



Administration and Personnel Committee (A&P) Meeting
VRS, 1111 E. Main St., 3rd Floor Board Room
Wednesday, 9/14/2022
1:00 - 3:00 PM ET

I. Approve Minutes

- **June 14, 2022**

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II. RBA – Review Attainment of FY2022 Agency Performance Outcomes (APOs) and Operational Measures

RBA - Attainment of FY2022 APOs and Operational Measures (Corresponding Bonus) - Page 6

FY22 Operational Measures Report - Page 8

FY22 APO Status Report - Page 26

FY22 APO and OM Memo - Page 31

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

RBA - Performance Bonuses (Eligible Administrative and Investment Operations and Administration Employees) - Page 32

IV. Budget Update

FY22 YE Budget Report - Page 33

FY23 YTD Budget Report - Page 35

V. Informational Item

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

RBA - Audit Director Performance Review - Page 37

VI. Other Business

- **Proposed Committee Name Change**

VII. RBA – FY2022 Incentive Pay for Investment Professionals (Closed session)

- **RBA – FY 2022 Incentive Pay for Investment Professionals**

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

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

Minutes

An electronic meeting of the Virginia Retirement System Administration and Personnel Committee was held on June 14, 2022, with the following members participating:

A. Scott Andrews, Chair
Joseph W. Montgomery, Vice Chair
W. Brett Hayes
Troilen G. Seward, Ed.S.

Board members present:

John M. Bennett
Hon. J. Brandon Bell, II (attended remotely under § 2.2-3708.2(A)(1)(b))

VRS Staff:

Patricia Bishop, Ron Schmitz, Michael Cooper, David Cotter, Harriet Covey, Juanita Cribbs, Valerie Disanto, Barry Faison, Jon Farmer, Robert Irving, LaShaunda King, Curt Mattson, Angela Payne, Matt Priestas, Steven Ramirez, Paula Reid, Mark Rein, Virginia Sowers and Cindy Wilkinson.

Guests:

Kimberly Sarte, Joint Legislative Audit and Review Commission.

The meeting convened at 1:06 p.m.

Opening Remarks

Mr. Andrews called the meeting to order and welcomed everyone to the June 14, 2022, meeting of the Administration and Personnel Committee. After noting that the meeting was being held in accordance with § 2.2-3708.2(A)(1)(b) of the *Code of Virginia* and the VRS Remote Meeting Attendance Policy, Mr. Andrews took a roll call for attendance:

Senator Bell: Present
Mr. Bennett: Present
Mr. Hayes: Present
Mr. Montgomery: Present
Ms. Seward: Present
Mr. Andrews: Present

Approval of Minutes

Following Mr. Montgomery's motion, with a second by Mr. Bennett, the Committee approved the minutes of its April 6, 2022, meeting with the following roll call vote:

Senator Bell: Aye
Mr. Bennett: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. Andrews: Aye

Discussion and Consideration of Revised FY 2022 Agency Performance Outcome (APO) #1

Michael Cooper, Chief Operating Officer, advised the Committee of changes to the current Agency Performance Outcome (APO) #1. Mr. Cooper explained that while the original APO indicated a full migration to the public cloud, the team has determined that a hyper converged infrastructure (HCI) data center is the most appropriate path forward for the agency's information technology infrastructure. Therefore, the APO language was updated to reflect the ongoing work related to the HCI data center migration, which requires approval by the Committee and the Board.

RBA: Approve Revised Agency Performance Outcome (APO) #1.

Request for Board Action: *The VRS Board of Trustees approves revisions to Agency Performance Outcome #1 for FY 2022.*

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

Senator Bell: Aye
Mr. Bennett: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. Andrews: Aye

Discussion and Consideration of FY 2023 Agency Performance Outcomes (APOs) and Operational Measures

Next, Mr. Cooper reviewed the proposed Agency Performance Outcomes (APOs) and Operational Measures for FY 2023. Mr. Cooper noted that the APOs are considered stretch goals for the organization, requiring input across all business units, and the Operational Measures reflect the agency's day-to-day business operations.

Staff is proposing six APOs, each with multiple components, and sixteen Operational Measures for FY 2023. To satisfy the requirements for the gainsharing bonus, staff must accomplish five of the six APOs and 13 of the 16 Operational Measures. In addition, Mr. Cooper noted that consistent with the strategic plan and APO #5 (Customer Experience Review), the agency will be reviewing and potentially updating its Operational Measures and has included this work in the FY 2023 Agency Roadmap.

RBA: Approve FY 2023 APOs and Operational Measures.

Request for Board Action: *The VRS Board of Trustees approves the FY 2023 Agency Performance Outcomes (APOs) and Agency Operational Measures.*

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

Senator Bell: Aye
Mr. Bennett: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye

Ms. Seward: Aye
Mr. Andrews: Aye

Mr. Andrews thanked Mr. Cooper for his presentation.

Approve Revised Investment Professionals' Pay Plan

Paula Reid, Human Resources Director, updated the Committee on proposed changes to the Investment Professionals' Pay Plan. Ms. Reid noted the changes include:

- Adding the position of Chief Managing Director to ensure the smooth transition of the new Chief Investment Officer.
- Reflecting the current assumed rate of return.
- Providing clarifying language within several sections of the pay plan.

In addition, the updates include a 5% increase to the minimum and maximum of each of the salary bands, consistent with Item 483 of the 2023 Appropriation Act, effective July 10, 2022. This change is contingent upon the Appropriation Act's passage.

RBA: Approve Changes to the Investment Professionals' Pay Plan.

Request for Board Action: *The Virginia Retirement System Board of Trustees approves an amended Investment Professionals' Pay Plan ("Pay Plan"), effective July 10, 2022.*

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

Senator Bell: Aye
Mr. Bennett: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. Andrews: Aye

Approve Revised Administrative and Investment Operations and Administration Pay Plans

Next, Ms. Reid updated the Committee on proposed changes to the Administrative and Investment Operations and Administration Pay Plans. Item 483 of the 2023 Appropriation Act, contingent upon its passage, will require the Department of Human Resource Management to increase by 5% the minimum and maximum of each of the salary bands in the Commonwealth's Classified Compensation Plan. Generally, the VRS Board of Trustees also adjusts the salary scales in its pay plans in accordance with the requirements of the Appropriation Act. An increase of 5% to the minimum and maximum of each grade of the salary scales in the Administrative Pay Plan and the Investment Operations and Administration Pay Plan, effective July 10, 2022, is consistent with the changes to be made to the Commonwealth's Classified Compensation Plan.

RBA: Approve Amended Administrative Pay Plan, and Investment Operations and Administration Staff Pay Plan

Request for Board Action: *The VRS Board of Trustees approves an amended Administrative Pay Plan and Investment Operations and Administration Staff Pay Plan, effective July 10, 2022.*

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

Senator Bell: Aye
Mr. Bennett: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. Andrews: Aye

Mr. Andrews thanked Ms. Reid for her presentation.

Quarterly Budget Update

Next, Jon Farmer, Budget and Performance Reporting Manager, presented an update on the agency's budget. Mr. Farmer reviewed the agency's expenditures through April 30, 2022 and outlined anticipated spending through the remainder of the fiscal year. He also explained that the reduction in the anticipated surplus from February is due to the agency's absorption of the 5% salary increases authorized in the FY 2022 Appropriation Act. Mr. Farmer indicated that VRS is still on track to finish the year with a surplus of approximately \$5.46 million.

Mr. Andrews thanked Mr. Farmer for his report.

Other Business

Mr. Andrews noted that the Audit and Compliance Committee will meet at 2:00 p.m. on June 16 and the Board of Trustees will meet at 1:00 p.m. on June 23.

Adjournment

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

Senator Bell: Aye
Mr. Bennett: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. Andrews: Aye

There being no further business, the meeting concluded at 1:34 p.m.

Chair

Date



Attainment of FY 2022 APOs and Operational Measures (and corresponding lump-sum bonus).

Requested Action

The VRS Board of Trustees approves the attainment of FY 2022 APOs and Operational Measures and a lump-sum bonus equal to 2.5% of salary for eligible administrative employees and eligible Investment Department operations and administration employees.

Description/Background

VRS' Agency Performance Outcomes (APOs): The Board approves APOs for each fiscal year. Successful attainment of the APOs is one half of the gainsharing portion of the performance management program, and it is to be paid as a lump-sum bonus equal to 2.5% of salary for FY 2022, as set forth in the Administrative Pay Plan. The expectation is that all employees will work collaboratively and contribute to attaining the annual APOs. The goal is to complete three (3) of the four (4) APOs for FY2022.

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

The agency achieved fifteen (15) of the sixteen (16) operational measures for FY 2022. Additionally, VRS successfully completed all four (4) of the FY 2022 APOs.

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

Cost: The approximate total cost for the 2.5% bonus payments to eligible employees is \$599,364.77, to be paid from the FY 2023 budget.

Rationale for Requested Action

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

Authority for Requested Action

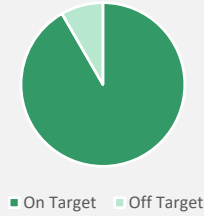
Code of Virginia § 51.1-124.22(A)(11) authorizes the Board to establish and administer a compensation plan for officers and employees of the Retirement System.

The above action is approved.

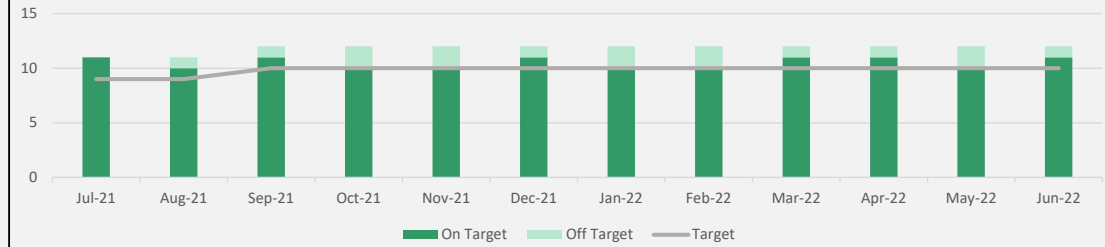
A. Scott Andrews, Chair
VRS Board of Trustees

Date

Current Status - All Operational Measures



YTD Status - All Operational Measures



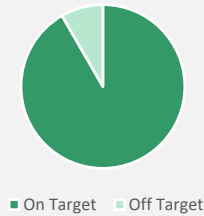
OM #	Operational Measure (OM)	Description	Strategic Goal	Target (Goal)	Current Status	YTD Status	Reporting Frequency	Comments
1	Timeliness of Monthly Financial Account Reconciliations	Percentage of monthly financial control reconciliations completed by last business day of the following month	Strong Financial Viability	> 95.00%	100.00%	100.00%	Monthly	
2	Average Abandoned Call Rate	Percentage of calls to the Customer Counseling Center (CCC) that result in hang-ups while in the queue	Continuous Improvement of Effective and Efficient Operations	< 7.00%	7.05%	7.46%	Monthly	
3	Timeliness of Response to Messages Received by the Customer Counseling Center (CCC)	Average response time to emails received by the CCC	Continuous Improvement of Effective and Efficient Operations	.75 business days	0.36	0.40	Monthly	
4	Timeliness of Monthly Retirement Disbursements	Percentage of monthly retirement disbursements processed no later than the first business day of the month	Continuous Improvement of Effective and Efficient Operations	100.00%	100.00%	100.00%	Monthly	
5	Timeliness of Service Retirements Processed	Percentage of service retirements processed so that retiring members are set up to receive retirement benefits on the first retirement payment date for which they are eligible	Continuous Improvement of Effective and Efficient Operations	95.00%	100.00%	99.73%	Monthly	
6	Accuracy of Service Retirements Processed	Percentage of service retirements processed for which the corresponding benefit payment correctly reflects the member's service record	Continuous Improvement of Effective and Efficient Operations	99.00%	100.00%	99.97%	Monthly	
7	Timeliness of Disability Retirements Processed	Percentage of disability retirements processed within 30 days of VRS receiving notification of approval by the Medical Review Board	Continuous Improvement of Effective and Efficient Operations	98.00%	100.00%	98.40%	Monthly	
8	Accuracy of Disability Retirements Processed	Percentage of disability retirements processed for which the corresponding benefit paid correctly reflects the member's service record	Continuous Improvement of Effective and Efficient Operations	99.00%	100.00%	99.74%	Monthly	
9	Timeliness of Workflow Documentation Imaging	Percentage of workflow documents imaged within one business day of receipt	Continuous Improvement of Effective and Efficient Operations	99.50%	100.00%	100.00%	Monthly	
10	Planned IT System Availability	Percentage of time critical systems are available during periods of planned availability	Superior Technological Tools that Enable Efficient Delivery of Service	99.50%	100.00%	99.95%	Monthly	
11	Timeliness of Employer Contribution Confirmations	Percentage of Employer Contribution Confirmation (CC) snapshots completed in VNAV by the end of the month in which they are due	Superior Technological Tools that Enable Efficient Delivery of Service	97.00%	100.00%	99.94%	Monthly	
12	Implementation of Corrective Action to Audit Recommendations	Percentage of audit recommendations for which VRS management represents that corrective action has been implemented by the approved target date	Continuous Improvement of Effective and Efficient Operations	> 95.00%	100.00%	100.00%	Quarterly	

Overall Measure: 13 of 16 meet or exceed target

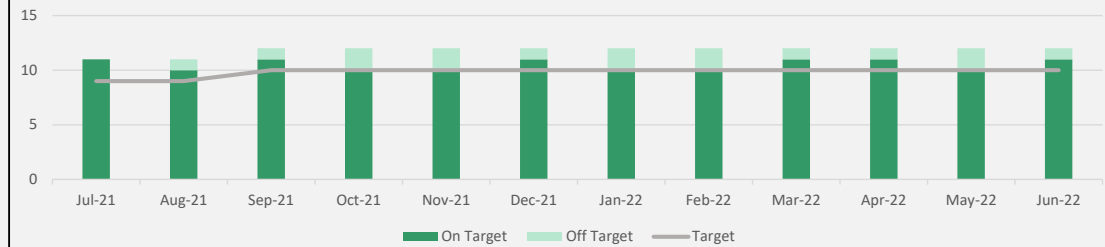
Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

June-22

Current Status - All Operational Measures



YTD Status - All Operational Measures



OM #	Operational Measure (OM)	Description	Strategic Goal	Target (Goal)	Current Status	YTD Status	Reporting Frequency	Comments
13	Preventable Employee Turnover	Percentage of employees voluntarily separating VRS employment due to preventable experiences	Exceptional Organizational Culture and Work Environment	< 10.00%	6.67%	6.67%	Annual	
14	Cost to Administer Defined Benefit Plans	Annual pension administration cost for defined benefit plans, as compared to peer group median reported by CEM Benchmarking, Inc.	Strong Financial Viability	FY 2021 CEM Peer Cost Average	\$ 81.00	\$ 81.00	Annual	Will not know FY 2021 CEM peer cost until spring 2022
15	Systems Security Awareness	Percentage of eligible staff who have completed security training in compliance with the agency's and Commonwealth's security policies	Continuous Improvement of Effective and Efficient Operations	100.00%	100.00%	100.00%	Annual	Measure reported on an annual basis
16	Employee Professional Development	Percentage of full-time VRS administration employees receiving at least 8 hours of professional development	Highly Skilled and Trained Staff	85.00%	99.00%	99.00%	Annual	Measure reported on an annual basis

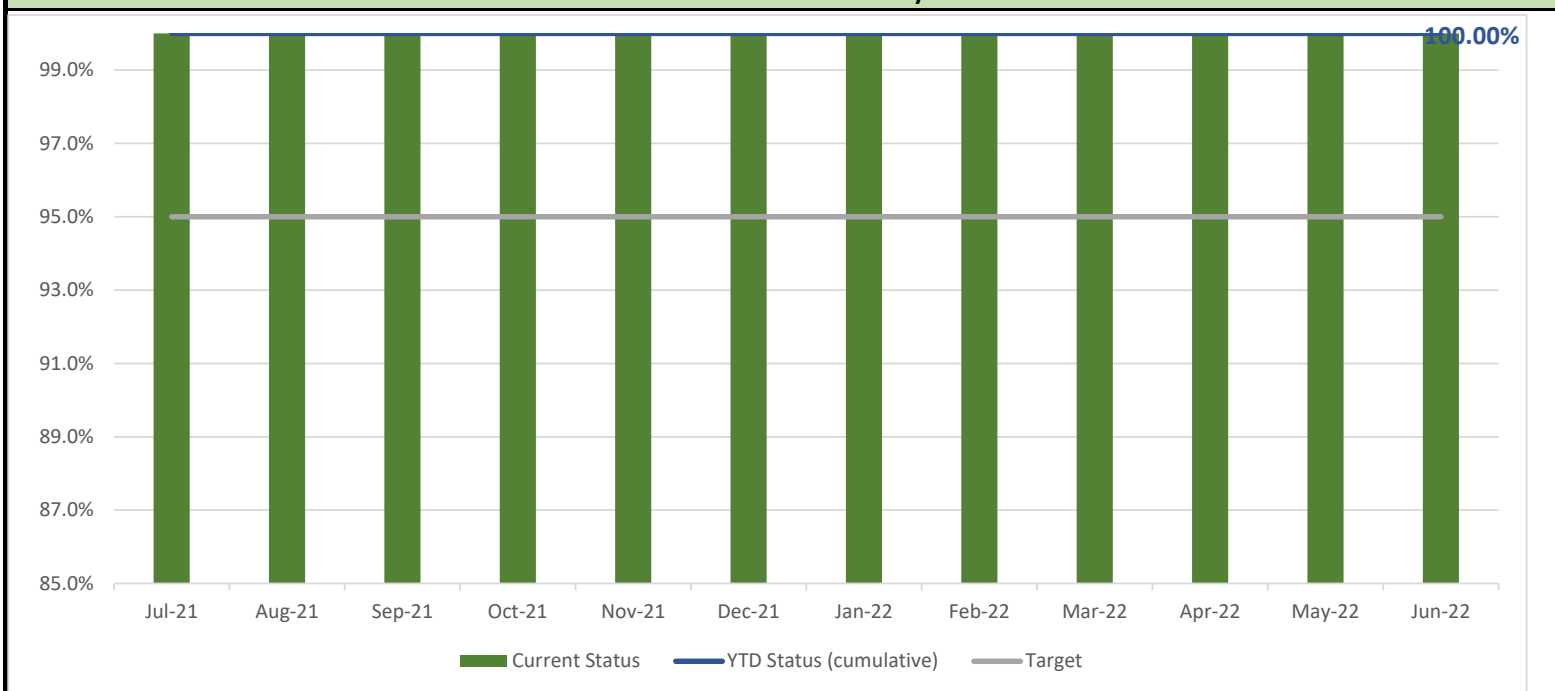
Overall Measure: 13 of 16 meet or exceed target

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

Reporting Period: June-22

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

YTD Performance History



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

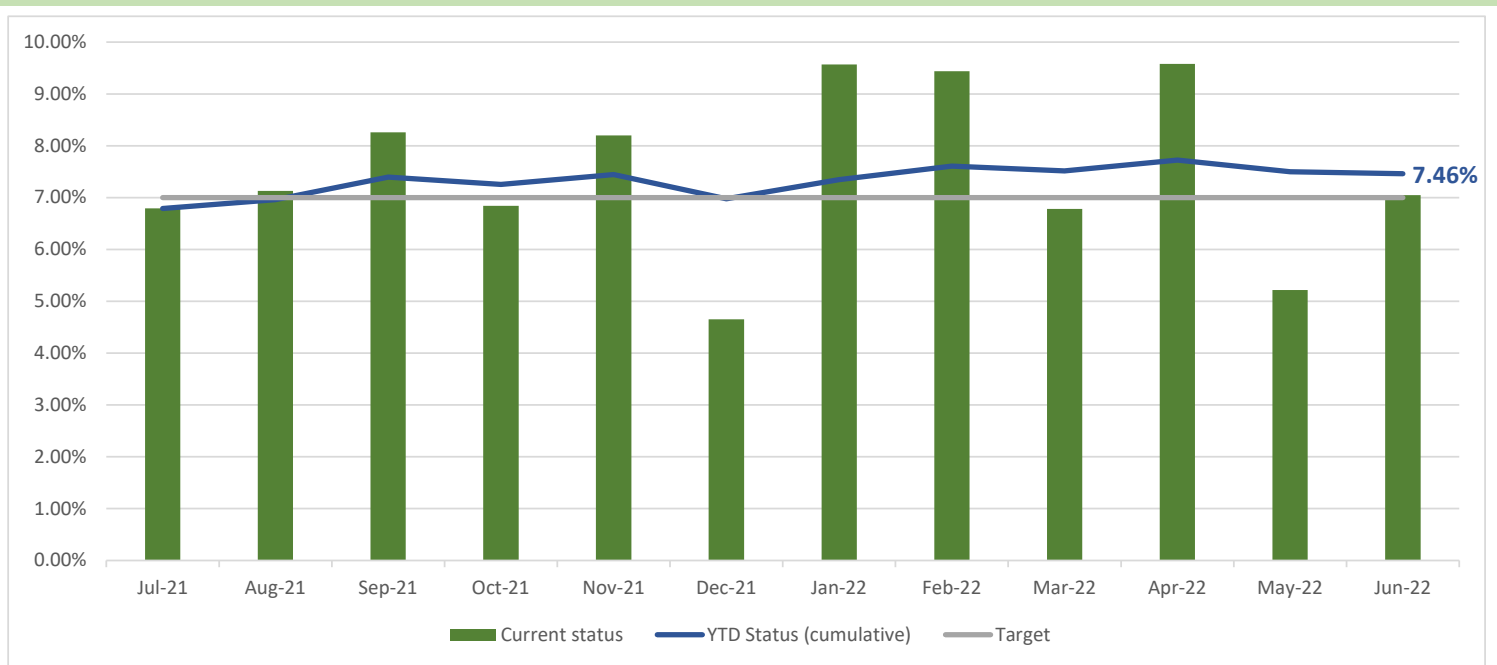
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Overall Measure: 13 of 16 meet or exceed target

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

Operational Measure	Average Abandoned Call Rate		
Strategic Goal	Continuous Improvement of Effective and Efficient Operations		
Description	Percentage of calls to the Customer Counseling Center (CCC) that result in hang-ups while in the queue		
Calculation Methodology	The number of abandoned calls (defined as a caller hanging up prior to reaching a knowledgeable person), divided by the total number of calls received by the CCC support teams. Average rate is calculated on a cumulative basis.		
Data Source	Customer Counseling Center Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	< 7.00%	Baseline (Performance History)	6.20%
<i>Target Rationale: To account for anticipated high call volume due to system changes and the transition to a return to the office</i>	<i>Baseline Rationale: 5 year average = 6.2%</i>		
Current Reporting Month Status	7.05%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	7.46%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Regulatory or legislative changes that impact customer benefits and result in increased call volumes (i.e. federal tax code change)	Prepare and implement a staffing augmentation plan for times when additional resources are needed on short notice to react to call influxes due to external causes	
2	Ongoing pandemic and the transition to a return to the office impacts processes and agency resources, including system unavailability, which may cause an increase in call volume	Prepare a staffing augmentation plan for times when additional resources are needed on short notice to react to call influxes	
3	Need for increased security requirements for accessing members' records in accordance with industry best practices which cause longer call times	Identify opportunities to expedite the requisite validation process while still ensuring compliance with VRS security protocols to protect member data	

YTD Performance History

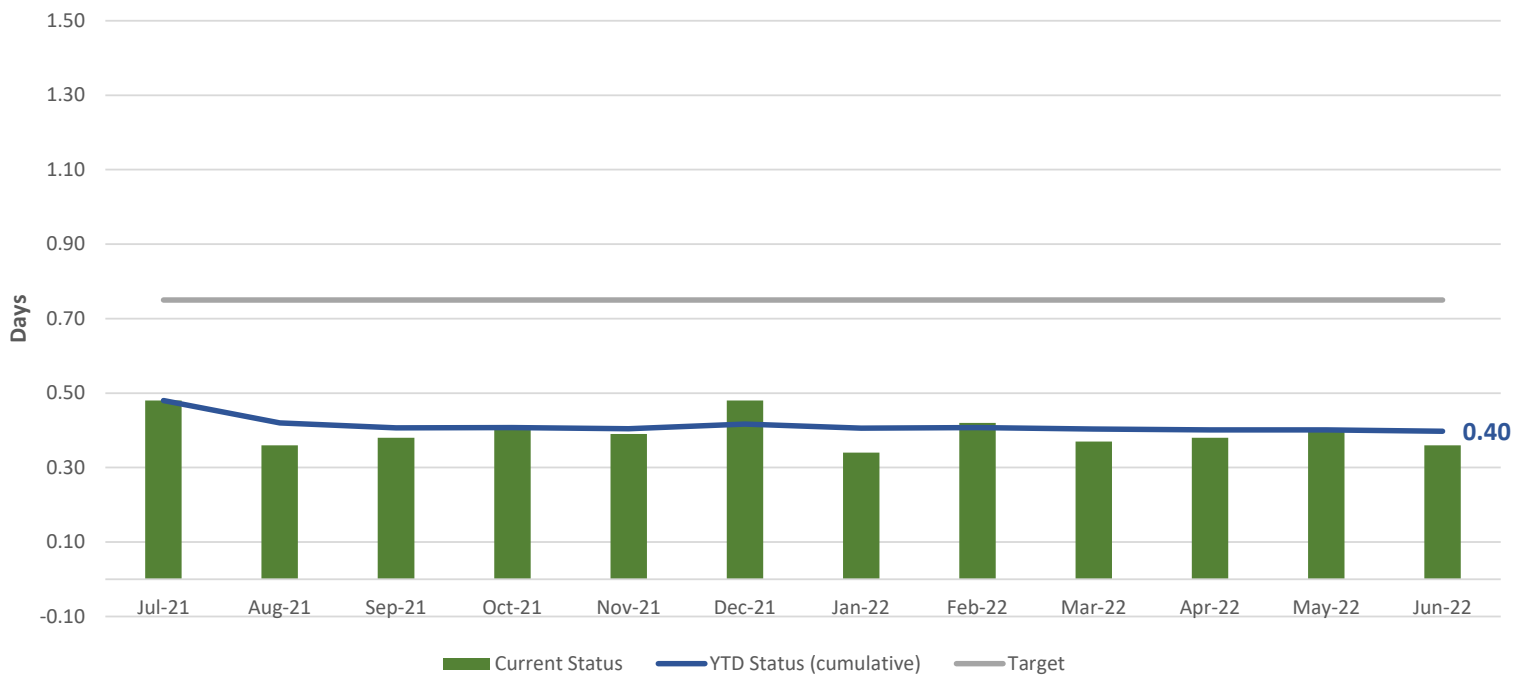


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Operational Measure	Timeliness of Response to Messages Received by the Customer Counseling Center (CCC)		
Strategic Goal	Continuous Improvement of Effective and Efficient Operations		
Description	Average response time to emails received by the CCC		
Calculation Methodology	The number of messages responded to within two business days, divided by the total number of messages responded to by the CCC. Note: In FY 2022, the CCC may transition its electronic communications from the current traditional email platform to secure messaging conducted through myVRS.		
Data Source	Customer Counseling Center Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	.75 business days	Baseline (Performance History)	1.30 business days
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 1.3 days</i>	
Current Reporting Month Status	0.36	YTD Status (Cumulative; used at year-end to determine whether target has been met)	0.40
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Transition may occur in FY 2022 from traditional emails to secure messaging through the MyVRS portal	Proactively train CCC staff on the process changes that will occur when secure messaging is implemented	
2	Ongoing pandemic and transition to a return to the office impacts processes and agency resources, including email/secure messaging capabilities	Prepare a staff augmentation plan for times when additional resources are needed to address email backlogs resulting from system outages	
3	Historically high rate of turnover of CCC staff	Continue recruitment and retention measures to attract and retain CCC staff	

YTD Performance History



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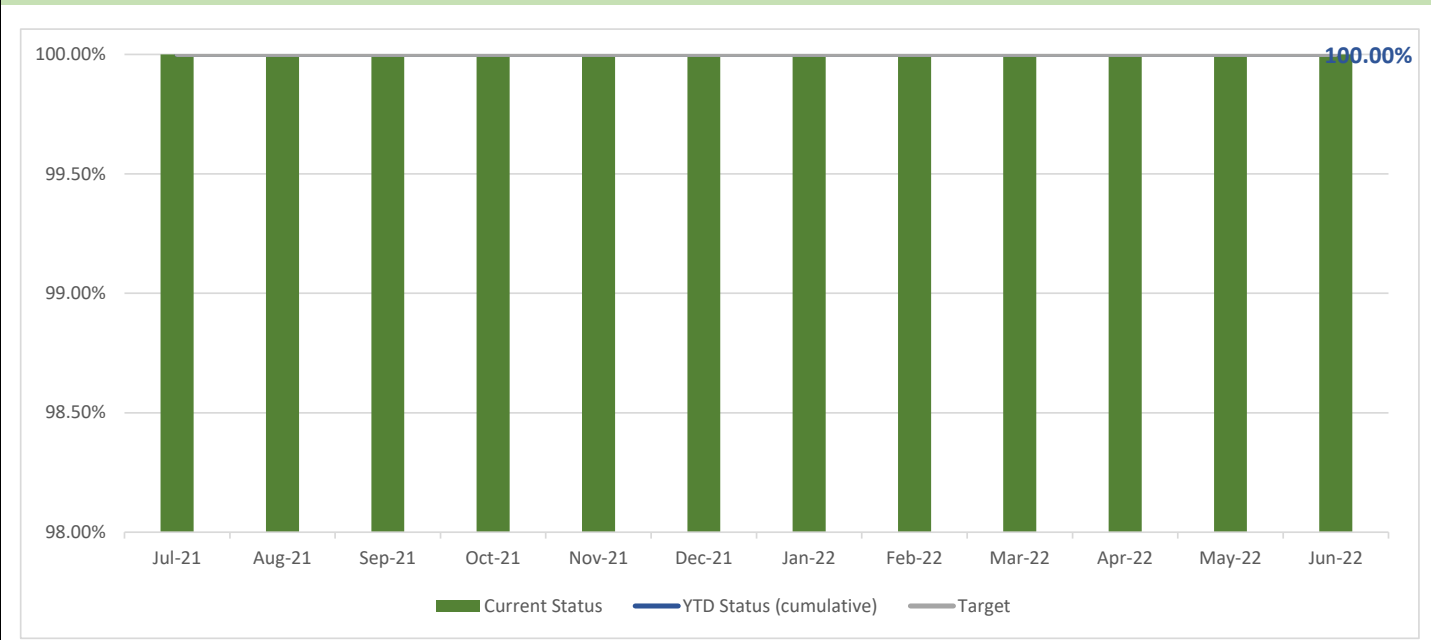
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Overall Measure: 13 of 16 meet or exceed target

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

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

YTD Performance History



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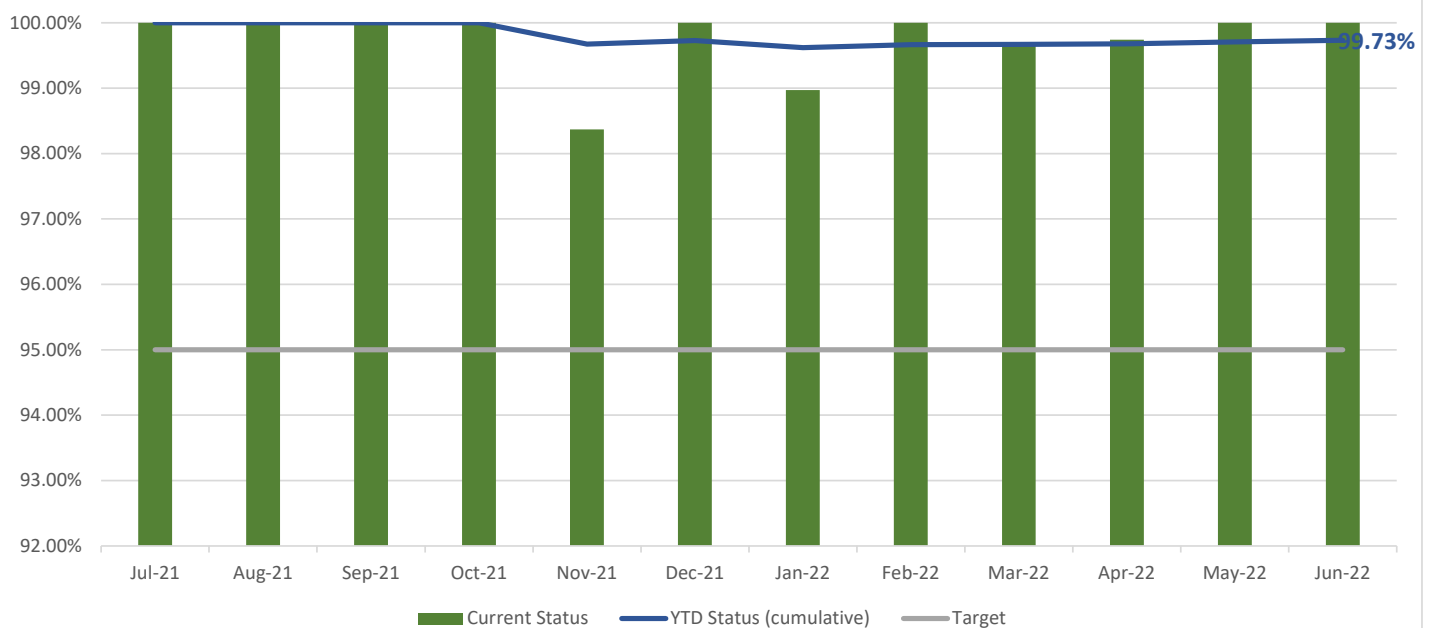
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Overall Measure: 13 of 16 meet or exceed target

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

Operational Measure	Timeliness of Service Retirements Processed		
Strategic Goal	Continuous Improvement of Effective and Efficient Operations		
Description	Percentage of service retirements processed so that retiring members are set up to receive retirement benefits on the first retirement payment date for which they are eligible		
Calculation Methodology	The number of service retirement payments processed by the first payment date on which the member is eligible to receive retirement benefits, divided by the total number of initial payments made for the same time period. The "first payment date on which the member is eligible to receive retirement benefits" is based on the date by which VRS receives a member's retirement application that is determined by VRS to be complete, accurate, and ready for payment processing. "Processed" is defined as funds having been paid to retirees; "disbursed" is defined as the funds having been paid out of the VRS account.		
Data Source	Service Retirement Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	95.00%	Baseline (Performance History)	97.90%
<i>Target Rationale: Accounts for system conversion and ongoing pandemic</i>		<i>Baseline Rationale: 5 year average = 97.90%</i>	
Current Reporting Month Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	99.73%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Ongoing implementation of myVRS enhancements, which will significantly change current processes	Provide ample opportunity for advanced training; augment staffing as needed to ensure adequate resources during transition	
2	Ongoing pandemic and transition to a return to the office impacts processes and agency resources, including technology outages that limit ability to process retirements	Enact business continuity plan for technology outages	
3	Sensitivity of data that requires strong controls and several levels of approvals; risk of staff absences or unavailability	Cross-train existing staff and ensure redundancy-of staff authorized to approve retirements	

YTD Performance History



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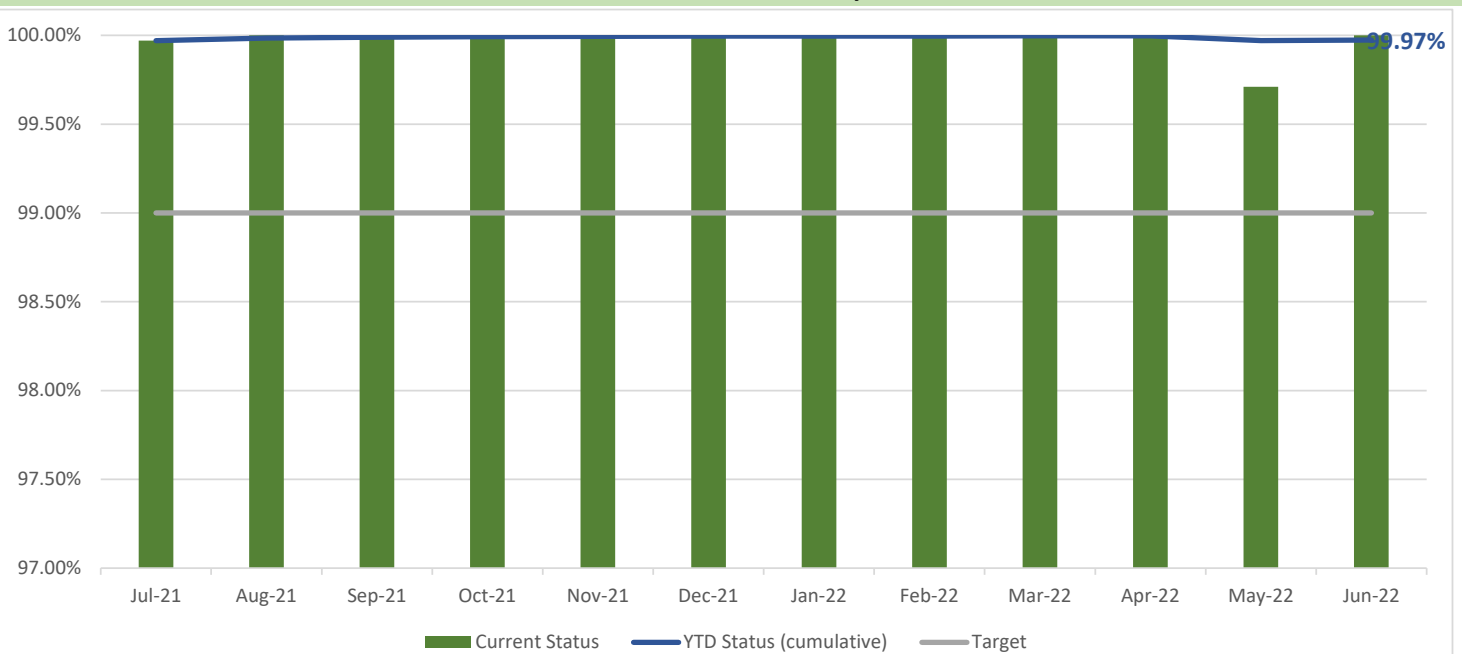
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Overall Measure: 13 of 16 meet or exceed target

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

Operational Measure	Accuracy of Service Retirements Processed		
Strategic Goal	Continuous Improvement of Effective and Efficient Operations		
Description	Percentage of service retirements processed for which the corresponding benefit payment correctly reflects the member's service record		
Calculation Methodology	The number of service retirement applications processed and corresponding benefit paid accurately, divided by the total number of initial service retirement benefits processed and paid. An accurate benefit payment is defined as the benefit amount correctly reflecting the member's service record. "Processed" is defined as funds having been paid to retirees; "paid" is defined as the funds having been paid out of the VRS account.		
Data Source	Service Retirement Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	99.00%	Baseline (Performance History)	99.00%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 99%</i>	
Current Reporting Month Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	99.97%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Ongoing implementation of myVRS enhancements, which will significantly change current processes	Provide ample opportunity for advanced training; augment staffing as needed to ensure adequate resources during transition	
2	Ongoing pandemic and transition to a return to the office impacts processes and agency resources, including technology outages that limit ability to process retirements	Enact business continuity plan for technology outages	
3	Sensitivity of data that requires strong controls and several levels of approvals; risk of staff absences or unavailability	Cross-train existing staff and ensure redundancy of staff authorized to approve retirements	

YTD Performance History



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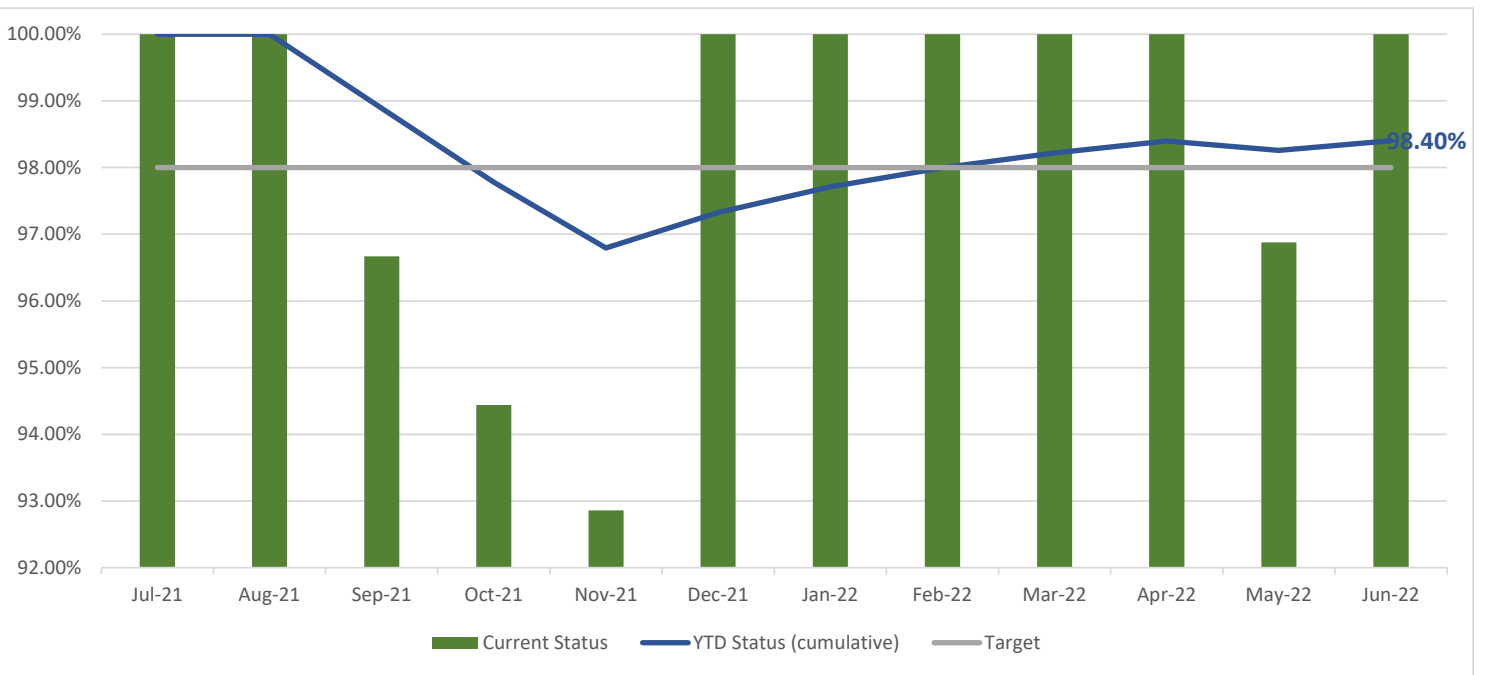
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Overall Measure: 13 of 16 meet or exceed target

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

Operational Measure	Timeliness of Disability Retirements Processed		
Strategic Goal	Continuous Improvement of Effective and Efficient Operations		
Description	Percentage of disability retirements processed within 30 days of VRS receiving notification of approval by the Medical Review Board		
Calculation Methodology	The number of disability retirements processed within 30 days after VRS receives notice of approval of the application by the Medical Review Board. "Processed" is defined as funds having been paid to retirees; "paid" is defined as the funds having been paid out of the VRS account.		
Data Source	Disability Retirement Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	98.00%	Baseline (Performance History)	98.80%
Target Rationale: To account for potential processing delays due to system conversion in FY 2021 and ongoing pandemic impacts		Baseline Rationale: 5 year average = 98.80%	
Current Reporting Month Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	98.40%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Ongoing implementation of myVRS enhancements, which will significantly change current processes	Provide ample opportunity for advanced training; augment staffing as needed to ensure adequate resources during transition	
2	Ongoing pandemic and transition to a return to the office impacts processes and agency resources, including technology outages that limit ability to process retirements	Enact business continuity plan for technology outages	
3	Sensitivity of data that requires strong controls and several levels of approvals; risk of staff absences or unavailability	Cross-train existing staff and ensure redundancy of staff authorized to approve retirements	

YTD Performance History



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

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

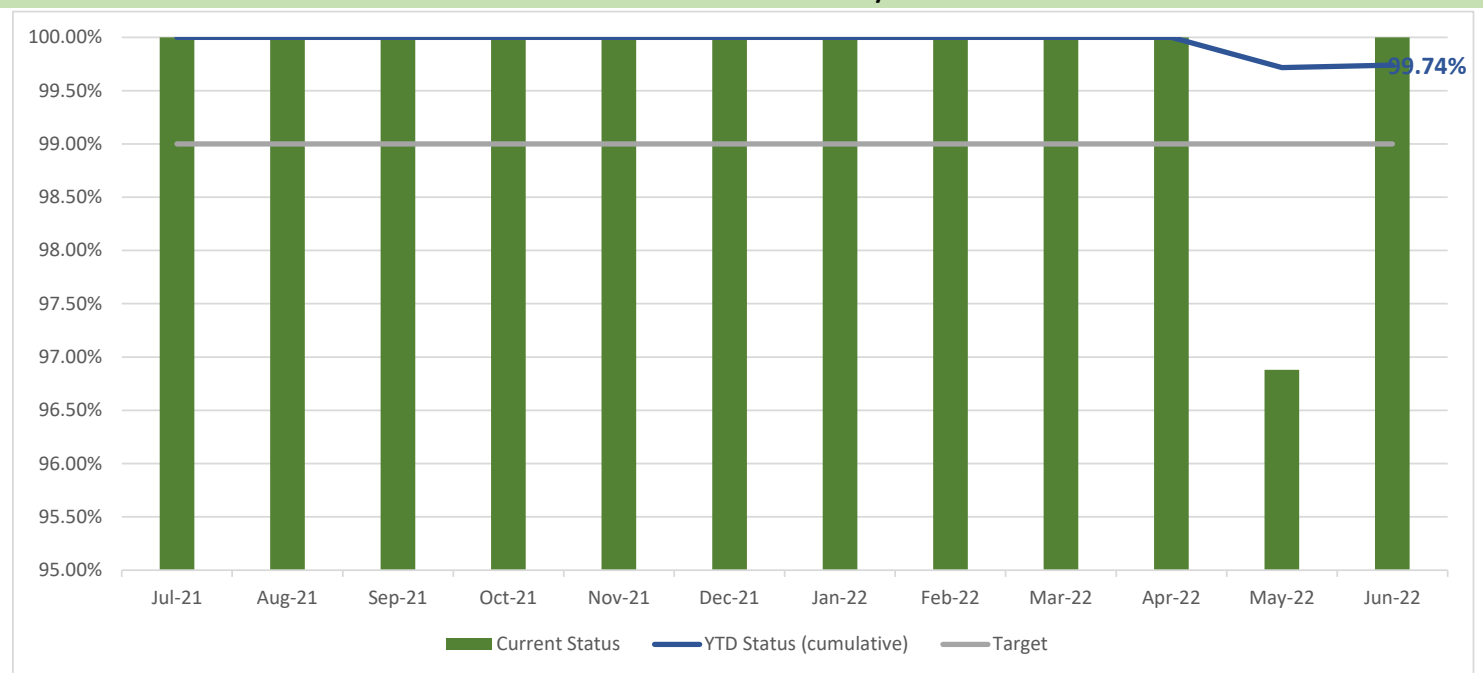
Overall Measure: 13 of 16 meet or exceed target

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

Operational Measure	Accuracy of Disability Retirements Processed		
Strategic Goal	Continuous Improvement of Effective and Efficient Operations		
Description	Percentage of disability retirements processed for which the corresponding benefit paid correctly reflects the member's service record		
Calculation Methodology	The number of disability retirement applications processed and corresponding benefit paid accurately, divided by the total number of initial disability retirement benefits processed and paid. An accurate benefit payment is defined as the benefit amount correctly reflecting the member's service record. "Processed" is defined as funds having been paid to retirees; "paid" is defined as the funds having been paid out of the VRS account.		
Data Source	Disability Retirement Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	99.00%	Baseline (Performance History)	99.00%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 99%</i>	
Current Reporting Month Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	99.74%

Potential Constraints to Meeting Target		Mitigation Strategies
1	Ongoing implementation of myVRS enhancements, which will significantly change current processes	Provide ample opportunity for advanced training; augment staffing as needed to ensure adequate resources during transition
2	Ongoing pandemic and transition to a return to the office impacts processes and agency resources, including technology outages that limit ability to process retirements	Enact business continuity plan for technology outages
3	Sensitivity of data that requires strong controls and several levels of approvals; risk of staff absences or unavailability	Cross-train existing staff and ensure redundancy of staff authorized to approve retirements

YTD Performance History



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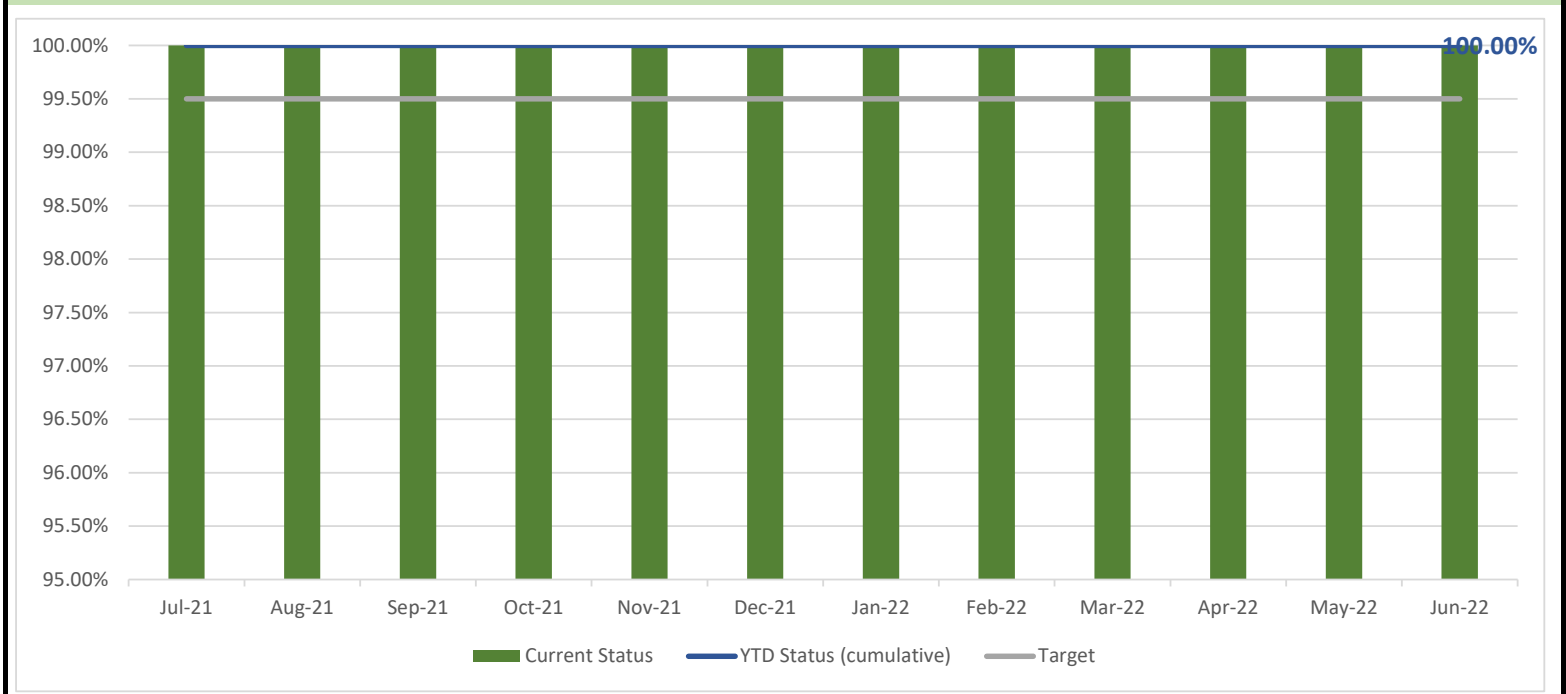
Overall Measure: 13 of 16 meet or exceed target

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

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

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

YTD Performance History

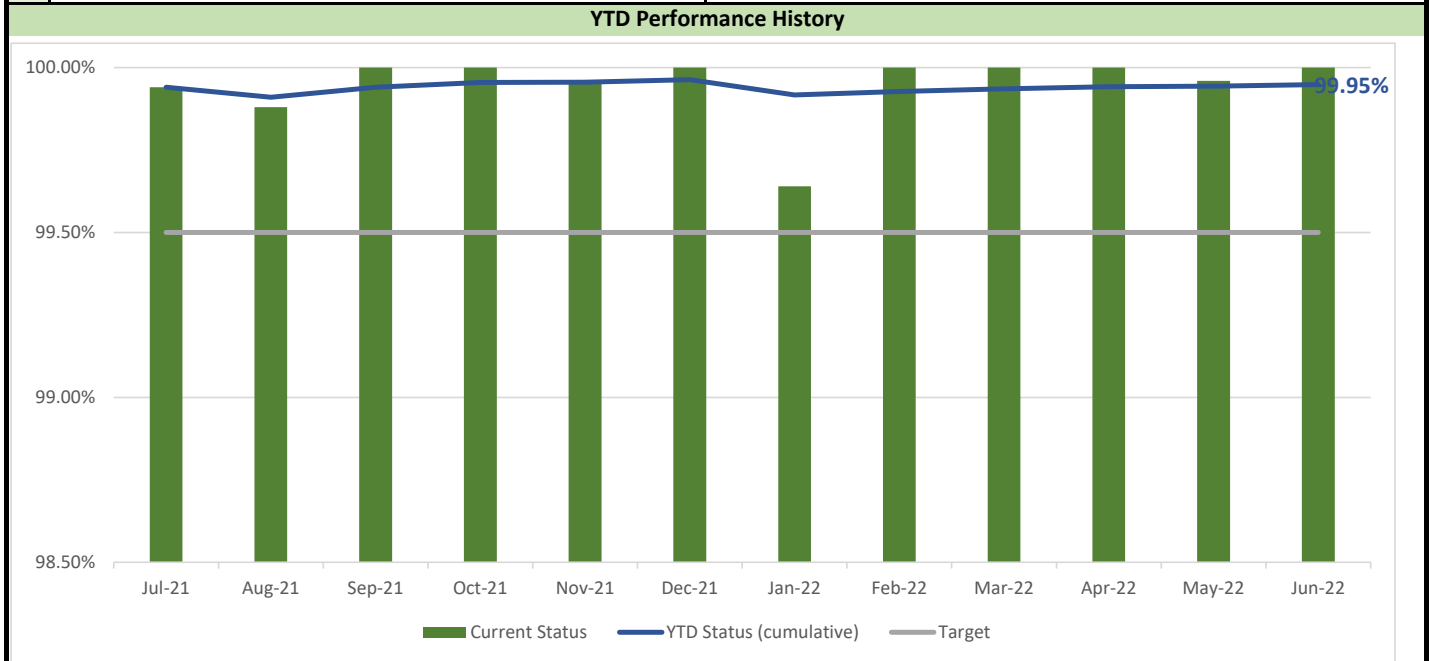


VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

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Operational Measure	Planned IT System Availability		
Strategic Goal	Superior Technological Tools that Enable Efficient Delivery of Service		
Description	Percentage of time critical systems are available during periods of planned availability		
Calculation Methodology	Percentage of time during which critical business systems are available for use by VRS staff and customers, divided by the total time for which it was planned that said systems would be available. Critical business systems include: VNAV, telephone, email, internet, MyVRS, Imaging, Investments, MUNIS, Customer Counseling Center Cisco phone system, and remote access. Note: business systems deemed "critical" may change periodically depending on business needs or system changes (ex: RIMS was decommissioned in spring 2019 and is no longer considered a critical business system as of that time). Periods of availability are pre-determined based on business needs and requirements regarding routine system testing, maintenance and upgrades. "Availability" is defined as being able to be used by the majority of persons for whom it is intended and for the majority of purposes for the system's intended use.		
Data Source	Technology Services SLEs Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	99.50%	Baseline (Performance History)	99.90%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 99.9%</i>	
Current Reporting Month Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	99.95%

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



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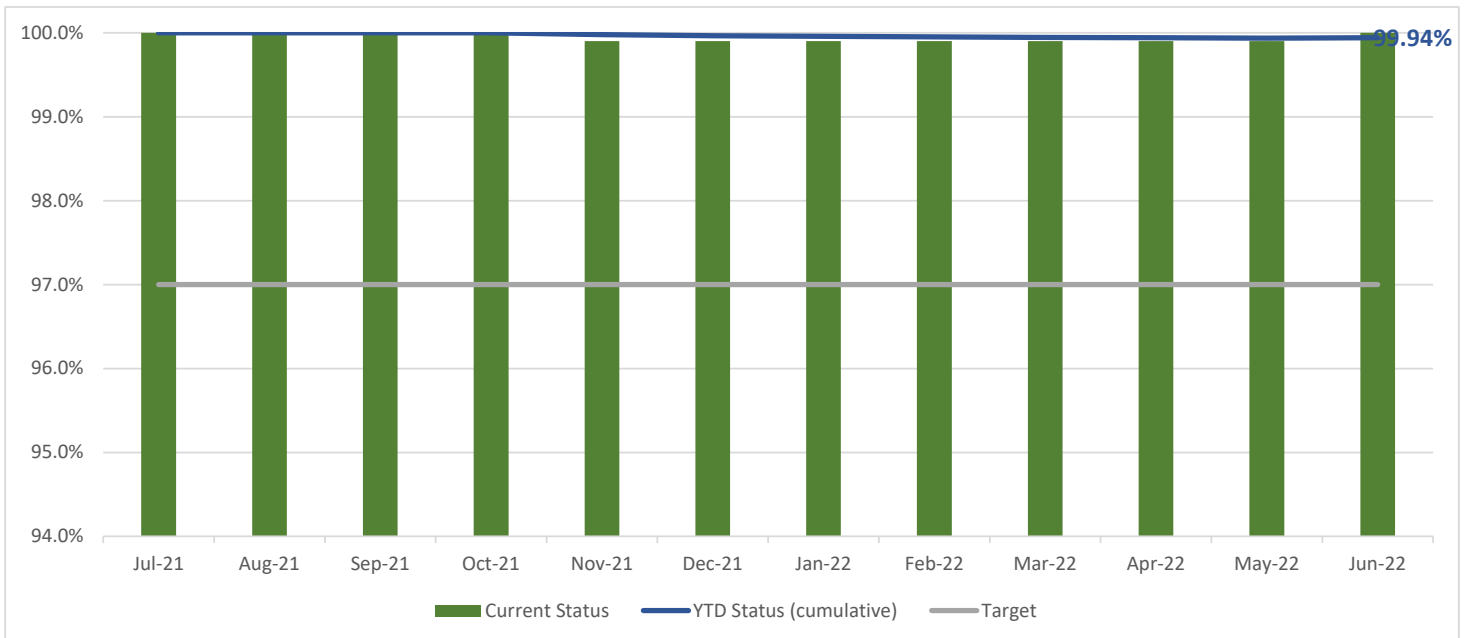
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Overall Measure: 13 of 16 meet or exceed target

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

Operational Measure	Timeliness of Employer Contribution Confirmations		
Strategic Goal	Superior Technological Tools that Enable Efficient Delivery of Service		
Description	Percentage of Employer Contribution Confirmation (CC) snapshots completed in VNAV by the end of the month in which they are due		
Calculation Methodology	The number of employer CC snapshots received by the end of the month in which they are due, divided by the total number of employer CC snapshots required for the same time period. VRS works with employers to ensure that monthly CC snapshots are posted in a timely fashion. There are over 1,000 employers reporting to VRS for which CC snapshots are required on a monthly basis.		
Data Source	Employer Reporting Contribution Confirmation and Payment Status Report	Reporting Frequency	Monthly
Target (Performance Goal)	97.00%	Baseline (Performance History)	97.60%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 97.60%</i>	
Current Reporting Month Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	99.94%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Dependence on over 1,000 employers to submit their confirmations on time every month	Proactively communicate with employers with a focus on those with a history of delinquent submissions to mediate potential causes for delay	
2	Impact of ongoing pandemic and transition to a return to the office on resources at the employer level that prevent their timely submission of CC snapshots	Proactively communicate with employers to identify potential impacts and assist as appropriate with the submission process	
3	Cardinal implementation for state employers may delay timely submission due to additional responsibilities during Cardinal transition	Provide notice to state employers of potential for delay due to Cardinal implementation and advise that they prepare to ensure timely report submission	

YTD Performance History



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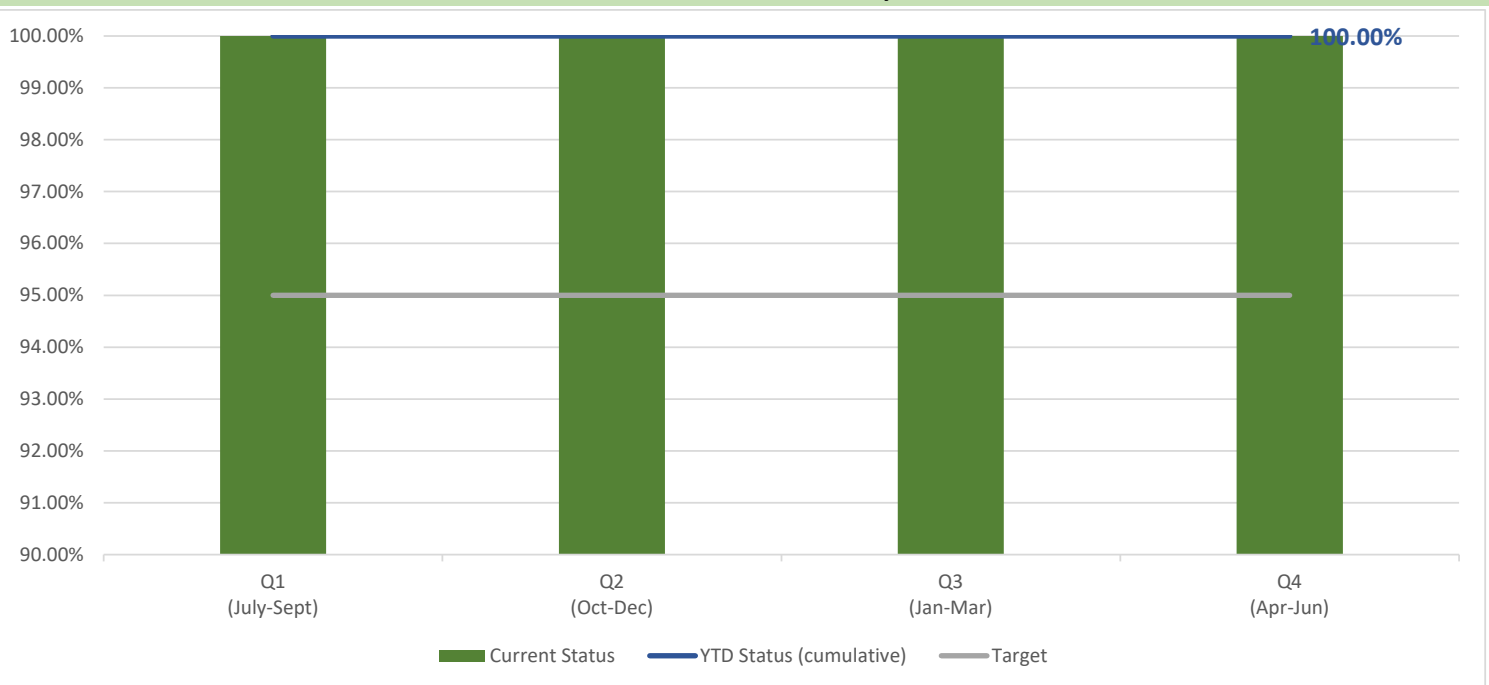
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Overall Measure: 13 of 16 meet or exceed target

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

Operational Measure	Implementation of Corrective Action to Audit Recommendations		
Strategic Goal	Continuous Improvement of Effective and Efficient Operations		
Description	Percentage of audit recommendations for which VRS management represents that corrective action has been implemented by the approved target date		
Calculation Methodology	The number of audit recommendations for which VRS management has represented that corrective action has been implemented, divided by the total number of audit recommendations for which corrective action is needed as of the date the measure is calculated. VRS management establishes target dates and provides periodic updates to Audit regarding whether actions have been taken. Audit tracks responses in the Audit Recommendation Follow-Up System (ARFUS).		
Data Source	ARFUS	Reporting Frequency	Quarterly
Target (Performance Goal)	> 95.00%	Baseline (Performance History)	94.00%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 94.00%</i>	
Current Reporting Month Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	100.00%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	High cost to implement necessary corrective action	Work within existing agency allocations and, if necessary, also with state budgetary processes to obtain resources needed to effectuate corrective action	
2	Limited staff resources to effectively implement necessary corrective action	Adjust allocation of staffing resources to enable corrective action implementation	
3	External factors that delay ability to take necessary corrective action (ex: legislative mandates that redirect agency resources, ongoing pandemic)	Communicate with DEC and Audit regarding possible adjustment of target date to accommodate timeline of when resources will be available	

YTD Performance History



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Overall Measure: 13 of 16 meet or exceed target

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



Fiscal Year 2022 Operational Measures

Reporting Period: June-22

OM
13

Operational Measure	Preventable Employee Turnover		
Strategic Goal	Exceptional Organizational Culture and Work Environment		
Description	Percentage of employees voluntarily separating VRS employment due to preventable experiences		
Calculation Methodology	The number of Administration employees who voluntarily separate from VRS employment due to preventable reasons, divided by the total number of Administration employees who voluntarily separate VRS employment, when total employee turnover exceeds 5% within the same period of time. Preventable turnover is determined from exit interview results, and includes substantiated reports of unsuccessful supervision or management, unsatisfactory work environment, insufficient resources to complete one's job effectively, and unavailability of training opportunities.		
Data Source	Human Resources Department Exit Interview Survey Results	Reporting Frequency	Annual
Target (Performance Goal)	< 10.00%	Baseline (Performance History)	5.88%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: FY 2019 results</i>	
Current Reporting Month Status	6.67%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	6.67%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Unrealistic employee expectations regarding VRS work environment and responsibilities	Provide clear position descriptions and responsibilities upon hire; outline organization culture and expectations on a regular basis; ensure open communication between employees, managers and supervisors	
2	Reorganization due to myVRS enhancements may alter current work responsibilities for some employees	Provide clear and open communication throughout the implementation process; Offer sufficient training opportunities for employees tasked with new responsibilities	
3	Ongoing pandemic and transition to a return to the office impacts employee morale	Continue direct outreach to employees, provide EAP resources and implement employee engagement activities	
YTD Performance History			
[Reported as an annual measure]			
VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service. VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.			

Overall Measure: 13 of 16 meet or exceed target

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

Operational Measure	Cost to Administer Defined Benefit Plans		
Strategic Goal	Strong Financial Viability		
Description	Annual pension administration cost for defined benefit plans, as compared to peer group median reported by CEM Benchmarking, Inc.		
Calculation Methodology	VRS pension administration cost per active member and annuitant for defined benefit plans as compared to that of its peer group, as calculated by CEM Benchmarking, Inc. The average peer cost calculated by CEM is available on delay and will not be known until spring 2022. At that time the FY 2021 annual agency cost will be compared to the to the FY 2021 CEM peer cost to determine whether VRS's cost is lower than the peer average.		
Data Source	CEM Benchmarking, Inc.	Reporting Frequency	Annual
Target (Performance Goal)	Lower than the FY 2021 CEM Peer Cost Average	Baseline (Performance History)	N/A
<i>Target Rationale: Measuring VRS annual administrative cost for FY 2021 against the most current peer data as provided by CEM Benchmarking, Inc.</i>		<i>Baseline Rationale: N/A</i>	
Current Reporting Month Status	\$81	YTD Status (Used at year-end to determine whether target has been met)	\$81
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Significant unanticipated costs to administer pension plans due to external influences, including the ongoing pandemic and transition to a return to the office	Work within existing agency allocations and prioritize spending plans to ensure administrative expenditures remain reasonable	
2	Dependent upon expenditure patterns for the CEM Peer group for administrative cost average	Maintain communications with CEM peers to stay informed on any spending abnormalities that may skew CEM-calculated peer costing	
3	FY 2021 CEM cost not known until late into FY 2022 (limiting agency ability to react if missing target)	Proactively calculate and monitor agency administrative cost in anticipation of receiving the FY 2021 CEM cost; adjust agency spending if out of line with recent CEM peer cost averages	
YTD Performance History			
<p>[Average Pension Administration Cost for VRS' Peer Group, as provided by CEM Benchmarking, will be known in spring 2020]</p>			
<p>VRS Mission: <i>VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.</i></p> <p>VRS Vision: <i>To be the trusted leader in the delivery of benefits and services to those we serve.</i></p>			

Operational Measure	Systems Security Awareness		
Strategic Goal	Continuous Improvement of Effective and Efficient Operations		
Description	Percentage of eligible staff who have completed security training in compliance with the agency's and Commonwealth's security policies		
Calculation Methodology	Percentage of eligible staff who have completed the agency's annual security training, VRS User IT Security Policy Training ("security training"), divided by the total eligible agency staff. Employees who join the agency during FY 2022 are required to complete security training within 30 days after their start date. All staff are required to complete the training during the annual training window. The training provides information on such critical security practices as protecting sensitive data, utilizing effective passphrases, reviewing acceptable technology use policies, being on alert for phishing and other malpractices, and more. The percentage is calculated on a cumulative basis and reported annually (with the total requirement recalculated monthly as new staff are hired and required to obtain security training).		
Data Source	Technology Services SLEs Performance Report	Reporting Frequency	Annual
Target (Performance Goal)	100.00%	Baseline (Performance History)	100.00%
<i>Target Rationale: Maintain high security awareness</i>		<i>Baseline Rationale: All VRS staff completed security training in FY 2020</i>	
Current Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	100%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Unavailability of the Virginia Learning Center (VLC, a non-VRS application) for training	Provide sufficient time for staff to obtain training within prescribed timeline to allow for possible VLC system unavailability	
2	Ongoing pandemic and transition to a return to the office impacts processes and agency resources, including technology outages that limit system availability	Enact business continuity plan for technology outages	
3	New training requirements as set-forth by the Commonwealth Security Policy that require changes to the prepared security training	Proactively coordinate with different units within VRS to ensure sufficient time and resources to make necessary changes to the prepared training	
YTD Performance History			
[Reported as an annual measure]			
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VRS Vision: <i>To be the trusted leader in the delivery of benefits and services to those we serve.</i>			

Overall Measure: 13 of 16 meet or exceed target

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

Operational Measure	Employee Professional Development		
Strategic Goal	Highly Skilled and Trained Staff		
Description	Percentage of full-time VRS administration employees receiving at least 8 hours of professional development		
Calculation Methodology	The number of eligible full-time VRS administration employees who have completed at least 8 hours of professional development, divided by the total number of eligible full-time administration employees. Eligible employees are full-time administration staff hired after July 1, 2021 who are not on short- or long-term disability or FMLA during FY 2022. Qualifying professional development includes courses designated in the Virginia Learning Center (VLC), as well as conferences, webinars, college or trade school classes, and any other professional development as approved by the Human Resources Director. Number of hours received is tracked on a cumulative basis and reported quarterly.		
Data Source	Human Resources Performance Report	Reporting Frequency	Annual
Target (Performance Goal)	85.00%	Baseline (Performance History)	91.30%
<i>Target Rationale: Maintain recent performance and increased total # of hours</i>		<i>Baseline Rationale: 5 year average = 91.32%</i>	
Current Status	99%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	99%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Limited staff flexibility to obtain professional development due to significant staff time dedicated to cloud migration and other system enhancements.	Encourage staff to plan for professional development opportunities before and/or after periods of time dedicated to cloud migration and other system enhancements.	
2	Dependence on IT system availability/accessibility for trainings and/or time tracking	Advise staff to plan to be proactive about obtaining professional development and reporting their hours earned as they go	
3	Limited progressive course availability on relevant subject matter area	Ongoing communication between managers and staff to expand and identify new learning opportunities	
YTD Performance History			
[Reported as an annual measure]			
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Overall Measure: 13 of 16 meet or exceed target

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



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2022

Summary

APO Status Indicator

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

Overall Measure: 3 of 4 completed

APO #	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
1	Cloud Migration* <i>(Measure: 5 of 7 completed)</i>	●	●	▲	▲	▲	▲	▲	▲	▲	●	●	★
2	Records Management Program - Phase 1 Implementation <i>(Measure: 3 of 3 completed)</i>	●	●	●	●	●	●	●	●	●	●	●	★
3	ERM Implementation <i>(Measure: 3 of 3 completed)</i>	●	●	●	●	●	●	●	●	●	●	●	★
4	Cardinal HCM Implementation - The Plan (Track 1), Agency (Track 2) and Retiree (Track 3)** <i>(Measure: 6 of 6 completed)</i>	●	●	●	●	●	●	●	●	●	●	●	★

*Updated and approved by the Board of Trustees on 6/23/2022.

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



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2022

APO 1

APO Status Indicator

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

APO 1 Measure: 5 of 7 completed

APO #	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
1 Cloud Migration*													
1.1	Adjust Security and Governance settings as workloads are migrated to Azure Cloud, per the approved plan.	●	●	▲	▲	●	●	●	●	●	●	★	★
1.2	Implement Azure Modern Service Management processes and complete operational and process readiness activities, per the approved plan, for successful operation of the VRS Azure environment.	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	●	★	★
1.3	Records Management Program - Phase 1 Implementation	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	●	●	★
1.4	Develop technology architecture for the two new datacenters, examining high availability and disaster recovery requirements. Create an inventory list for hardware, licensing and professional services.	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	●	★	★
1.5	Place procurements for the data center facilities, network hardware, security appliances, licensing and professional services.	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	●	★	★
1.6	Craft the Wide Area Network (WAN) design to provide full high availability and 24x7x365 capabilities for internal and external customers. Establish and disseminate procurement to acquire these services.	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	●	●	★
1.7	Begin planning for Investments migration to a new technology platform.	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	●	★	★

*Updated and approved by the Board of Trustees on 6/23/2022.



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2022

APO 2

APO Status Indicator

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

APO 2 Measure: 3 of 4 completed

APO #	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
2 Records Management Program - Phase 1 Implementation													
2.1	Complete current state analysis to identify existing records management processes across business units.	●	●	●	●	●	●	●	●	●	●	★	★
2.2	Develop and initiate detailed records management program strategy.	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	●	●	★
2.3	Develop detailed records management program implementation plan.	●	●	●	●	●	●	●	●	●	●	●	★
2.4	Initiate implementation plan.	●	●	●	●	●	●	●	●	●	●	●	★



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2022

APO 3

APO Status Indicator

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

APO 3 Measure: 3 of 3 completed

APO #	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
3 ERM Implementation													
3.1	Complete the ERM risk monitoring plan.	●	●	●	●	●	●	●	★	★	★	★	★
3.2	Initiate development of the ERM validation program.	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	●	●	●	★
3.3	Develop initial ERM dashboard.	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	★



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2022

APO 4

APO Status Indicator

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


APO 4 Measure: 6 of 6 completed

APO #	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
4 Cardinal HCM Implementation - The Plan (Track 1), Agency (Track 2) and Retiree (Track 3)**													
4.1	Track 1 (Agency) – To the extent provided within DOA’s overall project schedule, complete all testing activities for the Agency component of Cardinal HCM project, complete data conversion (if applicable) and implement the changes in production. Complete post-production quality monitoring activities (if applicable).	●	●	●	●	●	●	●	●	●	●	●	★
4.2	Track 1 (Agency) - To the extent provided within DOA’s overall project schedule, complete necessary training, education, communication and operational readiness activities. Transition the project to steady state operations (if applicable).	●	●	●	●	●	●	●	●	●	●	●	★
4.3	Track 2 (Plan) - To the extent provided within DOA’s overall project schedule, complete all testing activities for the Plan component of the Cardinal HCM project, complete data conversion (if applicable) and implement the changes in production. Complete post-production quality monitoring activities (if applicable).	●	●	●	●	●	●	●	●	●	●	●	★
4.4	Track 2 (Plan) - To the extent provided within DOA’s overall project schedule, complete necessary training, education, communication and operational readiness activities. Transition the project to steady state operations (if applicable).	●	●	●	●	●	●	●	●	●	●	●	★
4.5	Track 3 (Retiree) - To the extent provided within DOA’s overall project schedule, complete all testing activities for the Retiree component of the Cardinal HCM project, complete data conversion (if applicable) and implement the changes in production. Complete post- production quality monitoring activities (if applicable).	●	●	●	●	●	●	●	●	●	●	●	★
4.6	Track 3 (Retiree) - To the extent provided within DOA’s overall project schedule, complete necessary training, education, communication and operational readiness activities. Transition the project to steady state operations (if applicable).	●	●	●	●	●	●	●	●	●	●	●	★

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



Date: August 24, 2022
To: Trish Bishop, Director
From: Jennifer Schreck, Internal Audit Director
Joshua Fox, Principal Auditor Investments & Operations
Subject: Review of 2022 Agency Performance Outcomes and Operational Measures



As part of our annual process, Internal Audit has reviewed the status of the 2022 Agency Performance Outcomes (APOs) and Operational Measures (OMs), as set forth by management for the fiscal year ended June 30, 2022. The purpose of our review was to obtain reasonable, but not absolute assurance that the status of such outcomes and measures were fairly represented in management's status reports.

Based upon our review of available documentation, attendance at VRS Board and Committee meetings and discussions with various VRS personnel, nothing came to our attention to cause us to question the representations set forth by management with respect to either the APOs or the OMs. Accordingly, we have no reason to believe that the APOs and OMs were not appropriately represented as satisfied for the fiscal year ended June 30, 2022.

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



Performance bonuses for eligible administrative employees and Investment Department operations and administration employees.

Requested Action

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

Description/Background

The Board approved the current Administrative Pay Plan and the current Investment Operations and Administration Staff Pay Plan on June 23, 2022. Each of the plans state:

Subject to the approval of the VRS Board of Trustees, employees who receive an overall rating of “exceptional” will receive a 4% bonus and employees who receive an overall rating of “exceeds” will receive a 2% bonus, based on their salary as of June 30.

Cost: The approximate total cost for the FY 2022 performance bonus payments to eligible employees is \$591,583.50, to be paid from the FY 2023 budget.

Rationale for Requested Action

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

Authority for Requested Action

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

The above action is approved.

A. Scott Andrews, Chair
VRS Board of Trustees

Date



Virginia Retirement System (VRS) FY 2022 Year-End Budget to Actual Report

	Current Budget ¹ A	Expenses through 6/30/2022 B	Variance Favorable/ (Unfavorable) E = A - D	% Remaining E / A
Administration				
Personnel				
Salaries, Wages & Benefits ³	23,789,000	22,679,000	1,110,000	4.7%
Incentive Compensation	1,131,000	809,000	322,000	28.5%
Contractual Services				
Communication Services	975,000	915,000	60,000	6.2%
Employee Development Services ⁴	252,000	164,000	88,000	34.9%
Management & Informational Services ^{5,6}	2,888,000	1,723,000	1,165,000	40.3%
Medical Review Services	797,000	710,000	87,000	10.9%
Support Services ⁷	373,000	354,000	19,000	5.1%
Equipment & Supplies	322,000	172,000	150,000	46.6%
Facility	796,000	796,000	-	0.0%
Insurance, Claims & Bonds	33,000	22,000	11,000	33.3%
Service Charges	1,176,000	1,138,000	38,000	3.2%
Administration Total	32,532,000	29,482,000	3,050,000	9.4%
Information Technology				
Personnel				
Salaries, Wages & Benefits ³	12,989,000	11,115,000	1,874,000	14.4%
Incentive Compensation	402,000	402,000	-	0.0%
Contractual Services				
Communication Services	868,000	867,000	1,000	0.1%
Employee Development Services ⁴	111,000	110,000	1,000	0.9%
Management & Informational Services ⁵	2,207,000	2,201,000	6,000	0.3%
Support Services	5,000	4,000	1,000	20.0%
Technical Services	10,029,000	10,005,000	24,000	0.2%
Equipment & Supplies	5,405,000	5,393,000	12,000	0.2%
Facility	-	-	-	N/A
Insurance, Claims & Bonds	236,000	195,000	41,000	17.4%
Service Charges	445,000	445,000	-	0.0%
Information Technology Total	32,697,000	30,737,000	1,960,000	6.0%



Virginia Retirement System (VRS) FY 2022 Year-End Budget to Actual Report

	Current Budget ¹ A	Expenses through 6/30/2022 B	Variance Favorable/ (Unfavorable) E = A - D	% Remaining E / A
Investment Management				
Personnel				
Salaries, Wages & Benefits ³	17,899,000	17,168,000	731,000	4.1%
Incentive Compensation	8,102,000	8,102,000	-	0.0%
Contractual Services				
Communication Services	64,000	2,000	62,000	96.9%
Employee Development Services ⁴	647,000	345,000	302,000	46.7%
Management & Informational Services ⁵	3,318,000	2,673,000	645,000	19.4%
Support Services	3,000	-	3,000	100.0%
Technical Services ⁸	9,496,000	7,494,000	2,002,000	21.1%
Equipment & Supplies	605,000	323,000	282,000	46.6%
Facility	29,000	29,000	-	0.0%
Insurance, Claims & Bonds	4,000	4,000	-	0.0%
Service Charges	707,000	662,000	45,000	6.4%
Investment Management Total	40,874,000	36,802,000	4,072,000	10.0%
VRS Subtotal	106,103,000	97,021,000	9,082,000	8.6%

¹ Original budget plus/minus transfers

² Projected Total Expenses are best estimates as of the creation of this report and are subject to change

³ Salaries, Wages, & Benefits includes expected 5% increase from Commonwealth for salary adjustment

⁴ Employee Development Services includes organization memberships, subscriptions, employee trainings, and tuition reimbursement; although in-person training and related travel spending continue to be reduced because of the COVID-19 pandemic, online training are encouraged

⁵ Management and Informational Services includes fiscal services, management services, legal services, media services, food services and business travel

⁶ Includes \$300K budgeted for the Retirement Commission, which currently has no planned expenditures and \$400K for LODA that is not budgeted, but credited to VRS

⁷ Support Services includes clerical and manual labor services

⁸ Technical Services includes hardware/software maintenance, technology contractors and data feeds



Virginia Retirement System (VRS) FY 2023 Budget to Actual Projections

	Current Budget ¹ <i>A</i>	Expenses through 7/31/2022 <i>B</i>	Projected Remaining Expenses <i>C</i>	Projected Total Expenses ² <i>D = B + C</i>	Projected Variance Favorable/ (Unfavorable) <i>E = A - D</i>	Projected % Remaining <i>E / A</i>
Administration						
Personnel						
Salaries & Wages	18,250,000	1,365,000	14,835,000	16,200,000	2,050,000	11.2%
Fringe Benefits	8,262,000	565,000	7,412,000	7,977,000	285,000	3.4%
Incentive Compensation	1,175,000	19,000	1,156,000	1,175,000	-	0.0%
Contractual Services						
Management & Administration ³	2,189,000	88,000	1,538,000	1,626,000	563,000	25.7%
Professional Services ⁴	4,053,000	62,000	3,406,000	3,468,000	585,000	14.4%
Technical Services ⁵	263,000	-	263,000	263,000	-	0.0%
Travel & Training	341,000	12,000	303,000	315,000	26,000	7.6%
Network Infrastructure	102,000	15,000	62,000	77,000	25,000	24.5%
Equipment & Supplies	109,000	9,000	93,000	102,000	7,000	6.4%
Facility	1,833,000	179,000	1,630,000	1,809,000	24,000	1.3%
Administration Total	36,577,000	2,314,000	30,698,000	33,012,000	3,565,000	9.7%
Information Technology						
Personnel						
Salaries & Wages	10,075,000	621,000	7,735,000	8,356,000	1,719,000	17.1%
Fringe Benefits	3,799,000	245,000	3,076,000	3,321,000	478,000	12.6%
Incentive Compensation	427,000	3,000	424,000	427,000	-	0.0%
Contractual Services						
Management & Administration ³	1,685,000	29,000	1,118,000	1,147,000	538,000	31.9%
Professional Services ⁴	68,000	-	52,000	52,000	16,000	23.5%
Technical Services ⁵	13,805,000	29,000	13,619,000	13,648,000	157,000	1.1%
Travel & Training	103,000	-	100,000	100,000	3,000	2.9%
Network Infrastructure	7,034,000	-	6,769,000	6,769,000	265,000	3.8%
Equipment & Supplies	85,000	22,000	33,000	55,000	30,000	35.3%
Facility	721,000	39,000	443,000	482,000	239,000	33.1%
Information Technology Total	37,802,000	988,000	33,369,000	34,357,000	3,445,000	9.1%



Virginia Retirement System (VRS) FY 2023 Budget to Actual Projections

	Current Budget ¹ A	Expenses through 7/31/2022 B	Projected Remaining Expenses C	Projected Total Expenses D = B + C	Projected Variance Favorable/ (Unfavorable) E = A - D	Projected % Remaining E / A
Investment Management						
Personnel						
Salaries & Wages	14,837,000	1,114,000	12,964,000	14,078,000	759,000	5.1%
Fringe Benefits	5,136,000	366,000	4,621,000	4,987,000	149,000	2.9%
Incentive Compensation	7,703,000	-	7,703,000	7,703,000	-	0.0%
Contractual Services						
Management & Administration ³	1,813,000	9,000	1,513,000	1,522,000	291,000	16.1%
Professional Services ⁴	1,798,000	93,000	1,538,000	1,631,000	167,000	9.3%
Technical Services ⁵	10,941,000	1,305,000	7,915,000	9,220,000	1,721,000	15.7%
Travel & Training	659,000	(6,000)	506,000	500,000	159,000	24.1%
Network Infrastructure	873,000	75,000	677,000	752,000	121,000	13.9%
Equipment & Supplies	43,000	-	11,000	11,000	32,000	74.4%
Facility	657,000	59,000	583,000	642,000	15,000	2.3%
Investment Management Total	44,460,000	3,015,000	38,031,000	41,046,000	3,414,000	7.7%
VRS Subtotal	118,839,000	6,317,000	102,098,000	108,415,000	10,424,000	8.8%

¹ Original budget plus/minus transfers

² Projected Total Expenses are best estimates as of the creation of this report and are subject to change

³ Management & Administration includes postage, printing, communications, memberships, subscriptions, insurance, claims and bonds

⁴ Professional Services includes fiscal services, management services, legal services, media services, medical services, and auditing services

⁵ Technical Services includes computer operating services, contractors and data feeds

Audit Director's performance review.

Requested Action

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

Description/Background

The Audit and Compliance Committee reviewed and evaluated the performance of the Audit Director. Based on this review and evaluation, the Committee recommends that the Board approve a 7% performance bonus for the Audit Director payable October 14, 2022.

Rationale for Requested Action

The Audit and Compliance Committee recommends that the Board approve a 7% performance bonus for the Audit Director, payable October 14, 2022, based on the Committee's review and evaluation of the Audit Director's performance during FY 2022. The Audit and Compliance Committee Charter, in paragraph 8 of the duties and responsibilities section states, "Review and evaluate the performance of the Audit Director in all areas for which he or she is responsible and report the results and conclusions to the Board." Section IV(H)(8) of the Board Governance Policy provides that the Board may review, monitor, and oversee the performance of the Audit Director. Also, the Executive Pay Plan contemplates granting a performance bonus to the Audit Director.

Authority for Requested Action

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

The above action is approved.

A. Scott Andrews, Chair
VRS Board of Trustees

Date