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## Minutes

A regular meeting of the Virginia Retirement System Board of Trustees was held on February 10, 2022, in Richmond, Virginia with the following members participating:

Board members:

O'Kelly E. McWilliams, III, Chair  
Joseph W. Montgomery, Vice Chair  
Hon. J. Brandon Bell, II  
John M. Bennett  
Michael P. Disharoon  
William A. Garrett  
Dr. Susan T. Gooden, Ph.D.  
W. Brett Hayes  
Troilen G. Seward, Ed.S.

VRS Staff:

Patricia Bishop, Ron Schmitz, Jennifer Schreck, Stephen Adelaar, Rory Badura, Parham Behrooz, Caroline Caldwell, Jeanne Chenault, Michael Cooper, Perry Corsello, Harriet Covey, Juanita Cribbs, Sara Denson, Valerie Disanto, Barry Faison, Jon Farmer, Laurie Fennell, Josh Fox, Jay Gentry, Brian Goodman, Katherine Grawe, JT Grier, Dane Honrado, KC Howell, Robert Irving, Kristina Koutrakos, LaShaunda King, Matt Lacy, Ryan LaRochelle, Chung Ma, Jennifer MacKnight, Curt Mattson, Steve McClelland, Walker Noland, Greg Oliff, Angela Payne, Laura Pugliese, Paula Reid, Mark Rein, Dan Schlusser, Jennifer Schoeller, Michael Scott, Jillian Sherman, Larry Tentor, Dan Whitlock, Cindy Wilkinson and Nick Zizzo.

Guests:

Elizabeth Myers, Office of the Attorney General; Jamie Bitz, Joint Legislative Audit and Review Commission; Bea Snidow, Virginia Education Association; Erin Rodriguez, Auditor of Public Accounts; Latosha Johnson, Department of Planning and Budget; Lauren Albanese, Financial Investment News; Alex Meyer, Goldman Sachs; John Balaod and Samuel Slade, Pageant Media; and Steff Chavez, Mandate Wire.

The meeting convened at 1:00 p.m.

### Opening Remarks

O'Kelly E. McWilliams, III, called the meeting to order and welcomed everyone to the February 10, 2022, meeting of the Virginia Retirement System Board of Trustees.

### Approval of Minutes

Upon Mr. Bennett's motion, with a second by Mr. Montgomery, the VRS Board of Trustees approved the December 7, 2021, meeting minutes and the December 7<sup>th</sup> and 8<sup>th</sup> Board retreat minutes.

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### Report of the Chief Investment Officer

Ron Schmitz, Chief Investment Officer, 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. Next, Mr. Schmitz discussed the New Investment and Terminations report, the Diverse Investment Manager Engagement (DIME) report, and the External Investment Manager Referral 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. Garrett began his report by noting the Committee approved the minutes of its November 15, 2021, meeting.

### 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 4.00%, effective July 1, 2022. In addition, a COLA in the amount of 3.85% shall be applied to long-term disability (LTD) benefit payments for Plan 1 members vested prior to January 1, 2013. A COLA of 3.00% shall be applied for Plan 1 members not vested prior to January 1, 2013, and all Plan 2 and Hybrid Retirement Plan members who have been recipients of LTD benefits for at least one year. The calculations were reviewed by VRS staff and Internal Audit.

Upon a motion by Mr. Garrett, with a second by Mr. Hayes, the VRS Board of Trustees approved the following action:

***Request for Board Action 2022-02-01: Effective July 1, 2022 the following increases shall apply:***

- *The creditable compensation used in calculating the member's average final compensation at retirement shall be increased in the amount of 4.00% for a Plan 1, Plan 2 or Hybrid member who has been the recipient of long-term disability (LTD) benefits for at least one year under the Virginia Sickness and Disability Program (VSDP); and*
- *A cost of living adjustment shall be applied to the net LTD benefit payment of 3.85% for Plan 1 members vested prior to January 1, 2013, or 3.00% for Plan 1 members not vested by January 1, 2013, and all Plan 2 and Hybrid members.*

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### Virginia Local Disability Program

Mr. Badura advised that for the VLDP program the Plan Actuary recommends an increase in the creditable compensation used at retirement of 3.74% effective July 1, 2022. 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.

Upon a motion by Mr. Garrett, with a second by Mr. Bennett, the VRS Board of Trustees approved the following action:

***Request for Board Action 2022-02-02: Effective July 1, 2022, 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, 2022, is an increase of 3.74% to be applied to a recipient's creditable compensation.***

### INFORMATION ITEMS

#### 2022 COLAs Called for Under Statute Not Requiring Board Approval

Mr. Badura noted that, by statute, VRS cost of living increases are based on the consumer price index for all items, all urban consumers, as published by the Bureau of Labor Statistics of the U.S. Department of Labor. Mr. Badura advised that the COLA increase effective July 1, 2022, of 3.85% is applicable to eligible Plan 1 members vested prior to January 1, 2013. A COLA increase of 3.00% is applicable to Plan 1 members not vested prior to January 1, 2013, and all Plan 2 and Hybrid Plan members effective July 1, 2022. 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.

The Group Life Insurance Program minimum benefit for members retired with at least 30 years of service is to be increased by the same COLA applicable to VRS Plan 2 members, or 3.00%, effective July 1, 2022. The new minimum life insurance payout, effective July 1, 2022, will be \$8,984. The Group Life Insurance Program minimum did not require action by the Committee. The calculations were reviewed by VRS staff and Internal Audit.

#### 2022 Legislative Update

Ms. Wilkinson provided an update on VRS-related legislation in the 2022 General Assembly session.

#### Actuarial Services RFP Update

Ms. Wilkinson provided an update on the Actuarial Services RFP that was issued in January. The Committee will interview finalists at its April 6 meeting and make a recommendation to the Board at the following Board meeting.



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2022 B&A Committee Meeting Schedule:

- April 6 at 1:00 p.m.
- April 19 at 10:30 a.m. (if needed)\*
- June 6 at 1:00 p.m.
- October 17 at 1:00 p.m.
- November 14 at 1:00 p.m.

Mr. McWilliams thanked Mr. Garrett for his report.

The meeting time was originally reported at the committee meeting as being held at 12:30 p.m. on April 19, 2022, but has been subsequently changed to 10:30 a.m. on April 19th.

**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 November 16, 2021, meeting.

REAPPOINTMENT OF INVESTMENT ADVISORY COMMITTEE MEMBER

Ron Schmitz, Chief Investment Officer, informed the Committee that Mr. W. Bryan Lewis is eligible for reappointment to the Investment Advisory Committee. Mr. Lewis is the Vice President and Chief Investment Officer for U.S. Steel. Mr. Lewis is interested in continuing to serve on the IAC for an additional term.

Upon a motion by Mr. Montgomery, with a second by Mr. Hayes, the VRS Board of Trustees approved the following action:

***Request for Board Action 2022-02-03: The Board approves the reappointment of Mr. W. Bryan Lewis to the Investment Advisory Committee for a two-year term ending March 31, 2024.***

APPOINTMENT OF DEFINED CONTRIBUTION PLANS ADVISORY COMMITTEE MEMBER

Mr. Schmitz next advised the Board that staff has identified a candidate to fill the vacant seat on the Defined Contribution Plans Advisory Committee. Mr. Arun Muralidhar is the co-founder and CEO of MCube Investment Technologies, LLC and AlphaEngine Global Investment Solutions. Mr. Muralidhar has over 25 years of investment-related experience and has expressed his willingness to serve on the DCPAC.

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

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**Request for Board Action 2022-02-04:** *The Board appoints Arun S. Muralidhar to the vacant seat on the Defined Contribution Plans Advisory Committee (DCPAC) for a term ending June 20, 2022 and reappoints Mr. Muralidhar for a two-year term ending June 20, 2024.*

#### QUARTERLY BUDGET UPDATE

Barry Faison, Chief Financial Officer, introduced Jonathan Farmer, Budget and Performance Reporting Manager, who presented the quarterly budget update. Mr. Farmer reviewed the agency's expenditures through December 31, 2021 and outlined anticipated spending through the remainder of the fiscal year. Mr. Farmer indicated that VRS is on track to finish the year with a surplus of approximately \$6.5 million.

#### **Legislative Update**

Next, Cindy Wilkinson, Policy, Planning and Compliance Director, provided an update on VRS-related legislation presented in the 2022 General Assembly session.

#### **Operational Update Series: VRS by the Numbers**

Michael Cooper, Chief Operating Officer, presented an informational breakdown of VRS total membership and participating employers. VRS is currently the 41<sup>st</sup> largest public or private pension system in the world, the 18<sup>th</sup> largest in the United States, with 751,471 active and retired members as of June 30, 2021. Highlights from the presentation include:

- VRS has 342,315 active members, 224,973 retirees and beneficiaries, as well as 184,183 deferred members.
- Teachers make up the largest portion of the total active member population.
- The Hybrid Plan membership population is increasing as expected, with a total of 141,141 active members as of January 1, 2022.
- VRS serves a total of 835 employers, including 228 state agencies, 93 counties, 162 cities and towns, 144 school boards and 208 special authorities.
- VRS paid \$5.5 billion to retirees in fiscal year 2021.

Mr. Cooper also provided an overview of VRS outreach efforts and member support services. In addition to the VRS website, members and employers have access to tailored, educational resources through myVRS, myVRS Financial Wellness and virtual counseling. In conjunction with online resources, staff continue to meet the Board-approved Operational Measures that contain detailed target performance goals to provide exceptional customer service.

Lastly, Mr. Cooper advised that this data is used to determine agency strategic objectives, project areas of focus, such as cybersecurity and data protection, as well as outreach initiatives to continue to effectively meet the needs of VRS members, retirees and employers.

Mr. McWilliams thanked Mr. Cooper for his presentation.

#### **Report of the Director**

Trish Bishop, VRS Director, began her report by reviewing the New Coverage Elections and provided an update on the agency roadmap for FY 2022. She advised that all projects are progressing as planned,

apart from the Cloud Migration project. Staff will continue to monitor these projects and provide updates as they become available.

Next, Ms. Bishop advised that VRS leadership has developed a return-to-office plan that incorporates a staggered approach to promote a safe working environment for employees and visitors. At this time, staff will not return prior to April 12.

Lastly, Ms. Bishop announced that 2022 marks the 80<sup>th</sup> anniversary of the Virginia Retirement System's service to the Commonwealth. To commemorate eight decades of serving those who serve others, staff has designed a celebratory logo that will be displayed throughout the year.

Mr. McWilliams thanked Ms. Bishop for her report.

#### RESOLUTION FOR BARRY FAISON

Without objection, Mr. McWilliams delivered the following resolution:

WHEREAS, Barry C. Faison began his career with the Virginia Retirement System in 1979, ultimately serving as Chief Financial Officer since 2001, overseeing the Finance Department, including Finance, Budget, Performance Reporting, General Accounting, Employer Reporting, and Investment Accounting, championing best practices of financial management and control; and

WHEREAS, his careful adherence to statements published by the Governmental Accounting Standards Board led to Mr. Faison being instrumental in the agency receiving a Certificate of Achievement for Excellence in Financial Reporting for 39 consecutive years and an Award for Outstanding Achievement for its Popular Annual Financial Reporting for five consecutive years since inception from the Government Finance Officers Association of the United States and Canada; and

WHEREAS, Mr. Faison served as a visionary leader for the agency's Modernization program to enhance employer reporting and create a web-based solution to provide members a holistic view of benefits, ultimately leading to online retirement; and

WHEREAS, through knowledge and experience, Mr. Faison serves as "professor" of all things VRS, freely sharing the history of VRS policies and processes and patiently coaching new staff members and serving as a role model and mentor; and

WHEREAS, employers across the Commonwealth rely on Mr. Faison for his insight and expertise in financial management and transparent reporting, serving as a "rock star" presenter at association meetings, and who is recognized for his dedication to public service;

NOW, THEREFORE, BE IT RESOLVED, that on February 10, 2022, we, the members of the Board of Trustees of the Virginia Retirement System, hereby acknowledge Mr. Faison's loyal, faithful, and long-standing service to the Virginia Retirement System, its members, retirees, employers, as well as the Commonwealth of Virginia, and convey our gratitude for his legacy of exceptional contributions and stewardship as we congratulate Mr. Faison on his retirement.

Mr. McWilliams congratulated Barry on his retirement and expressed the Board's gratitude for his longstanding and exceptional service.



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### Litigation Update (Closed Session)

Mr. Montgomery moved, with a second by Mr. Bennett, that the Virginia Retirement System Board of Trustees convene a closed meeting under the Virginia Freedom of Information Act for the purposes of (a) consultation with legal counsel about actual or probable litigation pursuant to the exemption contained in *Virginia Code* § 2.2-3711(A)(7), and (b) discussion of an information technology system or software program where discussion in an open meeting would jeopardize the security of such information technology system or software program, pursuant to the exemption contained in *Virginia Code* § 2.2-3711(A)(19).

Upon return to open meeting, Mr. Montgomery moved, with a second by Ms. Seward, 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 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. Bennett: Aye  
Mr. Disharoon: Aye  
Mr. Garrett: Aye  
Dr. Gooden: Aye  
Mr. Hayes: Aye  
Mr. Montgomery: Aye  
Ms. Seward: Aye  
Mr. McWilliams: Aye

Following Mr. Montgomery's motion, with a second by Mr. Bennett, the Board unanimously approved the action discussed in closed session.

### Other Business


Lastly, Mr. McWilliams noted the following meeting schedule:

- Defined Contribution Plans Advisory Committee – March 24, 2022 1:00 p.m.
- Audit and Compliance Committee – March 29, 2022 at 2:00 p.m.
- Administration and Personnel Committee – April 6, 2022 at 11:00 a.m.

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- Benefits and Actuarial Committee – April 6, 2022 at 1:00 p.m.
  - Investment Advisory Committee – April 13, 2022 at 9:00 a.m.
  - Board of Trustees – April 19, 2022 at 1:00 p.m.

**Adjournment**

There being no further business and following a motion by Mr. Hayes, with a second by Mr. Montgomery, the VRS Board of Trustees agreed to adjourn the meeting at 2:21 p.m.

  
Chair

  
Secretary



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## Report

Pursuant to § 2.2-3708.2(A)(2) et seq. of the *Code of Virginia*, the Benefits and Actuarial Committee met on February 9, 2022 and took up the following matters:

### **APPROVAL OF MINUTES**

The Committee approved the minutes of its November 15, 2021 meeting.

### **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 4.00%, effective July 1, 2022. In addition, a COLA in the amount of 3.85% shall be applied to long-term disability (LTD) benefit payments for Plan 1 members vested prior to January 1, 2013. A COLA of 3.00% shall be applied for Plan 1 members not vested prior to January 1, 2013, and all Plan 2 and Hybrid Retirement Plan members who have been recipients of LTD benefits for at least one year. The calculations were reviewed by VRS staff and Internal Audit.

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

***Request for Board Action: Effective July 1, 2022 the following increases shall apply:***

- *The creditable compensation used in calculating the member's average final compensation at retirement shall be increased in the amount of 4.00% for a Plan 1, Plan 2 or Hybrid member who has been the recipient of long-term disability (LTD) benefits for at least one year under the Virginia Sickness and Disability Program (VSDP); and*
- *A cost of living adjustment shall be applied to the net LTD benefit payment of 3.85% for Plan 1 members vested prior to January 1, 2013, or 3.00% for Plan 1 members not vested by January 1, 2013, and all Plan 2 and Hybrid members.*

#### Virginia Local Disability Program

Mr. Badura advised that for the VLDP program the Plan Actuary recommends an increase in the creditable compensation used at retirement of 3.74% effective July 1, 2022. 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.

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

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***Request for Board Action:*** Effective July 1, 2022, 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, 2022 is an increase of 3.74% to be applied to a recipient's creditable compensation.

### **INFORMATION ITEMS**

#### **2022 COLAs Called for Under Statute Not Requiring Board Approval**

Mr. Badura noted that, by statute, VRS cost of living increases are based on the consumer price index for all items, all urban consumers, as published by the Bureau of Labor Statistics of the U.S. Department of Labor. Mr. Badura advised that the COLA increase effective July 1, 2022 of 3.85% is applicable to eligible Plan 1 members vested prior to January 1, 2013. A COLA increase of 3.00% is applicable to Plan 1 members not vested prior to January 1, 2013, and all Plan 2 and Hybrid Plan members effective July 1, 2022. 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.

The Group Life Insurance Program minimum benefit for members retired with at least 30 years of service is to be increased by the same COLA applicable to VRS Plan 2 members, or 3.00%, effective July 1, 2022. The new minimum life insurance payout effective July 1, 2022 will be \$8,984. The Group Life Insurance Program minimum did not require action by the Committee. The calculations were reviewed by VRS staff and Internal Audit.

#### **2022 Legislative Update**

Ms. Wilkinson provided an update on VRS-related legislation in the 2022 General Assembly session.

#### **Actuarial Services RFP Update**

Ms. Wilkinson provided an update on the Actuarial Services RFP that was issued in January. The Committee will interview finalists at its April 6 meeting and make a recommendation to the Board at the following Board meeting.

#### **2022 B&A Committee Meeting Schedule:**

- February 9 at 1:00 p.m.
- April 6 at 1:00 p.m.
- April 19 at 12:30 p.m. (if needed)
- June 6 at 1:00 p.m.
- October 17 at 1:00 p.m.
- November 14 at 1:00 p.m.

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Submitted to the Board of Trustees on February 10, 2022.

**William Garrett** Digitally signed by William Garrett  
Date: 2022.02.10 17:23:31 -05'00'

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William A. Garrett, Chair  
Benefits and Actuarial Committee



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## Report

The Administration and Personnel Committee met on February 8, 2022 and discussed the following:

### **APPROVAL OF MINUTES**

The Committee approved the minutes of its November 16, 2021 meeting.

### **REAPPOINTMENT OF INVESTMENT ADVISORY COMMITTEE MEMBER**

Ron Schmitz, Chief Investment Officer, informed the Committee that Mr. Bryan Lewis is eligible for reappointment to the Investment Advisory Committee. Mr. Lewis is the Vice President and Chief Investment Officer for U.S. Steel. Mr. Lewis is interested in continuing to serve on the IAC for an additional term.

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

***Request for Board Action:*** *The Board approves the reappointment of Mr. W. Bryan Lewis to the Investment Advisory Committee for a two-year term ending March 31, 2024.*

### **APPOINTMENT OF DEFINED CONTRIBUTION PLANS ADVISORY COMMITTEE MEMBER**

Mr. Schmitz next advised the Board that staff has identified a candidate to fill the vacant seat on the Defined Contribution Plans Advisory Committee. Mr. Arun Muralidhar is the co-founder and CEO of MCube Investment Technologies, LLC and AlphaEngine Global Investment Solutions. Mr. Muralidhar has over 25 years of investment-related experience and has expressed his willingness to serve on the DCPAC.


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

***Request for Board Action:*** *The Board appoints Arun S. Muralidhar to the vacant seat on the Defined Contribution Plans Advisory Committee (DCPAC) for a term ending June 20, 2022 and reappoints Mr. Muralidhar for a two-year term ending June 20, 2024.*

### **QUARTERLY BUDGET UPDATE**

Barry Faison, Chief Financial Officer, introduced Jonathan Farmer, Budget and Performance Reporting Manager, who presented the quarterly budget update. Mr. Farmer reviewed the agency's expenditures through December 31, 2021 and outlined anticipated spending through the remainder of the fiscal year. Mr. Farmer indicated that VRS is on track to finish the year with a surplus of approximately \$6.5 million.

Submitted to the Board of Trustees on February 10, 2022.

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