
Minutes

The Defined Contribution Plans Advisory Committee (DCPAC) of the VRS Board of Trustees convened on November 30, 2023, with the following members present:

Hon. J. Brandon Bell, II, Chair
Ravindra Deo
C. Matt Harris
Shannon Irvin
Rick Larson
Brenda Madden
Arun Muralidhar
David Winter

Members of the Board of Trustees:

John M. Bennett*

VRS Staff:

Trish Bishop, Steve Cerreto*, Jeanne Chenault*, Michael Cooper, Pam Elam, Antonio Fisher, Josh Fox*, Kelley Harlow*, Kelly Hiers, KC Howell, Robert Irving, Brian Lackey*, Ryan LaRochelle*, Joyce Monroe*, Teresa Nyugen*, Laura Pugliese, Kristy Scott*, Michael Scott, Jennifer Schreck, Jacob Schwartz*, Ashley Spradley*, Emily Trent*, Bridgette Watkins, Rachel Webb, Leslie Weldon, Cindy Wilkinson and Tanya Williams*.

Guests:

Jamie Bitz, JLARC; Andrew Ness*, Sageview; Michael Koch*, Cap Group; Erin Shell*, APA

**Attended remotely*

The meeting convened at 1:00 p.m.

Opening Remarks

Brandon Bell, Chair of the DCPAC, welcomed committee members, board members, VRS staff, representatives from other stakeholder groups and members of the public.

Approval of Minutes

Upon a motion by Mr. Winter and a second by Mr. Deo, the minutes of the September 7, 2023, meeting were unanimously approved by the Committee.

Administrative Reports and Communications Update

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

DC Plans and Hybrid Plan Update

Ms. Hiers provided an update on total assets and accounts in the VRS Defined Contribution Plans through September 30, 2023. She also presented an overview of the number of unique participants in the unbundled DC Plans.

Ms. Hiers also provided an overview of the MissionSquare annual service review, which occurred on September 13, 2023. All but one of the performance standards were met. The performance standard that was not met was about employer engagement. Ms. Hiers also provided an overview of the TIAA annual service review which occurred on October 27, 2023. All but one performance standard were met. The performance standard that was not met was about field consulting campus visits.

Ms. Hiers noted there were eight total Commonwealth of Virginia 457 plan adoptions in 2022 with some employers also adding the Commonwealth of Virginia Cash Match Plan and the Hybrid Retirement Plan as well.

Ms. Hiers noted that at the Pensions & Investments 12th annual Excellence & Innovation Awards, VRS received an honorable mention. The award was for the 2022 Hybrid Retirement Plan auto-escalation campaign, which had an opt-out rate of less than 1%.

Ms. Hiers provided an update on the federal SECURE 2.0 legislation efforts. Staff has approved the optional Section 109, which is a higher catch-up contribution limit to apply at ages 60-63, and Section 306, which eliminates the “first day of the month” requirement for governmental 457(b) plans. Application of Section 306 will allow hybrid plan members to elect changes to their voluntary contributions to the plan on a monthly basis, as opposed to the current quarterly basis. Other optional provisions are still under discussion. Approved provisions will be implemented with the recordkeeper transition in 2025.

Ms. Hiers provided an update on total assets and accounts in the COV 457 and Virginia Cash Match plans through September 30, 2023. Ms. Hiers also provided a review of total assets and accounts in the Hybrid Retirement Plan for the third quarter of 2023. She further updated the Committee on the Hybrid 457 voluntary participation and contribution election rates for the third quarter of 2023. An update on the Hybrid 457 voluntary participation and contribution election rates was also provided.

Ms. Hiers presented an update on the 2023 auto-escalation status. Over 83,000 accounts have remained at the auto-escalated voluntary contribution amount. Almost 6,000 accounts have increased their voluntary contribution with over 4,000 accounts maximizing their contribution at 4%. Just over 3,000 accounts have decreased their voluntary contribution.

ORPHE Update

Ms. Hiers shared an overview by provider of total ORPHE assets, participants and average balances for the third quarter of 2023. She also gave an update on ORPHE provider selections for the third quarter of 2023.

ORPHE Annual Employer Report

Mr. Rick Larson, the DCPAC member representing higher education, presented his report on the ORPHE Annual Employer Update, hosted by VRS Defined Contribution Plans on Tuesday, September 19, 2023.

Mr. Bell thanked Mr. Larson for his presentation.

DC Plans Recordkeeper Project Update

Ms. Hiers provided an update on the DC Plans Recordkeeper transition. The implementation kickoff occurred on July 26, 2023. The employer transition website is expected to launch in December 2023, and the participant transition website is expected to launch Fall 2024. The final conversion is estimated to be January 2, 2025.

Mr. Bell thanked Ms. Hiers for her presentation.

Annual Administrative Expense Report

Pam Elam, Business Performance Analyst, provided an overview of the administrative expense report and annual cost update for FY 2023, as required by the DCPAC Charter. The report provided both direct and indirect costs associated with administering VRS' Defined Contribution Plans. Total administrative costs related to participants and expenditures for FY 2023 were provided, along with a cost trend analysis over the five-year period from FY 2019 to FY 2023.

Mr. Bell thanked Ms. Elam for her presentation.

DC Plans Investments Update

Laura Pugliese, Portfolio Manager, Defined Contribution Plans, provided an overview of the October 31, 2023 performance reports. Ms. Pugliese noted the major sources of differences between fund and benchmark index performance. Ms. Pugliese highlighted areas from the unbundled investment options and the bundled TIAA passively managed investment options for the longer dated return series where performance was at least 10 basis points above or below the benchmarks. Actively managed and capital preservation fund performances were highlighted as appropriate.

CEM Defined Contribution Plans Survey

Ms. Pugliese presented to the Committee the 2022 CEM Defined Contribution Plans Survey results that included the unbundled DC Plans supplemental 457 Deferred Compensation Plan and the bundled TIAA ORPHE. The survey was comprised of 99 corporate and 23 public DC plans representing \$1.2 trillion in assets. VRS participated in CEM's complimentary DC cost and performance report survey and subscribes to CEM's Dashboard.

Staff included the free CEM DC Survey Reports in the meeting materials appendix for the Committee to review.

Other Business

Code of Ethics and Conduct

Michael Cooper, Chief Operating Officer, informed the Committee that an email notification would be forthcoming that includes instructions for completing the review of the Board of Trustees' Code of Ethics and Conduct, which is an annual requirement of VRS advisory committee members.

Discussion of New Ideas

There was no new business to come before the Committee.

Upcoming Defined Contribution Plans Advisory Committee Meetings

Mr. Bell confirmed the DCPAC meeting dates for 2024 following the polling of the Committee.

The next meeting of the DCPAC will take place on March 14th, 2024, with remaining meetings on May 23rd, September 12th and December 5th. All meetings will be held at 1:00 p.m.

Additionally, the ORPHE Annual Employer Update will be scheduled and appear on the agenda as an upcoming event. This is not a DCPAC meeting; however, members may attend if interested.

Adjournment

There being no further business, Mr. Bell adjourned the meeting at 2:12 p.m. upon a motion by Mr. Deo, with a second by Ms. Madden, and a unanimous vote of the Committee.


Chair


Date