Investment Operations and Administration Staff Pay Plan on June 10, 2023. Each of the plans state:

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

Cost: The approximate total cost for the FY 2023 performance bonus payments to eligible employees is \$581,290.00, to be paid from the FY 2024 budget.

Rationale for Requested Action

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

Authority for Requested Action

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

The above action is approved.

A. Scott Andrews, Chair
VRS Board of Trustees

Date



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

Requested Action

The VRS Board of Trustees authorizes staff to request spending authority from the Department of Planning and Budget and legislature, as applicable, to execute planned initiatives for the next two fiscal years.

Description/Background

VRS staff notified the Administration, Finance and Talent Management Committee on September 20, 2023, that additional appropriation authority will be needed in FY 2025 and FY 2026 to accommodate planned spending. The Committee concurred with the planned spending line items and recommended that this RBA be presented to the entire Board for approval.

Rationale for Requested Action

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

Initiative	FY 2025 cost (in millions)	FY 2026 cost (in millions)
• Initiate Critical Facility Repairs & Upgrades	\$3.42	\$0.23
• Strengthen Workforce Development	\$2.38	\$2.55
• Ensure Long-Term Financial Health	\$2.59	\$3.16
• Optimize the Customer Experience	\$1.81	\$1.96
• Reinforce Fraud Prevention & Security Measures	\$2.78	\$2.42
• Enhance Business & Service Delivery Models	<u>\$1.81</u>	<u>\$1.89</u>
	\$14.80	\$12.21

Authority for Requested Action

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

The above action is approved.

A. Scott Andrews, Chair
VRS Board of Trustees

Date

VIRGINIA RETIREMENT SYSTEM

FY2025-2026 Budget Requests

FY2025

FY2026

\$

\$

Total
Positions

1 INITIATE CRITICAL FACILITY REPAIRS & UPGRADES

Funding for this proposal will allow VRS to undergo necessary building improvements as well as reorganize workspace in the VRS building (1200/1204) and leased space. Included in this package is funding to address repairs to the 1200/1204 brownstone. Additionally, the building's electrical panels are in need of replacing. The replacement will begin in FY24 with current appropriation; however, additional funds are being requested to complete the project in FY25. The final piece of this request is for funding to improve VRS' office design to better fit a hybrid work environment and improve collaboration.

\$ 3,425,000	\$ 225,000	-
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2 STRENGTHEN WORKFORCE DEVELOPMENT

This request aligns with VRS' strategic goal to invest in a high-quality, professional workforce. In FY24, VRS will complete market analysis compensation studies for both Administration and Investments; this proposal will allow the agency to implement the recommendations of both studies. In addition, VRS will use additional appropriation to begin an internship program across the Administration department. With both efforts, the agency will position itself to address its current and future needs, including filling current openings and developing the next generation of talent.

\$ 2,376,275	\$ 2,552,550	-
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3 ENSURE LONG-TERM FINANCIAL HEALTH

The VRS Trust Fund (Fund) continues to grow, with total assets now over \$105 billion. With this growth, the agency must continue to explore and implement new strategies, increase its monitoring capabilities, and ensure compliance with an increasingly complex regulatory environment. While this could be achieved using only external partners, VRS has demonstrated significant cost savings for the Fund through internal management. Three new FTEs will provide additional operations and controls to support increased portfolio asset growth and complexity. Also, upgrades to technology applications and additional data feeds will be required. Two analysts will aid the Investments Data Solutions Team and the Research Team, which will assist the Investments department in making well-informed strategic investment decisions. The final component to this package will allow the Investments department to explore and implement a new strategic asset allocation strategy that was approved by the Board in 2023. To achieve a successful implementation, four positions and an external consultant will be required to help identify, evaluate, hire and monitor partnerships with external managers.

\$ 2,590,542	\$ 3,161,810	9
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4 OPTIMIZE THE CUSTOMER EXPERIENCE

This proposal includes new positions to cultivate mutually supportive partnerships that enhance an exceptional customer experience. After performing an extensive customer experience analysis, VRS is ready to proceed with improvements. A recurring concern for the agency is turnover in the Customer Contact Center (CCC). In FY23 and FY24, eleven part-time employees were converted to FTEs. Funding for this was absorbed within the current appropriation due to the hiring freeze and vacancies that resulted from Covid. As the agency has emerged from the pandemic and the extremely tight labor market has begun to relax, VRS has been able to fill positions and can no longer rely on previous vacancies. Further, VRS invests significant resources in training agents, so providing full-time positions instead of wage should reduce turnover and associated costs as well as improve efficiency and agent expertise. Five more positions across Retirement Counseling, Member Support, and Public Relations will address other areas noted in the customer experience analysis, including additional web content and targeted messaging and outreach.

\$ 1,810,018 \$ 1,958,526 16

5 REINFORCE FRAUD PREVENTION & SECURITY MEASURES

This proposal continues from previous years' planning and will serve to enhance our overall risk mitigation framework. Specifically, this request will protect the agency against existing and emerging threats from attackers attempting to access sensitive data or impersonate members by using compromised information. An Analyst and tools to support the new Risk & Fraud Prevention Department is included. Also included is funding to continue the Identity Access Management replacement project and a Customer Relationship Management program to be implemented within the CCC's telephony system.

\$ 2,778,669 \$ 2,422,008 1

6 ENHANCE BUSINESS & SERVICE DELIVERY MODELS

Funding for this proposal will provide tools and five positions to assist the agency in transforming its business and service delivery models to meet the needs of its customers. These measures will ensure that VRS leverages state-of-the-art technology to improve system functionality. Replacing the multiple current HR information system platforms with a single, holistic platform will create savings and efficiencies for the department, as well as the agency. Additionally, this proposal includes funding for staff augmentation for VRS' financial system, Dynamics 365, for more in-house development and analysis. A Finance Manager, a Procurement Specialist, and an Accounts Payable Analyst in the Finance Department will address strategic plan goals to secure knowledge capture and transfers, and expand access to critical documents and procedures to best serve all customers. The final component to this request is establishing a Project Management Office for the agency to ensure VRS can successfully coordinate the various initiatives required of the organization while allowing other staff members to maintain focus on their core responsibilities.

\$ 1,814,965 \$ 1,891,727 5

TOTAL AGENCY REQUESTS \$ 14,795,469 \$ 12,211,621 31



Virginia Retirement System (VRS) FY 2023 Year-End Budget to Actual Report

	FY23 Budget <i>A</i>	Expenses through 6/30/2023 <i>B</i>	Projected Variance Favorable/ (Unfavorable) <i>E = A - D</i>	Projected % Remaining <i>F = E / A</i>
Administration				
Personnel				
Salaries & Wages	18,195,000	16,635,000	1,560,000	8.6%
Fringe Benefits	8,187,000	7,093,000	1,094,000	13.4%
Incentive Compensation	1,043,000	1,032,000	11,000	1.1%
Contractual Services				
Management & Administration ¹	1,283,000	941,000	342,000	26.7%
Professional Services ²	4,520,000	4,186,000	334,000	7.4%
Technical Services ³	221,000	13,000	208,000	94.1%
Travel & Training	374,000	257,000	117,000	31.3%
Network Infrastructure	117,000	47,000	70,000	59.8%
Equipment & Supplies	139,000	85,000	54,000	38.8%
Facility	2,089,000	2,071,000	18,000	0.9%
Administration Total	36,168,000	32,360,000	3,808,000	10.5%
Information Technology				
Personnel				
Salaries & Wages	9,730,000	8,101,000	1,629,000	16.7%
Fringe Benefits	3,799,000	3,133,000	666,000	17.5%
Incentive Compensation	484,000	484,000	-	0.0%
Contractual Services				
Management & Administration ¹	1,518,000	1,509,000	9,000	0.6%
Professional Services ²	92,000	92,000	-	0.0%
Technical Services ³	12,138,000	12,134,000	4,000	0.0%
Travel & Training	37,000	37,000	-	0.0%
Network Infrastructure	9,574,000	9,467,000	107,000	1.1%
Equipment & Supplies	54,000	47,000	7,000	13.0%
Facility	682,000	681,000	1,000	0.1%
Information Technology Total⁴	38,108,000	35,685,000	2,423,000	6.4%



Virginia Retirement System (VRS) FY 2023 Year-End Budget to Actual Report

	Current Budget ¹ A	Expenses through 6/30/2023 B	Projected Variance Favorable/ (Unfavorable) E = A - D	Projected % Remaining E / A
Investment Management				
Personnel				
Salaries & Wages	14,737,000	14,148,000	589,000	4.0%
Fringe Benefits	5,136,000	4,839,000	297,000	5.8%
Incentive Compensation	7,803,000	7,803,000	-	0.0%
Contractual Services				
Management & Administration ¹	636,000	284,000	352,000	55.3%
Professional Services ²	2,026,000	1,489,000	537,000	26.5%
Technical Services ³	11,700,000	10,768,000	932,000	8.0%
Travel & Training	751,000	406,000	345,000	45.9%
Network Infrastructure	1,066,000	423,000	643,000	60.3%
Equipment & Supplies	51,000	45,000	6,000	11.8%
Facility	657,000	654,000	3,000	0.5%
Investment Management Total	44,563,000	40,859,000	3,704,000	8.3%
VRS Subtotal	118,839,000	108,904,000	9,935,000	8.4%

¹ Management & Administration includes postage, printing, communications, memberships, subscriptions, insurance, claims and bonds

² Professional Services includes fiscal services, management services, legal services, media services, medical services, and auditing services

³ Technical Services includes computer operating services, contractors and data feeds

⁴ Does not include funds obligated through POs, but not yet paid



Virginia Retirement System (VRS) FY 2024 Budget to Actual Projections

	Beginning Budget ¹	Expenses through 7/31/2023	Projected Remaining Expenses	Projected Total Expenses ²	Projected Variance Favorable/ (Unfavorable)	Projected % Remaining
	A	B	C	D = B + C	E = A - D	F = E / A
Administration						
Personnel						
Salaries & Wages	20,258,000	1,674,000	17,970,000	19,644,000	614,000	3.0%
Fringe Benefits	8,149,000	620,000	7,326,000	7,946,000	203,000	2.5%
Incentive Compensation	1,125,000	4,000	1,121,000	1,125,000	-	0.0%
Contractual Services						
Management & Administration ³	2,329,000	86,000	1,943,000	2,029,000	300,000	12.9%
Professional Services ⁴	4,089,000	67,000	3,683,000	3,750,000	339,000	8.3%
Technical Services ⁵	1,024,000	-	1,005,000	1,005,000	19,000	1.9%
Travel & Training	394,000	16,000	365,000	381,000	13,000	3.3%
Network Infrastructure	165,000	-	139,000	139,000	26,000	15.8%
Equipment & Supplies	105,000	8,000	92,000	100,000	5,000	4.8%
Facility	1,833,000	151,000	1,669,000	1,820,000	13,000	0.7%
Administration Total	39,471,000	2,626,000	35,313,000	37,939,000	1,532,000	3.9%
Information Technology						
Personnel						
Salaries & Wages	8,780,000	721,000	7,992,000	8,713,000	67,000	0.8%
Fringe Benefits	3,245,000	270,000	2,899,000	3,169,000	76,000	2.3%
Incentive Compensation	471,000	1,000	470,000	471,000	-	0.0%
Contractual Services						
Management & Administration ³	1,557,000	120,000	1,370,000	1,490,000	67,000	4.3%
Professional Services ⁴	103,000	-	98,000	98,000	5,000	4.9%
Technical Services ⁵	14,424,000	826,000	12,472,000	13,298,000	1,126,000	7.8%
Travel & Training	103,000	4,000	87,000	91,000	12,000	11.7%
Network Infrastructure	8,186,000	262,000	7,449,000	7,711,000	475,000	5.8%
Equipment & Supplies	77,000	-	65,000	65,000	12,000	15.6%
Facility	424,000	74,000	340,000	414,000	10,000	2.4%
Information Technology Total⁶	37,370,000	2,278,000	33,242,000	35,520,000	1,850,000	5.0%



Virginia Retirement System (VRS) FY 2024 Budget to Actual Projections

	Current Budget ¹ <i>A</i>	Expenses through 7/31/2023 <i>B</i>	Projected Remaining Expenses <i>C</i>	Projected Total Expenses <i>D = B + C</i>	Projected Variance Favorable/ (Unfavorable) <i>E = A - D</i>	Projected % Remaining <i>E / A</i>
Investment Management						
Personnel						
Salaries & Wages	14,875,000	1,241,000	13,564,000	14,805,000	70,000	0.5%
Fringe Benefits	5,122,000	423,000	4,607,000	5,030,000	92,000	1.8%
Incentive Compensation	7,703,000	-	7,703,000	7,703,000	-	0.0%
Contractual Services						
Management & Administration ³	1,873,000	9,000	1,591,000	1,600,000	273,000	14.6%
Professional Services ⁴	1,797,000	60,000	1,642,000	1,702,000	95,000	5.3%
Technical Services ⁵	10,890,000	850,000	8,043,000	8,893,000	1,997,000	18.3%
Travel & Training	666,000	23,000	597,000	620,000	46,000	6.9%
Network Infrastructure	873,000	5,000	745,000	750,000	123,000	14.1%
Equipment & Supplies	17,000	-	16,000	16,000	1,000	5.9%
Facility	657,000	70,000	581,000	651,000	6,000	0.9%
Investment Management Total	44,473,000	2,681,000	39,089,000	41,770,000	2,703,000	6.1%
VRS Subtotal	121,314,000	7,585,000	107,644,000	115,229,000	6,085,000	5.0%

¹ Original budget plus/minus transfers

² Projected Total Expenses are best estimates as of the creation of this report and are subject to change

³ Management & Administration includes postage, printing, communications, memberships, subscriptions, insurance, claims and bonds

⁴ Professional Services includes fiscal services, management services, legal services, media services, medical services, and auditing services

⁵ Technical Services includes computer operating services, contractors and data feeds

⁶ Does not include funds obligated through POs, but not yet paid



Reappointment of IAC Members.

Requested Action

The Board reappoints William “Hance” West and Nancy G. Leake to the Investment Advisory Committee, each for a two-year term ending December 31, 2025.

Rationale for Requested Action

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

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

Hance West Biography

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

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

Nan Leake currently serves on the Investment Advisory Committee of the Virginia Retirement System and the Board of VCU Investment Management Company. She also serves on the Advisory Board of Hodes Weill & Associates, a capital advisory firm focused on the real estate investment and funds management industry, and on the Funds & Co-investments Investment Committee of Blue Earth Capital, an impact investing firm based in Switzerland. Previously, she served on both the Board and Investment Advisory Committee of the Richmond Retirement System.

Ms. Leake was previously a Partner in the Private Real Estate business unit at Partners Group, a global private markets investment manager with \$135 billion in assets under management. During her decade-long tenure at Partners Group, Ms. Leake was responsible for advancing the firm's real estate investment strategies, managing investor relationships and sourcing investment opportunities. Throughout her 35 year career, Ms. Leake has been involved in all aspects of real estate investing, having worked exclusively with institutional investors to design, structure and implement their global real estate investment strategies. Prior to joining Partners Group, Ms. Leake was a senior consultant at Pension Consulting Alliance, Inc. ("PCA"), whose discretionary real estate asset management business was integrated into Partners Group in 2007. Before joining PCA, she worked at Property Investment Advisors, Inc., the Virginia Retirement System and NBS Realty Advisors.

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

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



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

Requested Action

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

Description/Background

The VRS Board of Trustees approved the current Administrative Pay Plan, the current Investment Operations and Administration Staff Pay Plan and the current Investment Professionals' Pay Plan on June 10, 2023. Item 483 of the 2023 Appropriation Act requires the Department of Human Resource Management to increase by 2% 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 2% to the minimum and maximum of each grade of the salary scales of the Administrative Pay Plan, the Investment Operations and Administration Staff Pay Plan and the Investment Professionals' Pay Plan, effective December 10, 2023, is consistent with changes to be made to the Commonwealth's Classified Compensation Plan.

Rationale for Requested Action

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

Authority for Requested Action

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

The above action is approved.

A. Scott Andrews, Chair
VRS Board of Trustees

Date



VIRGINIA RETIREMENT SYSTEM
HUMAN RESOURCES POLICIES AND PROCEDURES

Title: ADMINISTRATIVE PAY PLAN

Policy Number: 3.10

Supersedes: 06/10/2023

Effective Date: 12/10/2023

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.

- **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.
- **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:
 - 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.
 - Individual employees who are assigned to key functions.

An in-grade adjustment of 1% to 10% 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.

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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	\$41,236	\$49,482	\$57,730
2	\$45,358	\$54,430	\$63,502
3	\$49,894	\$59,874	\$69,853
4	\$54,884	\$65,861	\$76,838
5	\$60,373	\$72,448	\$84,522
6	\$66,410	\$79,693	\$92,974
7	\$71,560	\$87,662	\$103,763
8	\$78,716	\$96,428	\$114,139
9	\$86,588	\$106,071	\$125,553
10	\$93,342	\$116,678	\$140,013
11	\$102,676	\$128,346	\$154,015
12	\$115,511	\$144,388	\$173,266
13	\$129,950	\$162,437	\$194,925
14	\$146,512	\$186,803	\$227,094
15	\$168,489	\$214,823	\$261,158
16	\$193,762	\$247,047	\$300,332

Technology SALARY GRADES			
Grade	Min	Mid	Max
T1	\$56,213	\$67,456	\$78,699
T2	\$61,834	\$74,202	\$86,568
T3	\$68,019	\$81,622	\$95,226
T4	\$74,820	\$89,784	\$104,749
T5	\$82,302	\$98,763	\$115,223
T6	\$90,532	\$108,639	\$126,745
T7	\$97,554	\$119,503	\$141,453
T8	\$107,309	\$131,454	\$155,598
T9	\$118,040	\$144,599	\$171,158
T10	\$127,247	\$159,059	\$190,871
T11	\$139,972	\$174,965	\$209,958
T12	\$153,969	\$192,461	\$230,954
T13	\$169,366	\$211,707	\$254,049
T14	\$182,649	\$232,878	\$283,107



VIRGINIA RETIREMENT SYSTEM
HUMAN RESOURCES POLICIES AND PROCEDURES

Title: ADMINISTRATIVE PAY PLAN

Policy Number: 3.10

Supersedes: ~~05/10/2023~~06/10/2023

Effective Date:

~~06/10/2023~~12/10/2023

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.

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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.
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- **Retention adjustment:** May be granted to prevent employees from seeking employment outside the agency including:
 - 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.
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An in-grade adjustment of 1% to 10% of salary is typically provided.

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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.

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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.

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.

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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.

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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.

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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.

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APPENDIX 1 – PAY RANGES

Administrative SALARY RANGES			
Grade	Min	Mid	Max
1	\$41,236 \$40,427	\$49,482 — \$48,512	\$57,730 \$- 56,598-
2	\$45,358 \$ 44,469-	\$54,430 —\$ 53,363	\$63,502 \$- 62,257-
3	\$49,894 \$ 48,916-	\$59,874 —\$ 58,700	\$69,853 \$- 68,483-
4	\$54,884 \$ 53,808-	\$65,861 —\$ 64,570	\$76,838 \$- 75,331-
5	\$60,373 \$ 59,189-	\$72,448 —\$ 71,027	\$84,522 \$- 82,865-
6	\$66,410 \$ 65,108-	\$79,693 —\$ 78,130	\$92,974 \$- 91,151-
7	\$71,560 \$ 70,157-	\$87,662 —\$ 85,943	\$103,763 \$- 101,728-
8	\$78,716 \$ 77,173-	\$96,428 —\$ 94,537	\$114,139 \$- 111,901-
9	\$86,588 \$ 84,890-	\$106,071 —\$ 103,991	\$125,553 \$- 123,091-
10	\$93,342 \$ 91,512-	\$116,678 — \$ 114,390	\$140,013 \$- 137,268-
11	\$102,676 \$ 100,663	\$128,346 — \$ 125,829	\$154,015 \$- 150,995-
12	\$115,511 \$ 113,246	\$144,388 —\$ 141,557	\$173,266 \$- 169,869-
13	\$129,950 \$ 127,402	\$162,437 —\$ 159,252	\$194,925 \$- 191,103-
14	\$146,512 \$143,639	\$186,803 —\$ 183,140	\$227,094 \$- 222,641-
15	\$168,489 \$165,185	\$214,823 —\$ 210,611	\$261,158 \$- 256,037-
16	\$193,762 \$189,963	\$247,047 —\$ 242,203	\$300,332 \$- 294,443-

Technology SALARY GRADES			
Grade	Min	Mid	Max
T1	<u>\$56,213</u> \$ 55,111	<u>\$67,456</u> \$ 66,133	<u>\$78,699</u> \$ 77,156
T2	<u>\$61,834</u> \$ 60,622	<u>\$74,202</u> \$ 72,747	<u>\$86,568</u> \$ 84,871
T3	<u>\$68,019</u> \$ 66,685	<u>\$81,622</u> \$ 80,022	<u>\$95,226</u> \$ 93,359
T4	<u>\$74,820</u> \$ 73,353	<u>\$89,784</u> \$ 88,024	<u>\$104,749</u> \$ 102,695
T5	<u>\$82,302</u> \$ 80,688	<u>\$98,763</u> \$ 96,826	<u>\$115,223</u> \$ 112,964
T6	<u>\$90,532</u> \$ 88,757	<u>\$108,639</u> \$ 106,509	<u>\$126,745</u> \$ 124,260
T7	<u>\$97,554</u> \$ 95,641	<u>\$119,503</u> \$ 117,160	<u>\$141,453</u> \$ 138,679
T8	<u>\$107,309</u> \$ 105,205	<u>\$131,454</u> \$ 128,876	<u>\$155,598</u> \$ 152,547
T9	<u>\$118,040</u> \$ 115,725	<u>\$144,599</u> \$ 141,764	<u>\$171,158</u> \$ 167,802
T10	<u>\$127,247</u> \$ 124,752	<u>\$159,059</u> \$ 155,940	<u>\$190,871</u> \$ 187,128
T11	<u>\$139,972</u> \$ 137,227	<u>\$174,965</u> \$ 171,534	<u>\$209,958</u> \$ 205,841
T12	<u>\$153,969</u> \$ 150,950	<u>\$192,461</u> \$ 188,687	<u>\$230,954</u> \$ 226,425
T13	<u>\$169,366</u> \$ 166,045	<u>\$211,707</u> \$ 207,556	<u>\$254,049</u> \$ 249,068
T14	<u>\$182,649</u> \$ 179,068	<u>\$232,878</u> \$ 228,312	<u>\$283,107</u> \$ 277,556



**VIRGINIA RETIREMENT SYSTEM
INVESTMENT PROFESSIONALS'
PAY PLAN
Effective December 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	\$365,479	\$483,557	\$607,257
9	Managing Director	\$309,252	\$410,461	\$511,671
8	Program Director	\$264,270	\$354,234	\$444,198
7	Director – Strategy, Research, Risk and/or Investment Decision Support	\$230,533	\$309,252	\$387,970
6	Senior Portfolio Manager	\$230,533	\$309,252	\$387,970
5	Portfolio Manager	\$179,928	\$241,779	\$303,629
4	Senior Investment Officer	\$151,815	\$202,419	\$253,292
3	Investment Officer	\$118,078	\$157,437	\$196,797
2	Senior Investment Analyst	\$89,964	\$118,078	\$146,192
1	Investment Analyst	\$73,096	\$95,587	\$118,078

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

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

Salary Adjustments

Oversight & Administration

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

Merit Increases

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

Investment Professionals' Pay Plan

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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, Finance and Talent Management (AFT) Committee, administers the Incentive Plan (Plan) and retains full and complete discretion:

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

Investment Professionals' Pay Plan Effective December 10, 2023

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

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

PLAN ELIGIBILITY

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

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

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

Chief Investment Officer Managing Director – 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.

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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.

**Investment Professionals’ Pay Plan
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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	Incentive¹ (% Salary)
Chief Investment Officer	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.

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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/	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

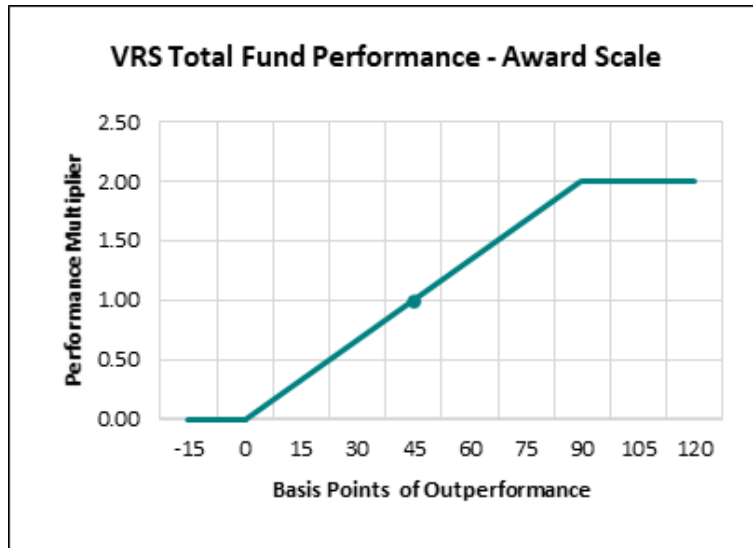
These Plan components link participants’ incentive compensation to relative investment performance or, more specifically, the extent by which the Total Fund and/or Asset Class performance exceeds passive benchmarks (indices) as measured over trailing three- and five-year annualized periods (each weighted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

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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 AFT Committee.

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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**

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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 AFT 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 AFT 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.

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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 AFT 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, 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

The CIO 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 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.

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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.



VIRGINIA RETIREMENT SYSTEM
INVESTMENT PROFESSIONALS'
PAY PLAN
Effective ~~June~~ December 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	\$365,479	\$483,557	\$607,257
		358,313	474,075	595,350
9	Managing Director	\$309,252	\$410,461	\$511,671
		303,188	402,413	501,638
8	Program Director	\$264,270	\$354,234	\$444,198
		259,088	347,288	435,488
7	Director – Strategy, Research, Risk and/or Investment Decision Support	\$230,533	\$309,252	\$387,970
		226,013	303,188	380,363
6	Senior Portfolio Manager	\$230,533	\$309,252	\$387,970
		226,013	303,188	380,363
5	Portfolio Manager	\$179,928	\$241,779	\$303,629
		176,400	237,038	297,675
4	Senior Investment Officer	\$151,815	\$202,419	\$253,292
		148,838	198,450	248,325
3	Investment Officer	\$118,078	\$157,437	\$196,797
		115,763	154,350	192,938
2	Senior Investment Analyst	\$89,964	\$118,078	\$146,192
		88,200	115,763	143,325
1	Investment Analyst	\$73,096	\$95,587	\$118,078
		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 ineligible for performance increases to their base salary and market adjustments to their

Investment Professionals' Pay Plan Effective ~~June~~ December 10, 2023

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, Finance and Talent Management (AFT) 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.

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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 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.

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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	Incentive¹ (% Salary)
Chief Investment Officer	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.

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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/	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

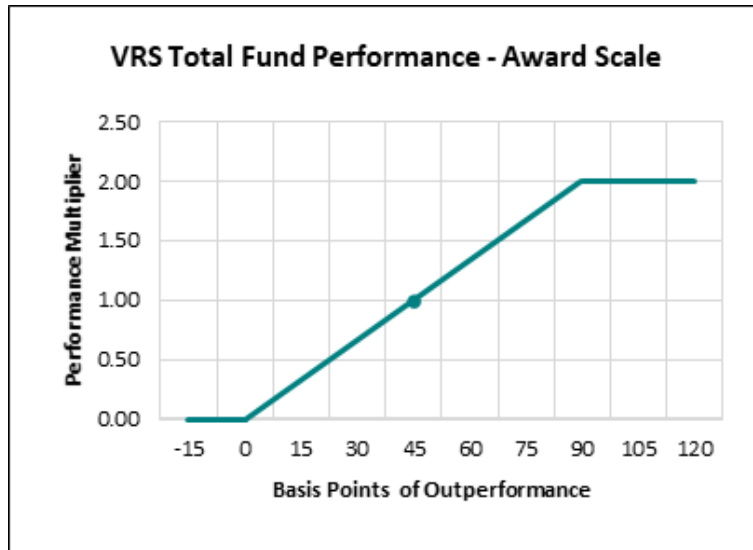
These Plan components link participants' incentive compensation to relative investment performance or, more specifically, the extent by which the Total Fund and/or Asset Class performance exceeds passive benchmarks (indices) as measured over trailing three- and five-year annualized periods (each weighted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

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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 AFT Committee.

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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**

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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 AFT 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 AFT 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 ~~June~~ December 10, 2023

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 AFT 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, 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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Effective ~~June-December~~ 10, 2023

FUND TRANSFERS AND DISTRIBUTIONS

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

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

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

TAXATION

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

IV. Other Compensation Plan

Information Competitive Pay Increases

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

Sign-on Bonuses

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

Relocation Expenses

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

Employment at Will

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

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

Investment Professionals' Pay Plan Effective ~~June~~ December 10, 2023

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

The CIO 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 heads the Executive and Management Committees, which are responsible for reviewing all investment recommendations. The CIO/Chief Managing Director collaborates with the VRS Board-appointed Investment Advisory Committee (IAC) and delivers frequent reports and updates to the VRS Board.

Managing Director

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

Program Director

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

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

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

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

Investment Professionals' Pay Plan Effective ~~June~~ December 10, 2023

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

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

Senior Portfolio Manager

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

Portfolio Manager

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

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

Senior Investment Officer

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

Investment Officer

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

Investment Professionals' Pay Plan
Effective ~~June~~ December 10, 2023

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.

Supersedes: 06/10/2022

Effective Date: 12/10/2023

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.

Performance Assessment

Investment Department operations and administration staff will receive a formal performance assessment annually, using the following five-point rating scale: “Does Not Meet Expectations,” “Needs Improvement,” “Meets Expectations,” “Exceeds Expectations,” and “Exceptional,” based on the criteria described in employees’ position descriptions.

However, the VRS expects supervisors and managers to give informal performance feedback at least quarterly and more frequently to co-workers who are inexperienced in their position or who are not meeting the performance expectations of their supervisor or manager. In the latter case, the feedback must be in writing to employees.

The Rating Scale definitions are as follows.

- **Does Not Meet Expectations** - Performance must improve substantially within a reasonable period if the individual is to remain in this position. The employee is not meeting the job requirements. The person consistently fails to meet the objective(s) described in the goal area.
- **Needs Improvement** - Performance is noticeably less than expected. The employee generally meets most job requirements, but struggles to meet them all. The need for further development and improvement is clearly recognized.
- **Meets Expectations** - Performance clearly and fully meets all the requirements of the position in terms of quality, timeliness, and quantity of work. The assessment is a good, solid performance. While minor deviations may occur, the overall level of performance meets all position requirements. The person consistently meets and may occasionally exceed the objective(s) described in the goal area. Employees that attain and maintain this rating are performing their jobs as expected, meeting deadlines, and delivering good quality results.
- **Exceeds Expectations** - Performance frequently exceeds job requirements. Accomplishments are regularly above expected levels. Performance is sustained and uniformly high with thorough and on-time results. Tasks assigned are consistently completed with good quality and on time or ahead of schedule, and the tasks are sometimes completed even if they are not directly assigned. The person will often perform tasks that fall outside their job description.
- **Exceptional** - Performance levels and accomplishments far exceed normal expectations. This category is for the employee who truly stands out and clearly and consistently demonstrates exceptional accomplishments in terms of quality and quantity of work that is easily recognized, as truly exceptional by others. This rating is very difficult to achieve in the regular execution of one’s job. An opportunity has to present itself and the person needs to identify it and take full advantage of it. It is difficult to define the precise criteria on a performance plan that will allow a person to achieve an exceptional rating, but “you will know it when you see it.”

Starting Salary

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

Salary Adjustments

A. Introductory Period

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

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

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

B. Promotions

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

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

C. Lateral

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

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

D. Downward Assignments (Voluntary or Performance Related)

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

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

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

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

E. Job Reclassifications

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

- **Reclassification Upward:** Occurs when it is determined that an individual's job duties and responsibilities have changed significantly enough to transition the position into a different classification within a higher salary grade. Employees typically receive salary increases between 2% and 15%. Reclassification increases are approved by the CIO, in coordination with HR. Salaries must be at or above the minimum of the new pay grade.

- **Reclassification Laterally:** Occurs when it is determined that an individual’s job duties and responsibilities have changed significantly enough to transition the position into a different classification within the same salary grade. No salary increase is awarded. Any exception to this guideline will require additional justification, an internal equity review, and approval of the CIO, in coordination with HR.
- **Reclassification Downward:** Occurs when it is determined that an individual’s job duties and responsibilities have changed significantly enough to transition the position into a different classification within a lower salary grade.

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

F. Regrade

Regrades occur when the classification is determined to warrant a different pay grade. This is typically determined by a market analysis or internal classification review, performed by HR in coordination with the CIO. Employees typically receive salary increases between 2% and 15%. Regrade increases are approved by the CIO, in coordination with HR. Salaries must be at or above the minimum of the new pay grade.

G. Acting Pay

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

- **Less Than Two Years Duration:** The employee will receive at least a 5% salary adjustment while serving in an acting position. If the 5% increase does not place the employee at the minimum salary of the acting position, the salary must be increased to the minimum of the acting range. The acting amount shall not exceed the maximum of the acting range. When the employee returns to the former position, his or her salary will be reduced by the dollar amount received while performing the “acting” job responsibilities.
- **Beyond Two Years Duration:** When employees are deemed to be “acting” by performing the full duties of a position for more than two years, the supervisor may choose to promote the individual without going through a competitive process. If the employee is promoted, the employee is eligible for a promotional increase. Otherwise, the position will be open for recruitment. The permanent filling of the position may involve no change in current salary or could include a pay increase, depending upon the circumstances and available budget. If an employee is acting in a position that is the same salary grade, acting pay would not be provided unless there is sufficient justification to support that the duties of the acting position are substantially different.

H. In-grade Adjustments

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

- **Market adjustment:** Warranted in cases where external market forces exist due to high demand for a particular skill or position which may result in significantly higher turnover. Market adjustments may also occur if it is determined that an individual's salary is significantly lower than market study findings. Salary adjustments can apply to an individual or classification of employees to ensure competitiveness and retention of staff. An in-grade adjustment of 1% to 10% of salary is typically provided.
- **Internal alignment adjustment:** Warranted when employees' salaries are unusually low or out of comparability with other employees in the work unit. Factors considered include experience, education, knowledge, skills and abilities. An in-grade adjustment of 1% to 10% of salary is typically provided.
- **Individual accomplishment adjustment:** May be awarded to recognize the attainment of a higher level of expertise through professional certification requiring continuing education credits (CEUs). In-grade adjustments are awarded at the time of the original certification. If the certification does not require CEUs, an in-grade adjustment will not be provided; however, a bonus may be considered. Additionally, an in-grade adjustment for completion of a degree that relates to a current or career path position may be provided. Other similar situations may be considered as justification for an individual accomplishment adjustment. An in-grade adjustment of 1% to 10% of salary is typically provided.
- **Skill acquisition and application adjustment:** May be awarded to recognize the acquisition and application of relevant, pre-defined, job-based skills, resulting in increased value to the organization. Typically, an Individual Development Plan identifies the needed skills and the skill acquisition plan. Formal assessments, through testing or demonstration of the skills acquired and applied to the job, may result in an in-grade adjustment. An in-grade adjustment of 1% to 4% of salary is typically provided.

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

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

I. Competitive Pay Increases

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

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

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

J. Increases Governed by the Appropriation Act

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

Bonuses

A. Sign-on

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

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

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

Refer to the Employee Sign-on Bonus Program Policy.

B. Referral

Referral bonuses may be provided to full and part-time employees who refer a candidate hired into a full-time position. The amount of the referral bonus is \$1,000. Fifty percent is paid in the paycheck following the referred employee's first full pay cycle with the remainder of the bonus being paid following the successful completion of the referred employee's introductory period.

Refer to the Employee Referral Program Policy.

C. Performance

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

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

Employees who receive an overall “meets,” “does not meet” or “needs improvement” rating will not receive a performance bonus.

The performance cycle and thus, bonus payments, align with the fiscal year, July 1 through June 30. While the VRS Board of Trustees remains mindful of the value that staff adds to the organization and supportive of the pay plan, the VRS Board of Trustees also specifically reserves the right to cancel, reduce, or delay the amount of any bonuses payable under this plan when, in the sole discretion of the VRS Board of Trustees, extreme budgetary pressures, economic, market or other conditions are such that the VRS Board of Trustees deems such action necessary under the circumstances.

Consistent with 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.

Administrative Policies

Policy Title: Investment Operations and Administration Staff Pay Plan

Appendix



Salary Ranges

Grade	Minimum	Midpoint	Maximum
1	\$45,992	\$57,489	\$68,987
2	\$51,742	\$64,676	\$77,610
3	\$58,207	\$72,760	\$87,312
4	\$65,601	\$82,000	\$98,400
5	\$73,930	\$92,412	\$110,895
6	\$83,302	\$104,127	\$124,952
7	\$93,714	\$117,142	\$140,572
8	\$105,169	\$131,461	\$157,752
9	\$118,706	\$148,380	\$178,057
10	\$133,281	\$166,605	\$199,925
11	\$149,944	\$187,429	\$224,914
12	\$168,686	\$210,856	\$253,029
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
Systems	Decision Data Analyst II	6
Systems	Decision Data Analyst I	4
Admin	Portfolio Assistant	3
Admin	Executive Assistant	3
Admin	Administrative Assistant	1

Supersedes: ~~0706~~/10/2022

Effective Date: ~~0612~~/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.

Performance Assessment

Investment Department operations and administration staff will receive a formal performance assessment annually, using the following five-point rating scale: “Does Not Meet Expectations,” “Needs Improvement,” “Meets Expectations,” “Exceeds Expectations,” and “Exceptional,” based on the criteria described in employees’ position descriptions.

However, the VRS expects supervisors and managers to give informal performance feedback at least quarterly and more frequently to co-workers who are inexperienced in their position or who are not meeting the performance expectations of their supervisor or manager. In the latter case, the feedback must be in writing to employees.

The Rating Scale definitions are as follows.

- **Does Not Meet Expectations** - Performance must improve substantially within a reasonable period if the individual is to remain in this position. The employee is not meeting the job requirements. The person consistently fails to meet the objective(s) described in the goal area.
- **Needs Improvement** - Performance is noticeably less than expected. The employee generally meets most job requirements, but struggles to meet them all. The need for further development and improvement is clearly recognized.
- **Meets Expectations** - Performance clearly and fully meets all the requirements of the position in terms of quality, timeliness, and quantity of work. The assessment is a good, solid performance. While minor deviations may occur, the overall level of performance meets all position requirements. The person consistently meets and may occasionally exceed the objective(s) described in the goal area. Employees that attain and maintain this rating are performing their jobs as expected, meeting deadlines, and delivering good quality results.
- **Exceeds Expectations** - Performance frequently exceeds job requirements. Accomplishments are regularly above expected levels. Performance is sustained and uniformly high with thorough and on-time results. Tasks assigned are consistently completed with good quality and on time or ahead of schedule, and the tasks are sometimes completed even if they are not directly assigned. The person will often perform tasks that fall outside their job description.
- **Exceptional** - Performance levels and accomplishments far exceed normal expectations. This category is for the employee who truly stands out and clearly and consistently demonstrates exceptional accomplishments in terms of quality and quantity of work that is easily recognized, as truly exceptional by others. This rating is very difficult to achieve in the regular execution of one’s job. An opportunity has to present itself and the person needs to identify it and take full advantage of it. It is difficult to define the precise criteria on a performance plan that will allow a person to achieve an exceptional rating, but “you will know it when you see it.”

Starting Salary

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

Salary Adjustments

A. Introductory Period

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

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

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

B. Promotions

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

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

C. Lateral

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

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

D. Downward Assignments (Voluntary or Performance Related)

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

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

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

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

E. Job Reclassifications

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

- **Reclassification Upward:** Occurs when it is determined that an individual's job duties and responsibilities have changed significantly enough to transition the position into a different classification within a higher salary grade. Employees typically receive salary increases between 2% and 15%. Reclassification increases are approved by the CIO, in coordination with HR. Salaries must be at or above the minimum of the new pay grade.

- **Reclassification Laterally:** Occurs when it is determined that an individual’s job duties and responsibilities have changed significantly enough to transition the position into a different classification within the same salary grade. No salary increase is awarded. Any exception to this guideline will require additional justification, an internal equity review, and approval of the CIO, in coordination with HR.
- **Reclassification Downward:** Occurs when it is determined that an individual’s job duties and responsibilities have changed significantly enough to transition the position into a different classification within a lower salary grade.

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

F. Regrade

Regrades occur when the classification is determined to warrant a different pay grade. This is typically determined by a market analysis or internal classification review, performed by HR in coordination with the CIO. Employees typically receive salary increases between 2% and 15%. Regrade increases are approved by the CIO, in coordination with HR. Salaries must be at or above the minimum of the new pay grade.

G. Acting Pay

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

- **Less Than Two Years Duration:** The employee will receive at least a 5% salary adjustment while serving in an acting position. If the 5% increase does not place the employee at the minimum salary of the acting position, the salary must be increased to the minimum of the acting range. The acting amount shall not exceed the maximum of the acting range. When the employee returns to the former position, his or her salary will be reduced by the dollar amount received while performing the “acting” job responsibilities.
- **Beyond Two Years Duration:** When employees are deemed to be “acting” by performing the full duties of a position for more than two years, the supervisor may choose to promote the individual without going through a competitive process. If the employee is promoted, the employee is eligible for a promotional increase. Otherwise, the position will be open for recruitment. The permanent filling of the position may involve no change in current salary or could include a pay increase, depending upon the circumstances and available budget. If an employee is acting in a position that is the same salary grade, acting pay would not be provided unless there is sufficient justification to support that the duties of the acting position are substantially different.

H. In-grade Adjustments

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

- **Market adjustment:** Warranted in cases where external market forces exist due to high demand for a particular skill or position which may result in significantly higher turnover. Market adjustments may also occur if it is determined that an individual's salary is significantly lower than market study findings. Salary adjustments can apply to an individual or classification of employees to ensure competitiveness and retention of staff. An in-grade adjustment of 1% to 10% of salary is typically provided.
- **Internal alignment adjustment:** Warranted when employees' salaries are unusually low or out of comparability with other employees in the work unit. Factors considered include experience, education, knowledge, skills and abilities. An in-grade adjustment of 1% to 10% of salary is typically provided.
- **Individual accomplishment adjustment:** May be awarded to recognize the attainment of a higher level of expertise through professional certification requiring continuing education credits (CEUs). In-grade adjustments are awarded at the time of the original certification. If the certification does not require CEUs, an in-grade adjustment will not be provided; however, a bonus may be considered. Additionally, an in-grade adjustment for completion of a degree that relates to a current or career path position may be provided. Other similar situations may be considered as justification for an individual accomplishment adjustment. An in-grade adjustment of 1% to 10% of salary is typically provided.
- **Skill acquisition and application adjustment:** May be awarded to recognize the acquisition and application of relevant, pre-defined, job-based skills, resulting in increased value to the organization. Typically, an Individual Development Plan identifies the needed skills and the skill acquisition plan. Formal assessments, through testing or demonstration of the skills acquired and applied to the job, may result in an in-grade adjustment. An in-grade adjustment of 1% to 4% of salary is typically provided.

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

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

I. Competitive Pay Increases

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

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

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

J. Increases Governed by the Appropriation Act

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

Bonuses

A. Sign-on

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

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

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

Refer to the Employee Sign-on Bonus Program Policy.

B. Referral

Referral bonuses may be provided to full and part-time employees who refer a candidate hired into a full-time position. The amount of the referral bonus is \$1,000. Fifty percent is paid in the paycheck following the referred employee's first full pay cycle with the remainder of the bonus being paid following the successful completion of the referred employee's introductory period.

Refer to the Employee Referral Program Policy.

C. Performance

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

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

Employees who receive an overall “meets,” “does not meet” or “needs improvement” rating will not receive a performance bonus.

The performance cycle and thus, bonus payments, align with the fiscal year, July 1 through June 30. While the VRS Board of Trustees remains mindful of the value that staff adds to the organization and supportive of the pay plan, the VRS Board of Trustees also specifically reserves the right to cancel, reduce, or delay the amount of any bonuses payable under this plan when, in the sole discretion of the VRS Board of Trustees, extreme budgetary pressures, economic, market or other conditions are such that the VRS Board of Trustees deems such action necessary under the circumstances.

Consistent with 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	\$45,992 - \$45,090	\$57,489 - \$56,362	\$68,987 - \$67,634
2	\$51,742 - \$50,727	\$64,676 - \$63,408	\$77,610 - \$76,088
3	\$58,207 - \$57,066	\$72,760 - \$71,333	\$87,312 - \$85,600
4	\$65,601 - \$64,315	\$82,000 - \$80,392	\$98,400 - \$96,471
5	\$73,930 - \$72,480	\$92,412 - \$90,600	\$110,895 - \$108,721
6	\$83,302 - \$81,669	\$104,127 - \$102,085	\$124,952 - \$122,502
7	\$93,714 - \$91,876	\$117,142 - \$114,845	\$140,572 - \$137,816
8	\$105,169 - \$103,107	\$131,461 - \$128,883	\$157,752 - \$154,659
9	\$118,706 - \$116,378	\$148,380 - \$145,471	\$178,057 - \$174,566
10	\$133,281 - \$130,668	\$166,605 - \$163,338	\$199,925 - \$196,005
11	\$149,944 - \$147,004	\$187,429 - \$183,754	\$224,914 - \$220,504
12	\$168,686 - \$165,378	\$210,856 - \$206,722	\$253,029 - \$248,068
Minimum is 80% of midpoint. Maximum is 120% of midpoint.			
Bandwidth is 50%.			
Difference between grades is 10-15%.			

Administrative Policies

Policy Title: Investment Operations and Administration Staff Pay Plan

Appendix



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

Approve FY 2023 incentive payments for VRS investment professionals.**Requested Action**

The VRS Board of Trustees approves payment of an incentive amount of approximately \$9,164,370.33 for FY 2023 to VRS investment professionals as authorized by the Investment Professionals' Pay Plan.

Description/Background

The VRS Board of Trustees approved the applicable Investment Professionals' Pay Plan (the "Plan") on June 10, 2023. 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, Virginia's taxpayers, and VRS' employees – through a compensation plan that is clear, aligned with performance, competitive and cost effective.

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

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

The VRS Board of Trustees, through the Administration, Finance and Talent Management Committee ("AFT"), administers the Plan. As Plan Administrator, the Board retains full and complete discretion:

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

The Plan Administrator may delegate certain aspects of the Plan's day-to-day operations 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.

The Plan also provides for advance review by the Plan Administrator of incentive 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 AFT 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. As requested by the AFT Committee, the CIO will provide additional information prior to the Board approving the payout of any and/or all awards.

Internal Audit notified Human Resources in a September 11, 2023 memorandum, a copy of which is attached to this RBA, that the aggregate amount and the proposed payment amounts for each individual are accurately computed and in accordance with the Plan.

Rationale for Requested Action

The aggregate recommended incentive award amount for the Board of Trustees to approve is approximately \$9,164,370.33 for 54 investment professionals eligible to participate in the pay plan during FY 2023.

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

Fiscal Year 2023 Incentive Compensation Summary

Target Incentive Levels	
VRS Position	Target Incentive
Chief Investment Officer	70%
Managing Director - Portfolio Solutions Group	65%
Managing Director - Private Market Assets and DC Plans	65%
Managing Director - Public Market Assets	65%
Program Director	60%
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%

Multipliers		
	3 Year	5 Year
Total Fund	2.00	2.00
Public Equity	0.63	0.00
Fixed Income	2.00	2.00
Credit Strategies	2.00	2.00
Real Assets	2.00	2.00
Private Equity	2.00	2.00
Internal Equity Management	2.00	0.00
Average of All Asset Class Multipliers	1.77	1.33
Average of Public Market Assets	1.54	0.67
Average of Private Market Assets	2.00	2.00
Defined Contribution Plans	2.00	2.00

The Qualitative Multiplier is determined by the CIO and can range from 0.0 to 2.0.
The Total Fund One-Year Return Adjustment was 0%.


Aggregate Incentives	
Total Fund	\$3,357,984.77
Specific Fund	\$2,874,097.88
Average Specific Fund	\$1,321,368.37
Qualitative	\$1,610,919.31
Preliminary Total	\$9,164,370.33
1 Year Absolute Return Adjustment	\$0.00
Total	\$9,164,370.33



Date: September 11, 2023

To: Paula Reid, Director of Human Resources

CC: Trish Bishop, Director
Andrew Junkin, Chief Investment Officer

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

Subject: **Review of FY2023 Investment Incentive Compensation**

Internal Audit has reviewed the proposed Investment Incentive Compensation for the fiscal year ended June 30, 2023. As presented, the Investment Incentive Compensation amount, in aggregate, is **\$9,151,854.92**, where a qualitative multiplier of **1.0** is used for the Chief Investment Officer.

We confirmed all Investment Professionals met the eligibility requirements as outlined in the Investment Professionals' Pay Plan. Further, we found the aggregate amount, as well as the proposed individual payment amounts, were accurately computed in accordance with the Investment Professionals' Pay Plan, effective **June 10, 2023**.

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

VRS Director's performance review.**Requested Action**

The VRS Board of Trustees approves a performance bonus for the VRS Director payable on October 16, 2023 and a supplemental payment made December 1, 2023 as authorized in the 2023 Appropriation Act.

Description/Background

A performance bonus may be paid to the VRS Director pursuant to § 4-6.01(c)(2)(b)(1) of the 2023 Appropriation Act:

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

A 5% performance bonus is payable October 16, 2023.

The Board may supplement the salary of the Director pursuant to § 4-6.01(c)(8) of the 2023 Appropriation Act:

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

A supplement of \$89,250.00 will be paid on December 1, 2023, with an amount up to the applicable Internal Revenue Code § 415(c) limits paid to the Defined Contribution Incentive Plan for VRS Personnel as an employer contribution, and the remainder paid in taxable compensation to the Director.

Rationale for Requested Action

This RBA, which recommends a performance bonus and the award of supplemental compensation for the VRS Director, considers the salaries paid to similar officials in comparable public pension plans, which in 2022 was an average salary of \$276,400. Total average compensation in 2021 (most recent data available) for comparable Directors without CIO responsibilities was \$293,000. The combined salary, performance bonus and supplemental compensation for the VRS Director is intended to make her total compensation comparable to the salary of other similarly situated officials in comparable public pension plans. The statutory base salary for the VRS Director is \$221,086.

The current limitation for 401(a) contributions under Internal Revenue Code § 415(c)(1)(A) is \$66,000 so no more than this amount (taking into account any other 401(a) contributions) may be paid into the DCPIP.

Additionally, the timing of the payment of the supplement complies with the 2023 Appropriation Act. The supplement will be paid on December 1, 2023, which allows more than 60 days' notice to the Chairmen of the Senate Finance and Appropriations and House Appropriations Committees.

Authority for Requested Action

Section 4-6.01(c)(2)(b)(1) and (c)(8) of the 2023 Appropriation Act.

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

The above action is approved.

A. Scott Andrews, Chair
VRS Board of Trustees

Date



Virginia
Retirement
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Fiscal Year 2023 Report

Trish Bishop, Director



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Executive Summary

After a few disruptive years, the VRS staff approached fiscal year 2023 with a renewed energy and commitment to collaboration aimed at building on our 80-plus-year legacy and reinforcing our foundation for the future.

By ensuring our core functions are healthy and robust, we pave the way for continued innovation and growth. In this report, you'll find department highlights tied to our operational measures and strategic plan. Of particular note, the 2023 Virginia General Assembly session delivered a sizeable win with a \$250 million cash infusion to VRS retirement plans, bringing the total to more than \$1 billion over two years. The legislature also fully funded employer contribution rates, even keeping higher prior year rates for state and teacher plans to improve plan funding. While it's taken years of patient and continuous stakeholder education on the financial upside of paying down pension liabilities, we're gratified that this steady groundwork has produced cost savings over time and improved stability.

Our leadership team was delighted to begin working with Andrew Junkin in the Chief Investment Officer role and welcome Leslie Weldon as Chief Financial Officer.

The quest for continuous innovation was directed this year toward building a resilient and scalable data infrastructure and near-instant disaster recovery services. Data security is paramount and requires increasing vigilance by every member of the agency.

VRS has maintained a post-pandemic hybrid work environment, balancing remote work with in-office days to facilitate collaboration and team focus. We launched an in-house professional development and training initiative tailored to the VRS culture of continuous learning as we serve those who serve others across Virginia.

To preview the year ahead, we're focusing on the customer experience, enhancing security and leveraging technology to improve outcomes for our audiences. Together, we will navigate the challenges and seize the opportunities ahead, ensuring an excellent experience for our customers that truly reflects our vision and values.

Agency Operational Measures and Performance

OPERATIONAL MEASURES

- VRS met 15 of 16 operational targets for the year, which measure overall effectiveness in delivering services to members.
- 100% of monthly retirement disbursements were processed no later than the first business day of the month.
- Accuracy and timeliness of retirement applications (service and disability) processed exceeded 98%.
- Employer contributions were 100% on time.
- 97% of staff completed at least eight hours of professional development.
- The team continues to invest in recruitment and retention efforts, as well as a new telephony system, all aimed at best serving our customers and reducing the call abandonment rate over time. This is an industry-wide issue that also affects VRS.



AGENCY PERFORMANCE OUTCOMES

- Through teamwork and collaboration, we accomplished all six APOs for the year.
- Successfully migrated to a new hyper converged infrastructure (HCI) data center, a huge undertaking for the agency that required work across all business units. This scalable data infrastructure provides near-instant disaster recovery services.
- Instituted a new comprehensive agency training program, known as EDGE, offering a variety of courses and training programs for staff to sharpen their skills and gain practical takeaways.
- Initiated a new customer experience program to enhance customers' interactions across the agency.
- VRS successfully implemented all of its components for the Commonwealth's Cardinal HCM, a multi-year initiative to replace legacy systems and processes with new technology. VRS had critical roles in the project as both an employer and a provider of benefits, requiring a close partnership with DHRM during implementation.

CONTINUED

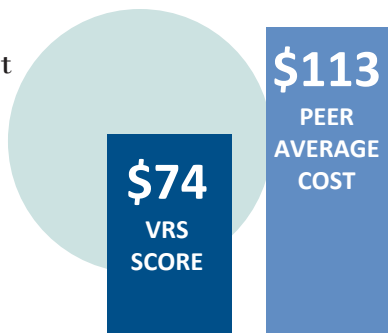
Agency Operational Measures and Performance

CEM BENCHMARKING

VRS maintains its position in the most coveted quadrant of CEM's cost-effective services chart, where we deliver high service at a low cost in comparison to our peers.

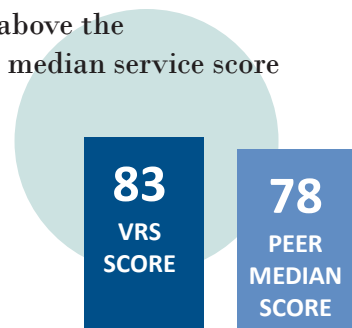
Pension Administration Cost Per Member

35% below the peer average cost



Total Service Score

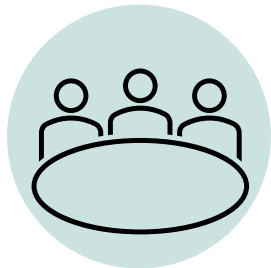
6% above the peer median service score



© 2023 CEM Benchmarking Inc.

Executive Outreach

Executive staff met with 16 stakeholder groups to provide education and build awareness of VRS resources and services. Stakeholders included the Virginia Retired Teachers Association, National Association of State Retirement Administrators, International Centre for Pension Management and many others.



Our leadership team hosted Gov. Glenn Youngkin and his staff at VRS offices, providing an overview of agency administration and investments. VRS also welcomed several legislators during the fiscal year.

Having a seat at the table among industry professionals positions VRS as a leader and enables us to exchange ideas with colleagues. VRS Director Patricia Bishop served in the following capacities this year:

- President-elect of the National Association of State Retirement Administrators
- Chair of the Resolutions Committee for the National Council on Teacher Retirement

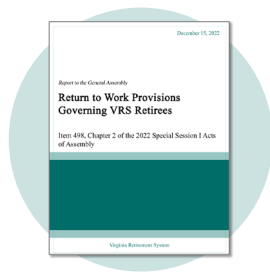


Additionally, Bishop worked with the Public Relations department to film a series of Benefit Tip videos for members, providing them with timely guidance on making the most of their VRS membership and resources available to them. The videos were published in quarterly issues of Member News and shared on VRS social media.

Legislation and Policy

The 2023 Virginia General Assembly session delivered a sizable win with a \$250 million cash infusion to VRS retirement plans, bringing the total amount to more than \$1 billion over two years. The legislature also fully funded employer contribution rates, even keeping higher prior year rates for state and teacher plans to improve funding. These actions put the plan in a better position moving forward and stabilize contribution rates. The funds are allocated as follows:

- \$147.5 million to the teacher retirement plan.
- \$73.1 million to the state employee plan.
- \$10.1 million to the group life insurance plan.
- \$6.6 million to the Virginia Law Officers' Retirement System (VaLORS).
- \$4 million to the health insurance credit plan for public school teachers.
- \$3.7 million to the State Police Officers' Retirement System (SPORS).
- \$2.8 million to the health insurance credit plan for state employees.
- \$2.1 million to the Judicial Retirement System (JRS).
- \$134,742 to the health insurance credit plans for constitutional officers and their employees, local social services employees and registrars and their employees.



The VRS policy team developed an extensive [return-to-work report](#), including a comprehensive survey of other state plan provisions. In Virginia, working in a VRS-covered position while continuing to draw a retirement benefit has historically been allowed under limited circumstances because of the potential negative impact of changes in retirement patterns on the plans' funded status. Multiple bills introduced during the 2023 legislative session sought to expand the circumstances under which retirees can return to work for a VRS employer full time and continue receiving their retirement benefits. VRS was successful in limiting the extent of the changes. We anticipate additional legislation in 2024.

Return-to-work legislation added a new critical shortage position for specialized student support, which includes social workers, psychologists, nurses and others as defined. The break-in-service requirement for critical shortage positions and retiree school officers was lowered to six months from 12 months. However, the law now requires school divisions to make contributions for retirees working in those positions, which was a big win for VRS. This reduces negative financial impacts to the plans and is a best practice for return-to-work provisions. As required by legislation, VRS will study options for allowing certain retirees to work part-time during the six-month break-in-service period. VRS will also work with other state agencies to analyze options allowing law-enforcement officers to return to work in the same capacity after retiring and continue to receive their pension.



CONTINUED

Legislation and Policy



Legislation raised the health insurance credit for certain eligible retirees effective July 1, 2024.

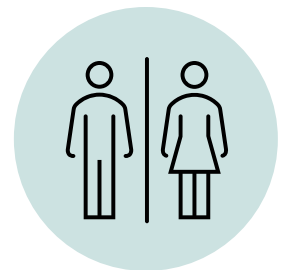
- Retired constitutional officers and staff: \$1.50 to \$1.75 (capped at \$52.50)
- State employees: \$4 to \$4.25 (no cap)

VRS has transitioned to the new plan actuary, Gabriel, Roeder, Smith & Company, which was appointed by the VRS Board in spring 2022. The actuary is well on its way to completing the fall valuations. In addition, GRS staff have provided data for several reports and has assisted with studies for employers who are interested in joining VRS. VRS is pleased with their work so far and looks forward to additional process improvements.



Following the 2022 General Assembly session, a working group reviewed possible options to increase benefits for judges who are members of the Hybrid Retirement Plan. VRS took the lead in the working group and compiled a number of options, including actuarial impacts, for the subcommittee's consideration. VRS recommended enhancing defined contribution plan employer contributions, which would address the subcommittee's goal without contributing to the unfunded liabilities of the Judicial Retirement System. Ultimately, no legislation was passed following the 2023 legislative session that would increase the hybrid plan judges' benefits.

For the first time, VRS has a web page for members and retirees who are going through a divorce. A pension is often an important asset to be divided in a separation agreement, and this new site offers a central location for information. In addition to educational content about different types of pension benefits, the site also includes links to VRS forms that provide instructions on how pension benefits are to be divided. This was a cross-departmental effort with the web team that provides additional assistance to members and retirees during a stressful and confusing time. Website stats are showing that members are taking advantage of this page, with more than 1,200 views since launch.



Technology and Security

Our quest for continuous innovation was directed this year toward building a resilient and scalable data infrastructure and near-instant disaster recovery services. VRS moved its data centers to two locations in distinctly different parts of the country, allowing VRS fail-over protection in the event of a disaster on either coast.



Information technology staff built the first private cloud environment for internal consumption, enabling application developers to learn about and test techniques without increasing security risks. Developers are able to practice in the cloud environment and identify vulnerabilities before moving items into public production.

IT implemented technology initiatives to further secure the myVRS portal and improve authentication regardless of platform.



Enhanced authentication applications were deployed on our websites. For example, reCAPTCHA, a Google system that allows web hosts to distinguish between human and automated access to websites, is now integrated with myVRS to reduce attacks by fraudsters and bots.

myVRS and Online Retirement

Online retirement applications continue to increase:

- Since the pilot began in December 2020, 25% of retirement applications have been submitted online.
- During the fiscal year, 37%, or 4,121, of retirement applications were submitted online.
- In July 2023, 42% of the more than 3,000 applications received were submitted online.



myVRS registrations have grown steadily over time, from 286,052 users in 2019 to 503,656 in 2023.

BY THE NUMBERS

38,834	364,699	7,479	139,480	49
FY23 Member Registrations	Cumulative Member Registrations	FY23 Retiree Registrations	Cumulative Retiree Registrations	FY23 Survivor Registrations

SELF-SERVICE

4,121	Online Retirement Applications	97,056	Beneficiary Updates
1,911	Health Insurance Credit Feature	5,823	Direct Deposit Updates
585,941	Benefit Estimates	325,833	Retirement Plans Created

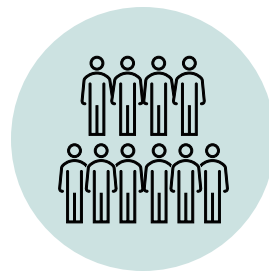
myVRS Financial Wellness Resources

Our ongoing program to reduce employee financial stress and help VRS members increase their money-management skills included four email campaigns built around financial awareness “national days.” Each outreach drove traffic and member registration spikes on the myVRS Financial Wellness platform. The campaigns highlighted the Planning for Retirement course and YourBudget tool, among many others.



Promotions in Member News and Retiree News also contributed to increased visits to the platform in the days after publication, peaking in April with a Money Personality Assessment promotion that led to 162 registrations in one day.

VRS’ partnership with the Department of Human Resources Management continued with monthly promotions included in each issue of its Financial Wellness Program email to state employees.



myVRS Financial Wellness has averaged about 5,000 new registrants each year.

A new Mindfulness section offers guided money meditations and prompts for financial journaling to promote conscious financial decision making. We anticipate this feature will prove popular as members discover it.



CONTINUED

myVRS Financial Wellness Resources

BY THE NUMBERS

5,668

FY23
Registrations

28,868

Cumulative
Registrations

500

FY23
Course
Completions

831

FY23
Your Money
Personality
Assessment
Completions

20%

Average
Knowledge
Gain for All
Completed
Courses

306

Budgets
Created

Planning for Retirement

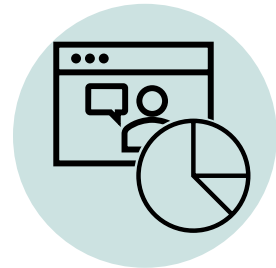
Most
Popular
Course

**Managing Your Money
Sudden Life Changes
Buying a Home**

Most Popular
Start Here
Guides

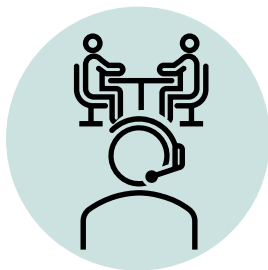
Customer Service and Education

Education and training staff developed a series of six videos for the VRS Board of Trustees to support their work in the Asset Liability Modeling Review in the spring. The online series breaks down VRS' allocation strategy by asset class.



The Customer Relations Department implemented a post-call text message survey in May to obtain real-time feedback. With customer experience at the heart of what we do, the survey will allow us to hear directly from our audience. Initial results are positive (see stats in this section).

The agency began a proactive 18-month initiative to help employers prepare for a legislative change that will separate defined benefit and defined contribution rates for the hybrid plan in July 2024. The Education and Training team worked with SMEs across the agency to develop and facilitate two live webinars in June, which drew 802 attendees and established a feedback loop that will carry through the project's implementation.



VRS experienced a 54% increase in one-on-one counseling appointments by Plan 1 and Plan 2 members, with the virtual option proving most popular. Similarly, sessions for hybrid plan members also increased by 40%. The majority of appointments were made through a new online scheduling tool, which was added to the website last fiscal year.

For the first time since the pandemic, VRS outreach teams hit the road at full capacity and attended more than 100 benefit fairs around the state. Last year they were able to attend just 20 in-person events.

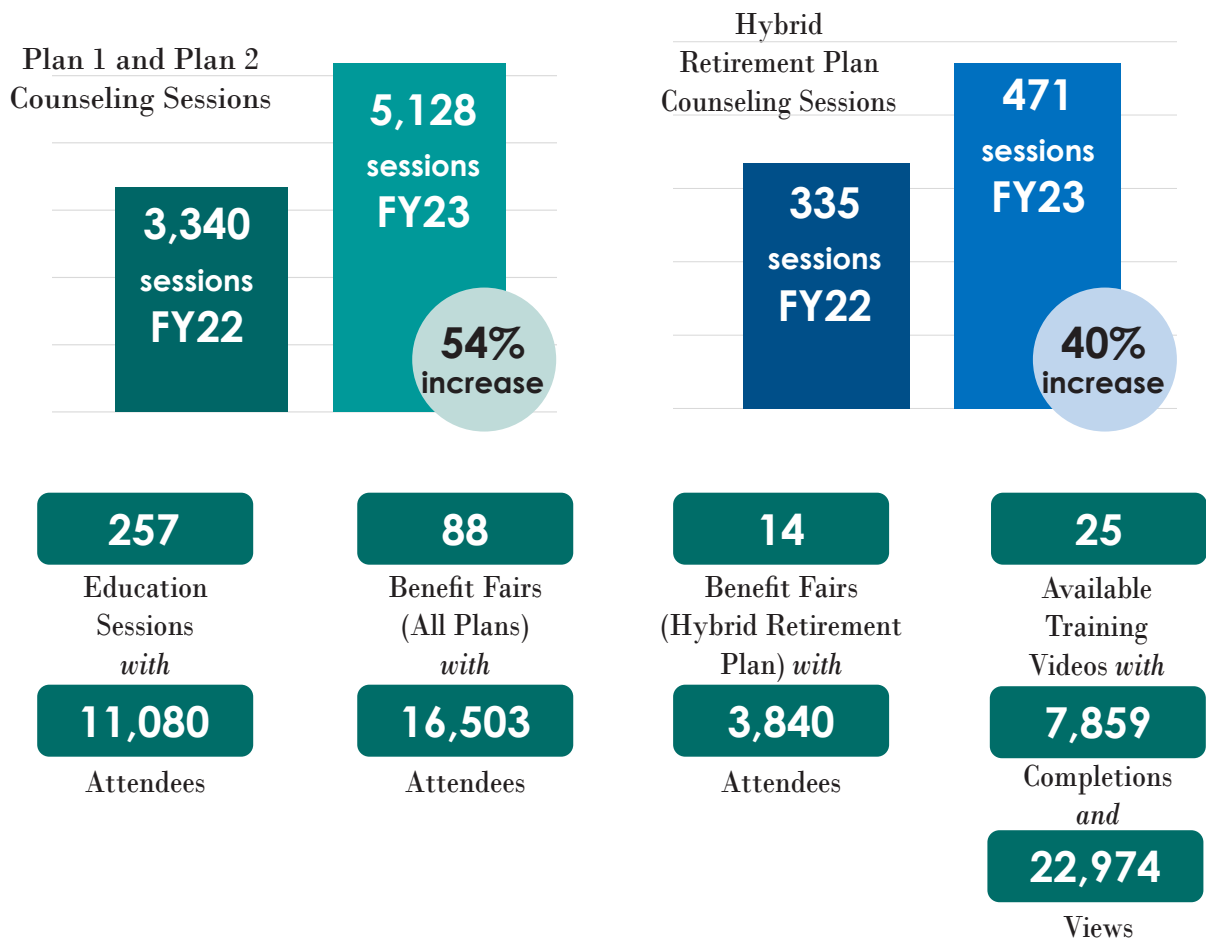


CONTINUED

Customer Service and Education

BY THE NUMBERS

MEMBER COUNSELING



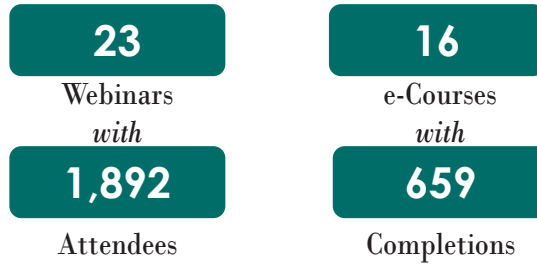
DCP SESSIONS CONDUCTED BY MissionSquare



Customer Service and Education CONTINUED

BY THE NUMBERS

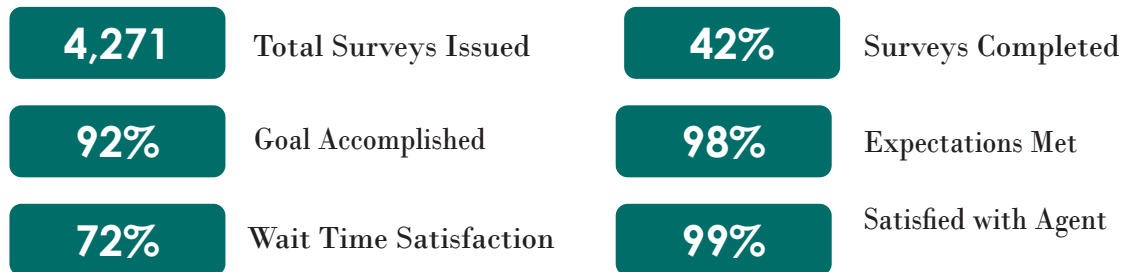
EMPLOYER TRAINING



CUSTOMER CONTACT CENTER



CUSTOMER SATISFACTION SURVEY DATA (May and June)



Employee Engagement

Consistent with our strategic goal of professional development, the Human Resources team implemented the VRS EDGE (Empower, Develop, Grow and Engage) certification program. VRS staff had the opportunity to participate in 60 classes on varying topics including performance management, critical thinking, motivating employees, stress management and unconscious bias. In a follow-up survey, most participants indicated the program has met or exceeded expectations and that they are able to apply the knowledge gained in their work and professional lives.



Seeking to overcome recruitment challenges such as a labor shortage and fewer qualified applicants, HR staff devised a strategy to improve recruitment efficiency, create awareness about job vacancies and revise the onboarding process. The strategy has resulted in several new initiatives, including a revision of the Careers page on the website (see details in Web Services), implementing video screening interviews and building relationships with local colleges and universities. Initial results are encouraging, with a typically hard-to-fill call center representative position receiving more than 1,400 applicants.

HR partnered with an outside vendor to review and revise administrative (non-Investment) job descriptions and conduct a market compensation study to ensure pay grades and ranges for VRS positions are appropriately aligned with the market. Changes were implemented in May. Human Resources staff conducted one-on-one meetings with employees who had questions or concerns. Phase two is in process and will determine if any salary adjustments are needed because of compression and other circumstances.



VRS EDGE: WHAT EMPLOYEES SAY

"This initiative has exceeded my expectations. The variety of classes, topics and instructors has been excellent."

"The EDGE courses are a great opportunity for VRS employees and shows VRS' commitment to staff [growth]."

"I have used what I have gained from the course offerings in my own day-to-day VRS role, particularly in tough conversations with employees."

"I have made adjustments to my communication style and approach based on takeaways from the EDGE courses I have attended. Also, the courses have presented me with additional opportunities to continue to become more aware of colleagues' individual backgrounds, perspectives and experiences."

CONTINUED

Employee Engagement

VRS held special information sessions for Virginia Employment Commission employees during layoffs. Some affected employees were able to apply for open VRS positions and were hired without having a break in service that would have interrupted their state service.



HR partnered with another business unit to create a career ladder template that can be used agency-wide to create professional development opportunities for staff.

BY THE NUMBERS

98

Position
Recruitments

800

EDGE
Participants
(Staff)

18

Employee
Benefits Fair
Vendors

400

Monthly VRS
Newscenter
Visitors

250

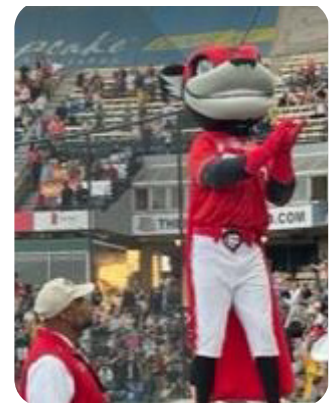
Average Virtual Attendees
for VRS Today
Monthly Staff Meetings
*(compared to rooms
accommodating 80 people
per session in past years)*

12

Hybrid
Schedule Focus
Groups *with*

200+

VRS Staff
Participants



100+

VRS Staff Members
gathered at The Diamond
to enjoy
a Flying Squirrels game
for Public Service Week

Personalized Support for Employers

The Employer Relationship Managers, within the Public Relations Department, provided outreach to 826 new benefit administrators at participating employers, offering technical assistance and guidance on VRS programs and services.



The team led the implementation of return-to-work legislation that added a new critical shortage position and changed the break-in-service requirement from 12 to six months. They implemented the critical shortage program for the fiscal year with 107 teachers and 29 bus drivers. In addition, 26 law enforcement retirees returned to work in full-time school security officer positions.

BY THE NUMBERS

87

Employer
Site Visits

91

Employer
Roundtables
with

8

Actuarial
Studies

7

New
VRS-Participating
Employers

2,017

Employer
Contacts
representing

19

New VRS
Coverage Option
Added

693

Employers

Web Services

The Public Relations Department's web services team transitioned to cloud software required by Google Analytics, introducing new tools that will pave the way for real-time dashboard reporting capabilities, while reducing staff time and resources.



The team completed a migration to a new web content management system. The new Terminalfour software:

- Is more cost effective.
- Allows staff to save time and reduce errors by mirroring repetitive content across websites.
- Will allow VRS to fully digitize publications.
- Enables additional staff to complete content updates.
- Houses the new digital versions of VRS newsletters.

Web Services staff served as the project manager for the new Careers page at varetire.org. The new page is designed to engage prospective employees with dynamic content, including staff testimonials, videos and visuals demonstrating VRS' inclusive culture. Traffic to the new page increased by 106% during the second half of the fiscal year, growing from 6,400 page views to 13,200. The page ranking went from 66 to 17 in popularity with users.



VRS is committed to making information accessible. Using a new tool provided by the Virginia Information Technologies Agency (VITA) and at no cost to VRS, the web team gained the ability to scan the VRS website for issues related to accessibility and quality. The team made several code improvements and content changes to correct issues like misspellings, readability, security and broken links to improve user experience. Through this effort, the web team lifted the website accessibility score from 72% to 86%, surpassing the government industry standard of 83%. VRS' quality assurance score also surpassed the government industry standard of 80.2% by 18.2%, topping out at 98.4%.

CONTINUED

Web Services

BY THE NUMBERS

WEBSITE PAGE VIEWS

WEBSITES	HOMEPAGE	ALL PAGES
myVRS.varetire.org	3,122,107	12,341,387
varetire.org	1,250,423	3,058,234
employers.varetire.org	170,982	282,375
DCP websites (co-managed with MissionSquare)	—	624,017
orphe.varetire.org	7,163	13,682
valoda.org	7,013	23,055
volsap.org	2,006	4,591

External Communications

VRS newsletters moved to a new digital format at varetire.org. Working closely with the web team, the Public Relations Department's communications team released the new version of Employer Update in March to positive reviews. Member News and the first digital issue of Retiree News followed in late spring and summer. The new format is searchable, sharable and mobile-friendly. Open rates for the new digest emails that link to the online news sites increased by 10% for Member News and 5% for Employer Update.



As ambassadors for the VRS brand, the communications team held an agency-wide brand standards training session in February with more than 60 VRS staff in attendance. Consulting services were offered by appointment to assist staff with specific projects.

The Public Relations team continues to place benefit-related articles in partner publications, including:

- Virginia Education Association's *Virginia Journal of Education*.
- Virginia Department of Human Resource Management's *State Employee Financial Wellness Program* bulletin.
- Virginia Governmental Employees Association's *ForeSight Magazine*.



CONTINUED

External Communications

BY THE NUMBERS

NEWSLETTERS	OPEN RATE	SUBSCRIBERS
Employer Update	36%	6,826
Member News	41%	291,479
Retiree News <i>(first digital issue)</i>	43%	2,367
Retiree News <i>(print issue)</i>	—	223,559

4,907

Facebook
Followers

2,800

LinkedIn
Followers

8

Videos
Produced

Member and Retiree Support

Last fall, the Optional Life Enhanced Enrollment campaign provided members a one-time opportunity to elect optional life coverage or add additional coverage without evidence of insurability. Optional life coverage grew 8.6%, with 6,428 members adding or increasing their coverage.



VRS processed 11,111 retirements, with 4,121, or 37%, submitted online through myVRS.

The Virginia Sickness and Disability Program and the Virginia Local Disability Program support VRS members at vulnerable times by providing income replacement. Pregnancy continues to be the most frequent short-term disability claim (17%), followed by infectious disease (15%) and behavioral health issues (10%). Musculoskeletal diagnoses are most frequent for long-term disability claims (30%), followed by behavioral health issues (15%) and cancer (13%). Members on long-term disability continue to participate in VRS Group Life Insurance at no cost and have the opportunity to continue to participate in their employer-sponsored health insurance plan.



CONTINUED

Member and Retiree Support

BY THE NUMBERS

VRS GROUP LIFE INSURANCE PROGRAM

7,609

Basic Life
Insurance
Claims

283

Optional Life
Insurance
Claims

VIRGINIA SICKNESS AND DISABILITY PROGRAM

6,499

Short-Term
Disability Claims
Received

5,826

Short-Term
Disability Claims
Approved

996

Long-Term
Disability
Claims Opened

1,132

Long-Term
Disability
Claims Closed

VIRGINIA LOCAL DISABILITY PROGRAM

1,518

Short-Term
Disability Claims
Received

1,313

Short-Term
Disability Claims
Approved

146

Long-Term
Disability
Claims Opened

131

Long-Term
Disability
Claims Closed

Defined Contribution Plans

Hybrid Retirement Plan members not making their full voluntary contribution received a 0.5% automatic increase in January. As a result of VRS' Hybrid Retirement Plan Auto-Escalation Campaign in partnership with MissionSquare, more than 99% of targeted members began making voluntary contributions. An additional 4.1% increased their contributions beyond the 0.5% baseline for the auto-escalation, and less than 1% chose to opt out.



The logo for SmartStep, with "Smart" in blue and "Step" in green, set against a light blue circular background.

SmartStep provides an additional way for participants to elect automatic contribution increases on their own schedule. The DCP team actively encourages participants to take “SmartSteps” toward retirement and promotes use of the paycheck calculator so they can see the impact on their paycheck.

After an in-depth analysis of various proposals in response to an RFP, Voya Financial was selected as the DC Plans third-party administrator, effective January 1, 2025. An 18-month transition plan is underway.



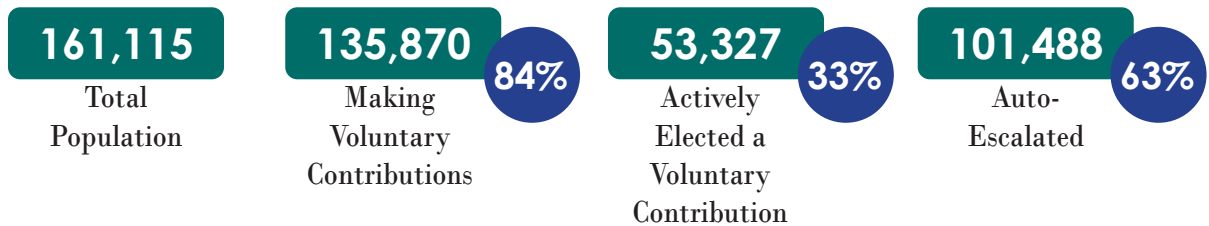
The SECURE 2.0 Act, passed late last year, changes federal rules around how people can save and withdraw money from retirement accounts. This year, VRS implemented one of the first changes that increased the required minimum distribution (RMD) age from 72 to 73. VRS staff are also evaluating other aspects of the legislation such as options to facilitate retirement savings.

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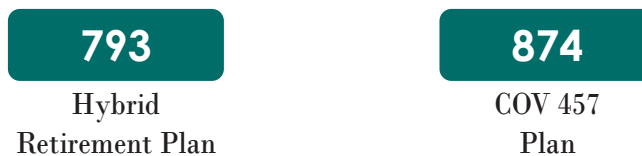
Defined Contribution Plans

BY THE NUMBERS

HYBRID RETIREMENT PLAN MEMBERS



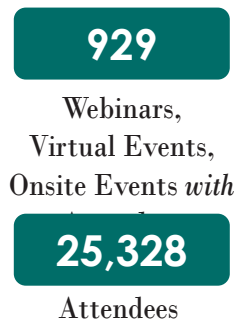
SmartStep PARTICIPANTS



CERTIFIED FINANCIAL PLANNING®



EDUCATION SESSIONS



Awards and Recognition

VRS and its staff were honored to receive national and local awards in the past year:

2023 COMMUNICATOR AWARD OF DISTINCTION

- Recognizes marketing effectiveness for Hybrid Retirement Plan Auto-Escalation Campaign
- Presented by the Academy of Interactive & Visual Arts (AIVA).



2023 CERTIFICATE OF TRANSPARENCY

- Recognizes VRS fostering an “atmosphere of openness” between public pension systems and the general public.
- Presented by the National Conference on Public Employee Retirement Systems (NCPERS).

PUBLIC PENSION STANDARDS AWARD FOR FUNDING AND ADMINISTRATION

- Recognizes professional standards for plan funding and administration.
- 20th consecutive year for the award, presented by the Public Pension Coordinating Council.



CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING for the 2021 Annual Comprehensive Financial Report

- Recognizes excellence in governmental accounting and financial reporting.
- 40th consecutive year for this award, presented by the Government Finance Officers Association (GFOA) of the U.S. and Canada.
- We anticipate an award for the 2022 Annual Report.



AWARD FOR OUTSTANDING ACHIEVEMENT IN POPULAR ANNUAL FINANCIAL REPORTING for the 2021 PAFR

- Recognizes the concise summary of financial, investment and statistical information derived from the more comprehensive Annual Report.
- Fifth consecutive year for this award, presented by the Government Finance Officers Association (GFOA) of the U.S. and Canada.
- We anticipate an award for the 2022 Popular Annual Financial Report.

CONTINUED

Awards and Recognition

ACTS OF KINDNESS AWARD

Ron Stokes, Senior Investment Analyst

- Recognized for his volunteer work to organize six-week “Budget Bootcamps” at The Life Church in Richmond that have helped participants reduce personal debt by more than \$800,000 over the past six years.
- Presented by WWBT-TV 12, Richmond’s NBC affiliate.



COMMONWEALTH OF VIRGINIA CERTIFICATE OF APPRECIATION

VRS Volunteers

- VRS employees enthusiastically supported the Commonwealth of Virginia Campaign (CVC), making donations and raising funds for participating nonprofits across the state. In the final tally, VRS ranked among the top 10 agencies contributing to the 2022 campaign.





VRS Project Portfolio FISCAL YEAR 2024 August 31, 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	2023						2024						
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
			Customer Experience Enhancements: Call Management System (CMS) - Phase 1	Member, Retiree and Employer Education, Outreach and Partnership	●										
Customer Experience Enhancements: Voice of the Customer (VoC) Program – Phase 1	Member, Retiree and Employer Education, Outreach and Partnership	●													
Records Management Program – Phase 2 Implementation	Digital Transformation and Secure Service Delivery	●													
Hybrid Plan – Contribution Separation Legislation Implementation Phase 2	Superior Governance and Long-Term Financial Health	●													
Human Resource Information System (HRIS) Implementation – Phase 1	Organization Strength Culture and Engagement	●													
IT Initiatives ¹		Status	2023						2024						
Onboard and Operationalize Security MSP	Digital Transformation and Secure Service Delivery	●													
Implement Secure and Remote Support Solution	Technology Infrastructure	N/S													
Research and Replace Secure File Transfer System	Technology Infrastructure	N/S													
Migrate from Cisco to Teams Voice	Technology Infrastructure	N/S													
Implement Enterprise Identity and Access Management Solution	Digital Transformation and Secure Service Delivery	N/S													
Other Projects ²		Status	2023						2024						
Continue Agency Project Portfolio Process Enhancements	Superior Governance and Long-Term Financial Health	●													
Conduct Transition Activities to New DC/Hybrid Record Keeping Service Business Partner	Superior Governance and Long-Term Financial Health	●													
Lease Space Renewal	Superior Governance and Long-Term Financial Health	●													
Update VRS Optional Form Factors and Review Early Retirement Reduction Factors	Superior Governance and Long-Term Financial Health	●													
Legislation		Status	2023						2024						
HB2314 HIC Increase for State Retirees		N/S													
HB2314 HIC Increase for Constitutional Officers and Employees		N/S													
SB1403 Income Tax Subtraction; Professional Firefighter Pension		★													
SB1449 JRS		★													
HB1452 Add OAG Medical Fraud Investigators to LODA		★													
SB1411 RTW Law Enforcement Report		●													
HB1630/SB1289/SB1479 RTW Report		●													
Secure 2.0		N/S													
Operational/Ongoing Activities		Status	2023						2024						
COLA 2023		★													
FYE 2023		★													
EDGE		●													
Retirement Wave 2023		★													
Teacher Contracts		●													
MBPs		●													
Annual Code of Ethics Training		N/S													
Annual Security Awareness Training		N/S													
FOIA Training		N/S													
ACFR		●													
PAFR		●													
LODA Annual Report		●													
GASB 67		●													
GASB 68		N/S													
GASB 74		●													
GASB 75		N/S													
Actuarial Valuations		★													
myVRS Annual Updates		N/S													
Update Contribution Rates in VNAV		N/S													
1099/W2		N/S													

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

¹Initiatives led directly by Technology Services.
²Other initiatives are led by other business units and supported by Technology Services.

Yellow Status Items

Item	Due Date	Comments

Red Status Items

Item	Due Date	Comments
N/A		

Realignments/Adjustments

Item	Due Date	Comments
N/A		

Director's Report

September 21, 2023

Trish Bishop, VRS Director



New Employer Coverage



Coverage Elected	Details
<p>Enhanced Hazardous Duty Benefits for Emergency Medical Technicians</p>	<p>Mecklenburg County, Effective August 1, 2023</p>
<p>Enhanced Hazardous Duty Benefits for Firefighters</p>	<p>Essex County, Effective July 1, 2023</p>
<p>Enhanced Hazardous Duty Benefits for Law Enforcement Officers</p>	<p>Town of Gate City (Scott County), Effective August 1, 2023</p>
<p>Enhanced Hazardous Duty Benefits for Law Enforcement Officers with the 1.85% Multiplier</p>	<p>Town of Rural Retreat (Wythe County), Effective July 1, 2023</p>
<p>Enhanced Hazardous Duty 1.85% Multiplier</p>	<ul style="list-style-type: none"> ▪ Northampton County, Effective July 1, 2023 ▪ Town of Louisa (Louisa County), Effective July 1, 2023 ▪ Caroline County, Effective July 1, 2023 ▪ Accomack County, Effective December 1, 2023

New Employer Coverage



Coverage Elected	Details
<p>Group Life Insurance Program</p>	<ul style="list-style-type: none"> ▪ Town of Buchanan (Botetourt County), Effective June 1, 2023 ▪ Town of Mineral (Louisa County), Effective July 1, 2023
<p>Health Insurance Credit</p>	<ul style="list-style-type: none"> ▪ Northern Neck Soil and Water Conservation District (Richmond County), Effective July 1, 2023 ▪ Town of Dublin (Pulaski County), Effective September 1, 2023
<p>Commonwealth of Virginia 457 Deferred Compensation Plan</p>	<ul style="list-style-type: none"> ▪ King William County Public Schools, Effective July 1, 2023 ▪ Town of Round Hill (Loudoun County), Effective October 1, 2023

New Employer Coverage



Coverage Elected	Details
School Division Revoking 403(b) Option	Prince George County Public Schools, Effective January 1, 2024
New State Agency	Virginia American Revolution 250 Commission, Effective July 1, 2023
New VRS Employer with Tax-Deferred Purchase of Prior Service	Three Rivers Soil and Water Conservation District (Essex County), Effective September 1, 2023

Kelly Hiers, NAGDCA President



VRS Defined Contribution Plan Administrator **Kelly Hiers**, new president of the **National Association of Government Defined Contribution Administrators (NAGDCA)**