



Administration and Personnel Committee (A&P) Meeting
VRS, 1111 E. Main St., 3rd Floor Board Room
Wednesday, 9/15/2021
10:00 AM - 12:30 PM ET

I. Approve Minutes

- **June 2, 2021**

- A&PC Minutes 6.2.21 - Page 2*

II. RBA – Review Attainment of FY2021 Agency Performance Outcomes (APOs) and Operational Measures

- FY21 APO Status Report - Page 6*

- FY21 Operational Measures Update - Page 11*

- FY21 Memorandum APOs and OMs Results - Page 29*

- RBA -Approve FY2021 Bonus (APOs and Operational Measures) - Page 30*

III. RBA – Review Performance Bonuses for Eligible Administrative and Investment Operations and Administration Employees

- RBA -Approve FY2021 Individual Performance Bonuses(Admin and Investment OpsAdmin) - Page 32*

IV. RBA – Reappointment of Investment Advisory Committee (IAC) Members

- Bio for Hance West - Page 33*

- Bio for Nan Leake - Page 34*

- RBA - Reappoint IAC Members - Page 35*

V. Budget Update (Year End Results and Biennium Budget Proposal)

- **RBA – Review and Authorize Budget Request to the Department of Planning and Budget**

- Budget Presentation - Page 36*

- FY23-24 Budget Details - Page 61*

- FY21 Year End Report - Page 63*

- FY22 Year To Date Budget Report - Page 65*

- RBA - Authorize Budget Request To DPB - Page 67*

VI. Strategic Plan Update

- VRS Strategic Plan Summary - Page 68*

VII. Informational Item

- **RBA – Approve Internal Audit Director’s Performance Bonus**

- RBA - Approve Internal Audit Director's Performance Bonus - Page 79*

VIII. RBA – Review FY2021 Incentive Pay for Investment Professionals (Closed session)

- **RBA – FY 2021 Incentive Pay for Investment Professionals**

IX. RBA – Director’s Performance Review (Closed session)

- **RBA – Director’s Performance Review**

Minutes

An electronic meeting of the Virginia Retirement System Administration and Personnel Committee was held on June 2, 2021 in accordance with § 2.2-3708.2(A)(3) of the *Code of Virginia* and in accordance with guidance provided in Item 4-0.01 of Chapter 552 of the 2021 Special Session I Acts of Assembly, with the following members participating:

O’Kelly E. McWilliams, III, Chair
Joseph W. Montgomery, Vice Chair
Troilen G. Seward, Ed.S.

Board members present:

Hon. J. Brandon Bell, II
John M. Bennett
William A. Garrett
W. Brett Hayes

VRS Staff:

Patricia Bishop, Jennifer Schreck, Jeanne Chenault, Michael Cooper, Harriet Covey, Juanita Cribbs, Valerie Disanto, Barry Faison, Jonathan Farmer, Robert Irving, LaShaunda King, Curt Mattson, Angela Payne, Matt Priestas, Paula Reid, Mark Rein, Jillian Sherman and Cindy Wilkinson.

The meeting convened at 10:01 a.m.

Opening Remarks

O’Kelly E. McWilliams, III, called the meeting to order and welcomed everyone to the June 2, 2021 meeting of the Administration and Personnel Committee.

Mr. McWilliams introduced John M. Bennett, the newest member of the Board of Trustees. Mr. Bennett joins the Board after retiring from his position as Vice President for Finance at VCU, and he previously served as Secretary of Finance for the Commonwealth.

Next, 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 552 of the 2021 Special Session I Acts of Assembly as they relate to conducting business during the pandemic.

Mr. McWilliams then took attendance with the following roll call:

Mr. Bell: Here
Mr. Bennett: Here
Mr. Garrett: Here
Mr. Hayes: Here
Mr. Montgomery: Here
Ms. Seward: Here

Mr. McWilliams: Here

Public Comment

In accordance with Chapter 552 of the 2021 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. Montgomery's motion, with a second by Ms. Seward, the Committee approved the minutes of its April 19, 2021 meeting upon the following roll call vote:

Mr. Bell: Aye
Mr. Bennett: Aye
Mr. Garrett: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. McWilliams: Aye

Discussion and Consideration of FY 2022 Agency Performance Outcomes (APOs) and Operational Measures

Michael Cooper, VRS Chief Operating Officer, provided an overview of the Agency Performance Outcomes (APOs) and Operational Measures to the Committee. He explained that the APOs are considered stretch goals for the agency and the Operational Measures represent the target rates for day-to-day business operations.

Mr. Cooper reported that staff is proposing the following four APOs for FY 2022:

1. Cloud Migration
2. Records Management Program – Phase 1 Implementation
3. ERM Implementation
4. Cardinal HCM Implementation

Next, Mr. Cooper presented the sixteen proposed Operational Measures. He noted that staff continues to evaluate new measures for implementation in future years and will be piloting a few during the next year. To qualify for the gainsharing bonus, staff must successfully complete three of the four proposed APOs and thirteen of the sixteen proposed Operational Measures.

Mr. Cooper concluded his presentation by providing an overview of the process of establishing the metrics associated with each agency goal. VRS leadership determines the subcomponents of each goal and the deliverables by which each can be measured. The goals and subcomponents are then confirmed through an assurance review by Internal Audit at the end of each fiscal year.

Lastly, Ms. Bishop noted that future changes to the Operational Measures are expected as the agency continues implementation of its online retirement features.

Mr. McWilliams thanked Mr. Cooper for his presentation.

The Committee then took up the following RBA for consideration:

RBA: Approve FY 2022 APOs and Operational Measures.

Request for Board Action: *The VRS Board of Trustees approves the FY 2022 Agency Performance Outcomes (APOs) and Agency Operational Measures.*

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

Mr. Bell: Aye
Mr. Bennett: Aye
Mr. Garrett: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. McWilliams: Aye

Budget Update

Barry Faison, VRS Chief Financial Officer, provided an update on the agency's year-to-date budget performance. Mr. Faison explained that fiscal year-end projections continue to indicate a balance of approximately \$9.9 million, similar to what was presented at the April meeting, which will be returned to the Fund as a result of planned reductions in spending due to impacts of the pandemic during FY 2021. Mr. Faison indicated that additional details on expenditures through May will be presented at the Board meeting.

Patricia Bishop, VRS Director, noted that some remaining balances were greater than in previous years due to the new-hire suspension that was in place for much of FY 2021. She added that since the formal suspension has been lifted, these numbers are expected to change as VRS evaluates new positions in order to meet business needs.

Lastly, Mr. Faison introduced the agency's new Budget and Performance Reporting Manager, Jonathan Farmer. Mr. Farmer joins VRS after serving as a senior program manager with the Virginia Resources Authority.

Mr. McWilliams thanked Mr. Faison for his presentation.

Other Business

Ms. Bishop provided an update on the Return to the Office Plan to the Committee. She noted that the agency will remain in a remote-work status until September 7th, however, employees with supervisor approval may return to the building on a voluntary basis this summer. Ms. Bishop also advised that the Governor's emergency order, which permitted the use of remote meetings during the COVID-19 pandemic, is set to expire June 30, 2021 and meetings thereafter will be held in-person.

Ms. Bishop reported that Human Resources held multiple focus groups with staff in order to gather feedback on preferences and resources needed for the return-to-the-office transition. A survey distributed amongst staff also found that the majority of the agency felt that their managers and supervisors communicated effectively during the pandemic and preferred a hybrid work environment upon returning to the office. The Committee further discussed recruitment, retention and in-person collaboration as part of the return to the office planning. Ms. Bishop thanked the Committee members for their input and indicated that it would be considered as part of the planning process.

Lastly, Mr. McWilliams noted the following meeting schedule:

- Audit and Compliance Committee – June 3rd at 1:00 p.m.
- Benefits and Actuarial Committee – June 9th at 1:00 p.m.
- Board of Trustees – June 10th at 1:00 p.m.

Adjournment

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

Mr. Bell: Aye
Mr. Bennett: Aye
Mr. Garrett: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. McWilliams: Aye

There being no further business, the meeting concluded at 10:45 a.m.

Chair

Date



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: 3 of 4 completed)</i>	N/S	N/S	N/S	N/S	N/S	●	●	●	●	●	●	★

* 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.



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 monitoring plan	N/S	N/S	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: 3 of 4 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	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.	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	★
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)	N/S	N/S	N/S	N/S	N/S	●	●	●	●	●	●	★
4.3	Modify on-call pay policy as well as other applicable policies 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)	N/S	N/S	N/S	N/S	N/S	N/S	●	●	●	●	●	★
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.	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	★

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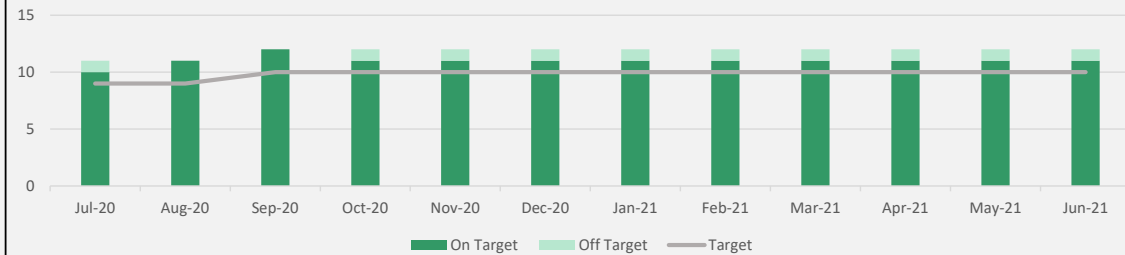
June-21

Current Status - All Operational Measures



■ On Target ■ Off Target

YTD Status - All Operational Measures



OM #	Operational Measure (OM)	Description	Strategic Goal	Target (Goal)	Current Status	YTD Status	Reporting Frequency	Comments
1	Timeliness of Monthly Financial Account Reconciliations	Percentage of monthly financial control reconciliations completed by last business day of the following month	Strong Financial Viability	> 95.00%	100.00%	100.00%	Monthly	
2	Average Abandoned Call Rate	Percentage of calls to the Customer Counseling Center (CCC) that result in hang-ups while in the queue	Continuous Improvement of Effective and Efficient Operations	< 7.00%	7.76%	7.82%	Monthly	
3	Timeliness of Response to Messages Received by the Customer Counseling Center (CCC)	Average response time to emails received by the CCC	Continuous Improvement of Effective and Efficient Operations	1.00 business days	0.41	0.39	Monthly	
4	Timeliness of Monthly Retirement Disbursements	Percentage of monthly retirement disbursements processed no later than the first business day of the month	Continuous Improvement of Effective and Efficient Operations	100.00%	100.00%	100.00%	Monthly	
5	Timeliness of Service Retirements Processed	Percentage of service retirements processed so that retiring members are set up to receive retirement benefits on the first retirement payment date for which they are eligible	Continuous Improvement of Effective and Efficient Operations	95.00%	100.00%	99.89%	Monthly	
6	Accuracy of Service Retirements Processed	Percentage of service retirements processed for which the corresponding benefit payment correctly reflects the member's service record	Continuous Improvement of Effective and Efficient Operations	99.00%	100.00%	99.99%	Monthly	
7	Timeliness of Disability Retirements Processed	Percentage of disability retirements processed within 30 days of VRS receiving notification of approval by the Medical Review Board	Continuous Improvement of Effective and Efficient Operations	98.00%	100.00%	99.45%	Monthly	
8	Accuracy of Disability Retirements Processed	Percentage of disability retirements processed for which the corresponding benefit paid correctly reflects the member's service record	Continuous Improvement of Effective and Efficient Operations	99.00%	100.00%	100.00%	Monthly	
9	Timeliness of Workflow Documentation Imaging	Percentage of workflow documents imaged within one business day of receipt	Continuous Improvement of Effective and Efficient Operations	99.50%	100.00%	100.00%	Monthly	
10	Planned IT System Availability	Percentage of time critical systems are available during periods of planned availability	Superior Technological Tools that Enable Efficient Delivery of Service	99.50%	99.93%	99.98%	Monthly	
11	Timeliness of Employer Contribution Confirmations	Percentage of Employer Contribution Confirmation (CC) snapshots completed in VNAV by the end of the month in which they are due	Superior Technological Tools that Enable Efficient Delivery of Service	97.00%	100.00%	100.00%	Monthly	
12	Implementation of Corrective Action to Audit Recommendations	Percentage of audit recommendations for which VRS management represents that corrective action has been implemented by the approved target date	Continuous Improvement of Effective and Efficient Operations	> 95.00%	100.00%	100.00%	Quarterly	

Overall Measure: 13 of 16 meet or exceed target

Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

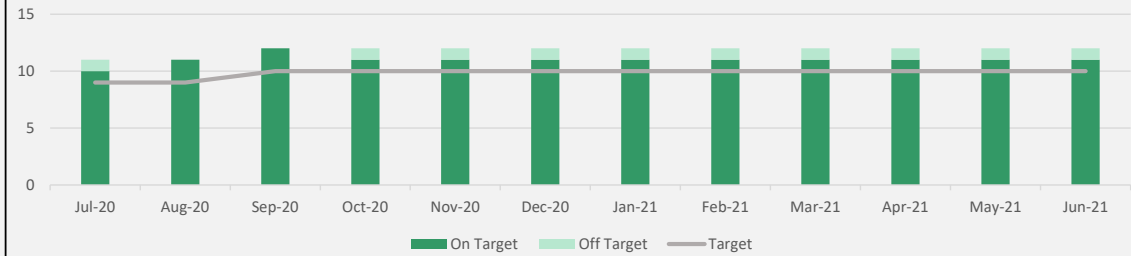
June-21

Current Status - All Operational Measures



■ On Target ■ Off Target

YTD Status - All Operational Measures

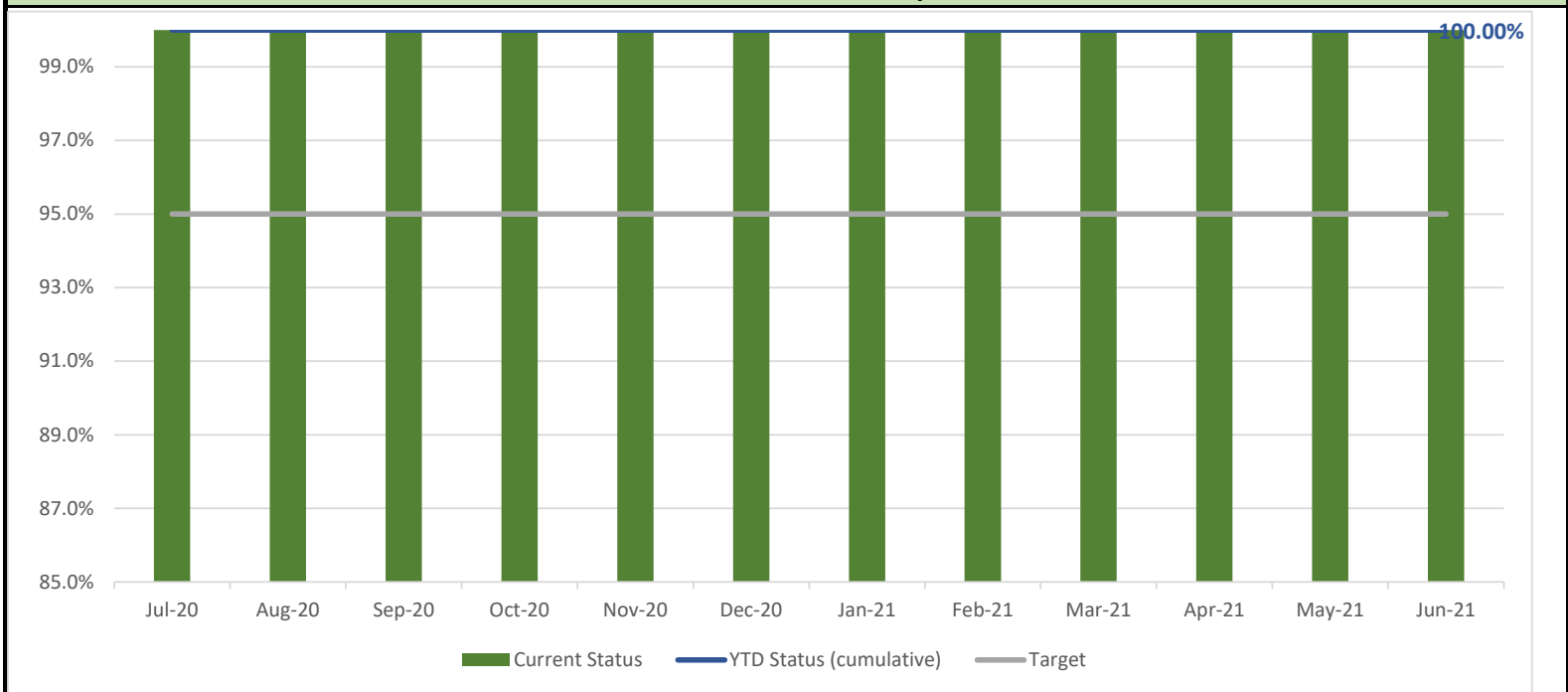


OM #	Operational Measure (OM)	Description	Strategic Goal	Target (Goal)	Current Status	YTD Status	Reporting Frequency	Comments
13	Preventable Employee Turnover	Percentage of employees voluntarily separating VRS employment due to preventable experiences	Exceptional Organizational Culture and Work Environment	< 10.00%	0.00%	0.00%	Annual	
14	Cost to Administer Defined Benefit Plans	Annual pension administration cost for defined benefit plans, as compared to peer group median reported by CEM Benchmarking, Inc.	Strong Financial Viability	FY 2020 CEM Peer Cost Average	\$ 72.00	\$ 72.00	Annual	Will not know FY 2020 CEM peer cost until spring 2021
15	Systems Security Awareness	Percentage of eligible staff who have completed security training in compliance with the agency's and Commonwealth's security policies	Continuous Improvement of Effective and Efficient Operations	100.00%	100.00%	100.00%	Annual	Measure reported on an annual basis
16	Employee Professional Development	Percentage of full-time VRS administration employees receiving at least 8 hours of professional development	Highly Skilled and Trained Staff	85.00%	99.00%	99.00%	Annual	Measure reported on an annual basis

Reporting Period: June-21

Operational Measure	Timeliness of Monthly Financial Account Reconciliations		
Strategic Goal	Strong Financial Viability		
Description	Percentage of monthly financial control reconciliations completed by last business day of the following month		
Calculation Methodology	The number of financial account reconciliations completed by the last business day of the month, divided by the total accounts requiring reconciliation each month.		
Data Source	Finance Control Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	> 95.00%	Baseline (Performance History)	99%
Target Rationale: Accounts for potential impacts due to ongoing pandemic and system changes		Baseline Rationale: 5 year average = 99%	
Current Reporting Month Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	100.00%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Ongoing pandemic impacts processes and agency resources	Identify alternative processes to work around disruptions, and cross-train staff for backup as needed	
2	Ongoing pandemic impacts processes and agency resources, including technology outages that limit system availability	Enact business continuity plan for technology outages	
3	Unanticipated external/internal requests for new programs that expand the overall number of reconciliations	Streamline process for approving and implementing new programs to expedite roll-out and ensure accurate reconciliation reporting	

YTD Performance History

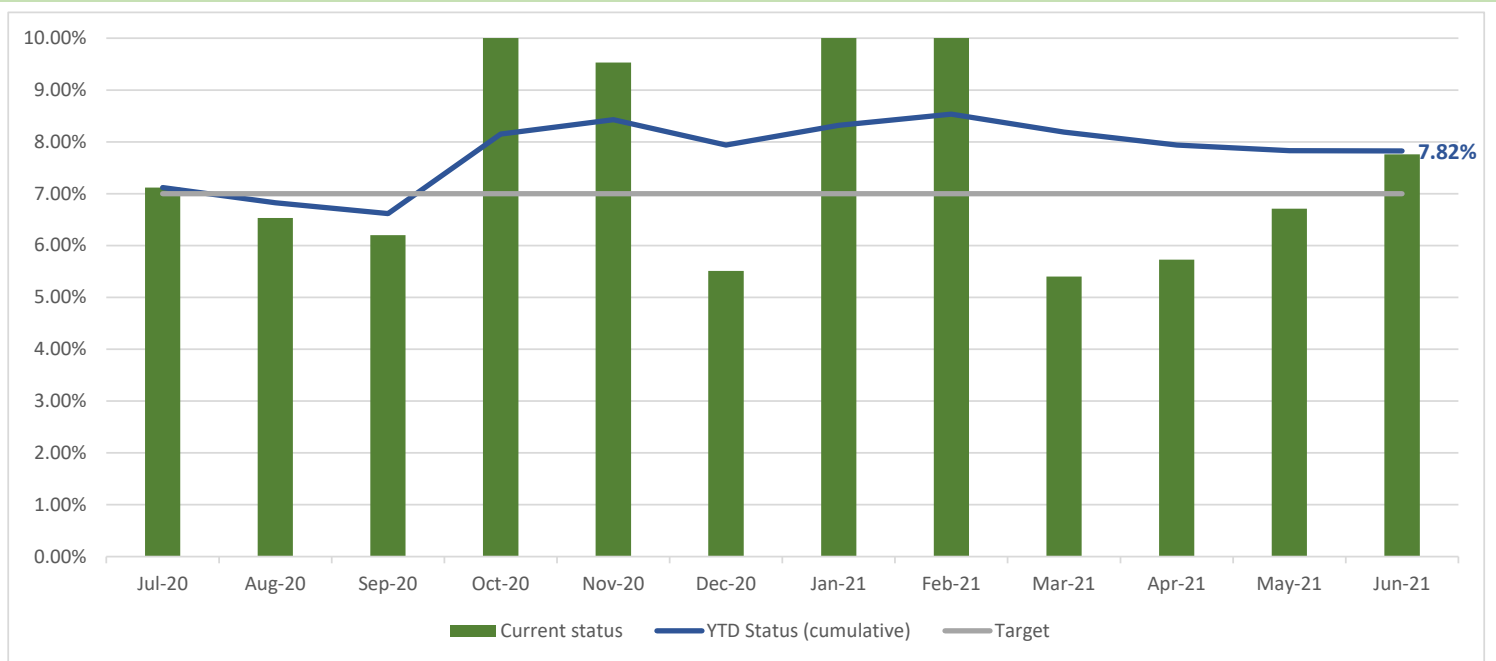


VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Operational Measure	Average Abandoned Call Rate		
Strategic Goal	Continuous Improvement of Effective and Efficient Operations		
Description	Percentage of calls to the Customer Counseling Center (CCC) that result in hang-ups while in the queue		
Calculation Methodology	The number of abandoned calls (defined as a caller hanging up prior to reaching a knowledgeable person), divided by the total number of calls received by the CCC support teams. Average rate is calculated on a cumulative basis.		
Data Source	Customer Counseling Center Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	< 7.00%	Baseline (Performance History)	6.20%
Target Rationale: To account for anticipated high call volume due to system change in FY 2021 and ongoing pandemic	Baseline Rationale: 5 year average = 6.2%		
Current Reporting Month Status	7.76%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	7.82%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Regulatory or legislative changes that impact customer benefits and result in increased call volumes (i.e. federal tax code change)	Prepare and implement a staffing augmentation plan for times when additional resources are needed on short notice to react to call influxes due to external causes	
2	Ongoing pandemic impacts processes and agency resources, including system unavailability, which may cause an increase in call volume	Prepare a staffing augmentation plan for times when additional resources are needed on short notice to react to call influxes	
3	Need for increased security requirements for accessing members' records in accordance with industry best practices which cause longer call times	Identify opportunities to expedite the requisite validation process while still ensuring compliance with VRS security protocols to protect member data	

YTD Performance History



VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

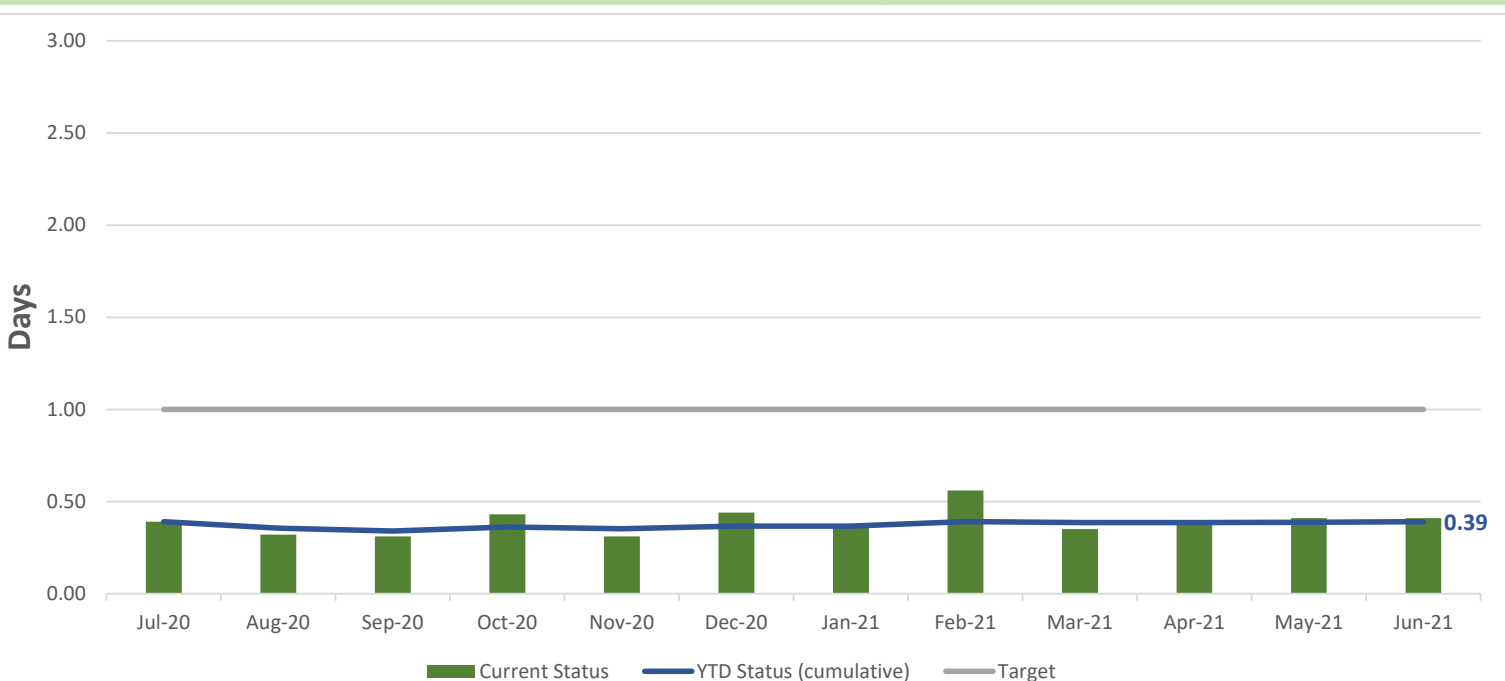
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Fiscal Year 2021 Operational Measures

Reporting Period: June-21

Operational Measure	Timeliness of Response to Messages Received by the Customer Counseling Center (CCC)		
Strategic Goal	Continuous Improvement of Effective and Efficient Operations		
Description	Average response time to emails received by the CCC		
Calculation Methodology	The number of messages responded to within two business days, divided by the total number of messages responded to by the CCC. Note: In FY 2021, the CCC is expected to transition its electronic communications from the current traditional email platform to secure messaging conducted through myVRS.		
Data Source	Customer Counseling Center Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	1.00 business days	Baseline (Performance History)	1.30 business days
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 1.3 days</i>	
Current Reporting Month Status	0.41	YTD Status (Cumulative; used at year-end to determine whether target has been met)	0.39
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Transition may occur in FY 2021 from traditional emails to secure messaging through the MyVRS portal	Proactively train CCC staff on the process changes that will occur when secure messaging is implemented	
2	Ongoing pandemic impacts processes and agency resources, including system outages that disable email/secure messaging capabilities	Prepare a staff augmentation plan for times when additional resources are needed to address email backlogs resulting from system outages	
3	Historically high rate of turnover of CCC staff	Continue recruitment and retention measures to attract and retain CCC staff	

YTD Performance History



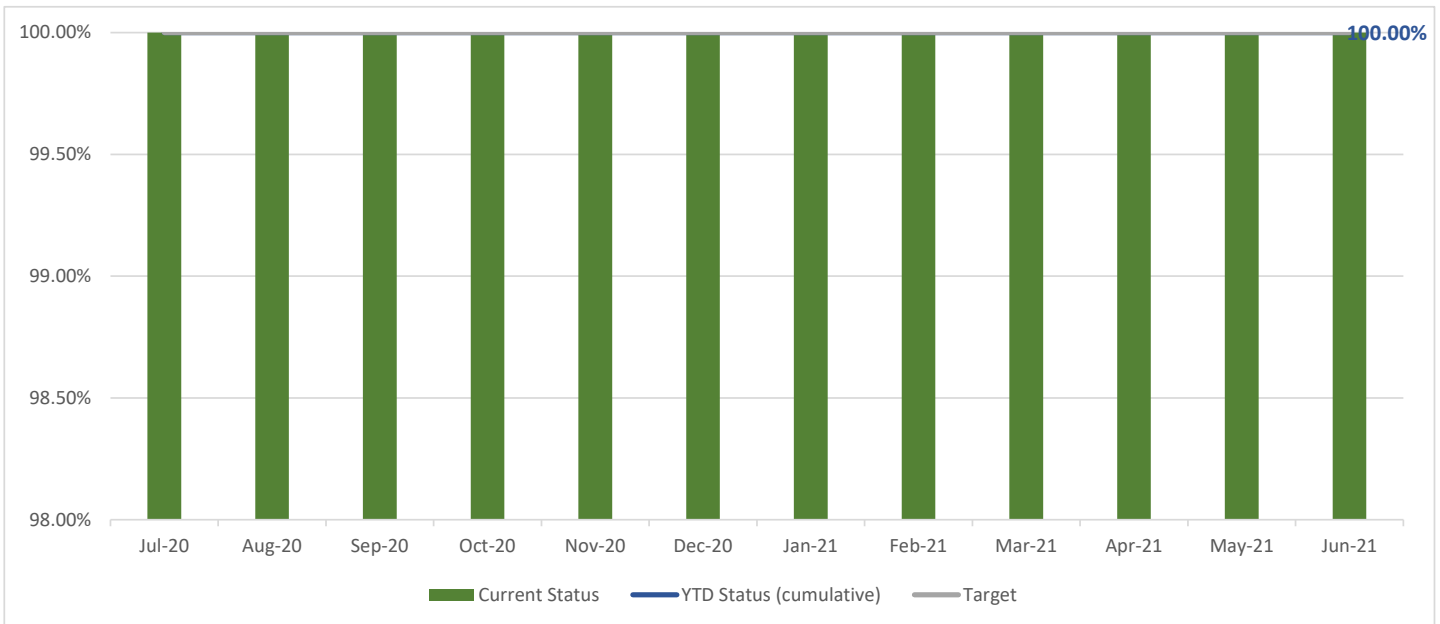
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Overall Measure: 13 of 16 meet or exceed target

Operational Measure	Timeliness of Monthly Retirement Disbursements		
Strategic Goal	Continuous Improvement of Effective and Efficient Operations		
Description	Percentage of monthly retirement disbursements processed no later than the first business day of the month		
Calculation Methodology	The number of monthly retirement disbursements processed so that the payment date is no later than the first business day of the month, divided by the total number of monthly retirement disbursements that require processing each month. "Processed" is defined as funds having been disbursed to retirees; "disbursed" is defined as the funds having been paid out of the VRS account. This process requires VRS to submit documentation to external partners (Virginia Department of Treasury, banking partner) in sufficient time to meet the first business day of the month requirement.		
Data Source	Benefit Disbursements Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	100.00%	Baseline (Performance History)	100.00%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 100%</i>	
Current Reporting Month Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	100.00%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Dependence upon external parties who are integral to the process (i.e., Virginia Department of Treasury and banking partner)	Develop contingency plan in concert with external parties to ensure open lines of communication and alternate processes in the event of a potential delay	
2	Ongoing pandemic impacts processes and agency resources, including technology outages that limit ability to process and/or transmit fund documentation to external stakeholders	Enact business continuity plan for technology outages	
3	Sensitivity of data that requires strong controls and several levels of approvals; risk of staff absences or unavailability	Cross-train existing staff and ensure redundancy of staff authorized to approve retirements	

YTD Performance History

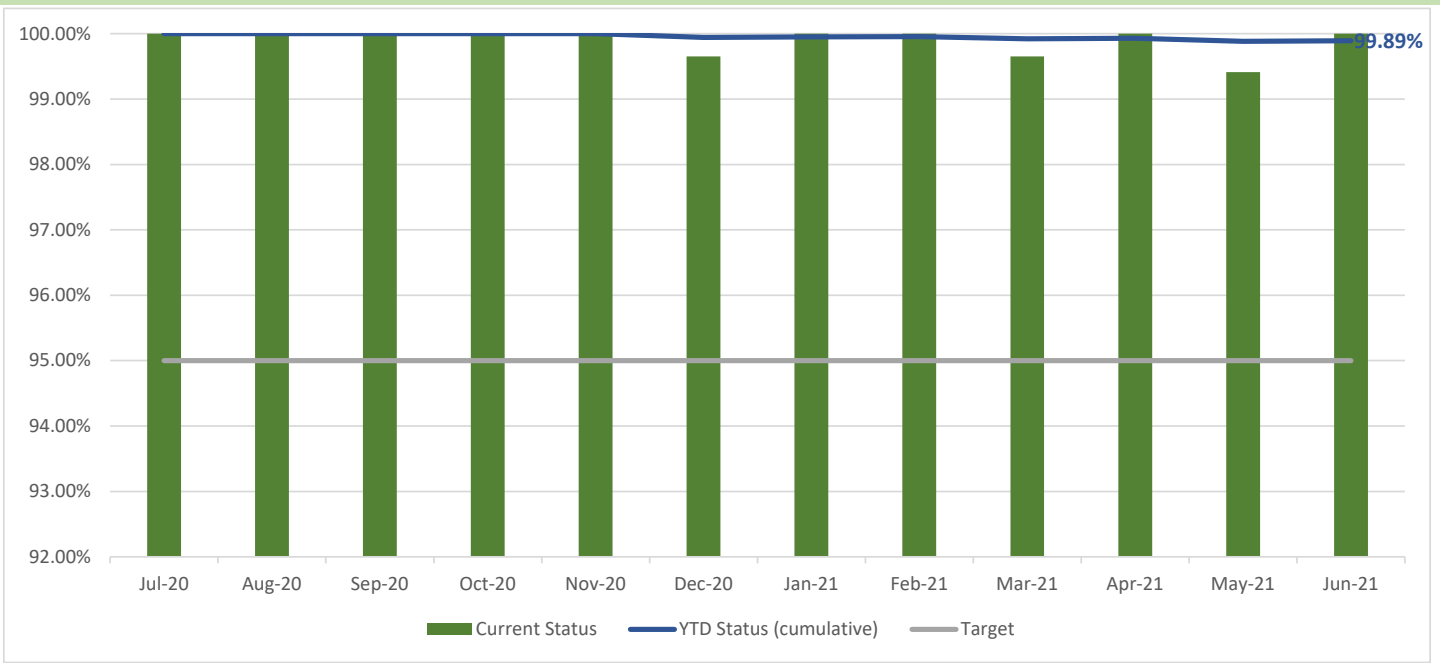


VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Operational Measure	Timeliness of Service Retirements Processed		
Strategic Goal	Continuous Improvement of Effective and Efficient Operations		
Description	Percentage of service retirements processed so that retiring members are set up to receive retirement benefits on the first retirement payment date for which they are eligible		
Calculation Methodology	The number of service retirement payments processed by the first payment date on which the member is eligible to receive retirement benefits, divided by the total number of initial payments made for the same time period. The "first payment date on which the member is eligible to receive retirement benefits" is based on the date by which VRS receives a member's retirement application that is determined by VRS to be complete, accurate, and ready for payment processing. "Processed" is defined as funds having been paid to retirees; "disbursed" is defined as the funds having been paid out of the VRS account.		
Data Source	Service Retirement Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	95.00%	Baseline (Performance History)	97.90%
<i>Target Rationale: Accounts for system conversion and ongoing pandemic</i>		<i>Baseline Rationale: 5 year average = 97.90%</i>	
Current Reporting Month Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	99.89%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Ongoing implementation of myVRS enhancements, which will significantly change current processes	Provide ample opportunity for advanced training; augment staffing as needed to ensure adequate resources during transition	
2	Ongoing pandemic impacts processes and agency resources, including technology outages that limit ability to process retirements	Enact business continuity plan for technology outages	
3	Sensitivity of data that requires strong controls and several levels of approvals; risk of staff absences or unavailability	Cross-train existing staff and ensure redundancy-of staff authorized to approve retirements	

YTD Performance History

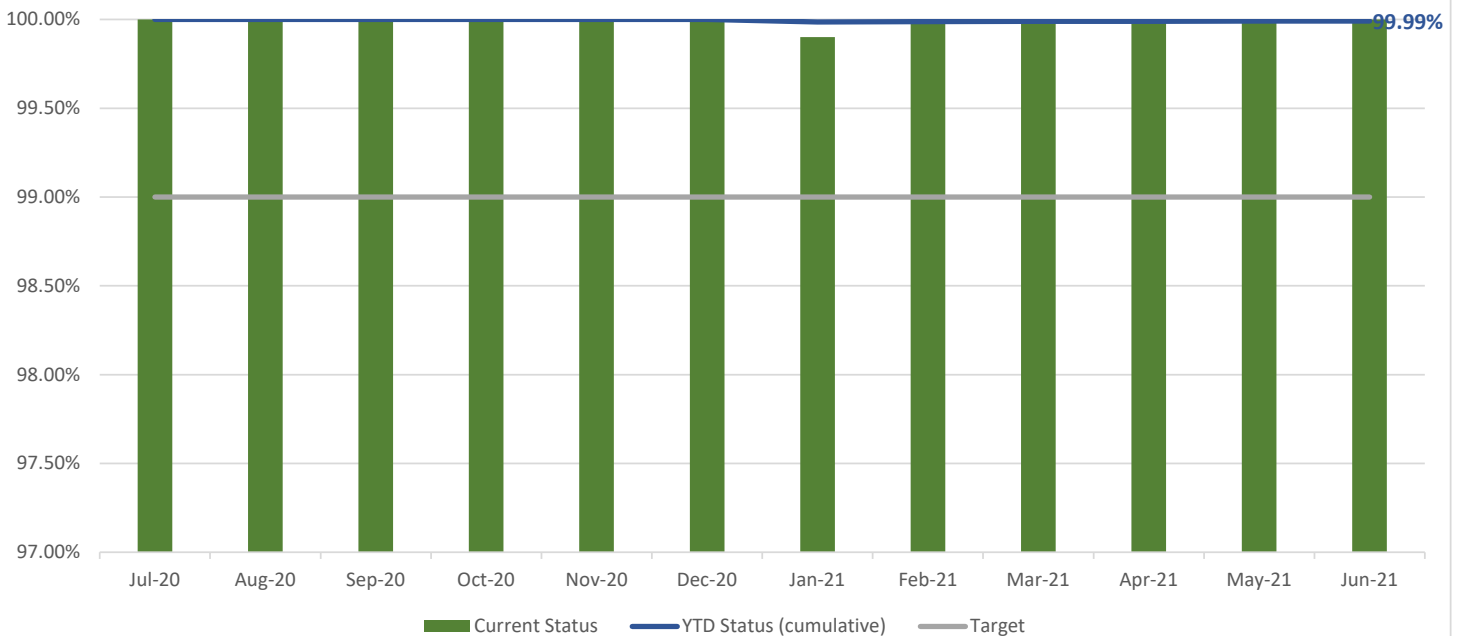


VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

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Operational Measure	Accuracy of Service Retirements Processed		
Strategic Goal	Continuous Improvement of Effective and Efficient Operations		
Description	Percentage of service retirements processed for which the corresponding benefit payment correctly reflects the member's service record		
Calculation Methodology	The number of service retirement applications processed and corresponding benefit paid accurately, divided by the total number of initial service retirement benefits processed and paid. An accurate benefit payment is defined as the benefit amount correctly reflecting the member's service record. "Processed" is defined as funds having been paid to retirees; "paid" is defined as the funds having been paid out of the VRS account.		
Data Source	Service Retirement Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	99.00%	Baseline (Performance History)	99.00%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 99%</i>	
Current Reporting Month Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	99.99%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Ongoing implementation of myVRS enhancements, which will significantly change current processes	Provide ample opportunity for advanced training; augment staffing as needed to ensure adequate resources during transition	
2	Ongoing pandemic impacts processes and agency resources, including technology outages that limit ability to process retirements	Enact business continuity plan for technology outages	
3	Sensitivity of data that requires strong controls and several levels of approvals; risk of staff absences or unavailability	Cross-train existing staff and ensure redundancy of staff authorized to approve retirements	

YTD Performance History

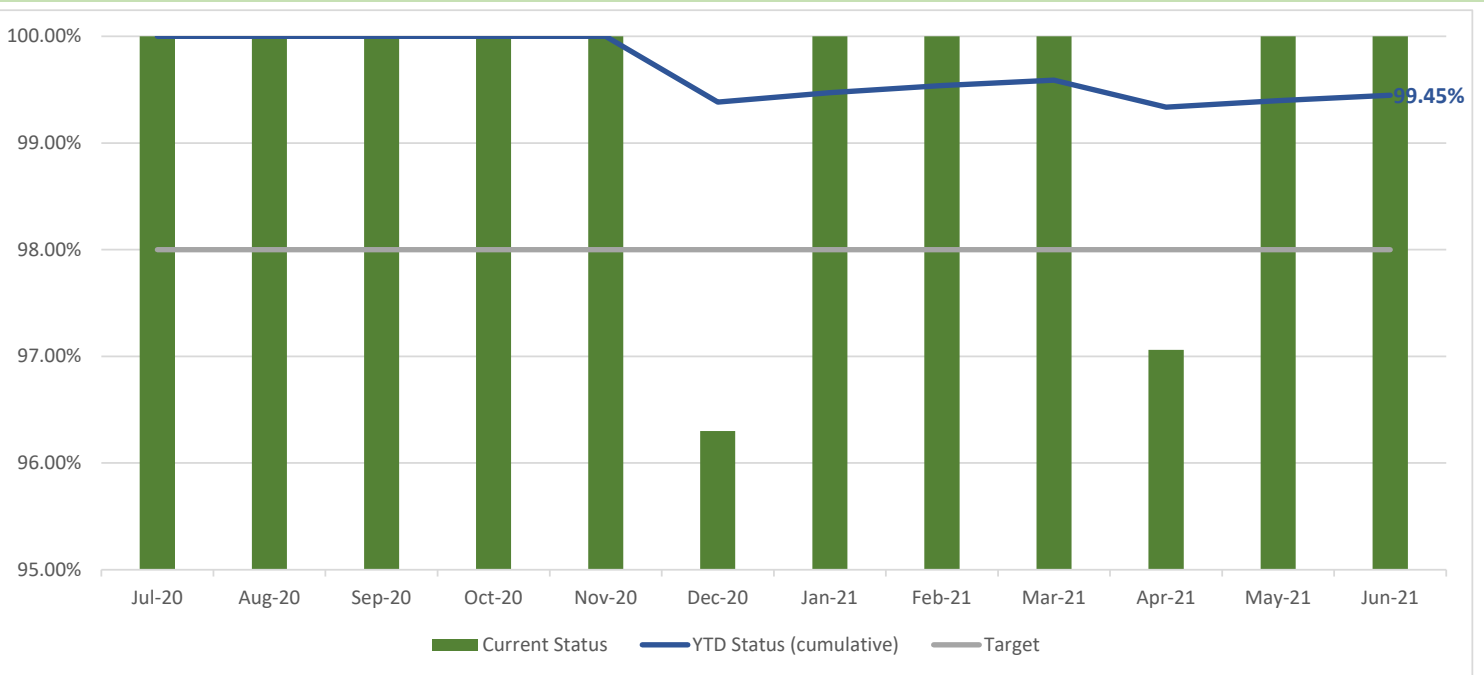


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Operational Measure	Timeliness of Disability Retirements Processed		
Strategic Goal	Continuous Improvement of Effective and Efficient Operations		
Description	Percentage of disability retirements processed within 30 days of VRS receiving notification of approval by the Medical Review Board		
Calculation Methodology	The number of disability retirements processed within 30 days after VRS receives notice of approval of the application by the Medical Review Board. "Processed" is defined as funds having been paid to retirees; "paid" is defined as the funds having been paid out of the VRS account.		
Data Source	Disability Retirement Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	98.00%	Baseline (Performance History)	98.80%
<i>Target Rationale: To account for potential processing delays due to system conversion in FY 2021 and ongoing pandemic impacts</i>		<i>Baseline Rationale: 5 year average = 98.80%</i>	
Current Reporting Month Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	99.45%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Ongoing implementation of myVRS enhancements, which will significantly change current processes	Provide ample opportunity for advanced training; augment staffing as needed to ensure adequate resources during transition	
2	Ongoing pandemic impacts processes and agency resources, including technology outages that limit ability to process retirements	Enact business continuity plan for technology outages	
3	Sensitivity of data that requires strong controls and several levels of approvals; risk of staff absences or unavailability	Cross-train existing staff and ensure redundancy of staff authorized to approve retirements	

YTD Performance History

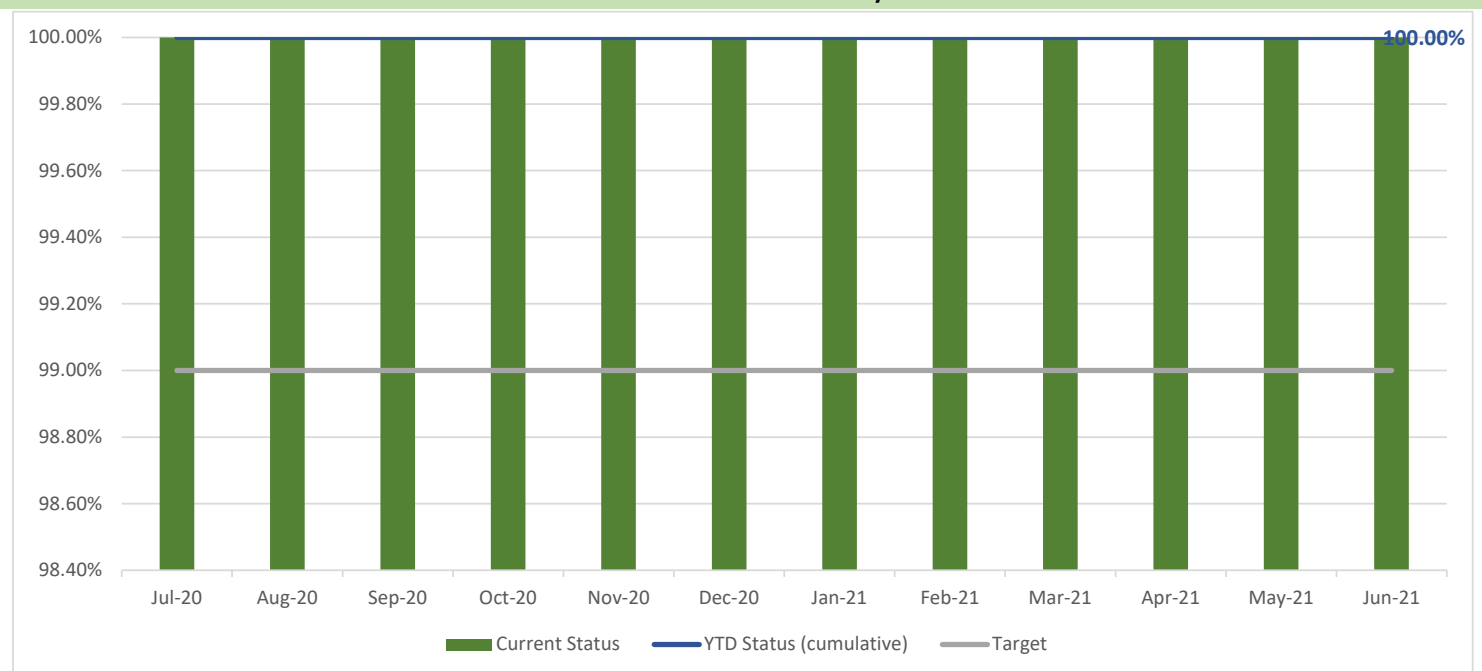


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Operational Measure	Accuracy of Disability Retirements Processed		
Strategic Goal	Continuous Improvement of Effective and Efficient Operations		
Description	Percentage of disability retirements processed for which the corresponding benefit paid correctly reflects the member's service record		
Calculation Methodology	The number of disability retirement applications processed and corresponding benefit paid accurately, divided by the total number of initial disability retirement benefits processed and paid. An accurate benefit payment is defined as the benefit amount correctly reflecting the member's service record. "Processed" is defined as funds having been paid to retirees; "paid" is defined as the funds having been paid out of the VRS account.		
Data Source	Disability Retirement Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	99.00%	Baseline (Performance History)	99.00%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 99%</i>	
Current Reporting Month Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	100.00%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Ongoing implementation of myVRS enhancements, which will significantly change current processes	Provide ample opportunity for advanced training; augment staffing as needed to ensure adequate resources during transition	
2	Ongoing pandemic impacts processes and agency resources, including technology outages that limit ability to process retirements	Enact business continuity plan for technology outages	
3	Sensitivity of data that requires strong controls and several levels of approvals; risk of staff absences or unavailability	Cross-train existing staff and ensure redundancy of staff authorized to approve retirements	

YTD Performance History

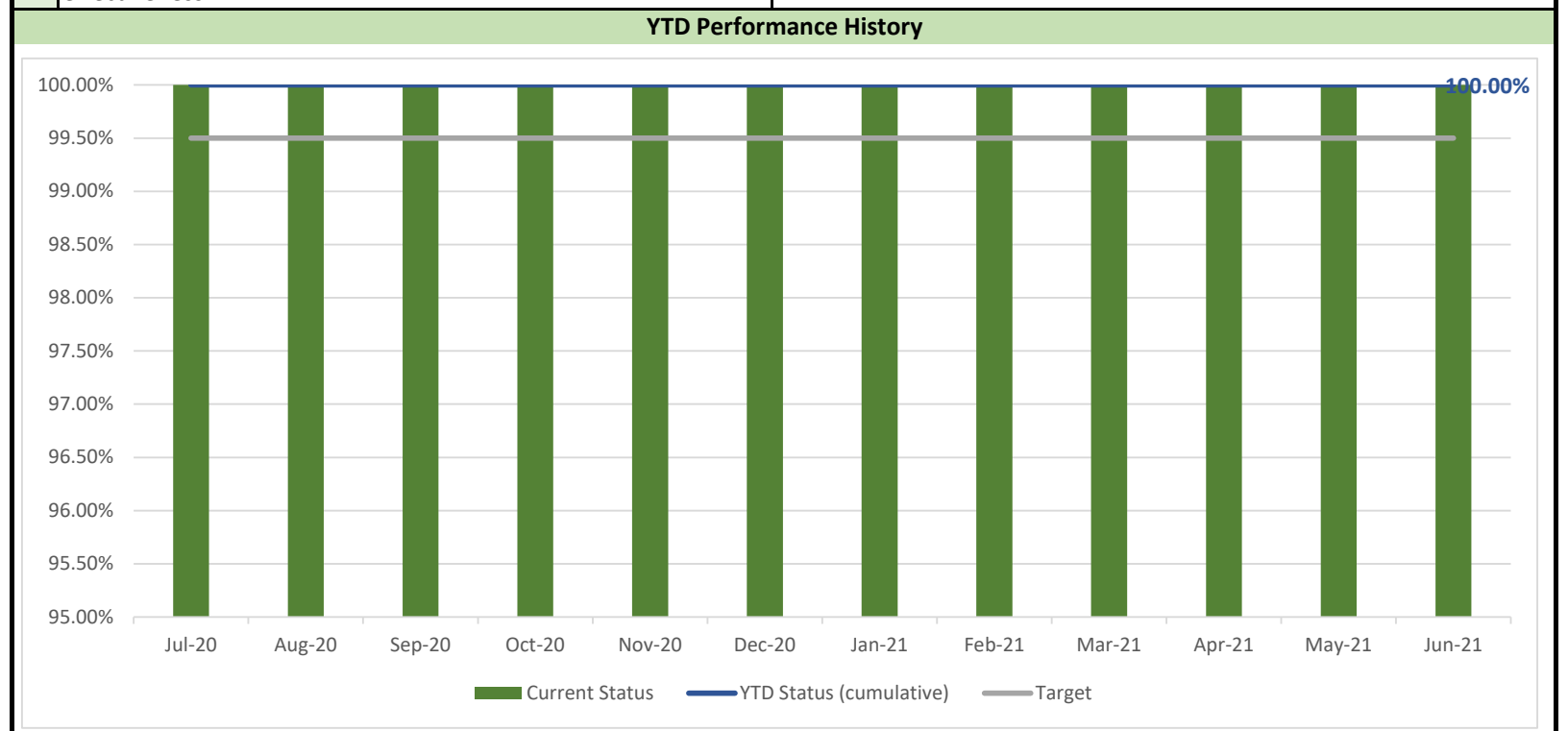


VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

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Operational Measure	Timeliness of Workflow Documentation Imaging		
Strategic Goal	Continuous Improvement of Effective and Efficient Operations		
Description	Percentage of workflow documents imaged within one business day of receipt		
Calculation Methodology	The number of documents imaged within one business day of receipt by the Imaging business unit, divided by the number of documents received by the Imaging unit within the same timeframe. Currently, an average of 20,000 documents are imaged per month.		
Data Source	Technology Services SLEs Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	99.50%	Baseline (Performance History)	99.90%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 99.9%</i>	
Current Reporting Month Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	100.00%

Potential Constraints to Meeting Target	Mitigation Strategies
1 Dependence upon current Imaging unit staffing level to ensure expedient and accurate processing within the prescribed turnaround time	Prescribe duties that merit the continuance of the current Imaging unit staffing level (with respect to the anticipated transition in FY 2021 to online retirements that should reduce paper form intake levels)
2 Ongoing pandemic impacts processes and agency resources, including technology outages that limit system availability	Enact business continuity plan for technology outages
3 Staffing constraints; specific skill set required limits feasibility for untrained staff to produce results with same efficiency and effectiveness	Establish a routine cross-training program to ensure well-trained staff are available at all times

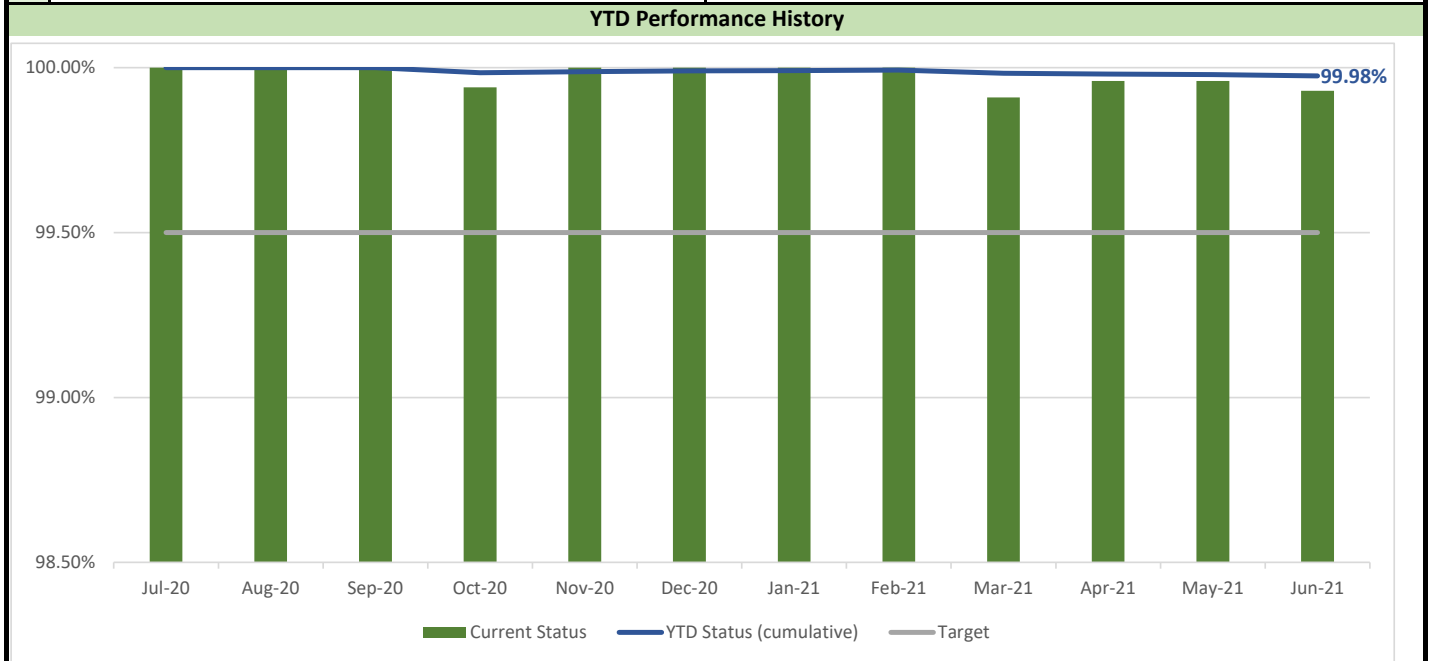


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Operational Measure	Planned IT System Availability		
Strategic Goal	Superior Technological Tools that Enable Efficient Delivery of Service		
Description	Percentage of time critical systems are available during periods of planned availability		
Calculation Methodology	Percentage of time during which critical business systems are available for use by VRS staff and customers, divided by the total time for which it was planned that said systems would be available. Critical business systems include: VNAV, telephone, email, internet, MyVRS, Imaging, Investments, MUNIS, Customer Counseling Center Cisco phone system, and remote access. Note: business systems deemed "critical" may change periodically depending on business needs or system changes (ex: RIMS was decommissioned in spring 2019 and is no longer considered a critical business system as of that time). Periods of availability are pre-determined based on business needs and requirements regarding routine system testing, maintenance and upgrades. "Availability" is defined as being able to be used by the majority of persons for whom it is intended and for the majority of purposes for the system's intended use.		
Data Source	Technology Services SLEs Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	99.50%	Baseline (Performance History)	99.90%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 99.9%</i>	
Current Reporting Month Status	99.93%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	99.98%

Potential Constraints to Meeting Target		Mitigation Strategies
1	Failure on the part of third party business partners to provide dependent services	Implement back-up plans (ex: different phone line)
2	Ongoing pandemic impacts processes and agency resources, including technology outages that limit system availability	Enact business continuity plan for technology outages
3	Timing of a potential system failure that limits staff resources available to respond immediately	Strategically plan staffing availability to address potential system failures in the most effective manner

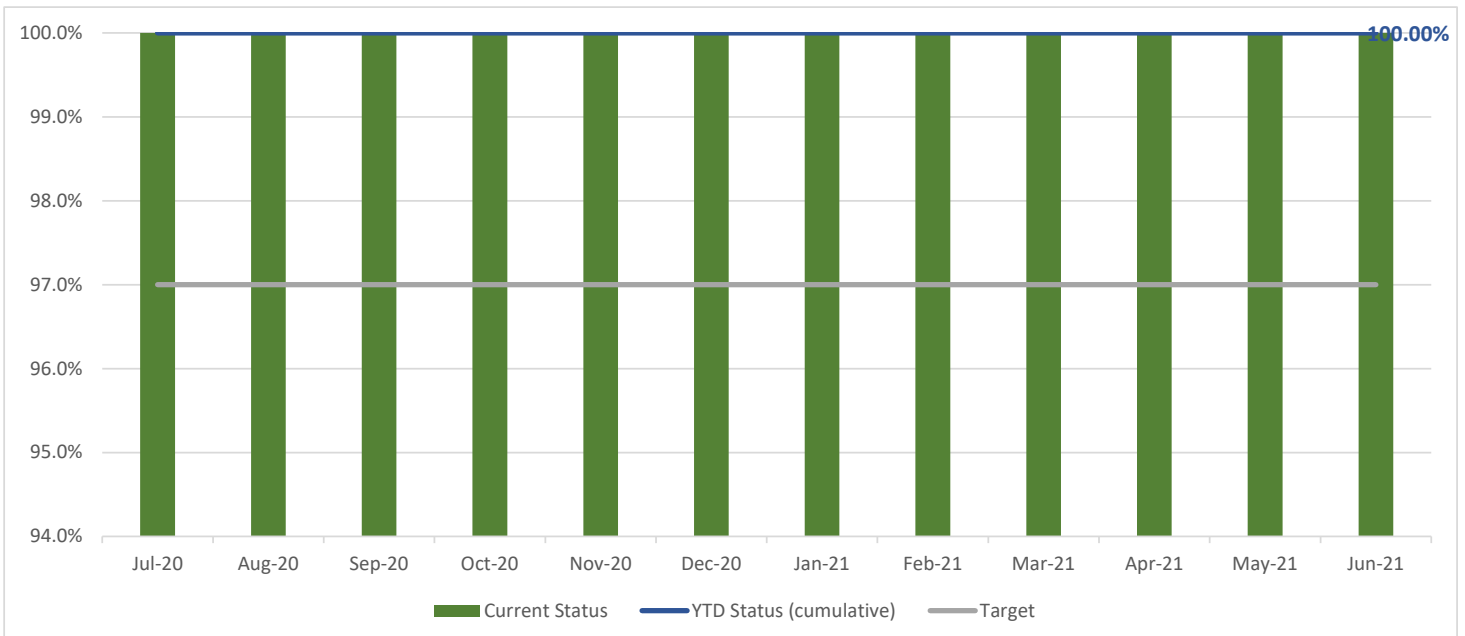


VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

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Operational Measure	Timeliness of Employer Contribution Confirmations		
Strategic Goal	Superior Technological Tools that Enable Efficient Delivery of Service		
Description	Percentage of Employer Contribution Confirmation (CC) snapshots completed in VNAV by the end of the month in which they are due		
Calculation Methodology	The number of employer CC snapshots received by the end of the month in which they are due, divided by the total number of employer CC snapshots required for the same time period. VRS works with employers to ensure that monthly CC snapshots are posted in a timely fashion. There are over 1,000 employers reporting to VRS for which CC snapshots are required on a monthly basis.		
Data Source	Employer Reporting Contribution Confirmation and Payment Status Report	Reporting Frequency	Monthly
Target (Performance Goal)	97.00%	Baseline (Performance History)	97.60%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 97.60%</i>	
Current Reporting Month Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	100.00%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Dependence on over 1,000 employers to submit their confirmations on time every month	Proactively communicate with employers with a focus on those with a history of delinquent submissions to mediate potential causes for delay	
2	Impact of ongoing pandemic on resources at the employer level that prevent their timely submission of CC snapshots	Proactively communicate with employers to identify potential impacts and assist as appropriate with the submission process	
3	Cardinal implementation for state employers may delay timely submission due to additional responsibilities during Cardinal transition	Provide notice to state employers of potential for delay due to Cardinal implementation and advise that they prepare to ensure timely report submission	

YTD Performance History

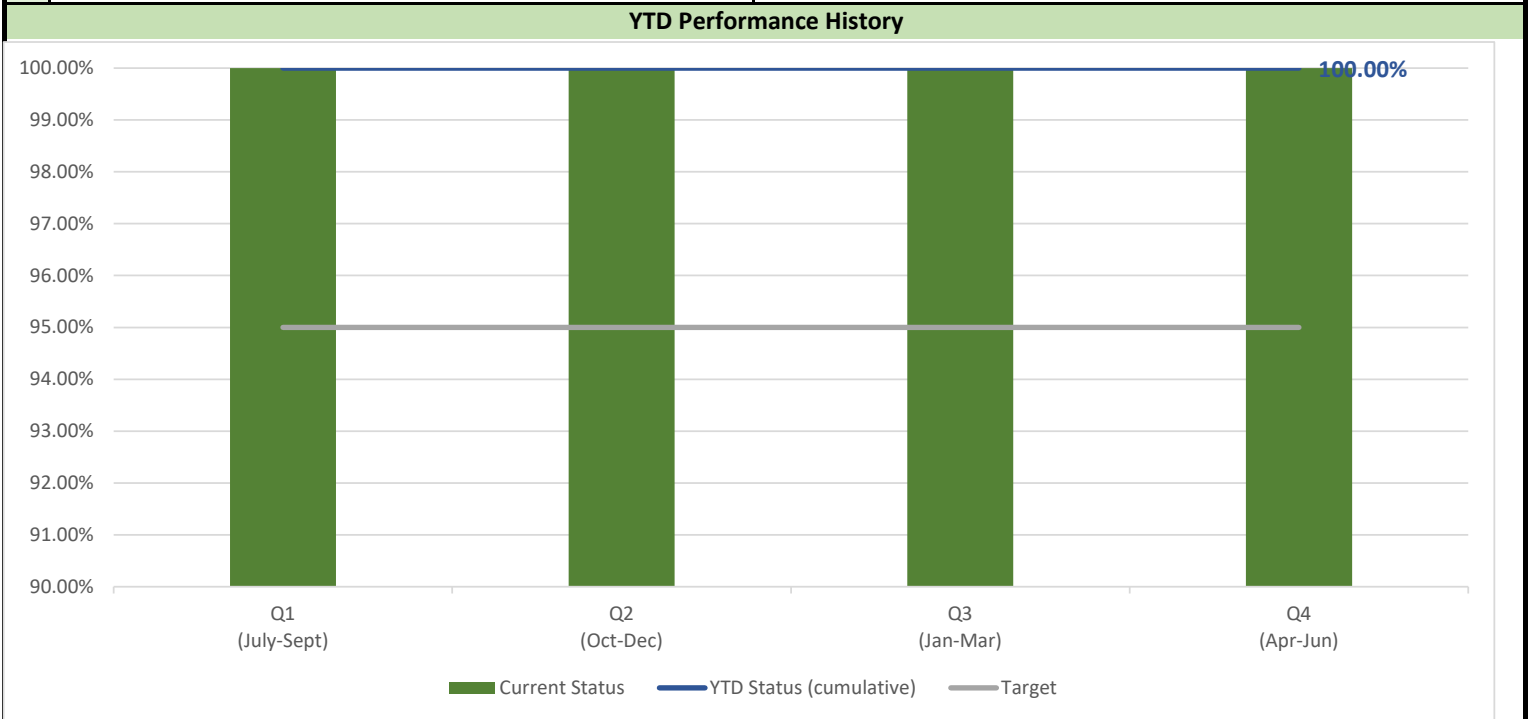


VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

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Operational Measure	Implementation of Corrective Action to Audit Recommendations		
Strategic Goal	Continuous Improvement of Effective and Efficient Operations		
Description	Percentage of audit recommendations for which VRS management represents that corrective action has been implemented by the approved target date		
Calculation Methodology	The number of audit recommendations for which VRS management has represented that corrective action has been implemented, divided by the total number of audit recommendations for which corrective action is needed as of the date the measure is calculated. VRS management establishes target dates and provides periodic updates to Audit regarding whether actions have been taken. Audit tracks responses in the Audit Recommendation Follow-Up System (ARFUS).		
Data Source	ARFUS	Reporting Frequency	Quarterly
Target (Performance Goal)	> 95.00%	Baseline (Performance History)	94.00%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 94.00%</i>	
Current Reporting Month Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	100.00%

Potential Constraints to Meeting Target		Mitigation Strategies
1	High cost to implement necessary corrective action	Work within existing agency allocations and, if necessary, also with state budgetary processes to obtain resources needed to effectuate corrective action
2	Limited staff resources to effectively implement necessary corrective action	Adjust allocation of staffing resources to enable corrective action implementation
3	External factors that delay ability to take necessary corrective action (ex: legislative mandates that redirect agency resources, ongoing pandemic)	Communicate with DEC and Audit regarding possible adjustment of target date to accommodate timeline of when resources will be available



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Fiscal Year 2021 Operational Measures

Reporting Period: June-21

OM
13

Operational Measure	Preventable Employee Turnover		
Strategic Goal	Exceptional Organizational Culture and Work Environment		
Description	Percentage of employees voluntarily separating VRS employment due to preventable experiences		
Calculation Methodology	The number of Administration employees who voluntarily separate from VRS employment due to preventable reasons, divided by the total number of Administration employees who voluntarily separate VRS employment, when total employee turnover exceeds 5% within the same period of time. Preventable turnover is determined from exit interview results, and includes substantiated reports of unsuccessful supervision or management, unsatisfactory work environment, insufficient resources to complete one's job effectively, and unavailability of training opportunities.		
Data Source	Human Resources Department Exit Interview Survey Results	Reporting Frequency	Annual
Target (Performance Goal)	< 10.00%	Baseline (Performance History)	5.88%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: FY 2019 results</i>	
Current Reporting Month Status	0.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	0.00%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Unrealistic employee expectations regarding VRS work environment and responsibilities	Provide clear position descriptions and responsibilities upon hire; outline organization culture and expectations on a regular basis; ensure open communication between employees, managers and supervisors	
2	Reorganization due to myVRS enhancements may alter current work responsibilities for some employees	Provide clear and open communication throughout the implementation process; Offer sufficient training opportunities for employees tasked with new responsibilities	
3	Ongoing pandemic impacts employee morale	Continue direct outreach to employees, provide EAP resources and implement employee engagement activities	
YTD Performance History			
[Reported as an annual measure]			

VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

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Operational Measure	Cost to Administer Defined Benefit Plans		
Strategic Goal	Strong Financial Viability		
Description	Annual pension administration cost for defined benefit plans, as compared to peer group median reported by CEM Benchmarking, Inc.		
Calculation Methodology	VRS pension administration cost per active member and annuitant for defined benefit plans as compared to that of its peer group, as calculated by CEM Benchmarking, Inc. The average peer cost calculated by CEM is available on delay and will not be known until spring 2021. At that time the FY 2020 annual agency cost will be compared to the to the FY 2020 CEM peer cost to determine whether VRS's cost is lower than the peer average.		
Data Source	CEM Benchmarking, Inc.	Reporting Frequency	Annual
Target (Performance Goal)	Lower than the FY 2020 CEM Peer Cost Average	Baseline (Performance History)	N/A
<i>Target Rationale: Measuring VRS annual administrative cost for FY 2020 against the most current peer data as provided by CEM Benchmarking, Inc.</i>		<i>Baseline Rationale: N/A</i>	
Current Reporting Month Status	\$72.00	YTD Status (Used at year-end to determine whether target has been met)	\$72.00
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Significant unanticipated costs to administer pension plans due to external influences, including the ongoing pandemic	Work within existing agency allocations and prioritize spending plans to ensure administrative expenditures remain reasonable	
2	Dependent upon expenditure patterns for the CEM Peer group for administrative cost average	Maintain communications with CEM peers to stay informed on any spending abnormalities that may skew CEM-calculated peer costing	
3	FY 2020 CEM cost not known until late into FY 2021 (limiting agency ability to react if missing target)	Proactively calculate and monitor agency administrative cost in anticipation of receiving the FY 2020 CEM cost; adjust agency spending if out of line with recent CEM peer cost averages	
YTD Performance History			
<p>[Average Pension Administration Cost for VRS' Peer Group, as provided by CEM Benchmarking, will be known in spring 2020]</p>			
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Operational Measure	Systems Security Awareness		
Strategic Goal	Continuous Improvement of Effective and Efficient Operations		
Description	Percentage of eligible staff who have completed security training in compliance with the agency's and Commonwealth's security policies		
Calculation Methodology	Percentage of eligible staff who have completed the agency's annual security training, VRS User IT Security Policy Training ("security training"), divided by the total eligible agency staff. Employees who join the agency during FY 2021 are required to complete security training within 30 days after their start date. All staff are required to complete the training during the annual training window. The training provides information on such critical security practices as protecting sensitive data, utilizing effective passphrases, reviewing acceptable technology use policies, being on alert for phishing and other malpractices, and more. The percentage is calculated on a cumulative basis and reported annually (with the total requirement recalculated monthly as new staff are hired and required to obtain security training).		
Data Source	Technology Services SLEs Performance Report	Reporting Frequency	Annual
Target (Performance Goal)	100.00%	Baseline (Performance History)	100.00%
<i>Target Rationale: Maintain high security awareness</i>		<i>Baseline Rationale: All VRS staff completed security training in FY 2020</i>	
Current Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	100.00%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Unavailability of the Virginia Learning Center (VLC, a non-VRS application) for training	Provide sufficient time for staff to obtain training within prescribed timeline to allow for possible VLC system unavailability	
2	Ongoing pandemic impacts processes and agency resources, including technology outages that limit system availability	Enact business continuity plan for technology outages	
3	New training requirements as set-forth by the Commonwealth Security Policy that require changes to the prepared security training	Proactively coordinate with different units within VRS to ensure sufficient time and resources to make necessary changes to the prepared training	
YTD Performance History			
[Reported as an annual measure]			

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Operational Measure		Employee Professional Development	
Strategic Goal		Highly Skilled and Trained Staff	
Description		Percentage of full-time VRS administration employees receiving at least 8 hours of professional development	
Calculation Methodology		The number of eligible full-time VRS administration employees who have completed at least 8 hours of professional development, divided by the total number of eligible full-time administration employees. Eligible employees are full-time administration staff hired after July 1, 2020 who are not on short- or long-term disability or FMLA during FY 2021. Qualifying professional development includes courses designated in the Virginia Learning Center (VLC), as well as conferences, webinars, college or trade school classes, and any other professional development as approved by the Human Resources Director. Number of hours received is tracked on a cumulative basis and reported quarterly.	
Data Source	Human Resources Performance Report	Reporting Frequency	Annual
Target (Performance Goal)	85.00%	Baseline (Performance History)	91.30%
<i>Target Rationale: Maintain recent performance and increased total # of hours</i>		<i>Baseline Rationale: 5 year average = 91.32%</i>	
Current Status	99.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	99.00%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Limited staff flexibility to obtain professional development due to significant staff time dedicated to implementation of myVRS enhancements in FY 2021	Encourage staff to plan for professional development opportunities before and/or after periods of time dedicated to implementation myVRS enhancements	
2	Dependence on IT system availability/accessibility for trainings and/or time tracking	Advise staff to plan to be proactive about obtaining professional development and reporting their hours earned as they go	
3	Limited progressive course availability on relevant subject matter area	Ongoing communication between managers and staff to expand and identify new learning opportunities	
YTD Performance History			
[Reported as an annual measure]			
VRS Mission: <i>VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.</i> VRS Vision: <i>To be the trusted leader in the delivery of benefits and services to those we serve.</i>			



Date: September 1, 2021

To: Trish Bishop, Director

From: Jennifer Schreck, Internal Audit Director 

Subject: Review of 2021 Agency Performance Outcomes and Operational Measures

As part of our annual process, Internal Audit has reviewed the status of the 2021 Agency Performance Outcomes (APOs) and Operational Measures (OMs), as set forth by management for the fiscal year ended June 30, 2021. The purpose of our review was to obtain reasonable, but not absolute assurance that the status of such outcomes and measures was fairly represented in management's status reports.

Based upon our review of available documentation and discussions with various VRS personnel, nothing came to our attention to cause us to question the representations set forth by management with respect to either the APOs or the OMs. Accordingly, we have no reason to believe that the APOs and OMs were not appropriately represented as satisfied for the fiscal year ended June 30, 2021.

I would like to commend the management team and staff for their accomplishments this past year. Please feel free to share this information with the Administration and Personnel Committee as well as the full Board of Trustees, as you deem appropriate.



Approve attainment of FY 2021 APOs and Operational Measures and corresponding lump-sum bonus equal to 2.5% of salary for eligible administrative employees and Investment Department operations and administration employees.

Requested Action

The VRS Board of Trustees approves (i) the attainment of FY 2021 APOs and Operational Measures and (ii) a lump-sum bonus equal to 2.5% of salary for eligible administrative employees and eligible Investment Department operations and administration employees.

Description/Background

VRS' Agency Performance Outcomes (APOs): The Board approves APOs for each fiscal year. Successful attainment of the APOs is one half of the gainsharing portion of the performance management program, and it is to be paid as a lump-sum bonus equal to 2.5% of salary for FY 2021, as set forth in the Administrative Pay Plan. The expectation is that all employees will work collaboratively and contribute to attaining the annual APOs. The goal is to complete four (4) of the six (6) APOs for FY2021.

VRS' Annual Operational Measures: VRS also identifies key operational measures each year. The operational measures are the other part of the gainsharing portion of the performance management program. The goal is to meet the target for at least thirteen (13) of the sixteen (16) measures set for the year. Again, the expectation is that all employees will work collaboratively and contribute to accomplishing key functions of the agency.

The agency achieved fifteen (15) of the sixteen (16) operational measures for FY 2021. Additionally, VRS successfully completed all four (4) of the FY 2021 APOs.

Investment Department Gainsharing: The Investment Department's operations and administration staff employees are eligible to receive a lump-sum bonus equal to 2.5% of salary if their performance at least meets expectations, as rated in their annual performance assessment, and the employee consistently works, as a team member, to accomplish the goals of the Investment Department.

Cost: The approximate total cost for the 2.5% bonus payments to eligible employees is \$611,410.36, to be paid from the FY 2022 budget.

Rationale for Requested Action

Both the Administrative Pay Plan and the Investment Operations and Administration Staff Pay Plan contain gainsharing language, as outlined previously, to reward teamwork, collaboration and organizational results.

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, Chair
VRS Board of Trustees

Date



Approve lump-sum performance bonuses for eligible administrative employees and Investment Department operations and administration employees.

Requested Action

The VRS Board of Trustees approves performance lump-sum bonuses for eligible administrative employees and eligible Investment Department operations and administration employees.

Description/Background

The Board approved the current Administrative Pay Plan and the current Investment Operations and Administration Staff Pay Plan on April 21, 2021. Each of the plans state:

Subject to the approval of the VRS Board of Trustees, 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.

Cost: The approximate total cost for the FY 2021 performance bonus payments to eligible employees is \$598,913.70, to be paid from the FY 2022 budget.

Rationale for Requested Action

Bonus payments recognize and reward the positive contributions of individual performance that enable VRS to achieve and exceed its goals and objectives.

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, Chair
VRS Board of Trustees

Date

Hance West has served as both Investure's Chief Investment Officer and Co-Chief Investment Officer for more than a decade. Along with responsibility for the Investment Team and the investment process, he oversees clients' fixed income portfolios and passive investments. Prior to joining Investure in 2004, Hance was a Director for the University of Virginia Investment Management Company (UVIMCO) from 2000 to 2003. While at UVIMCO, Hance managed the fixed income portion of the University's endowment fund and various operating accounts as well as had joint responsibility for the University's hedge fund portfolio. He previously served as Executive Vice President of Portfolio Management at Dynex Capital, where he led portfolio management and securitization activity. Prior to working at Dynex Capital, he served as Co-Head of Fixed Income for Mentor Investment Group, where he was responsible for all institutional accounts.

Hance earned his BS in accounting from Virginia Tech and his MBA from the Simon School of Business at the University of Rochester. He holds the Chartered Financial Analyst designation and is a member of the CFA Institute. Hance currently serves on the Investment Advisory Committee of the Virginia Retirement System, as well as the Board of Directors of the Virginia Tech Foundation, where he is Chair's the Foundation's Board. He is also a Trustee of the Virginia Chapter of The Nature Conservancy and serves as Treasurer and Chair of the Finance Committee.

Nan Leake currently serves on the Investment Advisory Committee of the Virginia Retirement System and the Board of VCU Investment Management Company. She also serves on the Advisory Board of Hodes Weill & Associates, a global capital advisory firm focused on the real estate and real assets investment and funds management industry. She recently served on both the Board and Investment Advisory Committee of the Richmond Retirement System.

Ms. Leake was previously a Partner in the Private Real Estate business unit at Partners Group, a global private markets investment manager with \$119 billion in assets under management. During her decade-long tenure at Partners Group, Ms. Leake was responsible for advancing the firm's real estate investment strategies and managing investor relationships. Throughout her career, Ms. Leake has been involved in all aspects of real estate investing, having worked exclusively with institutional investors to design, structure and implement their global real estate investment strategies. Prior to joining Partners Group, Ms. Leake was a senior consultant at Pension Consulting Alliance, Inc. ("PCA"), whose discretionary real estate asset management business was integrated into Partners Group in 2007. Before joining PCA, she worked at Property Investment Advisors, Inc., the Virginia Retirement System and NBS Realty Advisors.

Ms. Leake is also involved with Shalom Farms, a leading grower and provider of local produce and food access programming in low-income communities in Richmond, Virginia. She serves on the Boards of both Shalom Farms and The Maxwellton-Lachlan foundation ("TMLF"), which provides summer camp scholarships to needy youth. Ms. Leake also serves on the UVA Real Estate Committee, a volunteer group of alumni with expertise across the real estate industry, championing an effort to raise significant private philanthropy to launch a formal University of Virginia Real Estate Center.

Ms. Leake is active in timber investing, regenerative agriculture and land management in Central Virginia. She resides on her farm in Goochland County with her husband and two dogs.



Reappointment of IAC Members.

Requested Action

The Board reappoints William “Hance” West and Nancy G. Leake to the Investment Advisory Committee, each for a two-year term ending December 31, 2023.

Rationale for Requested Action

Mr. West and Ms. Leake currently serve on the Investment Advisory Committee (IAC) and are willing to be reappointed for another two-year term. Mr. West is the Chief Investment Officer and Managing Director of Investure, and Ms. Leake is an Advisory Partner with Partners Group (USA) Inc.

Authority for Requested Action

Code of Virginia § 51.1-124.26 requires the Board to appoint an Investment Advisory Committee to provide the Board with sophisticated, objective, and prudent investment advice, which will further assist the Board in fulfilling its fiduciary duty as trustee of the funds of the Retirement System.

The above action is approved.

O’Kelly E. McWilliams, III, Chair
VRS Board of Trustees

Date

Building for the Next Biennium

Presentation to the Administration & Personnel
Committee

September 15, 2021



FY 2021 Year-End



FY 2021 Final Position



	Adjusted FY 2021 Budget	Total FY 2021 Expenses	Final FY 2021 Variance
Administration			
Personnel	38,113,000	32,860,000	5,253,000
Operating	<u>28,699,000</u>	<u>26,848,000</u>	<u>1,851,000</u>
Administration Total	\$66,812,000	\$59,708,000	\$7,104,000
Investments			
Personnel	25,521,000	19,730,000	5,791,000
Operating	<u>13,359,000</u>	<u>11,534,000</u>	<u>1,825,000</u>
Investments Total	\$38,880,000	\$31,264,000	\$7,616,000
VRS TOTAL	\$105,692,000	\$90,972,000	\$14,720,000

Breakdown of FY 2021 Year-End Balance

(in millions)

\$6.8	Pandemic-related hiring freeze
\$3.8	Investments bonuses less than budgeted amount
\$0.5	Position vacancies
\$3.3	Actual non-personnel expenses lower than anticipated
<u>\$0.3</u>	No Retirement Commission expenditures in FY 2021
<u>\$14.7</u>	To be returned to the Trust Fund



Virginia
Retirement
System

FY2022 Budget Update



FY 2022 Budget Update through 7/31/21



	Current Budget <i>A</i>	YTD Expenses through 7/31/21 <i>B</i>	Projected Remaining Expenses ¹ <i>C</i>	Total Projected Expenses <i>B + C</i>	Projected Variance Favorable/ (Unfavorable) <i>A - (B + C)</i>
ADMINISTRATION					
Personnel	38,652,000	2,911,000	34,243,000	37,154,000	1,498,000
Operating	<u>26,939,000</u>	<u>686,000</u>	<u>25,249,000</u>	<u>25,935,000</u>	<u>1,004,000</u>
Administration Total	65,591,000	3,597,000	59,492,000	63,089,000	2,502,000
INVESTMENTS					
Personnel	26,001,000	1,422,000	23,820,000	24,700,000	759,000
Operating	<u>14,511,000</u>	<u>613,000</u>	<u>13,082,000</u>	<u>12,450,000</u>	<u>816,000</u>
Investments Total	40,512,000	2,035,000	36,902,000	38,937,000	1,575,000
VRS TOTAL	\$106,103,000	\$5,632,000	\$96,394,000	\$102,026,000	4,077,000

1. *Projected remaining expenses are best estimates as of a point in time and are subject to change*

FY 2023-2024 Proposed Budgets



Proposed Decision Packages



	FY 2023	FY 2024	Positions
Complete Successful Cloud Migration	919,000	2,014,600	0
Elevate Organizational Strength, Culture and Engagement	20,000	745,000	0
Fortify Cybersecurity and Fraud Prevention Measures	1,830,112	1,527,112	2
Promote Superior Investment Governance	2,820,533	2,520,533	1
Ensure Long-Term Financial Health	1,302,512	1,302,512	2
Refresh Infrastructure for Investment Data Analysis	1,352,512	1,352,512	2
Optimize Member, Retiree and Employer Outreach	1,091,218	1,186,633	10
Transform Business Models	1,201,080	2,599,080	2
TOTAL VRS	\$10,536,967	\$13,247,982	19

Decision Package 1

Complete Successful Cloud Migration			
Initiative	FY23 Cost	FY24 Cost	Positions
EOL Hardware Replacement	744,000	839,600	0
Secondary Backup Solution	175,000	175,000	0
Transition to Cloud Environment	-	1,000,000	0
Total	\$ 919,000	\$ 2,014,600	0

- Continuation of cloud migration initiative to enhance service delivery and provide greater operational efficiencies
- Upgrade current datacenter hardware, which reaches end-of-life during next biennium
- Allows VRS to simultaneously update hardware and convert it to serve as a secondary backup to the cloud
- Migrate to a steady state of operations within the cloud in FY24
 - Costs are one time and include project management services and post-migration support

Decision Package 2

Elevate Organizational Strength, Culture and Engagement

Initiative	FY23 Cost	FY24 Cost	Positions
HR Training & Development	\$ 20,000	\$ 20,000	0
IAM Solution	-	725,000	0
Total	\$ 20,000	\$ 745,000	0

- Supports the agency’s related strategic plan goal
- Enhances staff development and bench strength through personalized training
- Provides a comprehensive and streamlined onboarding process for all agency employees
- Update the Identity Access Management (IAM) process, including role-based security, utilizing a highly-integrated IAM platform as part of the agency’s transition to the cloud
- Estimated to produce savings of approximately \$20,000 per year

Decision Package 3

Fortify Cybersecurity and Fraud Prevention Measures			
Initiative	FY23 Cost	FY24 Cost	Positions
Cloud Security Platform	\$ 669,105	\$ 594,105	1
Incident Response & Forensics Office	359,007	338,007	1
Managed Security Endpoint Program	287,000	195,000	0
Fraud Analysis & Voice Recognition	515,000	400,000	0
Total	\$ 1,830,112	\$ 1,527,112	2

- Addresses inherent security risks of operating in a cloud-based environment by identifying and closing potential security weaknesses
- Upgrades incident response and forensic capabilities
 - New equipment, software, and FTE to oversee in-house duties
 - Incident Response and Remediation retainer service to augment internal capabilities
- Provides fully managed cybersecurity endpoint protection service to monitor, evaluate, detect, prevent and remediate behaviors which may indicate a security event
 - Creates savings beginning in FY24 by eliminating multiple licensing costs
- Enhances fraud detection and analysis to assist in protecting member information through a voice recognition platform

Decision Package 4

Promote Superior Investment Governance			
Initiative	FY23 Cost	FY24 Cost	Positions
Senior Investment Accountant	\$ 120,533	\$ 120,533	1
Cash Management System	300,000	300,000	0
Investments Tech Support	2,100,000	1,800,000	0
Non-Cleared Derivatives Margin Requirement	300,000	300,000	0
Total	\$ 2,820,533	\$ 2,520,533	1

- Supports strategic plan goal to “Ensure well-governed and financially sound trusts and funds within our care”
- Provides an additional investment accountant and a new cash management system to enhance internal controls
- Provides specialized expertise to better ensure system functionality and development
- Calculates margin requirements for non-cleared derivatives in accordance with international regulations

Decision Package 5

Ensure Long-Term Financial Health			
Initiative	FY23 Cost	FY24 Cost	Positions
Internal Equity Strategy	\$ 401,256	\$ 401,256	1
Portfolio Intelligence Strategy	401,256	401,256	1
Data Feeds	500,000	500,000	0
Total	\$ 1,302,512	\$ 1,302,512	2

- Moves external investment strategies in-house
 - Anticipated to save approximately 0.5% in fees for each investment strategy
 - Savings anticipated to increase as portfolio grows
- Provides data feeds and related information to help investment staff make better-informed decisions in a more timely manner

Refresh Infrastructure for Investment Data Analysis			
Initiative	FY23 Cost	FY24 Cost	Positions
Quantitative Developers	\$ 502,512	\$ 502,512	2
IDS Data Consulting and Implementation	400,000	400,000	0
Contractors	450,000	450,000	0
Total	\$ 1,352,512	\$ 1,352,512	2

- Enhances investments’ ability to review and inventory its tools and systems
- Provides for quantitative developers to identify tools and systems, and upgrade, expand, or replace as applicable
- Ensures investment data tools and systems are up-to-date to efficiently optimize the analysis process, leading to better-informed investment decisions

Decision Package 7

Optimize Member, Retiree and Employer Outreach

Initiative	FY23 Cost	FY24 Cost	Positions
Video Outreach Upgrades	\$ 17,500	\$ 20,000	0
Web Team Support Software	6,300	6,300	0
Employer Relations Representative	113,994	113,994	1
New Tablets and Kiosks	28,000	20,000	0
Customer Satisfaction Survey	150,000	150,000	0
Health Benefits Specialist	107,454	107,454	1
VSDP Account Representative	-	100,915	1
Beneficiary Payments Analyst	96,991	96,991	1
Benefits Maintenance Analyst	96,991	96,991	1
Technical Writers	227,988	227,988	2
Retiree Counseling Representatives	246,000	246,000	3
Total	\$ 1,091,218	\$ 1,186,633	10

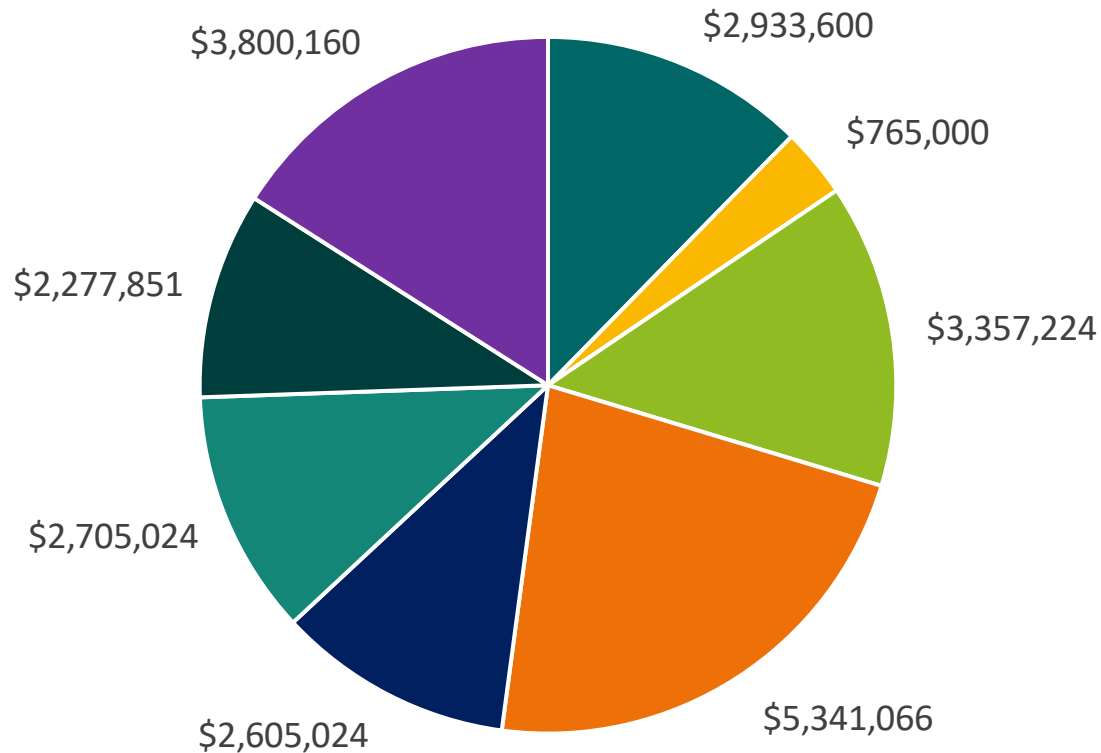
- Provides new tools, software and equipment to enhance the agency website and content
- Enhances customer service through new tools for employer and member representatives
- Increases resources to gather and evaluate member, retiree and employer satisfaction
- Supports back-office assistance for customer service programs

Decision Package 8

Transform Business Models			
Initiative	FY23 Cost	FY24 Cost	Positions
HR Info System	\$ 150,000	\$ 1,128,000	0
Records Management Office	137,073	132,073	1
ERM Dashboard	15,000	15,000	0
Project Management Office	\$ 799,007	\$ 799,007	1
IT Audit Support	100,000	100,000	0
VNAV Next Gen	-	425,000	0
Total	\$ 1,201,080	\$ 2,599,080	2

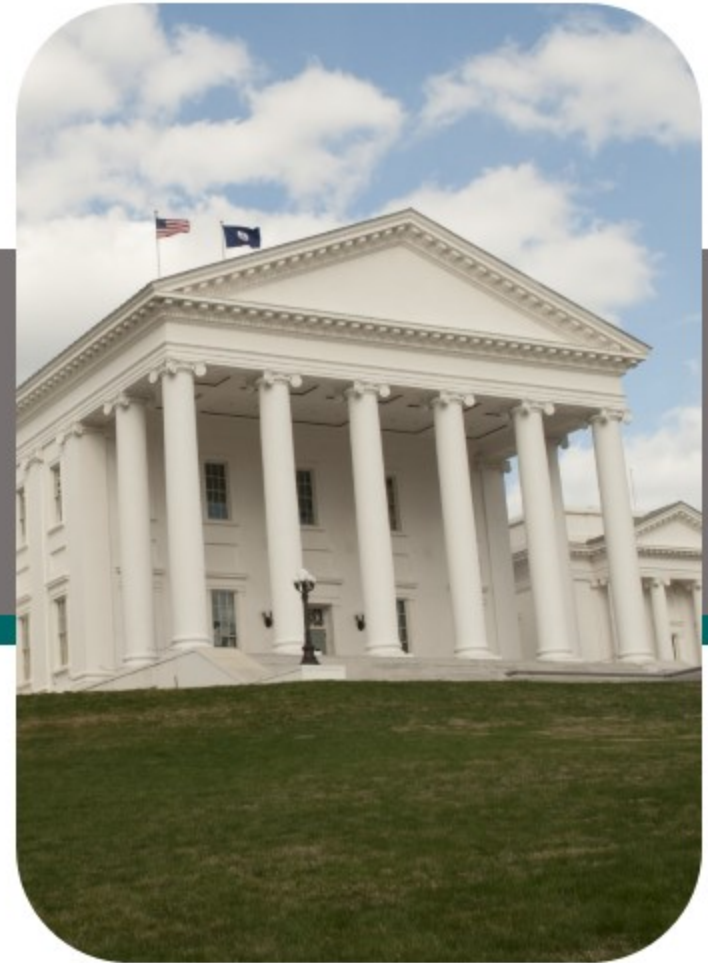
- Replaces multiple, integrated systems with one holistic HRIS system
 - Creates savings by eliminating multiple licenses
 - Reduces hours needed by centralizing functions to a single platform
- Creates a records Management Office to effectively and efficiently manage the agency’s records retention program
- Provides a risk management dashboard to support the agency’s ERM program
- Establishes a project management office, consisting of a project manager and contractors, to prioritize projects, instill PM best practices, and complete projects on time and on budget
- Improves technology process documentation, as well as knowledge capture and transfer
- Offers external audit support for reviewing increasingly complex IT processes and systems
- Supports first phase of upgrades to VNAV

Two-Year Cost of Decision Packages



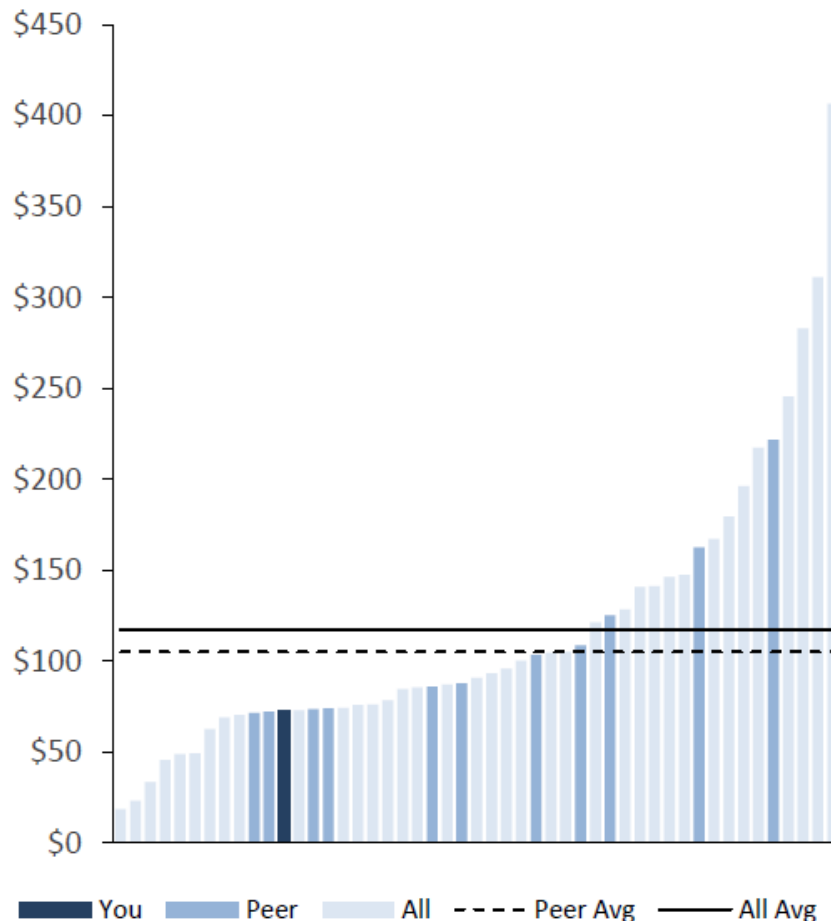
- 1 Complete Successful Cloud Migration
- 2 Elevate Organizational Strength, Culture, & Engagement
- 3 Fortify Cybersecurity & Fraud Prevention Measures
- 4 Promote Superior Investment Governance
- 5 Ensure Long-Term Financial Health
- 6 Refresh Infrastructure for Investment Data Analysis
- 7 Optimize Member, Retiree, & Employer Outreach
- 8 Transform Business Models

Benchmarking



VRS Cost: External Benchmarking

Pension Administration Cost Per Active Member and Annuitant

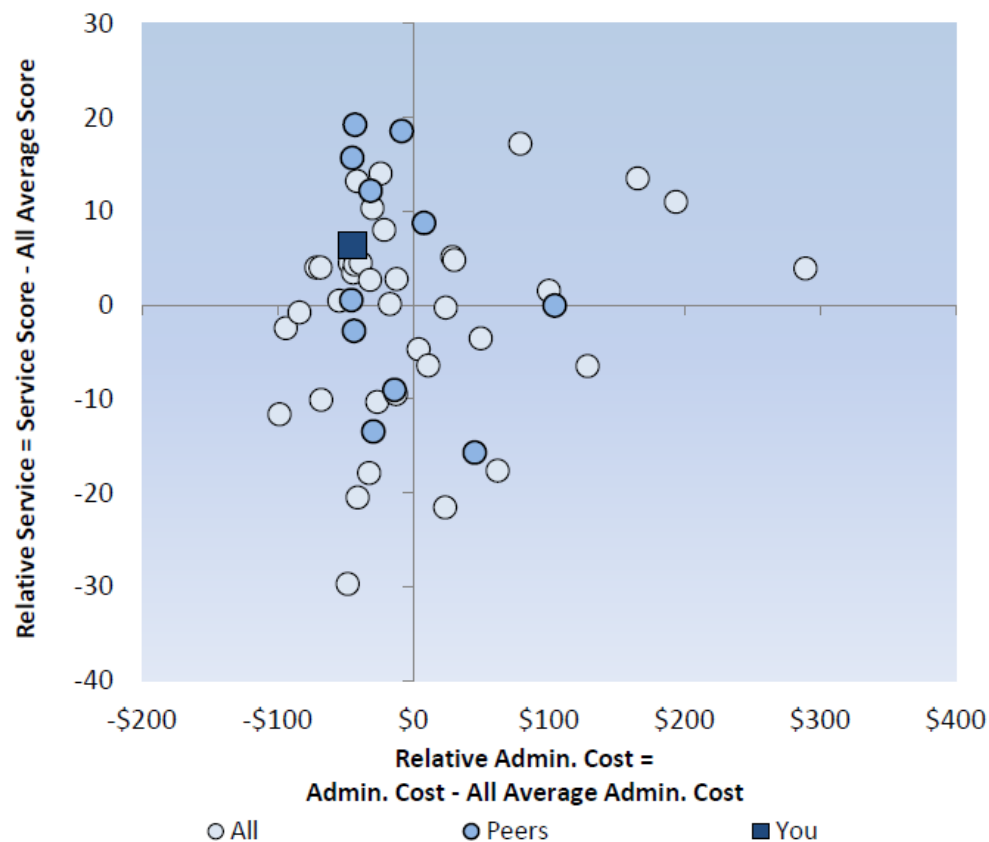


VRS' FY 2020 total pension administration cost (most recent CEM survey) of **\$72 per active member and annuitant** was **\$33 below the peer average of \$105**

Source: 2020 CEM Benchmarking Inc. Analysis for the Virginia Retirement System, Executive Summary p. 6

VRS Cost and Service: External Benchmarking

Relative Service versus Relative Cost



Questions?

Appendix

Total Requests

FY23-24 Initiatives	FY23	FY24	FY25-FY28 (Avg.)
Personnel			
Cloud Security Engineer	244,105	244,105	244,105
IR and Disaster Recovery Engineer	199,007	199,007	199,007
Senior Investments Accountant	120,533	120,533	120,533
Investment Officer (IE)	251,256	251,256	251,256
Investment Officer (PI)	251,256	251,256	251,256
Quantitative Developer	251,256	251,256	251,256
Quantitative Developer	251,256	251,256	251,256
Employer Relations Representative	113,994	113,994	113,994
Technical Writer	113,994	113,994	113,994
Technical Writer	113,994	113,994	113,994
Benefits Maintenance Analyst	96,991	96,991	96,991
Health Benefits Specialist	107,454	107,454	107,454
VSDP Account Representative	-	100,915	100,915
Beneficiary Payments Analyst	96,991	96,991	96,991
Retiree Counseling Representative	82,000	82,000	82,000
Retiree Counseling Representative	82,000	82,000	82,000
Retiree Counseling Representative	82,000	82,000	82,000
Records Management Officer	127,073	127,073	127,073
Project Manager	199,007	199,007	199,007
Total Personnel	\$ 2,784,167	\$ 2,885,082	\$ 2,885,082

Total Requests

FY23-24 Initiatives	FY23	FY24	FY25-FY28 (Avg.)
Operational			
Hardware Replacement	\$ 744,000	\$ 839,600	\$ -
Cloud Completion/2nd Backup	175,000	1,175,000	197,996
HR Training & Development	20,000	20,000	20,000
IAM Solution	-	725,000	254,567
Voice Recognition Software	515,000	400,000	254,567
Cloud Security Infrastructure	425,000	350,000	339,422
Incidence Response Forensics	160,000	139,000	130,112
Managed Security Endpoint Program	287,000	195,000	220,625
NC Derivatives Margin Req	300,000	300,000	300,000
Investments Tech Support	2,100,000	1,800,000	1,627,500
Cash Management System	300,000	300,000	300,000
Fixed Income Data Feeds	300,000	300,000	300,000
Internal Equity Strategy	150,000	150,000	150,000
Global Eqty Data Feeds	200,000	200,000	200,000
Portfolio Intelligence	150,000	150,000	150,000
Total Operational	\$ 7,752,800	\$ 10,362,900	\$ 6,473,294

Total Requests

FY23-24 Initiatives	FY23	FY24	FY25-FY28 (Avg.)
Operational			
Investment Contractors	\$ 450,000	\$ 450,000	\$ 450,000
IDS Data Infrastructure	400,000	400,000	400,000
Video Outreach Upgrades	17,500	20,000	-
Web Team Support Software	6,300	6,300	6,300
New Kiosks & Tablets for Members	28,000	20,000	20,000
Customer Satisfaction Survey	150,000	150,000	150,000
HR Information System	150,000	1,128,000	282,206
ERM Software	15,000	15,000	15,000
Record Retention	10,000	5,000	5,000
VNAV Next Gen	-	425,000	-
IT Contractors	600,000	600,000	600,000
IT Audit Solution	100,000	100,000	100,000
Total Operational	\$ 7,752,800	\$ 10,362,900	\$ 6,473,294
Total Initiatives	\$ 10,536,967	\$ 13,247,982	\$ 9,358,376

VIRGINIA RETIREMENT SYSTEM

FY2023-2024 Budget Requests

	FY2023	FY2024	
	\$	\$	Total Positions

<p>1 COMPLETE SUCCESSFUL CLOUD MIGRATION</p> <p>This proposal continues from previous years' planning and allows for the Agency to complete its transition from an on-premises server to a cloud-based network. Funding in this package includes replacing datacenter hardware that will reach the end of its useful life and simultaneously creating a secondary backup solution for the cloud. Finally, project management and consulting fees are needed to transition to a steady state of operations.</p>	\$ 919,000	\$ 2,014,600	-
<p>2 ELEVATE ORGANIZATIONAL STRENGTH, CULTURE AND ENGAGEMENT</p> <p>This proposal aligns with VRS' strategic goal to invest in a high-quality, professional and diverse workforce. The proposed tools include assessment programs and training opportunities to enhance employee development through EDGE (empower, develop, grow and engage) initiatives. Additionally, as VRS continues its migration to the cloud, VRS will use opportunities to create savings by replacing costly programs unable to be used in a cloud-based environment. In doing so, the Agency will provide comprehensive onboarding for all staff focused on the Agency's mission, vision and core values.</p>	\$ 20,000	\$ 745,000	-
<p>3 FORTIFY CYBERSECURITY AND FRAUD PREVENTION MEASURES</p> <p>Funding for this proposal will help protect the Agency against existing and emerging threats from attackers attempting to access sensitive data or impersonate members by using compromised personal information. Included are tools to ensure cloud security, endpoint security management, fraud detection and incident response capabilities are as strong as possible. Two positions, a Cloud Security Engineer and an Incident Response and Disaster Recovery Engineer, are needed to implement the necessary firewalls, security platforms and response/recovery activities.</p>	\$ 1,830,112	\$ 1,527,112	2
<p>4 PROMOTE SUPERIOR INVESTMENT GOVERNANCE</p> <p>As the total fund and related asset classes expand, additional support is needed maintain appropriate levels of due diligence, monitoring of publicly-traded securities and compliance review. To do this, a Senior Investments Accountant is proposed to help ensure proper internal controls are in place. Additionally, funds for a new cash management system will enhance controls over the cash flow process and internal cash portfolio. Also included is the strategic outsourcing of dedicated IT support for Investments, providing access to expertise in this field without adding full-time employees. The final piece of this proposal requires funding for services to determine and ensure compliance with international regulations for the over-the-counter derivatives market.</p>	\$ 2,820,533	\$ 2,520,533	1

5 ENSURE LONG-TERM FINANCIAL HEALTH

Internally managed investment programs create value-add to the trust fund as they are operated at a significantly lower cost than externally managed strategies. Two new Investment Officers will augment the Internal Equity and Portfolio Intelligence groups by helping to bring externally-managed investments in-house. The tools included will help in managing and analyzing the data necessary to make timely decisions across the Investments department.

\$ 1,302,512 \$ 1,302,512 2

6 REFRESH INFRASTRUCTURE FOR INVESTMENT DATA ANALYSIS

This proposal will provide funding to implement new quantitative strategies and create workflow efficiencies by upgrading or replacing Investments-related tools and systems used in various data processes. Two Quantitative Developers and three contractors will take a broad review of systems and determine what action needs to be taken for each system and then, in turn, will be the ones to implement the necessary solution. Funding in this proposal will also be used for software purchases and consulting for data integration, design and implementation.

\$ 1,352,512 \$ 1,352,512 2

7 OPTIMIZE MEMBER, RETIREE AND EMPLOYER OUTREACH

This proposal includes tools and new positions to cultivate mutually supportive partnerships that enhance an exceptional customer experience. The tools included will improve the quality of content posted on the website as well as create a more user-friendly experience. Additionally, as VRS returns to more in-person meetings, new tablets for employer and member representatives will provide for a better experience for customers. A new Employer Representative is also proposed to in order to better serve state agencies. In addition, this proposal includes five new FTEs in Customer Relations to provide sufficient resources for Employer Education and the Customer Contact Center. Lastly, four new positions in Customer Programs will ensure that VRS continues to provide optimal support for the various retirement and benefit programs it administers.

\$ 1,091,218 \$ 1,186,633 10

8 TRANSFORM BUSINESS MODELS

Funding for this proposal will provide tools, two positions and contractors to assist the Agency in transforming its business and service delivery models to meet the needs of its customers. These measures will ensure that VRS leverages state-of-the-art technology to improve system functionality. Replacing the multiple current HR information system platforms with a single, holistic platform will create savings and efficiencies for the department, as well as the Agency. Additionally, this proposal includes funding to support the process of upgrading the Agency's internal benefits management system. A Records Management Officer is proposed to oversee enhancements to the Agency's records management program, including converting paper documents into a digital library. New dashboarding software will aid VRS in finalizing its ERM program to effectively monitor risk across the Agency. Additionally, a Project Manager, contractors and an external IT auditor will help prioritize and implement projects, ensure optimal functionality and improve process documentation and knowledge capture.

\$ 1,201,080 \$ 2,599,080 2

TOTAL AGENCY REQUESTS \$ 10,536,967 \$ 13,247,982 19



Virginia Retirement System (VRS) FY 2021 Year-End Budget Update

	Adjusted FY2021 Budget A	Final Expenses B	Variance Favorable/ (Unfavorable) C = A - B	% Remaining C / A
Administration				
Personnel				
Salaries, Wages & Benefits	24,206,000	21,309,000	2,897,000	12.0%
Incentive Compensation	861,000	776,000	85,000	9.9%
Contractual Services				
Communication Services	950,000	699,000	251,000	26.4%
Employee Development Services ²	279,000	159,000	120,000	43.0%
Management & Informational Services ^{3, 4}	2,573,000	1,427,000	1,146,000	44.5%
Medical Review Services	1,000,000	671,000	329,000	32.9%
Support Services ⁵	620,000	560,000	60,000	9.7%
Technical Services ^{6, 7}	291,000	293,000	(2,000)	(0.7%)
Equipment & Supplies	449,000	414,000	35,000	7.8%
Facility	1,936,000	1,972,000	(36,000)	(1.9%)
Insurance, Claims & Bonds	84,000	33,000	51,000	60.7%
Service Charges	174,000	143,000	31,000	17.8%
Administration Total	33,423,000	28,456,000	4,967,000	14.9%
Information Technology				
Personnel				
Salaries, Wages & Benefits	12,720,000	10,442,000	2,278,000	17.9%
Incentive Compensation	325,000	333,000	(8,000)	(2.5%)
Contractual Services				
Communication Services	853,000	842,000	11,000	1.3%
Employee Development Services ²	63,000	26,000	37,000	58.7%
Management & Informational Services ³	10,000	15,000	(5,000)	(50.0%)
Support Services ⁵	24,000	9,000	15,000	62.5%
Technical Services	10,786,000	13,567,000	(2,781,000)	(25.8%)
Equipment & Supplies	8,009,000	5,497,000	2,512,000	31.4%
Facility	413,000	429,000	(16,000)	(3.9%)
Insurance, Claims & Bonds	95,000	92,000	3,000	3.2%
Information Technology Total	33,388,000	31,252,000	2,136,000	6.4%



Virginia Retirement System (VRS) FY 2021 Year-End Budget Update

	Adjusted FY2021 Budget A	Final Expenses B	Variance Favorable/ (Unfavorable) C = A - B	% Remaining C / A
Investment Management				
Personnel				
Salaries, Wages & Benefits	18,116,000	16,156,000	1,960,000	10.8%
Incentive Compensation	7,405,000	3,574,000	3,831,000	51.7%
Contractual Services				
Communication Services	59,000	44,000	15,000	25.4%
Employee Development Services ²	608,000	445,000	163,000	26.8%
Management & Informational Services ³	2,256,000	1,541,000	715,000	31.7%
Technical Services ⁶	9,552,000	8,549,000	1,003,000	10.5%
Equipment & Supplies	199,000	283,000	(84,000)	(42.2%)
Facility	659,000	660,000	(1,000)	(0.2%)
Insurance, Claims & Bonds	27,000	12,000	15,000	55.6%
Investment Management Total	39,694,000	31,264,000	8,430,000	21.2%
VRS Total	106,505,000	90,972,000	15,533,000	14.6%

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 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.



Virginia Retirement System (VRS) FY 2022 Budget to Actual Projections

	Current Budget A	Expenses through 7/31/2021 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	24,040,000	1,944,000	21,015,000	22,959,000	1,081,000	4.5%
Incentive Compensation	1,533,000	3,000	1,530,000	1,533,000	-	0%
Contractual Services						
Communication Services	947,000	55,000	879,000	934,000	13,000	1.4%
Employee Development Services ²	321,000	2,000	271,000	273,000	48,000	15.1%
Management & Informational Services ^{3,4}	3,472,000	29,000	2,887,000	2,916,000	556,000	16.0%
Medical Review Services	760,000	-	722,000	722,000	38,000	5.0%
Support Services ⁵	633,000	16,000	589,000	605,000	28,000	4.4%
Equipment & Supplies	92,000	14,000	69,000	83,000	9,000	9.8%
Facility	1,824,000	153,000	1,672,000	1,825,000	(1,000)	(0.6%)
Insurance, Claims & Bonds	86,000	-	85,000	85,000	1,000	1.2%
Service Charges	174,000	-	174,000	174,000	-	0.0%
Administration Total	33,882,000	2,216,000	29,894,000	32,110,000	1,772,000	5.2%
Information Technology						
Personnel						
Salaries, Wages & Benefits	12,989,000	961,000	11,401,000	12,362,000	627,000	4.8%
Incentive Compensation	-	3,000	297,000	300,000	-	-
Contractual Services						
Communication Services	977,000	-	948,000	948,000	29,000	3.0%
Employee Development Services ²	50,000	-	49,000	49,000	1,000	2.0%
Management & Informational Services ³	16,000	1,000	15,000	15,000	-	0.0%
Support Services ⁵	12,000	-	12,000	12,000	-	0.0%
Technical Services	13,469,000	416,000	12,689,000	13,105,000	364,000	2.7%
Equipment & Supplies	3,664,000	-	3,660,000	3,660,000	4,000	0.1%
Facility	439,000	-	436,000	436,000	3,000	0.7%
Insurance, Claims & Bonds	93,000	-	91,000	91,000	2,000	2.2%
Information Technology Total	31,709,000	1,381,000	29,598,000	30,979,000	730,000	2.3%



Virginia Retirement System (VRS) FY 2022 Budget to Actual Projections

	Current Budget A	Expenses through 7/31/2021 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	18,576,000	1,422,000	16,395,000	17,817,000	759,000	4.1%
Incentive Compensation	7,425,000	-	7,425,000	7,425,000	-	0%
Contractual Services						
Communication Services	346,000	2,000	274,000	276,000	70,000	20.3%
Employee Development Services ²	350,000	12,000	263,000	275,000	75,000	21.4%
Management & Informational Services ³	3,371,000	130,000	2,863,000	2,993,000	378,000	11.2%
Technical Services ⁶	9,561,000	385,000	8,889,000	9,274,000	287,000	3.0%
Equipment & Supplies	199,000	30,000	167,000	224,000	2,000	1.0%
Facility	657,000	52,000	599,000	651,000	6,000	0.9%
Insurance, Claims & Bonds	27,000	-	27,000	27,000	-	0.0%
Investment Management Total	40,512,000	2,035,000	36,902,000	38,937,000	1,575,000	3.9%
VRS Subtotal	106,103,000	5,632,000	96,394,000	102,026,000	4,077,000	3.8%

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 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.



**Authorize staff to request spending authority from the
Department of Planning and Budget.**

Requested Action

The VRS Board of Trustees authorizes staff to request spending authority from the Department of Planning and Budget and legislature, as applicable, to execute planned initiatives for the next two fiscal years.

Description/Background

VRS staff notified the Administration and Personnel Committee on September 15, 2021, that additional appropriation authority will be needed in FY 2023 and FY 2024 to accommodate planned spending. The Committee concurred with the planned spending line items and recommended that this RBA be presented to the entire Board for approval.

Rationale for Requested Action

This RBA seeks Board authority for staff to seek nineteen additional full-time positions and the necessary nongeneral fund appropriation for the following expenses:

Initiative	FY 2023 cost (in millions)	FY 2024 cost (in millions)
• Complete successful cloud migration	\$0.92	\$2.01
• Elevate organizational strength, culture and engagement	\$0.02	\$0.75
• Fortify cybersecurity and fraud prevention measures	\$1.83	\$1.53
• Promote superior investment governance	\$2.82	\$2.52
• Ensure long-term financial health	\$1.30	\$1.30
• Refresh infrastructure for investment data analysis	\$1.35	\$1.35
• Optimize member, retiree and employer outreach	\$1.09	\$1.19
• Transform business models	\$1.20	\$2.60
	\$10.53 million	\$13.25 million

Authority for Requested Action

Code of Virginia § 51.1-124.22(A)(8) authorizes the Board to promulgate regulations and procedures and make determinations necessary to carry out the provisions of Title 51.1.

The above action is approved.

O’Kelly E. McWilliams, III, Chair
VRS Board of Trustees

Date

Virginia Retirement System

2021 – 2026

STRATEGIC PLAN

Adopted: September 2021



Virginia Retirement System



Prepared by the:
PERFORMANCE MANAGEMENT GROUP
L. DOUGLAS WILDER SCHOOL OF
GOVERNMENT AND PUBLIC AFFAIRS
VIRGINIA COMMONWEALTH UNIVERSITY



VCU

Performance Management Group
L. Douglas Wilder School of Government and Public Affairs

TABLE OF CONTENTS:

Table of Contents:	2
MISSION	4
VISION	4
Commitment	4
Diversity, Equity and Inclusion are our Strengths.....	4
Diversity, Equity and Inclusion	5
Definitions	5
Diversity.....	5
Equity.....	5
Inclusion	5
Goal 1: Organization Strength, Culture and Engagement.....	6
Equity Emphasis:	6
Strategies.....	6
Measures and Targets.....	6
Goal 2: Superior Governance and Long-Term Financial Health.....	7
Equity Emphasis:	7
Strategies.....	7
Measures and Targets.....	7
Goal 3: Member, Retiree and Employer Education, Outreach and Partnership	8
Equity Emphasis:	8
Strategies.....	8
Measures and Targets.....	8
Goal 4: Digital Transformation and Secure Service Delivery	9
Equity Emphasis:	9
Strategies.....	9



Measures and Targets.....	9
Goal 5: Technology Infrastructure	10
Equity Emphasis:	10
Strategies.....	10
Measures and Targets.....	10

DRAFT

MISSION

Delivering retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

VISION

To be the trusted leader in the delivery of benefits and services to those we serve.

COMMITMENT

- Serving those who serve others.
- Helping members plan for tomorrow, today!

DIVERSITY, EQUITY AND INCLUSION ARE OUR STRENGTHS

The Virginia Retirement System, an independent state agency, delivers retirement and other benefits to covered Virginia public sector employees. Diversity, equity and inclusion are at our core and we are unwavering in our commitment to these values. Fostering a sense of belonging and inclusion unleashes the power of diversity. We know that different ideas, identities, perspectives and backgrounds generate stronger and more creative conditions that deliver better results. We believe in creating an environment that reflects the communities we serve and where everyone is welcome and empowered to do their best work.

DIVERSITY, EQUITY AND INCLUSION

DEFINITIONS

Diversity

Diversity refers to the individual characteristics that make every individual unique. The Virginia Office of Diversity, Equity, and Inclusion (ODEI) notes that diversity describes the various combinations of group and social differences, including race, ethnicity, class, gender, gender identity, sexual orientation, country of origin and ability, as well as religious, political, cultural and other affiliations. It also includes human differences such as personality, learning style and life experiences.¹ The Virginia Department of Human Resource Management (DHRM) defines diversity as fostering a collaborative work environment that is inclusive of every employee by recognizing and effectively utilizing their talent, skills and perspectives to create a unified and high-performance workforce.²

Equity

Equity is the process of allocating resources and creating opportunities for historically underrepresented populations in order to provide equal access and equitable opportunity. As described in the One Virginia plan, equity requires an organizational commitment to its employees and customers to provide equitable access to opportunities, resources and the ability to fully contribute to the agency's mission, vision and goals.³

Inclusion

Inclusion is the deliberate and ongoing effort to engage diverse people, practices and communities in order to increase cultural respect, knowledge, empathy and understanding of ways individuals interact within an organization. It fosters a sense of belonging and respect for the differences of all employees in the organization.⁴

¹ Source: [One Virginia Strategic Plan for Inclusive Excellence in State Government](#).

² Source: [One Virginia Strategic Plan for Inclusive Excellence in State Government](#).

³ Source: [One Virginia Strategic Plan for Inclusive Excellence in State Government](#).

⁴ Source: [One Virginia Strategic Plan for Inclusive Excellence in State Government](#).

GOAL 1: ORGANIZATION STRENGTH, CULTURE AND ENGAGEMENT

Foster a positive working environment and culture of engagement that values and invests in a high-quality, professional and diverse workforce made up of employees who embody continuous learning and exemplify VRS' core values.

Equity Emphasis: Place an emphasis on recruiting, retaining, developing and promoting a workforce representative of those we serve and ensuring equal access to opportunity.

STRATEGIES

1. Enhance bench strength and staff development through personalized robust learning, leadership development, training and mentorship opportunities, utilizing DEI principles to support staff as they carry out the VRS mission and vision.
2. Evaluate the performance evaluation process to ensure alignment with a strategic framework and focus on self-reflection, goal setting, growth, development, skill maintenance and acquisition, effective feedback and coaching.
3. Promote employee engagement by fostering accessible leadership, soliciting feedback, encouraging the sharing and embracing of ideas, honoring diverse backgrounds and supporting the principles of DEI.
4. Support intentional, focused and innovative recruitment and retention efforts to expand analytical capabilities and increase the diversity and quality of applicant pools.
5. Provide comprehensive onboarding for all new staff members and provide ongoing organizational cultural activities for all staff focused on VRS' mission, vision and core values.
6. Support team member growth through the establishment of an organization-wide, continuing professional development program (VRS University), exposure to agency-wide opportunities and promotion of educational assistance programs.
7. Promote programs to support the health and well-being of team members.

MEASURES AND TARGETS

1. Develop career development plans for individual employees.
2. Enhance the performance evaluation process and system.
3. Provide interactive staff town halls (at least 4 each year).
4. Recognize and celebrate cultural events and other important moments of significance throughout each year.
5. Revise job descriptions and position advertisements, where appropriate, to include a focus on critical thinking and analytical capabilities.
6. Expand recruitment to more diverse outlets.
7. Refresh the on-boarding process for all new employees.
8. Create a comprehensive onboarding process for new employees and ongoing activities addressing organizational culture for all staff, including mentoring, focused on VRS' mission, vision and core values.
9. Develop and institute VRS University, to include internal and external professional development opportunities.
10. Allocate sufficient funding in budgets to support ongoing training and professional development.
11. Collaborate with DHRM to provide employees access to holistic support for both physical and mental health initiatives.

GOAL 2: SUPERIOR GOVERNANCE AND LONG-TERM FINANCIAL HEALTH

Ensure well-governed and financially sound trusts and funds within our care.

Equity Emphasis: Ensure equitable distribution of human, fiscal and capital resources across the plans and organization.

STRATEGIES

1. Fund the plans through an integrated view of pension assets and liabilities.
2. Deliver target risk-adjusted investment returns over a full-market cycle.
3. Cultivate a risk-aware organization through the continued implementation of the ERM program.
4. Improve business policy, process documentation, and knowledge transfer by exploring and initiating robust content management solutions.
5. Enhance communication and education efforts surrounding investments and risk mitigation strategies to employers, members, retirees and stakeholders.
6. Build upon partnerships with key stakeholders through ongoing communication and outreach to promote greater understanding regarding impacts of proposed plan design changes and support continued required plan funding.

MEASURES AND TARGETS

1. Implement the second phase of the agency's ERM program, including risk identification at the business process level.
2. Provide resources when opportunities are identified to support infrastructure for expansion of internal investment management, including data, investment tools and products, as well as personnel.
3. Develop an enhanced records management system, linking varying data sources through a software application.
4. Establish a process for capturing institutional knowledge to ensure an appropriate capture and transfer of information over time.
5. Develop investments information to incorporate into stakeholder outreach avenues.
6. Create new and, where applicable, utilize existing channels for ongoing communication and outreach to key stakeholders to generate greater understanding of plan investments, risks, designs and funding.

GOAL 3: MEMBER, RETIREE AND EMPLOYER EDUCATION, OUTREACH AND PARTNERSHIP

Cultivate mutually supportive partnerships to enhance and support an exceptional customer experience.

Equity Emphasis: Ensure equitable support by strengthening connections, outreach and communications with members, retirees and employers.

STRATEGIES

1. Continue development of communication and engagement activities in order to address outcomes by providing education, training, outreach and services tailored to the needs of our diverse members, retirees and employers.
2. Explore structures for monitoring performance, and ensuring delivery of content, products and services to all VRS audiences.
3. Build upon partnerships to continue the delivery of award-winning, customized financial wellness products and learning experiences.
4. Foster and enhance communication outlets to engage employers, retirees and members through the use of various tools and technology.
5. Improve collection and maintenance of contact information for members and retirees to enhance communications efforts and targeted messaging.

MEASURES AND TARGETS

1. Deploy secure messaging in VNAV.
2. Implement online chat functionality in VNAV for enhanced communication between members and staff.
3. Institute a campaign and process to gather and maintain up to date email addresses for all members, beneficiaries and retirees.
4. Develop a system for ongoing maintenance of member, beneficiary and retiree contact information, including outreach to encourage a review of information on a regular interval.
5. Develop an easily accessible tool to target emails and campaigns to members and retirees, based on various demographics and goals.
6. Implement tools to easily ascertain audience action resulting from communication campaigns.

GOAL 4: DIGITAL TRANSFORMATION AND SECURE SERVICE DELIVERY

Leverage technology to securely transform business and service delivery models to maximize operational efficiency, including navigating new post-pandemic, workplace paradigms.

Equity Emphasis: Ensure equitable distribution of resources by deploying innovative solutions, including optimizing efficient and effective processes, ensuring secure knowledge capture and transfer, and expanding access to critical documents and processes to best serve all customers.

STRATEGIES

1. Continue fostering a culture of universal responsibility for cyber security.
2. Enhance 24/7 monitoring capability empowered by strategic partnerships and automated tools.
3. Explore implementation of a digital repository for knowledge capture, transfer, and retrieval of data and information.
4. Transform paper-based processes and documents, including legacy records, into digital experiences and accessible formats.
5. Continue ongoing efforts regarding the use of metrics to achieve operational efficiency and effectiveness.
6. Explore delivery methods and channels to enhance equitable service provision to members, retirees and employers.

MEASURES AND TARGETS

1. Build upon the current cyber security education model to continuously remind employees of their responsibility to protect VRS systems and data.
2. Acquire or develop a software solution to capture, digitize and organize agency legacy records and documents, and to provide efficient access to those records.
3. Leverage third-party partnerships to provide 24/7 monitoring of VRS systems and devices, including technology support during non-business hours.
4. Develop new operational measures to reflect changes in the VRS business model, including the online retirement process.

GOAL 5: TECHNOLOGY INFRASTRUCTURE

Transform business through the use of state-of-the art technology frameworks for improved system functionality.

Equity Emphasis: Provide a high impact and cost-effective foundation for technology services in order to equitably deploy resources across the organization and to meet the needs of our diverse membership.

STRATEGIES

1. Upgrade technology frameworks and solutions, including identifying applications and services candidates for migration to the public and private Cloud.
2. Improve technology policy and process documentation, as well as knowledge capture and transfer, by exploring and initiating robust content management solutions.
3. Leverage technology to optimize new workplace paradigms, post-pandemic, including facilitating efficient synchronous virtual and in-person experiences.

MEASURES AND TARGETS

1. Successfully complete the migration of VRS candidate systems which will reduce costs, improve security and reliability, to either the public or private Cloud.
2. Develop or acquire a software application for documenting technology processes and policies, and for notifying staff whenever changes to processes and policies are made.
3. Acquire enhanced A/V equipment to support the new hybrid work environment, including efficient and effective virtual interaction with TPAs and other business partners.



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Helping Members Plan for Tomorrow, Today



Virginia
Retirement
System

Strategic Plan 2021 - 2026

Approve a 7% performance bonus for the Audit Director.

Requested Action

The VRS Board of Trustees approves a 7% performance bonus for the Audit Director.

Description/Background

The Audit and Compliance Committee reviewed and evaluated the performance of the Audit Director. Based on this review and evaluation, the Committee recommends that the Board approve a 7% performance bonus for the Audit Director payable October 15, 2021.

Rationale for Requested Action

The Audit and Compliance Committee recommends that the Board approve a 7% performance bonus for the Audit Director, payable October 15, 2021, based on the Committee's review and evaluation of the Audit Director's performance during FY 2021. The Audit and Compliance Committee Charter, in paragraph 8 of the duties and responsibilities section states, "Review and evaluate the performance of the Audit Director in all areas for which he or she is responsible and report the results and conclusions to the Board." Section IV. H.(8) of the Board Governance Policy provides that the Board may review, monitor, and oversee the performance of the Audit Director. Also, the Executive Pay Plan contemplates granting a performance bonus to the Audit Director.

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.

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

Date