

Minutes

The Audit and Compliance Committee of the Board of Trustees met on March 29, 2023, at the Virginia Retirement System located in Richmond, Virginia. The following individuals were present.

Audit and Compliance Committee Members:

Joseph W. Montgomery, Committee Chair, Board Vice Chair
W. Brett Hayes, Committee Vice Chair
A. Scott Andrews, Board Chair

Other Members of the Board of Trustees:

John M. Bennett

VRS Staff:

Patricia Bishop, Andrew Junkin, Jennifer Schreck, Judy Bolt, Richard Brooks, Jeanne Chenault, Michael Cooper, David Cotter, Joshua Fox, Krystal Groff, Curt Mattson, Matthew Priestas, Mark Rein, Kristy Scott and Leslie Weldon.

Guests:

Jamie Bitz, Joint Legislative Audit and Review Commission; Erin Rodriguez, Auditor of Public Accounts

The meeting convened at 1:00 p.m.

Opening Remarks

Mr. Montgomery called the meeting to order and welcomed everyone to the March 29, 2023, meeting of the Audit and Compliance Committee of the Virginia Retirement System Board of Trustees and noted no changes or additions to the meeting agenda.

Approval of Minutes

Upon motion of Mr. Bennett, seconded by Mr. Andrews, the committee approved the minutes of the Audit and Compliance Committee meeting held on December 8, 2022.

Audit Reports

The Committee received two audit reports from staff.

Audit Report 449

Ms. Groff presented audit report 449 – Conformance with VITA’s IT Security Program. The review determined as of the audit period that VRS’ security policies and standards generally conform with VITA’s mandatory Information Technology Security Program, with updates to VRS’ policies and standards currently underway. There were no written recommendations resulting from the review.

Audit Report 450

Mr. Fox presented audit report 450 – Credit Strategies and Private Investment Partnerships Programs. The review determined VRS provides appropriate oversight and monitoring of the programs. There were no formal recommendations as a result of this review. The Committee discussed the valuation methodology for the investments included in the examination.

Acceptance of the Audit Reports

Upon motion of Mr. Andrews, seconded by Mr. Hayes, the Committee accepted audit reports 449 and 450 as presented.

Annual Report on Code of Ethics

Ms. Schreck discussed the Internal Audit department's adherence to the VRS Code of Ethics and the Institute of Internal Auditors' Code of Ethics. She noted members of Internal Audit also hold various other professional designations and memberships, which provide similar frameworks for ethical behavior in the practice of that profession. Members of the Internal Audit staff complete annual certifications required by these professional organizations.

Mr. Cooper provided a brief overview of VRS' Code of Ethics and the training provided to personnel. Mr. Cooper confirmed all eligible and available VRS staff had completed the annual code of ethics training by December 31, 2022. Mr. Cooper noted two employees were on extended leave as of December 31, 2022 and therefore completed their training upon their return.

Mr. Brooks discussed the Investment Department's Code of Ethics and Standards of Professional Conduct Policy and compliance monitoring, noting all Investment associates were in compliance as of December 31, 2022.

Audit Plan Progress as of December 31, 2022

Ms. Schreck reported on the progress of the annual Audit Plan as of December 31, 2022, the mid-point of the fiscal year. She noted Internal Audit is on track to complete the annual Audit Plan as approved.

Miscellaneous Updates**Quarterly Report on Fraud, Waste and Abuse Hotline Cases**

Ms. Schreck noted there were no Fraud, Waste and Abuse cases reported for the period November 1, 2022 through January 31, 2023.

Internal Audit's Review of the Cost-of-Living Adjustments

Ms. Schreck informed the Committee that Internal Audit has reviewed the amounts referred to as "Cost-of-Living Adjustments (COLA)" as calculated by VRS' actuary, Gabriel, Roeder, Smith & Company, to be effective July 1,

2023. Ms. Schreck noted Internal Audit independently recalculated the "Cost-of-Living Adjustments" and found them to be valid and accurate. The results of this review were provided to the Benefits and Actuarial Committee and Board of Trustees in February 2023 to support their review and approval process for these adjustments. The Committee discussed Internal Audit's process of reviewing the COLA.

Management's Quarterly Travel Expense and Per Diem Report

Ms. Schreck shared management's quarterly travel expense and per diem report was included in the meeting materials for the Audit and Compliance Committee's review.

Next Committee Meeting Date

Ms. Schreck acknowledged the next meeting of the Committee is scheduled for June 13, 2023, at 1:00 p.m.

Meeting Adjournment

There being no further business, upon motion by Mr. Bennett, seconded by Mr. Andrews, the Audit and Compliance Committee agreed to adjourn the meeting at approximately 1:16 p.m.


Committee Chair


Secretary