

Minutes

The Defined Contribution Plans Advisory Committee (DCPAC) of the VRS Board of Trustees convened on December 2, 2021, with the following members present:

Hon. J. Brandon Bell, II, Chair
Ravindra Deo (attended remotely under § 2.2-3708.2(A)(1)(b))
Susan T. Gooden
Shannon Irvin
Rick Larson (attended remotely under § 2.2-3708.2(A)(1)(b))
Brenda Madden
Ned Smither
David Winter

VRS Staff:

Trish Bishop, Steve Cerreto*, Jeanne Chenault, Michael Cooper*, Valerie Disanto*, Pam Elam, Jon Farmer*, Josh Fox*, Kelly Hiers, KC Howell*, Robert Irving, Ciara Lawson*, Joyce Monroe*, Rebecca Nicholas, Laura Pugliese, Kristy Scott*, Michael Scott, Jillian Sherman, Jennifer Schreck, Rachel Webb* and Cindy Wilkinson.

Guests:

Jamie Bitz, Joint Legislative Audit and Review Commission; Marybeth Daubenspeck*, Cory Lampshire*, and Brian Morris*, Empower Retirement; and Lindsay Saienni*, Financial Investment News.

**Attended remotely*

The meeting convened at 1:03 p.m.

Opening Remarks

Brandon Bell welcomed committee members, board members, VRS staff, representatives from other stakeholder groups and members of the public. He also provided introductory information for the newly appointed member of the Committee, Mr. Ned Smither, Powhatan County Administrator. Mr. Smither is filling the local government seat on the Committee.

Mr. Bell took a roll call of each DCPAC member for attendance purposes:

Mr. Deo – Present
Dr. Gooden – Present
Ms. Irvin – Present
Mr. Larson – Present
Ms. Madden – Present
Mr. Smither – Present
Mr. Winter – Present

Mr. Bell – Present

Approval of Minutes

Upon a motion by Mr. Bell, with a second by Dr. Gooden, the minutes of the September 2, 2021 meeting were approved upon the following roll call vote:

Mr. Deo – Aye
Dr. Gooden – Aye
Ms. Irvin – Aye
Mr. Larson – Aye
Ms. Madden – Aye
Mr. Smither – Aye
Mr. Winter – Aye
Mr. Bell – Aye

Annual Administrative Expense Report For Fiscal Year 2021

Pam Elam, VRS Business Performance Analyst, provided an overview of the annual costing update for FY 2021, as required by the DCPAC Charter. The report provided both direct and indirect costs associated with administering VRS' Defined Contribution Plans. Ms. Elam shared a summary overview of the DC Plan participant counts and expenditures for FY 2021. She also provided a summary overview of the cost trend analysis over the five-year period from FY 2017 to FY 2021. Ms. Elam informed the Committee that the costs increased approximately 7% over this time period.

Mr. Bell thanked Ms. Elam for her presentation.

Administrative Reports and Communications Update

Kelly Hiers, DC Plans Administrator, provided an update on the VRS Defined Contribution Plans for the third quarter, ending September 30, 2021. Ms. Hiers shared the total assets under management across all DC plans, as well as an overview of unique participant counts for the unbundled plans.

DC Plans and Hybrid Plan Update

Ms. Hiers provided an update on total assets and accounts in the VRS Defined Contribution Plans through September 30, 2021. She also presented an overview of the number of unique participants in the unbundled DC Plans.

Ms. Hiers provided an overview of new performance dashboards which will be provided each quarter and will replace the quarterly service review slide deck. The dashboards cover a variety of plan metrics, including website usage, participation rates and participant investment allocations.

Ms. Hiers informed the Committee of a recent contract amendment with MissionSquare Retirement that formalizes three items. It adds an additional performance standard related to field staff visits to

employers. The current performance standard only applies to participant one-on-one and group meetings. The amendment also documents a fee waiver under certain circumstances and extends financial planning services to all VRS members regardless of participation in a VRS defined contribution plan.

Ms. Hiers notified the Committee of an upcoming communication campaign to remind plan participants who took a coronavirus-related distribution in 2020 of the options available to pay the funds back and encourage them to do so.

Ms. Hiers provided an update on total assets and accounts in the COV 457 and Virginia Cash Match plans through September 30, 2021, as well as an overview of an upcoming communications campaign to increase awareness of and encourage participation in the COV 457 Plan.

Ms. Hiers also provided a review of total assets and accounts in the Hybrid Retirement Plan for the third quarter of 2021. She further updated the Committee on the Hybrid 457 voluntary participation and contribution election rates for the third quarter of 2021. An update on the Hybrid 457 voluntary participation and contribution election rates was also provided.

Ms. Hiers next reviewed the DC Plans goal to increase contributions and enrollments for the third quarter of 2021. She shared the population statistics for participants in the COV 457 Plan, including the average age, salary and account balance for those participating in the plan. She provided an overview of participation rates in the plan over time and annual enrollments. Ms. Hiers also provided an overview of hybrid population statistics, including the average age, salary and tenure in the plan for those making voluntary contributions. She provided an overview of Hybrid Plan members by employer type and participation in voluntary contributions. Ms. Hiers highlighted ongoing and future related initiatives to increase enrollments and contributions to the Hybrid 457 and COV 457 plans.

ORPHE Update

Ms. Hiers shared an overview by provider of total ORPHE assets, participants and average balances for the third quarter of 2021. She also gave an update on ORPHE provider selections for the third quarter of 2021.

Ms. Hiers provided an update of several outreach initiatives, including the ORPHE Annual Employer Update and the annual open enrollment period that occurs each October for ORPHE participants.

Finally, Ms. Hiers provided the Committee with an update regarding the CREF Money Market Fund, which was previously available to ORPHE participants under the TIAA platform but was deselected last year. TIAA has notified plan sponsors and participants that the fund will likely experience negative returns after January 1, 2022 due to the expiration of a fee waiver and the low interest rate environment. Participants have been notified and have the option to move their funds to a different investment option.

Mr. Bell thanked Ms. Hiers for her presentation.

ORPHE Annual Employer Report

Mr. Rick Larson, the DCPAC member representing higher education, presented his report to on the ORPHE Annual Employer Update, hosted by VRS Defined Contribution Plans on Thursday, September 30, 2021.

DC Plans Consultant RFP Update

Ms. Hiers provided a brief update on the DC Plans consultant RFP. She indicated that the window for proposals has closed and several responses have been received. Interviews with finalists are being scheduled and an award is expected by the end of January 2022.

DC Plans Investments Update

Laura Pugliese, Portfolio Manager, Defined Contribution Plans, provided an overview of the October 31, 2021 performance reports.

Ms. Pugliese informed the Committee that next year staff will perform a review of the benchmarks used for the stand-alone funds to either affirm continuing to use them or make changes to them as appropriate.

CEM Defined Contribution Plans Survey

Ms. Pugliese presented to the Committee the 2020 CEM Defined Contribution Plans Survey results that included the unbundled DC Plans supplemental 457 Deferred Compensation Plan and the bundled TIAA ORPHE. The survey was comprised of 110 corporate and 25 public DC Plans representing \$1.4 trillion in assets. She advised that CEM no longer provides benchmarking costs at no charge to survey participants, but staff is evaluating the CEM Dashboard to determine if VRS should subscribe to the service.

Staff included the CEM DC Survey Reports in the meeting materials appendix for the Committee to review.

Other Business

Code of Ethics and Conduct

Trish Bishop informed the Committee that an email notification would be forthcoming that includes instructions for completing the review of the Board of Trustees' Code of Ethics and Conduct, which is an annual requirement of VRS advisory committee members. Ms. Bishop advised that committee members can electronically sign and return to staff their completed affirmation statement.

VRS Legislative Package

Cindy Wilkinson, Director of Policy and Planning, advised the Committee of the VRS legislative package that was approved by the VRS Board of Trustees in October. She advised that the bill will separate the Board-certified defined benefit employer contribution rates from the estimated statutory defined contribution employer contribution rates. The change will simplify administration of the Hybrid Retirement Plan and make employer reconciliation easier.

Discussion of New Ideas

No additional business was brought before the Committee.

Upcoming Defined Contribution Plans Advisory Committee Meetings

Mr. Bell confirmed the DCPAC meeting dates for 2022 following the polling of the Committee.

The next meeting of the DCPAC will take place on March 24, 2022, with remaining meetings on June 2nd, September 8th and December 1st. All meetings will be held at 1:00 p.m.

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

Adjournment

There being no further business, Mr. Bell adjourned the meeting at 3:01 p.m. upon a motion by Mr. Smither, with a second by Ms. Madden, upon the following roll call vote:

Mr. Deo – Aye
Dr. Gooden – Aye
Ms. Irvin – Aye
Mr. Larson – Aye
Ms. Madden – Aye
Mr. Smither – Aye
Mr. Winter – Aye
Mr. Bell – Aye



Vice Chair



Date