



February 10, 2021

MEMORANDUM

TO: VRS Board of Trustees

FROM: Patricia S. Bishop
Director

RE: Agenda Materials for February 16th Board Meeting

Enclosed are the agenda materials for the February 16th Board meeting that begins at 1:00 p.m.

Pursuant to Item 4-0.01 of Chapter 56 of the 2020 Special Session I Acts of Assembly, the Virginia Retirement System Board of Trustees will convene electronically on February 16th at 1:00 p.m. Registration is required to observe this meeting electronically by telephone or webinar. Meeting materials will be available in Directors Desk and the GoToWebinar meeting space at the time of the meeting.

Board members have been registered by staff. Please save your invitation email that you received upon registration or save the contents to your calendar so that you have easy access to the meeting link. In the email you can click on “add to calendar.” The email is sent from “VRS Board Meeting.” You will receive a reminder prior to the meeting. If you need the invitation resent, please contact Jillian Sherman at jsherman@varetire.org at least one hour prior to the meeting.

Members of the public and staff who have not been pre-registered should please follow the directions in the link below to register for the electronic meeting <https://attendee.gotowebinar.com/register/4939139684073280781>. Instructions for signing up to provide public comment, as required under Item 4-0.01 of Chapter 1289, are included in the meeting registration.

Listed below is a recap of the meetings scheduled for this month:

Meeting	Date	Location
Administration and Personnel Committee	Thursday, February 11 th , 10:00 a.m.	To be held via GoToWebinar Webinar ID: 820-683-971
Benefits and Actuarial Committee	Thursday, February 11 th , 1:00 p.m.	To be held via GoToWebinar Webinar ID: 365-766-179
Board of Trustees	Tuesday, February 16 th , 1:00 p.m.	To be held via GoToWebinar Webinar ID: 386-831-771

Thanks, and I look forward to speaking with you soon.

Attachments

cc: The Honorable Aubrey Layne, Secretary of Finance
Joe Flores, Office of the Secretary of Finance
June Jennings, Office of the Secretary of Finance
Craig Burns, Department of Taxation
Michael Jay, House Appropriations Committee
Sarah Herzog, Senate Finance Committee
Adam Rosatelli, Senate Finance Committee
Zack Borgerding, Auditor of Public of Accounts
Jon Howe, Department of Planning and Budget
Dean Lynch, VA Association of Counties
Katie Boyle, VA Association of Counties
Shane Riddle, VA Education Association
Bea Snidow, VA Education Association
Jamie Bitz, Joint Legislative Audit & Review Commission
Kimberly Sarte, Joint Legislative Audit & Review Commission
Hal Greer, Joint Legislative Audit & Review Commission
Elizabeth Bushnell Myers, Office of the Attorney General
Jessica Ackerman, VA Municipal League
Lawrence Kochard, VRS Investment Advisory Committee
Bonnie Atwood, VA Retired Teachers Association



Board of Trustees Meeting

GoToWebinar

Tuesday, 2/16/2021

1:00 - 4:00 PM ET

I. Public Comment

II. Approve Minutes

- **December 10, 2020**

Board Minutes 12.10.20 - Page 4

III. Report of the Chief Investment Officer

Asset Allocation Report 12.31.20 - Page 14

Daily Asset Allocation Report 2.8.21 - Page 15

Performance Summary 12.31.20 - Page 16

Slides for CIO Report - Page 17

Performance Summary 12.31.20 - Page 20

Plan Tracking Error - Page 21

New Investments and Terminations - Page 22

DIME Quarterly Summary - 12.31.20 - Page 23

Manager Referral Quarterly Summary - 12.31.20 - Page 29

IV. Report of the Benefits and Actuarial Committee

Report of the B&AC - Page 30

Audit COLA Memorandum - Page 33

- **RBA – Approval of July 1, 2021 Increase Relating to VSDP Creditable Compensation and VSDP COLA**

RBA - Approve VSDP COLA - Page 37

- **RBA – Approval of July 1, 2021 Increase Relating to VLDP Creditable Compensation**

RBA - Approve VLDP COLA - Page 39

V. Report of the Administration and Personnel Committee

Report of the A&PC - Page 40

- **RBA – Reappointment of IAC Members**

RBA - Reappoint IAC Members and Chair - Page 41

Bio for Lawrence Kochard - Page 43

Bio for Thomas Gayner - Page 44

Bio for Michael Beasley - Page 45

Bio for Rod Smyth_v2 - Page 48

VI. Legislative Update

Legislative Update - Page 49

VII. Report of the Director

New Coverage Elections for February - Page 71

FY 2021 Agency Roadmap Update - January - Page 72

VIII. Consultation with Legal Counsel (Closed session)

Minutes

An electronic meeting of the Virginia Retirement System Board of Trustees was held on December 10, 2020 in accordance with § 2.2-3708.2(A)(3) of the *Code of Virginia* and in accordance with guidance provided in § 4-0.01 of Chapter 56 of the 2020 Special Session I Acts of Assembly, with the following members participating:

Board members participating:

O'Kelly E. McWilliams, III, Chair
Joseph W. Montgomery, Vice Chair
Hon. J. Brandon Bell, II
Michael P. Disharoon
William A. Garrett
Susan T. Gooden, Ph.D.
Wallace G. Harris, Ph.D.
W. Brett Hayes
Troilen G. Seward, Ed.S.

VRS Staff:

Patricia Bishop, Ron Schmitz, Jennifer Schreck, John Alouf, Advait Apte, Rory Badura, Parham Behrooz, Judy Bolt, Jeanne Chenault, Michael Cooper, Harriet Covey, Juanita Cribbs, Sara Denson, Valerie Disanto, Laurie Fennell, Josh Fox, Brian Goodman, Katherine Grawe, JT Grier, Dane Honrado, KC Howell, Robert Irving, Ross Kasarda, LaShaunda King, Kristina Koutrakos, Matt Lacy, Chung Ma, Curt Mattson, Steve McClelland, Walker Noland, Greg Oliff, Laura Pugliese, Paula Reid, Dan Schlusser, Kristy Scott, Michael Scott, Leslie Weldon, Dan Whitlock, Cindy Wilkinson and Nick Zizzo.

Guests participating were:

Kam Mangat, CEM Benchmarking, Inc; Steff Chavez, Mandate Wire; Elizabeth Myers, Assistant Attorney General, Office of the Attorney General; Bea Snidow, Virginia Education Association; and Jennifer O'Dell, Liuna.

The meeting convened at 1:01 p.m.

Opening Remarks

Mr. McWilliams called the meeting to order and welcomed everyone to the December 10, 2020 meeting of the Virginia Retirement System Board of Trustees.

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

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

Mr. Bell: Here
Mr. Disharoon: Here
Mr. Garrett: Here
Dr. Gooden: Here
Mr. Harris: Here
Mr. Hayes: Here
Mr. Montgomery: Here
Ms. Seward: Here
Mr. McWilliams: Here

Public Comment

In accordance with Chapter 56 of the 2020 Special Session I Acts of Assembly, the Board of Trustees 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 VRS Board of Trustees approved the minutes of the November 17, 2020 meeting upon the following roll call vote:

Mr. Bell: Aye
Mr. Disharoon: Aye
Mr. Garrett: Aye
Dr. Gooden: Aye
Mr. Harris: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. McWilliams: Aye

Report of the Chief Investment Officer

Mr. Schmitz began his report with a market overview and discussed asset allocation, total fund portfolio performance and tracking error, concluding that risk measures are all within Board-approved levels. Next, Mr. Schmitz reviewed the New Investment and Terminations report.

Mr. Schmitz next discussed updates to the Board's diversity engagement policy, which has been renamed the "Diverse Investment Management Engagement Policy." Mr. Schmitz explained the revisions reflect the expansion of the definition of the *Code of Virginia* to include service-disabled veteran-owned businesses, including a change to the title of the policy to reflect the expansion, as well as revisions to reflect the current reporting responsibilities of the Chief Investment Officer.

Request for Board Action 2020-12-50: *The VRS Board of Trustees approves the revised Diverse Investment Management Engagement Policy.*

Upon a motion by Mr. Montgomery, with a second by Mr. Bell, the Board approved the action upon the following roll call vote:

Mr. Bell: Aye
Mr. Disharoon: Aye
Mr. Garrett: Aye
Dr. Gooden: Aye
Mr. Harris: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. McWilliams: Aye

Mr. McWilliams thanked Mr. Schmitz for his report.

CEM Cost Effective Analysis of VRS Investment Program

Kam Mangat of CEM Benchmarking, Inc., presented the Investment Benchmarking results for the five-year period ending December 2019. Ms. Mangat advised VRS' five-year net total return of 7.4% equaled the U.S. Public median of 7.4%. In addition, VRS' five-year policy return of 7.2% was slightly above the U.S. Public median of 6.9% primarily due to differences in policy mix and benchmarks. Further, VRS' five-year net value added was 0.2%, which translates into approximately \$0.8 billion of cumulative value added over the last five-year period.

Ms. Mangat noted the benchmark cost analysis suggests the VRS fund was lower in cost than its peers by 5.7 basis points in 2019. She explained VRS' investment cost was 67.9 basis points and below the benchmark cost of 73.5 basis points, indicating lower cost associated with services and implementation style when compared to the peer group.

Mr. McWilliams thanked Ms. Mangat for her presentation and praised the Investment staff for their efforts to continue delivering a positive value add at a lower cost.

Report of the Defined Contribution Plans Advisory Committee

The Board received the report of the Defined Contribution Plans Advisory Committee and placed it on file.

Administration

Annual Administrative Expense Reports

Mr. Bell advised that staff provided an overview of the administrative expense report and annual cost update for FY 2020, as required by the DCPAC Charter. The report provided both direct and indirect costs associated with administering VRS' Defined Contribution Plans. Total administrative costs related to participants and expenditures for FY 2020 were provided, along with a cost trend analysis over the five-year period from FY 2016 to FY 2020. Staff informed the Committee of cost increases to the Hybrid Plan due to increased staff time allocated to the program. Staff also noted cost decreases to the Optional Retirement Plan for Higher Education (ORPHE) due to the reduction in the number of recordkeepers.

CEM Defined Contribution Plans Survey

Staff reviewed the CEM DC Plans 2019 survey results, which was comprised of 92 corporate and 20 public plans representing \$1.2 trillion in assets. Staff informed the Committee that the survey results included the unbundled DC Plans supplemental 457 Deferred Compensation Plan, in addition to the bundled TIAA and Fidelity programs for ORPHE. Staff noted that the TIAA and Fidelity information was based solely on the “selected” plan investment options. Staff also highlighted that the TIAA information was based on the investment lineup prior to the new investment menu options implemented January 1, 2020.

For the year ending December 31, 2019, CEM reported the following:

- The 457 Deferred Compensation Plan was a high value added, low cost plan. Total 457 Plan costs of 0.20% were below CEM’s calculated VRS 457 Plan benchmark cost of 0.35%. (Note: The investment lineup is predominantly passively managed.)
- The TIAA ORPHE program was a low value added, high cost plan. Total TIAA plan costs of 0.41% were higher than CEM’s calculated TIAA ORPHE benchmark cost of 0.34%.
- The Fidelity ORPHE program was a low value added, high cost plan. Fidelity Total plan costs of 0.53% were higher than CEM’s calculated Fidelity ORPHE benchmark cost of 0.31%.

Staff included the CEM DC Survey in the meeting materials Appendix for the Committee to review.

Presidential Executive Order

Staff informed the Committee of the Executive Order issued on November 12, 2020, barring U.S. persons from transacting in certain securities that the Department of Defense identifies as supporting the Chinese military. The effective date of the order is January 11, 2021, and investors have until November 2021 to divest holdings.

Staff shared that they are in the process of gathering information and determining its potential impact to VRS’ DC Plans investments and will inform the Committee of their findings.

Plan Documents and Master Trusts

Staff provided an overview of outside benefit counsel’s amended and restated DC plan documents, which included adding two additional separate plan documents for the Hybrid 457 and Hybrid Cash Match Plan as a result of separating the Hybrid provisions from the pre-existing plan documents. In connection with the amendment and restatement of the DC plan documents, staff also consulted with outside benefits counsel to determine what changes would be needed to the master trusts relating to the plans.

Staff informed the Committee that the primary goals of the review project were to employ current best practices in plan document structure, streamline current plan documents for readability, ensure compliance with recent federal statutory and regulatory provisions, simplify plan documents and deploy more standardized plan document templates. In addition, outside counsel’s recommendations relating to the master trusts are intended to provide additional assurance that VRS does and will continue to comply with state and federal law.

Request for Board Action 2020-12-51: *The Virginia Retirement System Board of Trustees approves the amended and restated Commonwealth of Virginia 457 Deferred Compensation Plan, the amended and restated Optional Retirement Plan of the Commonwealth of Virginia for Employees of Institutions of Higher Education, the amended and restated Optional Retirement Plan of the Commonwealth of Virginia for Political Appointees, the amended and restated Optional Retirement Plan of the Commonwealth of Virginia for Public School Superintendents, the amended and restated Virginia Cash Match Plan, the new Virginia Hybrid 457 Deferred Compensation Plan and the new Virginia Hybrid Cash Match Plan, all effective January 1, 2021.*

Upon a motion by Mr. Bell, with a second by Mr. Montgomery, the Board approved the action upon the following roll call vote:

Mr. Bell: Aye
Mr. Disharoon: Aye
Mr. Garrett: Aye
Dr. Gooden: Aye
Mr. Harris: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye*
Mr. McWilliams: Aye

*Due to technical difficulties, Ms. Seward was unable to audibly respond during this vote.

Request for Board Action 2020-12-52: *The Virginia Retirement System Board of Trustees approves the First Amendment to the Master Trust for the Deferred Compensation Plan of the Commonwealth of Virginia, the First Amendment to the Master Trust for the Defined Contribution Plans of the Commonwealth of Virginia and the First Amendment to the Optional Retirement Plan of the Commonwealth of Virginia for Employees of Institutions of Higher Education, all effective January 1, 2021.*

Upon a motion by Mr. Bell, with a second by Mr. Montgomery, the Board approved the action upon the following roll call vote:

Mr. Bell: Aye
Mr. Disharoon: Aye
Mr. Garrett: Aye
Dr. Gooden: Aye
Mr. Harris: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye*
Mr. McWilliams: Aye

*Due to technical difficulties, Ms. Seward was unable to audibly respond during this vote.

Other Business

Code of Ethics

Staff informed the Committee that an email notification would be forthcoming that includes the Board of Trustees' Code of Ethics and Standards of Conduct training materials, an annual requirement of VRS advisory committee members. Staff shared that Committee members will be able to send their certification electronically for acknowledgement of the policy.

Discussion of New Ideas

Staff informed the Committee of efforts to develop a communications campaign to target members who are not taking full advantage of the employer match in the plans, specifically those who may earn a lower salary and those members who are younger and struggle with student debt or other financial challenges. Staff shared that research is being conducted and more information about ideas and initiatives will be shared in 2021.

2021 Meetings

Based on prior polling, the Committee is scheduled to meet on the following dates for 2021:

- Thursday, April 15, 2021 at 1:00 p.m.
- Thursday, June 24, 2021 at 1:00 p.m.
- Thursday, September 2, 2021 at 1:00 p.m.
- Thursday December 2, 2021 at 1:00 p.m.

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

Mr. McWilliams thanked Mr. Bell for his report.

Report of the Audit and Compliance Committee

The Board received the report of the Audit and Compliance Committee and placed it on file.

Approval of Minutes

Mr. Montgomery began his report by noting the Committee approved the minutes of its September 29, 2020 meeting.

Exit on the 2020 Comprehensive Annual Financial Audit

The APA informed the Committee the audit work over the 2020 VRS Comprehensive Annual Financial Report (CAFR) was in its final stage. Upon completion, the APA anticipates issuing an unmodified opinion on VRS' financial statements. They noted their companion "Report on Internal Controls and Compliance" would be issued later in December and at this time they do not anticipate including any formal recommendations.

Entrance with the APA Regarding Employer Assurances (GASB 68 and 75)

The APA then provided the Committee with an overview of its upcoming examinations designed to provide participating employers and their auditors the assurances necessary to prepare their own

annual financial statements in accordance with the following Governmental Accounting Standards Board (GASB) Statements:

- No. 68, which focuses on employer reporting over pension plans.
- No. 75, which deals with employer reporting over other post-employment benefit plans.

The APA anticipates issuing its opinions on these matters on or about June 30, 2021.

Audit Reports

The Committee received one audit report.

- The review of *Member and Employer Contributions* determined the processing of monthly contributions, adjustments and related data submitted by participating employers and recorded by VRS are valid and accurate. There were no formal recommendations as a result of this review.

Quarterly Review on Modernization Program – Phase 4

Management presented its status report on the Modernization Program – Phase 4. Management discussed the development of the remaining member portal functionality, related testing and roll-out activities and presented an overview of the online retirement process, including online retirement pilot results.

Internal Audit presented its Quarterly Review and indicated agreement with management's representations regarding the Modernization Program – Phase 4 overall schedule, budget and scope. Internal Audit acknowledged management's efforts and continued work, noting that continued diligent management of resources across concurrent projects and initiatives remains critical to bringing the phase to a close. Looking forward, VRS' risk averse strategies indicate full release of final implementation for all users to be deferred until sometime in fiscal year 2022 to ensure the integrity of VRS and its processing.

Quarterly Report on Fraud, Waste and Abuse Hotline Cases

Two alleged Fraud, Waste and Abuse Hotline complaints reported to Internal Audit via the Office of the State Inspector General during the period of August 1, 2020 through October 31, 2020 were presented to the Committee. Both cases alleged abuse of short-term disability benefits. One case was determined to be unfounded and therefore closed. One case was reported as currently under review, but after the completion of the quarterly report was subsequently determined to be unfounded and closed.

Quality Assurance Review of the Internal Audit Department

The Audit Director presented the results of the Department's Annual Quality Assurance Improvement Program Review as of June 30, 2020, noting the review concluded there is reasonable assurance that the VRS Internal Audit Department is operating in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Miscellaneous Updates

The Audit Director provided the Committee with the following updates:

- Management's Quarterly Travel Expense and Per Diem Report.
- The Committee's next meeting is scheduled for March 16, 2021 at 2:00 p.m.

Mr. McWilliams thanked Mr. Montgomery for his report.

Mr. McWilliams shared with the Board that Stuart Connock passed away on Sunday December 6, 2020. Mr. Connock served two terms on the VRS Board of Trustees and is remembered as a well-respected public servant with a long and distinguished career in state service.

Report of the Director

Ms. Bishop began her report with the New Coverage Elections and an update on the VRS Agency Roadmap for FY 2021. She advised that all projects have progressed as planned with the exception of the Upgrade to Angular Framework and the Access Management System that will be implemented at the end of the calendar year.

Ms. Bishop announced that Farley Beaton, Chief Technology and Security Officer, and Joe Chang with Securian, will be retiring in January 2021 and wished them well. She also announced that the annual agency meeting will be held virtually on December 16, 2020.

Ms. Bishop advised that the Annual Code of Ethics Training and Affirmation must be completed by December 23, 2020 and the Conflict of Interest filing must be completed by February 1, 2021.

Lastly, Ms. Bishop noted that the Joint Legislative Audit and Review Commission (JLARC) will present its annual review of VRS' portfolio and investment performance on December 14, 2020.

Mr. McWilliams thanked Ms. Bishop for her report.

Litigation Update (Closed Session)

Mr. Harris then moved, with a second by Mr. Montgomery, that the Virginia Retirement System Board of Trustees convene a closed meeting under the Virginia Freedom of Information Act for the purpose of consultation with legal counsel about actual litigation pursuant to the exemption at § 2.2-3711(A)(7) of the *Code of Virginia* § 2.2-3711(A)(7).

The closed meeting convened upon the following roll call vote:

Mr. Bell: Aye
Mr. Disharoon: Aye
Mr. Garrett: Aye
Dr. Gooden: Aye
Mr. Harris: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye*
Mr. McWilliams: Aye

*Due to technical difficulties, Ms. Seward was unable to audibly respond during this vote.

Upon return to open meeting, Mr. Harris moved, with a second by Mr. Montgomery, the following resolution:

WHEREAS, the Virginia Retirement System Board of Trustees convened a closed meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act; and

WHEREAS, *Code of Virginia* § 2.2-3712 requires a certification by the Board that such a closed meeting was conducted in conformity with Virginia law;

NOW, THEREFORE, BE IT RESOLVED, that the Board certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements under this chapter were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered by the Board.

The Board approved the resolution upon the following roll call vote:

Mr. Bell: Aye
Mr. Disharoon: Aye
Mr. Garrett: Aye
Dr. Gooden: Aye
Mr. Harris: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye*
Mr. McWilliams: Aye

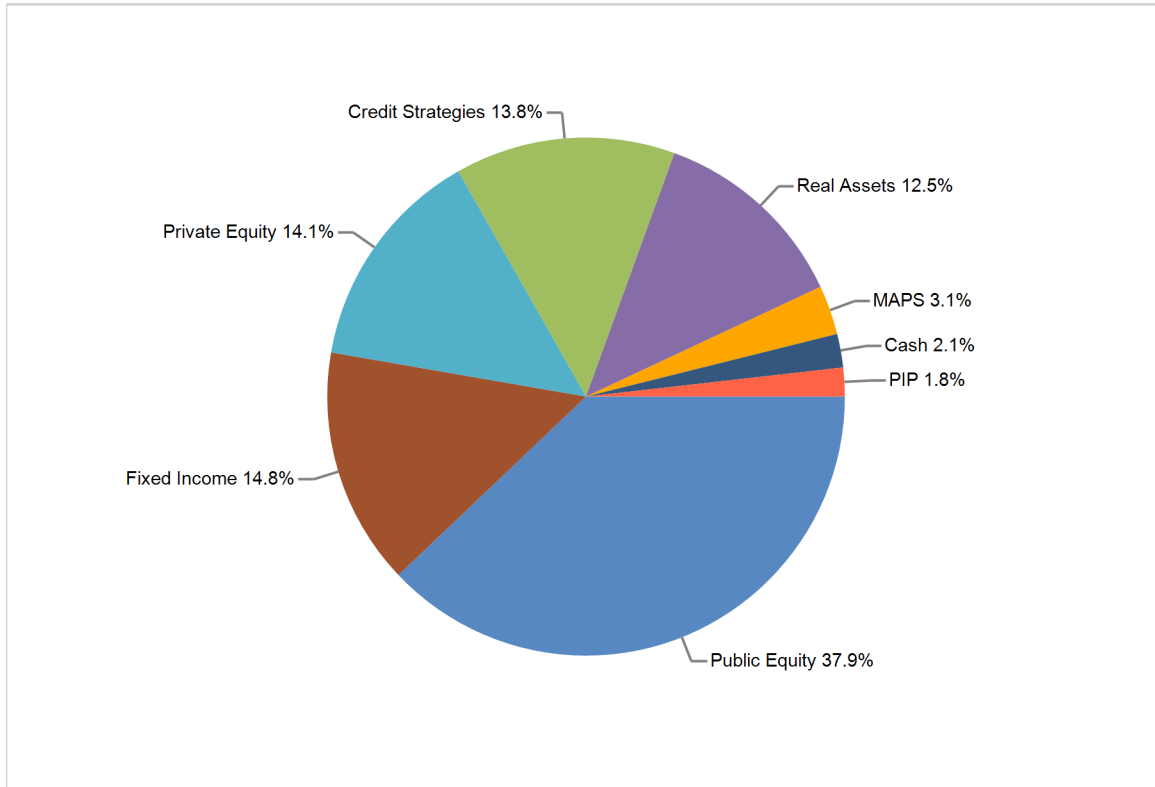
*Due to technical difficulties, Ms. Seward was unable to audibly respond during this vote.

Mr. McWilliams moved, with a second by Mr. Harris, that the Board of Trustees authorize outside counsel to settle pending litigation within the parameters outlined in the closed meeting.

The Board approved the motion upon the following roll call vote:

Mr. Bell: Aye
Mr. Disharoon: Aye
Mr. Garrett: Aye
Dr. Gooden: Aye
Mr. Harris: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye*
Mr. McWilliams: Aye

*Due to technical difficulties, Ms. Seward was unable to audibly respond during this vote.



	<u>Current \$Bil</u>	<u>Current Weight</u>	<u>Policy Weight</u>	<u>Variance</u>	<u>Allowable Range</u>		<u>Internal %</u>
Total Fund	92.1						28.9%
Public Equity	34.9	37.9%	37.0%	0.9%	-5%	+5%	35.9%
Fixed Income	13.7	14.8%	16.0%	-1.2%	-3%	+5%	93.0%
Credit Strategies	12.7	13.8%	14.0%	-0.2%	-5%	+5%	
RS Credit	5.3	5.8%	5.6%	0.2%			
NRS Credit	7.3	8.0%	8.4%	-0.4%			
Real Assets	11.5	12.5%	14.0%	-1.5%	-5%	+5%	10.6%
Public RE	1.2	1.3%					99.9%
Private RE	6.7	7.3%					
Other RA	3.6	3.9%					
Private Equity	12.9	14.1%	13.0%	1.1%	-5%	+5%	
MAPS	2.8	3.1%	3.0%	0.1%	-1%	+1%	
DSTRAT	1.5	1.6%					
RBI	1.4	1.5%					9.7%
PIP	1.7	1.8%	2.0%	-0.2%	-1%	+2%	
Cash	1.9	2.1%	1.0%	1.1%	-1%	+4%	

	<u>Current \$Bil</u>	<u>Current Weight</u>	<u>Policy Limit</u>
Hedge Funds	9.3	10.1%	15.0%

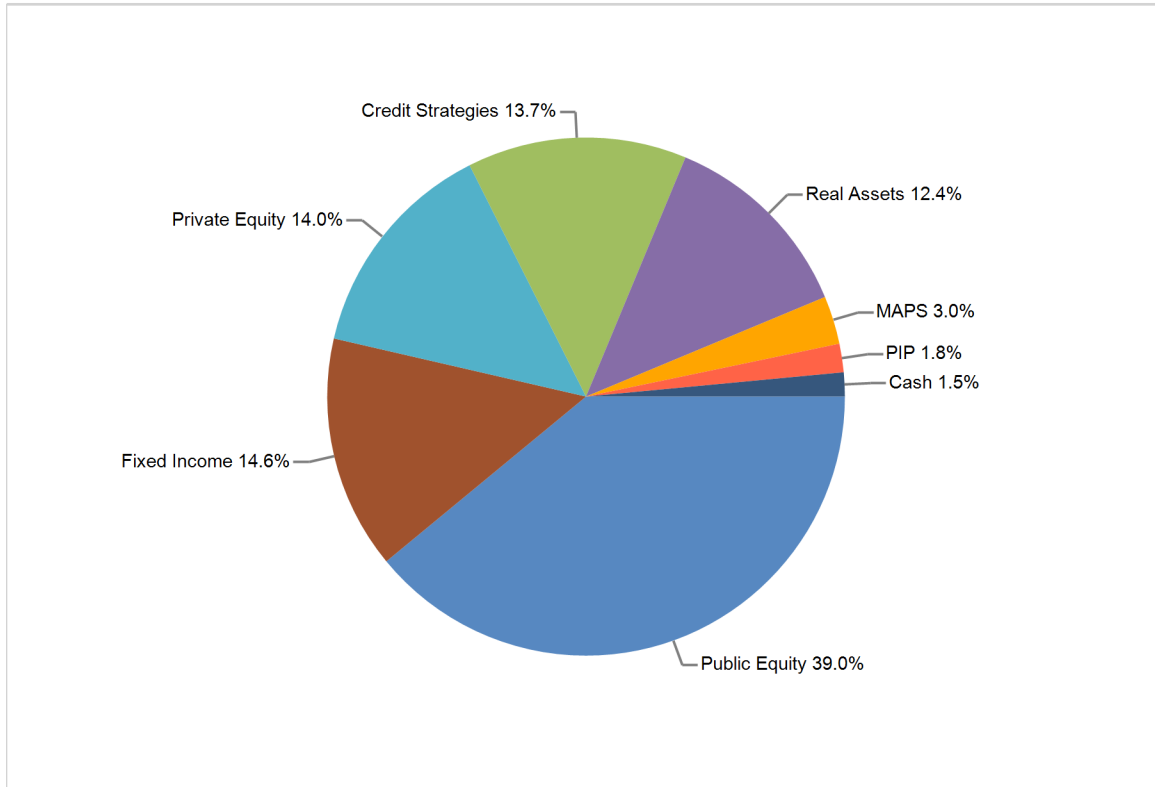
3 Year Tracking Error
Total Fund: 2.53%
Total Public: 0.78%

*Total Fund includes the following amt held by the Treasurer of VA: \$ 48 million

• The values shown for each asset class on this report may differ from the VRS Monthly Performance Report due to adjustments related to derivative positions in the Rebalance Account, pending transactions, and certain accruals. The values on this report are a more descriptive representation of the Virginia Retirement System's true economic exposure to each asset class. (9 adjustments applied)

*Total Fund and Total Public tracking error are calculated using monthly returns, then annualized

* Differences in totals are due to rounding.



	Current \$Bil	Current Weight	Policy Weight	Variance	Allowable Range		Internal %
Total Fund	93.4						29.0%
Public Equity	36.5	39.0%	37.0%	2.0%	-5%	+5%	35.9%
Fixed Income	13.6	14.6%	16.0%	-1.4%	-3%	+5%	93.0%
Credit Strategies	12.8	13.7%	14.0%	-0.3%	-5%	+5%	
RS Credit	5.3	5.7%	5.6%	0.1%			
NRS Credit	7.5	8.0%	8.4%	-0.4%			
Real Assets	11.6	12.4%	14.0%	-1.6%	-5%	+5%	10.7%
Public RE	1.2	1.3%					99.9%
Private RE	6.7	7.2%					
Other RA	3.7	3.9%					
Private Equity	13.0	14.0%	13.0%	1.0%	-5%	+5%	
MAPS	2.8	3.0%	3.0%	0.0%	-1%	+1%	
DSTRAT	1.4	1.5%					
RBI	1.4	1.5%					5.5%
PIP	1.7	1.8%	2.0%	-0.2%	-1%	+2%	
Cash	1.4	1.5%	1.0%	0.5%	-1%	+4%	

	Current \$Bil	Current Weight	Policy Limit
Hedge Funds	9.7	10.4%	15.0%

3 Year Tracking Error
Total Fund: 2.56%
Total Public: 0.88%

*Total Fund includes the following amt held by the Treasurer of VA: \$ 97 million

• The values shown for each asset class on this report may reflect adjustments related to derivative positions in the Rebalance Account, pending transactions and certain accruals, in order to provide a more descriptive representation of the true economic exposure to each asset class (10 adjustments applied)

*Total Fund and Total Public tracking error are calculated using monthly returns, then annualized

* Differences in totals are due to rounding.

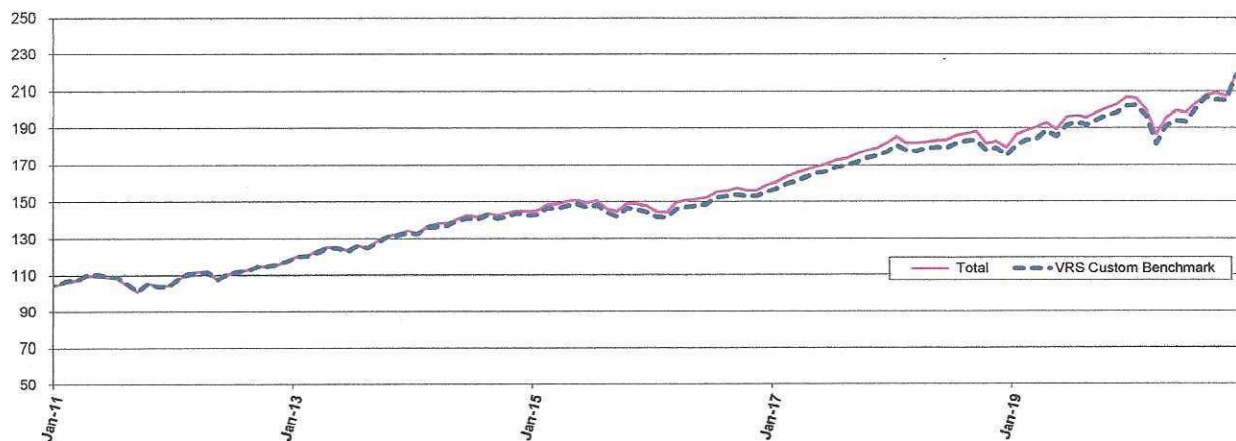
PERFORMANCE SUMMARY
Rolling Periods Ending
December 31, 2020



TOTAL FUND PERFORMANCE

	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month	Fiscal YTD	Cal YTD	Market Value (\$MM)
Total Public Equity Strategies	9.2	10.5	8.3	13.4	15.5	5.2	23.5	13.4	35,570
<i>Benchmark</i>	9.3	11.6	10.2	17.0	15.8	5.0	25.3	17.0	
Total Fixed Income	4.6	5.6	6.6	10.5	2.1	0.6	3.7	10.5	12,250
<i>Benchmark</i>	3.9	4.4	5.3	7.5	1.2	0.3	2.1	7.5	
Total Credit Strategies	6.2	7.5	6.2	7.4	6.0	2.9	10.6	7.4	12,675
<i>Benchmark</i>	5.8	7.2	5.9	5.2	4.2	1.3	8.3	5.2	
Total Real Assets	10.2	7.9	5.9	1.3	3.1	1.7	4.0	1.3	11,502
<i>Benchmark</i>	8.8	6.2	4.9	1.4	2.2	0.6	1.8	1.4	
Total Private Equity	14.6	15.5	15.5	16.7	12.0	11.8	24.7	16.7	12,948
<i>Benchmark</i>	13.8	13.8	11.1	12.6	8.2	-2.5	29.1	12.6	
Total Private Investment Partnerships	n/a	6.9	5.4	1.8	5.4	5.4	12.6	1.8	1,655
<i>Benchmark</i>	n/a	8.0	7.3	7.4	4.6	-0.8	13.1	7.4	
Total Multi-Asset Public Strategies	n/a	n/a	n/a	5.7	8.6	3.5	13.3	5.7	2,834
<i>Benchmark</i>	n/a	n/a	n/a	10.1	6.8	2.3	10.6	10.1	
Total Fund	8.2	9.1	7.9	10.3	9.2	4.5	15.0	10.3	92,093
<i>VRS Custom Benchmark</i>	7.9	9.1	8.0	10.2	8.3	1.9	15.2	10.2	

10-Year Performance
Indexed to 100

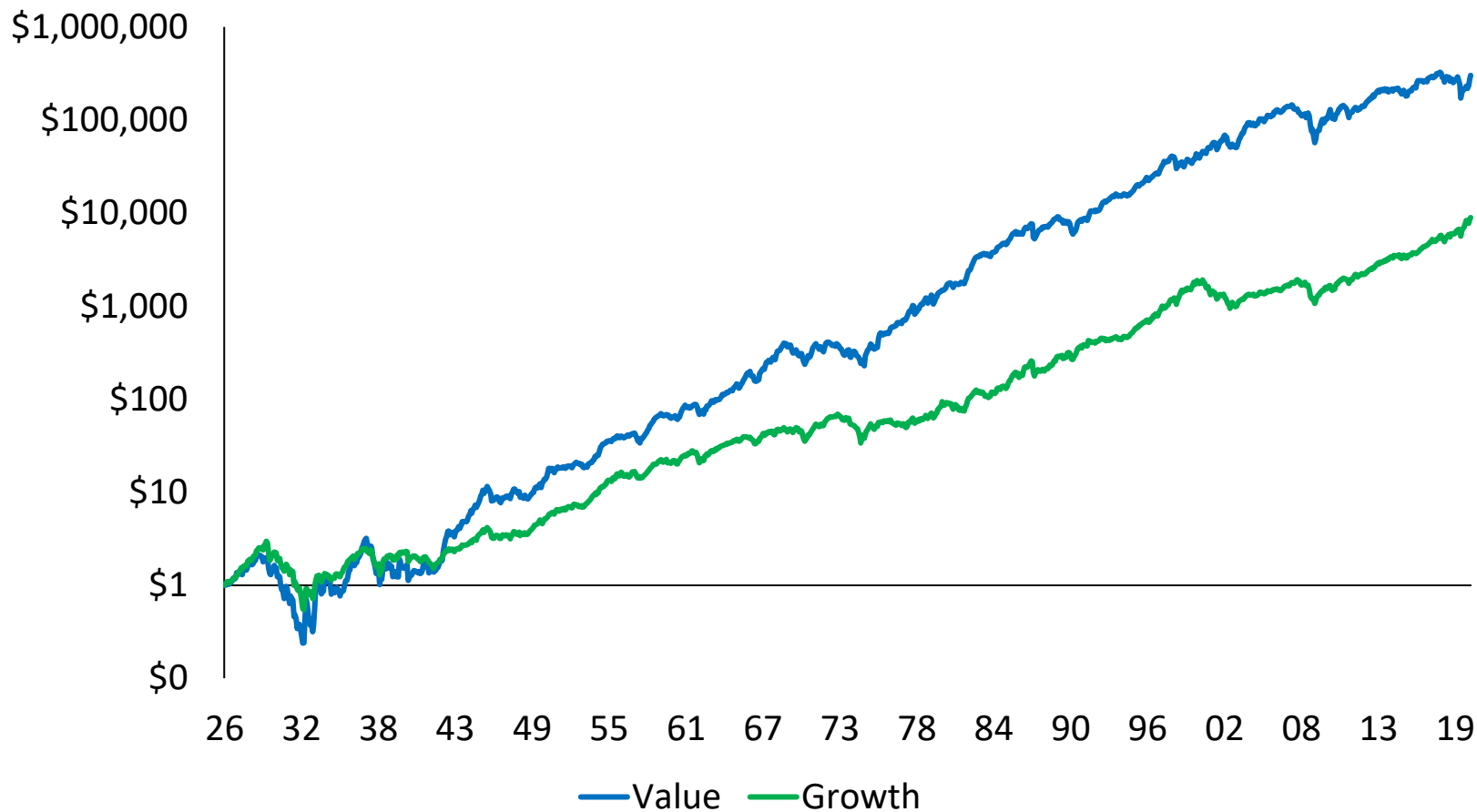


Effective July 2013, the VRS Custom Benchmark is a blend of the Asset Class Benchmarks at policy weights.

The VRS Cash Account, the Treasurer Short-Term Investment Account, the VRS Rebalancing Account, transition activity and accounts with market values of less than \$1 million are included in the Total Fund's market value. Differences in market value totals are due to rounding.

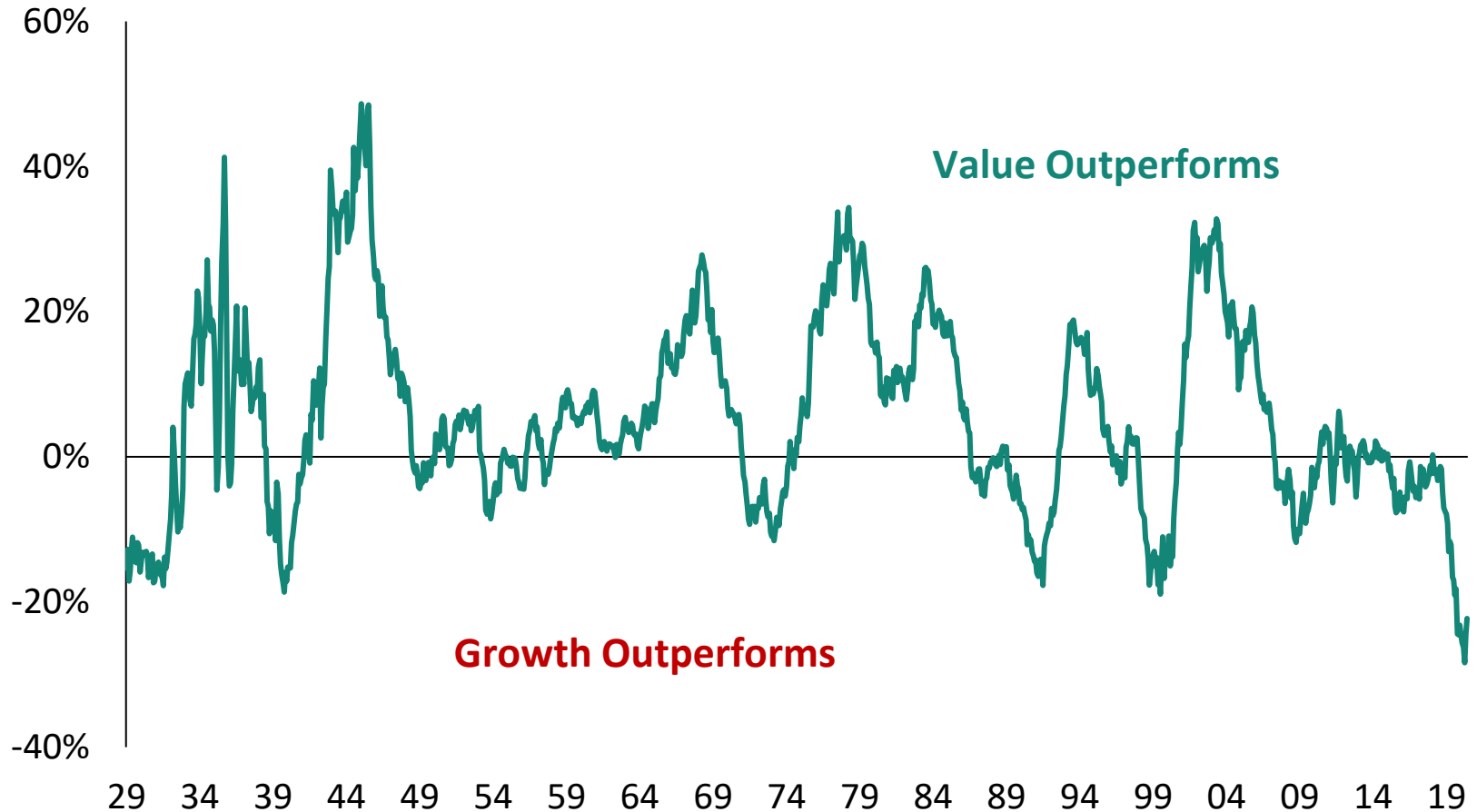
A Long Run Perspective

Value vs Growth



Value Minus Growth Returns

3 Year Return Differential



Historical Value Drawdowns

THE Largest Value Drawdown On Record, One Of The Longest

Episode	Start	End	Years	Return
Post-WWII Recovery (1950s)	6/30/1955	12/31/1957	2.5	-22.9%
Go-Go Episode (Mid-1960s)	10/31/1964	6/30/1965	0.7	-8.3%
Nifty Fifty (Early-1970s)	1/31/1969	7/31/1972	3.5	-25.5%
Energy Crisis (1970s)	2/29/1980	11/30/1980	0.8	-21.3%
Post Banking Crisis (Early-1990s)	8/31/1988	12/31/1991	3.3	-28.6%
New Economy Era (Late 1990s)	12/31/1997	2/29/2000	2.2	-42.5%
Great Financial Crisis (2007-12)	3/30/2007	3/30/2012	5.0	-25.3%
Current	12/30/2016	8/31/2020	3.7	-48.8%
Average			2.7	-27.9%

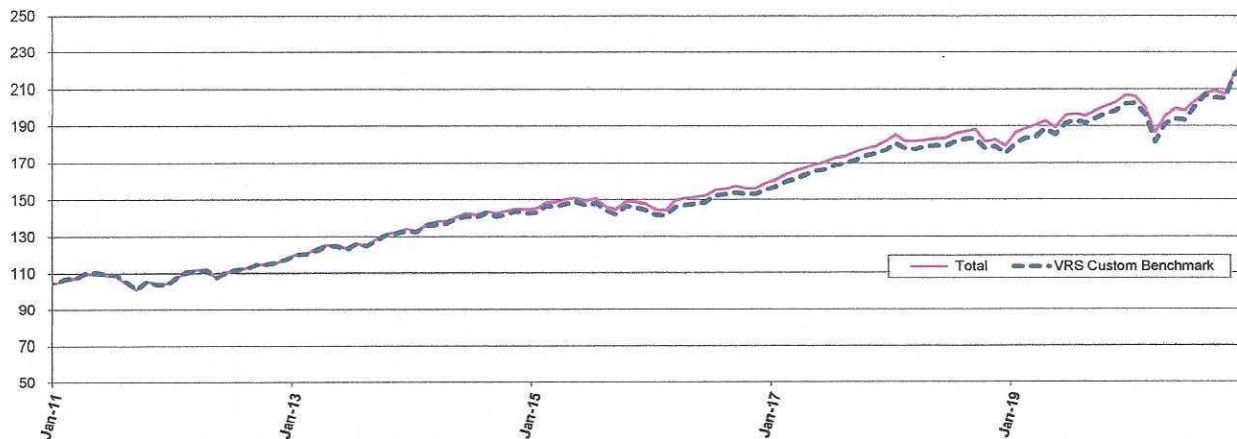
PERFORMANCE SUMMARY
Rolling Periods Ending
December 31, 2020



TOTAL FUND PERFORMANCE

	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month	Fiscal YTD	Cal YTD	Market Value (\$MM)
Total Public Equity Strategies	9.2	10.5	8.3	13.4	15.5	5.2	23.5	13.4	35,570
<i>Benchmark</i>	9.3	11.6	10.2	17.0	15.8	5.0	25.3	17.0	
Total Fixed Income	4.6	5.6	6.6	10.5	2.1	0.6	3.7	10.5	12,250
<i>Benchmark</i>	3.9	4.4	5.3	7.5	1.2	0.3	2.1	7.5	
Total Credit Strategies	6.2	7.5	6.2	7.4	6.0	2.9	10.6	7.4	12,675
<i>Benchmark</i>	5.8	7.2	5.9	5.2	4.2	1.3	8.3	5.2	
Total Real Assets	10.2	7.9	5.9	1.3	3.1	1.7	4.0	1.3	11,502
<i>Benchmark</i>	8.8	6.2	4.9	1.4	2.2	0.6	1.8	1.4	
Total Private Equity	14.6	15.5	15.5	16.7	12.0	11.8	24.7	16.7	12,948
<i>Benchmark</i>	13.8	13.8	11.1	12.6	8.2	-2.5	29.1	12.6	
Total Private Investment Partnerships	n/a	6.9	5.4	1.8	5.4	5.4	12.6	1.8	1,655
<i>Benchmark</i>	n/a	8.0	7.3	7.4	4.6	-0.8	13.1	7.4	
Total Multi-Asset Public Strategies	n/a	n/a	n/a	5.7	8.6	3.5	13.3	5.7	2,834
<i>Benchmark</i>	n/a	n/a	n/a	10.1	6.8	2.3	10.6	10.1	
Total Fund	8.2	9.1	7.9	10.3	9.2	4.5	15.0	10.3	92,093
<i>VRS Custom Benchmark</i>	7.9	9.1	8.0	10.2	8.3	1.9	15.2	10.2	

10-Year Performance
Indexed to 100



Effective July 2013, the VRS Custom Benchmark is a blend of the Asset Class Benchmarks at policy weights.

The VRS Cash Account, the Treasurer Short-Term Investment Account, the VRS Rebalancing Account, transition activity and accounts with market values of less than \$1 million are included in the Total Fund's market value. Differences in market value totals are due to rounding.



Total Fund Tracking Error

Figure 1: Policy Tracking Error Rolling Three Year - Plan (as of 12/31/2020)

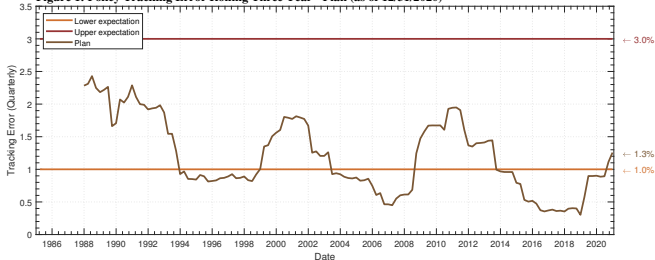
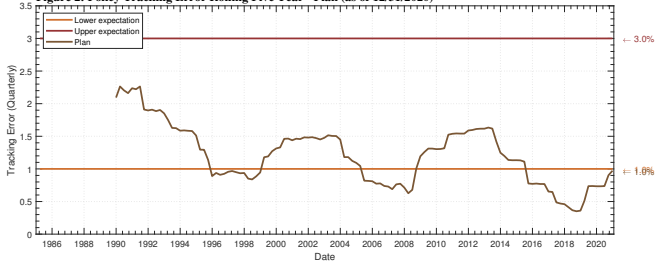


Figure 2: Policy Tracking Error Rolling Five Year - Plan (as of 12/31/2020)



The VRS Defined Benefit Plan Investment Policy Statement established the total fund tracking error range as the allowable observed tracking error calculated quarterly using 5 years of history.

Program	Action	Effective Date	Commitment/ Current Value	Funding/ Defunding Period	Description
Public Equity	Hired	01/04/2021	\$400 Million	2 Years	Coatue – A long/short equity fund.

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending December 31, 2020

Investment Program	Activity	Manager Name	Description	VRS Action
Public Equity	On-Going Monitoring of Current VRS Manager	Kylin Management (minority-owned firm) ¹	Current VRS public equity hedge fund manager.	Staff performed on-going due diligence and monitoring of this current VRS minority manager during the quarter.
Public Equity	On-Going Monitoring of Current VRS Manager	Ariel Global (minority and women-owned firm) ¹	Current VRS global equity manager.	Staff performed on-going due diligence and monitoring of this current VRS minority and women-owned manager during the quarter.
Public Equity	On-Going Monitoring of Current VRS Manager	Advent Capital Management (minority-owned firm) ¹	Current VRS convertible bond manager.	Staff performed on-going due diligence and monitoring of this current VRS minority manager during the quarter.
Public Equity	Virtual Manager Meeting	MayTech Global Investments (minority & women-owned firm) ¹	Manager focused on long/short strategy.	Staff had an introductory meeting with this manager to discuss the firm and their strategy.
Public Equity	Telephone Call with Manager	Hardman Johnston Global Advisors (women-owned firm) ¹	Manager focused on investing in high-quality growth companies at value prices.	Staff had an introductory call with this manager to discuss the firm and their strategy.
Public Equity	Telephone Call with Manager	Lone Pine Capital (minority-owned firm) ²	Manager focused on fundamentally driven multi-industry global equity in multiple strategies.	Staff had a call with this manager to discuss the firm and their strategies.
Public Equity	Telephone Call with Manager	Patient Capital Management (women-owned firm) ¹	Manager focused on opportunistic, value-oriented equity.	Staff had an introductory call with this manager to discuss the firm and their strategies.
Public Equity	Telephone Call with Manager	VantageRock Capital (women-owned firm) ²	Manager focused on fundamental-based long/short equity.	Staff had an introductory call with this manager to discuss the firm and their strategies.
Credit Strategies	Telephone Call with Manager	Pharos Capital Group (minority-owned firm) ¹	Manager focused on growing healthcare companies.	Staff had a call with the manager to discuss their firm and strategy, and reviewed materials provided by the manager.

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending December 31, 2020

Investment Program	Activity	Manager Name	Description	VRS Action
Credit Strategies	Telephone Call with Manager	Turning Rock Partners (women-owned firm) ¹	Manager focused on long-term investments in debt and equity securities of North American small and mid-cap businesses.	Staff had a call with the manager to discuss their firm and strategy, and reviewed materials provided by the manager.
Credit Strategies	Telephone Call with Manager	Hudson Cove Capital Management (minority-owned firm) ¹	Manager focused on Asset Backed Securities, Mortgage Backed Securities and Asset Based Loan Investments.	Staff had a call with the manager to discuss their firm and strategy, and reviewed materials provided by the manager.
Credit Strategies	Periodic Communication with Fund-of-Fund Manager	N/A	As part of their mandate Aksia Private Credit will come across DIME owned firms in the smaller and emerging credit fund space.	Periodic communication to review DIME and other emerging managers along with opportunities in the private credit markets more broadly.
Public Equity and Credit Strategies	Periodic Update Communication with Consultant	N/A	Aon Hewitt Investment Consulting is the consultant used by these two investment programs.	Periodic communication to review the DIME monitoring activity done on behalf of VRS as well as industry trends.
Real Assets	On-Going Monitoring of Current VRS Manager	Artemis Real Estate Partners (women-owned firm) ¹	Current VRS real estate manager.	Staff performed on-going due diligence and monitoring of this current VRS women-owned manager during the quarter.
Real Assets	On-Going Monitoring of Current VRS Manager	Tristan Capital Partners (minority-owned firm) ¹	Current VRS real estate manager.	Staff performed on-going due diligence and monitoring of this current VRS minority-owned manager during the quarter.
Real Assets	On-Going Monitoring of Current VRS Manager	Pritzker Realty Group (women-owned firm) ¹	Current VRS real estate manager.	Staff performed on-going due diligence and monitoring of this current VRS women-owned manager during the quarter.
Real Assets	On-Going Monitoring of Current VRS Manager	Capri EGM (minority-owned firm) ¹	Current VRS real estate manager.	Staff performed on-going due diligence and monitoring of this current VRS minority-owned manager during the quarter.

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending December 31, 2020

Investment Program	Activity	Manager Name	Description	VRS Action
Real Assets	On-Going Monitoring of Current VRS Manager	Grain Management (minority-owned firm) ¹	Current VRS infrastructure manager.	Staff performed on-going due diligence and monitoring of this current VRS minority-owned manager during the quarter.
Real Assets	On-Going Monitoring of Current VRS Manager	Pantheon Ventures	Current VRS infrastructure and natural resource fund-of-funds manager.	Staff had periodic communication with this manager to discuss potential DIME firms in their market.
Real Assets	Virtual Manager Meeting	Brasa Capital Management (minority-owned firm) ¹	Western U.S. focused, opportunistic real estate manager.	Staff held an update meeting with this manager to discuss their current fundraise initiative and market update.
Real Assets	Virtual Manager Meeting	Excel Group (minority-owned firm) ¹	Hotel focused, U.S. real estate manager.	Staff held an introductory meeting with this manager to learn more about their team, investment philosophy, fundraise goals, etc.
Real Assets	Virtual Manager Meeting	Sage Hall Partners (minority-owned firm) ¹	Opportunistic real estate manager focused on the New York metro area.	Staff held an introductory meeting with this manager to learn more about their team, investment philosophy, fundraise goals, etc.
Real Assets	Virtual Manager Meeting	American Triple I Partners (minority-owned firm) ¹	U.S. focused middle-market infrastructure manager.	Staff held an introductory meeting with this manager to learn more about their team, investment philosophy, investment pipeline and fundraise goals.
Real Assets	Virtual Manager Meeting	Adelante Capital Management (minority-owned firm) ¹	Manager focused on investing in publicly traded real estate securities.	Staff held an introductory meeting with this manager to learn more about their team, investment philosophy, fundraise goals, etc.
Real Assets	Telephone Call with Manager	The Martin Group (minority-owned firm) ²	Mixed-use developer primarily focused on Western U.S.	Staff held an introductory call with this manager to learn more about their team, investment philosophy, fundraise goals, etc.
Real Assets	Telephone Call with Manager	Croatan Investments (minority-owned firm) ¹	Multifamily focused U.S. real estate manager.	Staff held an introductory call with this manager to learn more about their team, investment philosophy, fundraise goals, etc.

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending December 31, 2020

Investment Program	Activity	Manager Name	Description	VRS Action
Real Assets	Periodic Update Communication with Consultant	N/A	The Townsend Group is the consultant used by Real Assets.	Periodic communication to review the DIME monitoring activity done on behalf of VRS as well as real estate and infrastructure industry trends.
Real Assets	Periodic Update Communication with Consultant	N/A	TorreyCove is a private markets consultant with whom VRS has a relationship.	Staff exchanged emails with this consultant regarding a potential DIME manager in Real Assets.
Private Equity	On-Going Monitoring of Current VRS Manager	Asia Alternatives (minority and women-owned firm) ¹	A fund-of-funds manager focusing on alternative investments in Asia.	Staff had a call with this manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	MBK Partners (minority-owned firm) ¹	A North Asia private equity firm.	Staff had a call with this manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	SIRIS Capital (minority-owned firm) ¹	A middle market buyout firm making control investments in data/telecommunications, technology and technology-enabled business service companies in North America.	Staff had a call with this manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	Sycamore Partners (minority-owned firm) ¹	Middle market buyout fund targeting consumer and retail companies.	Staff had a call with this manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	TSG Consumer Partners (women-owned firm) ²	Growth fund investing exclusively in middle market consumer-branded companies.	Staff had a call with this manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	Veritas Capital (minority-owned firm) ²	Middle market buyout fund targeting primarily technology or technology-enabled solutions to government.	Staff had a call with this manager during the quarter.

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending December 31, 2020

Investment Program	Activity	Manager Name	Description	VRS Action
Private Equity	On-Going Monitoring of Current VRS Manager	Vista Equity Partners (minority-owned firm) ¹	A large market buyout fund targeting enterprise software companies.	Staff had a call with this manager during the quarter.
Private Equity	Telephone Call with Manager	Argand Partners (minority and women-owned firm) ¹	Buyout fund with a focus on specialty manufacturers and business services.	Staff had a call with this manager during the quarter.
Private Equity	Telephone Call with Manager	Marcy Venture Partners (minority-owned firm) ¹	Venture capital fund with a focus on consumer and culture.	Staff had a call with this manager during the quarter.
Private Equity	Telephone Call with Manager	Steward Asset Management (women-owned firm) ¹	Fund of Funds manager investing and seeding new emerging and diverse managers in private equity.	Staff had a call with this manager during the quarter.
Private Equity	Virtually Attend DIME Conference	Grosvenor Small and Emerging Managers Conference	Attended a conference focused on raising the visibility of small, emerging and diverse investment managers.	Met several new potential DIME managers.
Private Equity	Periodic Update Communication with Consultant	N/A	Grosvenor Capital Management Customized Fund Investment Group is the consultant used by Private Equity.	Periodic communication to review the DIME monitoring activity done on behalf of VRS as well as industry trends.
Fixed Income	On-Going Monitoring of Current VRS Manager	Payden & Rygel (women-owned firm) ¹	Current VRS emerging market debt manager.	Staff had various interactions with this current VRS woman-owned manager during the quarter.
Dynamic Strategies	Virtual Manager Meeting	Amount Capital (minority-owned firm) ¹	Manager focusing on PE style public market investing.	Introductory meeting via conference event to discuss firm's progress and strategy development as it is currently a paper (unfunded) portfolio.

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending December 31, 2020

Index:

DIME – Diverse Investment Management Engagement

1 – The manager is considered DIME under the Commonwealth of Virginia definition, which defines ownership threshold of 51% or more.

2 – The manager is considered DIME under the definition that considers industry best practices, and defines an ownership threshold of greater than or equal to 33% and less than 51% of firm ownership or carry.

VRS Investment Department
Quarterly External Investment Manager Referral Report
Activity for Quarter Ending December 31, 2020

Investment Program	Type of Contact	Investment Manager Name	Official Making Referral	VRS Action
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No activity to report this quarter.

Report

Pursuant to § 2.2-3700 et seq. of the *Code of Virginia* and Chapter 56 of the 2020 Special Session I Acts of Assembly, the Benefits and Actuarial Committee convened electronically on February 11, 2021 at 1:00 p.m. and took up the following matters:

APPROVAL OF MINUTES

The Committee approved the minutes of its November 16, 2020 meeting.

STATUTORY COST OF LIVING ADJUSTMENTS

Virginia Sickness and Disability Program

Rory Badura, Senior Staff Actuary, presented the recommendations of Cavanaugh Macdonald Consulting, LLC, the Plan Actuary, regarding statutory annual adjustments to Virginia Sickness and Disability Program (VSDP) creditable compensation for members on long-term disability. For VSDP, Mr. Badura advised that the Plan Actuary recommends an increase in the creditable compensation for VRS pension benefit purposes of 2.12%, effective July 1, 2021. In addition, a COLA in the amount of 1.23% shall be applied to long-term disability (LTD) benefit payments for Plan 1, Plan 2, and Hybrid Retirement Plan members who have been recipients for one year. The calculations were reviewed by VRS staff and Internal Audit.

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

Request for Board Action: Effective July 1, 2021 the following increases shall apply:

- *The creditable compensation used in calculating the member's average final compensation at retirement shall be increased in the amount of 2.12% for a Plan 1, Plan 2 or Hybrid member who has been the recipient of long-term disability (LTD) benefits for at least one year under the Virginia Sickness and Disability Program (VSDP); and*
- *A cost of living adjustment of 1.23% shall be applied to the net LTD benefit payment for Plan 1, Plan 2 and Hybrid members.*

Virginia Local Disability Program

Mr. Badura advised that the Plan Actuary recommends an increase in the creditable compensation of 4.00% for each recipient of long-term disability (LTD) benefits under the Virginia Local Disability Program (VLDP) effective July 1, 2021. The VLDP plan does not provide for a COLA on LTD benefits being received. The calculations for the increase in creditable compensation were reviewed by VRS staff and Internal Audit.

After receiving the report and some discussion, the Committee recommended approval of the following action to the full Board of Trustees:

Request for Board Action: *Effective July 1, 2021, each recipient of LTD benefits under the Virginia Local Disability Program (VLDP) who has been receiving LTD benefits for at least one calendar year, and who ultimately retires directly from LTD, will have their creditable compensation at date of disability increased by an amount set by the Board to be used in determining the member's average final compensation for disability retirement. The recommendation applicable to July 1, 2021 is an increase of 4.00% to be applied to a recipient's creditable compensation.*

INFORMATION ITEMS

2021 COLAs Called for Under Statute Not Requiring Board Approval

Mr. Badura noted that, by statute, VRS cost of living increases are based on the consumer price index for all items, all urban consumers, as published by the Bureau of Labor Statistics of the U.S. Department of Labor. Mr. Badura advised that the COLA increase of 1.23% is applicable to eligible Plan 1, Plan 2, and Hybrid Plan members effective July 1, 2021. This figure was calculated by the VRS Plan Actuary, Cavanaugh Macdonald Consulting, LLC, and verified by VRS and Internal Audit staff. The COLA did not require action by the Committee.

Mr. Badura also advised that in accordance with the requirements of the *Code of Virginia*, the Hazardous Duty Supplement is increased biennially using applicable cost of living adjustments published by the Social Security Administration since the last applicable increase. The biennial Social Security increase of 2.92% resulted in an increase in the annual Hazardous Duty Supplement from \$14,244 to \$14,664 for fiscal year 2021. The increase in the Hazardous Duty Supplement did not require action by the Committee. The calculations were reviewed by VRS staff and Internal Audit.

The Group Life Insurance Program minimum benefit for members retired with at least 30 years of service is to be increased by the same COLA applicable to VRS Plan 2 members, or 1.23%, effective July 1, 2021. The new minimum life insurance payout effective July 1, 2021 will be \$8,722. The Group Life Insurance Program minimum did not require action by the Committee. The calculations were reviewed by VRS staff and Internal Audit.

2021 Legislative Update

Ms. Wilkinson provided an update on VRS-related legislation in the 2021 Regular and Special General Assembly sessions.

B&A Committee Meeting Schedule

- April 19, 2021 at 1:00 p.m.
- June 9, 2021 at 1:00 p.m.
- October 13, 2021 at 10:00 a.m.
- November 15, 2021 at 1:00 p.m.

Submitted to the Board of Trustees on February 16, 2021.

Wallace G. Harris, Chair
Benefits and Actuarial Committee



MEMORANDUM

TO: Patricia S. Bishop, VRS Director

FROM: Jennifer P. Bell Schreck, VRS Internal Audit Director 

DATE: February 3, 2021

RE: Cost of Living Adjustments (COLAs)

Internal Audit has reviewed the amounts referred to as "Cost of Living Adjustments" as set forth in the attached letter and supporting table from VRS' actuary, Cavanaugh Macdonald Consulting, LLC, dated January 14, 2021.

In conducting our review, we independently recalculated the "Cost of Living Adjustments" using data and procedures provided by management and the actuary, while confirming certain external components associated with such calculations. We also examined the Code of Virginia sections referred to in the actuary's letter and supporting table.

Based upon our review, we found the "Cost of Living Adjustments" in the above referenced letter and table to be valid and accurate, based on the data provided, subject to the assumptions included therein with respect to increases in both VSDP LTD benefits and VSDP and VLDP creditable compensation, where the amounts are not specified by statute, but instead are to be recommended by the actuary and approved by the Board.

Please let me know if you have any questions. I ask that you share this information with the Benefits and Actuarial Committee.

Attachment



Cavanaugh Macdonald

CONSULTING, LLC

The experience and dedication you deserve

January 14, 2021

Mr. Rory Badura, ASA, EA, MAAA
Senior Staff Actuary
Virginia Retirement System
1200 E. Main Street
Richmond, VA 23219

2021 Cost of Living Adjustments

Dear Rory:

As requested, we have calculated the Cost of Living Adjustments (COLAs) called for under Virginia Statutes for VRS, VSDP, and VLDP.

In the table enclosed we present the COLAs to be effective July 1, 2021.

By statute, the VRS COLA is based on the ratio of the average of the monthly CPI-U for the 2020 calendar year (258.811) to the average of the monthly CPI-U for the most recent calendar year used in the determination of a COLA, 2019 calendar year (255.657). The result is 1.23%. The VRS COLA formula is applied to the CPI increase to produce COLAs effective July 1, 2021 of 1.23% for Plan 1 members vested as of January 1, 2013 and 1.23% for Plan 1 members not vested as of January 1, 2013 and all Plan 2 and Hybrid Plan members.

Statute also provides a COLA under the Group Life Insurance program in the minimum \$8,000 life insurance amount for members with at least 30 years of creditable service. The increase is the same percentage as the VRS COLA of 1.23% used for Plan 1 members not vested as of January 1, 2013 and all Plan 2 and Hybrid Plan members. Applying this increase to the prior year minimum of \$8,616, the minimum effective life insurance amount for members with at least 30 years of creditable service will increase to \$8,722 effective July 1, 2021.

The VSDP and VLDP COLAs are required by statute but the actual amounts are set by Board resolution. We have calculated the VSDP increase in creditable compensation for VRS pension benefit purposes based on the approach adopted in 2011. As recommended in 2011, the VSDP creditable compensation COLA is based on the increase in the pay rate for State, SPORS and VaLORS VSDP members active at the beginning and the end of the most recent plan year before the date of determination of the COLA. For 2021, it would be the ratio of the annual pays as of June 30, 2020 to the annual pays as of June 30, 2019 for VSDP members who were active in the State, SPORS and VaLORS plans as of both dates. The COLA calculated in this manner may be modified to reflect extraordinary pay adjustments during a given year. On this basis we have determined a VSDP creditable compensation COLA of 2.12% effective July 1, 2021. Our calculation is based on the data provided by VRS for the June 30, 2019 and 2020 actuarial valuations.



Mr. Rory Badura
January 14, 2021
Page 2

We used a similar approach to determine the VLDP creditable compensation COLA. That is, we have based the VLDP creditable compensation COLA on the increase in the pay rate for Teachers and non-hazardous Political Subdivision Hybrid plan members active at the beginning and the end of the most recent plan year before the date of determination of the COLA. For 2021, it would be the ratio of the annual pays as of June 30, 2020 to the annual pays as of June 30, 2019 for non-hazardous members who were active in the Teachers and Political Subdivision Hybrid plans as of both dates. The COLA calculated in this manner may be modified to reflect extraordinary pay adjustments during a given year. On this basis we have determined a VLDP creditable compensation COLA of 5.66% effective July 1, 2021. Our calculation is based on the data provided by VRS for the June 30, 2019 and 2020 actuarial valuations. However, as with the current approach with VSDP, we have assumed the VLDP creditable compensation COLA would be capped at 4.00% per year.

The Hazardous Duty Supplement is increased biennially by the Social Security COLAs which were 1.6% in December 2019 and 1.3% in December 2020. The biennial Social Security increase is 2.92%, resulting in an increase in the annual Hazardous Duty Supplement from \$1,187 to \$1,222 per month (\$14,664 annually).

We have enclosed a table showing the calculations of the COLAs in detail.

Please let us know if you have any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read 'LL', with a stylized flourish at the end.

Larry Langer, ASA, FCA, EA, MAAA
Principal and Consulting Actuary

Enc.

Copy to: Cynthia Wilkinson (VRS)

**Virginia Retirement System (VRS), Virginia Sickness and Disability Program (VSDP), Virginia Local Disability Program (VLDP)
and Group Life Insurance Program**



Cost of Living Adjustments (COLAs) Recommendations Effective July 1, 2021

Item	Code Section(s)	CPI-U		CPI Increase	COLA Calculation		
		2019	2020		100% of First 3%	50% of Next 4%	COLA (maximum 5%)
VRS COLA - Plan 1 vested as of 1/1/2013 - (100% of the increase in the CPI-U up to 3%, plus 50% of the next 4%, with a maximum COLA of 5%)	51.1-166	255.657	258.811	1.23% *	1.23%	0.00%	1.23%
Item	Code Section(s)	CPI-U		CPI Increase	COLA Calculation		
		2019	2020		100% of First 2%	50% of Next 2%	COLA (maximum 3%)
VRS COLA - Plan 1 non-vested as of 1/1/2013, Plan 2 and Hybrid Plan - (100% of the increase in the CPI-U up to 2%, plus 50% of the next 2%, with a maximum COLA of 3%)	51.1-166	255.657	258.811	1.23%	1.23%	0.00%	1.23%
Item	Code Section(s)	Creditable Compensation		Increase in Pay	COLA Calculation		
		2019	2020		100% of First 4%		COLA (maximum 4%)
VSDP increase in creditable compensation for VRS pension benefit purposes (100% of the increase in the pay over the previous plan year for continuing active VSDP members in the State, SPORS and VaLORS plans, with a maximum COLA of 4%)	51.1-1117 51.1-1123 51.1-1128	\$3,849,110,019	\$3,930,790,685	2.12%	2.12%		2.12%
Item	Code Section(s)	Creditable Compensation		Increase in Pay	COLA Calculation		
		2019	2020		100% of First 4%		COLA (maximum 4%)
VLDP increase in creditable compensation for VRS pension benefit purposes (100% of the increase in the pay over the previous plan year for non-hazardous continuing active members in the Teachers and Political Subdivision Hybrid plans, with a maximum COLA of 4%)	51.1-1161 51.1-1169	\$2,824,841,424	\$2,984,804,027	5.66%	4.00%		4.00%
Item	Code Section(s)				COLA Calculation		
							COLA
VSDP increase in net LTD benefit - Plan 1 vested as of 1/1/2013 - (100% of the VRS COLA for Plan 1 vested as of 1/1/2013)	51.1-1112						1.23%
Item	Code Section(s)				COLA Calculation		
							COLA
VSDP increase in net LTD benefit - Plan 1 non-vested as of 1/1/2013, Plan 2 and Hybrid Plan - (100% of the VRS COLA for Plan 1 non-vested as of 1/1/2013, Plan 2 and Hybrid Plan)	51.1-1112						1.23%
Item	Code Section(s)				COLA Calculation		
					Before COLA	After COLA	COLA
Increase in minimum \$8,000 life insurance amount for members with at least 30 years of creditable service - (100% of the VRS COLA for Plan 1 non-vested as of 1/1/2013, Plan 2 and Hybrid Plan)	51.1-505.B.				\$8,616	\$8,722	1.23%
Item	Code Section(s)	Social Security (SS) COLA		Biennial SS COLA Increase	Biennial Hazardous Duty Supplement COLA Calculation		
		2019	2020		Before COLA (monthly)	After COLA (monthly)	After COLA (annual)
Hazardous Duty Supplement	51.1-138.B 51.1-206.B 51.1-217.B	1.60%	1.30%	2.92%	\$1,187	\$1,222	\$14,664

* CPI-U increase is ratio or percentage increase of CPI-U indices year over year (258.811/255.657 - 1 = 1.23%)



Approval of July 1, 2021 increase relating to VSDP creditable compensation and VSDP COLA.

Requested Action

Effective July 1, 2021 the following increases shall apply:

- The creditable compensation used in calculating the member's average final compensation at retirement shall be increased in the amount of 2.12% for a Plan 1, Plan 2 or Hybrid member who has been the recipient of long-term disability (LTD) benefits for at least one year under the Virginia Sickness and Disability Program (VSDP); and
- A cost of living adjustment of 1.23% shall be applied to the net LTD benefit payment for Plan 1 members vested prior to January 1, 2013, Plan 1 members not vested by January 1, 2013, and all Plan 2 and Hybrid members.

Description/Background

Code of Virginia § 51.1-1112(C) provides: "Creditable compensation during periods an employee receives long-term disability benefits shall (i) not include salary increases awarded during the period covered by long-term disability benefits and (ii) be increased annually by an amount recommended by the actuary of the Virginia Sickness and Disability Program and approved by the Board."

Code of Virginia § 51.1-1117(B) provides: "The average final compensation of any participating full-time employee taking a service retirement under any provision of this title shall be equal to his creditable compensation on the date of the commencement of the disability increased by an amount recommended by the program actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement."

Code of Virginia § 51.1-1128(B) provides the same requirement for participating full-time employees receiving supplemental (work-related) disability benefits: "The employee's average final compensation shall be equal to his creditable compensation on the date of the commencement of the disability increased by an amount recommended by the actuary of the Virginia Retirement System, and approved by the Board, from the date of the commencement of the disability to the date of retirement."

In accordance with these provisions, each year VRS requests that the plan actuary recommend the cost of living adjustment (COLA) to be applied to the benefit paid and to the creditable compensation of LTD recipients who have been receiving such benefits for at least one calendar year under VSDP.

In 2011 the Board amended the process for determining the COLA to be applied to the creditable compensation of LTD recipients for purposes of calculating service retirement. It is now based on the combined average increase in the pay rate for State, SPORS and VaLORS VSDP members active at the beginning and the end of the most recent plan year before the date of determination of the COLA.

Rationale for Requested Action

Per the attached January 14, 2021 letter, the VRS plan actuary, Cavanaugh Macdonald Consulting, LLC, observed increases in creditable compensation of 2.12% during fiscal year 2020 for members enrolled in

VSDP. Based on the recommendation from the plan actuary, and consistent with past practice, the recommended increase in creditable compensation for purposes of service retirement from disability shall be 2.12%, and after offsets, an adjustment to the benefit payments of VSDP LTD recipients who have been receiving such payments for at least one calendar year of 1.23% for Plan 1 members vested as of January 1, 2013, Plan 1 members not vested by January 1, 2013, and all Plan 2 and Hybrid members.

Authority for Requested Action

The Board’s authority for this action is contained in *Code of Virginia* §§ 51.1-1112, -1117, and -1128.

The above action is approved.

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

Date



**Approval of July 1, 2021 increase relating to
VLDP creditable compensation.**

Requested Action

Effective July 1, 2021, each recipient of LTD benefits under the Virginia Local Disability Program (VLDP) who has been receiving LTD benefits for at least one calendar year, and who ultimately retires directly from LTD, will have their creditable compensation at date of disability increased by an amount set by the Board to be used in determining the member's average final compensation for disability retirement. The recommendation applicable July 1, 2021 is an increase of 4.0% to be applied to a recipient's creditable compensation.

Description/Background

Code of Virginia § 51.1-1161(C) provides: "The average final compensation of any participating full-time employee taking a service retirement under any provision of this title shall be equal to his creditable compensation on the date of the commencement of the disability increased by an amount recommended by the program actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement."

Code of Virginia § 51.1-1169(C) provides: "The employee's average final compensation shall be equal to his creditable compensation on the date of the commencement of the disability increased by an amount recommended by the actuary of the Virginia Retirement System, and approved by the Board, from the date of the commencement of the disability to the date of retirement."

In accordance with these provisions, VRS requested that its actuary recommend the COLA to be applied to the creditable compensation of LTD recipients who have been receiving such benefits for at least one calendar year under VLDP.

Rationale for Requested Action

Per the attached January 14, 2021 letter, the VRS plan actuary, Cavanaugh Macdonald Consulting, LLC, observed increases in creditable compensation of 5.66% during fiscal year 2020 for VLDP members. Based on the recommendation from the plan actuary, and consistent with past practice the recommended increase in creditable compensation for purposes of service retirement from disability shall be capped at 4.0%.

Authority for Requested Action

The Board's authority for this action is contained in *Code of Virginia §§ 51.1-1161 and -1169*.

The above action is approved.

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

Date

Report

Pursuant to § 2.2-3700 et seq. of the *Code of Virginia* and Chapter 56 of the 2020 Special Session I Acts of Assembly, the Administration and Personnel Committee convened electronically on February 11, 2021 at 10:00 a.m. and took up the following matters:

APPROVAL OF MINUTES

The Committee approved the minutes of its October 13, 2020 meeting.

REAPPOINTMENT OF IAC MEMBERS AND IAC CHAIRPERSON

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

The Committee recommends approval of the following action to the full Board:

Request for Board Action: *The Board approves the reappointment of Michael Beasley, Tom Gayner, Larry Kochard and Rod Smyth to the IAC for two-year terms, as well as the reappointment Larry Kochard as the Chair of the IAC, also for a two-year term.*

BUDGET UPDATE

Barry Faison provided an update on the agency's budget performance year-to-date. Mr. Faison explained that fiscal year-end projections indicate a balance of approximately \$10.7 million 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. McWilliams and several other Committee members briefly discussed the impact of the COVID-19 pandemic on staff training and professional development. Ms. Bishop noted that the pandemic has allowed staff to participate in remote training that in some cases would otherwise not have been possible in the past due to additional time needed for, and expenses related to, travel. In addition, high level discussion took place regarding planning and considerations related to the opportunities for flexibility with respect to both returning to the office and continuation of remote work.

Submitted to the Board of Trustees on February 16, 2021.

O'Kelly E. McWilliams, III, Chair
Administration and Personnel Committee

Reappointment of IAC Members and IAC Chairperson.

Requested Action

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

Rationale for Requested Action

Lawrence E. Kochard, Thomas S. Gayner, Michael Beasley and Rod Smyth currently serve on the Investment Advisory Committee (IAC) and are willing to be reappointed for another two-year term. Mr. Kochard is Chief Investment Officer at Makena Capital Management, Mr. Gayner is Co-Chief Executive Officer of Markel Corporation, Mr. Beasley is Retired Chairman Emeritus of Strategic Investment Solutions, Inc., and Rod Smyth is a founding partner and Chairman of the Board at Riverfront Investment Group.

Under the Investment Advisory Committee (IAC) Charter:

The VRS Board chairperson shall appoint the chairperson of the IAC, subject to a two-thirds vote by the Board. No member of the Board may serve as IAC chairperson. The IAC chairperson is appointed for a two-year term and may be reappointed for additional two-year terms.

The IAC chairperson is charged with:

1. Facilitating the operation of the IAC meetings.
2. Reviewing proposed agendas for IAC meetings.
3. Presiding over meetings of the IAC.
4. Reporting to the Board on the matters considered by the IAC, and the recommendations of the IAC.
5. Performing such additional duties as are required to facilitate the IAC's fulfillment of its responsibilities.

The Chairperson of the Board has appointed Mr. Kochard to chair the IAC, and this RBA brings that appointment to the Board for its consideration.

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, Chairman
VRS Board of Trustees

Date

Larry Kochard
Chief Investment Officer
Makena Capital Management

Larry Kochard is the Chief Investment Officer at Makena Capital Management and a member of Makena's Executive Committee. He leads Makena's Investment Committee and is also a Management Committee member.

Larry was previously the Chief Executive Officer and Chief Investment Officer of the University of Virginia Investment Management Company (UVIMCO) for eight years. As CEO, Larry provided leadership for all aspects of UVIMCO's operations and served as UVIMCO's primary representative to the university, related foundations, and the public. As CIO, Larry was responsible for the investment management of UVIMCO's Long Term Pool, overseeing the asset allocation, portfolio management, risk management and manager selection activities of the investment staff.

Prior to joining UVIMCO, Larry served as CIO at Georgetown University. From 2001 to 2004, he was Managing Director of Equity and Hedge Fund Investments for the Virginia Retirement System. From 1997 to 2004, he taught in the McIntire School of Commerce at the University of Virginia, first as an adjunct and later as a full-time assistant professor. He spent the early part of his career in debt capital markets at Goldman Sachs and corporate finance at Fannie Mae and DuPont.

Larry received his B.A. in Economics from the College of William & Mary, an M.B.A. degree in Finance and Accounting from the University of Rochester, and an M.A. and Ph.D. in Economics from the University of Virginia. He is a CFA Charterholder. He is on the board of directors of Janus Henderson Group, Inc. and Virginia Environmental Endowment, and serves as Chairman of the Investment Advisory Committee of the Virginia Retirement System. Larry was the 2015 winner of the Rodney H. Adams Award for Endowment Management from the National Association of College and University Business Officers (NACUBO), which recognizes outstanding contributions to university endowment and investment management. Larry is a longtime moderator of the premier endowment and foundation industry conference, NMS, and is the author of several industry publications, including *Foundation and Endowment Investing: Philosophies and Strategies of Top Investors and Institutions*. More recently, Larry wrote the foreword of and was profiled in *Inside the World's Top Institutional Offices: Conversations With 80 Institutional Investors*.

Getting to know Tom Gayner



Thomas "Tom" Gayner is Co-Chief Executive Officer of Markel Corporation (NYSE: MKL), a diverse financial holding company including insurance, reinsurance, and investment operations around the world. Headquartered in Richmond, Virginia, and founded in 1930, Markel has consistently been a top performing company with a market capitalization of more than \$16 billion and annual revenues of \$6 billion. In 2016, Markel was first included on the Fortune 500 annual rankings.

Tom joined Markel in 1990 and oversees all investing activities. He is also responsible for Markel Ventures, a wholly owned subsidiary which acquires controlling interests in manufacturing, technology, and service companies.

Prior to Markel, Tom served as Vice President of Davenport & Company LLC of Virginia and as a Certified Public Accountant with PricewaterhouseCoopers LLP.

Tom serves as the Chairman of the Board of the Davis Series Mutual Funds and on the boards of the Colfax Corporation, Graham Holdings, Cable ONE, and Markel. He is a trustee of the Community Foundation for a greater Richmond and a member of the Investment Advisory Committee of the Virginia Retirement System.

Tom is a graduate of the University of Virginia and The Lawrenceville School.

MICHAEL RAWSON BEASLEY

1470 Bishops Lodge Road
Santa Fe, NM 87506
Cell: (415) 652-6307

DOB: April 21, 1948

Email: mbeasley068@gmail.com

Current Employment:

Retired

Member, Virginia Retirement System Investment Advisory Committee, Richmond, VA

CAREER HIGHLIGHTS

MERRILL LYNCH, 1973-1986, Vice President, Davenport, Ia., Jacksonville, Fla., Atlanta, Ga.

Established the corporate financial services office of Merrill Lynch Capital Markets Group in Jacksonville, Florida. Responsible for the delivery of all non-underwriting products and services to private corporations and local municipalities.

Managed the Corporate Financial Services Group for the U.S. Southern Region after Merrill's Atlanta Office absorbed its Jacksonville Office. A strong interest in pension fund investing ultimately led to working as lead investment advisor to several county, city and corporate pension plans. When Merrill Lynch sold its pension services to SEI Corp. in October 1985, decided to remain involved with pension fund investing and resigned in March 1986.

CALLAN ASSOCIATES, 1986-1993, Executive Vice President, Atlanta, Ga., New York City, NY, San Francisco, Ca.

Established and staffed Callan's regional consulting office in Atlanta in April 1986. Built client base from ground up (zero to 71 clients in five years) and achieved profitability in less than two years. Chaired Manager Search Evaluation Committee that oversaw manager selection process for more than 400 institutional clients. Assumed additional responsibility of managing the New York City office in 1988 while consulting to large institutional clients.

In December 1991, was appointed head of consulting for the entire Callan organization, responsible for managing regional consulting offices in San Francisco, New York, Atlanta, and Chicago. Also responsible for oversight of operations of consulting support units: Systems, Programming, Database Report Services, and Technology Department. Maintained lead consultant role for three state pension funds and one corporate fund. Leadership responsibility for 120 of firm's 150 employees. Represented the consulting services of the firm to clients, prospective clients, the press, and the media.

STRATEGIC INVESTMENT SOLUTIONS, INC. (SIS), 1994-2013, Chairman/CEO, San Francisco

Designed a business model for a startup pension consulting business that would distinguish itself from a large field of competitors in three ways: (1) a pure consulting focus that was free from conflicts-of-interest, (2) 100% employee-owned, and (3) serve as named fiduciary to its clients. Business model came to fruition as Strategic Investment Solutions, co-founded with a former colleague, incorporated in California, and registered with the SEC in January 1994. Operations commenced in July 1994 with staff of eight. Set minimum client assets-under-management to \$500 million to attract larger and more strategically oriented clients and attain profitability sooner.

Co-founders reserved 49.8% of authorized SIS shares for distribution to employees. Firm ownership grew over time to 19 employee-owners. Personnel turnover low by consulting industry standards as a result of ownership, and helped foster client loyalty and long-term relationships. SIS grew to 30 employees advising 32 clients (state and county plans, corporate trusts, endowments, foreign clients and high net worth families) with aggregate assets in excess of \$500 billion.

Spoke frequently at conferences, and wrote on issues affecting the pension industry and investing in general. Extensive board membership experience, including Chairmanship of SIS Board for 18 years. Advised SEC Investment Division on conflicts-of-interest issues affecting the U.S. consulting industry. Made presentations at private conferences and other types of forums, including state legislatures as expert witness.
Retired 2013.

PARTIAL LIST OF CONSULTING CLIENTS (AS LEAD CONSULTANT)

Arkansas Public Employees Retirement System
Cox Enterprises
DeKalb County (GA) Employees Retirement Plan
Illinois State Retirement System
Louisiana State Employees Retirement System
Ohio Public Employees Retirement System
Oregon Investment Council
PacifiCorp
Southern Company
Tennessee Consolidated Retirement System
US Army Non-Appropriated Fund
Williams Companies
Sweden Pension Plan AP 6
Central Bank of Chile/Ministry of Finance

United States Army, 1968-1973, Captain, Ft. Knox, Ft. Polk, Ft. Bragg, Republic of Vietnam, Ft. Riley

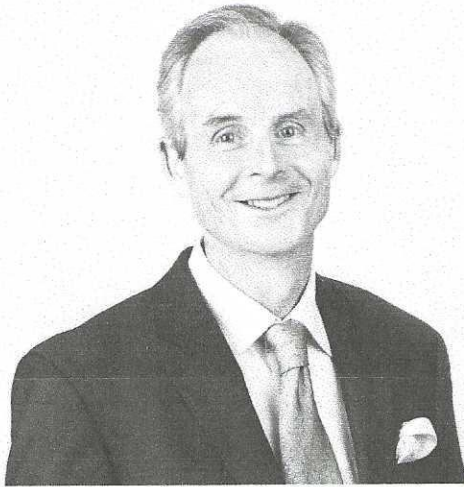
Positions: Range Officer, Committee Group Chief, AIT Company Commander, Senior Advisor Vietnamese Infantry Battalion, Special Forces Compound Commander, Battalion Intelligence Officer, Captain Advanced Marksmanship Un

EDUCATION

Graduate, New Mexico Military Institute, 1968

PERSONAL AWARDS AND ACHIEVEMENTS

Three-time New Mexico State Small Bore State Champion
Combat Infantry Badge
Vietnamese Cross of Gallantry with Valor
Bronze Star Medal
Air Medal
Army Commendation Medal
Helped parent two lovely women



Rod Smyth

Director of Investments

Rod is one of RiverFront's four Founding Partners. Rod has been an important contributor to our investment decision making process since our strategies were incepted and serves as the Chairman of our Board. He has also become a mentor to our investment team members, bringing his experience and wisdom to their decision-making processes. Rod has nearly 40 years of investment experience both as a portfolio manager and investment strategist. Rod began working with many members of the RiverFront team in 1995, when he moved to Richmond to work for Wachovia Securities after working in the investment industry overseas. At Wachovia Securities, and its predecessor firms, Rod served as the firm's Chief Investment Strategist for eight years and as a portfolio manager for its Global Asset Allocation portfolios.

Rod is a regular guest on the financial news channels (CNBC, Fox Business and Bloomberg) and is frequently quoted in the financial press.

Rod earned an MA in Economics from Dundee University in Scotland.

Whether as an investment strategist or on stage, Rod is a performer. He comes by it naturally, as his mother was a trained singer and his father an amateur conductor. His talents range from singing in a choir to performing in front of television cameras as a strategist. Rod's youngest son, an accomplished actor, recently said that he also wanted to study business so he could be a "financial actor" like his dad.

✉ rsmyth@riverfrontig.com

☎ 804-549-4802

COMMUNITY INVOLVEMENT

"I love the mission at RiverFront to support one local charity with a major gift each year, where associates can get involved in person. I am proud that, as a small firm, we are a major donor in the city of Richmond. When we started the firm, we promised ourselves that if we were successful, we would be generous; I believe we are fulfilling that promise."

2021 Legislation*



HJR 575 is the 2021 organizing resolution.

The last day to introduce bills or joint resolutions in the regular session was January 22, 2021.

VRS Fiscal Impact Statements were due by January 22, 2021.

“Crossover” was Saturday, February 6, 2021.

Committee budget work was to have been completed by Sunday, February 7, 2021- both budget bills were continued to Special Session. The committee budget amendment recommendations were made available on February 10th and both bills were heard in chamber February 12th. All committee-recommended amendments passed.

Sine die was intended to be Thursday, February 11, 2021. The Senate and House adjourned sine die Monday, February 8.

Special Session began Wednesday, February 10, 2021. The organizing resolution notes they will adjourn sine die no later than March 1, 2021.

2021 VRS-Related Bills

VRS-Requested Bills

Bill Number	Patron	Description
HB 2181	Mundon King	Makes technical amendments to provisions of the <i>Code of Virginia</i> relating to the Virginia Retirement System to change the required minimum distribution provisions to reflect recent changes in federal law, and conform terminology related to disability retirement. The bills have passed their respective chambers, crossed over, and were continued to Special Session. The House bill is on the SFAC agenda 2/16. SB 1251 passed the House on 2/12.
SB 1251	Newman	

2021 VRS-Related Bills

VaLORS Bills

Bill Number	Patron	Description
HB 2312	Herring	<p>Creates the Virginia Cannabis Control Authority under the Secretary of Public Safety and Homeland Security. Employees of the authority will be members of VRS. Special agents of the new authority will be members of VaLORS and eligible for LODA benefits. The CEO and Special Assistant are appointees who will have the option to join ORPPA. Many provisions have a delayed effective date.</p> <p>The bills have passed their respective chambers, crossed over, and were continued to Special Session. The House bill was reported from SFAC. The Senate bill was reported from House General Laws.</p> <p>HAC budget recommendation Item 3-2.03 #1h. SFAC budget recommendation Item 479 #1s.</p>
SB 1406	Ebbin/ Lucas/ Morrissey	

2021 VRS-Related Bills

Other Bills

Bill Number	Patron	Description
SB 1221	Favola	<p>Allows Loudoun County to enter into a contract with the Department of Health for the local administration of health services. Currently, the local department of health is operated as a joint venture between the state and local governments. The bill would move affected employees from state employment to employment with Loudoun County.</p> <p>The bill passed the Senate 1/29, crossed over, and was continued to Special Session in House committee. The bill was reported from House committee. SFAC budget recommendation Item #302 #4s.</p>

Investment Bills

Bill Number	Patron	Description
HB 2322	Herring	<p>Establishes the Opioid Abatement Authority. Requires VRS to manage and invest the Opioid Abatement Fund. VRS-requested amendments to limit frequency of contributions/distributions were accepted.</p> <p>The bills have passed their respective chambers, crossed over, and were continued to Special Session. The Senate bill was reported from House General Laws.</p>
SB 1469	Barker	

2021 VRS-Related Bills (failed)

Return to Work Bills

Bill Number	Patron	Description
HB 2195 SB 1137	Leftwich Cosgrove	<p>Provides that a retired law-enforcement officer employed by a local school division as a school security officer on January 1, 2020, who had a bona fide break in service of at least one month between retirement and employment as a school security officer, is not required to have the 12-month break in service that would otherwise be required by law to continue receiving his service retirement allowance while employed full time as a school security officer.</p> <p>Both bills failed to report from committees.</p>
HB 2264 SB 1409	Leftwich Cosgrove	<p>Allows a retired law-enforcement officer to continue to receive his service retirement allowance during a subsequent period of full-time employment by a law-enforcement agency as a civilian fingerprint examiner after a 12-month break in service following retirement.</p> <p>Both bills failed to report from committees.</p>

2021 VRS-Related Bills (failed)

VaLORS Bills

Bill Number	Patron	Description
HB 2097	O'Quinn	<p>Adds agents of the Department of Corrections Special Investigations Unit to the Virginia Law Officers' Retirement System (VaLORS). The bill provides that such employees will not be eligible to retire under VaLORS unless they have five years of creditable service as a member of VaLORS, the State Police Officers' Retirement System, or an equivalent local system.</p> <p>The bill failed to report from committee.</p>

LODA Bills

Bill Number	Patron	Description
SB 1367	DeSteph	<p>Requires that, for any medical review of a claim made pursuant to the provisions of the Line of Duty Act, the Virginia Retirement System shall require that such review be conducted by a doctor, nurse, or psychologist who is licensed in the Commonwealth or a contiguous state. The bill has a delayed effective date of July 1, 2022.</p> <p>The bill passed the Senate 1/29, crossed over, and was continued to Special Session in HAC. The bill failed to report from subcommittee.</p>

2021 Workers' Compensation Bills

EMS; hypertension and heart disease

Bill Number	Patron	Description
HB 1818 (HB 2080 incorporated)	Heretick (Convirs-Fowler)	<p>Makes salaried or volunteer emergency medical services personnel eligible for the hypertension or heart disease Workers' Compensation presumption.</p> <p>As amended covers salaried or volunteer emergency medical services personnel, as defined in §32.1-111.1, employed by any locality that has legally adopted a resolution declaring it will provide one or more presumptions under the subsection.</p> <p>The bill passed the House as amended, crossed over, and was continued to Special Session in Senate committee. HAC subcommittee indicated the bill will be conformed to SB 1275.</p>
SB 1275	Marsden	<p>Makes salaried or volunteer emergency medical services personnel eligible for the hypertension or heart disease Workers' Compensation presumption. Requires local approval. Amended to be prospective only.</p> <p>As amended- "salaried or volunteer emergency medical services personnel, as defined in § 32.1-111.1, when such emergency medical services personnel is operating in a locality that has legally adopted a resolution declaring that it will provide one or more of the presumptions under this subsection and meets any minimum hours worked requirements established in such resolution."</p> <p>The bill passed the Senate as amended, crossed over, and was continued to Special Session in House committee. House General Laws conformed the bill to HB 181; HAC rejected the amendment and reported the bill on 2/15. SFAC budget recommendation Item 477 #2s.</p>

2021 Workers' Compensation Bills

COVID-19

Bill Number	Patron	Description
HB 1985	Hurst	<p>Adds COVID-19 as a presumption for health care providers who as part of the provider's employment are directly involved in diagnosing or treating persons known or suspected to have COVID-19. Retroactive to 1/1/2020.</p> <p>The bill passed the House as amended, crossed over, and was continued to Special Session; it reported from S. Commerce & Labor with a substitute on 2/15 and referred to SFAC.</p>
HB 2207 SB 1342	Jones Vogel	<p>Adds COVID-19 as a presumption for firefighters, emergency medical services personnel, law-enforcement officers, and correctional officers. For death or disability after 3/12/2020 and through 12/31/21.</p> <p>The bill passed the House as amended, crossed over, and was continued to Special Session; it was reported from S. Commerce & Labor with a substitute on 2/15 and referred to SFAC. HAC budget recommendation Item 477 #3h The Senate bill was rolled into SB 1375.</p>
SB 1375	Saslaw	<p>Adds COVID-19 as a presumption for firefighters. As introduced the bill was retroactive to 3/1/2020. As amended, includes law-enforcement officers and correctional officers, requires testing, diagnosis, and symptoms, and is prospective only (on and after July 1, 2021).</p> <p>The bill passed the Senate as amended, crossed over, and was continued to Special Session; it reported from House committee. SFAC budget recommendation Item 477 #3s</p>

2021 Paid Leave Bills

Leave Bills

Bill Number	Patron	Description
HB 2137	Guzman	<p>Requires employers to provide certain employees paid sick leave. An employee is eligible for paid sick leave under the bill if the employee is an essential worker and works on average at least 20 hours per week or 90 hours per month. The bill provides for an employee to earn at least one hour of paid sick leave benefit for every 30 hours worked. In Title 40.1. Effective 7/1/2021.</p> <p>The bill passed the House as amended and was continued to Special Session in Senate committee.</p>

2021 Paid Leave Bills (failed)

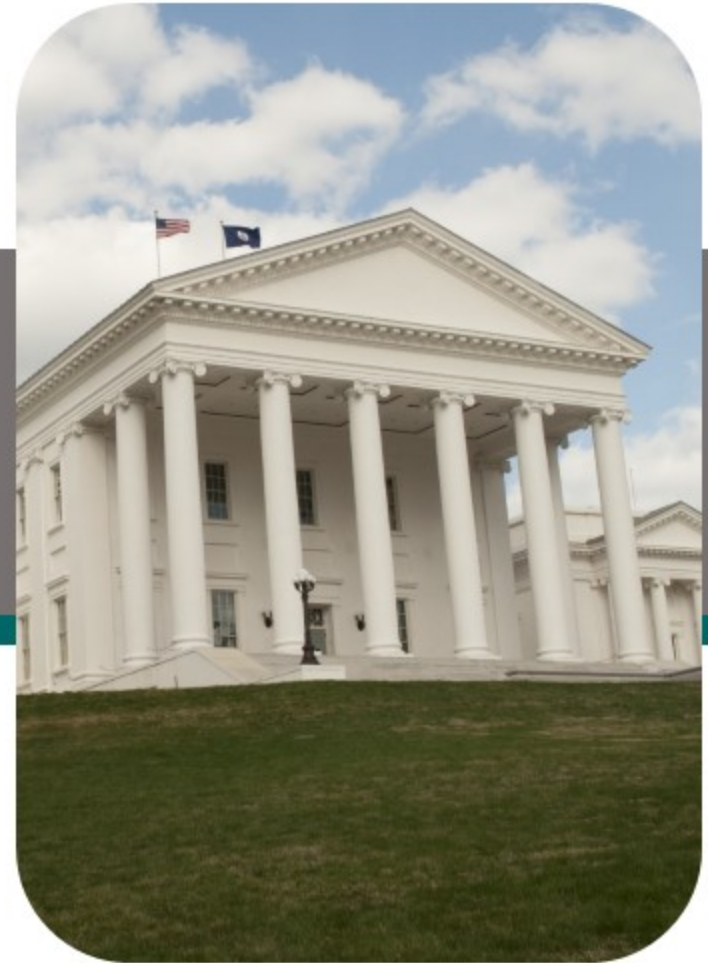
Leave Bills

Bill Number	Patron	Description
HB 2016	Ayala	Requires the Virginia Employment Commission to establish and administer for public and private employers a paid family and medical leave program with benefits beginning January 1, 2024. In Title 60.2. Effective 7/1/2022. The House bill was reported from Labor & Commerce. HAC- Commerce, Agriculture & Natural Resources recommended tabling. The Senate bill was passed by indefinitely in committee.
SB 1330	Boysko	
SB 1159	Favola	Requires employers with a sick leave program to allow an employee to use his sick leave for the care of an immediate family member. In Title 40.1. Effective 7/1/2021. The bill was reported as amended from Commerce & Labor and referred to SFAC. It was stricken in SFAC at the request of the patron.

Studies

Bill Number	Patron	Description
HJ 549	Guy	<p>Directs the Joint Legislative Audit and Review Commission to study the impact of COVID-19 on Virginia's public schools, students, and school employees, including, among other things, determining the impact of the COVID-19 pandemic on staffing levels, including the impact of teacher and school employee retirements and resignations on delivery of instruction and the ability of local school boards to fully staff their needs, employment levels, and local budgets.</p> <p>The House resolution passed 1/26, crossed over, and was continued to Special Session in Senate committee.</p> <p>The Senate resolution passed 1/27, crossed over, and was continued to Special Session in House committee.</p>
SJ 308	Lucas	

Budget



Item #	Description
145	Reduction of FY21 and FY22 VRS retirement appropriation for the Teacher Plan, to reflect a reduction in membership and fewer funded SOQ positions and lower retirement costs.
277	\$100,000,000 to VRS in FY 2021 to pay off the remaining deferred contributions for the Teacher Plan and to reduce the unfunded liability of the State HIC
477	Adjust funding for Line of Duty Act (LODA) premiums based on current enrollment

2021 Committee-approved Budget Amendments

Budget amendments related to staffing, benefits, and compensation

Item #	Description
1 #3h 1 #2s	Legislative Committee to Study Compensation at the DOC (HJR 522/ Senate language only)
4 #2h	Funding for Capitol Police Salary and Staffing Adjustments
111.10 #1h	Create Secretary of Labor cabinet position
131 #3h	Support Actuarial Study of Paid Family and Medical Leave
144 #4h	COVID Learning Loss and Remediation Recovery Grants (year round schooling & summer school- potential teacher contract impacts)
145 #10h	Compensation Adjustment 5%
145 #6s	DOE Direct Aid- 3% salary increase
351 #1h	Local DSS Salary Adjustments
477 #1h	Provide \$1,000 Bonus for Correctional Officers in FY 2022
477 #2h	Provide 3.5% Salary Increase for State and State-supported Local Employees
477 #1s	3% Salary Adjustment for State and State-supported Local Employees
479.20 #1s	Appropriations Contingent on Additional Revenue- language only Department of Accounts Transfer Payments to VRS- \$200,000,000 Payment to Increase Actuarial Funding Status

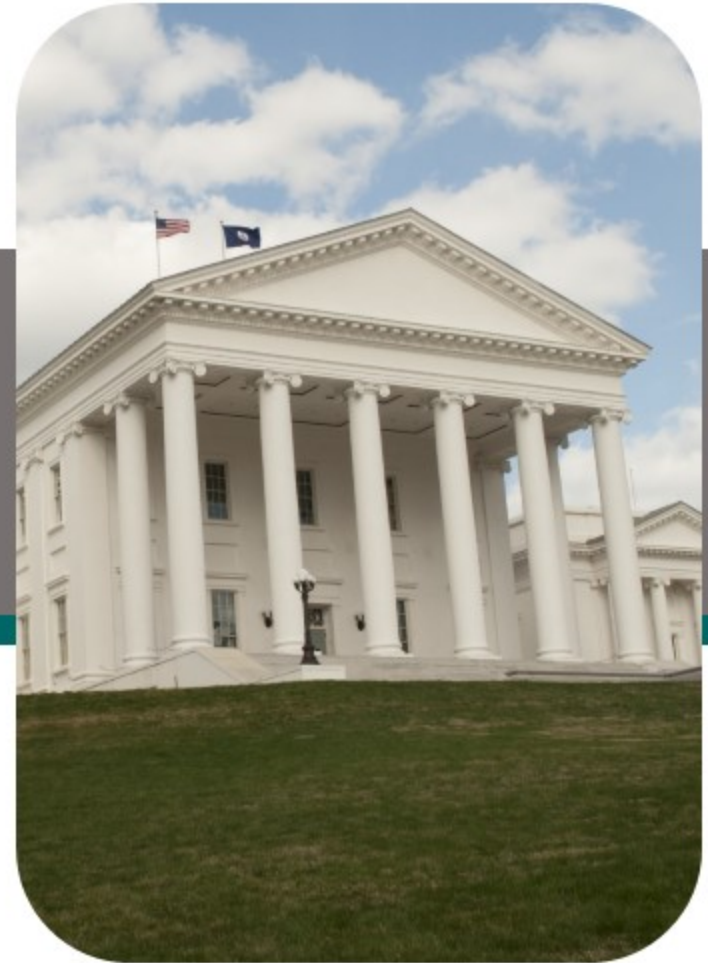
Budget amendments with related bills

Item #	Description
302 #4s	DOH- Remove Positions for Loudoun County Health District- language only (SB 1221)
477 #3h	Include COVID-19 Under Presumption Clause for First Responders Under WC (HB 2207)
477 #2s	Add EMS Employees to WC Hypertension Presumption (SB 1275)
477 #3s	WC COVID Presumption (SB 1375)

Budget amendments without related bills

Item #	Description
492 #1h	<p>Require Annual Report on LODA Eligibility Determinations- language only "H. The Virginia Retirement System shall report annually on or before January 1 to the Governor and the Virginia General Assembly the detailed aggregate of eligibility determinations for employees in accordance with § 9.1-400. This report shall tabulate claims data, types of injuries and associated costs with provided benefits. In accordance with § 9.1-408, the name of the employer or employee shall not appear in such publications and all documents to determine eligibility shall remain confidential."</p> <p>Explanation (This amendment requires the Virginia Retirement System to provide an annual report to the Governor and the General Assembly providing statistics and demographic details concerning Line of Duty eligibility determinations.)</p>
83 #1s	<p>Establish Return to Work Policies for State Government- language only DHRM and other agencies to develop return to work policies, examine agency performance and service delivery, and examine telework policies and how they inform future policy objectives. A report is due to the Governor and HAC/SFAC Chairs by September 1, 2021.</p>

Other Failed Legislation



2021 VRS-Related Bills

Workers' Compensation Bills- EMS

Bill Number	Patron	Description
HB 2080	Convirs-Fowler	<p>Makes salaried emergency medical services personnel eligible for the hypertension or heart disease Workers' Compensation presumption.</p> <p>"full-time, salaried emergency medical services personnel, as defined in § 32.1-111.1, employed by any locality that has authorized such presumption by ordinance"</p> <p>The bill was incorporated into HB 1818.</p>

Workers' Compensation Bills- Repetitive & Sustained Physical Stressors

Bill Number	Patron	Description
HB 2228	Guzman	<p>Adds repetitive and sustained physical stressors to the definition of occupational disease.</p> <p>The bill was reported as amended from Labor & Commerce and referred to HAC-Compensation & General Government. The subcommittee laid it on the table.</p>

2021 VRS-Related Bills

Leave Bills

Bill Number	Patron	Description
HB 2103	Reid	<p>Requires public and private employers with 35 or more full-time equivalent employees to provide eligible employees, defined in the bill, with earned paid sick time and paid sick time. The bill provides for an eligible employee to earn up to 40 hours of earned paid sick time. In Title 40.1. Effective 1/1/2023.</p> <p>The bill was reported from Labor & Commerce and referred to HAC-Compensation & General Government. The subcommittee laid it on the table.</p>

2021 VRS-Related Bills

Studies

Bill Number	Patron	Description
HJ 543	Helmer	Requests the Department of Social Services to study ways to increase participation in national service. In conducting its study, the Department of Social Services shall consider, among other things, offering retirement service credits for individuals who have completed a year of service in a national service program.

Coverage Elected	Details
Enhanced Hazardous Duty Benefits for Firefighters and Emergency Medical Technicians	<ul style="list-style-type: none"> - Page County Effective December 1, 2020 - Clarke County Effective January 1, 2021
New VRS Employer with Group Life Insurance, Tax-deferred Purchase of Prior Service, and Commonwealth of Virginia 457 Deferred Compensation Plan	<ul style="list-style-type: none"> - Blue Ridge Resource Authority (Rockbridge County) Effective January 1, 2021



VRS Roadmap FISCAL YEAR 2021 January 2021 Status Report

Status Indicator

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

Agency Performance Objectives (APOs)	Status	2020						2021							
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun		
Implement New myVRS Functionality - Online Retirement Processing	●														
Implement New myVRS Functionality - Payment, Health Insurance Maintenance	●														
ERM Implementation	●														
Cardinal HCM Implementation - The Plan (Track 1), Agency (Track 2) and Retiree (Track 3)	●														
IT Initiatives ¹	Status	2020						2021							
Upgrade Angular JS Framework to Angular (in VNAV Application)	▲														
IT Security - Fraud Prevention Initiatives	●														
Office 365	●														
Cloud Transition	●														
Secure Print	★														
Rollout Access Management System to All Operating Units	★														
Other Projects ²	Status	2020						2021							
Employee Engagement Initiative	N/S														
Performance Management Evaluation Process	N/S														
VSDP and VLDP Long Term Care Plans RFP	●														
Analysis and Planning for Financial System Upgrade	●														
VRS Strategic Plan Development (2022-2026)	●														
Review and Update Agency Policies	●														
Records Retention Program Transformation Initiative Strategy Development	●														
Actuarial Experience Study	●														
Post Pandemic Return to the Office	●														
Operational/Ongoing Activities	Status	2020						2021							
COLA 2020	★														
FYE 2020	★														
Retirement Wave 2020	★														
Teacher Contracts	★														
MBPs	★														
Annual Code of Ethics Training	★														
VRS User IT Security Policy Training	★														
FOIA Training	N/S														
CAFR	★														
PAFR	★														
GASB 67	★														
GASB 68	●														
GASB 74	★														
GASB 75	●														
Actuarial Valuations	★														
MyVRS Annual Updates	★														
1099/W2	●														

Operational/Ongoing Activities	Status	2020						2021						
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
Annual Roadmap Review	N/S													
FYE 2021	N/S													
Retirement Wave 2021	N/S													
Commonwealth Bond Disclosure	●													
ORPHE Surcharge Billing for FY 2022	●													
Data Fixes	●													
Releases (including top BOLT items)	●													
Retirement and State Workforce Commission	●													
Employer Compliance Review	N/S													
Biennium Budget Preparation	N/S													
VRS Fund Sensitivity and Stress Testing Report for GA	N/S													
Legislation FY 2021 - Placeholder	N/S													

¹Initiatives led directly by Technology Services.

²Other initiatives are led by other business units and supported by Technology Services.

Yellow Status Items

Item	Due Date	Comments
Upgrade Angular JS Framework to Angular (in VNAV Application)	June 2021	The Angular JS Framework upgrade is progressing, but intermediate deliverables have been impacted as key resources are currently allocated to the myVRS enhancements. The project team is working on the resource allocation for Angular JS Framework in conjunction with other priorities to minimize impacts to the project schedule. An update to the project schedule will be made in the next few weeks.

Red Status Items

Item	Due Date	Comments
N/A		

Realignments/Adjustments

Item	Due Date	Comments
N/A		