
Minutes

An electronic meeting of the Virginia Retirement System Board of Trustees was held on February 16, 2021 in accordance with § 2.2-3708.2(A)(3) of the *Code of Virginia* and in accordance with guidance provided in § 4-0.01 of Chapter 56 of the 2020 Special Session I Acts of Assembly, with the following members participating:

Board members participating:

O'Kelly E. McWilliams, III, Chair
Joseph W. Montgomery, Vice Chair
Hon. J. Brandon Bell, II
Michael P. Disharoon
William A. Garrett
Susan T. Gooden, Ph.D.
Wallace G. Harris, Ph.D.
W. Brett Hayes (*entered at 1:12 p.m.*)
Troilen G. Seward, Ed.S.

VRS Staff:

Patricia Bishop, Ron Schmitz, Jennifer Schreck, Stephen Adelaar, John Alouf, Rory Badura, Parham Behrooz, Jeanne Chenault, Tom Coleman, Michael Cooper, Perry Corsello, Harriet Covey, Juanita Cribbs, Sara Denson, Valerie Disanto, Jordan Evans, Barry Faison, Laurie Fennell, Brian Goodman, Katherine Grawe, JT Grier, Dane Honrado, KC Howell, Robert Irving, Ross Kasarda, LaShaunda King, Kristina Koutrakos, Matt Lacy, Chung Ma, Curt Mattson, Steve McClelland, Greg Oliff, Angela Payne, Steve Peterson, Laura Pugliese, Paula Reid, Jummai Sarki-Hurd, Dan Schlussler, Michael Scott, Jillian Sherman, Grace Wheaton, Dan Whitlock and Cindy Wilkinson.

Guests participating were:

Elizabeth Myers, Assistant Attorney General, Office of the Attorney General; Bea Snidow, Virginia Education Association; Justin Ferrell, Auditor of Public Accounts; Adam Reese, Pageant Media; Latosha Johnson, Department of Planning and Budget; Jamie Bitz, Joint Legislative Audit and Review Commission; Rachel Furash, Goldman Sachs; Lauren Albanese, Financial Investment News; Steff Chavez, Mandate Wire; and Kevin Sullivan, Newton Investment Management.

The meeting convened at 1:08 p.m.

Opening Remarks

O'Kelly E. McWilliams, III called the meeting to order and welcomed everyone to the February 16, 2021 meeting of the Virginia Retirement System Board of Trustees.

Mr. McWilliams noted that given the current circumstances related to COVID-19, the Board is unable to meet in person and, therefore, is using electronic means to hold the meeting. The meeting is being held in accordance with § 2.2-3708(A)(3) of the *Code of Virginia* and § 4-0.01 of Chapter 56 of the 2020 Special Session I Acts of Assembly as they relate to conducting business during the pandemic.

Next, Mr. McWilliams took attendance with the following roll call of each of the trustees*:

Mr. Bell: Here
Mr. Disharoon: Here
Mr. Garrett: Here
Dr. Gooden: Here
Mr. Harris: Here
Mr. Montgomery: Here
Ms. Seward: Here
Mr. McWilliams: Here

**Mr. Hayes was not present at this time.*

Public Comment

In accordance with § 4-0.01 of Chapter 56 of the 2020 Special Session I Acts of Assembly, the Board of Trustees opened the floor for public comment. Mr. McWilliams noted that no members of the public registered to comment at the electronic meeting.

Approve Minutes

Upon Ms. Seward's motion, with a second by Mr. Montgomery, the VRS Board of Trustees approved the minutes of the December 10, 2020 meeting upon the following roll call vote*:

Mr. Bell: Aye
Mr. Disharoon: Aye
Mr. Garrett: Aye
Dr. Gooden: Aye
Mr. Harris: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. McWilliams: Aye

**Mr. Hayes was not present for this vote.*

Report of the Chief Investment Officer

Mr. Schmitz began his report with a market overview and discussed asset allocation, total fund portfolio performance and tracking error, concluding that risk measures are all within Board-approved levels. He then reviewed historical statistics on growth and value performance with the Board. Next, Mr. Schmitz discussed the New Investment and Terminations report and the Diverse Investment Manager Engagement (DIME) report, formerly the Women and Minorities (WaM) report.

Mr. McWilliams thanked Mr. Schmitz for his report.

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. Harris began his report by noting the Committee approved the minutes of its November 16, 2020 meeting.

STATUTORY COST OF LIVING ADJUSTMENTS

Virginia Sickness and Disability Program

Rory Badura, Senior Staff Actuary, presented the recommendations of Cavanaugh Macdonald Consulting, LLC, the Plan Actuary, regarding statutory annual adjustments to Virginia Sickness and Disability Program (VSDP) creditable compensation for members on long-term disability. For VSDP, Mr. Badura advised that the Plan Actuary recommends an increase in the creditable compensation for VRS pension benefit purposes of 2.12%, effective July 1, 2021. In addition, a cost of living adjustment (COLA) in the amount of 1.23% shall be applied to long-term disability (LTD) benefit payments for Plan 1, Plan 2, and Hybrid Retirement Plan members who have been recipients for one year. The calculations were reviewed by VRS staff and Internal Audit.

Request for Board Action 2021-02-02: Effective July 1, 2021 the following increases shall apply:

- *The creditable compensation used in calculating the member's average final compensation at retirement shall be increased in the amount of 2.12% for a Plan 1, Plan 2 or Hybrid member who has been the recipient of long-term disability (LTD) benefits for at least one year under the Virginia Sickness and Disability Program (VSDP); and*
- *A cost of living adjustment of 1.23% shall be applied to the net LTD benefit payment for Plan 1, Plan 2 and Hybrid members.*

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

Mr. Bell: Aye
Mr. Disharoon: Aye
Mr. Garrett: Aye
Dr. Gooden: Aye
Mr. Harris: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. McWilliams: Aye

Virginia Local Disability Program

Mr. Badura advised that the Plan Actuary recommends an increase in the creditable compensation of 4.00% for each recipient of long-term disability (LTD) benefits under the Virginia Local Disability Program (VLDP) effective July 1, 2021. The VLDP plan does not provide for a COLA on LTD benefits

being received. The calculations for the increase in creditable compensation were reviewed by VRS staff and Internal Audit.

Request for Board Action 2021-02-01: Effective July 1, 2021, each recipient of LTD benefits under the Virginia Local Disability Program (VLDP) who has been receiving LTD benefits for at least one calendar year, and who ultimately retires directly from LTD, will have their creditable compensation at date of disability increased by an amount set by the Board to be used in determining the member's average final compensation for disability retirement. The recommendation applicable to July 1, 2021 is an increase of 4.00% to be applied to a recipient's creditable compensation.

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

Mr. Bell: Aye
Mr. Disharoon: Aye
Mr. Garrett: Aye
Dr. Gooden: Aye
Mr. Harris: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. McWilliams: Aye

INFORMATION ITEMS

2021 COLAs Called for Under Statute Not Requiring Board Approval

Mr. Badura noted that, by statute, VRS cost of living increases are based on the consumer price index for all items, all urban consumers, as published by the Bureau of Labor Statistics of the U.S. Department of Labor. Mr. Badura advised that the COLA increase of 1.23% is applicable to eligible Plan 1, Plan 2 and Hybrid Plan members, effective July 1, 2021. This figure was calculated by the VRS Plan Actuary, Cavanaugh Macdonald Consulting, LLC, and verified by VRS and Internal Audit staff. The COLA did not require action by the Committee.

Mr. Badura also advised that in accordance with the requirements of the *Code of Virginia*, the Hazardous Duty Supplement is increased biennially using applicable cost of living adjustments published by the Social Security Administration since the last applicable increase. The biennial Social Security increase of 2.92% resulted in an increase in the annual Hazardous Duty Supplement from \$14,244 to \$14,664 for fiscal year 2021. The increase in the Hazardous Duty Supplement did not require action by the Committee. The calculations were reviewed by VRS and Internal Audit staff.

The Group Life Insurance Program minimum benefit for members retired with at least 30 years of service is to be increased by the same COLA applicable to VRS Plan 2 members, or 1.23%, effective July 1, 2021. The new minimum life insurance payout effective July 1, 2021 will be \$8,722. The Group

Life Insurance Program minimum did not require action by the Committee. The calculations were reviewed by VRS staff and Internal Audit.

2021 Legislative Update

Ms. Wilkinson provided the Committee with an update on VRS-related legislation in the 2021 Regular and Special General Assembly sessions.

B&A Committee Meeting Schedule

- April 19, 2021 at 1:00 p.m.
- June 9, 2021 at 1:00 p.m.
- October 13, 2021 at 10:00 a.m.
- November 15, 2021 at 1:00 p.m.

Mr. McWilliams thanked Mr. Harris for his report.

Report of the Administration and Personnel Committee

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

APPROVAL OF MINUTES

Mr. McWilliams began his report by noting the Committee approved the minutes of its October 13, 2020 meeting.

REAPPOINTMENT OF IAC MEMBERS AND IAC CHAIRPERSON

Mr. Schmitz reviewed the four members of the Investment Advisory Committee whose terms are set to expire. Larry Kochard, Michael Beasley, Tom Gayner and Rod Smyth are eligible for reappointment and have expressed interest in continuing to serve on the Committee. In addition, Mr. Kochard's term as Chair of the Committee is also set to expire. He is eligible for reappointment for another two-year term and has agreed to accept reappointment.

Request for Board Action 2021-02-03: The Board approves the reappointment of Michael Beasley, Tom Gayner, Larry Kochard and Rod Smyth to the IAC for two-year terms, as well as the reappointment of Larry Kochard as the Chair of the IAC, also for a two-year term.

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

Mr. Bell: Aye
Mr. Disharoon: Aye
Mr. Garrett: Aye
Dr. Gooden: Aye
Mr. Harris: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye

Ms. Seward: Aye
Mr. McWilliams: Aye

BUDGET UPDATE

Mr. Faison provided an update on the agency's budget performance year-to-date. Mr. Faison explained that projections as of December 31, 2020 indicate an unexpended balance at fiscal year-end of approximately \$10.7 million which, if realized, will be returned to the Fund as a result of planned reductions in spending due to impacts of the pandemic during FY 2021.

The Committee briefly discussed the impact of the COVID-19 pandemic on staff training and professional development. Ms. Bishop noted that the pandemic has allowed staff to participate in remote training that in some cases would otherwise not have been possible in the past due to additional time needed for, and expenses related to, travel. In addition, high level discussion took place regarding planning and considerations related to the opportunities for flexibility with respect to both returning to the office and continuation of remote work.

Following Mr. McWilliams' report, Mr. Schmitz provided the Board with details on the rationale behind the newly renamed DIME report. He noted there were no changes to the data; however, the scope of the report was broadened to include companies owned by disabled service veterans.

Legislative Update

Ms. Wilkinson reviewed the VRS-related legislation presented in the 2021 Regular and Special General Assembly sessions.

Report of the Director

Ms. Bishop began her report with the New Coverage Elections and an update on the VRS Agency Roadmap for FY 2021. She advised that all projects are progressing as planned or have been completed, with the exception of the Upgrade to Angular Framework and Cardinal Payroll Implementation projects. Staff continues to monitor these projects and will provide updates as they become available.

Ms. Bishop announced that two of VRS' communication campaigns were first place winners of the annual Eddy Awards sponsored by Pensions and Investments magazine. VRS and TIAA submitted a joint entry for the ORPHE 2020 plan changes, which include the migration of 3,100 accounts and updated investment options for participants which improve the structure of the plans overall. The second award recognized VRS' collaborative efforts with Enrich on the myVRS Financial Wellness Program's ongoing campaign to engage members in reducing financial stress by improving money-management skills and financial knowledge.

Ms. Bishop made several other announcements including the extension of remote working through the end of FY 2021 and that the December 9th Board meeting was rescheduled to December 7th at 9:30 a.m. followed by the annual Board Retreat.

Mr. McWilliams thanked Ms. Bishop for her report.

Litigation Update (Closed Session)

Mr. Harris then moved, with a second by Mr. Montgomery, that the Virginia Retirement System Board of Trustees convene a closed session for consultation with legal counsel regarding specific legal matters requiring the provision of legal advice by such counsel, pursuant to the consultation with legal counsel exemption at *Code of Virginia* § 2.2-3711(A)(8).

The closed meeting convened upon the following roll call vote:

Mr. Bell: Aye
Mr. Disharoon: Aye
Mr. Garrett: Aye
Dr. Gooden: Aye
Mr. Harris: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. McWilliams: Aye

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

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

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

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

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

Mr. Bell: Aye
Mr. Disharoon: Aye
Mr. Garrett: Aye
Dr. Gooden: Aye
Mr. Harris: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. McWilliams: Aye

Ms. Seward moved, with a second by Mr. Harris, that the Board of Trustees recommend that the Office of the Attorney General take steps to explore participation in and sign onto, if advisable, the amicus brief discussed in the closed meeting.

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

Mr. Bell: Aye
Mr. Disharoon: Aye
Mr. Garrett: Aye
Dr. Gooden: Aye
Mr. Harris: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. McWilliams: Aye

Other Business

Mr. McWilliams noted the following upcoming meetings:

- Audit and Compliance Committee – March 16, 2021
- Investment Advisory Committee – April 14, 2021
- Defined Contribution Plans Advisory Committee – April 15, 2021
- Benefits and Actuarial Committee – April 19, 2021
- Board of Trustees – April 20, 2021

Lastly, Mr. McWilliams noted that the annual Board retreat, usually held in March, has been rescheduled to December 7th and December 8th.

Adjournment

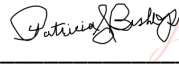
Upon a motion by Mr. Montgomery, with a second by Mr. Bell, the Board agreed to adjourn the meeting upon the following roll call vote:

Mr. Bell: Aye
Mr. Disharoon: Aye
Mr. Garrett: Aye
Dr. Gooden: Aye
Mr. Harris: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. McWilliams: Aye

There being no further business, the meeting concluded at 3:05 p.m.



Chair



Digitally signed by
Patricia Bishop
Date: 2021.04.21
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Secretary

Report

Pursuant to § 2.2-3700 et seq. of the *Code of Virginia* and Chapter 56 of the 2020 Special Session I Acts of Assembly, the Benefits and Actuarial Committee convened electronically on February 11, 2021 at 1:00 p.m. and took up the following matters:

APPROVAL OF MINUTES

The Committee approved the minutes of its November 16, 2020 meeting.

STATUTORY COST OF LIVING ADJUSTMENTS

Virginia Sickness and Disability Program

Rory Badura, Senior Staff Actuary, presented the recommendations of Cavanaugh Macdonald Consulting, LLC, the Plan Actuary, regarding statutory annual adjustments to Virginia Sickness and Disability Program (VSDP) creditable compensation for members on long-term disability. For VSDP, Mr. Badura advised that the Plan Actuary recommends an increase in the creditable compensation for VRS pension benefit purposes of 2.12%, effective July 1, 2021. In addition, a COLA in the amount of 1.23% shall be applied to long-term disability (LTD) benefit payments for Plan 1, Plan 2, and Hybrid Retirement Plan members who have been recipients for one year. The calculations were reviewed by VRS staff and Internal Audit.

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

Request for Board Action: Effective July 1, 2021 the following increases shall apply:

- *The creditable compensation used in calculating the member's average final compensation at retirement shall be increased in the amount of 2.12% for a Plan 1, Plan 2 or Hybrid member who has been the recipient of long-term disability (LTD) benefits for at least one year under the Virginia Sickness and Disability Program (VSDP); and*
- *A cost of living adjustment of 1.23% shall be applied to the net LTD benefit payment for Plan 1, Plan 2 and Hybrid members.*

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After receiving the report and some discussion, the Committee recommended approval of the following action to the full Board of Trustees:

Request for Board Action: Effective July 1, 2021, each recipient of LTD benefits under the Virginia Local Disability Program (VLDP) who has been receiving LTD benefits for at least one calendar year, and who ultimately retires directly from LTD, will have their creditable compensation at date of disability increased by an amount set by the Board to be used in determining the member's average final compensation for disability retirement. The recommendation applicable to July 1, 2021 is an increase of 4.00% to be applied to a recipient's creditable compensation.

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Ms. Wilkinson provided an update on VRS-related legislation in the 2021 Regular and Special General Assembly sessions.

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Submitted to the Board of Trustees on February 16, 2021.

Wallace G. Harris

Wallace G. Harris, Chair
Benefits and Actuarial Committee

Report

Pursuant to § 2.2-3700 et seq. of the *Code of Virginia* and Chapter 56 of the 2020 Special Session I Acts of Assembly, the Administration and Personnel Committee convened electronically on February 11, 2021 at 10:00 a.m. and took up the following matters:

APPROVAL OF MINUTES

The Committee approved the minutes of its October 13, 2020 meeting.

REAPPOINTMENT OF IAC MEMBERS AND IAC CHAIRPERSON

Ron Schmitz reviewed the four members of the Investment Advisory Committee whose terms are set to expire. Larry Kochard, Michael Beasley, Tom Gayner and Rod Smyth are eligible for reappointment and have expressed interest in continuing to serve on the Committee. In addition, Mr. Kochard's term as Chair of the Committee is also set to expire. He is eligible for reappointment for another two-year term and has agreed to accept reappointment.

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

Request for Board Action: *The Board approves the reappointment of Michael Beasley, Tom Gayner, Larry Kochard and Rod Smyth to the IAC for two-year terms, as well as the reappointment Larry Kochard as the Chair of the IAC, also for a two-year term.*

BUDGET UPDATE

Barry Faison provided an update on the agency's budget performance year-to-date. Mr. Faison explained that fiscal year-end projections indicate a balance of approximately \$10.7 million which will be returned to the Fund as a result of planned reductions in spending due to impacts of the pandemic during FY 2021.

Mr. McWilliams and several other Committee members briefly discussed the impact of the COVID-19 pandemic on staff training and professional development. Ms. Bishop noted that the pandemic has allowed staff to participate in remote training that in some cases would otherwise not have been possible in the past due to additional time needed for, and expenses related to, travel. In addition, high level discussion took place regarding planning and considerations related to the opportunities for flexibility with respect to both returning to the office and continuation of remote work.

Submitted to the Board of Trustees on February 16, 2021.



O'Kelly E. McWilliams, III, Chair
Administration and Personnel Committee