



Administration and Personnel Committee (A&P) Meeting

GoToWebinar

Monday, 4/19/2021

10:00 - 11:00 AM ET

I. Public Comment

II. Approve Minutes

• **February 11, 2021**

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III. RBA – Reappointment of DCPAC Members

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IV. RBA – Review and Approve Revised FY 2021 Agency Performance Outcome (APO) #4

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V. RBA – Approve Revised Pay Plans

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Minutes

An electronic meeting of the Virginia Retirement System Administration and Personnel Committee was held on February 11, 2021 in accordance with § 2.2-3708.2(A)(3) of the *Code of Virginia* and in accordance with guidance provided in § 4-0.01 of Chapter 56 of the 2020 Special Session I Acts of Assembly, with the following members participating:

Board members participating:

O’Kelly E. McWilliams, III, Chair
Joseph W. Montgomery, Vice Chair
William A. Garrett
Wallace G. Harris, Ph.D.
Troilen G. Seward, Ed.S.

VRS Staff:

Patricia Bishop, Ron Schmitz, Jennifer Schreck, Jeanne Chenault, Michael Cooper, Harriet Covey, Juanita Cribbs, Valerie Disanto, Barry Faison, Brian Goodman, Robert Irving, LaShaunda King, Curt Mattson, Angela Payne, Matt Priestas, Jillian Sherman and Cindy Wilkinson.

Guests participating were:

Latosha Johnson, Department of Planning and Budget; and Jamie Bitz, Joint Legislative Audit and Review Commission.

The meeting convened at 10:07 a.m.

Opening Remarks

O’Kelly E. McWilliams, III called the meeting to order and welcomed everyone to the February 11, 2021 meeting of the Administration and Personnel Committee.

Mr. McWilliams noted that given the current circumstances related to COVID-19, the Committee is unable to meet in person and, therefore, is using electronic means to hold the meeting. The meeting is being held in accordance with § 2.2-3708(A)(3) of the *Code of Virginia* and Chapter 56 of the 2020 Special Session I Acts of Assembly as they relate to conducting business during the pandemic.

Next, Mr. McWilliams took attendance with the following roll call:

Mr. Garrett: Here
Mr. Harris: Here
Mr. Montgomery: Here
Ms. Seward: Here
Mr. McWilliams: Here

Public Comment

In accordance with Chapter 56 of the 2020 Special Session I Acts of Assembly, the Committee opened the floor for public comment. Mr. McWilliams noted that no members of the public registered to comment at the electronic meeting.

Approve Minutes

Upon Mr. Harris' motion, with a second by Mr. Montgomery, the Committee approved the minutes of the October 13, 2020 meeting upon the following roll call vote:

Mr. Garrett: Aye
Mr. Harris: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. McWilliams: Aye

Reappointment of IAC Members

Mr. Schmitz reviewed the recommendations to reappoint four members of the Investment Advisory Committee whose terms are set to expire. Lawrence E. Kochard, Michael Beasley, Thomas S. Gayner and Rod Smyth are eligible for reappointment and have expressed interest in continuing to serve on the Committee. In addition, Mr. Kochard's term as Chairperson of the Committee is also set to expire. He is eligible for reappointment for another two-year term and has agreed to accept reappointment.

RBA: Reappointment of IAC Members and IAC Chairperson

Request for Board Action: *The Board reappoints to the Investment Advisory Committee: Lawrence E. Kochard, for a two-year term ending February 16, 2023; Thomas S. Gayner for a two-year term ending February 19, 2023; Michael Beasley for a two-year term ending June 20, 2023; and Rod Smyth for a two-year term ending June 20, 2023. The Board also reappoints Lawrence E. Kochard as Chairperson of the Investment Advisory Committee for a two-year term ending on May 31, 2023.*

Upon a motion by Mr. Montgomery, with a second by Ms. Seward, the Committee recommended approval of the action to the full Board of Trustees upon the following roll call vote:

Mr. Garrett: Aye
Mr. Harris: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. McWilliams: Aye

Budget Update

Mr. Faison provided an update on the agency's budget performance year-to-date. Mr. Faison explained that projections as of December 31, 2020 indicate an unexpended balance at fiscal year-end of approximately \$10.7 million which, if realized, will be returned to the Fund as a result of planned reductions in spending due to impacts of the pandemic during FY 2021.

Mr. McWilliams and other Committee members briefly discussed the impact of the COVID-19 pandemic on staff training and professional development. Ms. Bishop noted that the pandemic has allowed staff to participate in remote training that in some cases would otherwise not have been possible in the past due to additional time needed for, and expenses related to, travel. In addition, high level discussion took place regarding planning and considerations related to the opportunities for flexibility with respect to both returning to the office and continuation of remote work.

Other Business

Lastly, Mr. McWilliams noted upcoming meetings, including that the Benefits and Actuarial Committee will meet in the afternoon at 1:00 p.m. and the Board of Trustees will meet February 16, 2021 at 1:00 p.m.

Adjournment

Upon a motion by Ms. Seward, with a second by Mr. Montgomery, the Committee agreed to adjourn the meeting upon the following roll call vote:

Mr. Garrett: Aye
Mr. Harris: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. McWilliams: Aye

There being no further business, the meeting concluded at 10:32 a.m.

Chair

Date



Reappointment of DCPAC Members.

Requested Action

The Board reappoints Shannon T. Irvin, Rick Larson and David A. Winter to the Defined Contribution Plans Advisory Committee (DCPAC), each for a two-year term ending June 20, 2023.

Rationale for Requested Action

Ms. Irvin, Mr. Larson and Mr. Winter currently serve on the DCPAC and are willing to be reappointed for another two-year term. Ms. Irvin is Assistant Superintendent for Administration at Nelson County Public Schools, Mr. Larson is the Assistant Vice President for Human Resources, Training and Performance at James Madison University, and Mr. Winter is the owner of Winter HR Consulting, LLC.

Authority for Requested Action

Code of Virginia § 51.1-124.26 authorizes the Board to appoint such other advisory committees as it deems necessary. Each member appointment requires a two-thirds vote of the Board, and advisory committee members serve at the pleasure of the Board.

The above action is approved.

O'Kelly E. McWilliams, III, Chairman
VRS Board of Trustees

Date

SHANNON T. IRVIN

Assistant Superintendent for Administration

Extensively experienced and goal-oriented school administrator with a demonstrated track record of leading the preparation and analysis of financial reports to summarize and forecast financial position. Proven expertise in driving efficiency and productivity through evaluation of financial management systems and implementation of process improvements. Talented leader directing highly skilled financial management teams to support achievement of overall division goals and objectives. *Core competencies include:*

- Accounting Management
- Financial Analysis
- Forecasting
- Purchasing
- Insurances
- Cash Management
- Budgeting
- Cost Reductions
- Recruiting/Licensure
- Employee Benefits
- Technology Integration
- Regulatory Compliance
- Efficiency Improvements
- Personnel Management
- Retirement Counseling

CAREER EXPERIENCE

Nelson County Public Schools, Lovington, Virginia, 1993 – Present

Assistant Superintendent for Administration – 2007 - Present

Assistant Superintendent for Finance & Personnel – 2000 – 2007

Executive Director for Finance and Personnel – 1995 – 2000

Supervisor of Finance – 1993 – 1995

Direct financial management functions including development of monthly/quarterly financial statements, financial forecasts, and budgets. Oversee general accounting functions, including AR/AP, payroll, employee benefits, account reconciliation, and cash management. Administer all financial management systems, evaluating and integrating new applications. Develop highly skilled accounting and financial management team to achieve established objectives. Interact with the School Board and Superintendent concerning financial forecasts and reports.

- Oversight responsibility for Technology – Technology Plan development and integration of purchases with accompanying E-Rate Reimbursements. Highlights include 1:1 Computer initiative division-wide.
- Oversight responsibility for Food Services including Financial Reporting and Verifications. Began with program with minimal cash balances to now having three month operating cash reserves while also changing to more healthful choices for students in program offerings.

Continued...

- Oversight responsibility for Transportation and Facilities Maintenance including development of the Capital Improvement Plan (CIP). During course of employment, the County built new or renovated all school facilities.
- Responsible for Teacher Licensure, Teacher Recruitment and Retention as well as employee compensation and benefits programs. The division maintains 100% Highly Qualified Status for Instructional Personnel.
- During course of employment led division to increase beginning teacher compensation from 106th in the State of Virginia to 9th in the State of Virginia

County of Campbell, Rustburg, Virginia, 1991 – 1993

Director of Finance & Budget

Prepared financial reports, developed budgets, and performed variance analysis in accordance with Generally Accepted Accounting Principles (GAAP). Compiled periodic financial reporting packages for County Administrator. Carried out internal audits to ensure regulatory compliance and operational efficiency/accuracy. Built and led teams in carrying out special projects.

- Secured Bonds for Capital Improvement Projects
- Served as Human Resource Specialist for Employee Benefit and Retirement Counseling

Lynchburg College, Lynchburg, Virginia 1988 – 1991

Senior Accountant

Closed and prepared monthly financial statements and audit reports. Performed monthly account reconciliations and monitored general ledger transactions. Worked in collaboration with the Controller to ensure accuracy and integrity of financial information in support of overall business objectives.

Key Achievements:

- Collected Past Due Accounts on College-owned Rental Property
- Conducted Campus-wide inventory in accordance with GASB 34.

Southern States Cooperative, Richmond, Virginia, 1986 – 1988

Accountant

Carried out general ledger functions, including account analysis and reconciliation, journal entries, and AR/AP. Prepared financial statements

Key Achievement:

- Consistently met deadlines while demonstrating strong analytical and problem-solving skills to achieve corporate objectives.

EDUCATION

Master of Administration, Personnel Management (1991) GPA 3.78/4.00

LYNCHBURG COLLEGE – Lynchburg, Virginia

Bachelor of Business Administration, Concentration in Accounting (1985) cum laude

RADFORD UNIVERSITY – Radford, Virginia

Postgraduate coursework through Virginia Tech and Lynchburg College

EDUCATION CONTINUED

PROFESSIONAL ORGANIZATIONS

VIRGINIA ASSOCIATION OF SCHOOL BUSINESS OFFICIALS (VASBO) - PRESIDENT 2016/2017;

REGISTERED SCHOOL BUSINESS ADMINISTRATOR

SOUTHEAST ASSOCIATION OF SCHOOL BUSINESS OFFICIALS (SASBO)

LIFETIME MEMBER

AMERICAN ASSOCIATION OF SCHOOL BUSINESS OFFICIALS (ASBO)

CERTIFIED ADMINISTRATOR OF SCHOOL FINANCE & OPERATIONS (SFO)

VIRGINIA ASSOCIATION OF SCHOOL PERSONNEL ADMINISTRATORS (VASPA) – REGION V REPRESENTATIVE

SCHOOL SYSTEMS OF VIRGINIA WORKERS COMPENSATION INSURANCE POOL - BOARD MEMBER

ADVISORY BOARD FOR THE SCHOOL OF EDUCATION, LEADERSHIP STUDIES AND COUNSELING – UNIVERSITY OF LYNCHBURG, LYNCHBURG, VIRGINIA 24501 – BOARD MEMBER

ADVISORY BOARD FOR THE VIRGINIA RETIREMENT SYSTEM DEFINED CONTRIBUTION PLANS- 1200 EAST MAIN STREET, RICHMOND, VIRGINIA 23219 – BOARD MEMBER

Rick Larson

Biographical Statement

In his role as Assistant Vice President for Human Resources (HR), Training and Performance at James Madison University (JMU) in Harrisonburg, Virginia, Rick is responsible for the HR and Talent Development departments. Rick earned an M.S. Ed. in Adult Education and Human Resource Development from JMU, and his Bachelor of Individualized Study as a JMU undergraduate, while working full time for the university.

Rick has worked in higher education for over 40 years, holding positions in administration, finance, and student affairs. Rick is a certified Senior Professional in Human Resources (SPHR) and a Society of Human Resource Management Senior Certified Professional (SHRM-SCP).

Rick is a widower whose daughter, Katy, lives in Fredericksburg with her husband, Jon, and their two children, Henry and Maggie.

About David A. Winter

Dave Winter of Winter HR Consulting, LLC (www.winterhr.com) is an experienced human resources professional with broad knowledge of HR strategies, functions and processes. Winter HR Consulting serves organizations and individuals with a wide range of HR and management consulting services. Solutions are custom-designed for the specific needs of clients, which include individuals, small businesses, non-profit organizations and larger companies. Services include HR leadership and projects, organizational design and development, compensation and benefits, training and talent management programs and individual coaching.

Dave has served as the top HR executive for service and manufacturing companies in multi-national settings, has held management and staff roles in the legal and finance areas and has been a line manager. He holds a BA in Psychology from the University of Virginia and an MBA from the University of Richmond. Dave is a member of the Society for Human Resource Management (SHRM), the Richmond Human Resource Management Association and the International Coach Federation of Virginia. He is certified as a Senior Professional in Human Resources (SPHR) by the HR Certification Institute and is a SHRM Senior Certified Professional (SHRM-CP). Dave serves on the Virginia Retirement System Defined Contribution Plans Advisory Committee and is a past board member of the Richmond Human Resource Management Association.

Dave grew up in a US Air Force family, living in France, California, Alaska and Virginia. He is a long-time resident of the Richmond, VA, area after living in Maryland, Texas and California during his career. Dave enjoys volunteering as a mentor for University of Richmond MBA students, with Career Prospectors, a networking group for job seekers, and with the Virginia Voice, a radio reading service for the visually impaired. Most of all, he loves spending time with his two grown children and three grandchildren.



Approve Revised Agency Performance Outcome (APO) #4.

Requested Action

The VRS Board of Trustees approves revisions to Agency Performance Outcome #4 for Fiscal Year 2021.

Description/Background

At its June 11, 2020 meeting, the VRS Board of Trustees approved four Agency Performance Outcomes (APOs) for Fiscal Year 2021. The APOs are stretch goals for the Administrative staff. The FY 2021 APOs have four stated outcomes summarized as follows: 1. Implement New myVRS Functionality – Online Retirement Processing 2. Implement New myVRS Functionality – Payment, Health Insurance Maintenance 3. ERM Implementation 4. Cardinal HCM Implementation – The Plan (Track 1), Agency (Track 2) and Retiree (Track 3). The objective is to attain three of the four APOs. Successful attainment of the APOs is the gainsharing portion of the performance management program of the Administrative Pay Plan for administrative staff.

As the Department of Accounts (DOA) is the lead agency responsible for implementation of this project, many elements of APO #4, including the Cardinal HCM Implementation schedule, are out of the span of control of VRS. Changes to the Cardinal implementation schedule by the Cardinal Project Team have necessitated corresponding revisions to APO #4.

Rationale for Requested Action

When the accomplishment of an APO as initially established is unattainable due to reasons beyond VRS' control, it is appropriate to amend the objectives to reflect only those aspects of the APO that are within VRS' ability to execute.

Authority for Requested Action

Code of Virginia § 51.1-124.22(A)(11) authorizes the Board to establish and administer a compensation plan for officers and employees of the Retirement System.

The above action is approved.

O'Kelly E. McWilliams, III, Chairman
VRS Board of Trustees

Date

CLEAN

4. Cardinal HCM Implementation – The Plan (Track 1), Agency (Track 2) and Retiree (Track 3)
4.1 Consistent with direction and information from the Cardinal project team, (1) initiate development of myVRS documentation related to information exchanges to and from the state central payroll system (CIPPS) and personnel management system (PMIS) to reflect process changes resulting from the implementation of the new Cardinal HCM system (Track 1); (2) update Human Resources processes, such as the position management module in Workforce Ready (WFR) and auto-populating timesheets for salaried VRS employees; and (3) create training videos for employee timesheets.
4.2 In accordance with the testing schedule provided by DOA, initiate, as applicable, test interfaces to and from the new Cardinal HCM system to myVRS, and facilitate and monitor VRS third-party vendors’ ongoing testing activities related to interfaces to and from the Cardinal HCM system. (Track 1)
4.3 Modify on-call pay policy as well as other applicable polices in preparation for the implementation of the Cardinal HCM. Initiate default timesheet formats for salaried employees to support the time and attendance reporting requirements of Cardinal. Consistent with DOA and Cardinal Team guidance, initiate the creation of or update, as appropriate, VRS policies and procedures, workflows, interface documentation and VRS signature authority to reflect process changes in the new Cardinal HCM system (Track 1, 2 and 3)
4.4 Communicate with applicable and core VRS staff (Human Resources and Payroll) concerning the transition to the new Cardinal HCM system. Conduct mock training as directed by the Cardinal team for Payroll and HR staff.

* Note: With the schedule changes adopted by the Cardinal project team, the VRS agency implementation has been delayed to October 2021 along with the Plan changes for the Release 1 agencies. The implementation date for the Release 2 agencies and the VRS retirees has been moved to April 2022. Accordingly, VRS is not able to fully update payroll documentation and training until the Cardinal project team resumes its training, likely after June 30, 2021. Further, VRS and its’ third-party vendors cannot complete all testing until after June 30, 2021, in accordance with the new project timeline. Finally, payroll processes, training and agency communications cannot be completed prior to June 30, 2021 due to the revised project schedule issued by the Cardinal project team.

REDLINE

4. Cardinal HCM Implementation – The Plan (Track 1), Agency (Track 2) and Retiree (Track 3)
4.1 <u>Consistent with direction and information from the Cardinal project team, (1) initiate development of Update-myVRS documentation related to information exchanges to and from the state central payroll system (CIPPS) and personnel management system (PMIS) to reflect process changes resulting from the implementation of the new Cardinal HCM system- (Track 1); (2) update Human Resources processes, such as the position management module in Workforce Ready (WFR) and auto-populating timesheets for salaried VRS employees; and (3) create training videos for employee timesheets.</u>
4.2 <u>In accordance with the testing schedule provided by DOA, initiate, as applicable, Successfully test interfaces to and from the new Cardinal HCM system to myVRS, and facilitate and monitor VRS third party vendors' completion of ongoing testing activities related to of interfaces to and from the Cardinal HCM system., in accordance with the testing schedule provided by DOA.</u> (Track 1)
4.3 <u>Modify on-call pay policy as well as other applicable polices in preparation for the implementation of the Cardinal HCM. Initiate default timesheet formats for salaried employees to support the time and attendance reporting requirements of Cardinal. Consistent with DOA and Cardinal Team guidance, initiate the cCreation of or update, as appropriate, VRS policies and procedures, workflows, interface documentation and VRS signature authority to reflect process changes in the new Cardinal HCM system. (Track 1, 2 and 3)</u>
4.4 <u>Communicate with applicable and core VRS staff (Human Resources and Payroll) concerning the transition to the new Cardinal HCM system and ensure education is provided to staff with roles in the system. Conduct mock training as directed by the Cardinal team for Payroll and HR staff. (Track 1, 2 and 3).</u>
4.5 <u>Implement the new Cardinal HCM system and provide required reconciliation between the Cardinal HCM system and Kronos, as required. (Track 2)</u>

* Note: With the schedule changes adopted by the Cardinal project team, the VRS agency implementation has been delayed to October 2021 along with the Plan changes for the Release 1 agencies. The implementation date for the Release 2 agencies and the VRS retirees has been moved to April 2022. Accordingly, VRS is not able to fully update payroll documentation and training until the Cardinal project team resumes its training, likely after June 30, 2021. Further, VRS and its' third-party vendors cannot complete all testing until after June 30, 2021, in accordance with the new project timeline. Finally, payroll processes, training and agency communications cannot be completed prior to June 30, 2021 due to the revised project schedule issued by the Cardinal project team.

*Note: Ongoing meetings, data exchanges, testing and reconciliations continue between VRS, DOA and other stakeholder groups. Further progress of the Cardinal HCM project needs to be completed before VRS can initiate the tasks outlined in APO #4.



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2021

Summary

APO Status Indicator

- Proceeding as planned
- ▲ Off plan, mitigation in place
- ◆ Off plan, mitigation needed
- ★ Completed
- N/S** Not started

Overall Measure: 3 of 4 completed

APO #	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
1	Implement New myVRS Functionality - Online Retirement Processing <i>(Measure: 4 of 6 completed)</i>	▲	▲	▲	▲	▲	●	●	●	★			
2	Implement New myVRS Functionality - Payment, Health Insurance Maintenance <i>(Measure: 4 of 6 completed)</i>	▲	▲	▲	▲	▲	▲	▲	▲	●			
3	ERM Implementation <i>(Measure: 3 of 3 completed)</i>	●	●	●	●	●	●	●	●	●			
4	Cardinal HCM Implementation - The Plan (Track 1), Agency (Track 2) and Retiree (Track 3) <i>(Measure: 4 of 5 completed)</i>	N/S	N/S	N/S	N/S	N/S	●	●	●	●			

*Note: Ongoing meetings, data exchanges, testing, and reconciliations continue between VRS, DOA and other stakeholder groups. Further progress of the Cardinal HCM project needs to be completed before VRS can initiate the tasks outlined in APO #4.



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2021

APO 1

APO Status Indicator

- Proceeding as planned
- ▲ Off plan, mitigation in place
- ◆ Off plan, mitigation needed
- ★ Completed
- N/S Not started

APO 1 Measure: 4 of 6 completed

APO #	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
1 Implement New myVRS Functionality - Online Retirement Processing													
1.1	Complete staff and employer readiness activities, including staff training, for Member Portal (Online Retirement)	N/S	●	●	●	●	●	●	●	★			
1.2	Member Portal (Online Retirement) software is tested and ready for deployment	▲	▲	▲	▲	▲	★	★	★	★			
1.3	Security enhancements necessary for go-live for Member Portal (Online Retirement) are complete	▲	▲	▲	▲	▲	▲	★	★	★			
1.4	Security penetration testing for Member Portal (Online Retirement) is complete	N/S	N/S	N/S	N/S	N/S	★	★	★	★			
1.5	Complete phased ramp-up of online retirement processing functionality	N/S	N/S	N/S	N/S	N/S	●	●	●	★			
1.6	Initiate and conduct quality monitoring for online retirement processing	N/S	N/S	N/S	N/S	N/S	●	●	●	★			



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2021

APO 2

APO Status Indicator

- Proceeding as planned
- ▲ Off plan, mitigation in place
- ◆ Off plan, mitigation needed
- ★ Completed
- N/S Not started

APO 2 Measure: 4 of 6 completed

APO #	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
2 Implement New myVRS Functionality - Payment, Health Insurance Maintenance													
2.1	Complete staff and employer readiness activities, including staff training, for Payment/Health Insurance Maintenance	N/S	●	●	●	●	●	●	●	●			
2.2	Payment/Health Insurance Maintenance software is tested and ready for deployment	▲	▲	▲	▲	▲	▲	▲	▲	★			
2.3	Security enhancements necessary for go-live for Payment/Health Insurance Maintenance are complete	▲	▲	▲	▲	▲	▲	★	★	★			
2.4	Security penetration testing for Payment/Health Insurance Maintenance is complete	N/S	N/S	N/S	N/S	N/S	▲	▲	▲	★			
2.5	Complete phased ramp-up of Payment/Health Insurance Maintenance functionality	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	▲			
2.6	Initiate and conduct quality monitoring for Payment/Health Insurance Maintenance functionality	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	●			



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2021

APO 3

APO Status Indicator

- Proceeding as planned
- ▲ Off plan, mitigation in place
- ◆ Off plan, mitigation needed
- ★ Completed
- N/S Not started

APO 3 Measure: 3 of 3 completed

APO #	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
3 ERM Implementation													
3.1	Complete risk assessment process to validate and prioritize risks identified in the risk portfolio	●	●	●	●	●	●	★	★	★			
3.2	Develop final risk response plan based on the outcomes of the risk assessment process	N/S	N/S	N/S	N/S	N/S	N/S	●	●	●			
3.3	Initiate the development of the initial risk response plan	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S			



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2021

APO 4

APO Status Indicator

- Proceeding as planned
- ▲ Off plan, mitigation in place
- ◆ Off plan, mitigation needed
- ★ Completed
- N/S Not started

APO 4 Measure: 4 of 5 completed

APO #	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
4 Cardinal HCM Implementation - The Plan (Track 1), Agency (Track 2) and Retiree (Track 3)													
4.1	Update myVRS documentation related to information exchanges to and from the state central payroll system (CIPPS) and personnel management system (PMIS) to reflect process changes resulting from the implementation of the new Cardinal HCM system. (Track 1)	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S			
4.2	Successfully test interfaces to and from the new Cardinal HCM system to myVRS, and monitor VRS third party vendors' completion of testing of interfaces to and from the Cardinal HCM system, in accordance with the testing schedule provided by DOA. (Track 1)	N/S	N/S	N/S	N/S	N/S	●	●	●	●			
4.3	Create or update, as appropriate, VRS policies and procedures, workflows, interface documentation and VRS signature authority to reflect process changes in the new Cardinal HCM system (Track 1, 2 and 3)	N/S	N/S	N/S	N/S	N/S	N/S	●	●	●			
4.4	Communicate with VRS staff concerning the transition to the new Cardinal HCM system and ensure education is provided to staff with roles in the system (Track 1, 2 and 3)	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S			
4.5	Implement the new Cardinal HCM system and provide required reconciliation between the Cardinal HCM system and Kronos, as required. (Track 2)	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S			

*Note: Ongoing meetings, data exchanges, testing, and reconciliations continue between VRS, DOA and other stakeholder groups. Further progress of the Cardinal HCM project needs to be completed before VRS can initiate the tasks outlined in APO #4.



April 14, 2021

MEMORANDUM

TO: VRS Board of Trustees

FROM: Patricia S. Bishop
Director 

RE: 2021 Salary Increases

Contingent upon the Governor's signing, Item 474 of the 2021 Appropriation Act provides salary increases for employees of the Commonwealth, including VRS staff. Specifically, the Appropriation Act includes a 5 percent increase, effective June 10, 2021, for all classified and other salaried employees who received the equivalent of "contributor" or better on their most recent evaluation.¹

Section IV(C)(10) of the VRS Administrative Pay Plan, effective October 15, 2020, indicates that VRS *will implement pay actions consistent with the provisions of the Appropriation Act*. Similarly, Section II(J) of the Investment Operations and Administration Staff Pay Plan, effective November 20, 2019, indicates the same for employees covered under that pay plan. Finally, Section I of the Investment Professionals' Pay Plan, effective November 14, 2018, provides for salary increases consistent with the Appropriation Act for investment professionals. Accordingly, all eligible VRS employees will receive the salary increase described above, effective June 10, 2021.

In order to accommodate the salary increase described above, the 2021 Appropriation Act requires an increase of 5 percent to the minimum and maximum salary for each pay band within the Commonwealth's Classified Compensation Plan. In keeping with the changes to the Commonwealth's pay plan, increases to the minimum and maximum salaries of the pay bands in the VRS Administrative Pay Plan, Investment Operations and Administration Staff Pay Plan, and Investment Professionals' Pay Plan are also proposed. An RBA and associated changes to the pay plans will be presented to the Administration and Personnel Committee for consideration at its April 19, 2021 meeting.

If you have any questions or concerns, please feel free to contact me at your convenience.

¹ The equivalent performance level for VRS is "meets expectations".



**Approve amended Administrative Pay Plan,
Investment Operations and Administration Staff Pay Plan
and Investment Professionals' Pay Plan.**

Requested Action

The VRS Board of Trustees approves amendments to the Administrative Pay Plan, the Investment Operations and Administration Staff Pay Plan and the Investment Professionals' Pay Plan.

Description/Background

The VRS Board of Trustees approved the current Administrative Pay Plan, the current Investment Operations and Administration Staff Pay Plan and the current Investment Professionals' Pay Plan on October 15, 2020.

Item 474 of the 2021 Appropriation Act requires the Department of Human Resource Management to increase by 5% the minimum and maximum of each of the salary bands in the Commonwealth's Classified Compensation Plan. Generally, the VRS Board of Trustees also adjusts the salary scales in its pay plans in accordance with the requirements of the Appropriation Act. An increase of 5% to the minimum and maximum of each grade of the salary scales of the Administrative Pay Plan, the Investment Operations and Administration Staff Pay Plan and the Investment Professionals' Pay Plan, effective June 10, 2021, is consistent with changes made to the Commonwealth's Classified Compensation Plan.

Rationale for Requested Action

The amendments to each of the pay plans are pursuant to the provisions of the 2021 Appropriation Act and in keeping with the salary band adjustments made to the Commonwealth's Classified Compensation Plan.

Authority for Requested Action

Code of Virginia § 51.1-124.22(11) authorizes the Board to establish and administer a compensation plan for officers and employees of the Retirement System.

The above action is approved contingent upon the Governor signing the 2021 Appropriation Act (HB 1800) and will go into effect immediately once the budget has been signed.

O'Kelly E. McWilliams, III, Chairman
VRS Board of Trustees

Date



VIRGINIA RETIREMENT SYSTEM
HUMAN RESOURCES POLICIES AND PROCEDURES

Title: ADMINISTRATIVE PAY PLAN

Policy Number: 3.10

Supersedes:

~~6/10/2019~~ 10/15/2020

Effective Date:

~~10/15/2020~~ 06/10/2021

I. Authority

The Director is authorized under the Appropriation Act to use agency funds or funds appropriated, if any, to implement the provisions of new or existing performance-based pay plans.

II. Purpose

The purpose of the Administrative Pay Plan (Plan) is to attract, motivate and retain skilled employees within a compensation framework that is competitive with the external market, internally equitable and performance based. VRS is committed to providing a total rewards package tied to the attainment of individual and team results and the achievement of organizational goals.

III. Policy

The Plan applies to all full and part-time (non-wage) employees who work under the administrative and audit authorities of VRS. Wage employees' pay complies with the provisions of the state classification and pay plan. The Plan ensures that agency salaries are competitive with the market average of a mix of public and private sector organizations. Comparative market salary data is typically reviewed every two (2) years to ensure competitiveness of the salary structure.

The Plan includes 17 salary grades for general classifications and 14 salary grades for technology classifications as identified in Appendix 1.

There is a broad span between the minimum and maximum salary of each salary grade to allow, in most cases, for salary growth or other possible adjustments over an employee's span of employment.

IV. Procedure

A. Job Placement

Placement of jobs in each grade is determined by measuring the degree of expertise and accountability required for each position in four areas:

1. **Knowledge and Expertise** measures the amount and depth of knowledge, experience and skills necessary for functioning effectively in a specified role. This expertise may be in technical disciplines, procedures specific to the organization, ability to use certain equipment, and/or management responsibility for planning, organizing and integrating the work of others.

2. **Complexity and Conceptual Thinking** measures the amount of analytical and problem-solving skills required in the position to evaluate and diagnose differing situations and devise new approaches relating to the organization as a whole and/or its business strategies.
3. **Contribution and Impact** measures the breadth of the position's contribution to the advancement of VRS' vision, "To be the trusted leader in the delivery of benefits and services to those we serve." This ranges from improving work processes in the work unit to influencing agency-wide results.
4. **Effective Communication** measures the position's requirements for interacting with and/or influencing coworkers, team members, contacts in other units/departments, members, retirees or contacts outside the organization.

Each job is evaluated in objective terms, not only to ascertain its demands on the individual, but also to determine its worth in comparison to other jobs in the agency and its importance to VRS' success.

Salary ranges are established for all grades by recognizing the level of education, knowledge, skill, and experience needed to perform each job. The salary range demonstrates the interrelationships of the jobs used by the agency in addition to comparing salaries paid for similar classifications in private and public sectors. The salary range for a job includes a minimum, midpoint and maximum salary.

- **Minimum** is the lowest salary paid for a position within the salary grade.
- **Midpoint** is the median salary for the grade.
- **Maximum** is the highest salary paid for a position within the salary grade.

Individual performance, time in the position, previous related work experience, and other factors can influence earnings that are higher or lower than the midpoint.

The expectation is that employees with salaries closer to the maximum for their position are more tenured, have been a consistently exceptional performer, or have more work experience.

During the job placement process, Fair Labor Standards Act (FLSA) exemption statuses (exempt or non-exempt) are determined based on the FLSA job duties test.

B. Starting Salary

The respective member of the Director's Executive Committee (DEC) approves the hiring salary range when the recruitment is formally requested. Hiring supervisors and second line supervisors recommend the starting salary for new employees and the respective member of the DEC approves the starting salary, in coordination with the human resources director.

The salaries paid to employees in the department; the candidate's education, skills, work experience; and salary history are typically considered when determining the appropriate salary to offer a candidate. Starting salaries typically do not exceed the salary grade midpoint. Additional justification is required to support offering salaries above the midpoint.

C. Salary Adjustments

1. Introductory Increases

The introductory period for new employees is 12 months from the date of hire. The introductory period serves as an adjustment period for employees to establish a working relationship with their supervisors, to acclimate to their new job duties and to learn about VRS.

When employees successfully complete the introductory period, they typically receive a pay increase of 2% if they are at least meeting expectations.

The Performance Management Policy outlines details.

2. Promotions

A promotion occurs when an employee transitions to a different position assigned to a higher salary grade. A promotion can be competitive (selected through a recruitment and hiring process) or non-competitive (i.e., through the career development process).

When employees compete and are hired into a job in a higher grade, they are typically eligible for a salary increase between 5% and 15%. For non-competitive promotions, the salary will be subject to review to ensure internal equity. Promotional salaries must be at or above the minimum of the new salary grade. Promotional pay cannot place an employees' salary above the maximum of the salary grade.

3. Lateral

A lateral occurs when an employee moves into a position with a different job title and classification which is in the same salary grade. This movement constitutes a lateral move or a transfer.

For a competitive (posted and selected) lateral move/transfer, a salary increase may be considered only if duties of the new position are substantially different. If an increase is approved the increase amount shall not exceed 5%, provided the increase does not exceed the maximum salary range. Any exception to this guideline requires additional justification, an internal equity review and approval of the appropriate DEC member.

4. Downward Assignments (Voluntary or Involuntary)

Downward assignments occur when an employee transitions to a position within a salary grade lower than the current grade.

- **Voluntary** – An employee initiated request to transition to a position within a lower salary grade.
- **Involuntary** – A management initiated request to transition an employee to a position within a lower salary grade, typically due to performance, corrective action or restructuring.

A downward assignment would typically result in the salary being placed at any pay rate within the lower classification, not to exceed the maximum or fall below the minimum of the new salary range.

Any exception to this guideline will require additional justification, an internal equity review and approval of the appropriate DEC member.

In unique situations, such as job abolishment or agency reorganization, an employee's salary may exceed the maximum of the lower grade and the salary remain unchanged. Salaries remain frozen until market adjustments allow additional increases (red-circle). These employees remain eligible to receive applicable performance or gainsharing bonus awards if performance criteria are met.

5. Job Reclassifications

Job reclassifications occur when the employee's duties and responsibilities change substantially, which may result in a different pay grade. Reclassification is based on job content and not the performance of the incumbent. Job studies are performed by human resources, with input by management.

Reclassification Upward: Occurs when it is determined that an individual's job duties and responsibilities have changed significantly enough to transition the position into a different classification within a higher salary grade.

Employees typically receive salary increases between 2% and 15%. Reclassification increases are approved by the appropriate DEC member, in coordination with the human resources director. Salaries must be at or above the minimum of the new pay grade.

Reclassification Laterally: Occurs when it is determined that an individual's job duties and responsibilities have changed significantly enough to transition the position into a different classification within the same salary grade.

No salary increase is awarded. Any exception to this guideline will require additional justification, an internal equity review, and approval of the appropriate DEC member, in coordination with the human resources director.

Reclassification Downward: Occurs when it is determined that an individual's job duties and responsibilities have changed significantly enough to transition the position into a different classification within a lower salary grade.

6. Regrade

Regrades occur when the classification is determined to warrant a different pay grade. This is typically determined by a market analysis or internal classification review, performed by HR in coordination with the DEC member.

Employees typically receive salary increases between 2% and 15%. Regrade increases are approved by the appropriate DEC member, in coordination with human resources. Salaries must be at or above the minimum of the new pay grade.

7. Acting Pay

Acting pay is provided when an employee is temporarily assigned to assume the responsibilities of a position in a higher salary grade.

Less Than Two Years Duration: The employee will receive at least a 5% salary adjustment while serving in an acting position. If the 5% increase does not place the employee at the minimum salary of the acting position, the salary must be increased to the minimum of the acting range. The acting amount shall not exceed the maximum of the acting range. When the employee returns to the former position, his or her salary will be reduced by the dollar amount received while performing the “acting” job responsibilities.

Beyond Two Years Duration: When employees are deemed to be “acting” by performing the full duties of a position for more than two years, the supervisor may choose to promote the individual without going through a competitive process. If the employee is promoted, the employee is eligible for a promotional increase. Otherwise, the position will be open for recruitment. The permanent filling of the position may involve no change in current salary or could include a pay increase, depending upon the circumstances and available budget.

If an employee is acting in a position that is the same salary grade, acting pay would not be provided unless there is sufficient justification to support that the duties of the acting position are substantially different.

8. In-grade

In-grade salary adjustments occur when employees receive an increase in base pay to ensure competitiveness, retention, and to recognize increased skills, abilities, knowledge, or responsibilities outside of the position classification process. These adjustments should only be provided once per fiscal year. Listed below are the categories and descriptions of in-grade salary adjustments.

Market adjustment: Warranted in cases where external market forces exist due to high demand for a particular skill or position which may result in significantly higher turnover. Market adjustments may also occur if it is determined that an individual’s salary is significantly lower than market study findings. Salary adjustments can apply to an individual or classification of employees to ensure competitiveness and retention of staff. An in-grade adjustment of 1% to 10% of salary is typically provided.

Internal alignment adjustment: Warranted when employees’ salaries are unusually low or out of comparability with other employees in the work unit. Factors considered include experience, education, knowledge, skills and abilities. An in-grade adjustment of 1% to 10% of salary is typically provided.

Individual accomplishment adjustment: May be awarded to recognize the attainment of a higher level of expertise through professional certification requiring continuing education credits (CEUs). In-grade adjustments are awarded at the time of the original certification. If the certification does not require CEUs, an in-grade adjustment will not be provided; however, a bonus may be considered. Additionally, an in-grade adjustment for completion of a degree that relates to a current or career path position may be provided. Other similar situations may be considered as justification for an individual accomplishment adjustment. An in-grade adjustment of 1% to 10% of salary is typically provided.

Skill acquisition and application adjustment: May be awarded to recognize the acquisition and application of relevant, pre-defined, job-based skills, resulting in increased value to the organization.

Typically, an Individual Development Plan identifies the needed skills and the skill acquisition plan. Formal assessments, through testing or demonstration of the skills acquired and applied to the job, may result in an in-grade adjustment. An in-grade adjustment of 1% to 4% of salary is typically provided.

The employee's supervisor must request the in-grade adjustment in writing and include documentation supporting the need for a pay adjustment. The respective DEC member approves in-grade adjustments, in coordination with the human resources director.

When an employee's salary is at or above the salary maximum for his/her job grade, a bonus payment may be awarded. The respective member of the DEC approves the bonus, in coordination with the human resources director.

9. Competitive

A competitive pay increase is an option available to supervisors to retain top performers, who have received an external job offer, when the loss is determined to be detrimental to the organization. Employees must furnish a copy of the respective job offer.

The supervisor requests, in writing, a competitive pay increase and includes documentation supporting the need for an adjustment and justification for the increase. The respective member of the DEC approves the increase, in coordination with the human resources director.

Competitive pay increases apply to base salary and may not exceed the salary maximum for the salary range. In extraordinary circumstances, when an employee's base salary is at maximum, a bonus is an option. In these situations, the respective member of the DEC, in coordination with the human resources director, submits the request for agency director approval.

10. Increases Governed by the Appropriations Act

VRS will implement pay actions consistent with the provisions of the Appropriation Act.

D. Bonuses

1. Sign-on

Sign-on bonuses may be provided to qualified external candidates when the position is determined to be hard-to-fill, or when there is a demonstrated need to provide supplemental pay to compete with the market.

The amount of the sign-on bonus will vary depending on the position and the supply of candidates. The amount of the bonus typically ranges from 1% to 20% of the midpoint of the salary range.

Fifty percent of the sign-on bonus will be paid in the first paycheck with the remainder of the bonus being paid following the successful completion of the one year introductory period.

Refer to the **Employee Sign-on Bonus Program Policy**.

2. Referral

Referral bonuses may be provided to full and part-time employees who refer a candidate hired into a full-time position.

The amount of the referral bonus is \$1,000. Fifty percent is paid in the paycheck following the referred employee's first full pay cycle with the remainder of the bonus being paid following the successful completion of the referred employee's introductory period.

Refer to the **Employee Referral Program Policy**.

While the VRS Board of Trustees remains mindful of the value that staff adds to the organization and supportive of the pay plan, the VRS Board of Trustees also specifically reserves the right to cancel, reduce, or delay the amount of any bonuses payable under this plan when, in the sole discretion of the VRS Board of Trustees, extreme budgetary pressures, economic, market or other conditions are such that the VRS Board of Trustees deems such action necessary under the circumstances.

Consistent with the preceding paragraph, payment of performance bonuses under this plan is not guaranteed.

3. Performance

Performance bonuses are provided agency wide following the annual review process.

Subject to the approval of the VRS Board of Trustees, eligible employees who receive an overall rating of "exceptional" will receive a 4% bonus and employees who receive an overall rating of "exceeds" will receive a 2% bonus, based on their salary as of June 30. Employees who receive an overall "meets," "does not meet" or "needs improvement" rating will not receive a performance bonus.

The performance cycle and thus, bonus payments, align with the fiscal year, July 1 through June 30.

The **Performance Management Policy** outlines details.

While the VRS Board of Trustees remains mindful of the value that staff adds to the organization and supportive of the pay plan, the VRS Board of Trustees also specifically reserves the right to cancel, reduce, or delay the amount of any bonuses payable under this plan when, in the sole discretion of the VRS Board of Trustees, extreme budgetary pressures, economic, market or other conditions are such that the VRS Board of Trustees deems such action necessary under the circumstances.

Consistent with the preceding paragraph, payment of performance bonuses under this plan is not guaranteed.

4. Gainsharing

Gainsharing bonuses are provided when it is determined the agency has successfully attained the Agency Performance Outcomes (APO) and Operational Measures (OM).

Subject to the approval of the VRS Board of Trustees, attainment of the APOs and OMs may result in eligible employees receiving a lump-sum bonus of 2.5%, or other amount determined by the Board, based on their salary as of June 30.

The **Performance Management Policy** outlines details.

While the VRS Board of Trustees remains mindful of the value that staff adds to the organization and supportive of the pay plan, the VRS Board of Trustees also specifically reserves the right to cancel, reduce, or delay the amount of any bonuses payable under this plan when, in the sole discretion of the VRS Board of Trustees, extreme budgetary pressures, economic, market or other conditions are such that the VRS Board of Trustees deems such action necessary under the circumstances.

Consistent with the preceding paragraph, payment of gainsharing bonuses under this plan is not guaranteed.

5. Employee Recognition Bonus

Employee recognition bonuses may be provided to full and part-time employees for individual or team accomplishments typically associated with special projects, process improvements, innovation or other outstanding accomplishments.

Bonuses range from \$50 to \$5,000 depending upon the value of individual or team accomplishments.

Bonuses up to and including \$1,000 require approval by the appropriate DEC member. Special Recognition Bonuses, above \$1,000 through \$5,000, require approval by the DEC member and Agency Director, Chief Investment Officer, or Internal Audit Director. The fiscal year bonus cap is \$5,000 per employee.

The **Recognition and Awards Program Policy** outlines details.

V. Additional Information

A. VRS Pay Plans

In addition to the Administrative Pay Plan, VRS maintains several other pay plans to meet specific employment and compensation needs. These plans are as follows:

- **Investment Professionals' Pay Plan** - This pay plan is separate from the administrative plan and includes its own salary and classification structure as well as incentive pay guidelines.
- **Investment Operations and Administration Staff Pay Plan** - This pay plan is separate from the administrative plan and includes its own salary and classification structure.
- **Executive Pay Plan** – This pay plan provides the annual salary and bonus amounts provided to the Agency Director, Chief Investment Officer and Audit Director by the VRS Board of Trustees.

B. Key Terms

FLSA - The Fair Labor Standards Act

Exempt – Employees who are not covered by or are exempted from the minimum wage and overtime provisions of the Fair Labor Standards Act

Non-exempt – Employees who are subject to the minimum wage and overtime provisions of the Fair Labor Standards Act

Salary grade – A series of specific pay rates assigned to a classification as the compensation for that classification

Pay rate – A specific dollar amount, expressed as either an annual or hourly rate

Red-circle – A designation for salaries that exceed the maximum of a specified salary range. Employees are not eligible for further base pay increases until the range maximum surpasses the employee's salary.

APPENDIX 1 – PAY RANGES

Administrative SALARY RANGES			
Grade	Min	Mid	Max
1	<u>\$26,851</u>	<u>\$41,907</u>	<u>\$56,963</u>
2	<u>\$31,293</u>	<u>\$48,036</u>	<u>\$64,780</u>
3	<u>\$34,421</u>	<u>\$52,354</u>	<u>\$70,287</u>
4	<u>\$37,864</u>	<u>\$57,105</u>	<u>\$76,345</u>
5	<u>\$41,650</u>	<u>\$62,329</u>	<u>\$83,009</u>
6	<u>\$45,816</u>	<u>\$68,077</u>	<u>\$90,339</u>
7	<u>\$51,772</u>	<u>\$76,297</u>	<u>\$100,822</u>
8	<u>\$56,950</u>	<u>\$83,441</u>	<u>\$109,932</u>
9	<u>\$62,644</u>	<u>\$91,300</u>	<u>\$119,957</u>
10	<u>\$68,907</u>	<u>\$99,944</u>	<u>\$130,981</u>
11	<u>\$75,798</u>	<u>\$109,454</u>	<u>\$143,110</u>
12	<u>\$83,379</u>	<u>\$119,914</u>	<u>\$156,449</u>
13	<u>\$91,716</u>	<u>\$131,420</u>	<u>\$171,125</u>
14	<u>\$100,888</u>	<u>\$144,077</u>	<u>\$187,266</u>
15	<u>\$110,977</u>	<u>\$158,000</u>	<u>\$205,023</u>
16	<u>\$122,074</u>	<u>\$173,315</u>	<u>\$224,555</u>
17	<u>\$134,282</u>	<u>\$190,161</u>	<u>\$246,040</u>

Technology SALARY RANGES			
Grade	Min	Mid	Max
T1	<u>\$37,923</u>	<u>\$57,159</u>	<u>\$76,395</u>
T2	<u>\$41,714</u>	<u>\$62,389</u>	<u>\$83,064</u>
T3	<u>\$45,886</u>	<u>\$68,143</u>	<u>\$90,400</u>
T4	<u>\$50,474</u>	<u>\$74,472</u>	<u>\$98,470</u>
T5	<u>\$55,522</u>	<u>\$81,433</u>	<u>\$107,345</u>
T6	<u>\$61,074</u>	<u>\$89,092</u>	<u>\$117,110</u>
T7	<u>\$67,182</u>	<u>\$97,517</u>	<u>\$127,850</u>
T8	<u>\$73,900</u>	<u>\$106,782</u>	<u>\$139,665</u>
T9	<u>\$81,291</u>	<u>\$116,976</u>	<u>\$152,661</u>
T10	<u>\$89,418</u>	<u>\$128,187</u>	<u>\$166,956</u>
T11	<u>\$98,362</u>	<u>\$140,521</u>	<u>\$182,681</u>
T12	<u>\$108,197</u>	<u>\$154,088</u>	<u>\$199,979</u>
T13	<u>\$119,016</u>	<u>\$169,012</u>	<u>\$219,007</u>
T14	<u>\$130,918</u>	<u>\$185,912</u>	<u>\$240,907</u>



VIRGINIA RETIREMENT SYSTEM
HUMAN RESOURCES POLICIES AND PROCEDURES

Title: ADMINISTRATIVE PAY PLAN

Policy Number: 3.10

Supersedes: 10/15/2020

Effective Date: 06/10/2021

I. Authority

The Director is authorized under the Appropriation Act to use agency funds or funds appropriated, if any, to implement the provisions of new or existing performance-based pay plans.

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The Performance Management Policy outlines details.

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A promotion occurs when an employee transitions to a different position assigned to a higher salary grade. A promotion can be competitive (selected through a recruitment and hiring process) or non-competitive (i.e., through the career development process).

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A lateral occurs when an employee moves into a position with a different job title and classification which is in the same salary grade. This movement constitutes a lateral move or a transfer.

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Reclassification Upward: Occurs when it is determined that an individual's job duties and responsibilities have changed significantly enough to transition the position into a different classification within a higher salary grade.

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Reclassification Laterally: Occurs when it is determined that an individual's job duties and responsibilities have changed significantly enough to transition the position into a different classification within the same salary grade.

No salary increase is awarded. Any exception to this guideline will require additional justification, an internal equity review, and approval of the appropriate DEC member, in coordination with the human resources director.

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6. Regrade

Regrades occur when the classification is determined to warrant a different pay grade. This is typically determined by a market analysis or internal classification review, performed by HR in coordination with the DEC member.

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Acting pay is provided when an employee is temporarily assigned to assume the responsibilities of a position in a higher salary grade.

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If an employee is acting in a position that is the same salary grade, acting pay would not be provided unless there is sufficient justification to support that the duties of the acting position are substantially different.

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In-grade salary adjustments occur when employees receive an increase in base pay to ensure competitiveness, retention, and to recognize increased skills, abilities, knowledge, or responsibilities outside of the position classification process. These adjustments should only be provided once per fiscal year. Listed below are the categories and descriptions of in-grade salary adjustments.

Market adjustment: Warranted in cases where external market forces exist due to high demand for a particular skill or position which may result in significantly higher turnover. Market adjustments may also occur if it is determined that an individual’s salary is significantly lower than market study findings. Salary adjustments can apply to an individual or classification of employees to ensure competitiveness and retention of staff. An in-grade adjustment of 1% to 10% of salary is typically provided.

Internal alignment adjustment: Warranted when employees’ salaries are unusually low or out of comparability with other employees in the work unit. Factors considered include experience, education, knowledge, skills and abilities. An in-grade adjustment of 1% to 10% of salary is typically provided.

Individual accomplishment adjustment: May be awarded to recognize the attainment of a higher level of expertise through professional certification requiring continuing education credits (CEUs). In-grade adjustments are awarded at the time of the original certification. If the certification does not require CEUs, an in-grade adjustment will not be provided; however, a bonus may be considered. Additionally, an in-grade adjustment for completion of a degree that relates to a current or career path position may be provided. Other similar situations may be considered as justification for an individual accomplishment adjustment. An in-grade adjustment of 1% to 10% of salary is typically provided.

Skill acquisition and application adjustment: May be awarded to recognize the acquisition and application of relevant, pre-defined, job-based skills, resulting in increased value to the organization.

Typically, an Individual Development Plan identifies the needed skills and the skill acquisition plan. Formal assessments, through testing or demonstration of the skills acquired and applied to the job, may result in an in-grade adjustment. An in-grade adjustment of 1% to 4% of salary is typically provided.

The employee's supervisor must request the in-grade adjustment in writing and include documentation supporting the need for a pay adjustment. The respective DEC member approves in-grade adjustments, in coordination with the human resources director.

When an employee's salary is at or above the salary maximum for his/her job grade, a bonus payment may be awarded. The respective member of the DEC approves the bonus, in coordination with the human resources director.

9. Competitive

A competitive pay increase is an option available to supervisors to retain top performers, who have received an external job offer, when the loss is determined to be detrimental to the organization. Employees must furnish a copy of the respective job offer.

The supervisor requests, in writing, a competitive pay increase and includes documentation supporting the need for an adjustment and justification for the increase. The respective member of the DEC approves the increase, in coordination with the human resources director.

Competitive pay increases apply to base salary and may not exceed the salary maximum for the salary range. In extraordinary circumstances, when an employee's base salary is at maximum, a bonus is an option. In these situations, the respective member of the DEC, in coordination with the human resources director, submits the request for agency director approval.

10. Increases Governed by the Appropriations Act

VRS will implement pay actions consistent with the provisions of the Appropriation Act.

D. Bonuses

1. Sign-on

Sign-on bonuses may be provided to qualified external candidates when the position is determined to be hard-to-fill, or when there is a demonstrated need to provide supplemental pay to compete with the market.

The amount of the sign-on bonus will vary depending on the position and the supply of candidates. The amount of the bonus typically ranges from 1% to 20% of the midpoint of the salary range.

Fifty percent of the sign-on bonus will be paid in the first paycheck with the remainder of the bonus being paid following the successful completion of the one year introductory period.

Refer to the **Employee Sign-on Bonus Program Policy**.

2. Referral

Referral bonuses may be provided to full and part-time employees who refer a candidate hired into a full-time position.

The amount of the referral bonus is \$1,000. Fifty percent is paid in the paycheck following the referred employee's first full pay cycle with the remainder of the bonus being paid following the successful completion of the referred employee's introductory period.

Refer to the **Employee Referral Program Policy**.

While the VRS Board of Trustees remains mindful of the value that staff adds to the organization and supportive of the pay plan, the VRS Board of Trustees also specifically reserves the right to cancel, reduce, or delay the amount of any bonuses payable under this plan when, in the sole discretion of the VRS Board of Trustees, extreme budgetary pressures, economic, market or other conditions are such that the VRS Board of Trustees deems such action necessary under the circumstances.

Consistent with the preceding paragraph, payment of performance bonuses under this plan is not guaranteed.

3. Performance

Performance bonuses are provided agency wide following the annual review process.

Subject to the approval of the VRS Board of Trustees, eligible employees who receive an overall rating of "exceptional" will receive a 4% bonus and employees who receive an overall rating of "exceeds" will receive a 2% bonus, based on their salary as of June 30. Employees who receive an overall "meets," "does not meet" or "needs improvement" rating will not receive a performance bonus.

The performance cycle and thus, bonus payments, align with the fiscal year, July 1 through June 30.

The **Performance Management Policy** outlines details.

While the VRS Board of Trustees remains mindful of the value that staff adds to the organization and supportive of the pay plan, the VRS Board of Trustees also specifically reserves the right to cancel, reduce, or delay the amount of any bonuses payable under this plan when, in the sole discretion of the VRS Board of Trustees, extreme budgetary pressures, economic, market or other conditions are such that the VRS Board of Trustees deems such action necessary under the circumstances.

Consistent with the preceding paragraph, payment of performance bonuses under this plan is not guaranteed.

4. Gainsharing

Gainsharing bonuses are provided when it is determined the agency has successfully attained the Agency Performance Outcomes (APO) and Operational Measures (OM).

Subject to the approval of the VRS Board of Trustees, attainment of the APOs and OMs may result in eligible employees receiving a lump-sum bonus of 2.5%, or other amount determined by the Board, based on their salary as of June 30.

The **Performance Management Policy** outlines details.

While the VRS Board of Trustees remains mindful of the value that staff adds to the organization and supportive of the pay plan, the VRS Board of Trustees also specifically reserves the right to cancel, reduce, or delay the amount of any bonuses payable under this plan when, in the sole discretion of the VRS Board of Trustees, extreme budgetary pressures, economic, market or other conditions are such that the VRS Board of Trustees deems such action necessary under the circumstances.

Consistent with the preceding paragraph, payment of gainsharing bonuses under this plan is not guaranteed.

5. Employee Recognition Bonus

Employee recognition bonuses may be provided to full and part-time employees for individual or team accomplishments typically associated with special projects, process improvements, innovation or other outstanding accomplishments.

Bonuses range from \$50 to \$5,000 depending upon the value of individual or team accomplishments.

Bonuses up to and including \$1,000 require approval by the appropriate DEC member. Special Recognition Bonuses, above \$1,000 through \$5,000, require approval by the DEC member and Agency Director, Chief Investment Officer, or Internal Audit Director. The fiscal year bonus cap is \$5,000 per employee.

The **Recognition and Awards Program Policy** outlines details.

V. Additional Information

A. VRS Pay Plans

In addition to the Administrative Pay Plan, VRS maintains several other pay plans to meet specific employment and compensation needs. These plans are as follows:

- **Investment Professionals' Pay Plan** - This pay plan is separate from the administrative plan and includes its own salary and classification structure as well as incentive pay guidelines.
- **Investment Operations and Administration Staff Pay Plan** - This pay plan is separate from the administrative plan and includes its own salary and classification structure.
- **Executive Pay Plan** – This pay plan provides the annual salary and bonus amounts provided to the Agency Director, Chief Investment Officer and Audit Director by the VRS Board of Trustees.

B. Key Terms

FLSA - The Fair Labor Standards Act

Exempt – Employees who are not covered by or are exempted from the minimum wage and overtime provisions of the Fair Labor Standards Act

Non-exempt – Employees who are subject to the minimum wage and overtime provisions of the Fair Labor Standards Act

Salary grade – A series of specific pay rates assigned to a classification as the compensation for that classification

Pay rate – A specific dollar amount, expressed as either an annual or hourly rate

Red-circle – A designation for salaries that exceed the maximum of a specified salary range. Employees are not eligible for further base pay increases until the range maximum surpasses the employee's salary.

APPENDIX 1 – PAY RANGES

Administrative SALARY RANGES			
Grade	Min	Mid	Max
1	\$26,851	\$41,907	\$56,963
2	\$31,293	\$48,036	\$64,780
3	\$34,421	\$52,354	\$70,287
4	\$37,864	\$57,105	\$76,345
5	\$41,650	\$62,329	\$83,009
6	\$45,816	\$68,077	\$90,339
7	\$51,772	\$76,297	\$100,822
8	\$56,950	\$83,441	\$109,932
9	\$62,644	\$91,300	\$119,957
10	\$68,907	\$99,944	\$130,981
11	\$75,798	\$109,454	\$143,110
12	\$83,379	\$119,914	\$156,449
13	\$91,716	\$131,420	\$171,125
14	\$100,888	\$144,077	\$187,266
15	\$110,977	\$158,000	\$205,023
16	\$122,074	\$173,315	\$224,555
17	\$134,282	\$190,161	\$246,040

Technology SALARY RANGES			
Grade	Min	Mid	Max
T1	\$37,923	\$57,159	\$76,395
T2	\$41,714	\$62,389	\$83,064
T3	\$45,886	\$68,143	\$90,400
T4	\$50,474	\$74,472	\$98,470
T5	\$55,522	\$81,433	\$107,345
T6	\$61,074	\$89,092	\$117,110
T7	\$67,182	\$97,517	\$127,850
T8	\$73,900	\$106,782	\$139,665
T9	\$81,291	\$116,976	\$152,661
T10	\$89,418	\$128,187	\$166,956
T11	\$98,362	\$140,521	\$182,681
T12	\$108,197	\$154,088	\$199,979
T13	\$119,016	\$169,012	\$219,007
T14	\$130,918	\$185,912	\$240,907



VIRGINIA RETIREMENT SYSTEM
INVESTMENT PROFESSIONALS' PAY PLAN
Effective ~~October 15, 2020~~ June 10, 2021

OVERVIEW & PAY PHILOSOPHY

The Virginia Retirement System's (VRS) Board of Trustees has designed this investment professionals' pay plan after working with an independent compensation consultant. In addition, the Board has adopted benchmarks, recommended by an independent investment consultant, to be used as part of this pay plan.

This pay plan includes three core elements:

- Base Salary (described in Section I of this document)
- Incentive Pay Plan (described in Section II)
- Deferred Compensation Plan for VRS Investment Management Personnel (DCPIP) (described in Section III)

Overall, this pay plan design is to:

- Attract, motivate and retain skilled investment professionals by offering competitive compensation opportunities.
- Directly align compensation with long-term, superior relative and absolute investment performance.
- Reinforce risk management priorities and standards.
- Attract and retain senior investment professionals by deferring a portion of incentive compensation on a tax-deferred basis.
- Benefit all stakeholders – VRS' beneficiaries, VRS' employees, and Virginia's taxpayers – through a compensation plan that is clear, aligned with performance, competitive and cost effective.

Importantly, this pay plan anchors on two broad and long-standing philosophical principles:

1. VRS should pay base salaries consistent with the 75th percentile of a peer group of other leading public funds. The primary guidelines for determining VRS' leading public fund peer group will be (1) funds of similar size (AUM) as VRS and (2) funds with significant (>25%) assets managed internally. Additional criteria the Board may consider is asset allocation / diverse portfolio similar to VRS, degree of delegation to the CIO and staff, use of outside investment consultants, and Board pay decision making authority.
2. VRS should provide incentive compensation opportunities such that, in combination with base salary, total compensation levels approximate the median (50th percentile) of a blended group weighted 75% to the total compensation levels of leading peer group public funds and 25% to the total compensation levels of a broad range of private-sector firms that employ investment professionals.

I. Base Salary

SALARY RANGES

This pay plan establishes a salary range for each job class taking into account its relative importance to VRS and the salaries paid for comparable types of jobs in other leading public funds.

Minimum, midpoint, and maximum salary rates define the salary range for each job class/position. The midpoint of each job class/position approximates the 75th percentile salaries of a peer group of leading public pension funds. Actual salaries can be higher or lower than the midpoint depending on factors such as job performance, professional education and certifications, the willingness to assume new and higher-level duties and responsibilities, the ability to learn quickly and apply new knowledge and skills, being a team player, and the length of time in the position.

Each position's salary range includes a defined:

- **Minimum** is the lowest base salary paid for a job within the job class/position.
- **Midpoint** represents the market salary paid to a fully qualified employee, who has the institutional knowledge and practical experience to fulfill independently all of the responsibilities of the job/position.
- **Maximum** is the highest salary rate for the job class/position.

Grade	Position	Salary Range (in thousands) Min		
		Mid	Max	
12	Chief Investment Officer	\$ 327	\$ 408	\$ 489
11	Deputy Chief Investment Officer	269 256	336 320	403 384
10	Managing Director	260 248	326 340	391 372
9	Program Director	212 202	265 252	317 302
7	Director- Strategy, Research, Risk and/or Investment Decision Support	193 184	242 230	290 276
7	Senior Portfolio Manager	193 184	242 230	290 276
6	Portfolio Manager	168 160	210 200	251 239
5	Manager – Strategy, Research, Risk and/or Investment Decision Support	150 143	188 179	225 214
4	Senior Investment Officer	124 118	155 147	185 176
3	Investment Officer	92 88	116 110	139 132
2	Senior Investment Analyst	75 71	94 90	113 107
1	Investment Analyst	61 58	77 73	91 87

In considering the above salary range, it important to note the following:

- **Market Pay Reviews:** The VRS normally conducts a comparative market total pay study at least every two years to ensure competitiveness of the salary and incentive structures. Typically, the VRS conducts the study in the 1st quarter of the calendar year (in even years) with an effective date of July 1 (the beginning of the fiscal year).
- **Changes in Salary Ranges:** The Board must approve changes to the salary scale and incentive structure.

SALARY ADJUSTMENTS

Oversight & Administration

VRS will implement pay actions consistent with the provisions of the Appropriation Act. The VRS Board, however, approves across-the-board performance-based salary increases, market-based salary increases and incentive pools, for VRS investment professionals, subject to limitations in and consistent with the Code of Virginia and the Appropriation Act. The Chief Investment Officer (CIO) approves salary adjustments for individual investment professionals and, as described later in this document, sign-on bonuses, incentive payments, and relocation expenses subject to the limitations in the Code of Virginia and other applicable state or federal law and regulation.

Merit Increases

- Salary increases are based on meeting individual performance standards. The supervisor completes the evaluation after the end of the fiscal year. If a participant in the investment employees' pay plan does not meet overall performance standards, then the participant is ineligible for performance increases to their base salary and market adjustments to their base salary for that performance cycle. Performance cycles are on a fiscal year, July 1 through June 30, and typically begin, with an effective date of performance plans in the first quarter of the new fiscal year.
- The CIO will receive base salary increases as approved by the VRS Board of Trustees and in accordance with the terms in the CIO's Employment Agreement, with approved effective dates established by the VRS Board of Trustees.

Starting Salaries

The starting salary for a new employee considers the rates presently paid to other employees in the department and those in the same job class (when applicable), the candidate's education, skills, work experience, and salary history. The starting salary normally does not exceed the salary grade midpoint.

Reallocation

Occurs when a job classification is reviewed by Human Resources and it is determined that the job duties and responsibilities have changed significantly enough to place the job in a different job title and job class. Unless the CIO authorizes an exception, this would not exceed a 15% increase. However, the individual's salary will always be at least at the minimum of the range of the new job, regardless of the amount of the increase.

In-grade Adjustments

Occur to ensure competitiveness, retention, and to recognize increased skills, abilities, knowledge, obtainment of a degree or certification, or significant increases in responsibilities within the job class. Unless the CIO authorizes an exception adjustments will not exceed a 10% increase.

Promotions

Promotions occur when an individual moves into a position in a higher job class. Promotions can be competitive (selected through a recruitment and hiring process) or non-competitive (through a job reclassification or reallocation.) Unless the CIO approves an exception, promotions will not exceed a 15% increase. However, the individual's salary will always be at least at the minimum of the range of the new job, regardless of the amount of the increase.

Downward Assignment

Downward adjustment occurs when an employee changes positions whether voluntarily, or because of unsatisfactory performance, resulting in a downward change in job class. A reduction in salary may occur based on a review of the salary and range and the circumstances associated with the downward move. In downward assignments, an individual's salary cannot exceed the maximum of the new salary range.

II. Incentive Pay Plan

PLAN ADMINISTRATION

The VRS Board of Trustees, the Plan Administrator, through the Administration and Personnel (A&P) Committee, administers the Incentive Plan (Plan) and retains full and complete discretion:

- To increase or decrease incentives for any and/or all Plan participants.
- To modify, amend or rescind any aspect of the Plan at any time for any and/or all Plan participants.
- While the Plan Administrator remains mindful of the value that staff adds to the organization and supportive of the pay plan, the Plan Administrator also specifically reserves the right to cancel, reduce, or delay the amount of any incentives payable under this plan when, in the sole discretion of the Plan Administrator, extreme budgetary pressures, economic, market or other conditions are such that the Plan Administrator deems such action necessary under the circumstances.
- Consistent with the preceding paragraph, payment of incentives under this plan is not guaranteed.

The Plan Administrator may delegate certain aspects of this Plan's day-to-day operation to the VRS CIO and the VRS Director of Human Resources. However, any substantive Plan-related questions or issues impacting incentive payouts for the CIO require the Plan Administrator's prior approval.

PLAN ELIGIBILITY

Incumbents in the positions listed below are eligible to participate in this incentive plan, provided they:

- Are active VRS employees.
- Work for VRS at least forty hours per week. Plan participants who work less than full-time may be eligible to receive a prorated incentive payment. Wage employees are not eligible to participate in the plan.
- Receive an individual performance evaluation of at least "meets expectations" for the relevant performance year (i.e., the year preceding the normally scheduled year of payment).
- Remain in compliance with the VRS Investment Department Code of Ethics and Standards of Professional Conduct Policy.

**Positions Eligible to Participate in the
Investment Professional's Pay Plan**

Chief Investment Officer
Deputy Chief Investment Officer
Managing Director- Strategy, Research, Risk and/or Investment Decision Support
Managing Director- Internal Assets
Managing Director- Global Investments
Program Director
Director- Strategy, Research, Risk and/or Investment Decision Support
Senior Portfolio Manager
Portfolio Manager
Manager – Strategy, Research, Risk and/or Investment Decision Support
Senior Investment Officer
Investment Officer
Senior Investment Analyst
Investment Analyst

The CIO will determine the design of the incentive plan structure for the positions supporting the Defined Contribution Plans, with both quantitative and qualitative elements.

Generally, employees on an approved leave of absence are considered active employees. The CIO will resolve all questions regarding eligibility or, in the case of the CIO, eligibility will be determined by the Board.

Participation in this Plan in any one year does *not* confer the right to participate in this Plan in any other year *nor* to receive Plan payouts for the current and/or any future year. Participation in this Plan does not confer the right to continued employment. Subject to the provisions of this Plan, only active VRS employees may receive payments under this Plan.

OVERALL INCENTIVE PLAN MECHANICS

As described in more detail throughout this document, under the terms of this Plan:

- Eligible Plan participants will be assigned an incentive opportunity, expressed as a percentage of their actual earned base salary.
- Incentive opportunities vary by position, with the level of such opportunities increasing with the degree to which the position directly affects VRS' investment performance.
- Incentives are weighted or allocated to separate Plan components, described below, with the specific components and weightings varying by position:
 1. Total Fund relative investment performance
 2. Asset Class relative investment performance
 3. Average of Asset Class Multipliers (for positions that support multiple asset classes)
 4. Qualitative – focuses on individual achievement of assigned objectives.
- After year-end, payouts under each Plan component would be determined based on performance.

- Each participant's preliminary award would equal the sum of all of their performance-adjusted Plan components.
- Final awards would equal preliminary awards adjusted, up or down, based on the Total Fund's one-year absolute returns. Specifically, there will be no adjustment for returns between 0% and the assumed rate of return, currently 7%. There will be a positive one-for-one adjustment for returns in excess of the assumed rate of return (e.g., if Total Fund one-year actual absolute return equals +10%, then the preliminary awards will be increased by 3%). There will be a negative one-for-one adjustment for returns less than 0% (e.g., if Total Fund one-year actual absolute return equals -15%, then the preliminary awards will be reduced by 15%). This adjustment is specifically intended to systematically take into account, in the shorter term, the effect of market cycles on the health of the pension plan by providing a mechanism to reflect the impact of up and down markets on incentive compensation.
 - 50% of eligible senior staff-members' awards (up to IRS limits) will be deferred into tax-qualified accounts. See section III, Defined Contribution Incentive Plan for VRS Investment Management Personnel (DCPIP). While deferred, awards are subject to the Total Fund's annual absolute returns.
 - All other awards paid incash.

Generally, a Participant must be employed on the date of payment of the award. However, see INCENTIVE PLAN PROVISIONS, *Termination of Employment Due to Death, Disability or Retirement*.

INCENTIVE OPPORTUNITIES

Incentive opportunities will vary by position based on multiple criteria:

- The position's potential effect on the VRS' investment performance.
- Competitive market pay requirements.
- Internal equity considerations.
- Other factors determined by the CIO or, in the case of the Chief Investment Officer's position, by VRS' Board.

Actual awards can vary based on performance.

For the fiscal year ending June 30, 2013 and all subsequent years, unless as otherwise determined, the Plan's incentive opportunities are as follows:

Incentive Levels	
VRS Position	Incentive (1) (% salary)
Chief Investment Officer	70% (2)
Deputy Chief Investment Officer	65% (2)
Managing Director- Strategy, Research, Risk and/or Investment Decision Support	65% (2)
Managing Director- Internal Assets	65% (2)
Managing Director- Global Investments	65% (2)
Program Director	60% (2)
Director – Strategy, Research, Risk and/or Investment Decision Support	50%
Senior Portfolio Manager	50%
Portfolio Manager	40%
Manager – Strategy, Research, Risk and/or Investment Decision Support	30%
Senior Investment Officer	30%
Investment Officer	30%
Senior Investment Analyst	25%
Investment Analyst	5%
(1) Performance-adjusted preliminary awards can vary from zero to two times these incentive	
(2) A portion, up to 50%, of these positions' earned incentives is subject to mandatory deferral.	

INCENTIVE WEIGHTINGS

Each participant's incentive award will be weighted or allocated to separate, stand-alone Plan components. Importantly, all participants have a portion of their incentive opportunities weighted:

- To the Total Fund Plan component – which helps reinforce the importance of collective success as measured by the Total Fund's relative investment results.
- To the Qualitative Plan component – this helps reinforce achievement of specific initiatives and professional development.

Described below are the specific Plan weightings and the approach for determining awards under each of these Plan components.

Incentive Weightings By Plan Component						
VRS Position	Total Fund	Quantitative Average of Asset Class		Asset Class	Qualitative	Total
		Multipliers				
(% of total incentive weighted to each component)						
Chief Investment Officer	60%	20%	(1)		20%	100%
Deputy Chief Investment Officer	60%	20%	(1)		20%	100%
Managing Director- Strategy, Research, Risk and/or Investment Decision Support	60%	20%	(1,4)		20%	100%
Managing Director- Internal Assets	40%	40%	(2,4)		20%	100%
Managing Director- Global Investments	40%	40%	(3)		20%	100%
Program Director	30%	50%	(5)	50%	20%	100%
Director- Strategy, Research, Risk and/or Investment Decision Support	30%	50%	(1)		20%	100%
Senior Portfolio Manager	20%			60%	20%	100%
Portfolio Manager	20%			60%	20%	100%
Manager – Strategy, Research, Risk and/or Investment Decision Support	30%	50%	(1)		20%	100%
Senior Investment Officer	20%	60%	(5)	60%	20%	100%
Investment Officer	20%	60%	(5)	60%	20%	100%
Senior Investment Analyst	20%	30%	(5)	30%	50%	100%
Investment Analyst	20%	30%	(5)	30%	50%	100%

(1) Average multiplier based on the multipliers of all asset classes under the incumbent's purview.

(2) The MD Internal Assets average multiplier is based on the multipliers of the internal asset classes under the incumbent's purview.

(3) The MD Global Investments average multiplier is based on the multipliers of the external asset classes under the incumbent's purview.

(4) There is currently a single person taking on the role of MD Strategy, Research, Risk and/or Investment Decision Support and MD Internal Assets. The incentive for this individual is a 50/50% blend of the two separate MD positions.

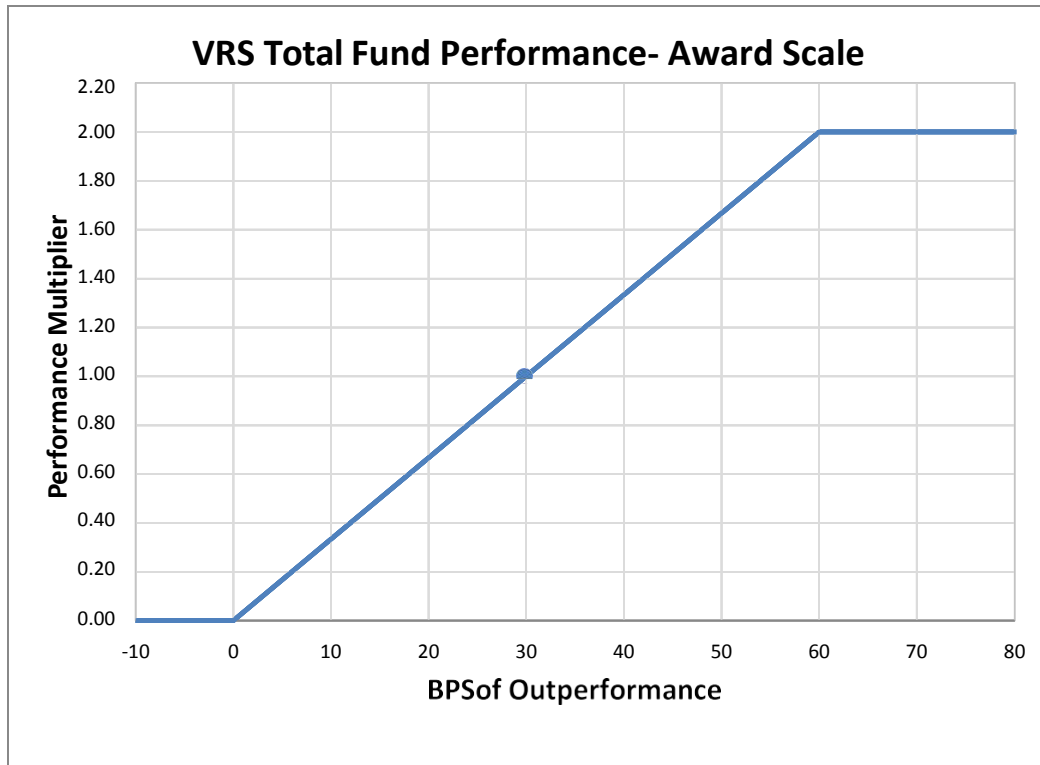
(5) These positions may support a specific asset class or multiple asset classes. If the position supports a specific asset class, then the multiplier is based on the asset class multiplier. If the position supports multiple asset classes, then the multiplier is based on the average of the multipliers of the asset classes supported.

QUANTITATIVE PLAN COMPONENTS

These Plan components link participants' incentive compensation to relative investment performance or, more specifically, the extent by which the Total Fund and/or Asset Class performance exceeds passive benchmarks (indices) as measured over trailing three- and five-year annualized periods (each weighted 50%).

For purposes of this Plan:

- Measurement of relative investment performance is net of third-party fees, which consist of investment management fees and performance fees paid to investment managers, custodian fees, legal fees, internal investment staff administrative expenses, and miscellaneous fees.
- A performance-award scale defines the linkage between relative investment performance and a corresponding Performance Multiplier. Illustrating this approach at the Total Fund level, when VRS' relative investment performance:
 - Equals zero or less (i.e., no relative value added), then the VRS Performance Multiplier will equal zero and there will be no incentive payouts under this Plan component.
 - Equals 30 bps, then the VRS Performance Multiplier will equal 1.00 and there will be a 100% payout of this Plan component.
 - Equals 60 bps or more, then the VRS Performance Multiplier will equal 2.00 and there will be a 200% payout of this Plan component.
 - Is anywhere between zero and 60 bps, then the VRS Performance Multiplier is determined on an interpolated, straight-line basis.



- Selected participants whose responsibilities span multiple asset classes may have a portion of their incentive weighted to a component that is determined based on the average multipliers of asset classes they support. The intent of this Plan component is to recognize and reward superior relative investment performance, regardless of the level of the associated assets.

The Board is responsible for setting the basis point outperformance standards for the Total Fund. The CIO is responsible for setting the basis point outperformance standards for individual asset classes, subject to the Board's final review and approval.

QUALITATIVE PLAN COMPONENT

The qualitative incentive multiplier can range from 0.00 to 2.00 at the CIO's discretion, with input from applicable senior staff regarding individual performance levels. This Plan component links participants' incentive compensation to achievement of individual and/or position-specific performance objectives and VRS' overall performance objectives. Actual awards under this plan component will reflect:

- Position- and/or incumbent-specific performance criteria.
- Achievement of key VRS performance objectives, including:

- Building an effective organization.
- Enhancing investment excellence.
- Developing staff.

The Board will annually determine the CIO's qualitative incentive multiplier after assessing attainment of the qualitative performance objectives, considering input and recommendations provided by the A&P Committee.

DETERMINING PRELIMINARY AWARDS

After the end of each fiscal year, a preliminary award will be determined for each Plan participant by aggregating all of their performance multiplier-adjusted weighted Plan components. In particular:

- Performance multipliers will be determined for each Plan component based on actual results.
- Preliminary payouts under each weighted Plan component will be determined by multiplying the incentive dollars weighted to that component by the associated performance multiplier.
- Total preliminary awards would be determined by adding up all of that participant's weighted Plan components.

Illustrated below is this approach for a position with an incentive of \$80,000.

Plan Component	Weighted Portion of Incentive		Performance Multiplier		Actual Award
Total Fund	\$16,000	X	1.50	=	\$24,000
Asset Class	48,000	X	1.00	=	48,000
Qualitative	16,000	X	1.20	=	19,200
Preliminary Award					\$91,200

DETERMINING FINAL AWARDS

Final awards, if any, would be determined after each fiscal year-end by adjusting the sum of each participant's preliminary award, up or down, based on VRS' one-year absolute return for the most recently completed fiscal year. Specifically, there will be no adjustment for returns between 0% and the assumed rate of return, currently 7%. There will be a positive one-for-one adjustment for returns in excess of the assumed rate of return. There will be a negative one-for-one adjustment for returns less than 0%. Illustrated below is the process for determining final awards.

Scenario #1:
 The Total Fund's One-Year Absolute Returns are +5%

Plan Component	Weighted Portion of Incentive		Performance Multiplier		Actual Award
Total Fund	\$16,000	X	1.50	=	\$24,000
Asset Class	48,000	X	1.00	=	48,000
Qualitative	16,000	X	1.20	=	19,200

	Preliminary Award	\$91,200
X no adjustment		0%
Final Award		\$91,200

Scenario #2:
 The Total Fund's One-Year Absolute Returns are +10%

Plan Component	Weighted Portion of Incentive		Performance Multiplier		Actual Award
Total Fund	\$16,000	X	1.50	=	\$24,000
Asset Class	48,000	X	1.00	=	48,000
Qualitative	16,000	X	1.20	=	19,200

	Preliminary Award	\$91,200
X 1+ VRS Fund's One-Year Rate of Return less assumed rate of return		103%
Final Award		\$93,936

Scenario #3:
 The Total Fund's One-Year Absolute Returns are -15%

Plan Component	Weighted Portion of Incentive		Performance Multiplier		Actual Award
Total Fund	\$16,000	X	1.50	=	\$24,000
Asset Class	48,000	X	1.00	=	48,000
Qualitative	16,000	X	1.20	=	19,200

	Preliminary Award	\$91,200
X 1+ VRS Fund's One-Year Rate of Return		85%
Final Award		\$77,520

PAYING OUT FINAL AWARDS

Board Review

Prior to payout of any and/or all awards, the CIO will present a schedule of aggregate incentives to the Board of Trustees, through the A&P Committee, in advance. This report will include, in aggregate, the awards, the multipliers awarded for each component, the actual dollar awards earned for each component and the total awards. Internal Audit and Human Resources will review the calculations. As requested by the A&P Committee, the CIO will provide additional information prior to the Board approving the payout of any and/or all awards.

Final Award Payout

Final awards will be paid out as follows:

- For VRS' most senior staff (i.e., incumbents in positions at or above the level of Program Director) when awards are paid, 50% of total award amounts up to the specified Internal Revenue Code (IRC) § 415(c)(1)(A) plan limits will be deferred into the DCPIP plan. All other amounts paid in cash. Section III of this document describes the terms of the § 415(c)(1)(A) plan.
- For all other Plan participants, awards paid 100% in cash.

Timing of Cash Payouts

When the Board approves incentive awards, the VRS will make payments between July 1 and December 31 after VRS' fiscal year end.

- Awards to senior staff paid as follows: 50% deferred into DCPIP (subject to IRS limits) and the remainder in cash.
- Awards to all other plan participants paid out 100% in cash.

INCENTIVE PLAN PROVISIONS

- ***New employees, promoted employees and other employees who transfer into another position covered in this payplan:***
 - Employees who join the VRS Investment Department after the commencement of the fiscal year may be eligible to participate in the Plan. Incentives will be computed on the incentive percentage and their actual earned salary for the year.
 - Promoted employees and employees who transfer into another position covered in this pay plan will have their incentives calculated based on their actual earned salary for the year and a proportional incentive percentage.
- ***Minimum Individual Performance Standard:*** Employees with an individual performance rating of "Does Not Meet Expectations" are not eligible to receive any incentive payment under the Plan.
- ***Termination of Employment Due to Death, Disability, or Retirement:*** Terminated employees may be eligible to receive a time-weighted portion of their final award for the current performance year. Plan participants who terminate employment due to death or disability or who retire during a fiscal year will be eligible to receive a time-weighted portion of their Board approved award (1/12 for each complete month worked in their last year of service). The incentive payments for the year in which death, disability or retirement occurs shall be paid 100% in cash to such employee or his representative between July 1 and December 31 following the end of the fiscal year in which such death, disability or retirement occurs.
- ***Termination for all Other Reasons:*** Except as specifically determined by the CIO for all positions other than the CIO, and by the A&P Committee for the CIO's position, participants

who terminate employment with VRS for all other reasons prior to the normally scheduled date of payout forfeit all rights under the plan.

- **Clawback:** In the event of termination for malfeasance related to duties as an investment professional, VRS retains the right to seek repayment for any and/or all paid incentive awards.

III. Defined Contribution Incentive Plan for VRS Investment Management Personnel (DCPIP)

PARTICIPATION

This plan covers VRS investment professionals at or above the level of Program Director. Such positions currently include CIO, Deputy CIO, Managing Director, and Program Director. The Board retains the discretion to modify, at any time, the positions that are eligible to participate in this plan.

AMOUNTS SUBJECT TO ANNUAL DEFERRAL

- Deferrals into this plan only occur in years when VRS' Board decides, at its full and complete discretion, to allow payment of incentive awards.
- Commencing with (and including fiscal 2013), in years when VRS' Board decides to pay incentive awards, 50% of participants' final awards up to specified IRC §415(c)(1)(A) limits will be deferred into this plan. All other amounts paid in cash.

INVESTMENT RETURN

Participants' deferred accounts in the DCPIP and the § 415(m) plan will earn an "investment return" (positive or negative) equaling the current annual rate of return of the VRS Fund. However, upon attaining age 55, the DCPIP permits members of the Investment Management Committee who have established accounts in the Commonwealth of Virginia 457 Deferred Compensation Plan, to transfer a portion into the Virginia Cash Match Plan. This transfer right allows DCPIP participants at age 55 or at any time after attaining age 55, to select any combination of the investment options then offered by the Cash Match Plan. Notwithstanding the transfer right, members of the Investment Management Committee at age 55 or older must leave at least a minimal balance amount in their DCPIP account, to avoid having to re-open the account. The VRS Defined Contribution Plan Administrator will assist participants with these transfers.

FUND TRANSFERS and DISTRIBUTIONS

Participants of the DCPIP cannot transfer funds from the § 415(m) plan into the Cash Match Plan because the § 415(m) plan is a non-qualified "excess plan" not permitted to be held in trust for the exclusive benefit of the plan participants. The § 415(m) plan closed as of June 30, 2013, except for the CIO. The distribution of the balance in the § 415(m) plan will be made in cash to the Participant.

The accumulated DCPIP trust balances will be distributed to the Participant upon termination of employment with the Commonwealth of Virginia. The participant may elect to receive the balance in the DCPIP either in cash or as a "roll-over" into another retirement or related benefit vehicle/trust, or a combination of both. All payouts/rollovers will be credited with earnings through the latest quarter end for which finalized performance is available, by the date of the payment.

All applicable laws and regulations will govern the creation, funding and distributions of the DCPIP and § 415(m) plan. Detailed plan documents are on file with the Human Resources Director and the Chief Financial Officer.

TAXATION

Taxation of the amount contributed to the DCPIP and § 415(m) plans is deferred until distribution from the respective plan.

IV. Other Compensation Plan Information

Competitive Pay Increases

Competitive pay increases are an option available to retain a highly valued employee who has received a job offer from another employer. Requests for competitive pay increases should take into consideration the employee's experience, level of education, performance and contribution to the agency, and the salaries of other employees in comparable jobs. A written job offer must be received to provide a competitive pay increase.

Sign-on Bonuses

Investment professionals hired at the VRS may be eligible for sign-on bonuses, as described in the VRS Employee Sign-on Bonus Program Policy.

Relocation Expenses

Investment professionals hired at the VRS may be eligible for reimbursement of relocation expenses, if approved by the CIO. The reimbursement of the expenses must comply with the Department of Accounts Moving and Relocation Policy.

Employment at Will

The investment employees covered by this policy are exempt from the provisions of the Virginia Personnel Act and employment in these positions is at will. Just as the employee retains the right to resign at any time, the VRS has a similar right to end at will employment with or without cause. An at-will employee does not serve an introductory period. An at-will employee is not eligible to use the agency's grievance procedure to resolve employment disputes.

Investment employees covered by this policy are eligible for all other employment benefits and subject to agency policies that do not contradict their "at will" status.

409A Compliance

The intent of the Board is that payments and benefits under this plan either comply with Section 409A of the Internal Revenue Code and applicable guidance issued thereunder ("Code Section 409A") or qualify for an exemption from Code Section 409A and, accordingly, all provisions of this Plan shall be construed in a manner consistent with the requirements for avoiding taxes or penalties under Code Section 409A. The Board shall not take any action to accelerate or delay the payment of any monies and/or provision of any benefits in any matter which would not be in compliance with Code Section 409A to the extent Code Section 409A applies to such payment or benefit. Notwithstanding any of the provisions of this pay plan, the Board shall not be liable to the employee if any payment or benefit which is to be provided pursuant to this Plan and which is considered deferred compensation subject to Code Section 409A otherwise fails to comply with, or be exempt from, the requirements of Code Section 409A.

CLASS STRUCTURE

The following descriptions are the summaries of VRS' investment professional job classes/positions:

Chief Investment Officer

The CIO manages and directs investment programs, determines appropriate program structure, implementation, and monitoring. The CIO manages investment professionals who are directly responsible for internal and external investment programs. The CIO heads the Executive and Management Committees, which are responsible for reviewing all investment recommendations. The CIO collaborates with the VRS Board-appointed Investment Advisory Committee (IAC) and delivers frequent reports and updates to the VRS Board.

Deputy CIO

Working under the direction of the CIO, this position is responsible for assisting in developing and implementing the Fund's overall investment policies and programs. The Deputy CIO serves as an internal consultant to the CIO on a range of investment strategies, works on special investment related projects, serves on the Executive and Management Committees and assumes many of the CIO responsibilities, allowing the CIO to focus on investment management, Board relations, and other critical Fund-level activities or initiatives.

Managing Director

The Managing Director is a senior investment position reporting directly to the CIO. This position serves on the Investment Executive and Management Committees. The Executive Committee is a department wide resource to the CIO for management and administrative issues. The Management Committee participates in asset allocation and manager/fund allocation decisions.

Program Director

The Program Director has deep asset class knowledge and carries full managerial responsibility for a VRS investment program, including all internally and externally managed assets. The Program Director may also support multiple asset classes. The Program Director participates on the Investment Management Committee and regularly presents information to the IAC and the Board. The Program Director, as applicable, operates within an explicit risk budget and has investment performance objectives that are regularly measured. The Program Director has full responsibility for negotiating on behalf of VRS.

Director or Manager - Strategy, Research, Risk and/or Investment Decision Support

Strategy – The positions within Strategy identify and evaluate relative value based tilt opportunities that have the potential to 1) improve the fund's return without materially increasing the risk, 2) reduce the fund's risk without materially reducing the return, or 3) some combination of these objectives. In addition, staff within Strategy 1) review and evaluate the implications of macro-economic conditions, 2) analyze current conditions and opportunities within major asset classes and key asset class subsectors, 3) monitor and evaluate the tactical and strategic tilts of key VRS investment partners, and 4) identify strategy ideas including risk and return expectations for base case and alternative scenarios.

Research – The positions within Research have responsibility to support both basic and applied research efforts for all VRS investment staff. This effort includes monitoring, coordinating, facilitating, and implementing current best practices and methods to ensure optimal investment performance and risk management at both the program and plan level.

Risk – The positions within Risk have responsibility in the design, implementation, and management of the risk management program including project management (solicitation and queueing of projects from clients), guidance and coordination within the group, mathematical and statistical analysis of empirical problems, risk management, and high-level programming. Additionally, staff within Risk assist with the design and implementation of an opportunistic portfolio allocation to manage the risk exposures of the total fund.

Investment Decision Support – The positions within Investment Decision Support have

responsibility for the design and delivery of investment program, risk management, strategy, and research analytic systems. As a component of this, staff is responsible for all investments data as well as the design, development and implementation of the quantitative infrastructure for the VRS investment programs. This includes a data warehouse, various data retrieval tools, quantitative analysis tools, program level reporting tools and support applications that retrieve, consolidate and report information.

Senior Portfolio Manager

The Senior Portfolio Manager positions have responsibility for multiple portfolio strategies and/or may supervise one or more Senior Investment Officers or Portfolio Managers.

The Senior Portfolio Manager positions provide a potential career progression ladder for Portfolio Managers over time, considering the contributions, experience and sustained performance for the incumbents.

Portfolio Manager

The Portfolio Manager provides critical input to strategy development and is responsible for the more complicated and higher risk investments. The Portfolio Manager may delegate to the Senior Investment Officer certain portions of the investment program. The Portfolio Manager will begin to negotiate terms on behalf of VRS. The Portfolio Manager, from time to time, makes presentations and recommendations to the Management Committee, and perhaps the IAC and Board.

The Portfolio Manager supporting the Defined Contribution Plans is a senior investment position reporting directly to the Managing Director of Global Investments. This position provides critical input to the design, implementation, and monitoring of all investment related aspects of the VRS defined contribution plans (DC). Responsibilities include (1) evaluation and selection of new investment strategies, managers and/or funds, (2) negotiating terms on behalf of VRS, (3) monitoring and management of relationships with existing defined contribution investment managers, (4) implementing investment policy as determined by the VRS Board, (5) presenting to the Defined Contribution Plans Advisory Committee and the Board, and (6) any other projects or duties relating to the defined contribution program as may be assigned from time to time.

Senior Investment Officer

The Senior Investment Officer has higher level monitoring responsibilities that tend to involve higher risk and strategies that are more complicated. Some Senior Investment Officers may have day-to-day responsibilities for managing internal portfolios, subject to risk limits prescribed by the program director. The Senior Investment Officer will increasingly become involved in strategy development and formal recommendations to the Program Director.

Investment Officer

The Investment Officer, in addition to analytical responsibilities, may have direct responsibility for monitoring some portion of the existing portfolio, or some strategies or managers under consideration in the future. Such assignments will typically be in lower risk and less complicated strategies. The Investment Officer may continue to be involved in monitoring, compliance, and administration, but will also begin to make formal investment recommendations to the Program Director.

Senior Investment Analyst

The Senior Investment Analyst performs various types of analysis at the direction of more senior staff members. Analyst activities are geared around providing support for senior staff members more directly involved in the decision-making process. Such activities will include research, reporting, monitoring, compliance, and administration.

Investment Analyst

The Investment Analyst assists other investment professionals in their daily operations, including investment research and analysis, trading, and portfolio management. Analysts follow and report current market information relating to assigned sectors of the market. In addition, the Analyst conducts independent research on various topics, performs data maintenance, integrity, and report generation tasks.



VIRGINIA RETIREMENT SYSTEM
INVESTMENT PROFESSIONALS' PAY PLAN
Effective June 10, 2021

OVERVIEW & PAY PHILOSOPHY

The Virginia Retirement System's (VRS) Board of Trustees has designed this investment professionals' pay plan after working with an independent compensation consultant. In addition, the Board has adopted benchmarks, recommended by an independent investment consultant, to be used as part of this pay plan.

This pay plan includes three core elements:

- Base Salary (described in Section I of this document)
- Incentive Pay Plan (described in Section II)
- Deferred Compensation Plan for VRS Investment Management Personnel (DCPIP) (described in Section III)

Overall, this pay plan design is to:

- Attract, motivate and retain skilled investment professionals by offering competitive compensation opportunities.
- Directly align compensation with long-term, superior relative and absolute investment performance.
- Reinforce risk management priorities and standards.
- Attract and retain senior investment professionals by deferring a portion of incentive compensation on a tax-deferred basis.
- Benefit all stakeholders – VRS' beneficiaries, VRS' employees, and Virginia's taxpayers – through a compensation plan that is clear, aligned with performance, competitive and cost effective.

Importantly, this pay plan anchors on two broad and long-standing philosophical principles:

1. VRS should pay base salaries consistent with the 75th percentile of a peer group of other leading public funds. The primary guidelines for determining VRS' leading public fund peer group will be (1) funds of similar size (AUM) as VRS and (2) funds with significant (>25%) assets managed internally. Additional criteria the Board may consider is asset allocation / diverse portfolio similar to VRS, degree of delegation to the CIO and staff, use of outside investment consultants, and Board pay decision making authority.
2. VRS should provide incentive compensation opportunities such that, in combination with base salary, total compensation levels approximate the median (50th percentile) of a blended group weighted 75% to the total compensation levels of leading peer group public funds and 25% to the total compensation levels of a broad range of private-sector firms that employ investment professionals.

I. Base Salary

SALARY RANGES

This pay plan establishes a salary range for each job class taking into account its relative importance to VRS and the salaries paid for comparable types of jobs in other leading public funds.

Minimum, midpoint, and maximum salary rates define the salary range for each job class/position. The midpoint of each job class/position approximates the 75th percentile salaries of a peer group of leading public pension funds. Actual salaries can be higher or lower than the midpoint depending on factors such as job performance, professional education and certifications, the willingness to assume new and higher-level duties and responsibilities, the ability to learn quickly and apply new knowledge and skills, being a team player, and the length of time in the position.

Each position's salary range includes a defined:

- **Minimum** is the lowest base salary paid for a job within the job class/position.
- **Midpoint** represents the market salary paid to a fully qualified employee, who has the institutional knowledge and practical experience to fulfill independently all of the responsibilities of the job/position.
- **Maximum** is the highest salary rate for the job class/position.

Grade	Position	Salary Range (in thousands)		
		Min	Mid	Max
12	Chief Investment Officer	\$ 327	\$ 408	\$ 489
11	Deputy Chief Investment Officer	269	336	403
10	Managing Director	260	326	391
9	Program Director	212	265	317
7	Director- Strategy, Research, Risk and/or Investment Decision Support	193	242	290
7	Senior Portfolio Manager	193	242	290
6	Portfolio Manager	168	210	251
5	Manager – Strategy, Research, Risk and/or Investment Decision Support	150	188	225
4	Senior Investment Officer	124	155	185
3	Investment Officer	92	116	139
2	Senior Investment Analyst	75	94	113
1	Investment Analyst	61	77	91

In considering the above salary range, it important to note the following:

- **Market Pay Reviews:** The VRS normally conducts a comparative market total pay study at least every two years to ensure competitiveness of the salary and incentive structures. Typically, the VRS conducts the study in the 1st quarter of the calendar year (in even years) with an effective date of July 1 (the beginning of the fiscal year).
- **Changes in Salary Ranges:** The Board must approve changes to the salary scale and incentive structure.

SALARY ADJUSTMENTS

Oversight & Administration

VRS will implement pay actions consistent with the provisions of the Appropriation Act. The VRS Board, however, approves across-the-board performance-based salary increases, market-based salary increases and incentive pools, for VRS investment professionals, consistent with the Code of Virginia and the Appropriation Act. The Chief Investment Officer (CIO) approves salary adjustments for individual investment professionals and, as described later in this document, sign-on bonuses, incentive payments, and relocation expenses subject to the limitations in the Code of Virginia and other applicable state or federal law and regulation.

Merit Increases

- Salary increases are based on meeting individual performance standards. The supervisor completes the evaluation after the end of the fiscal year. If a participant in the investment employees' pay plan does not meet overall performance standards, then the participant is ineligible for performance increases to their base salary and market adjustments to their base salary for that performance cycle. Performance cycles are on a fiscal year, July 1 through June 30, and typically begin, with an effective date of performance plans in the first quarter of the new fiscal year.
- The CIO will receive base salary increases as approved by the VRS Board of Trustees and in accordance with the terms in the CIO's Employment Agreement, with approved effective dates established by the VRS Board of Trustees.

Starting Salaries

The starting salary for a new employee considers the rates presently paid to other employees in the department and those in the same job class (when applicable), the candidate's education, skills, work experience, and salary history. The starting salary normally does not exceed the salary grade midpoint.

Reallocation

Occurs when a job classification is reviewed by Human Resources and it is determined that the job duties and responsibilities have changed significantly enough to place the job in a different job title and job class. Unless the CIO authorizes an exception, this would not exceed a 15% increase. However, the individual's salary will always be at least at the minimum of the range of the new job, regardless of the amount of the increase.

In-grade Adjustments

Occur to ensure competitiveness, retention, and to recognize increased skills, abilities, knowledge, obtainment of a degree or certification, or significant increases in responsibilities within the job class. Unless the CIO authorizes an exception adjustments will not exceed a 10% increase.

Promotions

Promotions occur when an individual moves into a position in a higher job class. Promotions can be competitive (selected through a recruitment and hiring process) or non-competitive (through a job reclassification or reallocation.) Unless the CIO approves an exception, promotions will not exceed a 15% increase. However, the individual's salary will always be at least at the minimum of the range of the new job, regardless of the amount of the increase.

Downward Assignment

Downward adjustment occurs when an employee changes positions whether voluntarily, or because of unsatisfactory performance, resulting in a downward change in job class. A reduction in salary may occur based on a review of the salary and range and the circumstances associated with the downward move. In downward assignments, an individual's salary cannot exceed the maximum of the new salary range.

II. Incentive Pay Plan

PLAN ADMINISTRATION

The VRS Board of Trustees, the Plan Administrator, through the Administration and Personnel (A&P) Committee, administers the Incentive Plan (Plan) and retains full and complete discretion:

- To increase or decrease incentives for any and/or all Plan participants.
- To modify, amend or rescind any aspect of the Plan at any time for any and/or all Plan participants.
- While the Plan Administrator remains mindful of the value that staff adds to the organization and supportive of the pay plan, the Plan Administrator also specifically reserves the right to cancel, reduce, or delay the amount of any incentives payable under this plan when, in the sole discretion of the Plan Administrator, extreme budgetary pressures, economic, market or other conditions are such that the Plan Administrator deems such action necessary under the circumstances.
- Consistent with the preceding paragraph, payment of incentives under this plan is not guaranteed.

The Plan Administrator may delegate certain aspects of this Plan's day-to-day operation to the VRS CIO and the VRS Director of Human Resources. However, any substantive Plan-related questions or issues impacting incentive payouts for the CIO require the Plan Administrator's prior approval.

PLAN ELIGIBILITY

Incumbents in the positions listed below are eligible to participate in this incentive plan, provided they:

- Are active VRS employees.
- Work for VRS at least forty hours per week. Plan participants who work less than full-time may be eligible to receive a prorated incentive payment. Wage employees are not eligible to participate in the plan.
- Receive an individual performance evaluation of at least "meets expectations" for the relevant performance year (i.e., the year preceding the normally scheduled year of payment).
- Remain in compliance with the VRS Investment Department Code of Ethics and Standards of Professional Conduct Policy.

**Positions Eligible to Participate in the
Investment Professional's Pay Plan**

Chief Investment Officer
Deputy Chief Investment Officer
Managing Director- Strategy, Research, Risk and/or Investment Decision Support
Managing Director- Internal Assets
Managing Director- Global Investments
Program Director
Director- Strategy, Research, Risk and/or Investment Decision Support
Senior Portfolio Manager
Portfolio Manager
Manager – Strategy, Research, Risk and/or Investment Decision Support
Senior Investment Officer
Investment Officer
Senior Investment Analyst
Investment Analyst

The CIO will determine the design of the incentive plan structure for the positions supporting the Defined Contribution Plans, with both quantitative and qualitative elements.

Generally, employees on an approved leave of absence are considered active employees. The CIO will resolve all questions regarding eligibility or, in the case of the CIO, eligibility will be determined by the Board.

Participation in this Plan in any one year does *not* confer the right to participate in this Plan in any other year *nor* to receive Plan payouts for the current and/or any future year. Participation in this Plan does not confer the right to continued employment. Subject to the provisions of this Plan, only active VRS employees may receive payments under this Plan.

OVERALL INCENTIVE PLAN MECHANICS

As described in more detail throughout this document, under the terms of this Plan:

- Eligible Plan participants will be assigned an incentive opportunity, expressed as a percentage of their actual earned base salary.
- Incentive opportunities vary by position, with the level of such opportunities increasing with the degree to which the position directly affects VRS' investment performance.
- Incentives are weighted or allocated to separate Plan components, described below, with the specific components and weightings varying by position:
 1. Total Fund relative investment performance
 2. Asset Class relative investment performance
 3. Average of Asset Class Multipliers (for positions that support multiple asset classes)
 4. Qualitative – focuses on individual achievement of assigned objectives.
- After year-end, payouts under each Plan component would be determined based on performance.

- Each participant's preliminary award would equal the sum of all of their performance-adjusted Plan components.
- Final awards would equal preliminary awards adjusted, up or down, based on the Total Fund's one-year absolute returns. Specifically, there will be no adjustment for returns between 0% and the assumed rate of return, currently 7%. There will be a positive one-for-one adjustment for returns in excess of the assumed rate of return (e.g., if Total Fund one-year actual absolute return equals +10%, then the preliminary awards will be increased by 3%). There will be a negative one-for-one adjustment for returns less than 0% (e.g., if Total Fund one-year actual absolute return equals -15%, then the preliminary awards will be reduced by 15%). This adjustment is specifically intended to systematically take into account, in the shorter term, the effect of market cycles on the health of the pension plan by providing a mechanism to reflect the impact of up and down markets on incentive compensation.
 - 50% of eligible senior staff-members' awards (up to IRS limits) will be deferred into tax-qualified accounts. See section III, Defined Contribution Incentive Plan for VRS Investment Management Personnel (DCPIP). While deferred, awards are subject to the Total Fund's annual absolute returns.
 - All other awards paid incash.

Generally, a Participant must be employed on the date of payment of the award. However, see INCENTIVE PLAN PROVISIONS, *Termination of Employment Due to Death, Disability or Retirement*.

INCENTIVE OPPORTUNITIES

Incentive opportunities will vary by position based on multiple criteria:

- The position's potential effect on the VRS' investment performance.
- Competitive market pay requirements.
- Internal equity considerations.
- Other factors determined by the CIO or, in the case of the Chief Investment Officer's position, by VRS' Board.

Actual awards can vary based on performance.

For the fiscal year ending June 30, 2013 and all subsequent years, unless as otherwise determined, the Plan's incentive opportunities are as follows:

Incentive Levels	
VRS Position	Incentive (1) (% salary)
Chief Investment Officer	70% (2)
Deputy Chief Investment Officer	65% (2)
Managing Director- Strategy, Research, Risk and/or Investment Decision Support	65% (2)
Managing Director- Internal Assets	65% (2)
Managing Director- Global Investments	65% (2)
Program Director	60% (2)
Director – Strategy, Research, Risk and/or Investment Decision Support	50%
Senior Portfolio Manager	50%
Portfolio Manager	40%
Manager – Strategy, Research, Risk and/or Investment Decision Support	30%
Senior Investment Officer	30%
Investment Officer	30%
Senior Investment Analyst	25%
Investment Analyst	5%
(1) Performance-adjusted preliminary awards can vary from zero to two times these incentive	
(2) A portion, up to 50%, of these positions' earned incentives is subject to mandatory deferral.	

INCENTIVE WEIGHTINGS

Each participant's incentive award will be weighted or allocated to separate, stand-alone Plan components. Importantly, all participants have a portion of their incentive opportunities weighted:

- To the Total Fund Plan component – which helps reinforce the importance of collective success as measured by the Total Fund's relative investment results.
- To the Qualitative Plan component – this helps reinforce achievement of specific initiatives and professional development.

Described below are the specific Plan weightings and the approach for determining awards under each of these Plan components.

Incentive Weightings By Plan Component						
VRS Position	Total Fund	Quantitative Average of Asset Class		Asset Class	Qualitative	Total
		Multipliers				
(% of total incentive weighted to each component)						
Chief Investment Officer	60%	20%	(1)		20%	100%
Deputy Chief Investment Officer	60%	20%	(1)		20%	100%
Managing Director- Strategy, Research, Risk and/or Investment Decision Support	60%	20%	(1,4)		20%	100%
Managing Director- Internal Assets	40%	40%	(2,4)		20%	100%
Managing Director- Global Investments	40%	40%	(3)		20%	100%
Program Director	30%	50%	(5)	50%	20%	100%
Director- Strategy, Research, Risk and/or Investment Decision Support	30%	50%	(1)		20%	100%
Senior Portfolio Manager	20%			60%	20%	100%
Portfolio Manager	20%			60%	20%	100%
Manager – Strategy, Research, Risk and/or Investment Decision Support	30%	50%	(1)		20%	100%
Senior Investment Officer	20%	60%	(5)	60%	20%	100%
Investment Officer	20%	60%	(5)	60%	20%	100%
Senior Investment Analyst	20%	30%	(5)	30%	50%	100%
Investment Analyst	20%	30%	(5)	30%	50%	100%

(1) Average multiplier based on the multipliers of all asset classes under the incumbent's purview.

(2) The MD Internal Assets average multiplier is based on the multipliers of the internal asset classes under the incumbent's purview.

(3) The MD Global Investments average multiplier is based on the multipliers of the external asset classes under the incumbent's purview.

(4) There is currently a single person taking on the role of MD Strategy, Research, Risk and/or Investment Decision Support and MD Internal Assets. The incentive for this individual is a 50/50% blend of the two separate MD positions.

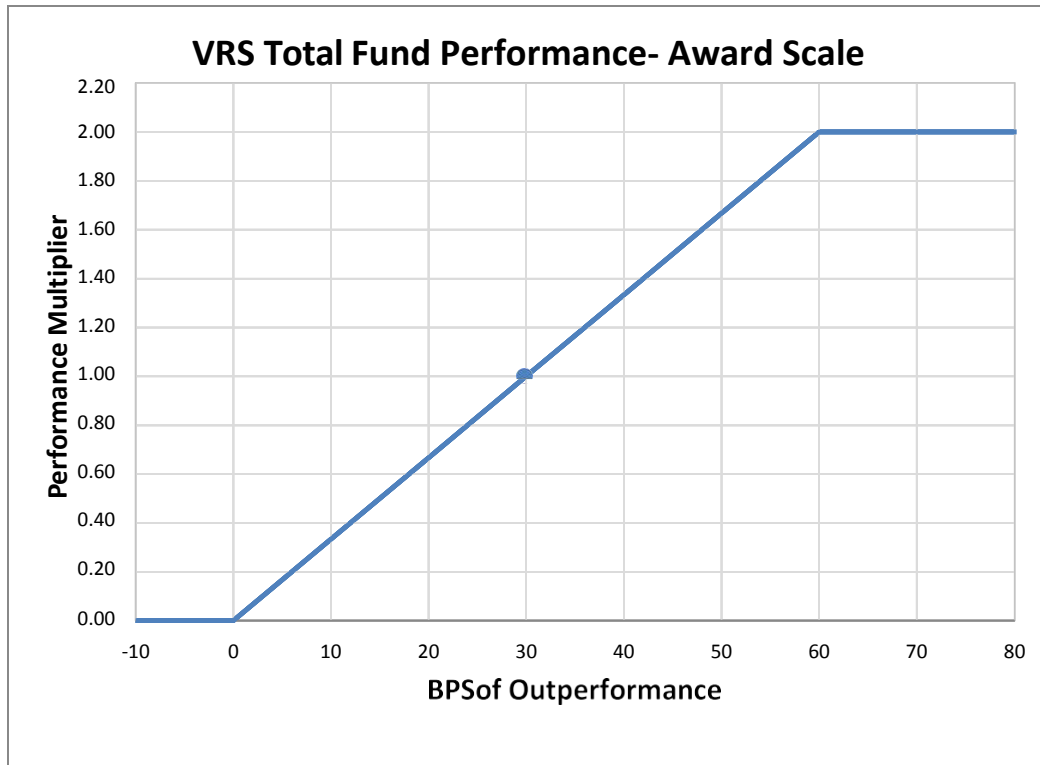
(5) These positions may support a specific asset class or multiple asset classes. If the position supports a specific asset class, then the multiplier is based on the asset class multiplier. If the position supports multiple asset classes, then the multiplier is based on the average of the multipliers of the asset classes supported.

QUANTITATIVE PLAN COMPONENTS

These Plan components link participants' incentive compensation to relative investment performance or, more specifically, the extent by which the Total Fund and/or Asset Class performance exceeds passive benchmarks (indices) as measured over trailing three- and five-year annualized periods (each weighted 50%).

For purposes of this Plan:

- Measurement of relative investment performance is net of third-party fees, which consist of investment management fees and performance fees paid to investment managers, custodian fees, legal fees, internal investment staff administrative expenses, and miscellaneous fees.
- A performance-award scale defines the linkage between relative investment performance and a corresponding Performance Multiplier. Illustrating this approach at the Total Fund level, when VRS' relative investment performance:
 - Equals zero or less (i.e., no relative value added), then the VRS Performance Multiplier will equal zero and there will be no incentive payouts under this Plan component.
 - Equals 30 bps, then the VRS Performance Multiplier will equal 1.00 and there will be a 100% payout of this Plan component.
 - Equals 60 bps or more, then the VRS Performance Multiplier will equal 2.00 and there will be a 200% payout of this Plan component.
 - Is anywhere between zero and 60 bps, then the VRS Performance Multiplier is determined on an interpolated, straight-line basis.



- Selected participants whose responsibilities span multiple asset classes may have a portion of their incentive weighted to a component that is determined based on the average multipliers of asset classes they support. The intent of this Plan component is to recognize and reward superior relative investment performance, regardless of the level of the associated assets.

The Board is responsible for setting the basis point outperformance standards for the Total Fund. The CIO is responsible for setting the basis point outperformance standards for individual asset classes, subject to the Board's final review and approval.

QUALITATIVE PLAN COMPONENT

The qualitative incentive multiplier can range from 0.00 to 2.00 at the CIO's discretion, with input from applicable senior staff regarding individual performance levels. This Plan component links participants' incentive compensation to achievement of individual and/or position-specific performance objectives and VRS' overall performance objectives. Actual awards under this plan component will reflect:

- Position- and/or incumbent-specific performance criteria.
- Achievement of key VRS performance objectives, including:

- Building an effective organization.
- Enhancing investment excellence.
- Developing staff.

The Board will annually determine the CIO's qualitative incentive multiplier after assessing attainment of the qualitative performance objectives, considering input and recommendations provided by the A&P Committee.

DETERMINING PRELIMINARY AWARDS

After the end of each fiscal year, a preliminary award will be determined for each Plan participant by aggregating all of their performance multiplier-adjusted weighted Plan components. In particular:

- Performance multipliers will be determined for each Plan component based on actual results.
- Preliminary payouts under each weighted Plan component will be determined by multiplying the incentive dollars weighted to that component by the associated performance multiplier.
- Total preliminary awards would be determined by adding up all of that participant's weighted Plan components.

Illustrated below is this approach for a position with an incentive of \$80,000.

Plan Component	Weighted Portion of Incentive		Performance Multiplier		Actual Award
Total Fund	\$16,000	X	1.50	=	\$24,000
Asset Class	48,000	X	1.00	=	48,000
Qualitative	16,000	X	1.20	=	19,200
Preliminary Award					\$91,200

DETERMINING FINAL AWARDS

Final awards, if any, would be determined after each fiscal year-end by adjusting the sum of each participant's preliminary award, up or down, based on VRS' one-year absolute return for the most recently completed fiscal year. Specifically, there will be no adjustment for returns between 0% and the assumed rate of return, currently 7%. There will be a positive one-for-one adjustment for returns in excess of the assumed rate of return. There will be a negative one-for-one adjustment for returns less than 0%. Illustrated below is the process for determining final awards.

Scenario #1:
 The Total Fund's One-Year Absolute Returns are +5%

Plan Component	Weighted Portion of Incentive		Performance Multiplier		Actual Award
Total Fund	\$16,000	X	1.50	=	\$24,000
Asset Class	48,000	X	1.00	=	48,000
Qualitative	16,000	X	1.20	=	19,200

	Preliminary Award	\$91,200
X no adjustment		0%
Final Award		\$91,200

Scenario #2:
 The Total Fund's One-Year Absolute Returns are +10%

Plan Component	Weighted Portion of Incentive		Performance Multiplier		Actual Award
Total Fund	\$16,000	X	1.50	=	\$24,000
Asset Class	48,000	X	1.00	=	48,000
Qualitative	16,000	X	1.20	=	19,200

	Preliminary Award	\$91,200
X 1+ VRS Fund's One-Year Rate of Return less assumed rate of return		103%
Final Award		\$93,936

Scenario #3:
 The Total Fund's One-Year Absolute Returns are -15%

Plan Component	Weighted Portion of Incentive		Performance Multiplier		Actual Award
Total Fund	\$16,000	X	1.50	=	\$24,000
Asset Class	48,000	X	1.00	=	48,000
Qualitative	16,000	X	1.20	=	19,200

	Preliminary Award	\$91,200
X 1+ VRS Fund's One-Year Rate of Return		85%
Final Award		\$77,520

PAYING OUT FINAL AWARDS

Board Review

Prior to payout of any and/or all awards, the CIO will present a schedule of aggregate incentives to the Board of Trustees, through the A&P Committee, in advance. This report will include, in aggregate, the awards, the multipliers awarded for each component, the actual dollar awards earned for each component and the total awards. Internal Audit and Human Resources will review the calculations. As requested by the A&P Committee, the CIO will provide additional information prior to the Board approving the payout of any and/or all awards.

Final Award Payout

Final awards will be paid out as follows:

- For VRS' most senior staff (i.e., incumbents in positions at or above the level of Program Director) when awards are paid, 50% of total award amounts up to the specified Internal Revenue Code (IRC) § 415(c)(1)(A) plan limits will be deferred into the DCPIP plan. All other amounts paid in cash. Section III of this document describes the terms of the § 415(c)(1)(A) plan.
- For all other Plan participants, awards paid 100% in cash.

Timing of Cash Payouts

When the Board approves incentive awards, the VRS will make payments between July 1 and December 31 after VRS' fiscal year end.

- Awards to senior staff paid as follows: 50% deferred into DCPIP (subject to IRS limits) and the remainder in cash.
- Awards to all other plan participants paid out 100% in cash.

INCENTIVE PLAN PROVISIONS

- ***New employees, promoted employees and other employees who transfer into another position covered in this payplan:***
 - Employees who join the VRS Investment Department after the commencement of the fiscal year may be eligible to participate in the Plan. Incentives will be computed on the incentive percentage and their actual earned salary for the year.
 - Promoted employees and employees who transfer into another position covered in this pay plan will have their incentives calculated based on their actual earned salary for the year and a proportional incentive percentage.
- ***Minimum Individual Performance Standard:*** Employees with an individual performance rating of "Does Not Meet Expectations" are not eligible to receive any incentive payment under the Plan.
- ***Termination of Employment Due to Death, Disability, or Retirement:*** Terminated employees may be eligible to receive a time-weighted portion of their final award for the current performance year. Plan participants who terminate employment due to death or disability or who retire during a fiscal year will be eligible to receive a time-weighted portion of their Board approved award (1/12 for each complete month worked in their last year of service). The incentive payments for the year in which death, disability or retirement occurs shall be paid 100% in cash to such employee or his representative between July 1 and December 31 following the end of the fiscal year in which such death, disability or retirement occurs.
- ***Termination for all Other Reasons:*** Except as specifically determined by the CIO for all positions other than the CIO, and by the A&P Committee for the CIO's position, participants

who terminate employment with VRS for all other reasons prior to the normally scheduled date of payout forfeit all rights under the plan.

- **Clawback:** In the event of termination for malfeasance related to duties as an investment professional, VRS retains the right to seek repayment for any and/or all paid incentive awards.

III. Defined Contribution Incentive Plan for VRS Investment Management Personnel (DCPIP)

PARTICIPATION

This plan covers VRS investment professionals at or above the level of Program Director. Such positions currently include CIO, Deputy CIO, Managing Director, and Program Director. The Board retains the discretion to modify, at any time, the positions that are eligible to participate in this plan.

AMOUNTS SUBJECT TO ANNUAL DEFERRAL

- Deferrals into this plan only occur in years when VRS' Board decides, at its full and complete discretion, to allow payment of incentive awards.
- Commencing with (and including fiscal 2013), in years when VRS' Board decides to pay incentive awards, 50% of participants' final awards up to specified IRC §415(c)(1)(A) limits will be deferred into this plan. All other amounts paid in cash.

INVESTMENT RETURN

Participants' deferred accounts in the DCPIP and the § 415(m) plan will earn an "investment return" (positive or negative) equaling the current annual rate of return of the VRS Fund. However, upon attaining age 55, the DCPIP permits members of the Investment Management Committee who have established accounts in the Commonwealth of Virginia 457 Deferred Compensation Plan, to transfer a portion into the Virginia Cash Match Plan. This transfer right allows DCPIP participants at age 55 or at any time after attaining age 55, to select any combination of the investment options then offered by the Cash Match Plan. Notwithstanding the transfer right, members of the Investment Management Committee at age 55 or older must leave at least a minimal balance amount in their DCPIP account, to avoid having to re-open the account. The VRS Defined Contribution Plan Administrator will assist participants with these transfers.

FUND TRANSFERS and DISTRIBUTIONS

Participants of the DCPIP cannot transfer funds from the § 415(m) plan into the Cash Match Plan because the § 415(m) plan is a non-qualified "excess plan" not permitted to be held in trust for the exclusive benefit of the plan participants. The § 415(m) plan closed as of June 30, 2013, except for the CIO. The distribution of the balance in the § 415(m) plan will be made in cash to the Participant.

The accumulated DCPIP trust balances will be distributed to the Participant upon termination of employment with the Commonwealth of Virginia. The participant may elect to receive the balance in the DCPIP either in cash or as a "roll-over" into another retirement or related benefit vehicle/trust, or a combination of both. All payouts/rollovers will be credited with earnings through the latest quarter end for which finalized performance is available, by the date of the payment.

All applicable laws and regulations will govern the creation, funding and distributions of the DCPIP and § 415(m) plan. Detailed plan documents are on file with the Human Resources Director and the Chief Financial Officer.

TAXATION

Taxation of the amount contributed to the DCPIP and § 415(m) plans is deferred until distribution from the respective plan.

IV. Other Compensation Plan Information

Competitive Pay Increases

Competitive pay increases are an option available to retain a highly valued employee who has received a job offer from another employer. Requests for competitive pay increases should take into consideration the employee's experience, level of education, performance and contribution to the agency, and the salaries of other employees in comparable jobs. A written job offer must be received to provide a competitive pay increase.

Sign-on Bonuses

Investment professionals hired at the VRS may be eligible for sign-on bonuses, as described in the VRS Employee Sign-on Bonus Program Policy.

Relocation Expenses

Investment professionals hired at the VRS may be eligible for reimbursement of relocation expenses, if approved by the CIO. The reimbursement of the expenses must comply with the Department of Accounts Moving and Relocation Policy.

Employment at Will

The investment employees covered by this policy are exempt from the provisions of the Virginia Personnel Act and employment in these positions is at will. Just as the employee retains the right to resign at any time, the VRS has a similar right to end at will employment with or without cause. An at-will employee does not serve an introductory period. An at-will employee is not eligible to use the agency's grievance procedure to resolve employment disputes.

Investment employees covered by this policy are eligible for all other employment benefits and subject to agency policies that do not contradict their "at will" status.

409A Compliance

The intent of the Board is that payments and benefits under this plan either comply with Section 409A of the Internal Revenue Code and applicable guidance issued thereunder ("Code Section 409A") or qualify for an exemption from Code Section 409A and, accordingly, all provisions of this Plan shall be construed in a manner consistent with the requirements for avoiding taxes or penalties under Code Section 409A. The Board shall not take any action to accelerate or delay the payment of any monies and/or provision of any benefits in any matter which would not be in compliance with Code Section 409A to the extent Code Section 409A applies to such payment or benefit. Notwithstanding any of the provisions of this pay plan, the Board shall not be liable to the employee if any payment or benefit which is to be provided pursuant to this Plan and which is considered deferred compensation subject to Code Section 409A otherwise fails to comply with, or be exempt from, the requirements of Code Section 409A.

CLASS STRUCTURE

The following descriptions are the summaries of VRS' investment professional job classes/positions:

Chief Investment Officer

The CIO manages and directs investment programs, determines appropriate program structure, implementation, and monitoring. The CIO manages investment professionals who are directly responsible for internal and external investment programs. The CIO heads the Executive and Management Committees, which are responsible for reviewing all investment recommendations. The CIO collaborates with the VRS Board-appointed Investment Advisory Committee (IAC) and delivers frequent reports and updates to the VRS Board.

Deputy CIO

Working under the direction of the CIO, this position is responsible for assisting in developing and implementing the Fund's overall investment policies and programs. The Deputy CIO serves as an internal consultant to the CIO on a range of investment strategies, works on special investment related projects, serves on the Executive and Management Committees and assumes many of the CIO responsibilities, allowing the CIO to focus on investment management, Board relations, and other critical Fund-level activities or initiatives.

Managing Director

The Managing Director is a senior investment position reporting directly to the CIO. This position serves on the Investment Executive and Management Committees. The Executive Committee is a department wide resource to the CIO for management and administrative issues. The Management Committee participates in asset allocation and manager/fund allocation decisions.

Program Director

The Program Director has deep asset class knowledge and carries full managerial responsibility for a VRS investment program, including all internally and externally managed assets. The Program Director may also support multiple asset classes. The Program Director participates on the Investment Management Committee and regularly presents information to the IAC and the Board. The Program Director, as applicable, operates within an explicit risk budget and has investment performance objectives that are regularly measured. The Program Director has full responsibility for negotiating on behalf of VRS.

Director or Manager - Strategy, Research, Risk and/or Investment Decision Support

Strategy – The positions within Strategy identify and evaluate relative value based tilt opportunities that have the potential to 1) improve the fund's return without materially increasing the risk, 2) reduce the fund's risk without materially reducing the return, or 3) some combination of these objectives. In addition, staff within Strategy 1) review and evaluate the implications of macro-economic conditions, 2) analyze current conditions and opportunities within major asset classes and key asset class subsectors, 3) monitor and evaluate the tactical and strategic tilts of key VRS investment partners, and 4) identify strategy ideas including risk and return expectations for base case and alternative scenarios.

Research – The positions within Research have responsibility to support both basic and applied research efforts for all VRS investment staff. This effort includes monitoring, coordinating, facilitating, and implementing current best practices and methods to ensure optimal investment performance and risk management at both the program and plan level.

Risk – The positions within Risk have responsibility in the design, implementation, and management of the risk management program including project management (solicitation and queueing of projects from clients), guidance and coordination within the group, mathematical and statistical analysis of empirical problems, risk management, and high-level programming. Additionally, staff within Risk assist with the design and implementation of an opportunistic portfolio allocation to manage the risk exposures of the total fund.

Investment Decision Support – The positions within Investment Decision Support have

responsibility for the design and delivery of investment program, risk management, strategy, and research analytic systems. As a component of this, staff is responsible for all investments data as well as the design, development and implementation of the quantitative infrastructure for the VRS investment programs. This includes a data warehouse, various data retrieval tools, quantitative analysis tools, program level reporting tools and support applications that retrieve, consolidate and report information.

Senior Portfolio Manager

The Senior Portfolio Manager positions have responsibility for multiple portfolio strategies and/or may supervise one or more Senior Investment Officers or Portfolio Managers.

The Senior Portfolio Manager positions provide a potential career progression ladder for Portfolio Managers over time, considering the contributions, experience and sustained performance for the incumbents.

Portfolio Manager

The Portfolio Manager provides critical input to strategy development and is responsible for the more complicated and higher risk investments. The Portfolio Manager may delegate to the Senior Investment Officer certain portions of the investment program. The Portfolio Manager will begin to negotiate terms on behalf of VRS. The Portfolio Manager, from time to time, makes presentations and recommendations to the Management Committee, and perhaps the IAC and Board.

The Portfolio Manager supporting the Defined Contribution Plans is a senior investment position reporting directly to the Managing Director of Global Investments. This position provides critical input to the design, implementation, and monitoring of all investment related aspects of the VRS defined contribution plans (DC). Responsibilities include (1) evaluation and selection of new investment strategies, managers and/or funds, (2) negotiating terms on behalf of VRS, (3) monitoring and management of relationships with existing defined contribution investment managers, (4) implementing investment policy as determined by the VRS Board, (5) presenting to the Defined Contribution Plans Advisory Committee and the Board, and (6) any other projects or duties relating to the defined contribution program as may be assigned from time to time.

Senior Investment Officer

The Senior Investment Officer has higher level monitoring responsibilities that tend to involve higher risk and strategies that are more complicated. Some Senior Investment Officers may have day-to-day responsibilities for managing internal portfolios, subject to risk limits prescribed by the program director. The Senior Investment Officer will increasingly become involved in strategy development and formal recommendations to the Program Director.

Investment Officer

The Investment Officer, in addition to analytical responsibilities, may have direct responsibility for monitoring some portion of the existing portfolio, or some strategies or managers under consideration in the future. Such assignments will typically be in lower risk and less complicated strategies. The Investment Officer may continue to be involved in monitoring, compliance, and administration, but will also begin to make formal investment recommendations to the Program Director.

Senior Investment Analyst

The Senior Investment Analyst performs various types of analysis at the direction of more senior staff members. Analyst activities are geared around providing support for senior staff members more directly involved in the decision-making process. Such activities will include research, reporting, monitoring, compliance, and administration.

Investment Analyst

The Investment Analyst assists other investment professionals in their daily operations, including investment research and analysis, trading, and portfolio management. Analysts follow and report current market information relating to assigned sectors of the market. In addition, the Analyst conducts independent research on various topics, performs data maintenance, integrity, and report generation tasks.

Supersedes:

~~11/20/19~~10/15/20

Effective Date:

~~10/15/2006~~10/21

I. Purpose

The pay plan (the “Plan”) applies to all full and part-time (non-wage) Investment Department operations and administration staff and associated positions. This includes all Investment Department employees who are not included in the Investment Professionals’ Pay Plan. Wage employees’ pay complies with the provisions of the state classification and pay plan. The Plan recognizes that Investment Department supervisors and managers are in the best position to assess, appraise and reward the performance of individuals under their supervision. The objective of the Plan is to compensate employees reasonably and equitably, to encourage constructive individual and team effort, and to recognize that these positions require specialized experience and expertise.

The Plan ensures that Investment Department operations and administration salaries are competitive with the market average of a mix of public and private sector organizations. Human Resources (HR) contracts for comparative market salary data about every two years, to ensure competitiveness of the salary structure.

II. Policy

The salary for each position has a minimum, midpoint and maximum:

- **Minimum** is the lowest salary paid for a position within the salary grade.
- **Midpoint** represents the target market salary paid to employees who are fully qualified and meet all competencies required to fulfill each of the position’s responsibilities.
- **Maximum** is the highest salary paid for a position within the salary grade.

The midpoint of each grade is set equal to the market average. Individual performance, time in the position, previous related work experience, and other factors can influence earnings that are higher or lower than the midpoint.

The expectation is that employees with salaries closer to the maximum for their position are more tenured, have been a consistently exceptional performer or have more work experience.

During the job placement process, Fair Labor Standards Act (FLSA) exemption statuses (exempt or non-exempt) are determined based on the FLSA job duties test.

See Salary Ranges and Position Titles and Salary Grades tables in the Appendix.

Performance Assessment

Investment Department operations and administration staff will receive a formal performance assessment annually, using the following five point rating scale: “Does Not Meet Expectations,” “Needs Improvement,” “Meets Expectations,” “Exceeds Expectations,” and “Exceptional,” based on the criteria described in employees’ position descriptions. However, the VRS expects supervisors and managers to give informal performance feedback at least quarterly and more frequently to co-workers who are inexperienced in their position or who are not meeting the performance expectations of their supervisor or manager. In the latter case, the feedback must be in writing to employees.

The Rating Scale definitions are as follows.

Does Not Meet Expectations - Performance must improve substantially within a reasonable period if the individual is to remain in this position. The employee is not meeting the job requirements. The person consistently fails to meet the objective(s) described in the goal area.

Needs Improvement - Performance is noticeably less than expected. The employee generally meets most job requirements, but struggles to meet them all. The need for further development and improvement is clearly recognized.

Meets Expectations - Performance clearly and fully meets all the requirements of the position in terms of quality, timeliness and quantity of work. The assessment is a good, solid performance. While minor deviations may occur, the overall level of performance meets all position requirements. The person consistently meets, and may occasionally exceed the objective(s) described in the goal area. Employees that attain and maintain this rating are performing their jobs as expected, meeting deadlines and delivering good quality results.

Exceeds Expectations - Performance frequently exceeds job requirements. Accomplishments are regularly above expected levels. Performance is sustained and uniformly high with thorough and on-time results. Tasks assigned are consistently completed with good quality and on time or ahead of schedule, and the tasks are sometimes completed even if they are not directly assigned. The person will often perform tasks that fall outside their job description.

Exceptional - Performance levels and accomplishments far exceed normal expectations. This category is for the employee who truly stands out and clearly and consistently demonstrates exceptional accomplishments in terms of quality and quantity of work that is easily recognized, as truly exceptional by others. This rating is very difficult to achieve in the regular execution of one’s job. An opportunity has to present itself and the person needs to identify it and take full advantage of it. It is difficult to define the precise criteria on a performance plan that will allow

a person to achieve an exceptional rating, but “you will know it when you see it.”

Starting Salary

The VRS Chief Investment Officer (CIO) approves a position’s grade and salary range when signing the VRS Position Approval form. Hiring supervisors and second-line supervisors recommend the starting salary for new employees, with the final approval by the CIO, in coordination with HR. When making salary offers, consider salaries presently paid to employees in the department and the candidate’s education, skills and work experience. Starting salaries typically do not exceed the salary grade midpoint of the job. Additional justification is required to support offering salaries above the midpoint.

Salary Adjustments

A. Introductory Period

The introductory period for new employees is normally six months from the date of hire, but can be up to a year for selected positions. This is the adjustment period for employees to establish a working relationship with their supervisors and to acclimate to their new job duties.

When employees successfully complete the introductory period, they typically receive a pay increase of 2% if they are at least meeting expectations. The VRS may discharge employees with or without cause at any time during the introductory period.

In situations that warrant additional time to evaluate employees’ performance, skill level or suitability for the job, VRS may extend the introductory period up to an additional six months. Supervisors will communicate the extension of the introductory period in writing to the employee and HR prior to the conclusion of the employee's initial introductory period. Communications should include reasons for the extension and improvements needed by the employee to meet performance expectations successfully during the extended introductory period. VRS expects these employees to improve their performance to "Meets" or they face termination, demotion, or transfer to a suitable job, if such an opportunity exists.

B. Promotions

A promotion occurs when an employee transitions to a different position assigned to a higher salary grade. A promotion can be competitive (selected through a recruitment and hiring process) or non-competitive (i.e., through the career development process).

When employees compete and are hired into a job in a higher grade, they are typically eligible for a salary increase between 5% and 15%. For non-competitive promotions, the salary will be subject to review to ensure internal equity. Promotional salaries must be at or above the

minimum of the new salary grade. Promotional pay cannot place an employees' salary above the maximum of the salary grade.

C. Lateral

A lateral occurs when an employee moves into a position with a different job title and classification which is in the same salary grade. This movement constitutes a lateral move or a transfer.

For a competitive (posted and selected) lateral move/transfer, a salary increase may be considered only if duties of the new position are substantially different. If an increase is approved the increase amount shall not exceed 5%, provided the increase does not exceed the maximum salary range. Any exception to this guideline requires additional justification, an internal equity review and approval of the CIO in coordination with HR.

D. Downward Assignments (Voluntary or Performance Related)

Downward assignments occur when an employee transitions to a position within a salary grade lower than the current grade.

Voluntary – An employee initiated request to transition to a position within a lower salary grade.

Involuntary– A management initiated request to transition an employee to a position within a lower salary grade, typically due to performance, corrective action or restructuring.

A downward assignment would typically result in the salary being placed at any pay rate within the lower classification, not to exceed the maximum or fall below the minimum of the new salary range. Any exception to this guideline will require additional justification, an internal equity review and approval of the CIO in coordination with HR.

In unique situations, such as job abolishment or agency reorganization, an employee's salary may exceed the maximum of the lower grade and the salary remain unchanged. Salaries remain frozen until market adjustments allow additional increases. These employees remain eligible to receive applicable performance or gainsharing bonus awards if performance criteria are met.

E. Job Reclassifications

Job reclassifications occur when the employee's duties and responsibilities change substantially, which may result in a different pay grade. Reclassification is based on job content and not the performance of the incumbent. Job studies are performed by HR, with input by management.

Reclassification Upward: Occurs when it is determined that an individual's job duties and

responsibilities have changed significantly enough to transition the position into a different classification within a higher salary grade.

Employees typically receive salary increases between 2% and 15%. Reclassification increases are approved by the CIO, in coordination with HR. Salaries must be at or above the minimum of the new pay grade.

Reclassification Laterally: Occurs when it is determined that an individual's job duties and responsibilities have changed significantly enough to transition the position into a different classification within the same salary grade.

No salary increase is awarded. Any exception to this guideline will require additional justification, an internal equity review, and approval of the CIO, in coordination with HR.

Reclassification Downward: Occurs when it is determined that an individual's job duties and responsibilities have changed significantly enough to transition the position into a different classification within a lower salary grade.

This will result in the salary being placed at any pay rate within the lower classification, not to exceed the maximum or fall below the minimum of the new salary range. Any exception to this guideline will require additional justification, an internal equity review and approval of the CIO, in coordination with HR.

F. Regrade

Regrades occur when the classification is determined to warrant a different pay grade. This is typically determined by a market analysis or internal classification review, performed by HR in coordination with the CIO.

Employees typically receive salary increases between 2% and 15%. Regrade increases are approved by the CIO, in coordination with HR. Salaries must be at or above the minimum of the new pay grade.

G. Acting Pay

Acting pay is provided when an employee is temporarily assigned to assume the responsibilities of a position in a higher salary grade.

Less Than Two Years Duration: The employee will receive at least a 5% salary adjustment while serving in an acting position. If the 5% increase does not place the employee at the minimum salary of the acting position, the salary must be increased to the minimum of the acting range. The acting amount shall not exceed the maximum of the acting range. When the employee returns to the former position, his or her salary will be reduced by the dollar amount received

while performing the “acting” job responsibilities.

Beyond Two Years Duration: When employees are deemed to be “acting” by performing the full duties of a position for more than two years, the supervisor may choose to promote the individual without going through a competitive process. If the employee is promoted, the employee is eligible for a promotional increase. Otherwise, the position will be open for recruitment. The permanent filling of the position may involve no change in current salary or could include a pay increase, depending upon the circumstances and available budget.

If an employee is acting in a position that is the same salary grade, acting pay would not be provided unless there is sufficient justification to support that the duties of the acting position are substantially different.

H. In-grade Adjustments

In-grade salary adjustments occur when employees receive an increase in base pay to ensure competitiveness, retention, and to recognize increased skills, abilities, knowledge, or responsibilities outside of the position classification process. These adjustments should only be provided once per fiscal year. Listed below are the categories and descriptions of in-grade salary adjustments.

Market adjustment: Warranted in cases where external market forces exist due to high demand for a particular skill or position which may result in significantly higher turnover. Market adjustments may also occur if it is determined that an individual’s salary is significantly lower than market study findings. Salary adjustments can apply to an individual or classification of employees to ensure competitiveness and retention of staff. An in-grade adjustment of 1% to 10% of salary is typically provided.

Internal alignment adjustment: Warranted when employees’ salaries are unusually low or out of comparability with other employees in the work unit. Factors considered include experience, education, knowledge, skills and abilities. An in-grade adjustment of 1% to 10% of salary is typically provided.

Individual accomplishment adjustment: May be awarded to recognize the attainment of a higher level of expertise through professional certification requiring continuing education credits (CEUs). In-grade adjustments are awarded at the time of the original certification. If the certification does not require CEUs, an in-grade adjustment will not be provided; however, a bonus may be considered. Additionally, an in-grade adjustment for completion of a degree that relates to a current or career path position may be provided. Other similar situations may be considered as justification for an individual accomplishment adjustment. An in-grade adjustment of 1% to 10% of salary is typically provided.

Skill acquisition and application adjustment: May be awarded to recognize the acquisition and application of relevant, pre-defined, job-based skills, resulting in increased value to the organization. Typically, an Individual Development Plan identifies the needed skills and the skill acquisition plan. Formal assessments, through testing or demonstration of the skills acquired and applied to the job, may result in an in-grade adjustment. An in-grade adjustment of 1% to 4% of salary is typically provided.

The employee's supervisor must request the in-grade adjustment in writing and include documentation supporting the need for a pay adjustment. The CIO approves in-grade adjustments, in coordination with HR.

When an employee's salary is at or above the salary maximum for his/her job grade, a bonus payment may be awarded. The CIO approves the bonus, in coordination with HR.

I. Competitive Pay Increases

A competitive pay increase is an option available to supervisors to retain top performers, who have received an external job offer, when the loss is determined to be detrimental to the organization. Employees must furnish a copy of the respective job offer.

The supervisor requests, in writing, a competitive pay increase and includes documentation supporting the need for an adjustment and justification for the increase. The CIO approves the increase, in coordination with HR.

Competitive pay increases apply to base salary and may not exceed the salary maximum for the salary range. In extraordinary circumstances, when an employee's base salary is at maximum, a bonus is an option. In these situations, the CIO approves the action, in coordination with HR.

J. Increases Governed by the Appropriation Act

VRS will implement pay actions consistent with the provisions of the Appropriation Act.

Bonuses

A. Sign-on

Sign-on bonuses may be provided to qualified external candidates when the position is determined to be hard-to-fill, or when there is a demonstrated need to provide supplemental pay to compete with the market.

The amount of the sign-on bonus will vary depending on the position and the supply of candidates. The amount of the bonus typically ranges from 1% to 20% of the midpoint of the

Administrative Policies

Policy Title: Investment Operations and Administration Staff Pay Plan



salary range.

Fifty percent of the sign-on bonus will be paid in the first paycheck with the remainder of the bonus being paid following the successful completion of the introductory period.

Refer to the Employee Sign-on Bonus Program Policy.

B. Referral

Referral bonuses may be provided to full and part-time employees who refer a candidate hired into a full-time position.

The amount of the referral bonus is \$1,000. Fifty percent is paid in the paycheck following the referred employee's first full pay cycle with the remainder of the bonus being paid following the successful completion of the referred employee's introductory period.

Refer to the Employee Referral Program Policy.

C. Performance

Performance bonuses, where applicable, are provided to the Investment operations and administration staff following the annual review process.

Subject to the approval of the VRS Board of Trustees, eligible employees who receive an overall rating of "exceptional" will receive a 4% bonus and employees who receive an overall rating of "exceeds" will receive a 2% bonus, based on their salary as of June 30. Employees who receive an overall "meets," "does not meet" or "needs improvement" rating will not receive a performance bonus.

The performance cycle and thus, bonus payments, align with the fiscal year, July 1 through June 30.

While the VRS Board of Trustees remains mindful of the value that staff adds to the organization and supportive of the pay plan, the VRS Board of Trustees also specifically reserves the right to cancel, reduce, or delay the amount of any bonuses payable under this plan when, in the sole discretion of the VRS Board of Trustees, extreme budgetary pressures, economic, market or other conditions are such that the VRS Board of Trustees deems such action necessary under the circumstances.

Consistent with the preceding paragraph, payment of performance bonuses under this plan is not guaranteed.

D. Gainsharing

The Investment Department's operations and administration staff employees may receive a lump-sum bonus equal to 2.5% of salary if their performance "meets expectations", "exceeds expectations" or is "exceptional", as rated in their annual performance assessment and the employee consistently works, as a team member, to accomplish the goals of the Investment Department. Additionally, Investment Department's operations and administration staff employees are eligible to be recognized and rewarded under the provisions of the VRS

Administrative Policies

Policy Title: Investment Operations and Administration Staff Pay Plan
Recognition and Awards Program.



While the VRS Board of Trustees remains mindful of the value that staff adds to the organization and supportive of the pay plan, the VRS Board of Trustees also specifically reserves the right to cancel, reduce, or delay the amount of any bonuses payable under this plan when, in the sole discretion of the VRS Board of Trustees, extreme budgetary pressures, economic, market or other conditions are such that the VRS Board of Trustees deems such action necessary under the circumstances.

Consistent with the preceding paragraph, payment of gainsharing bonuses under this plan is not guaranteed.

Other VRS Pay Plans

In addition to the Investment Operations and Administration Staff Pay Plan, VRS maintains several other pay plans to meet specific employment and compensation needs. These plans are as follows:

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- **Executive Pay Plan** – This pay plan provides the annual salary and bonus amounts provided to the Agency Director, Chief Investment Officer and Audit Director by the VRS Board of Trustees.



Salary Ranges

Grade	Minimum	Midpoint	Maximum
1	\$40,898	\$51,122	\$61,346
2	\$46,010	\$57,513	\$69,014
3	\$51,761	\$64,701	\$77,642
4	\$58,335	\$72,918	\$87,502
5	\$65,742	\$82,177	\$98,613
6	\$74,076	\$92,594	\$111,113
7	\$83,334	\$104,168	\$125,003
8	\$93,521	\$116,901	\$140,280
9	\$105,558	\$131,947	\$158,336
10	\$118,520	\$148,152	\$177,782
11	\$133,337	\$166,670	\$200,004
12	\$150,003	\$187,503	\$225,005
Minimum is 80% of midpoint. Maximum is 120% of midpoint.			
Bandwidth is 50%.			
Difference between grades is 10-15%.			



Position Titles and Salary Grades

Group	Title	Grade
Executive	Chief Administrative Officer	12
Executive	Deputy Chief Administrative Officer	11
Regulatory and Legal	Regulatory and Legal Officer	10
Regulatory and Legal	Regulatory and Legal Lead Senior Analyst	9
Regulatory and Legal	Regulatory and Legal Analyst III	8
Regulatory and Legal	Regulatory and Legal Analyst II	6
Regulatory and Legal	Regulatory and Legal Analyst I	4
Regulatory and Legal	Office Administrator	6
Compliance	Compliance Officer	10
Compliance	Compliance Lead Senior Analyst	9
Compliance	Compliance Analyst III	8
Compliance	Compliance Analyst II	6
Compliance	Compliance Analyst I	5
Operations	Operations Manager	10
Operations	Operations Lead Senior Analyst	9
Operations	Operations Analyst III	8
Operations	Operations Analyst II	6
Operations	Operations Analyst I	4
Systems	Decision Systems Manager	10
Systems	Decision Systems Principal	10
Systems	Decision Systems Analyst III	9
Systems	Decision Systems Analyst II	8
Systems	Decision Systems Analyst I	7

Administrative Policies

Policy Title: Investment Operations and Administration Staff Pay Plan

Appendix



Group	Title	Grade
Systems	Decision Data Analyst II	6
Systems	Decision Data Analyst I	4
Admin	Portfolio Assistant	3
Admin	Executive Assistant	3
Admin	Administrative Assistant	1

Supersedes: 10/15/20

Effective Date: 06/10/21

I. Purpose

The pay plan (the “Plan”) applies to all full and part-time (non-wage) Investment Department operations and administration staff and associated positions. This includes all Investment Department employees who are not included in the Investment Professionals’ Pay Plan. Wage employees’ pay complies with the provisions of the state classification and pay plan. The Plan recognizes that Investment Department supervisors and managers are in the best position to assess, appraise and reward the performance of individuals under their supervision. The objective of the Plan is to compensate employees reasonably and equitably, to encourage constructive individual and team effort, and to recognize that these positions require specialized experience and expertise.

The Plan ensures that Investment Department operations and administration salaries are competitive with the market average of a mix of public and private sector organizations. Human Resources (HR) contracts for comparative market salary data about every two years, to ensure competitiveness of the salary structure.

II. Policy

The salary for each position has a minimum, midpoint and maximum:

- **Minimum** is the lowest salary paid for a position within the salary grade.
- **Midpoint** represents the target market salary paid to employees who are fully qualified and meet all competencies required to fulfill each of the position’s responsibilities.
- **Maximum** is the highest salary paid for a position within the salary grade.

The midpoint of each grade is set equal to the market average. Individual performance, time in the position, previous related work experience, and other factors can influence earnings that are higher or lower than the midpoint.

The expectation is that employees with salaries closer to the maximum for their position are more tenured, have been a consistently exceptional performer or have more work experience.

During the job placement process, Fair Labor Standards Act (FLSA) exemption statuses (exempt or non-exempt) are determined based on the FLSA job duties test.

See Salary Ranges and Position Titles and Salary Grades tables in the Appendix.

Performance Assessment

Investment Department operations and administration staff will receive a formal performance assessment annually, using the following five point rating scale: “Does Not Meet Expectations,” “Needs Improvement,” “Meets Expectations,” “Exceeds Expectations,” and “Exceptional,” based on the criteria described in employees’ position descriptions. However, the VRS expects supervisors and managers to give informal performance feedback at least quarterly and more frequently to co-workers who are inexperienced in their position or who are not meeting the performance expectations of their supervisor or manager. In the latter case, the feedback must be in writing to employees.

The Rating Scale definitions are as follows.

Does Not Meet Expectations - Performance must improve substantially within a reasonable period if the individual is to remain in this position. The employee is not meeting the job requirements. The person consistently fails to meet the objective(s) described in the goal area.

Needs Improvement - Performance is noticeably less than expected. The employee generally meets most job requirements, but struggles to meet them all. The need for further development and improvement is clearly recognized.

Meets Expectations - Performance clearly and fully meets all the requirements of the position in terms of quality, timeliness and quantity of work. The assessment is a good, solid performance. While minor deviations may occur, the overall level of performance meets all position requirements. The person consistently meets, and may occasionally exceed the objective(s) described in the goal area. Employees that attain and maintain this rating are performing their jobs as expected, meeting deadlines and delivering good quality results.

Exceeds Expectations - Performance frequently exceeds job requirements. Accomplishments are regularly above expected levels. Performance is sustained and uniformly high with thorough and on-time results. Tasks assigned are consistently completed with good quality and on time or ahead of schedule, and the tasks are sometimes completed even if they are not directly assigned. The person will often perform tasks that fall outside their job description.

Exceptional - Performance levels and accomplishments far exceed normal expectations. This category is for the employee who truly stands out and clearly and consistently demonstrates exceptional accomplishments in terms of quality and quantity of work that is easily recognized, as truly exceptional by others. This rating is very difficult to achieve in the regular execution of one’s job. An opportunity has to present itself and the person needs to identify it and take full advantage of it. It is difficult to define the precise criteria on a performance plan that will allow

a person to achieve an exceptional rating, but “you will know it when you see it.”

Starting Salary

The VRS Chief Investment Officer (CIO) approves a position’s grade and salary range when signing the VRS Position Approval form. Hiring supervisors and second-line supervisors recommend the starting salary for new employees, with the final approval by the CIO, in coordination with HR. When making salary offers, consider salaries presently paid to employees in the department and the candidate’s education, skills and work experience. Starting salaries typically do not exceed the salary grade midpoint of the job. Additional justification is required to support offering salaries above the midpoint.

Salary Adjustments

A. Introductory Period

The introductory period for new employees is normally six months from the date of hire, but can be up to a year for selected positions. This is the adjustment period for employees to establish a working relationship with their supervisors and to acclimate to their new job duties.

When employees successfully complete the introductory period, they typically receive a pay increase of 2% if they are at least meeting expectations. The VRS may discharge employees with or without cause at any time during the introductory period.

In situations that warrant additional time to evaluate employees’ performance, skill level or suitability for the job, VRS may extend the introductory period up to an additional six months. Supervisors will communicate the extension of the introductory period in writing to the employee and HR prior to the conclusion of the employee's initial introductory period. Communications should include reasons for the extension and improvements needed by the employee to meet performance expectations successfully during the extended introductory period. VRS expects these employees to improve their performance to "Meets" or they face termination, demotion, or transfer to a suitable job, if such an opportunity exists.

B. Promotions

A promotion occurs when an employee transitions to a different position assigned to a higher salary grade. A promotion can be competitive (selected through a recruitment and hiring process) or non-competitive (i.e., through the career development process).

When employees compete and are hired into a job in a higher grade, they are typically eligible for a salary increase between 5% and 15%. For non-competitive promotions, the salary will be subject to review to ensure internal equity. Promotional salaries must be at or above the

minimum of the new salary grade. Promotional pay cannot place an employees' salary above the maximum of the salary grade.

C. Lateral

A lateral occurs when an employee moves into a position with a different job title and classification which is in the same salary grade. This movement constitutes a lateral move or a transfer.

For a competitive (posted and selected) lateral move/transfer, a salary increase may be considered only if duties of the new position are substantially different. If an increase is approved the increase amount shall not exceed 5%, provided the increase does not exceed the maximum salary range. Any exception to this guideline requires additional justification, an internal equity review and approval of the CIO in coordination with HR.

D. Downward Assignments (Voluntary or Performance Related)

Downward assignments occur when an employee transitions to a position within a salary grade lower than the current grade.

Voluntary – An employee initiated request to transition to a position within a lower salary grade.

Involuntary– A management initiated request to transition an employee to a position within a lower salary grade, typically due to performance, corrective action or restructuring.

A downward assignment would typically result in the salary being placed at any pay rate within the lower classification, not to exceed the maximum or fall below the minimum of the new salary range. Any exception to this guideline will require additional justification, an internal equity review and approval of the CIO in coordination with HR.

In unique situations, such as job abolishment or agency reorganization, an employee's salary may exceed the maximum of the lower grade and the salary remain unchanged. Salaries remain frozen until market adjustments allow additional increases. These employees remain eligible to receive applicable performance or gainsharing bonus awards if performance criteria are met.

E. Job Reclassifications

Job reclassifications occur when the employee's duties and responsibilities change substantially, which may result in a different pay grade. Reclassification is based on job content and not the performance of the incumbent. Job studies are performed by HR, with input by management.

Reclassification Upward: Occurs when it is determined that an individual's job duties and

responsibilities have changed significantly enough to transition the position into a different classification within a higher salary grade.

Employees typically receive salary increases between 2% and 15%. Reclassification increases are approved by the CIO, in coordination with HR. Salaries must be at or above the minimum of the new pay grade.

Reclassification Laterally: Occurs when it is determined that an individual's job duties and responsibilities have changed significantly enough to transition the position into a different classification within the same salary grade.

No salary increase is awarded. Any exception to this guideline will require additional justification, an internal equity review, and approval of the CIO, in coordination with HR.

Reclassification Downward: Occurs when it is determined that an individual's job duties and responsibilities have changed significantly enough to transition the position into a different classification within a lower salary grade.

This will result in the salary being placed at any pay rate within the lower classification, not to exceed the maximum or fall below the minimum of the new salary range. Any exception to this guideline will require additional justification, an internal equity review and approval of the CIO, in coordination with HR.

F. Regrade

Regrades occur when the classification is determined to warrant a different pay grade. This is typically determined by a market analysis or internal classification review, performed by HR in coordination with the CIO.

Employees typically receive salary increases between 2% and 15%. Regrade increases are approved by the CIO, in coordination with HR. Salaries must be at or above the minimum of the new pay grade.

G. Acting Pay

Acting pay is provided when an employee is temporarily assigned to assume the responsibilities of a position in a higher salary grade.

Less Than Two Years Duration: The employee will receive at least a 5% salary adjustment while serving in an acting position. If the 5% increase does not place the employee at the minimum salary of the acting position, the salary must be increased to the minimum of the acting range. The acting amount shall not exceed the maximum of the acting range. When the employee returns to the former position, his or her salary will be reduced by the dollar amount received

while performing the “acting” job responsibilities.

Beyond Two Years Duration: When employees are deemed to be “acting” by performing the full duties of a position for more than two years, the supervisor may choose to promote the individual without going through a competitive process. If the employee is promoted, the employee is eligible for a promotional increase. Otherwise, the position will be open for recruitment. The permanent filling of the position may involve no change in current salary or could include a pay increase, depending upon the circumstances and available budget.

If an employee is acting in a position that is the same salary grade, acting pay would not be provided unless there is sufficient justification to support that the duties of the acting position are substantially different.

H. In-grade Adjustments

In-grade salary adjustments occur when employees receive an increase in base pay to ensure competitiveness, retention, and to recognize increased skills, abilities, knowledge, or responsibilities outside of the position classification process. These adjustments should only be provided once per fiscal year. Listed below are the categories and descriptions of in-grade salary adjustments.

Market adjustment: Warranted in cases where external market forces exist due to high demand for a particular skill or position which may result in significantly higher turnover. Market adjustments may also occur if it is determined that an individual’s salary is significantly lower than market study findings. Salary adjustments can apply to an individual or classification of employees to ensure competitiveness and retention of staff. An in-grade adjustment of 1% to 10% of salary is typically provided.

Internal alignment adjustment: Warranted when employees’ salaries are unusually low or out of comparability with other employees in the work unit. Factors considered include experience, education, knowledge, skills and abilities. An in-grade adjustment of 1% to 10% of salary is typically provided.

Individual accomplishment adjustment: May be awarded to recognize the attainment of a higher level of expertise through professional certification requiring continuing education credits (CEUs). In-grade adjustments are awarded at the time of the original certification. If the certification does not require CEUs, an in-grade adjustment will not be provided; however, a bonus may be considered. Additionally, an in-grade adjustment for completion of a degree that relates to a current or career path position may be provided. Other similar situations may be considered as justification for an individual accomplishment adjustment. An in-grade adjustment of 1% to 10% of salary is typically provided.

Skill acquisition and application adjustment: May be awarded to recognize the acquisition and application of relevant, pre-defined, job-based skills, resulting in increased value to the organization. Typically, an Individual Development Plan identifies the needed skills and the skill acquisition plan. Formal assessments, through testing or demonstration of the skills acquired and applied to the job, may result in an in-grade adjustment. An in-grade adjustment of 1% to 4% of salary is typically provided.

The employee's supervisor must request the in-grade adjustment in writing and include documentation supporting the need for a pay adjustment. The CIO approves in-grade adjustments, in coordination with HR.

When an employee's salary is at or above the salary maximum for his/her job grade, a bonus payment may be awarded. The CIO approves the bonus, in coordination with HR.

I. Competitive Pay Increases

A competitive pay increase is an option available to supervisors to retain top performers, who have received an external job offer, when the loss is determined to be detrimental to the organization. Employees must furnish a copy of the respective job offer.

The supervisor requests, in writing, a competitive pay increase and includes documentation supporting the need for an adjustment and justification for the increase. The CIO approves the increase, in coordination with HR.

Competitive pay increases apply to base salary and may not exceed the salary maximum for the salary range. In extraordinary circumstances, when an employee's base salary is at maximum, a bonus is an option. In these situations, the CIO approves the action, in coordination with HR.

J. Increases Governed by the Appropriation Act

VRS will implement pay actions consistent with the provisions of the Appropriation Act.

Bonuses

A. Sign-on

Sign-on bonuses may be provided to qualified external candidates when the position is determined to be hard-to-fill, or when there is a demonstrated need to provide supplemental pay to compete with the market.

The amount of the sign-on bonus will vary depending on the position and the supply of candidates. The amount of the bonus typically ranges from 1% to 20% of the midpoint of the

Administrative Policies

Policy Title: Investment Operations and Administration Staff Pay Plan



salary range.

Fifty percent of the sign-on bonus will be paid in the first paycheck with the remainder of the bonus being paid following the successful completion of the introductory period.

Refer to the Employee Sign-on Bonus Program Policy.

B. Referral

Referral bonuses may be provided to full and part-time employees who refer a candidate hired into a full-time position.

The amount of the referral bonus is \$1,000. Fifty percent is paid in the paycheck following the referred employee's first full pay cycle with the remainder of the bonus being paid following the successful completion of the referred employee's introductory period.

Refer to the Employee Referral Program Policy.

C. Performance

Performance bonuses, where applicable, are provided to the Investment operations and administration staff following the annual review process.

Subject to the approval of the VRS Board of Trustees, eligible employees who receive an overall rating of "exceptional" will receive a 4% bonus and employees who receive an overall rating of "exceeds" will receive a 2% bonus, based on their salary as of June 30. Employees who receive an overall "meets," "does not meet" or "needs improvement" rating will not receive a performance bonus.

The performance cycle and thus, bonus payments, align with the fiscal year, July 1 through June 30.

While the VRS Board of Trustees remains mindful of the value that staff adds to the organization and supportive of the pay plan, the VRS Board of Trustees also specifically reserves the right to cancel, reduce, or delay the amount of any bonuses payable under this plan when, in the sole discretion of the VRS Board of Trustees, extreme budgetary pressures, economic, market or other conditions are such that the VRS Board of Trustees deems such action necessary under the circumstances.

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Administrative Policies

Policy Title: Investment Operations and Administration Staff Pay Plan
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Systems	Decision Systems Manager	10
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Administrative Policies

Policy Title: Investment Operations and Administration Staff Pay Plan

Appendix



Group	Title	Grade
Systems	Decision Data Analyst II	6
Systems	Decision Data Analyst I	4
Admin	Portfolio Assistant	3
Admin	Executive Assistant	3
Admin	Administrative Assistant	1



Virginia Retirement System (VRS) FY 2021 Budget to Actual Projections

	Current Budget A	Expenses through 3/31/2021 B	Projected Remaining Expenses C	Projected Total Expenses ¹ D = B + C	Projected Variance Favorable/ (Unfavorable) E = A - D	% Remaining E / A
Administration						
Personnel						
Salaries, Wages & Benefits	23,171,000	16,250,000	5,596,000	21,846,000	1,325,000	5.7%
Incentive Compensation	818,000	754,000	15,000	769,000	49,000	6.0%
Contractual Services						
Communication Services	950,000	588,000	350,000	938,000	12,000	1.3%
Employee Development Services ²	295,000	113,000	134,000	247,000	48,000	16.3%
Management & Informational Services ^{3,4}	2,550,000	1,289,000	850,000	2,139,000	411,000	16.1%
Medical Review Services	1,000,000	450,000	500,000	950,000	50,000	5.0%
Support Services ⁵	582,000	389,000	100,000	489,000	93,000	16.0%
Technical Services ^{6,7}	291,000	291,000	-	291,000	-	0.0%
Equipment & Supplies	98,000	44,000	41,000	85,000	13,000	13.3%
Facility	2,059,000	1,640,000	415,000	2,055,000	4,000	0.2%
Insurance, Claims & Bonds	86,000	5,000	80,000	85,000	1,000	1.2%
Service Charges	164,000	68,000	96,000	164,000	-	0.0%
Administration Total	32,064,000	21,881,000	8,177,000	30,058,000	2,006,000	6.3%
Information Technology						
Personnel						
Salaries, Wages & Benefits	12,964,000	8,189,000	3,025,000	11,214,000	1,750,000	13.5%
Incentive Compensation	345,000	333,000	12,000	345,000	-	0.0%
Contractual Services						
Communication Services	813,000	586,000	198,000	784,000	29,000	3.6%
Employee Development Services ²	53,000	22,000	29,000	51,000	2,000	3.8%
Management & Informational Services ³	9,000	5,000	4,000	9,000	-	0.0%
Support Services ⁵	5,000	-	5,000	5,000	-	0.0%
Technical Services	11,756,000	9,291,000	2,465,000	11,756,000	-	0.0%
Equipment & Supplies	7,480,000	1,181,000	6,295,000	7,476,000	4,000	0.1%
Facility	414,000	314,000	95,000	409,000	5,000	1.2%
Insurance, Claims & Bonds	95,000	92,000	3,000	95,000	-	3.2%
Information Technology Total	33,934,000	20,013,000	12,131,000	32,144,000	1,790,000	5.3%



Virginia Retirement System (VRS) FY 2021 Budget to Actual Projections

	Current Budget A	Expenses through 3/31/2021 B	Projected Remaining Expenses C	Projected Total Expenses ¹ D = B + C	Projected Variance Favorable/ (Unfavorable) E = A - D	% Remaining E / A
Investment Management						
Personnel						
Salaries, Wages & Benefits	18,903,000	13,319,000	4,293,000	17,612,000	1,291,000	6.8%
Incentive Compensation	7,425,000	3,482,000	110,000	3,592,000	3,833,000	51.6%
Contractual Services						
Communication Services	59,000	46,000	12,000	58,000	1,000	1.7%
Employee Development Services ²	801,000	252,000	220,000	472,000	329,000	41.1%
Management & Informational Services ³	2,005,000	1,245,000	595,000	1,840,000	165,000	8.2%
Technical Services ⁶	9,591,000	3,530,000	5,775,000	9,305,000	286,000	3.0%
Equipment & Supplies	224,000	177,000	23,000	200,000	24,000	10.7%
Facility	659,000	498,000	155,000	653,000	6,000	0.9%
Insurance, Claims & Bonds	27,000	-	27,000	27,000	-	0.0%
Investment Management Total	39,694,000	22,549,000	11,210,000	33,759,000	5,935,000	15.0%
VRS Subtotal	105,692,000	64,443,000	31,518,000	95,961,000	9,731,000	9.2%
Appropriation Pending - Central Accounts ⁸	146,000	-	-	-	146,000	
VRS Total	105,838,000	64,443,000	31,518,000	95,961,000	9,877,000	9.3%

¹ Projected Total Expenses are best estimates as of the creation of this report and are subject to change.

² Employee Development Services includes organization memberships, subscriptions, employee trainings and related travel, and tuition reimbursement. Although in-person training and related travel spending were naturally reduced beginning in March 2020 due to the COVID-19 pandemic, online training has been encouraged.

³ Management and Informational Services includes fiscal services, management services, legal services, media services, food services and business travel.

⁴ Includes \$300K budgeted for the Retirement Commission, which currently has no planned expenditures.

⁵ Support Services includes clerical and manual labor services.

⁶ Technical Services includes hardware/software maintenance, technology contractors and data feeds.

⁷ Represents the Modernization project, which received a budget transfer of \$291K to complete implementation of myVRS functionality. The project was extended into FY 2021 due to the reallocation of resources in FY 2020 to implement the provisions of legislation enacted by the 2020 General Assembly.

⁸ \$146K is the estimated net impact of actions authorized by Chapter 1289 of the 2020 Acts of Assembly; appropriation is pending transfer to VRS by the Department of Planning and Budget (DPB). Per standard practice, the transfer is expected to occur in the second half of the fiscal year. VRS will coordinate with DPB to determine the final amount of the transfer.

FY 2021 Budget Remaining Detail

Category	Description	Amount
Administration		
Salaries, Wages & Benefits	Vacancies / hiring freeze	1,325,000
Salaries, Wages & Benefits Total		1,325,000
Incentive Compensation	Incentive Compensation	49,000
Incentive Compensation Total		49,000
Communication Services	Printing & Postage: PR brochures & manuals - we budget to include flexibility in case addtl plans need updates	5,000
	Printing & Postage: Other	7,000
Communication Services Total		12,000
Employee Development Services	Trainings & related travel (est. per historical plus svgs for travel)	48,000
Employee Development Services Total		48,000
Mgmt & Info Svcs	Retirement Commission	300,000
	LODA (appropriation must match 400,108)	12,000
	Business-related travel (Board meetings, ER workshops/site visits)	19,000
	Disability retirement - legal svcs: fluctuates based on caseload (social security advocacy svcs)	33,000
	Fiscal Svcs re: CavMac - likely some savings for legislation/other requests; budgeted flexibility. TBD	19,000
	Reduced meeting costs - virtual due to covid. Will modify as assumptions change on in-person mtgs for purposes of projections (curr assuming 50% of FY)	12,000
	Office of AG - billing consistent with FY20 (budget based on FY18-19 rates)	16,000
Mgmt & Info Svcs Total		411,000
Medical Review Svcs	Disability retirement - fluctuates based on volume	42,000
	LODA (appropriation must match 400,108)	8,000
Medical Review Svcs Total		50,000

Category	Description	Amount
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Support Services	Exela mail service/printer contract (based on FY20 and YTD trends; budget consistent w/FY18/19 actuals)	60,000
	Misc. manual labor services	30,000

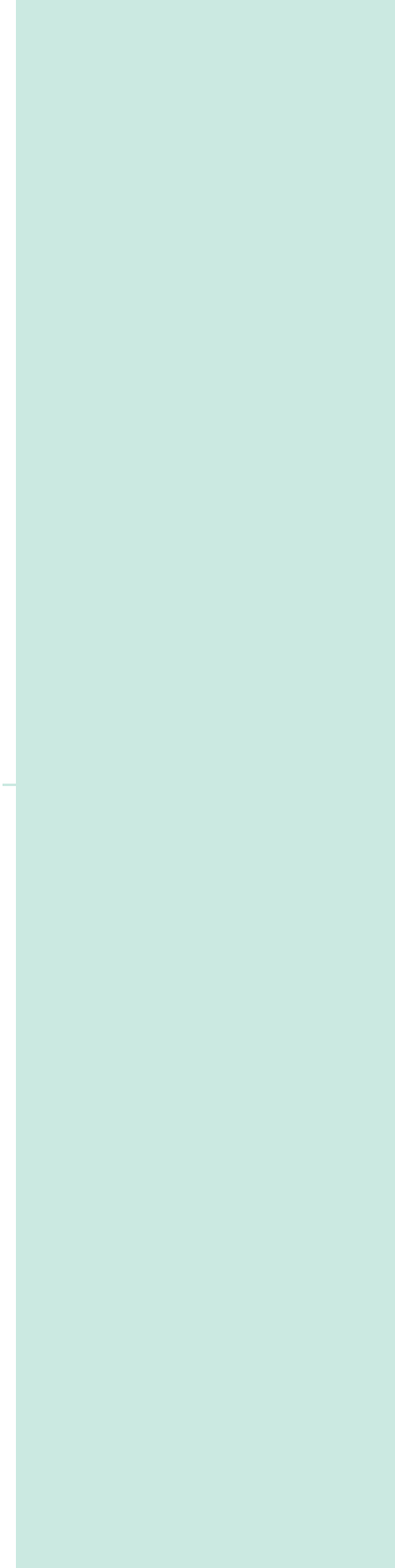
Category	Description	Amount
	VSDP DHRM vacancy / unsure whether we will continue to pay for this position. Study pending.	3,000
Support Services Total		93,000

Category	Description	Amount
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Equipment & supplies	Board retreat refund received (negative actuals)	6,000
	Cintas refills of first aid supplies on hold while office is largely unoccupied (2.8K budget; 3.8K actual in FY19)	2,000

Category	Description	Amount
	Code books less than budget	2,000
	Office supplies	1,000

Category	Description	Amount
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Skillsoft license renewal less than anticipated	1,000
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Unlikely to purchase audience response system	1,000
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Category	Description	Amount
Equipment & supplies Total		13,000
Facility	Includes budget for contingency items throughout the year	4,000
Facility Total		4,000
Insurance, Claims & Bounties	Reimb. of overdraft/wire fees due to VRS clerical errors (est per historical)	1,000
Insurance, Claims & Bounties Total		1,000
Administration Total		2,006,000
Information Technology		

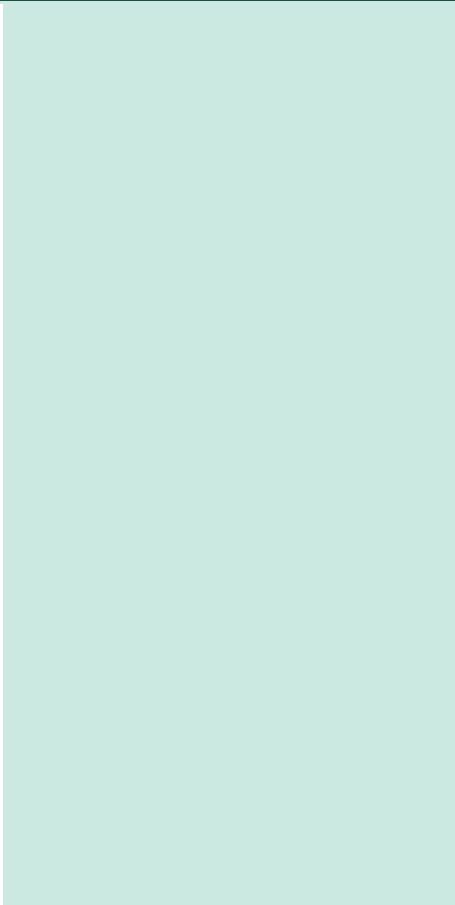
Category	Description	Amount
Salaries, Wages & Benefits	Vacancies / hiring freeze	1,750,000
Salaries, Wages & Benefits Total		1,750,000

Communication Services	Telecomm - Verizon long distance for DR site (based on PO under budget)	10,000

Category	Description	Amount
	VITA based on trend	13,000
	Wireless stipends not fully utilized (some due to vacancies)	6,000
Communication Services Total		29,000

Category	Description	Amount
Employee Development Services	Subscriptions	2,000
Employee Development Services Total		2,000
Equipment & supplies	Misc. supplies	4,000
Equipment & supplies Total		4,000

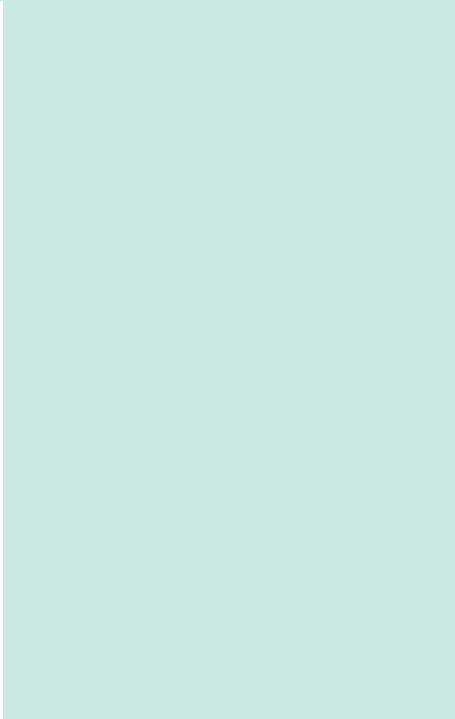
Category	Description	Amount
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Facility	Library of VA storage & destruction	5,000
Facility Total		5,000

Information Technology Total		1,790,000
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Investment Management		
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Salaries, Wages & Benefits	Vacancies / hiring freeze	1,291,000
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Category	Description	Amount
Salaries, Wages & Benefits Total		1,291,000
Incentive Compensation	Incentive Compensation	3,833,000
Incentive Compensation Total		3,833,000
Communication Services	Not all stipend budget being utilized	1,000
Communication Services Total		1,000

Category	Description	Amount
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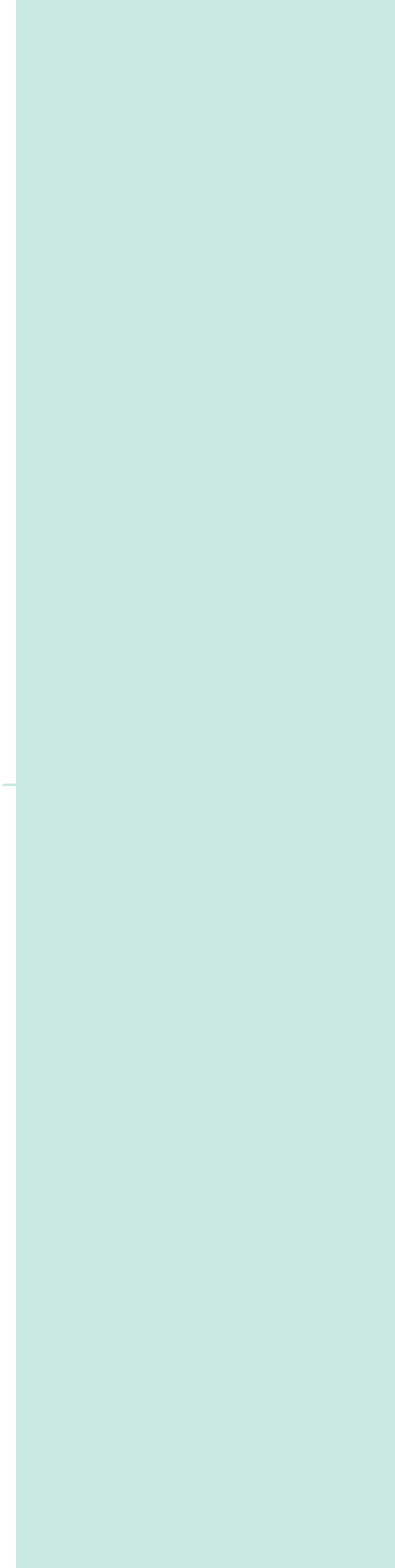
Employee Development Services	COVID-19 planned spending reduction: org memberships for new, vacant positions	255,000
	COVID-19 planned spending reduction: publication subscriptions for new, vacant positions	24,000

Category	Description	Amount
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	COVID-19 planned spending reduction: training and related travel	25,000
	Tuition reimbursement program (based on historical)	25,000

Category	Description	Amount
Employee Development Services Total		329,000
Mgmt & Info Svcs		
	Contingency for translation services; on-demand service as-needed	129,000

Category	Description	Amount
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COVID-19 planned spending reduction: business travel for new positions	26,000
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Fiscal services, planned spending reduction in discretionary on-demand contingency	8,000
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Category	Description	Amount
	Food services related to meetings, etc.	2,000
Mgmt & Info Svcs Total		165,000

Category	Description	Amount
Technical Services	Reduced contingency for data feeds; some costs fluctuate based on volume/usage	286,000
Technical Services Total		286,000

Category	Description	Amount
Equipment & supplies	COVID-19 planned spending reduction: office furniture and equipment contingencies (Includes 10K related to new positions)	24,000
Equipment & supplies Total		24,000

Category	Description	Amount
Facility	Flexibility for building rental and related items	6,000
Facility Total		6,000
Investment Management Total		5,935,000
Grand Total		9,731,000
		146,000
		9,877,000