
Minutes

The Defined Contribution Plans Advisory Committee (DCPAC) of the VRS Board of Trustees met on September 7, 2023, with the following members present:

Committee Members:

Hon. J. Brandon Bell, II, Chair
Dr. Susan T. Gooden, Vice Chair
Ravindra Deo
C. Matt Harris
Shannon T. Irvin
Rick Larson
Brenda O. Madden
Arun S. Muralidhar
David A. Winter* (in accordance with § 2.2-3708.3(B)(4))

Members of the Board of Trustees:

John M. Bennett*

VRS staff members in attendance:

Jessica Budd*, Steve Cerreto*, Jeanne Chenault, Josh Fox*, Kelley Harlow*, Kelly Hiers, KC Howell, Robert Irving, Ryan LaRochelle, Joyce Monroe*, Teresa Nguyen*, Laura Pugliese, Andrew Ringle*, Kristy Scott*, Michael Scott, Jennifer Schreck, Shashi Sharma*, Ashley Spradley*, Bridgette Watkins, Scott Weaver, Rachel Webb*, and Cindy Wilkinson.

Also in attendance were Jamie Bitz, JLARC, and Laura Albanese*, FIN-news.

**Attended remotely*

The meeting convened at 1:00 p.m.

Chairman Bell welcomed Committee members, board members, VRS staff, representatives from other stakeholder groups and members of the public.

Approval of Minutes

Upon a motion by Dr. Gooden, with a second by Mr. Larson, the minutes of the June 1, 2023, meeting were approved by voice vote.

Administrative Reports and Communications Update

Kelly Hiers, DC Plans Administrator, provided an update on the VRS Defined Contribution Plans for the second quarter ending June 30, 2023.

DC Plans and Hybrid Plan Update

Ms. Hiers started with an overview of total assets and accounts across all VRS managed plans. She noted that total assets are just over \$7.8 billion and there are almost 600,000 total accounts.

Ms. Hiers noted that the Internal Revenue Service (IRS) has granted a delayed effective date for the federal SECURE 2.0 provision requiring that catch-up contributions be made as Roth contributions for participants who earned \$145,000 or more in the previous year. This provision will now be implemented in 2025.

Ms. Hiers then provided an overview of optional provisions under the SECURE 2.0 legislation that VRS is evaluating for potential future implementation. Discussion followed regarding these provisions. Ms. Hiers then provided an overview of optional SECURE 2.0 provisions dealing specifically with in-service distributions, which create opportunities for participants to access their funds while still employed. These provisions include options for participants that may be victims of domestic violence, impacted by a federally declared disasters or impacted by some other emergency. Discussion followed regarding these provisions. Ms. Bishop added that VRS is currently studying these components of the legislation, but certain provisions may require plan document changes or legislation in order to implement.

Ms. Hiers provided a final update on the Self-Directed Brokerage Account Transition from TD Ameritrade to Charles Schwab. The transition was successfully completed on September 4, 2023.

Ms. Hiers provided an overview of communications sent to members.

Ms. Hiers provided an update on total assets and accounts in the COV 457 and Virginia Cash Match plans through June 30, 2023. She also provided an overview of total assets and accounts in the VRS Hybrid Retirement Plan.

Ms. Hiers provided an update of the auto-escalation that occurred in January for Hybrid Retirement Plan members not currently making voluntary contributions or not contributing the maximum 4%. Discussion followed regarding communications to members who were auto-escalated, and the adequacy of the maximum 4% for voluntary contributions in meeting members' future retirement needs. However, some participating employers, but not all, provide supplemental plans including 457 and 403(b) plans.

ORPHE Update

Ms. Hiers provided an overview by provider of total ORPHE assets, participants and average balances for the second quarter of 2023. Currently, 67% of new hires choose to participate in the TIAA plan and 33% choose to participate in the DCP plan record kept by MissionSquare. She also provided an overview of planned ORPHE events for the fall.

Unbundled Record Keeper Contract Update

Ms. Hiers outlined the ongoing discovery process with Voya, and noted that a project plan is expected to be ready by the next DCPAC meeting.

DC Plans Investments Update

Laura Pugliese, Portfolio Manager, Defined Contribution Plans, provided an overview to the DCPAC of the Annual Investments Review as of June 30, 2023.

Annual Investments Review

Ms. Pugliese provided an overview of the DCPAC duties and responsibilities as required by the Charter, including the duty to review trends and best practices, assist staff with identifying potential asset classes and investment strategies, review the VRS Defined Contribution Plans Investment Belief Statements and DC Plans Investment Policy Statements, and provide recommendations to the Board as needed.

Ms. Pugliese next provided an overview of the Annual Investments Review as of June 30, 2023. Total DC Plan assets in the unbundled DC Plans structure and bundled ORPHE structure was \$7.2 billion for the fiscal year ending June 30, 2023. There were fee reductions in the target date funds, the Small-Mid Cap Fund and the BlackRock Russell 2500 Index Fund. She shared that staff is currently reviewing the DC Investment Belief Statements and policy documents with changes expected to come before the Committee in the near future. She informed the Committee that no changes were made to either the unbundled DC plans investment platform or the bundled TIAA ORPHE Retirement Choice (RC) contract investment platform.

Ms. Pugliese finished her presentation with DC investment trends and developments. Staff continues to monitor developments in the areas of retirement income, default investment options, investment menu offerings, behavioral finance, and investment advice and managed accounts.

Ms. Pugliese shared with the Committee that the complete annual investment review package was included in the appendix.

Other Business

Discussion of New Ideas

Dr. Gooden inquired about next steps based on the discussions about the SECURE 2.0 provisions. Ms. Hiers answered that there would be outreach to employers, internal research and deliberation, and discussions with third-party administrators. She noted that there would be preliminary recommendations to bring before the Committee at the next meeting, but implementation of any provisions would happen with the transition to Voya in 2025. Mr. Winter inquired about the behavioral finance components of withdrawal flexibility and increased plan participation. Ms. Hiers and Mr. Howell stated that the issue could be further researched and data could be shared about emergency withdrawals during the COVID-19 pandemic. Mr. Muralidhar offered to present on his retirement bonds concept to the Committee at a future meeting.

Upcoming Defined Contribution Plans Advisory Committee Meetings

Mr. Bell confirmed the next meeting of the DCPAC will take place on November 30th at 1:00 p.m.

The ORPHE Annual Employer Update is scheduled for September 19th, as required by the DCPAC Charter. This is not a DCPAC meeting; however, members may attend if interested.

Adjournment

Ms. Madden made a motion to adjourn the meeting. Mr. Deo seconded the motion and it passed unanimously.

There being no further business, Mr. Bell adjourned the meeting at 2:54 p.m.



J. Brandon Bell, Chair
Defined Contribution Plans Advisory Committee