
Minutes

A regular meeting of the Virginia Retirement System Board of Trustees was held on November 16, 2023, in Richmond, Virginia with the following members participating:

Board members:

A. Scott Andrews, Chair
Joseph W. Montgomery, Vice Chair
Hon. J. Brandon Bell, II
John M. Bennett
Michael P. Disharoon
Dr. Susan T. Gooden, Ph.D.
Jessica L. Hood
Lindsey K. Pantele

VRS Staff:

Patricia Bishop, Andrew Junkin, Jennifer Schreck, Lauren Albanese, Stephen Adelaar, ZaeAnne Allen, Advait Apte, Harrison Bader, Rory Badura, Parham Behrooz, Ty Bowers, Jessica Budd, Caroline Cardwell, Jeanne Chenault, Michael Cooper, Perry Corsello, David Cotter, Sara Denson, Valerie Disanto, Pam Elam, Laurie Fennell, Antonio Fisher, Katherine Grawe, JT Grier, Krystal Groff, Dane Honrado, KC Howell, Robert Irving, Jennifer Kazzie, LaShaunda King, Kristina Koutrakos, Matt Lacy, Chung Ma, Curt Mattson, Walker Noland, Greg Oliff, Angela Payne, Paula Reid, Andrew Ringle, Jummai Sarki-Hurd, Dan Schlussler, Kristy Scott, Michael Scott, Viet Tran, Emily Trent, Leslie Weldon, Dan Whitlock, Cindy Wilkinson and Steve Woodall.

Guests:

Harrison Bader, BlackRock; John Balaod, With Intelligence; Jamie Bitz, Joint Legislative Audit and Review Commission; Thomas Cosmer, Pine Bridge; Chris Doll, CEM Benchmarking, Inc; Jim Anderson, Becky Stouffer and Kurt Dossou, Gabriel, Roeder, Smith & Company; Elizabeth Myers, Office of the Attorney General; Jennifer O'Dell, Liuna; John O'Neil, Erin Shell and Amy Stokes, Auditor of Public Accounts.

The meeting convened at 1:00 p.m.

Opening Remarks

Mr. Andrews called the meeting to order and welcomed everyone to the November 16, 2023, meeting of the Virginia Retirement System Board of Trustees.

Approval of Minutes

Following a motion by Mr. Montgomery, with a second by Mr. Disharoon, the VRS Board of Trustees approved the minutes from its October 19, 2023, meeting.

Report of the Investment Advisory Committee

Lawrence Kochard, Chair of the Investment Advisory Committee (IAC), began his report by noting the IAC met on November 15, 2023, and did not have the legally required quorum physically present to take

official action. Therefore, the minutes from the August 23, 2023, meeting, were not approved and will be taken up at the Committee's next meeting. The Committee received the Chief Investment Officer's (CIO) report that included an overview of market conditions, asset allocation, tracking error and total fund performance as of September 30, 2023. The Committee then received an update from Chung Ma on asset liability management. Next, Mr. Ma reviewed the proposed changes to the VRS Defined Benefit Plan Investment Policy Statement and the VRS Defined Benefit Plan Investment Belief Statements, as well as the proposed VRS Investment Leverage Policy. The Committee members indicated their agreement with proposed changes and the new policy. The Committee then received the Private Markets program reviews.

Mr. Andrews thanked Mr. Kochard for his report.

Report of the Chief Investment Officer

Andrew Junkin, 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 within Board-approved levels. Mr. Junkin then discussed the New Investments and Terminations report.

Next, Mr. Junkin said he was pleased to announce the recognition of Jummai Sarki-Hurd, VRS Portfolio Manager, Real Assets, as a Top 24 in '24 – Leading Allocators in Real Assets by Kayo Conference Series.

Mr. Junkin then turned the next portion of the report to Chung Ma, Managing Director, Portfolio Solutions Group, to provide an asset liability management update, including the current Roadmap to Launch, Expected Glide Path, and a summary of Implementation Progress. Mr. Ma then discussed the new VRS Investment Leverage Policy and discussed ways to monitor and report risk management results to the Board. Mr. Ma also stated with the introduction of the VRS Investment Leverage Policy, both the VRS Defined Benefit Plan Investment Policy Statement and the VRS Defined Benefit Plan Investment Belief Statements would require updates. Mr. Junkin then returned to discuss the RBAs revising the VRS Defined Benefit Plan Investment Policy Statement and the VRS Defined Benefit Plan Investment Belief Statements, implementing the VRS Investment Leverage Policy, approving the FY2024 Defined Benefit Plan Allocation, and approving the Public Equity, Multi-Asset Public Strategies, Dynamic Strategies, Risk-Based Investments, and Leverage benchmarks.

Mr. Andrews thanked Mr. Junkin for his report.

Upon a motion by Mr. Montgomery, with a second by Senator Bell, the VRS Board of Trustees approved the following actions as a block as they are interrelated:

RBA: Approve Revised Defined Benefit Plan Investment Policy Statement

Request for Board Action 2023-11-25: The VRS Board of Trustees approves the revised Defined Benefit Plan Investment Policy Statement.

RBA: Approve Revised Defined Benefit Plan Investment Belief Statements

Request for Board Action 2023-11-26: The VRS Board of Trustees approves the revised Defined Benefit Plan Investment Belief Statements.

RBA: Approve VRS Investment Leverage Policy

Request for Board Action 2023-11-27: The VRS Board of Trustees approves the VRS Investment Leverage Policy.

RBA: Approve FY24 DB Plan Asset Allocation

Request for Board Action 2023-11-28: The VRS Board of Trustees approves the FY2024 Defined Benefit Plan Strategic Asset Allocation and Allowable Ranges and the removal of hedge funds policy limit.

RBA: Approve Public Equity, MAPS, DStrat, RBI, and Leverage Benchmarks

Request for Board Action 2023-11-29: The VRS Board of Trustees approves the recommended benchmarks for Public Equity, MAPS, Dynamic Strategies, Risk-Based Investments, and Leverage. In addition, the VRS Board of Trustees approves granting the Chief Investment Officer flexibility in implementing the Public Equity benchmark.

CEM Cost Effective Analysis of VRS Investment Program

Chris Doll of CEM Benchmarking, Inc., presented the results of the Investment Benchmarking Analysis for the five-year period ending December 31, 2022. Mr. Doll advised that VRS' five-year and ten-year performance placed VRS in the positive value-added, low-cost quadrant of the cost effectiveness chart. Specifically, for the five-year period, the VRS net value added was 223 basis points and the cost savings was 7 basis points. For the ten-year period, the VRS net value added was 140 basis points and the cost savings was 6 basis points. Mr. Doll also noted that the analysis suggests VRS saves approximately \$58 million annually by managing a portion of the funds in-house versus managing those funds externally.

Mr. Andrews thanked Mr. Doll for his presentation and praised the Investment staff for their efforts to continue delivering a positive value added at a lower cost.

Report of the Benefits and Actuarial Committee

The Benefits and Actuarial Committee met on November 16, 2023, and took up the following matters:

APPROVAL OF MINUTES

The Committee approved the minutes of its October 18, 2023, meeting.

2023 ACTUARIAL VALUATION RESULTS FOR POLITICAL SUBDIVISION RETIREMENT PLANS, THE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP), LOCAL HEALTH INSURANCE CREDIT (HIC), AND THE LINE OF DUTY ACT (LODA) FUND

Jim Anderson and Becky Stouffer from the VRS plan actuary, Gabriel, Roeder, Smith & Company (GRS), presented the June 30, 2023, actuarial valuation results for the Political Subdivision Retirement Plans, the Virginia Local Disability Program (VLDP), the Local Health Insurance Credit (HIC), and the Line of Duty

Act (LODA) fund. The VRS actuary conducts annual valuations as of the close of the fiscal year (June 30). In odd-numbered years the valuations are used to establish employer contribution rates. The results in even-numbered years are shared with the Board of Trustees to inform the Board of any emerging trends or indications of the magnitude and direction of contribution rates.

Key points from the political subdivision retirement plans, local HIC and VLDP presentation include:

- The June 30, 2023, valuations are used to set the contribution rates for fiscal years 2025 and 2026.
- Unfunded liability as of June 30, 2023, was re-amortized over a 20-year period, collapsing bases created from 2013-2023 into one new base for each plan.
- Pension rates no longer contain an estimate of the DC hybrid employer contributions, representing only the defined benefit portion.
- Pension rates decreased from the prior rate setting for 182 of the 594 local plans or approximately 31% of employers. For 223 employers, or nearly 38%, the rates will increase by less than 1.0% of covered payroll, and for the remaining 189 employers, or 31% of employers, rates are expected to increase over 1.0% of covered payroll compared to the prior rate setting.
- HIC employer rates for 160 of the 234 employers, nearly 70%, will remain unchanged from the prior rate setting due to funding levels triggering plan surcharges, which keep funding at the prior higher rate until a certain funded status is achieved. While funded statuses are improving, over half of the local HIC plans are still below 50% funded.
- VLDP rates for both Teachers and Political Subdivision plans decreased slightly from the prior rate setting due to favorable plan experience.

Ms. Stouffer next provided the results for the Line of Duty Act (LODA) Fund.

Key points from the LODA fund presentation include:

- The LODA plan is a pay-as-you-go plan that must collect the required funds to pay benefits expected to be incurred over the coming year.
- LODA fund premiums are inherently expected to increase each rate setting as the primary benefit is health insurance coverage, which is expected to increase each year.

While the proposed two-year rate for LODA increases from \$830.00 to \$995.00 per FTE, this is below the projected rate from last year due to lower than expected healthcare cost increases along with favorable demographic experience.

Mr. Andrews thanked Mr. Anderson and Ms. Stouffer for their presentation and turned the floor back over to Mr. Bennett for the remainder of his report. Mr. Andrews next thanked GRS and the VRS staff actuaries for their hard work in developing, validating and delivering the results.

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

RBA: Certify the Contribution Rates for Political Subdivision Retirement Plans, the Health Insurance Credit for Certain Political Subdivisions, the Virginia Local Disability Program and the Line of Duty Act Fund, Effective for FY 2025 and FY 2026

Request for Board Action 2023-11-30: The VRS Board of Trustees certifies the Contribution Rates for Political Subdivision Retirement Plans, the Health Insurance Credit for Certain Political Subdivisions, the Virginia Local Disability Program and the Line of Duty Act Fund, Effective for FY 2025 and FY 2026.

INFORMATION ITEM

2024 Committee Meeting Schedule:

- February 7 at 1:00 p.m.
- April 17 at 1:00 p.m.
- June 12 at 1:00 p.m.
- October 16 at 1:00 p.m.
- November 14 at 10:00 a.m.

Corporate Governance Report

Next, Dan Whitlock, Director of Global Equity Public Management, presented the Corporate Governance Report. He began by thanking David Cotter, Cindy Wilkinson and Stephen Adelaar for their contributions and input. Mr. Whitlock reviewed the FY 2023 Corporate Governance Report and provided an overview of the Proxy Voting and Litigation Policy to the Board.

He advised that Institutional Shareholder Services, Inc. (ISS) continues to provide proxy research and implementation services for VRS. Mr. Whitlock advised during 2023, VRS adopted the ISS Global Board-Aligned Voting Policy and discussed the guidelines. The VRS staff reviewed and evaluated these services and determined that ISS continues to meet the needs of VRS. Lastly, Mr. Whitlock provided an overview on VRS securities litigation and investment organizations.

Mr. Andrews thanked Mr. Whitlock for his presentation.

Report of the Director

Trish Bishop, VRS Director, began her report with an update on the agency roadmap for FY 2024, noting all projects are progressing as planned, as well as a review of New Coverage Elections. Next, Ms. Bishop announced that VRS received the Public Pension Standards Award for Funding and Administration for the 20th consecutive year from the Public Pension Coordinating Council.

Ms. Bishop then made the following announcements to the Board:

- VRS' Conor Shapiro won the 2023 Annual Virginia State Employee Tennis Tournament, competing in the Advanced Singles division.
- The VRS 3rd Annual CVC 5K was held on October 28, 2023, in Henrico. It raised \$900 for the 2023 Commonwealth of Virginia (CVC) campaign. VRS ranked eighth among all participating agencies that contributed to the 2022 CVC campaign.

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- VRS held its annual celebration of Diwali, one of India's biggest and most important festivals, on November 14th, during which staff enjoyed learning more about the meaning of Diwali and partaking in celebratory events.
 - The Agency Annual Meeting will be held at the Greater Richmond Convention Center on December 13, 2023, to celebrate annual achievements and present awards.

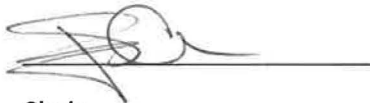
Mr. Andrews thanked Ms. Bishop for her report.

As a reminder, Mr. Andrews advised the Board the Defined Contribution Plans Advisory Committee meets next at 1 p.m. on November 30, 2023. The Audit and Compliance Committee meets at 10 a.m. on December 7, 2023, followed by the Board meeting at 1 p.m. In addition, the Annual Agency Meeting and Breakfast will be held on December 13, 2023, from 8:30 – 11:30 a.m. at the Greater Richmond Convention Center.

Adjournment

Following a motion by Mr. Montgomery, with a second by Mr. Bell, the VRS Board of Trustees agreed to adjourn the meeting.

There being no further business, the meeting concluded at 2:49 p.m.



Chair



Secretary

Report

The Benefits and Actuarial Committee met on November 16, 2023, and took up the following matters:

APPROVAL OF MINUTES

The Committee approved the minutes of its October 18, 2023, meeting.

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Ms. Stouffer, Mr. Anderson and Mr. Dosson of GRS will also deliver an abbreviated version of their presentation to the full Board of Trustees on November 16, 2023.

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

Request for Board Action: After considering the recommendations of its Plan Actuary, the Board accepts the June 30, 2023, valuation report for political subdivisions and the Health Insurance Credit (HIC) for certain political subdivisions; approves a contribution rate of 0.32% for constitutional officers, a rate of 0.26% for social services employees, and a contribution rate of 0.17% for general registrars; approves a contribution rate of 0.45% for the Virginia Local Disability Program (VLDP), including self-funded Long-Term Care for Teachers and a rate of 0.74% for VLDP, including self-funded Long-Term Care for Political Subdivisions; and approves a full-time equivalent premium rate of \$995.00 for the Line of Duty Death and Health Benefits Trust Fund (Fund), all for both FY 2025 and FY 2026, to be effective July 1, 2024.

INFORMATION ITEM

2024 Committee Meeting Schedule:

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- April 17 at 1:00 p.m.
- June 12 at 1:00 p.m.
- October 16 at 1:00 p.m.
- November 14 at 10:00 a.m.

Submitted to the Board of Trustees on November 16, 2023.



John M. Bennett, Chair
Benefits and Actuarial Committee