

Minutes

A regular meeting of the Virginia Retirement System Administration and Personnel Committee was held on September 14, 2022, with the following members participating:

A. Scott Andrews, Chair
Joseph W. Montgomery, Vice Chair
W. Brett Hayes
Troilen G. Seward, Ed.S.

Board members present:
John M. Bennett

VRS Staff:

Patricia Bishop, Ron Schmitz, Jennifer Schreck, Andrew Junkin, Keisha Cheatham, Jeanne Chenault, Michael Cooper, Harriet Covey, Juanita Cribbs, Barry Faison, Jon Farmer, LaShaunda King, Curt Mattson, Angela Payne, Matt Priestas, Steven Ramirez, Paula Reid, Leslie Weldon and Cindy Wilkinson.

Guests:

Kimberly Sarte, Joint Legislative Audit and Review Commission.

The meeting convened at 1:01 p.m.

Opening Remarks

Mr. Andrews called the meeting to order and welcomed everyone to the September 14, 2022 meeting of the Administration and Personnel Committee.

Mr. Andrews welcomed Andrew Junkin, who will succeed Ron Schmitz as the new VRS Chief Investment Officer (CIO) when Mr. Schmitz retires at the end of the year. Mr. Junkin joins VRS after serving as CIO for the state of Rhode Island and a fifteen-year tenure with Wilshire Consulting, the last five of which he served as president. Mr. Junkin will be working closely with Mr. Schmitz over the following months to provide continuity and facilitate an effective transition. Mr. Andrews thanked Mr. Schmitz for his leadership and assistance during the transition period.

Approval of Minutes

Following Ms. Seward's motion, with a second by Mr. Montgomery, the Committee approved the minutes of its June 14, 2022, meeting.

Review Attainment of FY 2022 Agency Performance Outcomes (APOs) and Operational Measures

Michael Cooper, Chief Operating Officer, reviewed the results of the FY 2022 agency performance outcomes (APOs) and operational measures. The APOs represent agency stretch goals and the operational measures are a reflection of day-to-day business operations. Mr. Cooper noted that the agency had sixteen operational measures for the year, of which thirteen had to be accomplished in order 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, which was affected by increased call volumes during peak times of the year, notably January and July. In

addition, Mr. Cooper noted the agency had four APOs for the fiscal year, with a target of completing at least three. Staff met this goal by successfully completing all four APOs.

RBA: Attainment of FY 2022 APOs and Operational Measures (and corresponding lump-sum bonus).

Request for Board Action: The VRS Board of Trustees approves the attainment of FY 2022 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.

Upon a motion by Mr. Montgomery, with a second by Ms. Seward, the Committee recommended approval of the action to the full Board of Trustees.

Mr. Andrews thanked Mr. Cooper for his presentation.

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 department 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, 2022.

Upon a motion by Ms. Seward, with a second by Mr. Montgomery, the Committee recommended approval of the following action to the full Board of Trustees:

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

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.

Mr. Andrews thanked Ms. Reid for her presentation.

Budget Update

Next, Jon Farmer, Budget and Performance Reporting Manager, presented the FY 2022 year-end budget results, explaining that VRS finished with an unexpended appropriation of \$9.08 million, which will be returned to the Fund. Mr. Farmer next provided an update on the agency’s FY 2023 budget and projections, noting that expenses to date are in line with budgeted amounts.

The Committee discussed the recent difficulties related to attracting and retaining staff, as well as project delays relating to supply chain issues. To address these challenges, VRS offers a hybrid work model which resonates well with team members, in addition to launching several initiatives to support professional development to ensure staff feel engaged and satisfied with the organization.

Mr. Andrews thanked Mr. Farmer for his report.

Informational Item

Next, as an information item, Mr. Andrews advised that the Audit and Compliance (A&C) Committee had reviewed and evaluated the performance of the Audit Director at its meeting on September 13, 2022. Each year, the A&C Committee reviews the Audit Director's performance and makes a recommendation for a performance bonus to the Board of Trustees. Based on its review and evaluation, the A&C Committee recommended that the Board approve a 7% performance bonus for the Audit Director. The Board will take up the following action at its September 22nd meeting.

RBA: Audit Director's performance review.

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

Other Business

Next, Trish Bishop, VRS Director, presented information in support of a name change for the Administration and Personnel Committee. Ms. Bishop advised that following discussion with staff, research of other organizations and recognition of a desire to use more current terminology, staff recommends the Committee's name be changed to Administration, Finance and Talent Management (AFT) Committee. The Committee agreed with the recommendation and directed staff to prepare the necessary updates to the governance documents. Ms. Bishop noted that the changes will be presented to the A&P Committee at its next meeting, followed by two reviews by the Board, as required by the Board Governance Policy.

Compensation and Benefits – CLOSED MEETING

Mr. Montgomery moved, with a second by Mr. Hayes, that the Administration and Personnel Committee of the Virginia Retirement System Board of Trustees convene a closed meeting under the Virginia Freedom of Information Act to discuss the compensation and benefits of specific employees pursuant to the personnel exemption at *Code of Virginia § 2.2-3711(A)(1)*.

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

WHEREAS, the Administration and Personnel Committee of 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 this Committee that such closed meeting was conducted in conformity with Virginia law;

NOW, THEREFORE, BE IT RESOLVED, that the Committee 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 Committee.

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

Mr. Montgomery: Aye

Mr. Hayes: Aye
Ms. Seward: Aye
Mr. Bennett: Aye
Mr. Andrews: Aye

Next, following a motion by Mr. Montgomery, with a second by Mr. Hayes, the Administration and Personnel Committee recommended approval of the following action to the full Board of Trustees:

RBA: FY 2022 Incentive Payments for Investment Professionals.

Request for Board Action: The VRS Board of Trustees approves payment of an incentive amount of approximately \$7,343,564.18 for FY 2022 to VRS investment professionals as authorized by the Investment Professionals' Pay Plan.

Upon a motion by Mr. Bennett, with a second by Mr. Montgomery, the Administration and Personnel Committee recommended approval of the following action to the full Board of Trustees:

RBA: VRS Director's Performance Review.

Request for Board Action: The VRS Board of Trustees approves a performance bonus of 5% for the VRS Director payable on October 14, 2022 and a supplemental payment of \$85,000 made December 1, 2022 as authorized in the 2022 Appropriation Act.

Mr. Andrews thanked the Committee and noted the Board of Trustees will meet September 22, 2022 at 1:00 p.m.

Adjournment

Following a motion by Ms. Seward, with a second by Mr. Montgomery, the Committee agreed to adjourn the meeting.

There being no further business, the meeting concluded at 3:09 p.m.



Chair

10/18/22

Date