



September 19, 2022

MEMORANDUM

TO: VRS Board of Trustees

FROM: Patricia S. Bishop
Director

RE: Agenda Materials for September 22nd Board Meeting

We are looking forward to the September 22nd Board meeting beginning at 1:00 p.m. in the VRS Boardroom located at 1111 East Main Street, Bank of America - Pavilion Building, 3rd floor. Enclosed are the agenda and meeting materials. Boxed lunches will be available beginning at noon.

In advance of the meeting, listed below are some important reminders:

- As part of a COVID-19 self-screening protocol, please ask yourself if you are experiencing any of the following:
 - A new fever (100.4°F or higher) or a sense of having a fever.
 - A new cough that cannot be attributed to another health condition.
 - New shortness of breath or difficulty breathing that cannot be attributed to another health condition.
 - New chills that cannot be attributed to another health condition.
 - A new sore throat that cannot be attributed to another health condition.
 - New muscle aches (myalgia) that cannot be attributed to another health condition, or that may have been caused by a specific activity (such as physical exercise).
 - A new loss of taste or smell.
 - Have you had a positive test for the virus that causes COVID-19 disease within the past 5 days?
 - In the past 5 days, have you had close contact (within about 6 feet for 15 minutes or more) with someone with suspected or confirmed COVID-19?

If you are experiencing any of the above symptoms, please do not attend the meeting in person.

Again, we look forward to seeing you at the Board of Trustees meeting on Thursday. If you have any questions, please feel free to contact me.

Attachments

cc: The Honorable Stephen E. Cummings, Secretary of Finance
Craig Burns, Department of Taxation
Michael Jay, House Appropriations 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
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
VRS, 1111 E. Main St., 3rd Floor Board Room
Thursday, 9/22/2022
1:00 - 3:30 PM ET

I. Approve Minutes

• **June 23, 2022**

6.23.22 Board Minutes - Page 5

II. Committee Assignments

Board of Trustees and Committee Assignments - Page 15

III. Report of the Investment Advisory Committee

IV. Report of the Chief Investment Officer

Asset Allocation Report 6.30.22 - Page 17

Daily Asset Allocation Report 9.12.22 - Page 18

Performance Summary 6.30.22 - Page 19

Performance Summary 7.31.22 - Page 20

Plan Tracking Error 6.30.22 - Page 21

New Investments and Terminations - Page 22

DIME Quarterly Summary 6.30.22 - Page 24

Manager Referral Quarterly Summary 6.30.22 - Page 30

V. Annual CEM Benchmarking Report on Administration

CEM Presentation - Page 31

Bio for Mike Heale - Page 48

VI. Report of the Defined Contribution Plans Advisory Committee

Report of the DCPAC - Page 49

- **RBA – Approve Amended and Restated Defined Contribution Incentive Plan for VRS Personnel (DCIP) and the First Amendment to the DCIP Master Trust, each effective January 1, 2023.**

RBA - Amended and Restated DCIP and Master Trust Amendment - Page 52

VRS First Amendment to DCPIP Trust Agreement - Page 54

VRS - Restated DCIP - Page 56

VII. Report of the Audit and Compliance Committee

Report of the A&CC - Page 81

- **RBA – Approve FY2023 Audit Plan**

RBA - Approve FY2023 Annual Plan - Page 84

Proposed FY2023 Audit Plan - Page 85

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

RBA - Audit Director Performance Review - Page 89

VIII. Report of the Administration and Personnel Committee

Report of the A&PC - Page 90

- **RBA – Attainment of FY2022 Agency Performance Outcomes (APOs) and Operational Measures**

RBA - Attainment of FY2022 APOs and Operational Measures (Corresponding Bonus) - Page 93

FY22 APO Status Report - Page 95

FY22 Operational Measures Report - Page 100

FY22 APO and OM Memo - Page 118

- **RBA – Performance Bonuses for Eligible Administrative and Investment Operations and Administration Employees**

RBA - Performance Bonuses (Eligible Administrative and Investment Operations and Administration Employees) - Page 119

- **RBA – FY2022 Incentive Pay for Investment Professionals**

RBA - Approve Investment Incentive Pay FY2022 - Page 120

FY2022 Incentive Compensation Information - Page 122

Investment Professionals Pay Plan - Page 123

FY22 Incentive Compensation Memorandum - Page 139

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

RBA - Director Performance Review - Page 140

Director's Performance Report - Page 142

IX. Operational Update Series: Enterprise Risk Management

ERM Presentation - Page 161

X. Signature and Custodial Authorization Resolutions

- **Signature Authorization 9.22.22**

Signature Authorization Resolution - Page 175

- **Custodial Authorization 9.22.22**

Custodial Authorization Resolution - Page 178

XI. Policy Update

- **RBA – Approve Amended FOIA Electronic Meeting Policy**

RBA - Amended FOIA Electronic Meeting Policy - Page 181

FOIA Electronic Attendance Meeting Policy_Redline - Page 183

FOIA Electronic Attendance Meeting Policy_Clean - Page 187

XII. Report of the Director

FY 2023 Agency Roadmap Update - Page 190

Director's Report Slides - Page 192

XIII. Closed Session – Information Technology and Litigation

Minutes

A regular meeting of the Virginia Retirement System Board of Trustees was held on June 23, 2022, in Richmond, Virginia with the following members participating:

Board members:

A. Scott Andrews, Chair
Joseph W. Montgomery, Vice Chair
Hon. J. Brandon Bell, II
John M. Bennett
Michael P. Disharoon
William A. Garrett
Dr. Susan T. Gooden, Ph.D.
W. Brett Hayes
Troilen G. Seward, Ed.S.

VRS Staff:

Patricia Bishop, Ron Schmitz, Jennifer Schreck, John Alouf, Parham Behrooz, Jeanne Chenault, Michael Cooper, Perry Corsello, Harriet Covey, Juanita Cribbs, Sara Denson, Kelly Duggins, Valerie Disanto, Barry Faison, Jonathan Farmer, Laurie Fennell, Josh Fox, Katherine Grawe, JT Grier, Mehtab Haleem, Dane Honrado, KC Howell, Robert Irving, Christina Jay, Michelle Johnson, De'Von Jones, LaShaunda King, Kristina Koutrakos, Matt Lacy, Chung Ma, Curt Mattson, Stephen McClelland, Walker Noland, Angela Payne, Steven Peterson, Laura Pugliese, Steven Ramirez, Paula Reid, Mark Rein, Dan Schlusser, Kristy Scott, Virginia Sowers, Korey Turner, Dan Whitlock, Cindy Wilkinson and Steve Woodall.

Guests:

Emily Grimes, Department of Planning and Budget; Andrea Peeks and Michael Jay, House Appropriations Committee; Jamie Bitz, Joint Legislative Audit and Review Commission; Erin Rodriguez, Auditor of Public Accounts; Adam Rosatelli, Senate Finance and Appropriations Committee; Bea Snidow, Virginia Education Association; David Barry, Markets Group; Alex Cardno, Financial Times; Joe Ebisa, Within Intelligence; Alex Meyer, Goldman Sachs; Alicia McElhane, Institutional Investor; and Lauren Albanese, Financial Investment News.

The meeting convened at 1:00 p.m.

Opening Remarks

Mr. Andrews called the meeting to order and welcomed everyone to the June 23, 2022, meeting of the Virginia Retirement System Board of Trustees.

Approval of Minutes

Following a motion by Mr. Montgomery and a second by Mr. Bennett, the VRS Board of Trustees unanimously approved the minutes from both its regular meeting and retreat held on May 25, 2022.

Report of the Chief Investment Officer

Ron Schmitz, Chief Investment Officer, began his report with a market overview and discussed asset allocation, total fund performance, and tracking error, concluding that risk measures are within Board-approved levels. Next, Mr. Schmitz discussed the New Investments and Terminations report, and provided an overview of the recommended changes to update the Defined Benefit Plan strategic asset allocation and allowable ranges to reflect market conditions and movement towards the Board's long-term policy mix.

Upon a motion by Mr. Montgomery and a second by Ms. Seward, the VRS Board of Trustees approved the following action:

Request for Board Action 2022-06-08: *The VRS Board of Trustees approves the recommended changes to update the Defined Benefit Plan Strategic Asset Allocation and Allowable Ranges to reflect the new Board target asset mix, effective July 1, 2022.*

Report of the Audit and Compliance Committee

The VRS Board of Trustees 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 March 29, 2022, meeting.

Exit on the 2021 Employer Assurances Review

The Auditor of Public Accounts (APA) reported that the Employer Assurances Review, covering GASB Statements No. 68 and 75, was progressing as planned. The APA indicated they should conclude their work on the Pension and Other Post-Employment Benefit (OPEB) plans and issue the related opinions during the month of July.

Entrance with the APA for the VRS 2022 Annual Comprehensive Financial Report Audit

The Committee held its annual entrance conference with the APA to review the approach and scope of the examination of VRS' Annual Comprehensive Financial Report for the Fiscal Year Ending June 30, 2022.

Audit Reports

The Committee received two audit reports.

- The review of *Cash Management* concluded that cash management processes in place support VRS' operational needs and comply with applicable statutory requirements. There were no formal recommendations as a result of this review.
- The review of *IT General Controls* determined that overall the IT architecture within VRS is effective and secure. There were four formal recommendations as the result of this review.

Miscellaneous Updates

The Committee received the following miscellaneous updates:

Quarterly Report on Fraud, Waste and Abuse Hotline Cases

It was noted there were no Fraud, Waste and Abuse Hotline complaints reported to Internal Audit via the Office of the State Inspector General during the period of February 1, 2022 through April 30, 2022.

Management's Quarterly Travel Expense and Per Diem Report

The Committee received Management's Quarterly Travel Expense and Per Diem report.

Next Committee Meeting Date

The Committee's next meeting is scheduled for Tuesday, September 13, 2022, at 2:00 p.m.

Mr. Andrews thanked Mr. Montgomery for his report.

Report of the Defined Contribution Plans Advisory Committee

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

ADMINISTRATION

Administrative Reports and Communication Update

Senator Bell began his report by noting that staff provided an overview of the DC plans, as well as an update on administrative reports for the first quarter of 2022. An overview of assets and accounts across the various defined contribution plans, as well as participant trends and the impact of various plan initiatives, was also provided. Staff shared with the Committee an analysis and overview of efforts related to the first quarter focus on asset retention along with VRS being the recipient of the 2022 Communicator Award of Distinction. This award was presented by the Academy of Interactive and Visual Arts (AVIA) in the Marketing Effectiveness category for a communications campaign about SmartStep Auto-Increase Awareness.

DC Plans Consultant RFP Update

Staff provided an update on the DC Plans Consultant RFP. Staff indicated that Sageview Consulting has been procured to assist with the RFP Process and that Andrew Ness will be the primary consultant assisting VRS.

INVESTMENTS

Performance Reports

Staff provided the Committee with an overview of the markets and reviewed the April 30, 2022 performance reports, including the unbundled DC plans investment options and the bundled TIAA ORPHE Retirement Choice (RC) investment menu options. Staff also informed the Committee of BlackRock's changes to the fixed income portion of their LifePath target date portfolios.

Benchmark Review

Staff provided an overview of VRS DC plans performance benchmarks and their importance as it relates to passively managed funds. Staff shared a benchmark correlation table for the five-year period ending March 31, 2022 and provided an overview of general findings from peers in the public DC plan sponsor space. The DCPAC did not express any concerns regarding the standard benchmarks currently being used within the DC investment program.

2022 PIMCO U.S. DC Consulting Study

Staff gave an overview of the key findings from the 2022 PIMCO U.S. DC Consulting Study. Staff highlighted some of the findings, such as the dominance of target date funds, and noted the increasing interest in Environmental, Social and Governance (ESG) and alternatives in DC investing.

OTHER BUSINESS

No new business was brought before the Committee.

DISCUSSION OF NEW IDEAS

Mr. Larson started a discussion on how DCPAC impacts VRS customers, including a question about how to review and compare annual data in an environment that's rapidly changing. Staff explained that in addition to receiving annual studies from various sources, staff participate s in webinars, which usually include surveys. Staff also continuously engages with various parties within the DC industry, including VRS business partners, throughout the year. Trends are reviewed to ascertain longer term perspectives. Insights were also provided on behavioral finance and how changes in the stock market, variations in data and current conditions affect how customers react.

2022 MEETINGS

Senator Bell confirmed the remaining DCPAC meetings in 2022, all at 1:00 p.m.:

- Thursday, September 8th
- Thursday, December 1st

Additionally, the ORPHE Annual Employer Update has been scheduled for September 29, 2022 and will appear on the DCPAC agenda as an upcoming event. This is not a DCPAC meeting; however, members may attend if interested.

Mr. Andrews thanked Senator Bell for his report.

Report of the Administration and Personnel Committee

The VRS Board of Trustees received the report of the Administration and Personnel Committee and placed it on file.

Approval of Minutes

Mr. Andrews began his report by noting that the Committee approved the minutes of its April 6, 2022, meeting.

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 reminded the Committee that the Chief Technology and Information Security Officer briefed them on this matter in April and further 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.

Upon a motion by Mr. Montgomery, with a second by Mr. Hayes, the VRS Board of Trustees approved the following action:

Request for Board Action 2022-06-09: The VRS Board of Trustees approves revisions to Agency Performance Outcome #1 for Fiscal Year 2022.

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

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

Staff proposes six APOs for FY 2023, each with multiple subcomponents. Sixteen operational measures are also proposed for the fiscal year. 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 the organization's operational measures and has included this work in its FY 2023 roadmap.

Upon a motion by Dr. Gooden, with a second by Mr. Montgomery, the VRS Board of Trustees approved the following action:

Request for Board Action 2022-06-10: The VRS Board of Trustees approves the FY 2023 Agency Performance Outcomes (APOs) and Agency Operational Measures.

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 that 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 on the Appropriation Act's passage.

Upon a motion by Mr. Montgomery, with a second by Ms. Seward, the VRS Board of Trustees approved the following action:

Request for Board Action 2022-06-11: The Virginia Retirement System Board of Trustees approves an amended Investment Professionals' Pay Plan ("Pay Plan"), effective July 10, 2022.

Approve Revised Administrative Pay and Investment Operations and Administration Pay Plans

Ms. Reid also 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.

Upon a motion by Ms. Seward, with a second by Mr. Montgomery, the VRS Board of Trustees approved the following action:

Request for Board Action 2022-06-12: The VRS Board of Trustees approves an amended Administrative Pay Plan and Investment Operations and Administration Staff Pay Plan, effective July 10, 2022.

Budget Update

Jonathan 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.

Following Mr. Andrews' report, Ms. Bishop confirmed that any remaining balances are returned to the Trust and, for clarity, will be referred to as unexpended appropriations in future reports.

Operational Update Series: Education and Training

Next, as part of the ongoing Operational Update Series, Ms. Bishop introduced Christina Jay, Training Manager, who delivered a presentation on the role of the VRS Education and Training Team. Ms. Jay provided an overview of the VRS Strategy Map and noted the Education and Training Team is part of the Public Relations Department and collaborates with several other teams, such as Communications, Member Outreach and the Employer Representative Group.

The Education and Training Team strives for a superior customer experience by creating training products that are engaging, easily accessible and user-friendly. The team employs a multitude of training mediums and products such as E-Learning, webinars, live and virtual classes, manuals, process guides and videos with short, targeted content. Ms. Jay informed the Board that in addition to the training resources currently available, the VRS Training Academy for Employers, which contains a tailored three-series curriculum to aid in providing accurate benefit information to employees, will be launched in January 2023. Employers will be able to access the training academy directly through the VRS Employer website.

Lastly, Ms. Jay noted the team tracks curriculum views and completions, as well as assesses employer satisfaction through surveys and evaluations. If an employer reports an unsatisfactory experience following a training course, the team reaches out for details and feedback on areas of improvement; however, feedback from employers has been overwhelmingly positive.

Mr. Andrews thanked Ms. Jay for her presentation.

Commending Resolution of Service for O’Kelly E. McWilliams, III

Following a motion by Mr. Montgomery and a second by Ms. Seward, the VRS Board of Trustees affirmed the following resolution:

WHEREAS, O’Kelly E. McWilliams, III, Esq., was appointed to the Virginia Retirement System Board of Trustees beginning March 2017 and he served through April 2022; and

WHEREAS, the Governor of Virginia appointed him to serve as Chair of the Virginia Retirement System Board of Trustees in March 2020 and he served through April 2022 with honor and distinction, and introduced the Administration Update Series to further emphasize services available to members; and

WHEREAS, Mr. McWilliams further contributed to the System by serving as a Member and then Chair of the Investment Policy Committee, Chair of the Administration and Personnel Committee; Chair of the Chief Investment Officer Search Committee; a Member of the Audit and Compliance Committee; and a Member of the Benefits and Actuarial Committee; and

WHEREAS, Mr. McWilliams led the Board and the Virginia Retirement System with distinction during an unprecedented global pandemic and guided the System and its administration throughout this challenging time, exercising steady leadership and providing reassurance to staff and System members; and

WHEREAS, he guided the System during a period of significant change and achievement, including enabling members to submit retirement applications online using myVRS and establishing additional online services, including beneficiary management and direct deposit changes; and

WHEREAS, Mr. McWilliams led the VRS Board as the VRS Trust Fund marked a historic double-digit return of 27.5% in fiscal year 2021, while also marking a milestone as the fund exceeded \$100 billion for the first time;

NOW, THEREFORE, BE IT RESOLVED, that on June 23, 2022, we, the members of the Board of Trustees of the Virginia Retirement System, hereby acknowledge Mr. McWilliams’ superior leadership of the

System, and express our deep gratitude for his support and unwavering dedication to the Board of Trustees, the Virginia Retirement System, its members and the Commonwealth of Virginia.

Information Technology Update

Mark Rein, Chief Technology and Security Officer, provided the Board with an update on the data center project. Mr. Rein noted that significant upgrades to VRS' infrastructure involving networking and computing will take place over the next two years, and enhancements to the security platform will evolve as technologies and tactics become available. In addition, staff have bolstered their knowledge and expertise through classes and certifications, which supports retention and maintaining a modern workforce.

VRS has finalized the contract for two tier 3 data centers, each a fully available site located in two different states. The sites are on separate and unique power grids and employ different telecommunication providers, which allows for full redundancy and tolerance. Due to supply chain issues, networking equipment is expected to arrive in August and December, and staff expects to begin commissioning the data centers in April 2023.

Mr. Rein also provided the following updates to the Board:

- Staff has completed initial implementation of CrowdStrike, providing 24/7 security service.
- Work is underway to craft VNAV Generation 2 that will improve user experience and support future enhancements.
- Migration of SharePoint environment to a cloud-based service will be complete by March 2023.
- Staff is finalizing a project management organization that will be updating and enhancing governing processes, standards and policies.
- Staff is implementing technology to support VRS' hybrid (combination of in-person and remote work) workforce and replacing the current network to enhance speed and capacity.
- Through corporate contracts, VRS has selected a Microsoft Dynamics managed services provider, and is negotiating the same for Microsoft 365.

Mr. Rein advised that VRS has contracted with external resources to implement these enhancements and services to meet project goals and timelines.

Mr. Andrews thanked Mr. Rein for his presentation.

Report of the Director

Ms. Bishop, Director, began her report with an update on the agency road map for FY 2022, noting that all projects are progressing as planned, as well as a review of New Coverage Elections.

Legislative Update

Cindy Wilkinson, Policy, Planning and Compliance Director, provided the Board with an update on VRS-related legislation, as well as an overview of the impacts of the budget recently signed by the Governor. The Board was advised that the \$750 million allotted for FY 2022 will be included in the June 30, 2022 valuations presented in the fall, and the remaining \$250 million reserved for FY 2023 is contingent upon general fund revenues being received as anticipated.

Mr. Andrews thanked Ms. Wilkinson for her report.

Announcements

Next, Ms. Bishop provided the following announcements to the Board:

- The Virginia Government Finance Officers Association (VGFOA) recently honored Barry Faison, VRS Chief Financial Officer, for his years of dedicated service.
- The Academy of Interactive and Visual Arts (AIVA) presented VRS with the 2022 Communicator Award of Distinction for the SmartStep Auto-Increase Awareness Campaign.
- Use of the myVRS online retirement feature continues to increase since its launch.

Custodial and Signature Authorization Resolutions

Ms. Bishop presented the Resolution for Master Custodial Services and the Resolution for Payment of Retirement System Funds in the State Treasury and Signing Official Documents. The documents set out the Board's intentions regarding authority to sign documents. Mr. Faison noted the only change to both resolutions is updating the Chair's name.

DPB Deficit Provision Acknowledgement Form

Ms. Bishop noted that annually VRS and other state agencies are required to confirm that their obligations and expenditures do not exceed their appropriations. She advised that VRS expenditures and obligations do not exceed appropriations. The reporting form specifically states that each member of the Board has been provided with a copy of the notice. The executed form will be sent to the Department of Planning and Budget.

Securities Litigation (Closed Session)

Upon a motion by Mr. Montgomery, with a second by Chief Garrett, the Virginia Retirement System Board of Trustees convened 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 contained in § 2.2-3711(A)(7) of the *Code of Virginia*.

Upon return to open meeting, Mr. Montgomery moved, with a second by Ms. Seward, 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, § 2.2-3712 of the *Code of Virginia* requires a certification by the Board that such closed meeting was conducted in conformity with Virginia law;

NOW, THEREFORE, BE IT RESOLVED, 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. Bennett: Aye
Mr. Disharoon: Aye
Chief Garrett: Aye
Dr. Gooden: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. Andrews: Aye

Other Business

Lastly, Mr. Andrews reviewed the following meeting schedule:

- Board of Trustees – July 14, 2022 – Cancelled
- Investment Advisory Committee – August 18, 2022
- Defined Contribution Plans Advisory Committee – September 8, 2022
- Audit and Compliance Committee – September 13, 2022
- Administration and Personnel Committee – September 14, 2022
- Board of Trustees – September 22, 2022.

Adjournment

There being no further business and following a motion by Mr. Montgomery, with a second by Chief Garrett, the VRS Board of Trustees agreed to adjourn the meeting at 2:37 p.m.

Chair

Secretary

**Proposed VRS Board of Trustees and Committee Assignments
(Effective September 22, 2022)**

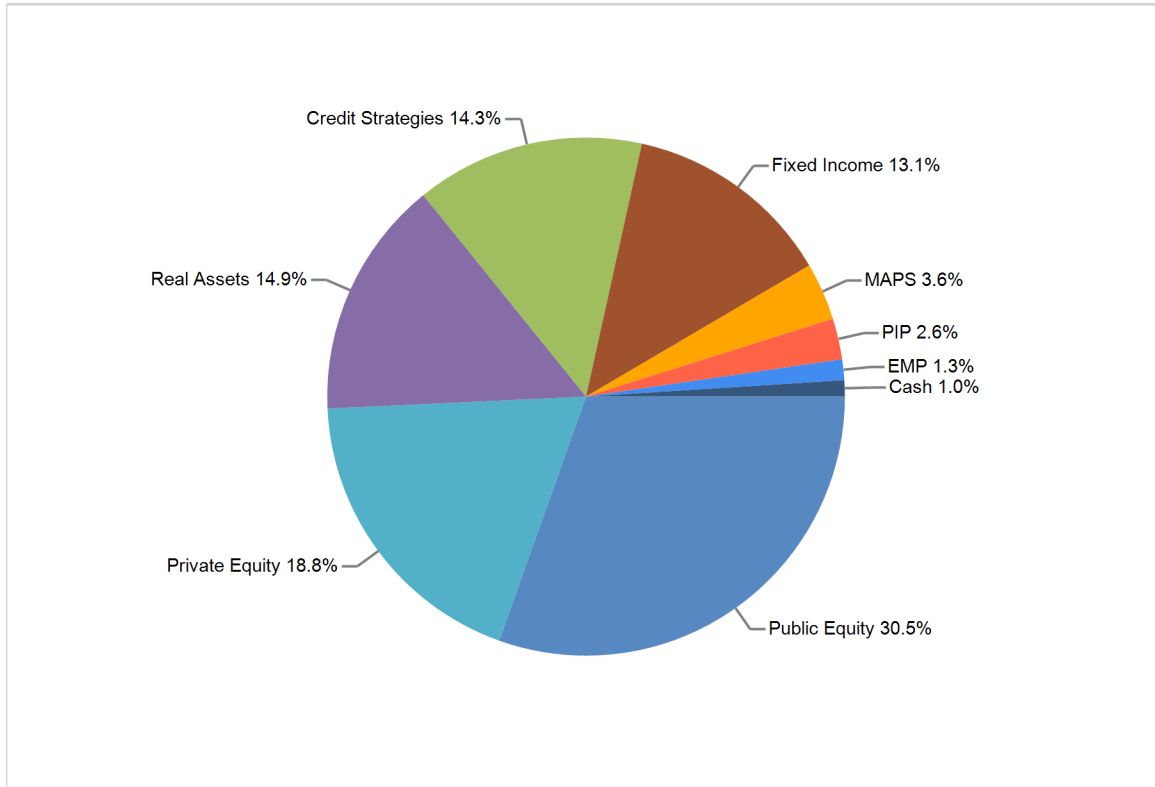
VRS Board of Trustees
A. Scott Andrews, Chair Joseph W. Montgomery, Vice Chair J. Brandon Bell, II John M. Bennett Michael P. Disharoon William A. Garrett Susan T. Gooden, Ph.D. W. Brett Hayes Lindsey K. Pantele
Administration and Personnel Committee
A. Scott Andrews, Chair Joseph W. Montgomery, Vice Chair W. Brett Hayes Michael P. Disharoon
Audit and Compliance Committee
Joseph W. Montgomery, Chair W. Brett Hayes, Vice Chair A. Scott Andrews
Benefits and Actuarial Committee
William A. Garrett, Chair John M. Bennett Lindsey K. Pantele
Defined Contribution Plans Advisory Committee
J. Brandon Bell, II, Chair Susan T. Gooden, Ph.D., Vice Chair Ravindra A. Deo Shannon T. Irvin Rick Larson Brenda O. Madden David A. Winter

**Proposed VRS Board of Trustees and Committee Assignments
(Effective September 22, 2022)**

Investment Policy Committee
A. Scott Andrews, Chair Joseph W. Montgomery, Vice Chair J. Brandon Bell, II John M. Bennett Michael P. Disharoon William A. Garrett Susan T. Gooden, Ph.D. W. Brett Hayes Lindsey K. Pantele
Investment Advisory Committee
Lawrence E. Kochard, Ph.D., Chair William “Hance” West, Vice Chair Deborah Allen Hewitt, Ph.D. Michael Beasley Theodore Economou Thomas S. Gayner Nancy G. Leake W. Bryan Lewis Rod Smyth

Notes:

1. *By charter, the Board chair appoints Board members to each committee.*
2. *By charter, the Board chair and vice chair shall serve in the respective position for the Administration and Personnel Committee and Investment Policy Committee.*
3. *For all committees other than the Administration and Personnel Committee and Investment Policy Committee, the committee chair is appointed by the Board chair, subject to approval by the Board.*
4. *For all committees other than the Administration and Personnel Committee and Investment Policy Committee, the vice chair is elected by the committee members.*



	<u>Current \$Bil</u>	<u>Current Weight</u>	<u>Policy Weight</u>	<u>Variance</u>	<u>Allowable Range</u>		<u>Internal %</u>
Total Fund	101.2						26.6%
Public Equity	30.8	30.5%	36.0%	-5.5%	-5%	+5%	41.8%
Fixed Income	13.2	13.1%	15.0%	-1.9%	-3%	+5%	96.5%
Credit Strategies	14.5	14.3%	14.0%	0.3%	-5%	+5%	
RS Credit	4.5	4.5%	5.6%	-1.1%			
NRS Credit	9.9	9.8%	8.4%	1.4%			
Real Assets	15.1	14.9%	14.0%	0.9%	-5%	+5%	8.4%
Public RE	1.4	1.4%					89.1%
Private RE	9.1	9.0%					
Other RA	4.5	4.5%					
Private Equity	19.0	18.8%	14.0%	4.8%	-5%	+5%	
MAPS	3.6	3.6%	4.0%	-0.4%	-2%	+2%	
DSTRAT	1.8	1.8%					
RBI	1.8	1.8%					0.7%
PIP	2.6	2.6%	2.0%	0.6%	-2%	+2%	
EMP	1.3	1.3%	0.0%	1.3%		+3%	
Cash	1.0	1.0%	1.0%	0.0%	-1%	+4%	

	<u>Current \$Bil</u>	<u>Current Weight</u>	<u>Policy Limit</u>
Hedge Funds	9.9	9.8%	15.0%

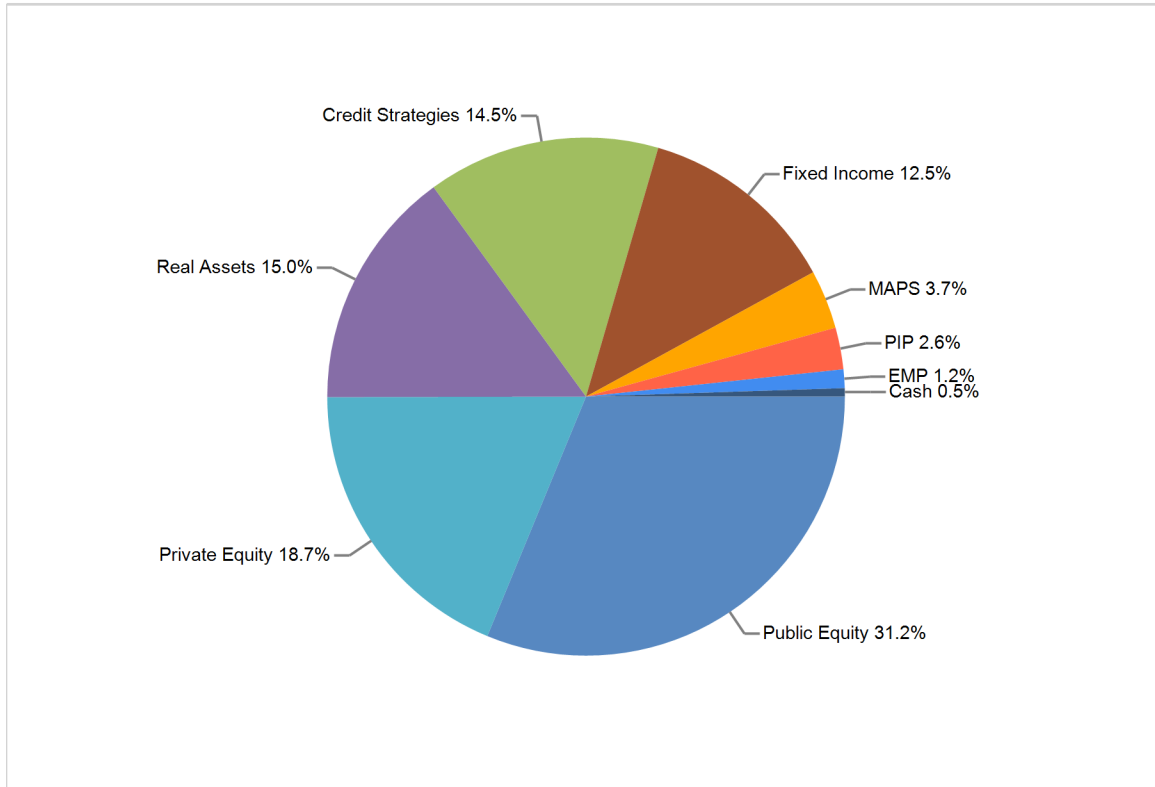
<u>Tracking Error</u>	
3Yr-Total Fund:	1.98%
3Yr-Total Public:	1.73%
5Yr-Total Fund:	1.80%
5Yr-Total Public:	1.42%

*Total Fund includes the following amt held by the Treasurer of VA: \$ 353 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.(5 adjustments applied)

*Total Fund and Total Public annualized tracking error is calculated using compounded quarterly returns as of 6/30/2022

* Differences in totals are due to rounding.



	Current \$Bil	Current Weight	Policy Weight	Variance	Allowable Range		Internal %
Total Fund	102.0						28.0%
Public Equity	31.9	31.2%	34.0%	-2.8%	-5%	+5%	46.3%
Fixed Income	12.8	12.5%	15.0%	-2.5%	-3%	+5%	96.0%
Credit Strategies	14.8	14.5%	14.0%	0.5%	-5%	+5%	
RS Credit	4.4	4.4%	5.6%	-1.2%			
NRS Credit	10.4	10.2%	8.4%	1.8%			
Real Assets	15.3	15.0%	14.0%	1.0%	-5%	+5%	9.7%
Public RE	1.5	1.5%					99.9%
Private RE	9.2	9.0%					
Other RA	4.6	4.5%					
Private Equity	19.1	18.7%	16.0%	2.7%	-5%	+5%	
MAPS	3.8	3.7%	4.0%	-0.3%	-2%	+2%	
DSTRAT	1.9	1.9%					5.0%
RBI	1.8	1.8%					0.5%
PIP	2.7	2.6%	2.0%	0.6%	-2%	+2%	
EMP	1.2	1.2%	0.0%	1.2%		+3%	
Cash	0.5	0.5%	1.0%	-0.5%	-1%	+4%	

	Current \$Bil	Current Weight	Policy Limit
Hedge Funds	10.0	9.8%	15.0%

Tracking Error	
3Yr-Total Fund:	1.98%
3Yr-Total Public:	1.73%
5Yr-Total Fund:	1.80%
5Yr-Total Public:	1.42%

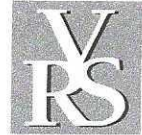
*Total Fund includes the following amt held by the Treasurer of VA: \$ 170 million

• 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 (6 adjustments applied)

*Total Fund and Total Public annualized tracking error is calculated using compounded quarterly returns as of 6/30/2022

* Differences in totals are due to rounding.

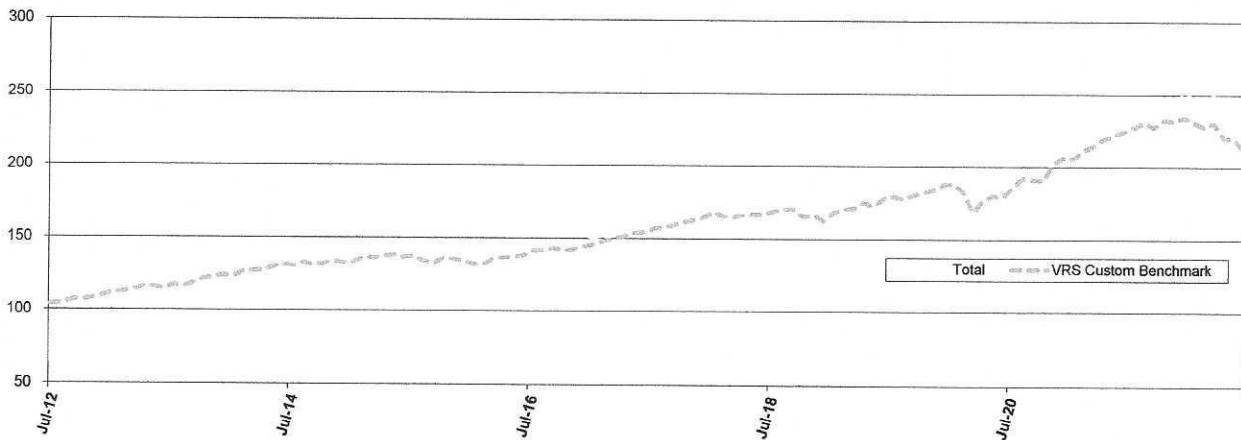
PERFORMANCE SUMMARY
Rolling Periods Ending
June 30, 2022



TOTAL FUND PERFORMANCE

	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month	Fiscal YTD	Cal YTD	Market Value (\$MM)
Total Public Equity Strategies	9.0	6.3	6.1	-14.8	-13.5	-8.0	-14.8	-18.4	29,910
<i>Benchmark</i>	8.9	6.9	6.3	-16.2	-15.7	-8.6	-16.2	-20.3	
Total Fixed Income	2.3	1.8	0.3	-10.6	-5.3	-2.1	-10.6	-10.8	12,925
<i>Benchmark</i>	1.5	0.8	-1.1	-11.0	-5.3	-2.1	-11.0	-11.1	
Total Credit Strategies	6.6	6.3	6.4	1.5	-2.6	-1.6	1.5	-2.7	14,464
<i>Benchmark</i>	4.7	3.3	1.8	-6.5	-6.0	-3.5	-6.5	-8.0	
Total Real Assets	10.9	10.1	11.0	21.7	3.4	4.5	21.7	10.6	15,091
<i>Benchmark</i>	9.1	8.1	8.7	18.0	3.5	1.0	18.0	8.5	
Total Private Equity	17.5	21.2	25.5	27.4	0.3	0.6	27.4	5.2	19,049
<i>Benchmark</i>	13.7	14.4	15.7	6.7	-5.4	2.1	6.7	0.5	
Total Private Investment Partnerships	n/a	11.1	12.7	17.0	1.6	1.6	17.0	4.8	2,588
<i>Benchmark</i>	n/a	9.2	9.5	6.9	-2.1	-0.1	6.9	1.1	
Total Multi-Asset Public Strategies	n/a	n/a	3.6	-4.7	-6.6	-4.5	-4.7	-7.2	3,632
<i>Benchmark</i>	n/a	n/a	3.6	-8.2	-7.7	-4.2	-8.2	-10.8	
Total Fund	8.7	8.3	9.2	0.6	-5.1	-2.6	0.6	-5.9	101,185
<i>VRS Custom Benchmark</i>	7.5	6.6	6.1	-5.5	-8.0	-3.6	-5.5	-9.6	

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.

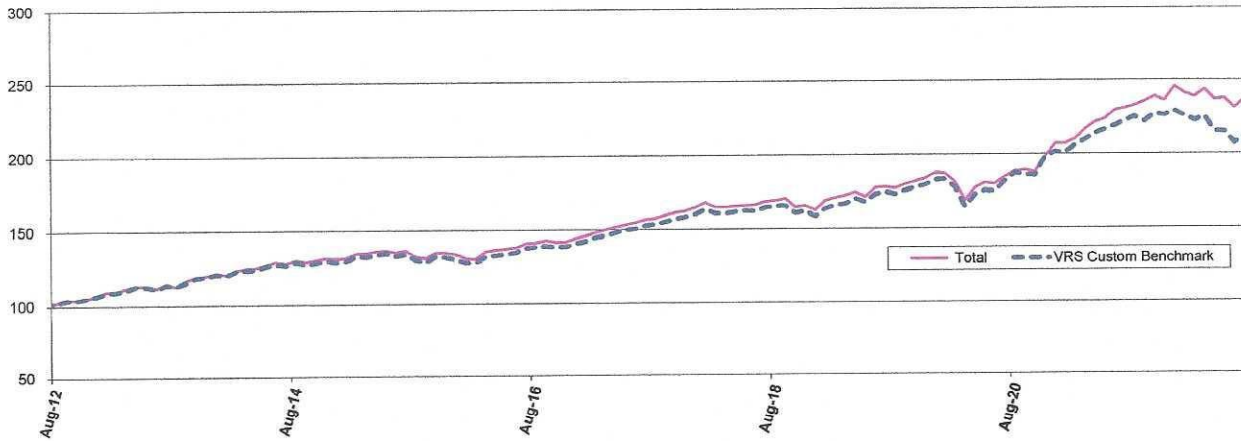
PERFORMANCE SUMMARY
Rolling Periods Ending
July 31, 2022



TOTAL FUND PERFORMANCE

	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month	Fiscal YTD	Cal YTD	Market Value (\$MM)
Total Public Equity Strategies	9.5	7.2	8.0	-10.3	-2.1	6.1	6.1	-13.4	31,683
<i>Benchmark</i>	9.5	7.9	8.5	-10.7	-1.9	7.2	7.2	-14.5	
Total Fixed Income	2.4	2.2	1.1	-9.3	0.9	2.5	2.5	-8.5	13,252
<i>Benchmark</i>	1.6	1.2	-0.3	-9.6	1.2	2.7	2.7	-8.7	
Total Credit Strategies	6.6	6.4	6.7	2.8	-0.1	1.6	1.6	-1.1	14,882
<i>Benchmark</i>	4.9	3.8	2.6	-3.6	-1.6	3.4	3.4	-4.9	
Total Real Assets	11.0	10.2	11.3	22.3	5.1	0.9	0.9	11.6	15,348
<i>Benchmark</i>	9.2	8.4	9.3	18.6	4.3	2.0	2.0	10.7	
Total Private Equity	17.4	21.1	25.5	27.2	0.5	-0.2	-0.2	5.0	19,164
<i>Benchmark</i>	12.8	12.2	11.5	-5.9	-8.1	-7.9	-7.9	-7.5	
Total Private Investment Partnerships	n/a	11.1	12.7	17.0	1.6	0.0	0.0	4.8	2,588
<i>Benchmark</i>	n/a	9.0	8.6	4.0	-1.3	-0.8	-0.8	0.3	
Total Multi-Asset Public Strategies	n/a	n/a	4.2	-2.0	-1.6	2.7	2.7	-4.7	3,732
<i>Benchmark</i>	n/a	n/a	4.6	-5.3	-0.2	3.9	3.9	-7.3	
Total Fund	8.9	8.6	9.9	2.7	0.1	2.5	2.5	-3.6	103,504
<i>VRS Custom Benchmark</i>	7.7	6.8	6.7	-4.4	-1.4	2.5	2.5	-7.3	

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 6/30/2022)

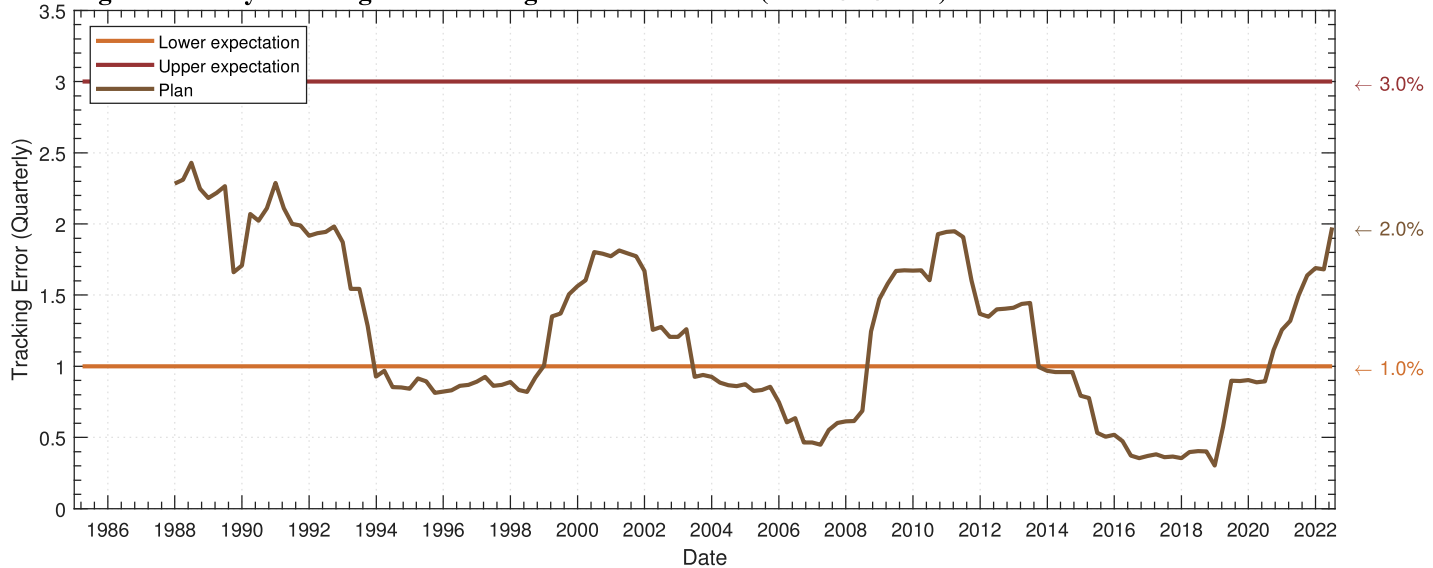
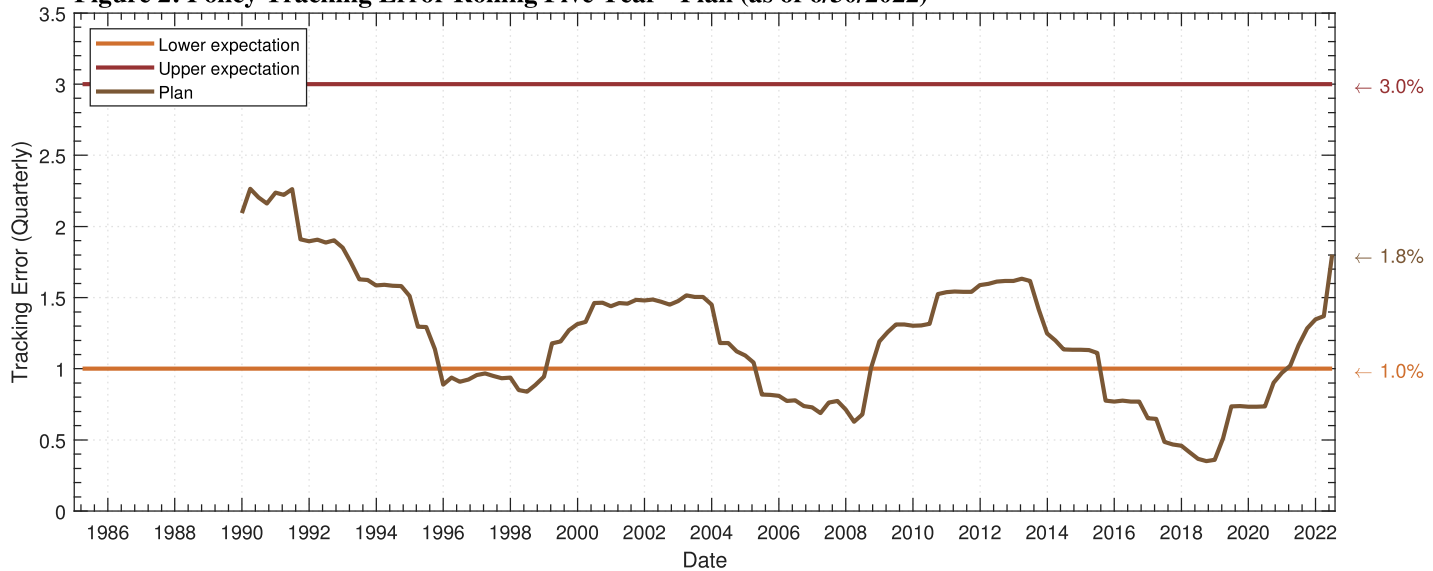


Figure 2: Policy Tracking Error Rolling Five Year - Plan (as of 6/30/2022)



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 Equities	Terminated	07/18/2022	\$270 Million	Immediate	Nordea EM – Long only emerging markets manager.
Public Equities	Hired	08/01/2022	\$250 Million	Immediate	CET Energy Dynamics Fund – Long/short equity hedge fund focused on the energy sector.
Public Equities	Terminated	08/04/2022	\$1,200 Million	Immediate	Nordea Global – Long only global markets manager.
Public Equities	Opened	09/01/2022	\$750 Million	Immediate	Rivanna – An internally managed active global equity strategy.
Credit Strategies	Hired	06/30/2022	\$450 Million	3 Years	Värde Diversified Credit – A fund that will invest opportunistically across credit markets, with a focus on private credit investments.
Real Assets	Hired	06/30/2022	\$250 Million	5 Years	Blackstone Real Estate Partners X, LP – A closed-end fund investing in opportunistic global real estate.
Real Assets	Hired	08/30/2022	\$150 Million	5 Years	Sprott Structured Opportunities Fund I – A closed-end fund providing loans to mine developers.
Private Equity	Hired	06/21/2022	\$40 Million	6 Years	Matrix Partners XII – Early-stage, technology-focused venture capital fund where initial investments are in Seed/Series A financing rounds.
Private Equity	Hired	07/01/2022	\$200 Million	6 Years	Advent International GPE X – Mega buyout fund that targets North American and European companies across various industry sectors.
Private Equity	Hired	07/01/2022	\$200 Million	5 Years	Apax XI – Large buyout manager that targets companies in market sub-sectors with substantial growth tailwinds but invests considerable effort to transform these into more complete assets.

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

** 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.

Program	Action	Effective Date	Commitment/Current Value	Funding/Defunding Period	Description
Private Equity	Hired	07/01/2022	\$200 Million	5 Years	Audax Private Equity Fund VII – North American mid-market buyout fund that follows a buy and build strategy for control investments.
Private Equity	Hired	07/01/2022	\$175 Million	6 Years	Green Equity Investors IX – Large buyout fund targeting companies with market-leading franchises, defensible competitive positions, and successful track records.
Private Equity	Hired	07/01/2022	\$100 Million	6 Years	Thoma Bravo XV – Mega buyout manager that targets businesses that provide application, infrastructure and security software products, and/or technology enabled services.
Private Equity	Hired	07/01/2022	\$150 Million	5 Years	**Veritas Capital Fund VIII – Large buyout fund with a focus on investing in companies that provide critical products and services, primarily technology or technology-enabled solutions to government and commercial customers.
Private Equity	Hired	07/05/2022	\$200 Million	6 Years	Apollo Investment Fund X – Value-oriented mega buyout fund that has a flexible strategy for investments in opportunistic buyouts and build ups, corporate carve-outs, and distressed investments.
Private Equity	Hired	07/20/2022	\$150 Million	6 Years	HIG Advantage Buyout Fund II – Mid-market buyout fund that targets control investments in stable, high-quality companies in North America.
Private Equity	Hired	07/20/2022	\$100 Million	5 Years	*Vista Equity Partners Fund VIII – Mega buyout fund that makes control investments in enterprise software companies.
Private Equity	Hired	07/21/2022	€120 Million	5 Years	Bain Capital Europe VI – European mid-market buyout fund that makes control investments in businesses with sustainable competitive advantages, potential upside, and opportunities to drive transformational operational change.

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

** 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
DIME Quarterly Report
Activity for Quarter Ending June 30, 2022

Investment Program	Activity	Manager Name	Description	VRS Action
Public Equity	Virtual Manager Meeting	Impactive Capital (minority and women-owned firm) ¹	Manager focused on activist investment management.	Staff had an update meeting with this manager to discuss their firm and strategy.
Public Equity	Virtual Manager Meeting	Moon Capital (minority-owned firm) ¹	Manager focused on investing in global equity markets, especially emerging and frontier markets.	Staff had an update meeting with this manager to discuss the firm and their strategy.
Public Equity	Virtual Manager Meeting	Paradigm BioCapital (minority-owned firm) ¹	Manager focused on investing in biotech, especially small and mid-cap therapeutics.	Staff had a meeting with the manager to discuss their firm and strategy.
Public Equity	Virtual Manager Meeting	Penserra (minority-owned firm) ²	Manager focused on investing in international small cap equities.	Staff had a meeting with the manager to discuss their firm and strategy.
Public Equity	Virtual Manager Meeting	Vista Equity Partners (minority and women-owned firm) ¹	Manager focused on mid-cap software and technology.	Staff had a meeting with the manager to discuss their firm and strategy.
Public Equity	Virtual Manager Meeting	Sapience Investments (minority-owned firm) ¹	Manager focused on investing in U.S. small and SMID value equities.	Staff had a meeting with the manager to discuss their firm and strategy.
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.

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending June 30, 2022

Investment Program	Activity	Manager Name	Description	VRS Action
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.
Credit Strategies	Telephone Call with Manager	Hollis Park (minority-owned) ¹	Manager focused on alternative asset management, specifically structured products.	Staff had a call with the manager to discuss their firm and strategy.
Credit Strategies	Materials Review	VesperMare (minority-owned) ¹	Manager focused on emerging market fixed income alternative investment solutions.	Staff reviewed materials.
Credit Strategies	Virtual Manager Meeting	Legalist (minority-owned) ²	Manager focused on alternative asset management, specifically private debt.	Staff had a meeting with the manager to discuss their firm and strategy.
Credit Strategies	Telephone Call with Manager	Orthogon (minority-owned) ¹	Manager focused on less-competed (esoteric) assets with reduced dependence on credit, business, market, rate, and other factors of systematic risk.	Staff had a call with the manager to discuss their firm and strategy.
Credit Strategies and Risk-Based Investments	Periodic Communication with Fund-of-Fund Manager	N/A	Aksia is the consultant used by these two investment programs.	Periodic communication to review DIME and other emerging managers along with other opportunities more broadly.
Risk-Based Investments	Telephone Call with Manager	Gladius Capital Management (minority-owned firm) ¹	A provider of derivative based solutions to manage risks.	Staff had a call with this manager to further discuss their firm and strategies.
Real Assets	Virtual Manager Meeting	Foundation Capital Partners (minority-owned firm) ²	Opportunistic real estate manager focused on middle-market assets throughout the U.S.	Staff held an introductory meeting with this manager to discuss their background, company, current fundraise initiative and market update.

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending June 30, 2022

Investment Program	Activity	Manager Name	Description	VRS Action
Real Assets	Virtual Manager Meeting	Newport Capital Partners (service-disabled veteran) ¹	Value-add real estate manager focused on neighborhood, needs-based retail throughout the U.S.	Staff held an introductory meeting with this manager to discuss their background, company, current fundraising initiative and market update.
Real Assets	Virtual Manager Meeting	Upshot Capital Advisors (minority-owned firm) ¹	Manager is an alternative asset management and advisory firm.	Staff held an update meeting with this manager to discuss the updates to their fund focus, investment activity, as well as a market update.
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.
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.

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending June 30, 2022

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.
Private Equity	Telephone Call with Manager	Argand Partners (minority and women-owned firm) ¹	A firm focused on acquiring controlling interests in market-leading advanced manufacturing and business services companies headquartered in North America and Europe.	Staff had a call with this manager during the quarter.
Private Equity	Telephone Call with Manager	Avance Investment Management (minority-owned firm) ¹	A firm investing in services, technology and consumer industries with founders in the lower middle market.	Staff had a call with this manager during the quarter.
Private Equity	Telephone Call with Manager	Palladium Equity (minority and women-owned firm) ¹	New product offering making value-driven control investments in business to business and industrial companies with a focus on entrepreneur-backed companies, corporate carveouts and multi-seller transactions.	Staff had a call with this manager during the quarter.
Private Equity	Telephone Call with Manager	Spindletop Capital (minority-owned firm) ²	A growth equity firm building companies to improve healthcare outcomes at lower costs and address disparity and inequality in healthcare.	Staff had a call with this manager during the quarter.
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 meeting with this manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	ICV Capital Partners (minority-owned firm) ¹	A private equity fund investing in market leaders in stable to growing niches in smaller middle market companies with a value theme at the purchase.	Staff had a meeting with this manager during the quarter.

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending June 30, 2022

Investment Program	Activity	Manager Name	Description	VRS Action
Private Equity	On-Going Monitoring of Current VRS Manager	MBK Partners (minority-owned firm) ¹	A North Asia private equity firm.	Staff had a meeting 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 meeting 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	Veritas Capital (minority-owned firm) ²	Middle market buyout fund targeting primarily technology or technology-enabled solutions to government.	Staff had a meeting with this manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	Vista Equity Partners (minority and women-owned firm) ¹	A large market buyout fund targeting enterprise software companies.	Staff had a meeting with this manager during the quarter.
Private Equity	Attendance at DIME Conference	Grosvenor Consortium 2022 Conference	Attended a conference focused on raising the visibility of diverse and women investment managers.	Staff attended the event during the quarter.
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 women-owned manager during the quarter.

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending June 30, 2022

Index:

- 1 – The manager is considered Diverse Investment Management Engagement (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 June 30, 2022

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

Virginia Retirement System

2021 FY Pension Administration Benchmarking Results



September 22, 2022

Your report is a fiduciary tool for understanding how your costs and service levels compare to peers.

- CEM collects standardized pension administration data from participants and utilizes rigorous data quality checks to ensure the best possible comparability.
- Benchmarking is our only business. We specialize in providing independent and objective evaluation of costs and service levels.
- This presentation will focus on a summary of your key results. A full report with supporting details has been provided to VRS staff.
- Here is how our clients get the most out of CEM's pension administration benchmarking service.
 1. Measure and manage performance:
 - Focus on what is important
 - Monitor progress using an independent, objective benchmark
 - Manage your costs
 2. Focus on customer service levels:
 - Learn what others are doing that you are not
 - Gain best practice insights into key areas

69 leading global pension systems participate in the benchmarking service.

Participants

United States

Arizona SRS
CalPERS
CalSTRS
Colorado PERA
Delaware PERS
Florida RS
Idaho PERS
Illinois MRF
Indiana PRS
Iowa PERS
KPERS
LACERA
Michigan ORS
Minnesota State RS
Nevada PERS
NYC TRS
NYSLRS
Ohio PERS
Oregon PERS
Pennsylvania PSERS
PSRS PEERS of Missouri
South Dakota RS

STRS Ohio
Texas County and District RS
TRS Illinois
TRS of Texas
Utah RS
Virginia RS
Washington State DRS

Canada

Alberta Pension Services
Alberta Teachers
BC Pension Corporation
Canadian Forces PP
Federal Public Service PP
HOOPP
LAPP of Alberta
Municipal Pension Plan of BC
Ontario Pension Board
Ontario Teachers
OPTrust
RCMP
Saskatchewan HEPP

The Netherlands*

ABN Amro PF
ABP
bpfBOUW
Metaal en Techniek
PF PWRI
PF Vervoer
PFZW
Rabobank PF

Denmark

ATP

United Kingdom*

Armed Forces Pension Scheme
BSA NHS Pensions
BT Pension Scheme
Greater Manchester PF
Irish Construction Workers' PS
Local Pensions Partnership
Lothian PF
Merseyside PF
Pension Protection Fund
Principal Civil Service
Railpen Pension Scheme
Rolls Royce Pension Fund
Royal Mail Pensions
Teachers' Pensions
Tyne & Wear PF
Universities Superannuation
West Midlands Metro
West Yorkshire PF

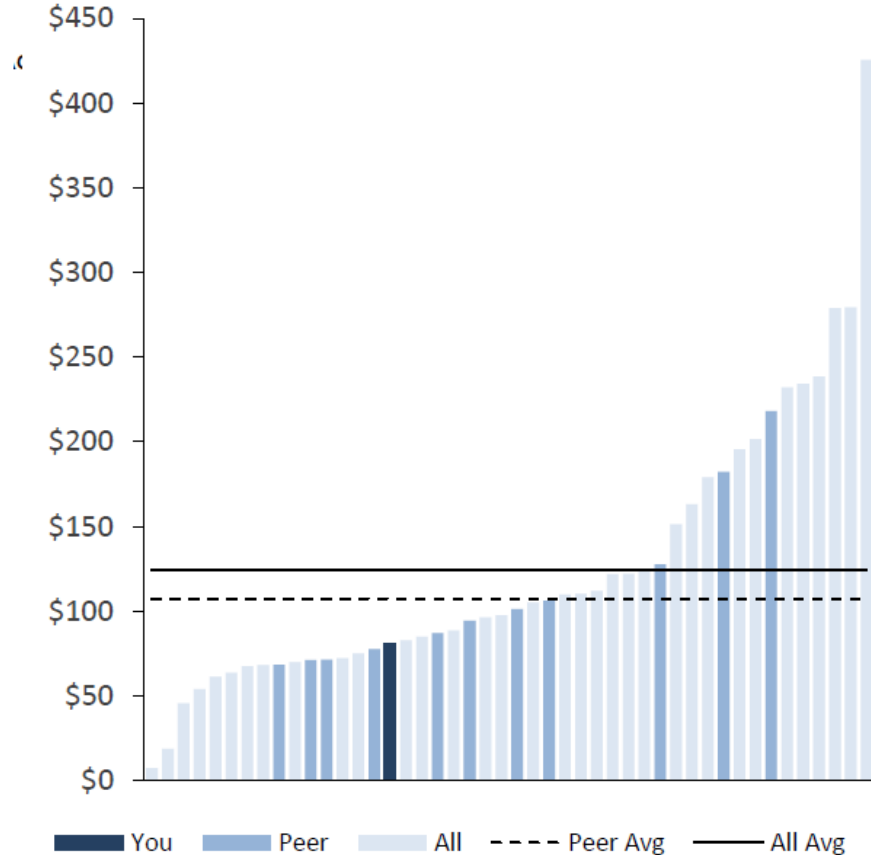
Your custom peer group consists of 12 funds that are close to your membership size.

Custom Peer Group for Virginia RS			
Peers (sorted by size)	Membership (in 000's)		
	Active Members	Annuitants	Total
NYSLRS	502	497	999
CalSTRS	449	318	767
Virginia RS	345	225	570
Washington state DRS	334	209	543
Ohio PERS	289	217	506
Pennsylvania PSERS	248	243	491
Michigan ORS	178	283	461
Indiana PRS	248	167	414
Arizona SRS	208	163	371
STRS Ohio	203	160	363
Colorado PERA	234	127	361
Oregon PERS	181	159	340
Peer Median	248	213	476
Peer Average	285	231	515

Inactive members are not considered when selecting peers because they are excluded when determining cost per member. They are excluded because they are less costly to administer than either active members or annuitants.

Your pension administration cost of \$81 per member was \$26 below the peer average of \$107.

Pension Administration Cost Per Active Member and Annuitant



Category	\$000s	\$ per Active Member and Annuitant	
		You	Peer Avg
Front office			
Member Transactions	3,805	7	13
Member Communication	6,641	12	18
Collections & Data Maintenance	2,811	5	8
Governance and support			
Governance and Financial Control	2,791	5	6
Major Projects	0	0	11
Information Technology	24,589	43	32
Building	1,840	3	5
Legal	1,280	2	4
HR, Actuarial, Audit, Other	2,430	4	10
Total Pension Administration	46,186	81	107

Your total pension administration cost was \$46.2 million. This excludes the fully-attributed cost of administering healthcare, and optional and third-party administered benefits of \$12.3 million.

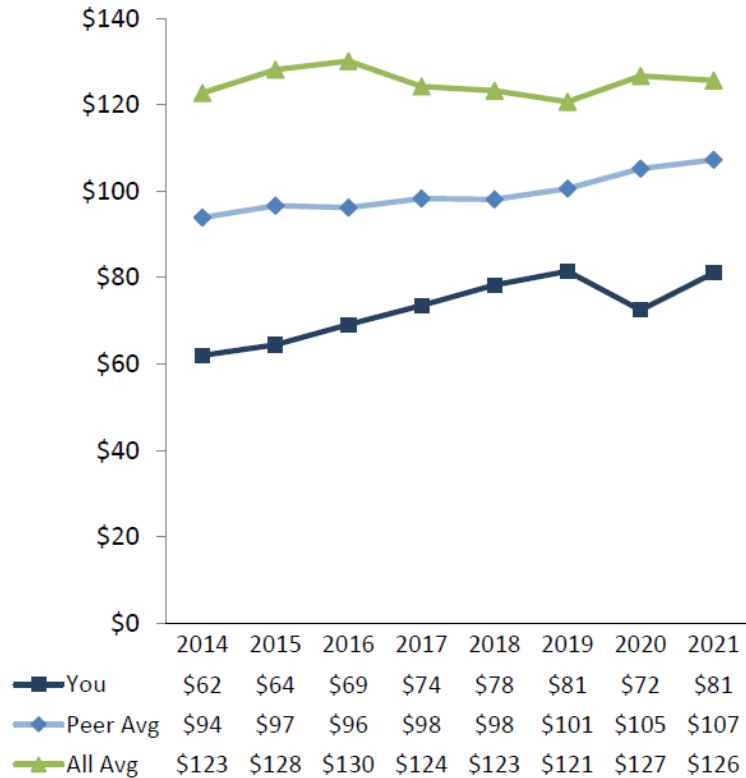
Here are the reasons why your total cost was \$26 lower than the peer average.

Reason	You	Peer Avg	Impact \$ per active member and annuitant
1 Fewer front-office FTE per 10,000 members	2.3 FTE	3.5 FTE	-\$24
2 Lower third party costs per member in the front-office	\$3	\$6	-\$2
3 Higher costs per FTE			
Salaries and Benefits	\$106,598	\$105,872	
Building and Utilities	\$9,801	\$9,860	
HR	\$2,579	\$3,954	
IT Desktop, Networks, Telecom	<u>\$85,682</u>	<u>\$22,838</u>	
Total	\$204,660	\$142,523	\$34
4 Lower support costs per member ¹			
Governance and Financial Control	\$8	\$11	
Major Projects	\$0	\$15	
IT Strategy, Database, Applications	\$19	\$27	
Actuarial, Legal, Audit, Other	<u>\$8</u>	<u>\$17</u>	
Total	\$36	\$70	-\$34
Total			-\$26

1. To avoid double counting, support costs are adjusted for differences in cost per FTE.

Cost trends:

Trend in Total Pension Administration Costs



Between 2014 and 2021:

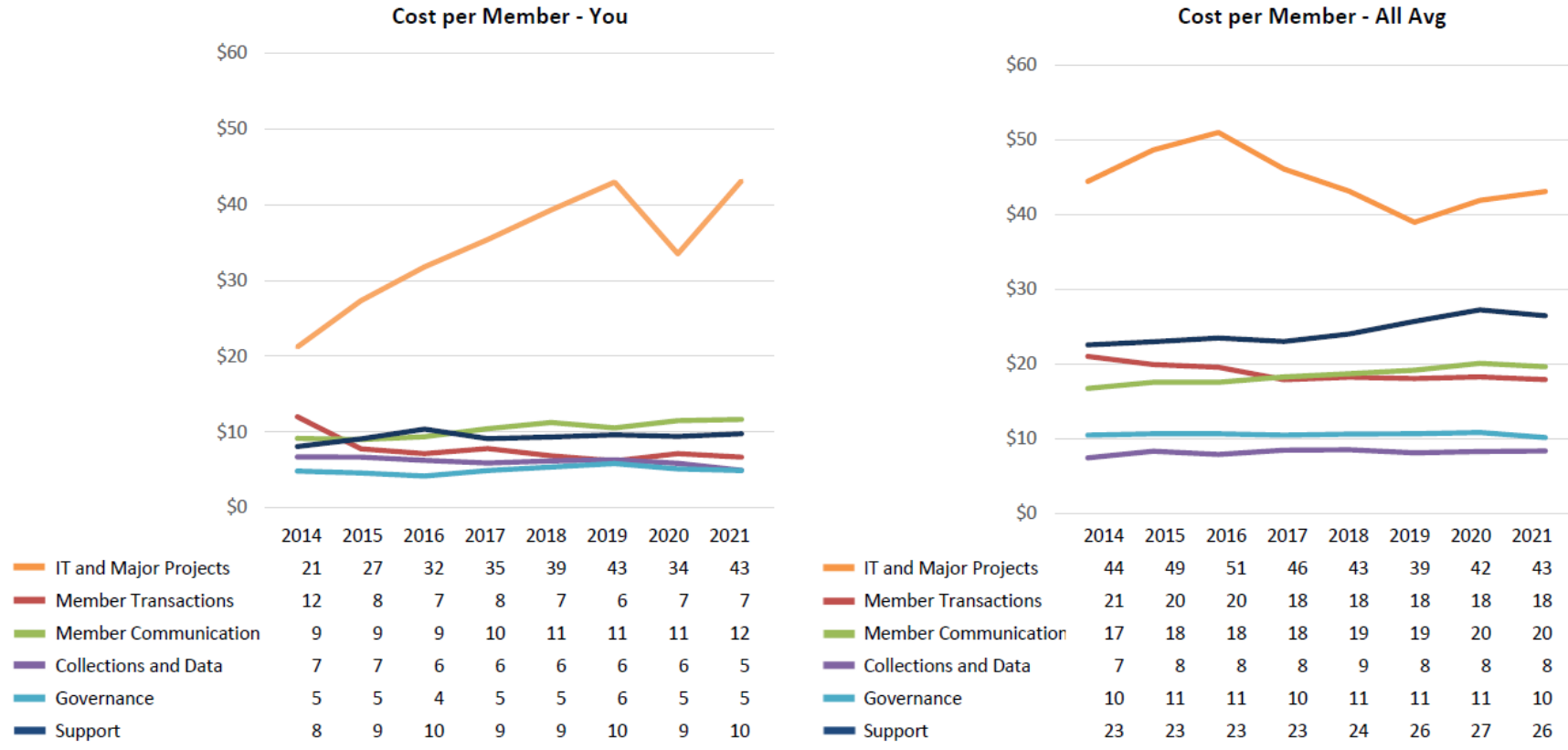
- Your total pension administration cost per active member and annuitant increased on average by 3.9% per annum.
- The average cost of your peers with 8 consecutive years of data increased by an average of 1.9% per annum.

Over the last 8 years, your costs in IT upgrade projects and the implementation of new programs have increased from \$21 per member to \$43 per member.

The increase in cost per member can be attributed to the introduction of new programs such as myVRS, the Hybrid Retirement Plan, the Local Disability Program, and communication programs for the Line of Duty Act.

Trend analysis is based on systems that have provided 8 consecutive years of data (12 of your 12 peers and 34 of the 45 systems in the universe).

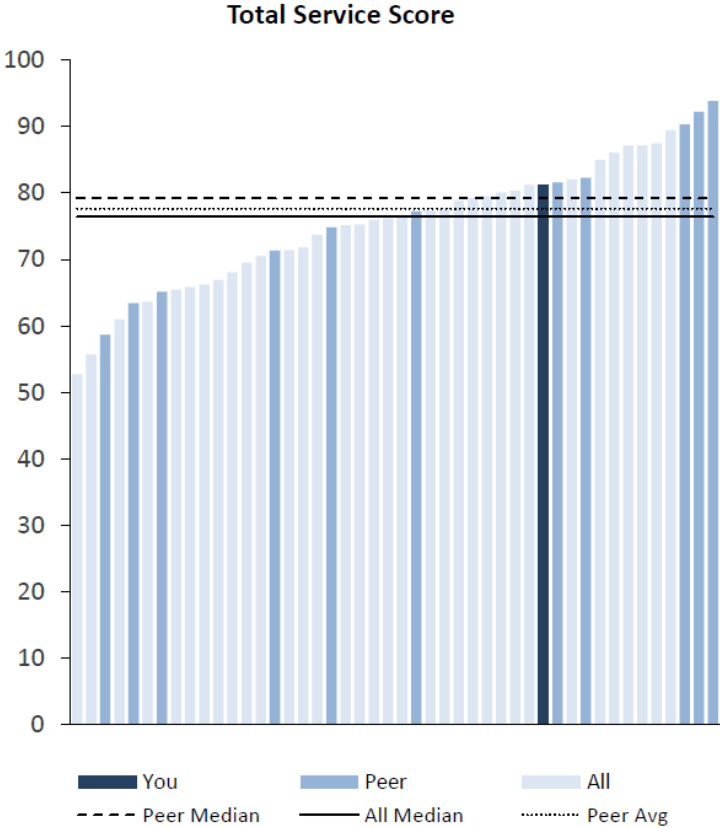
IT and Major project costs are the biggest part of total administration costs for you and all plans.



Trend analysis is based on 34 systems that provided 8 consecutive years of data.



Your total service score was 81. This was above the peer median of 79.



Service Scores by Activity			
Activity	Weight	You	Peer Median
1. Member Transactions			
Pension Payments	10.0%	100	100
Pension Inceptions	7.4%	92	89
Refunds, Withdrawals, and Transfers-out	1.3%	93	95
Purchases and Transfers-in	3.1%	100	91
Disability	3.8%	82	81
2. Member Communication			
Call Center	21.0%	71	64
1-on-1 Counseling	7.4%	75	75
Member Presentations	6.5%	73	100
Written Pension Estimates	4.7%	93	90
Mass Communication			
Website	21.3%	93	87
News and Targeted Communication	2.8%	67	81
Member Statements	4.7%	88	85
3. Other			
Member Experience Surveying	5.0%	13	37
Disaster Recovery	1.0%	100	92
Weighted Total Service Score	100%	81	79

Service is defined from a member’s perspective. Higher service means more channels, faster turnaround times, more availability, more choice, better content and higher quality.

Higher service is not necessarily cost-effective. For example, the ability to answer the telephone 24 hours a day is higher service, but not cost effective.

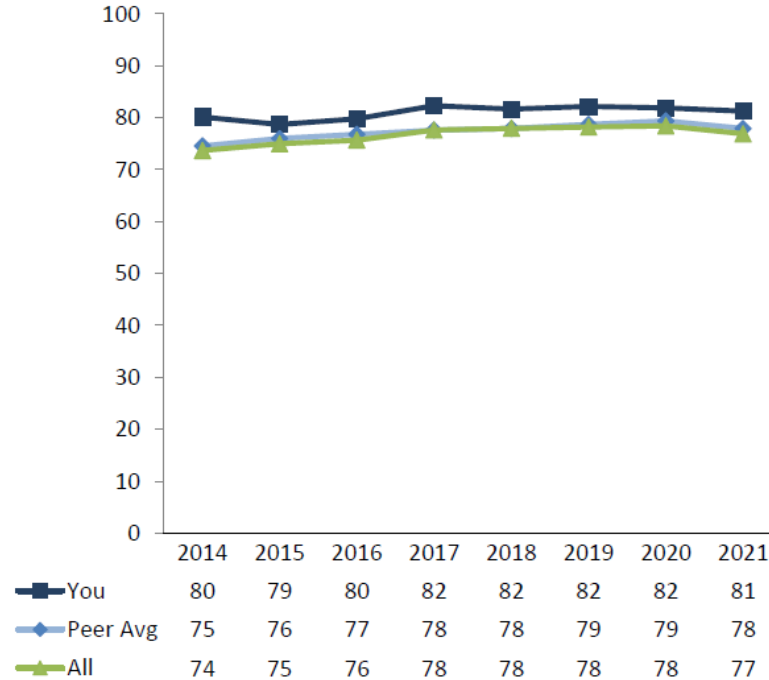


Here are some examples of key service measures included in your Service Score.

Select Key Service Metrics	You		Peer Avg
	2020	2021	
<u>Member Contacts</u>			
• % of calls resulting in undesired outcomes (busy signals, messages, hang-ups)	10%	13%	18%
• Average total wait time including time negotiating auto attendants, etc.	248 secs	302 secs	410 secs
<u>Website</u>			
• Can members access their own data in a secure environment?	Yes	Yes	100% Yes
• Do you have an online calculator linked to member data?	Yes	Yes	92% Yes
• # of other website tools offered such as changing address information, registering for counseling sessions and/or workshops, viewing or printing tax receipts, etc.	14	19	17
<u>1-on-1 Counseling and Member Presentations</u>			
• % of your active membership that attended a 1-on-1 counseling session	1.3%	0.6%	2.2%
• % of your active membership that attended a presentation	2.5%	1.5%	5.0%
<u>Pension Inceptions</u>			
• What % of annuity pension inceptions are paid without an interruption of cash flow greater than 1 month between the final pay check and the first pension check?	96.8%	100.0%	85.1%
<u>Member Statements</u>			
• How current is an active member's data in the statements that the member receives?	2.0 mos	2.0 mos	2.0 mos
• Do statements provide an estimate of the future pension entitlement?	Yes	Yes	67% Yes

Your service score has increased slightly between 2014 and 2021.

Trends in Total Service Scores



However, minor service changes have made an impact on your score:

Changes that had a positive impact

- **Website:** The number of additional features such as online retirement applications, online refund applications, an online financial planner and beneficiary management system.

Changes that had a negative impact

- **Group counseling:** Your attendees as a percentage of active members decreased from 3.0% in 2014 to 1.5% in 2021.
- **1-on-1 counseling:** Your session availability decreased over the period with only 0.6% of your active membership going for sessions in 2021.

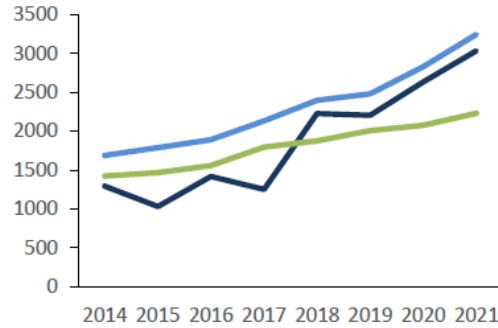
Trend analysis is based on systems that have provided 8 consecutive years of data (12 of your 12 peers and 34 of the 45 systems in the universe).

Historic scores have been restated to reflect changes in methodology. Therefore, your historic service scores may differ from previous reports.

Traditional transaction volumes for you and the global universe are decreasing and digital transaction volumes are increasing:

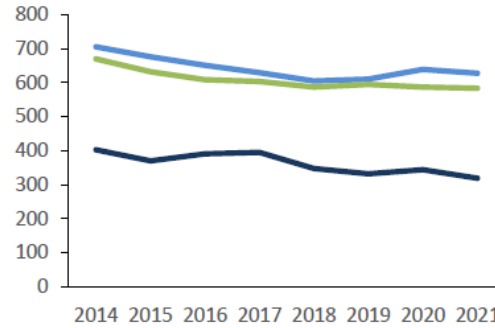
Website - Total Secure Area Visits

per 1,000 active members and annuitants



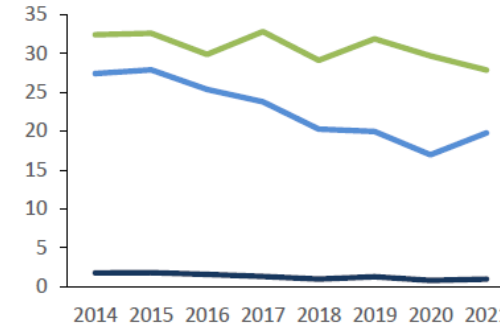
Incoming Calls and Emails

per 1,000 active members and annuitants



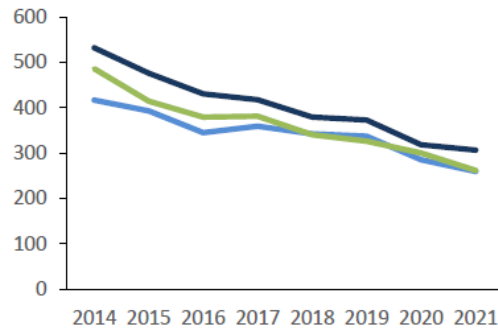
Written Estimates

per 1,000 active members and annuitants



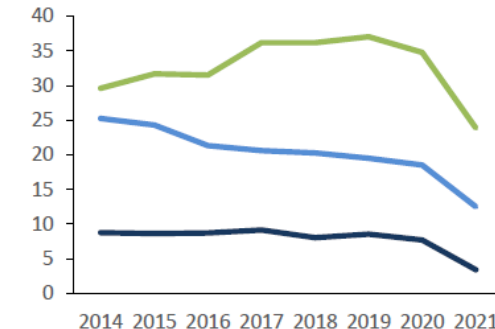
Incoming Mail

per 1,000 active members and annuitants



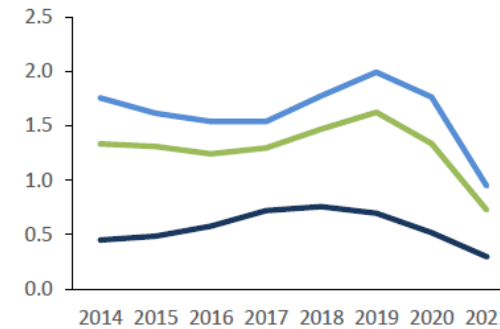
Members Counseled 1-on-1

per 1,000 active members and annuitants



Member Presentations

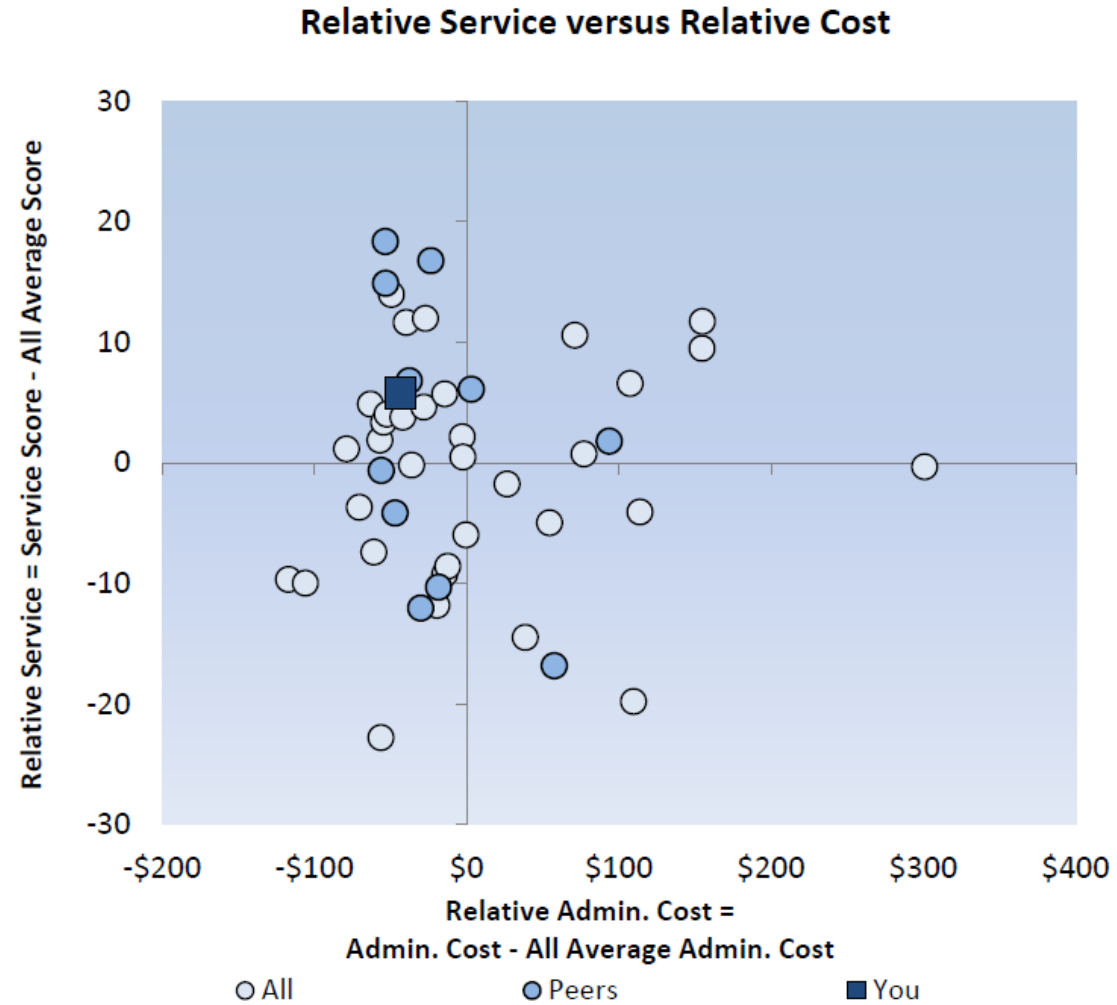
per 1,000 active members and annuitants



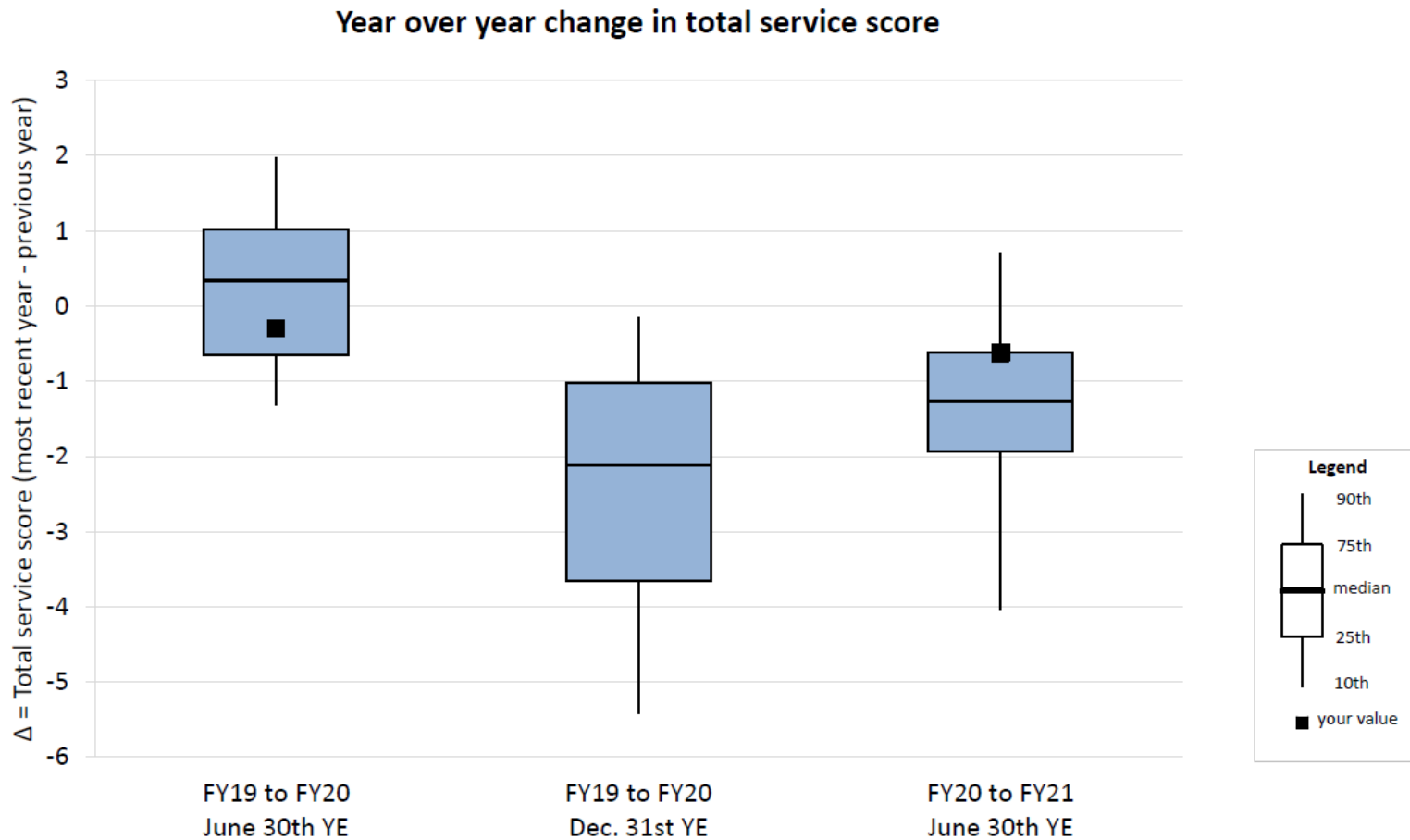
— You — Peer Avg — All Avg

Trend analysis is based on systems that have provided 8 consecutive years of data (12 of your 12 peers and 34 of the 46 systems in the universe).

Virginia RS is in the coveted high-service, low-cost quadrant:



Total service scores fell for almost all systems in the latter half of 2020 and 2021 due to COVID.



Key service measures affected by the COVID experience:

Select Key Service Metrics	Global avg for 12 months ending Jun 30*		
	2020	2021	% Change
<u>Member Contacts</u>			
• % of calls resulting in undesired outcomes ('call another time' message and abandoned calls in a queue or on hold)	11.8%	13.7%	15.5%
• Average total wait time including time negotiating auto attendants, etc.	270 secs	337 secs	24.8%
• Average call duration	317 secs	358 secs	12.9%
<u>1-on-1 Counseling and Member Presentations</u>			
• % of your active membership that attended a 1-on-1 counseling session	8.8%	6.7%	-24.5%
• % of your active membership that attended a presentation	4.8%	3.0%	-37.3%
<u>Inceptions</u>			
• What % of annuity pension inceptions are paid without an interruption of cash flow greater than 1 month between the final pay check and the first pension check?	86.5%	85.8%	-0.8%
• What % of survivor inceptions are paid without an interruption of cash flow greater than 1 month between the pensioner's final pension check and the survivor's first pension check?	76.1%	72.3%	-5.1%

Key Takeaways

Cost

- Your total pension administration cost of \$81 per active member and annuitant was \$26 below the peer average of \$107.
- Your total pension administration cost per member was lower because:
 - You had fewer front office FTE per 10,000 active members and annuitants.
 - Overall, you had lower support costs per member. This was because you had no major project costs and lower costs for IT strategy.
- Your total pension administration cost per active member and annuitant increased on average by 3.9% per annum due to the implementation of new programs such as the Hybrid Retirement Plan over the past 7 years.

Service

- Your total service score was 81. This was above the peer median of 79.
- Your service score has increased slightly between 2014 and 2021.
- Improvements made to your website by adding additional online tools such as online retirement applications and online refund applications had a positive impact. Your service score was negatively impacted by decreasing 1-on-1 counseling and presentation volumes.

Key Global Trends

1. COVID-19 has negatively impacted service delivery over the past two years. It has also generated permanent changes.
 - Continuing in the future: Work from home, web counseling and presentations, and moving members online.
 - Disaster recovery has less need for a second physical location.
2. Pension administrators are becoming IT organizations.
 - IT & Major projects is now the biggest cost category for most systems.
3. Cyber-risk continues to increase and is an increasing area of focus.
4. There is more emphasis on Customer experience and satisfaction.
 - Organizing communication, service, work and staff by customer journeys. Collecting satisfaction and effort metrics by journey as well as by transaction and channel.
5. Improved cost effectiveness and member service tied to digital delivery:
 - Improving processes: e.g. More than half of systems are using tools such as Lean, Six-Sigma.
 - Maximizing online transactions, eliminating paper.
 - Belief that online is the highest service channel if done correctly.
 - Reduced emphasis on counseling and presentations (less true for systems administering healthcare).



Mike Heale

Mike is responsible for business development in Asia-Pacific, Latin America and the Middle-east for CEM's benchmarking services. His personal clients include leading pension and sovereign wealth funds in Australia, Asia, Canada, the Middle-East, and the United States.

Mike has an undergraduate degree in Physical Health and Education from Laurentian University and an MBA from the Richard Ivey School of Business, University of Western Ontario.

Prior to joining CEM in 1999, Mike had 8 years of pension and life insurance marketing experience. He started his career in education as a basketball coach and teacher at Laurentian University.

Mike is a frequent speaker at global pension and investment conferences where he shares performance and best practice insights from the CEM research program.

Recent industry papers that Mike has co-authored include:

- *The bright and dark sides of private equity investing*
- *The time has come for standardized total cost disclosure for private equity*
- *Private equity cost disclosure – a problem and the solution*
- *A hedge fund performance reality check*
- *Managing costs and optimizing outcomes (chapter in the book: Saving the Next Billion from Old Age Poverty)*
- *What is the value of the Your Future, Your Super test*

He is the creator of CEM's Global Leaders Service, a research group consisting of leading global pension and sovereign wealth funds.

Mike is also the co-creator of the Global Pension Transparency Benchmark, a collaboration between CEM and top1000funds.com. The Global Pension Transparency Benchmark is a world first global standard for pension disclosure, bringing a focus to transparency in a bid to improve pension outcomes for members.

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Report

The Defined Contribution Plans Advisory Committee (DCPAC) convened on September 8, 2022 at 1:02 p.m. and took up the following matters:

WELCOME

Senator Bell welcomed Committee members, Board members, agency officials, representatives from stakeholder groups, and other members of the public joining in person and through electronic means, to the DCPAC.

GOVERNING DOCUMENTS UPDATE

Defined Contribution Incentive Plan (DCIP) Plan Document Amendments and Amended DCIP Master Trust

Staff presented a Request for Board Action regarding amendments to the Defined Contribution Incentive Plan for VRS Personnel. On January 1, 2021, most DC Plans were amended and restated to bring them up to date, but this plan was not updated. VRS worked with outside benefits counsel to amend and restate this plan to have language consistent among all plans. This plan has undergone several name changes since its inception 20 years ago. The last amendment and restatement were in May 2013; first amendment in November 2014; second amendment February 2017 and in September 2020, the plan name was changed to its current name. This document has been amended to include provisions of recent federal legislation and the format is now consistent with our other plans. This amendment removes restrictions and allows participants, at least age 55, to transfer assets from the plan into their cash match plan. It also includes the first amendment to the Master Trust, which changes the reference to the correct plan name and adds provisions to cover the return of mistaken contributions and strengthens compliance language for separate accounting.

The Committee recommends approval of the following action to the Board of Trustees.

***Request for Board Action to Approve the Amended and Restated DCIP Plan Document
and Approve First Amendment to DCIP Master Trust***

ADMINISTRATION

Administrative Reports & Communications

Staff provided an overview of the DC plans, as well as an update on administrative reports for the second quarter of 2022. An overview of assets and accounts across the various defined contribution plans, as well as account trends was also provided. VRS won NAGDCA Leadership Awards in two categories – COVID-19 response and for participant communication and engagement. VRS is also a finalist for the NAGDCA Art Caple award, which will be announced in September. Staff shared that assets have decreased since last quarter in the COV 457/Cash Match Plan. Hybrid plan assets have also

decreased; however, this plan continues to be consistent in account balance growth and voluntary contributions, with 47% maximizing at 4% and 47% contributing 1% or less. Highlights from Hybrid Automatic Escalation were shared, which included interactive webpages for members and employers, an Employer Guide, and a member poster in preparation for 2023. Staff also shared an overview of ORPHE assets, including participant counts and balances with DCP (MissionSquare) and TIAA. Further, staff provided updates from the Annual Review with MissionSquare, which addressed topics such as participant engagement, key accomplishments, and future initiatives. In addition, staff offered an update regarding the the Service Review with TIAA where total payouts, assets and engagement activity were presented.

DC Plans Record Keeper RFP Update

Staff provided an update on the DC Plans Consultant RFP. The RFP is in its final review prior to posting and will be issued this month. The RFP will be out for eight weeks after which the review process will start.

INVESTMENTS

Annual Investment Review

Staff announced the VRS Board of Trustees appointed Andrew Junkin to the Chief Investment Officer position. Staff reviewed investment duties and responsibilities of DCPAC. Staff provided the Committee with an overview of annual investments as of June 30, 2022, including the unbundled DC plans fund and investment options and the bundled TIAA ORPHE Retirement Choice (RC) investment menu options. Staff also informed the Committee of ongoing monitoring of DC investment trends and developments such as default investment options, investment menu structure, behavioral finance, investment advice and retirement income.

OTHER BUSINESS

Discussion of New Ideas

No new ideas were brought before the Committee.

2022 MEETINGS

Senator Bell confirmed the following DCPAC meeting date for 2022:

- December 1 at 1:00 p.m.

The ORPHE Annual Employer Update is scheduled for September 29, 2022. This is not a DCPAC Committee meeting; however, members may attend if interested.

There was no other business to come before the Committee.

That concludes my report to the Board.

Submitted to the Board of Trustees on September 22, 2022.

J. Brandon Bell, Chair
Defined Contribution Plans Advisory Committee



Approve Amended and Restated Defined Contribution Incentive Plan for VRS Personnel (DCIP) and First Amendment to the DCIP Master Trust.

Requested Action

The VRS Board of Trustees approves the Amended and Restated Defined Contribution Incentive Plan for VRS Personnel (DCIP) (effective as of January 1, 2023) and the First Amendment to the DCIP Master Trust (effective September 22, 2022).

Description/Background

In connection with its review of all VRS defined contribution plans, outside benefits counsel (Ice Miller) went over the provisions of the Defined Contribution Incentive Plan for VRS Personnel (DCIP), recommending that an amended and restated document be prepared and adopted by the Board. The original plan document was adopted by the Board effective July 1, 2002, and an amended and restated plan document was adopted by the Board effective May 1, 2013. There were three amendments to the current plan document, made in 2014, 2017 and 2020. Outside counsel's recommendations are designed to provide additional assurance that VRS does and will continue to comply with state and federal law with respect to the master trust.

VRS staff also consulted with outside benefits counsel to determine what changes would be needed to the master trust relating to the amended and restated DCIP. The resulting amendment accounts for the recent name change to the plan as well as adding a provision to cover the return of mistaken contributions without violating the trust. Finally, the amendment strengthens the language in the trust regarding its compliance with the IRS separate accounting requirement. Outside counsel's recommendations are designed to provide additional assurance that VRS does and will continue to comply with state and federal law with respect to the master trust.

The Defined Contribution Plans Advisory Committee has reviewed the amended and restated plan document and the first amendment to the master trust, and that committee recommends the approval of this RBA.

Rationale for Requested Action

Outside benefits counsel and VRS staff collaborated on the amended and restated plan document and the amendment to the DCIP Master Trust. Among other things, the plan document contains technical changes and is updated to reflect the provisions of recent legislation affecting qualified plans such as the SECURE Act and changes to the required minimum distribution (RMD) rules. Also, the proposed plan document's format and structure is consistent with that of the other defined contribution plan documents, which were amended and restated recently with the collaboration of outside benefits counsel and VRS staff. The Master Trust amendments are outlined above.

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. *Code of Virginia* § 51.1-124.22(8)

authorizes the Board to make determinations necessary to carry out the provisions of Title 51.1 of the *Code of Virginia*, and § 51.1-124.22(10) requires the Board to adopt rules and policies that bring the Retirement System into compliance with any applicable law or regulation of the Commonwealth of Virginia or the United States.

The above action is approved.

A. Scott Andrews, Chair
VRS Board of Trustees

Date

**FIRST AMENDMENT TO THE
TRUST FOR THE DEFINED CONTRIBUTION INCENTIVE PLAN FOR
VRS INVESTMENT MANAGEMENT PERSONNEL**

(As Effective July 1, 2002)

Pursuant to Section 7.1 of the Trust for the Defined Contribution Incentive Plan for VRS Investment Management Personnel ("Trust"), the Trust Sponsor hereby amends the Trust effective as of September 22, 2022.

1. The name of the Trust is amended to be "Trust for the Defined Contribution Incentive Plan for VRS Personnel" wherever referred to in the Trust.
2. The first paragraph of the WITNESSETH: section of the Trust is amended to read as follows:

The Board maintains a qualified defined contribution plan within the meaning of Internal Revenue Code Section 401(a) as applicable to governmental plans as defined in Section 414(d) of the Code for the benefit of certain key investment professionals employed by the Commonwealth of Virginia in the Investment Department of the Virginia Retirement System and certain other key personnel of Virginia Retirement System. The purpose of the Plan is to provide retirement benefits for eligible employees under the terms of the Plan and to strengthen the link between the performance of the Systems Fund and the compensation of these individuals.

3. Section 1.13 of the Trust is amended to read as follows:

1.13 **"Plan"**: The Defined Contribution Incentive Plan for VRS Personnel, intended to be maintained as a qualified defined contribution plan within the meaning of Section 401(a) of the Code as applicable to governmental plans as defined in Section 414(d) of the Code.

4. Section 3.4 of the Trust is amended to read as follows:

3.4 **Return of Mistaken Contributions.** If a contribution is made under a mistake of fact, upon written direction by the Administrator, the Trustee shall return to the Employer, an amount equal to such mistaken contribution, adjusted for any income or loss income or loss in value, if any, attributable to such mistaken contribution within one year of the date made to the Trust. Notwithstanding anything to the contrary in the foregoing, any such return shall be limited to an amount which would not cause the balance of any Participant's account to be reduced to less than the balance such Participant's account would have been had such amount not been contributed.

5. Section 5.2(a) of the Trust is amended to read as follows:

5.2 **Accounts.**

5.2(a) The Trustee shall keep true and accurate accounts of all investments, receipts, and disbursements and other transactions hereunder, and all accounts, books and records relating thereto shall be open to inspection and audit at all reasonable times by any person or persons designated by the auditor of Public Accounts or the Joint Legislative Audit Committee of the General Assembly of the Commonwealth of Virginia. Whenever the assets of the Plan are invested in another trust, a separate account shall be maintained to reflect the interest of the Plan, including contributions to the Plan, disbursements from the Plan, and investment experience allocable to the Plan. A transaction or accounting method which has the effect of directly or indirectly transferring value from the account of the Plan into the account of another plan violates this separate accounting requirement.

The undersigned Chairman of the Board has signed this First Amendment to the Trust Agreement on the 22nd day of September, 2022, thereby evidencing the approval and adoption of this First Amendment pursuant to this aforesaid authorization.

BOARD OF TRUSTEES
VIRGINIA RETIREMENT SYSTEM

By: _____
Chairman

**DEFINED CONTRIBUTION INCENTIVE PLAN
FOR VRS PERSONNEL**

Amended and Restated Effective January 1, 2023

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**DEFINED CONTRIBUTION INCENTIVE PLAN
FOR VRS PERSONNEL**

ARTICLE I.
ESTABLISHMENT AND RESTATEMENT OF PLAN

Section 1.01. Plan Establishment and History.

(a) Pursuant to the Section 51.1-124.22.A.11 the Code of Virginia ("Va. Code"), the Board of Trustees of the Virginia Retirement System ("Board") established the Defined Contribution Incentive Plan for VRS Personnel ("Plan"), effective July 1, 2002, in order to provide retirement benefits for eligible employees.

(b) The Plan is, and is intended to remain, a defined contribution plan qualified under Code Section 401(a) and a profit sharing plan within the meaning of Code Section 401(a)(27), with contributions made without regard to profits. The Plan is a governmental plan within the meaning of Code Section 414(d) and Section 3(32) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). As a governmental plan, ERISA does not apply.

(c) The Plan was most recently amended and restated effective May 1, 2013, and was amended three times thereafter.

Section 1.02. Plan Restatement.

(a) The Plan is now being amended and restated effective January 1, 2023.

(b) Except as otherwise specifically provided herein, the Plan as hereinafter set forth establishes the rights and obligations with respect to individuals who are Employees on and after January 1, 2023, and to transactions under the Plan on and after January 1, 2023. The rights and benefits, if any, of individuals who are not Employees on or after January 1, 2023, shall be determined in accordance with the terms and provisions of the Plan that were in effect on the date of their Severance from Employment, except as otherwise specifically provided herein or in a subsequent amendment.

ARTICLE II.
CONSTRUCTION AND DEFINITIONS

Section 2.01. Construction and Governing Law.

(a) This Plan shall be interpreted, enforced, and administered in accordance with the Code and, when not inconsistent with the Code, or expressly provided otherwise herein, the Va. Code without regard to conflict of law principles.

(b) Words used herein in the masculine gender shall be construed to include the feminine gender where appropriate, and *vice versa*, and words used herein in the singular or plural shall be construed as being in the plural or singular, where appropriate, and *vice versa*.

(c) The headings and subheadings in the Plan are inserted for convenience of reference only and are not to be considered in the construction of any provision of the Plan.

(d) If any provision of the Plan shall be held to violate the Code or be illegal or invalid for any other reason, that provision shall be deemed to be null and void, but the invalidation of that provision shall not otherwise impair or affect the Plan.

(e) In resolving any conflict between provisions of the Plan and in resolving any other uncertainty as to the meaning or intention of any provision of the Plan, the interpretation that causes the Plan to (i) constitute a qualified plan under the provisions of Code Section 401 with the earnings of the Trust exempt from income tax under Code Section 501, (ii) constitute a profit sharing plan within the meaning of Code Section 401(a)(27), (iii) be a governmental plan as defined in ERISA Section 3(32) and Code Section 414(d), and (iv) comply with all applicable requirements of the Code, shall prevail over any different interpretation.

Section 2.02. Definitions. When the initial letter of a word or phrase is capitalized herein, the meaning of such word or phrase shall be as follows:

(a) "Account" means the separate account maintained for each Participant to reflect his or her interest under the Plan attributable to his or her Employer Contributions pursuant to Section 4.01.

(b) "Administrator" means VRS; provided, however, that to the extent that VRS has delegated any of its responsibilities as Administrator to any other person or persons, the term Administrator shall be deemed to refer to that person or persons. The VRS Director shall serve as the chief administrative officer of the Plan.

(c) "Agent" means a service provider selected by the Administrator, in its sole and absolute discretion, to provide services under the Plan.

(d) "Annual Addition" means the annual addition as defined in Code Section 415(c) and as modified in Code Sections 415(l)(1) and 419A(d)(2). In general, Code Section 415(c) defines annual addition as the sum of the following amounts credited to a Participant's accounts for the Limitation Year under this Plan and any other defined contribution plan maintained by the Employer:

- (1) Employee contributions;
- (2) Employer contributions, including Employer Contributions under Section 4.01;
- (3) forfeitures;
- (4) amounts allocated to an individual medical account, as defined in Code Section 415(l)(2), which is part of a pension or annuity plan maintained by the Employer or a Related Employer, or both, as applicable; and

(5) mandatory employee contributions to a defined benefit plan maintained by the Employer unless the contributions are picked up by the Employer pursuant to Code Section 414(h)(2).

Annual Additions shall not include transfer contributions or rollover contributions.

(e) "Applicable Form" means the appropriate form as designated and furnished by the Administrator or the Agent to make any election or provide any notice required by the Plan. In those circumstances where a written election or consent is not required by the Plan or the Code, the Administrator and/or the Agent may prescribe an electronic or telephonic form in lieu of or in addition to a written form.

(f) "Beneficiary" means any person, company, trustee, or estate designated by the Participant on the Applicable Form to receive any benefits payable under the Plan in the event of the Participant's death. If the designated primary or contingent Beneficiary does not survive the Participant or there is no Beneficiary designated, the Participant's Beneficiary shall be determined in accordance with Va. Code Section 51.1-162, as follows: (i) the Participant's surviving Spouse, or if none; (ii) the Participant's children and descendants of deceased children, per stirpes, or if none; (iii) the Participant's parents equally if both living, or if none; (iv) the duly appointed executor or administrator of the Participant's estate, or if none; (v) the next of kin entitled to inherit under the laws of the Participant's domicile at the time of death. If a Beneficiary survives the Participant but dies before the entire Account has been distributed, then the unpaid balance of the Account shall be distributed to the Beneficiary's estate. Beneficiary also means an alternate payee within the meaning of Code Section 414(p)(8).

(g) "Board" means the Board of Trustees of the Virginia Retirement System.

(h) "Code" means the Internal Revenue Code of 1986, as amended from time to time.

(i) "Commonwealth" means the Commonwealth of Virginia and an agency or instrumentality thereof.

(j) "Cost-of-Living Adjustment" means the cost-of-living adjustment prescribed by the Secretary of the Treasury under Code Section 401(a)(17) or 415(d) for any applicable year.

(k) "Effective Date" of the Plan means July 1, 2002, and of this amendment and restatement means January 1, 2023.

(l) "Eligible Employee" means an Employee who is employed by VRS and is (i) the Director of VRS or (ii) a member of the Investment Management Committee. As of the Effective Date of this amendment and restatement, the Investment Management Committee includes the (i) Chief Investment Officer, (ii) the Chief Managing Director, (iii) Managing Directors, and (iv) Program Directors, including Research.

(m) "Employee" means any common law employee employed by an Employer. An Employee does not include an independent contractor.

(n) "Employer" means the Commonwealth.

(o) "Employer Contributions" mean the contributions made to the Plan by the Employer on behalf of a Participant pursuant to Section 4.01.

(p) "Excess Annual Additions" mean that portion of a Participant's Employer Contributions to the Plan and contributions to another 401(a) defined contribution plan maintained by the Employer or a Related Employer for a Limitation Year which exceeds the limits of Code Section 415.

(q) "Excess Benefit Plan" means the qualified governmental excess benefit arrangement under Code Section 415(m) that is described in Article XIV.

(r) "Excess Contribution" means, with respect to a Participant, the Employer contributions that would have been made for a 415(m) Participant to a 401(a) Plan for a Plan Year, but could not be made because of the application of Code Section 415(c).

(s) "HEART" means the Heroes Earnings Assistance and Relief Tax Act of 2008, as amended from time to time.

(t) "Incentive Compensation" means the incentive award approved under the Virginia Retirement System Investment Professionals' Pay Plan, as amended from time to time, or such other applicable authority, for a Plan Year.

(u) "Limitation Year" means the Plan Year.

(v) "Participant" means any Eligible Employee who is or may become eligible to receive a benefit of any type under the Plan. A Participant shall also mean, when appropriate to the context, a former Eligible Employee who is eligible to receive a benefit of any type under the Plan.

(w) "Plan" means the Defined Contribution Incentive Plan for VRS Personnel, as amended from time to time.

(x) "Plan Compensation" means all compensation as defined in Code Section 415(c)(3). In general, Code Section 415(c)(3) defines compensation as all of an Employee's wages as defined in Code Section 3401(a) for the purposes of income tax withholding at the source but determined without regard to any rules that limit the remuneration included in wages based on the nature or location of the employment or the services performed (such as the exception for agricultural labor in Code Section 3401(a)(2)); provided, however, Plan Compensation shall also include the amount of any elective deferrals, as defined in Code Section 402(g)(3), and any amount contributed or deferred by the Employer at the election of the Employee and which is not includible in the gross income of the Employee by reason of Code Section 125, 403(b), 132(f)(4), 401(k), or 457(b). Plan Compensation for a Plan Year includes compensation paid by the later of (i) two and one-half months after an Employee's Severance from Employment, or (ii) the end of the Plan Year that includes the date of the Employee's Severance from Employment, if:

(1) the payment is regular compensation for services during the Employee's regular working hours, or compensation for services outside the Employee's regular

working hours (*e.g.*, overtime or shift differential), commissions, bonuses, or other similar payments and the payment would have been paid to the Employee prior to a Severance from Employment if the Employee had continued in employment with the Employer; or

(2) the payment is for unused accrued bona fide sick, vacation, or other leave, but only if the Employee would have been able to use the leave if the Employee had continued in employment.

Plan Compensation does not include any amounts "picked up" by the Employer within the meaning of Code Section 414(h). Plan Compensation for any Plan Year shall not exceed the limits under Code Section 401(a)(17) increased by the Cost-of-Living Adjustment.

(y) "Plan Year" means the 12 month period beginning July 1.

(z) "Related Employer" means the Employer and any other entity which is under common control with the Employer under Code Section 414(b), (c) or (m). For this purpose, the Board shall determine which entities are Related Employers based on a reasonable, good faith standard and taking into account the special rules applicable under Notice 89-23, 1989-1 C.B. 654.

(aa) "Section" means, when not preceded by the word Code, a section of the Plan.

(bb) "Severance from Employment" means the complete termination of the employment relationship between the Employee, the Employer, and any employer who participates in a retirement plan established under Chapters 1, 2, 2.1, or 3 of Title 51.1 of the Va. Code.

(cc) "Spouse" means the person to whom the Participant is legally married under federal law.

(dd) "Trust" means the Trust for the Defined Contribution Incentive Plan for VRS Personnel, which may incorporate one or more qualified trusts under Code Section 401(a), custodial accounts treated as qualified trusts under Code Section 401(f), and/or annuity contracts treated as qualified trusts under Code Section 401(f), established under the Plan to hold Plan assets.

(ee) "Trust Fund" means the assets of the Plan held pursuant to the terms of the Plan and the Trust.

(ff) "Trustee" means the trustee or any successor trustee designated and appointed by VRS, and includes a custodian of a custodial account or an insurer of an annuity contract under Code Section 401(f).

(gg) "USERRA" means the Uniformed Services Employment and Reemployment Rights Act of 1994, as amended from time to time.

(hh) "Valuation Date" means the last day of each calendar quarter of the Plan Year and such other date or dates as the Administrator may designate.

(ii) "Va. Code" means the Code of Virginia, as amended from time to time.

(jj) "Vested" means the interest of the Participant or Beneficiary in his or her Accounts which is unconditional, legally enforceable, and nonforfeitable at all times.

(kk) "VRS" means the Virginia Retirement System.

(ll) "401(a) Plan" means this Plan and all other tax-qualified defined contribution plans under Code Section 401(a) maintained by the Employer,

(mm) "415(m) Account" means the separate bookkeeping account maintained for each 415(m) Participant reflecting his or her interest under the Excess Benefit Plan attributable to Excess Contributions.

(nn) "415(m) Participant" means an Eligible Employee or former Eligible Employee who has an 415(m) Account balance under the Excess Benefit Plan. Effective June 30, 2013, the individual serving as Chief Investment Officer is the only 415(m) Participant. No other Participant is or may become a 415(m) Participant.

ARTICLE III. **ELIGIBILITY AND PARTICIPATION**

Section 3.01. Participation.

(a) An Eligible Employee who is a Participant on the day before the Effective Date of this amended and restated Plan shall continue to be a Participant on the Effective Date.

(b) An Employee who becomes an Eligible Employee on or after the Effective Date of this amended and restated Plan shall become a Participant in the Plan on the date he or she becomes an Eligible Employee.

(c) VRS shall notify the Eligible Employee of his or her eligibility to participate in the Plan. To become a Participant under the Plan, an Eligible Employee must complete the Applicable Forms, which may include enrollment, beneficiary designation, and investment election forms, and return them to the Administrator or Agent, as applicable.

Section 3.02. Cessation of Contributions. A Participant shall cease to be eligible for Employer Contributions under the Plan when (i) he or she is no longer an Eligible Employee or (ii) the Plan is terminated.

Section 3.03. Reemployment. A former Eligible Employee who subsequently becomes an Eligible Employee again shall participate in the Plan as described in Section 3.01.

ARTICLE IV.
CONTRIBUTIONS

Section 4.01. Employer Contributions.

(a) The Employer shall make an Employer Contribution to the Plan on behalf of each Participant for the Plan Year as follows:

(1) Except as provided in subparagraph (2), a Participant shall receive an Employer Contribution to his or her Account each Plan Year equal to the sum of (i) a specified percentage of the Incentive Compensation determined for such Participant by the Board for such Plan Year and (ii) any additional amount determined by the Board to be made on behalf of such Participant; provided, however, that if the Board does not specify a percentage under (i) for a Plan Year, the Employer Contribution shall be 50% of the Incentive Compensation.

(2) A Participant who is the Director of VRS shall receive an Employer Contribution to his or her Account each Plan Year in an amount to be determined by the Board in its sole and absolute discretion from time to time as allowed by applicable law.

(b) Employer Contributions for any Plan Year shall be subject to the limit under Code Section 401(a)(17), as increased by the Cost-of-Living Adjustment, if applicable.

(c) Employer Contributions shall be paid to the Plan by the Employer within the time required by law for the Plan Year during which they are being made. Employer Contributions shall be allocated to each Participant's Account as of the date made to the Plan, but no later than the last day of the Plan Year.

Section 4.02. Transfer Contributions. The Plan shall not accept transfer contributions of any kind.

Section 4.03. Rollover Contributions. The Plan shall not accept rollover contributions of any kind.

Section 4.04. Expenses of Plan. All reasonable expenses of administering the Plan shall be charged against and paid from the Participant's Accounts, subject to the terms of the Trust, unless paid by the Employer or VRS. The Administrator shall have the right to allocate expenses associated with maintaining the Accounts of terminated Employees to such Accounts, even if no expenses are allocated to the Accounts of active Employees, in accordance with rules promulgated by the Internal Revenue Service.

ARTICLE V.
LIMITATIONS ON CONTRIBUTIONS

Section 5.01. Code Section 415(c) Limits.

(a) Notwithstanding any provision of the Plan to the contrary, Annual Additions to the Plan and any other Code Section 401(a) plan maintained by the Employer or a Related

Employer for a Participant in a Limitation Year shall not exceed the limitations set forth in Code Section 415(c).

- (b) The Code Section 415(c) limit for any Limitation Year is the lesser of:
 - (1) \$61,000 for 2022, increased by the Cost-of-Living Adjustment thereafter;or
 - (2) 100% of the Participant's Plan Compensation for the Limitation Year.

Section 5.02. Excess Annual Additions.

(a) If as of the end of the Plan Year, the Annual Additions allocated to any Participant's Account exceed the limitations of this Article V, the Excess Annual Additions will be corrected as permitted under the Employee Plans Compliance Resolution System (or similar Internal Revenue Service correction program).

(b) If a Participant has Excess Annual Additions for a Plan Year, an adjustment to comply with this Article shall be made as soon as administratively possible, but no later than the time permitted under Internal Revenue Service guidance: (i) first, to all plans not hereinafter described; (ii) second, to any profit sharing plan (such as this Plan) that does not provide matching contributions based on the employee's elective deferrals to a 403(b) or 457(b) plan that is required to be aggregated with this Plan; (iii) third, to any profit sharing plan providing matching contributions based on the employee's elective deferrals to a 403(b) or 457(b) plan that is required to be aggregated with this Plan (such as the Virginia Cash Match Plan); (iv) fourth, to any money purchase pension plan that is required to be aggregated with this Plan; (v) fifth, to any target benefit plan that is required to be aggregated with this Plan; (vi) sixth, to any welfare benefit fund and individual medical benefit account; and (vii) seventh, to any defined benefit plan requiring mandatory employee contributions that is required to be aggregated with this Plan.

(c) If a Participant is a participant in two or more plans of the same type described in paragraph (b), the adjustment provided for in paragraph (b) to such plans shall be made to contributory plans or aspects thereof first, and then to non-contributory plans or aspects thereof.

ARTICLE VI.
ACCOUNTING

Section 6.01. Participant Accounts. The Administrator or Agent shall establish and maintain adequate records to reflect the Accounts of each Participant and Beneficiary. Credits and charges shall be made to such Accounts to reflect additions, distributions, and withdrawals, and to reflect gains or losses pursuant to the terms of the Trust. The maintenance of individual Accounts is for accounting purposes only, and a segregation of Plan assets to each Account shall not be required. Participants do not have the right to direct the investment of their Accounts under the Plan.

Section 6.02. Valuation. As of each Valuation Date, the Trustee shall determine the fair market value of the Trust Fund. Based on the valuation of the Trustee, the Administrator shall determine the value of the Account of each Participant.

Section 6.03. General Statement of Method of Account Valuations. The value of the Account of a Participant as of each Valuation Date shall be equal to the value of the Account as of the preceding Valuation Date less any payments from the Account since the preceding Valuation Date, plus the amount of any Employer Contributions allocated to the Account since the preceding Valuation Date, and plus or minus the applicable adjustments under Section 6.04.

Section 6.04. Adjustment of Accounts on Valuation Date. The Account of each Participant shall be adjusted as of each Valuation Date in accordance with the provisions of this Section.

(a) The Trustee shall determine the fair market value of the Trust Fund as of each Valuation Date by a method uniformly applied. For purposes of this Section, the determination of fair market value shall be subject to the following rules:

(1) The current fair market value shall exclude any Employer Contributions allocated since the prior Valuation Date.

(2) The fair market value as of the immediately preceding Valuation Date shall include Employer Contributions allocated as of such date but shall exclude benefits paid and withdrawals made from the Trust Fund during the period beginning with the preceding Valuation Date and ending with the current Valuation Date.

(b) The increase or decrease, if any, in the Trust Fund shall be equal to the difference between the value of the Trust Fund as of the current Valuation Date and the value of the Trust Fund as of the immediately preceding Valuation Date.

(c) As of the close of business on each Valuation Date, the Administrator shall allocate the increase or decrease, as the case may be, of the Trust Fund to the Accounts of the Participants in the Trust Fund, each Account being treated separately, in the same proportion that the balance of each Account of a Participant in the Trust Fund as of the close of business on the immediately preceding Valuation Date bears to the balance of all Accounts of all Participants in the Trust Fund as of the close of business on the immediately preceding Valuation Date.

(d) For purposes of the preceding allocations, the balance of the Account of a Participant as of the preceding Valuation Date shall be equal to his or her respective balance as of the immediately preceding Valuation Date reduced by any payments or withdrawals since such date.

(e) If the Administrator determines in making any valuation, allocation or adjustments to a Participant's Account that the strict application of this Section will not produce an equitable and non-discriminatory allocation among the Participant Accounts, the Administrator may modify its procedures under this Section for purposes of achieving an equal and non-discriminatory allocation under the Plan.

Section 6.05. Value of Accounts. The value of an Account as of any date shall be the value of the Account after all adjustments and allocations as of the Valuation Date on or immediately before such date, increased by the amount of any Employer Contributions allocated to the Account after the prior Valuation Date and reduced by the amount of any payments or withdrawals made from the Account after the prior Valuation Date.

Section 6.06. Participant Statements. The Administrator or the Agent shall provide to each Participant a statement reflecting the value of the Participant's Account within a reasonable period after each reporting period, but no less than annually. All reports to Participants shall be based on the fair market value of investments credited to their Accounts as of the reporting dates.

ARTICLE VII. **TRUST**

Section 7.01. Trust Fund. All Employer Contributions under the Plan shall be transferred to the Trustee to be held in Trust as part of the Trust Fund in accordance with the provisions of the Plan and the Trust, as applicable. All assets held in connection with the Plan, including all Employer Contributions, all property and rights acquired or purchased with such amounts, and all income attributable to such amounts, property or rights, shall be held in, managed, invested and distributed in Trust as part of the Trust Fund, in accordance with the provisions of the Plan. All benefits under the Plan shall be distributed solely from the Trust Fund, and the Employer and/or VRS shall have no liability for any such benefits other than the obligation to make Employer Contributions as provided in the Plan.

Section 7.02. Trust Status. The Trust Fund shall be held in Trust for the exclusive benefit of Participants and Beneficiaries under the Plan in accordance with Code Section 501(a). No part of the Trust Fund shall be used for, or diverted to, purposes other than for the exclusive benefit of Participants and their Beneficiaries, and for defraying the reasonable expenses of the Plan and Trust. The Trust is exempt from tax pursuant to Code Sections 401(a) and 501(a).

ARTICLE VIII. **DISTRIBUTIONS**

Section 8.01. Commencement and Form of Distributions.

(a) A Participant or Beneficiary, as applicable, shall receive a lump sum distribution of his or her Vested Account as soon as administratively practicable following the last day of the quarter in which Participant has a Severance from Employment.

(b) Notwithstanding paragraph (a), a distribution may be delayed for a reasonable period in the event that the recipient cannot be located or is not competent to receive the benefit payment, there is a dispute as to the proper recipient of the benefit payment, additional time is needed to complete the Plan valuation adjustments and allocations, or additional time is necessary to properly explain the recipient's distribution options.

Section 8.02. Mandatory Cash-Out. A lump sum payment of the Participant's Account may be made without the consent of the Participant if his or her Account balance

exceeds \$1,000 but does not exceed \$5,000, provided that such distribution shall be made in a direct rollover to an individual retirement plan designated by the Administrator, unless the Participant elects to have such distribution paid directly to an eligible retirement plan specified by the Participant in a direct rollover or to receive the distribution directly in a lump sum. Any lump sum payments made under this Section 8.02 shall be made in a uniform and nondiscriminatory manner. This Section does not apply to an individual who is not a Participant.

Section 8.03. Required Minimum Distribution Rules.

(a) The provisions of this Section 8.03 take precedence over any inconsistent provisions of the Plan. All distributions under this Plan shall be made in accordance with Code Section 401(a)(9) and the regulations promulgated thereunder, including the incidental death benefit rules under Code Section 401(a)(9)(G), and the changes under the Setting Every Community Up for Retirement Enhancement Act of 2019, and any regulatory guidance issued thereunder, and shall comply with rules under this Section 8.03.

(b) Distributions may only be made over one of the following periods (or a combination thereof):

- (1) The life of the Participant;
- (2) The life of the Participant and a designated individual Beneficiary;
- (3) A period certain not extending beyond the life expectancy of the Participant; or
- (4) A period certain not extending beyond the joint and last survivor life expectancy of the Participant and designated individual Beneficiary.

(c) A Participant's Accounts shall be distributed to the Participant beginning no later than April 1 of the calendar year following the calendar year in which the Participant attains age 70½ (age 72 for distributions required to be made after December 31, 2019, with respect to a Participant who would have attained age 70½ after December 31, 2019) or, if later, April 1 of the calendar year following the calendar year that the Participant has a Severance from Employment.

(d) The Administrator or its Agent shall calculate the amounts required to be distributed to a Participant under this Section and notify such Participant of such distributions prior to the date distributions must begin.

(e) Notwithstanding anything in this Section 8.03 to the contrary, for 2020 or such longer period as provided in legislation modifying or extending the Coronavirus Aid, Relief, and Economic Security Act of 2020, the minimum distribution requirements will be satisfied for 2020 as provided in this paragraph. Effective March 27, 2020, or as soon as administratively practicable thereafter, a Participant or Beneficiary who would have been required to receive a required minimum distribution in 2020 (or paid in 2021 for the 2020 calendar year for a Participant with a required beginning date of April 1, 2021) but for the enactment of Code Section 401(a)(9)(I) ("2020 RMDs") and who would have satisfied that

requirement by receiving distributions that are (i) equal to the 2020 RMDs, or (ii) one or more payments (that include the 2020 RMDs) in a series of substantially equal periodic payments made at least annually and expected to last for the life (or life expectancy) of the Participant, the joint lives (or joint life expectancies) of the Participant and the Beneficiary, or for a period of at least 10 years ("Extended 2020 RMDs"), will receive this distribution unless the Participant or Beneficiary chooses not to receive such distributions. Participants and Beneficiaries described in the preceding sentence will be given the opportunity to elect to stop receiving the distribution described in the preceding sentence. In addition, 2020 RMDs and Extended 2020 RMDs will not be treated as eligible rollover distributions in 2020.

Section 8.04. Additional Tax on Early Withdrawals.

(a) Generally, and except as described in paragraph (b), if a Participant receives any amount under the Plan, his or her tax for the taxable year in which such amount is received is increased by an amount equal to ten percent (10%) of the portion of such amount which is includible in gross income. Such amount shall be included in gross income to the extent allocable to income on the Trust and shall not be included in gross income to the extent allocable to the investment in the Trust as provided in Code Section 72(e)(2)(b).

(b) The penalty described in paragraph (a) generally does not apply to any distribution (i) made on or after the date on which the Participant attains age 59½, (ii) made on or after the death of the Participant, (iii) attributable to the Participant becoming disabled within the meaning of Code Section 72(m)(7), (iv) which is part of a series of substantially equal periodic payments made (not less frequently than annually) for the life or life expectancy of the Participant or the joint lives (or joint life expectancies) of such Participant and his or her designated Beneficiary, (v) made to a Participant after Severance from Employment following the attainment of age 55, (vi) which is a qualified reservist distribution within the meaning of Code Section 72(t)(2)(G)(iii), or (vii) any other circumstance permitted by the Code or the Internal Revenue Service.

Section 8.05. Transfers from the Plan.

(a) The Plan shall permit a transfer a portion of a Participant's Account (but not all of the Participant's Account) from the Plan to the Virginia Cash Match Plan if (i) the Participant has obtained age 55 and (ii) the Participant has established an account under the Commonwealth of Virginia 457 Deferred Compensation Plan. The transferred amounts shall be held in the Virginia Cash Match Plan in the Participant's Account undersuch plan.

(b) The transfer shall satisfy such rules and policies established by the Administrator.

ARTICLE IX.
LOANS

Loans are not permitted under the Plan.

ARTICLE X.
VESTING

Section 10.01. Vesting. A Participant shall be 100% Vested in his or her Accounts at all times.

Section 10.02. Felony Convictions.

(a) Notwithstanding Section 10.01, if a Participant (i) is convicted of a felony and (ii) his or her Employer determines that the felony arose from misconduct occurring on or after July 1, 2011, in any position in which the Participant was covered for retirement purposes under any retirement system administered by the Board, the Participant shall forfeit his or her Employer Contribution Account. Such forfeiture shall occur following the Employer's notification to VRS that a felony conviction arising from such misconduct has been obtained and the administrative process as set forth in Va. Code Section 51.1-124.13 has concluded.

(b) Forfeitures arising under paragraph (a) shall be allocated to a forfeiture account under the Plan, and shall be used to reduce Plan expenses.

ARTICLE XI.
ROLLOVERS FROM THIS PLAN

Section 11.01. Definitions for this Article. For purposes of this Article, the following definitions shall apply.

(a) "Direct Rollover" means an Eligible Rollover Distribution that is paid directly to an Eligible Retirement Plan for the benefit of the Distributee.

(b) "Distributee" means a Participant, the Spouse of the Participant, or the Participant's former Spouse who is the alternate payee under a qualified domestic relations order as defined in Code Section 414(p), and a Participant's non-Spouse Beneficiary, any of whom is eligible to receive a distribution from the Plan.

(c) "Eligible Retirement Plan," as defined under Code Section 402(c)(8)(B), means:

- (1) an individual retirement account described in Code Section 408(a);
- (2) an individual retirement annuity (other than an endowment contract) described in Code Section 408(b);
- (3) any annuity plan described in Code Section 403(a);
- (4) a plan described in Code Section 403(b);
- (5) a qualified plan described in Code Section 401(a);

(6) a Code Section 457(b) eligible deferred compensation plan which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state;

(7) a Roth individual retirement account described in Code Section 408A(e) provided the Distributee's adjusted gross income does not exceed any limit applicable under federal law for the tax year in which the distribution occurs; and

(8) a SIMPLE IRA described in Code Section 408(p)(1), provided that the rollover contribution is made after the two year period described in Code Section 72(t)(6).

In the case of a distribution to a non-Spouse Beneficiary, an Eligible Retirement Plan means the plans described in subparagraphs (1) and (2) only, to the extent consistent with the provisions of Code Section 402(c)(11) and any successor provisions thereto or additional guidance issued thereunder.

(d) "Eligible Rollover Distribution," as defined in Code Section 402(f)(2)(A), means any distribution of all or any portion of the balance to the credit of the Distributee under the Plan, excluding the following:

(1) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Distributee or the joint lives (or joint life expectancies) of the Distributee and the Distributee's designated Beneficiary, or for a specified period of 10 years or more;

(2) any distribution to the extent such distribution is required under Code Section 401(a)(9);

(3) the portion of any distribution that is not includible in gross income; however, a portion of a distribution will not fail to be an eligible rollover distribution merely because the portion consists of after-tax employee contributions that are not includible in gross income, although such portion may be transferred only to an individual retirement account or annuity described in Code Section 408(a) or (b) or to a qualified retirement plan described in Code Section 401(a) that agrees to separately account for amounts so transferred (and earnings thereon), including separately accounting for the portion of the distribution that is includible in gross income and the portion of the distribution that is not so includible;

(4) any distribution which is made upon the financial hardship of the Participant; and

(5) other items designated by regulations, or by the Commissioner in revenue rulings, notices, or other guidance, as items that do not constitute an eligible rollover distribution.

Section 11.02. Direct Transfer of Eligible Rollover Distribution. A Distributee may elect on an Applicable Form to have an Eligible Rollover Distribution paid directly to an Eligible

Retirement Plan as specified by the Distributee in a Direct Rollover, at the time and in the manner prescribed by the Administrator. An Eligible Rollover Distribution that is paid to an Eligible Retirement Plan in a Direct Rollover is excludable from the Distributee's gross income under Code Section 402; provided, however, if any portion of such Eligible Rollover Distribution is subsequently distributed from the Eligible Retirement Plan, that portion shall be included in gross income to the extent required under Code Section 402, 403, or 408.

Section 11.03. Mandatory Withholding of Eligible Rollover Distributions.

(a) If the Distributee of an Eligible Rollover Distribution does not elect to have the Eligible Rollover Distribution paid directly from the Plan to an Eligible Retirement Plan in a Direct Rollover pursuant to Code Section 401(a)(31), the Eligible Rollover Distribution shall be subject to a mandatory 20% federal income tax withholding under Code Section 3405(c). Only that portion of the Eligible Rollover Distribution that is not paid directly from the Plan to an Eligible Retirement Plan in a Direct Rollover shall be subject to the mandatory withholding requirement under Code Section 3405(e), and only to the extent such amount would otherwise be includible in the Distributee's taxable gross income.

(b) If a Distributee elects to have an Eligible Rollover Distribution paid to the Distributee, the distribution may be excluded from the gross income of the Distributee provided that said distribution is contributed to an Eligible Retirement Plan no later than the 60th day following the day on which the Distributee received the distribution.

(c) If the Plan distribution is not an Eligible Rollover Distribution, said distribution shall be subject to the elective withholding provisions of Code Section 3405(a) and (b).

Section 11.04. Explanation of Plan Distribution and Withholding Requirements.

(a) Not fewer than 30 days nor more than 180 days before an Eligible Rollover Distribution, the Administrator shall provide each Distributee a written explanation as required under Code Section 402(f), which explains the rules:

(1) under which a Distributee may elect to have an Eligible Rollover Distribution paid in a Direct Rollover to an Eligible Retirement Plan;

(2) that require the withholding of tax on an Eligible Rollover Distribution if it is not paid in a Direct Rollover to an Eligible Retirement Plan;

(3) that provide that a distribution shall not be subject to tax if the distribution is rolled over to an Eligible Retirement Plan within 60 days after the date the Distributee receives the distribution; and

(4) if applicable, certain special rules regarding taxation of the distribution as described in Code Sections 402(d) and (e).

(b) Notwithstanding paragraph (a), a distribution may begin fewer than 30 days after the notice discussed in the preceding sentence is given, provided that the Administrator clearly informs the Participant that he or she has a right to a period of at least 30 days after receiving

the notice to consider the decision of whether or not to elect a distribution and the Participant, after receiving a notice, affirmatively elects a distribution.

ARTICLE XII.
ADMINISTRATION OF THE PLAN

Section 12.01. Authority of the Administrator. The Administrator is responsible for performing the duties required for operation of the Plan. The Administrator shall have all power necessary or convenient to enable it to exercise its authority under the Plan. In connection therewith, the Administrator may provide rules and regulations, not inconsistent with the provisions hereof, for the operation and management of the Plan, and may from time to time amend or rescind such rules or regulations. The Administrator is authorized to accept service of legal process for the Plan.

Section 12.02. Powers of the Administrator. The Administrator shall have the power and discretion to construe and interpret the Plan, including any ambiguities, to determine all questions of fact or law arising under the Plan, and to resolve any disputes arising under and all questions concerning administration of the Plan. The Administrator may correct any defect, supply any omission or reconcile any inconsistency in the Plan in such manner and to such extent as the Administrator may deem expedient and, subject to the Plan's claims procedures, the Administrator should be the sole and final judge of such expediency. Benefits under the Plan shall be paid only if the Administrator decides in its discretion that the Participant or Beneficiary is entitled to them.

Section 12.03. Delegation by Administrator. The Administrator may delegate to an individual, committee, or organization to carry out its fiduciary duties or other responsibilities under the Plan. Any such individual, committee, or organization delegated fiduciary duties shall be a fiduciary until the Administrator revokes such delegation. A delegation of the Administrator duties or responsibilities may be revoked without cause or advance notice. Such individual, committee, or organization shall have the same power and authority with respect to such delegated fiduciary or other responsibilities as the Administrator has under the Plan.

Section 12.04. Employment of Consultants. The Administrator may employ one or more persons to render advice with regard to its responsibilities under the Plan.

ARTICLE XIII.
REQUESTS FOR INFORMATION AND OTHER CLAIMS PROCEDURES

Section 13.01. Requests for Information Concerning Eligibility, Participation and Contributions. Requests for information concerning eligibility, participation, contributions, or any other aspects of the operation of the Plan, and service of legal process, should be in writing and directed to the Administrator of the Plan.

Section 13.02. Requests for Information Concerning the Trust. Requests for information concerning the Trust and its terms, conditions, and interpretations thereof, claims thereunder, and any requests for review of such claims, should be in writing and directed to the Administrator of the Plan.

Section 13.03. Processing of Claims. Claims under the Plan shall be processed in a manner consistent with the Virginia Administrative Process Act, Va. Code Section 2.2-4000 *et seq.*

ARTICLE XIV.
QUALIFIED GOVERNMENTAL EXCESS BENEFIT ARRANGEMENT

Section 14.01. General.

(a) The Excess Benefit Plan is intended to be a portion of the Plan that is a qualified excess benefit arrangement within the meaning of Code Section 415(m)(3) and an exempt governmental deferred compensation plan described in Code Section 3121(v)(3). Code Sections 83, 402(d), 409A, 457(a), and 457(f) shall not apply to the Excess Benefit Plan. The sole purpose of the Excess Benefit Plan is to provide for contributions that would have been made to a 401(a) Plan absent the limitations of Code Section 415(c).

(b) No election is provided at any time to a 415(m) Participant, directly or indirectly, to defer compensation under the Excess Benefit Plan, and no employee pre-tax or after-tax contributions may be made to or under the Excess Benefit Plan at any time.

(c) Under no circumstances shall Excess Contributions under the Excess Benefit Plan be credited to the Plan or paid from the Trust. The Excess Benefit Plan shall be and remain unfunded, and amounts credited to a Participant's 415(m) Account shall be payable from the Employer's general assets only. The Excess Benefit Plan constitutes an unsecured promise by the Employer to make benefit payments in the future from its general assets.

Section 14.02. Eligibility and Participation.

(a) The Chief Investment Officer is the only Participant eligible to participate in the Excess Benefit Plan.

(b) The Chief Investment Officer shall automatically participate in the Excess Benefit Plan for a Plan Year if the Board determines there is an Excess Contribution for the Plan Year.

Section 14.03. Contributions and Vesting.

(a) The Board shall make an Excess Contribution for each 415(m) Participant to the Excess Benefit Plan not later than the latest date on which contributions could be made to the 401(a) Plan for such Plan Year to which the Excess Contribution relates.

(b) A 415(m) Participant is 100% Vested in his or her 415(m) Account at all times.

Section 14.04. 415(m) Accounts. The Administrator or Agent shall establish and maintain adequate records to reflect the 415(m) Accounts of each 415(m) Participant. The 415(m) Account shall reflect the record of the 415(m) Participant's interest under this Excess Benefit Plan attributable to Excess Contributions made by the Board and the earnings and losses thereon. The maintenance of individual accounts is for accounting purposes only, and a segregation of Excess Benefit Plan assets to each 415(m) Account shall not be required. 415(m)

Participants do not have the right to direct the investment of their 415(m) Accounts under the Excess Benefit Plan.

Section 14.05. Distributions on Account of Severance from Employment. A Participant's 415(m) Account shall be distributed in a single lump sum payment within 180 days after the Participant's Severance from Employment. The amount to be distributed to the Participant shall be determined based on the value of the Participant's 415(m) Account as determined on the last day of the quarter in which the Participant has a Severance from Employment with the Employer.

Section 14.06. Distributions Upon Participant's Death. In the event that the 415(m) Participant dies before receiving a distribution of the amount credited to his or her 415(m) Account, such amount shall be distributed in a single lump sum payment within 180 days of the Participant's death to the Participant's Beneficiary. The amount to be distributed to the Participant's Beneficiary shall be determined based on the value of the Participant's 415(m) Account as determined on the last day of the quarter in which the Participant died.

Section 14.07. Expenses of Excess Benefit Plan. All reasonable expenses of administering the Excess Benefit Plan shall be charged against and paid from 415(m) Participants' 415(m) Accounts, unless paid by the Employer.

ARTICLE XV. **AMENDMENT AND TERMINATION**

Section 15.01. Amendment and Termination. While it is expected that the Plan shall continue indefinitely, the Commonwealth reserves the right to amend, freeze, or terminate the Plan, or to discontinue any further Employer Contributions to the Plan at any time. The Board may, consistent with Va. Code Section 51.1-124.22.A.11, make any amendment to the Plan, provided that no such amendment shall reduce, suspend or terminate the accrued benefits otherwise payable to a Participant or Beneficiary hereunder as of the date of such amendment. To the extent required by the exclusive benefit rule, any amendment shall not be effective to the extent that the amendment has the effect of causing any Plan assets to be diverted to or inure to the benefit of the Employer, or to be used for any purpose other than providing benefits to Participants and Beneficiaries and defraying reasonable expenses of administering the Plan. Notwithstanding the foregoing, the Board hereby delegates to the VRS Director the right to modify, alter, or amend the Plan in whole or in part to make any technical modification, alteration or amendment which in the opinion of VRS' counsel is necessary to comply with federal law.

Section 15.02. Adverse Effects. Any amendment or termination of the Plan cannot adversely affect the benefits accrued by Participants prior to the date of amendment or termination. The Plan may not be amended in a manner that violates any provision of the Code.

Section 15.03. Distribution Upon Termination of the Plan. The Commonwealth has the right to completely terminate this Plan at any time and in its sole discretion. In such a case, VRS shall arrange for suitable distribution of Plan assets, including the possibility of transfer to another 401(a) plan or plans. The Trustee shall not be required to pay out any asset of the Trust

Fund to Participants and Beneficiaries or a successor plan upon termination of the Trust until the Trustee has received written confirmation from VRS (i) that all provisions of the law with respect to such termination have been complied with, and, (ii) after the Trustee has made a determination of the fair market value of the assets of the Plan, that the assets of the Plan are sufficient to discharge when due all obligations of the Plan required by law. The Trustee shall rely conclusively upon such written certification and shall be under no obligation to investigate or otherwise determine its propriety.

ARTICLE XVI.
MISCELLANEOUS

Section 16.01. Non-Alienation.

(a) A Participant's Account under the Plan shall not be liable for any debt, liability, contract, engagement, or tort of the Participant or his or her Beneficiary, nor subject to anticipation, sale, assignment, transfer, encumbrance, pledge, charge, attachment, garnishment, execution, alienation, or any other voluntarily or involuntarily alienation or other legal or equitable process, nor transferable by operation of law.

(b) Notwithstanding paragraph (a), the Plan shall comply with any judgment, decree or order ("domestic relations order") which establishes the right of an alternate payee within the meaning of Code Section 414(p)(8) to all or a portion of a Participant's benefit under the Plan to the extent that it is a "qualified domestic relations order" ("QDRO") under Code Section 414(p). The Administrator shall establish reasonable written procedures to determine whether a domestic relations order is a QDRO and to administer the distribution of benefits with respect to such orders, which procedures may be amended from time to time, and which shall be provided to Participants upon request. Notwithstanding any other provisions in the Plan, the Plan may make an immediate distribution to the alternate payee pursuant to a QDRO.

(c) Notwithstanding paragraph (a), the Plan shall offset from the benefit otherwise payable to a Participant or his or her Spouse such amounts as are permitted to be offset under a court order, civil judgment, or settlement agreement in accordance with Code Section 401(a)(13)(C).

(d) Notwithstanding paragraph (a), the Administrator may pay from Participant's or Beneficiary's Account under the Plan the amount that the Administrator finds is lawfully demanded under a levy issued by the Internal Revenue Service with respect to that Participant or Beneficiary or is sought to be collected by the United States Government under a judgment resulting from an unpaid tax assessment against the Participant or Beneficiary. Except in the case of an alternate payee within the meaning of Code Section 414(p)(8), under no circumstances may a payment under this paragraph (d) take place before a Participant has a Severance from Employment.

(e) Notwithstanding paragraph (a), pursuant to Va. Code Section 51.1-124.4(A), the Administrator shall honor any process for a debt to the Employer who has employed such person, and except for administrative actions pursuant to Chapter 19 (Section 63.2-1900 *et seq.*) of Title 63.2 of the Va. Code or any court process to enforce a child or child and spousal

support obligation. Under no circumstances may a payment under this paragraph (e) take place before a Participant has a Severance from Employment.

Section 16.02. Military Service.

(a) Notwithstanding any provisions of this Plan to the contrary, contributions, benefits, and service credit with respect to qualified military service shall be provided in accordance with USERRA, HEART, Code Section 414(u), and Code Section 401(a)(37). For purposes of this Section, "qualified military service" means any service in the uniformed services as defined in USERRA by any individual if such individual is entitled to reemployment rights under USERRA with respect to such service.

(b) If a Participant whose employment is interrupted by qualified military service or who is on a leave of absence for qualified military service under Code Section 414(u), timely resumes employment with the Employer in accordance with USERRA as an Eligible Employee, the Employer shall make the Employer Contributions that would have been made if the Participant had remained employed during the Participant's qualified military service. Contributions must be made no later than 90 days after the date of reemployment or when the Employer Contributions are normally due for the year in which the qualified military service was performed, if later.

(c) To the extent provided under Code Section 401(a)(37), in the case of a Participant whose employment is interrupted by qualified military service and who dies while performing qualified military service, the survivor of such Participant shall be entitled to any additional benefit (other than benefit accruals) provided under the Plan as if the Participant timely resumed employment in accordance with USERRA and then, on the next day, terminated employment on account of death.

(d) Differential wage payments within the meaning of Code Section 414(u)(12)(D) shall be treated as Plan Compensation under the Plan.

Section 16.03. Limitation of Rights and Obligations. Neither the establishment nor maintenance of the Plan, nor any amendment thereof, nor the purchase of any insurance contract, nor any act or omission under the Plan or resulting from the operation of the Plan shall be construed:

(a) as conferring upon any Participant, Beneficiary or any other person any right or claim against VRS, the Employer, the Administrator, or the Trust, except to the extent that such right or claim shall be specifically expressed and provided in the Plan;

(b) as a contract or agreement between VRS and/or the Employer and any Participant or other person; or

(c) as an agreement, consideration, or inducement of employment or as affecting in any manner or to any extent whatsoever the rights or obligations of VRS, the Employer, or any Employee to continue or terminate the employment relationship at any time.

Section 16.04. Federal and State Taxes. It is intended that Employer Contributions, plus any earnings thereunder, are excludable from gross income for federal and state income tax purposes until paid to Participants or Beneficiaries. However, the Administrator does not guarantee that any particular federal or state income, payroll or other tax consequence will occur as a result of participation in this Plan.

Section 16.05. Erroneous Payments. If the Administrator or its Agent makes any payment that according to the terms of the Plan and the benefits provided hereunder should not have been made, the Administrator or its Agent may recover that incorrect payment, by whatever means necessary, whether or not it was made due to the error of the Administrator or its Agent, from the person to whom it was made or from any other appropriate party. For example, if any such incorrect payment is made directly to a Participant, the Administrator or its Agent may deduct it when making any future payments directly to that Participant.

Section 16.06. Payments to Minors or Incompetents. If a Participant or Beneficiary entitled to receive any benefits hereunder is a minor or is determined to be legally incapable of giving valid receipt and discharge for such benefits by a court or by the Administrator, benefits shall be paid to such person as the Administrator may designate for the benefit of such Participant or Beneficiary. Such payments shall be considered a payment to the Participant or Beneficiary and shall, to the extent made, be deemed a complete discharge of any liability for such payments under the Plan.

Section 16.07. Missing or Lost Participants. In the event that the Administrator does not have current contact information for or is unable to identify a Participant or Beneficiary under the Plan, the Administrator shall make reasonable attempts to determine the address and identity of the Participant or Beneficiary entitled to benefits under the Plan. A reasonable attempt to locate a missing or lost Participant or Beneficiary shall include (i) providing notice to the Participant at the Participant's last known address via certified mail; (ii) determining whether the Employer's records or the records of another plan maintained by the Employer has a more current address for the Participant; (iii) attempting to contact any named Beneficiary of the Participant; and (iv) searching for the missing Participant via free electronic search tools, such as Internet search engines, public record databases, obituaries, and social media. If such search methods are unsuccessful, based on the facts and circumstances, the Administrator may use other search methods, including using Internet search tools, commercial locator services, credit reporting agencies, information brokers, investigation databases, and analogous services that may involve charges. The Administrator may charge missing Participants and Beneficiaries reasonable expenses for efforts to find them. In the event that the Administrator is unable to locate a Participant or Beneficiary entitled to benefits under the Plan, the Trustee shall continue to hold the benefits due to such person under the Plan.

Section 16.08. No Reversion. Under no circumstances or conditions will any Employer Contributions revert to, be paid to, or inure to the benefit of, directly or indirectly, VRS or the Employer, but shall be held for the exclusive purpose of providing benefits to Participants and their Beneficiaries and defraying the reasonable expenses of administering the Plan. However, if Employer Contributions are made by VRS or the Employer by mistake of fact, these amounts and, if applicable, any interest earned therein, may be returned to VRS or the Employer, as applicable, within one year of the date that they were made.

Section 16.09. Claims of Other Persons. The provisions of the Plan will not be construed as giving any Participant or any other person, firm, or corporation, any legal or equitable right against VRS or the Employer, its officers, employees, or directors, except the rights as specifically provided for in this Plan or created in accordance with the terms and provisions of this Plan.

Section 16.10. Counterparts. The Plan may be executed in any number of counterparts, each of which shall be deemed to be an original. All counterparts shall constitute but one and the same instrument and shall be evidenced by any one counterpart.

IN WITNESS WHEREOF, the Board has caused this amended and restated Plan to be adopted as of the Effective Date.

**BOARD OF TRUSTEES OF THE
VIRGINIA RETIREMENT SYSTEM**

By: _____

Printed Name: _____

Title: _____

Date: _____

Report

The Audit and Compliance Committee met on September 13, 2022. Mr. Montgomery welcomed committee members, Board members, agency officials, representatives from stakeholder groups and other members of the public joining in person and through electronic means. The committee discussed the following:

APPROVAL OF MINUTES

The committee approved the minutes of its June 16, 2022 meeting.

AUDIT REPORTS

The committee received two audit reports.

- The review of *Disability Retirements* concluded disability retirement processes are operating as expected and disability payments are valid, accurate and complete. There were no formal recommendations as a result of this review.
- The review of *Fixed Income and Securities Lending Programs* determined that VRS provides appropriate oversight and monitoring of the programs. There were no formal recommendations as a result of this review.

INTERNAL AUDIT DEPARTMENT'S ANNUAL PROGRESS REPORTS FOR FISCAL YEAR 2022

The committee received the following updates:

Internal Audit Department's Annual Report

The audit director provided the committee with a summary of the Internal Audit Department's accomplishments over the past year as well as an overview of the department's initiatives and challenges for the coming fiscal year and the remainder of the long-range plan. She recognized the contributions of the internal audit team during the year.

The audit director explicitly confirmed the department and its staff are organizationally independent of the activities they examine. The audit director also discussed plans to augment the department's information technology audit resources to ensure the function will possess the appropriate qualifications to meet the needs of the proposed audit plan. The audit director also discussed the department's conformance with the Institute of Internal Auditors' *Standards* including review of the relevant charters and expected updates to *The Standards* effective 2024.

Annual Report on the Audit Recommendation Follow-Up System (ARFUS)

The annual ARFUS Report as of June 30, 2022 was presented. The audit director noted ARFUS contained ten internal recommendations, one represented as implemented. Internal Audit reviewed and released one recommendation, leaving nine outstanding as of June 30, 2022.

Annual Plan and Long-Range Plan Progress

The audit director discussed the annual plan results for the fiscal year ended June 30, 2022, along with the status of the long-range plan for the four years ending June 30, 2024.

The audit director noted as of the conclusion of the second fiscal year of the long-range plan, modifications have been made to the remaining plan to accommodate the changing risk environment.

PROPOSED FY2023 ANNUAL AUDIT PLAN

The audit director discussed the proposed annual audit plan for fiscal year 2023, which is derived from the approved long-range audit plan. The committee reviewed the plan and voted to recommend approval of the following action to the full Board:

***Request for Board Action:** The VRS Board of Trustees approves the proposed FY2023 Annual Audit Plan.*

QUARTERLY REPORT ON FRAUD, WASTE AND ABUSE HOTLINE CASES

It was noted there was one Fraud, Waste and Abuse Hotline complaint reported to Internal Audit via the Office of the State Inspector General during the period of May 1, 2022 through July 31, 2022. The case was unsubstantiated and closed.

MISCELLANEOUS UPDATES

The committee received the following miscellaneous updates:

Results of Agency Performance Outcomes and Agency Operational Measures

The audit director discussed the Internal Audit Department's review of management's representations regarding the Agency Performance Outcomes and Operational Measures for the fiscal year ended June 30, 2022, noting nothing came to its attention that indicated the outcomes and measures were not appropriately represented for the fiscal year.

Internal Audit's Review of Investment Variable Performance Program

The audit director noted the Internal Audit Department completed its review of the Investment Department Variable Performance Program's proposed compensation amounts and determined they were accurately computed in accordance with the authorized pay plan.

Management's Quarterly Travel Expense and Per Diem Report

The committee received Management's Quarterly Travel Expense and Per Diem report.

Next Committee Meeting Date

The committee's next meeting is scheduled for Thursday, December 8, 2022 at 10 a.m.

AUDIT DIRECTOR'S PERFORMANCE EVALUATION

The committee went into closed session to review the audit director's performance for the fiscal year ended June 30, 2022.

Upon returning to open meeting, the committee voted to recommend approval of the following action to the full Board:

Request for Board Action: *The VRS Board of Trustees approves a 7% performance bonus for the audit director.*

Respectfully submitted to the Board of Trustees on September 22, 2022.

Joseph W. Montgomery, Chair
Audit and Compliance Committee

Approve FY2023 Annual Audit Plan.

Requested Action

The VRS Board of Trustees approves the proposed FY2023 Annual Audit Plan.

Description/Background

The Audit Director has developed a comprehensive risk assessment process to identify and prioritize the work of the Internal Audit Department in line with organizational and operational risk priorities of the Board of Trustees and VRS management. The process is applied against a universe of potential audit projects within the limitations created by the available audit resources and results in the creation of a Long-Range four-year audit plan.

Annually the Audit Director looks to the guidance provided by the Long-Range plan and develops the Annual Audit plan. FY 2023 is the third year in the Long-Range plan, as a result certain adjustments have been proposed based on the changing risk environment within the organization.

Rationale for Requested Action

The proposed Annual Audit Plan, derived from the approved Long-Range plan is brought forward annually for Board consideration and approval, ensuring the work of the Internal Audit Department remains in alignment with organizational and operational risk priorities.

Authority for Requested Action

Section V.C.6 of the VRS Board of Trustees' Governance Policy delegates the responsibility of developing a comprehensive annual audit plan to the Audit Director and providing that plan to the Audit and Compliance Committee and the Board of Trustees for review and approval.

The above action is approved.

A. Scott Andrews, Chair
VRS Board of Trustees

Date

Internal Audit Proposed FY 2023 Annual Plan



Proposed Plan	1-2
Explanatory Notes and Acronyms	3

Virginia Retirement System
Proposed FY 2023 Annual Plan

Approved Projects	Original FY 2023 Budget	FY 2022 Plan Carry Over	Other Proposed Changes	Proposed FY 2023 Plan
RISK BASED PROJECTS				
Carry Over from Prior Annual Plan ⁽¹⁾				
Fixed Income Program and Securities Lending	-	100		100
Disability Retirements	-	50		50
myVRS Review	-	500		500
Investments				
Credit Strategies Program and Private Investment Partnerships (PIP)	600			600
On-Site Review of Bank of New York Mellon ⁽²⁾	600		(150)	450
Benefits				
Managed Disabilities Programs (VSDP and VLDP) ⁽³⁾	800		(800)	-
Refunds	200			200
Retirement Application Processing	800			800
Operations				
Human Resources, Internal Payroll and Leave Administration	600			600
Information Technology				
Conformance of VRS Information Security Program with VITA Standards	150			150
General Ledger Review ⁽⁴⁾	300		325	625
Investment Decision Systems Review	600			600
Logical and Physical Access Review	700			700
VRS Infrastructure Review ⁽⁵⁾	***		125	125
OTHER AUDIT REPORTING AND SUPPORT				
Other Reporting				
Audit Quality Assurance Improvement Program	150			150
Audit Recommendation Follow-Up System Annual Review	150			150
Audit Recommendation Follow-Up System Quarterly Monitoring	25			25
Report on Fraud, Waste and Abuse Hotline Cases	75			75
Review of Investment Incentive Compensation Plan	75			75
Review Results of Agency Performance Outcomes (APOs)	75			75
Verification of Cost of Living Adjustments (COLAs)	20			20

Virginia Retirement System
Proposed FY 2023 Annual Plan

Approved Projects	Original FY 2023 Budget	FY 2022 Plan Carry Over	Other Proposed Changes	Proposed FY 2023 Plan
OTHER AUDIT REPORTING AND SUPPORT, Continued				
Audit Support				
Coordination with the APA	40			40
Data Analytics and Support	900			900
Develop and Update Annual and Long-Range Plans	125			125
Monitor Annual and Long-Range Plan Progress	100			100
Audit and Compliance Committee Support				
Review, Compile and Publish Meeting Materials	300			300
Attend Audit and Compliance Meetings	80			80
Prepare Committee Report and Meeting Minutes	80			80
ONGOING ACTIVITIES				
Risk Monitoring Activities				
Attend Board and other Committee Meetings	170			170
Attend Executive Team Meetings (DEC, Roadmap, C-suite)	100			100
Monitor and Review Professional Literature	90			90
Participate in Professional Organizations (APPFA, IIA, ISACA, Tableau User Groups)	90			90
Other Administrative Activities				
Continuing Professional Education	360			360
Continuing Professional Education Administration	150			150
External Reporting and Other Interactions (OSIG/VITA)	10			10
Internal Audit Staff Meetings and Mentoring	300			300
Manage Budget, Departmental Files, SPCC, and Purchasing	100			100
Participate in VRS Events/Committees	150			150
Performance Standards and Evaluations	60			60
OTHER TIME				
Annual Leave	850			850
Holidays ⁽⁶⁾	600		72	672
Other Leave (Sick, Personal, Volunteer, etc)	660			660
Unplanned Hours ⁽⁷⁾	1,245		(222)	1,023
TOTAL TIME	12,480	650	(650)	12,480

Virginia Retirement System Proposed FY 2023 Annual Plan

Notes:

- (1) Due to unforeseen circumstances impacting the timing of work, certain audit projects will initiate in one fiscal year and be reported out in the next fiscal year. Typically they are reported out at the September Audit and Compliance Committee meeting; however one project will be reported out at the December meeting. These projects are identified as a part of planning for the upcoming fiscal year annual audit plan and their impact is considered when determining the extent of available resources.
- (2) As noted in the FY 2021 – 2024 Long-Range Plan Progress report, this project’s scope and therefore duration have been reduced to accommodate adjustments in IT and other project timing.
- (3) As noted in the FY 2021 – 2024 Long-Range Plan Progress report, this project is being deferred for consideration in a later period as the risk profile for the audit area has changed.
- (4) This project was planned to be initiated in FY2022 and completed in FY2023; however, it started later than originally envisioned and during planning the scope of work has been further refined to consider additional relevant components of VRS’ IT environment. As such additional resources are needed to complete the planned project.
- (5) This project will be completed using information technology staff augmentation resources approved in the FY2023 budget. This adjustment acknowledges procurement and supervisory responsibilities that will be needed to support this initiative.
- (6) Adjusted to reflect known holidays on the Department of Human Resources 2022 and 2023 calendars for state employees.
- (7) Proposed adjustments in unplanned hours to accommodate modifications to planned projects and other strategic initiatives.

Acronyms not Described Elsewhere:

APPFA	Association of Public Pension Fund Auditors
C-suite	Chief Executives for VRS, including the Executive Director, Chief Investment Officer and Internal Audit Director
DEC	Director's Executive Committee
IIA	Institute of Internal Auditors
ISACA	Information Systems Audit and Control Association
myVRS	Web-based portal for members developed through the Modernization Program
OSIG	Office of the State Inspector General
Roadmap	Program management tool used by VRS management to monitor critical organizational activities
SPCC	Small Purchase Charge Card
VITA	Virginia Information Technologies Agency
VNAV	myVRS Navigator, administrative system developed through the Modernization Program

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

Report

The Administration and Personnel Committee met on September 14, 2022 and discussed the following:

APPROVAL OF MINUTES

The Committee approved the minutes of its June 14, 2022 meeting.

REVIEW ATTAINMENT OF FY 2022 AGENCY PERFORMANCE OUTCOMES (APOs) AND OPERATIONAL MEASURES

Michael Cooper, Chief Operating Officer, reviewed the results of the FY 2022 agency performance outcomes (APOs) and operational measures. Mr. Cooper noted that the agency had four APOs for the fiscal year, with a target of completing at least three. Staff met this goal by successfully completing all four APOs. In addition, there were sixteen operational measures for the year, of which thirteen had to be met to meet the target for the year. Staff successfully met its target for fifteen of the sixteen operational measures. The only measure not met for the year was the call abandonment rate.

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

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

REVIEW PERFORMANCE BONUSES FOR ELIGIBLE ADMINISTRATIVE AND INVESTMENT OPERATIONS AND ADMINISTRATION EMPLOYEES

Paula Reid, Human Resources Director, presented a request for board action to approve the performance bonuses for eligible administrative and investment operations and administration employees. Eligible employees who earn an “exceptional” rating on their performance evaluation qualify for a 4% bonus. Employees who earn an “exceeds” rating on their performance evaluation are eligible for a 2% bonus. The bonus amount is based on their salary as of June 30, 2022.

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

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

BUDGET UPDATE

Jonathan Farmer, Budget and Performance Reporting Manager, presented the FY 2022 year-end budget results, explaining that VRS finished with an unexpended appropriation of \$9.08 million, which will be returned to the Fund. Mr. Farmer next provided an update on the agency’s FY 2023 budget, noting that expenses to date are in line with budgeted amounts.

INFORMATIONAL ITEM (INTERNAL AUDIT DIRECTOR'S PERFORMANCE REVIEW)

Mr. Andrews informed the Committee that the Audit and Compliance (A&C) Committee reviewed the Internal Audit Director's performance at its September 13, 2022 meeting. Each year, the A&C Committee reviews the Internal Audit Director's performance and makes a recommendation for a performance bonus to the Board of Trustees. A copy of the request for board action to provide a performance bonus in the amount of 7% was shared with the committee for informational purposes.

OTHER BUSINESS (PROPOSED COMMITTEE NAME CHANGE)

Trish Bishop, VRS Director, presented information in support of a name change for the Administration and Personnel Committee. Ms. Bishop noted that after discussion with staff, research of other organizations and recognition of a desire to use more current language, staff recommends the committee name be changed to Administration, Finance and Talent Management (AFT) Committee. The Committee agreed with the recommendation and directed staff to prepare necessary updates to the governance documents. Ms. Bishop noted that the changes will be presented to the A&P Committee at its next meeting, followed by two reviews by the Board as required by the Board Governance Policy.

COMPENSATION AND BENEFITS (CLOSED SESSION)

The Committee went into closed session to discuss benefits and compensation related to specific individuals.

Upon returning to open meeting, the Committee recommends the approval of the following actions to the full Board:

Request for Board Action: *The VRS Board of Trustees approves payment of an incentive amount of approximately \$7,343,564.18 for FY 2022 to VRS investment professionals as authorized by the Investment Professionals' Pay Plan.*

Internal Audit reviewed the proposed investment incentive compensation for the fiscal year that ended June 30, 2022 and found that the aggregate amount was accurately computed in accordance with the Investment Professionals' Pay Plan.

Request for Board Action: *The VRS Board of Trustees approves a 5% performance bonus for the VRS Director payable on October 14, 2022 and supplemental payment of \$85,000 made on December 1, 2022 as authorized in the 2022 Appropriation Act.*

Submitted to the Board of Trustees on September 22, 2022.

A. Scott Andrews, Chair
Administration and Personnel Committee



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



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

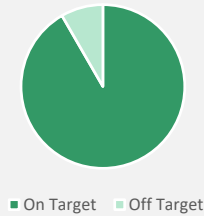
- Proceeding as planned
- ▲ Off plan, mitigation in place
- ◆ Off plan, mitigation needed
- ★ Completed
- N/S Not started

APO 4 Measure: 6 of 6 completed

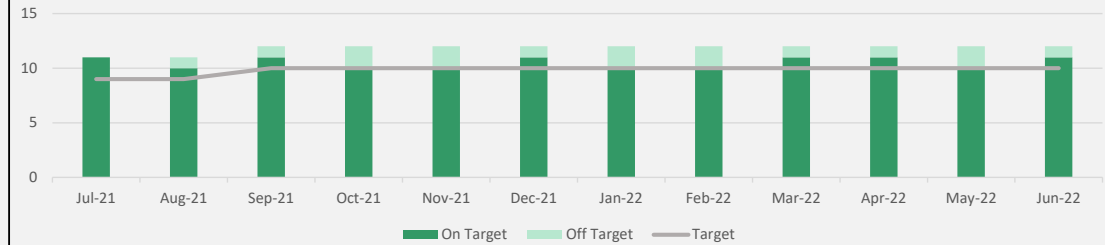
APO #	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
4 Cardinal HCM Implementation - The Plan (Track 1), Agency (Track 2) and Retiree (Track 3)**													
4.1	Track 1 (Agency) – To the extent provided within DOA’s overall project schedule, complete 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.

Current Status - All Operational Measures



YTD Status - All Operational Measures



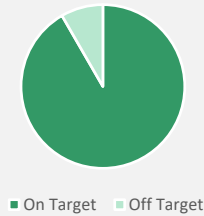
OM #	Operational Measure (OM)	Description	Strategic Goal	Target (Goal)	Current Status	YTD Status	Reporting Frequency	Comments
1	Timeliness of Monthly Financial Account Reconciliations	Percentage of monthly financial control reconciliations completed by last business day of the following month	Strong 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

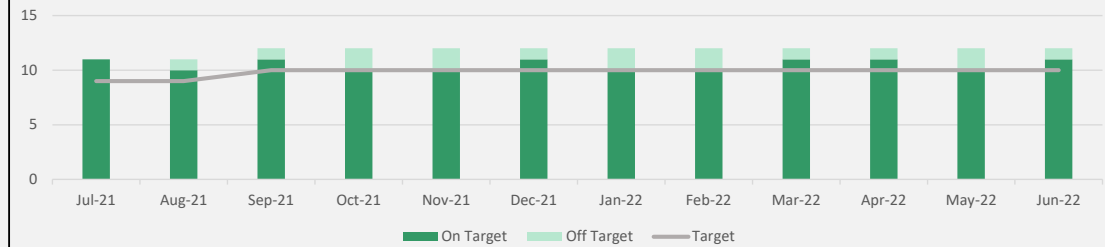
Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

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

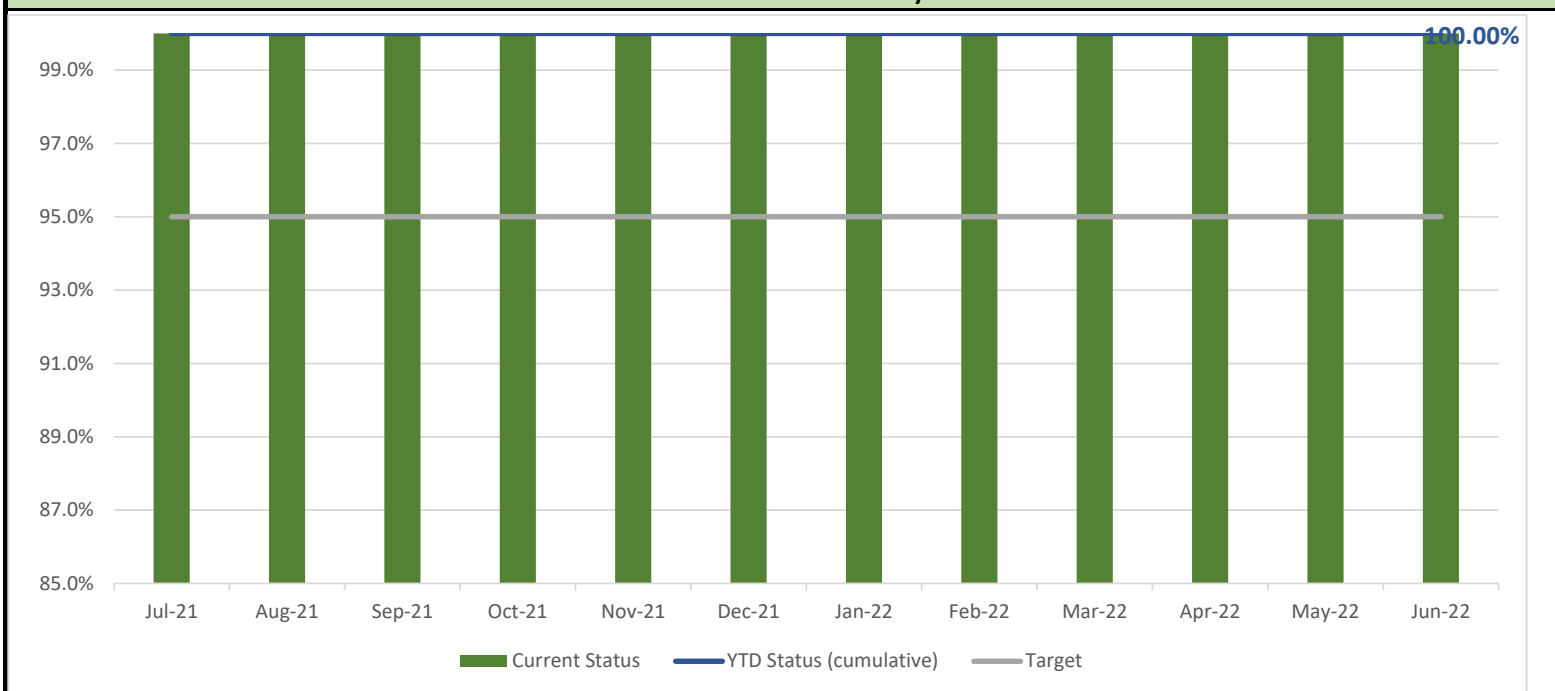
Overall Measure: 13 of 16 meet or exceed target

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%
<i>Target Rationale: Accounts for potential impacts due to the transition to a return to the office and ongoing system changes</i>		<i>Baseline Rationale: 5 year average = 99%</i>	
Current Reporting Month Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	100.00%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	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.

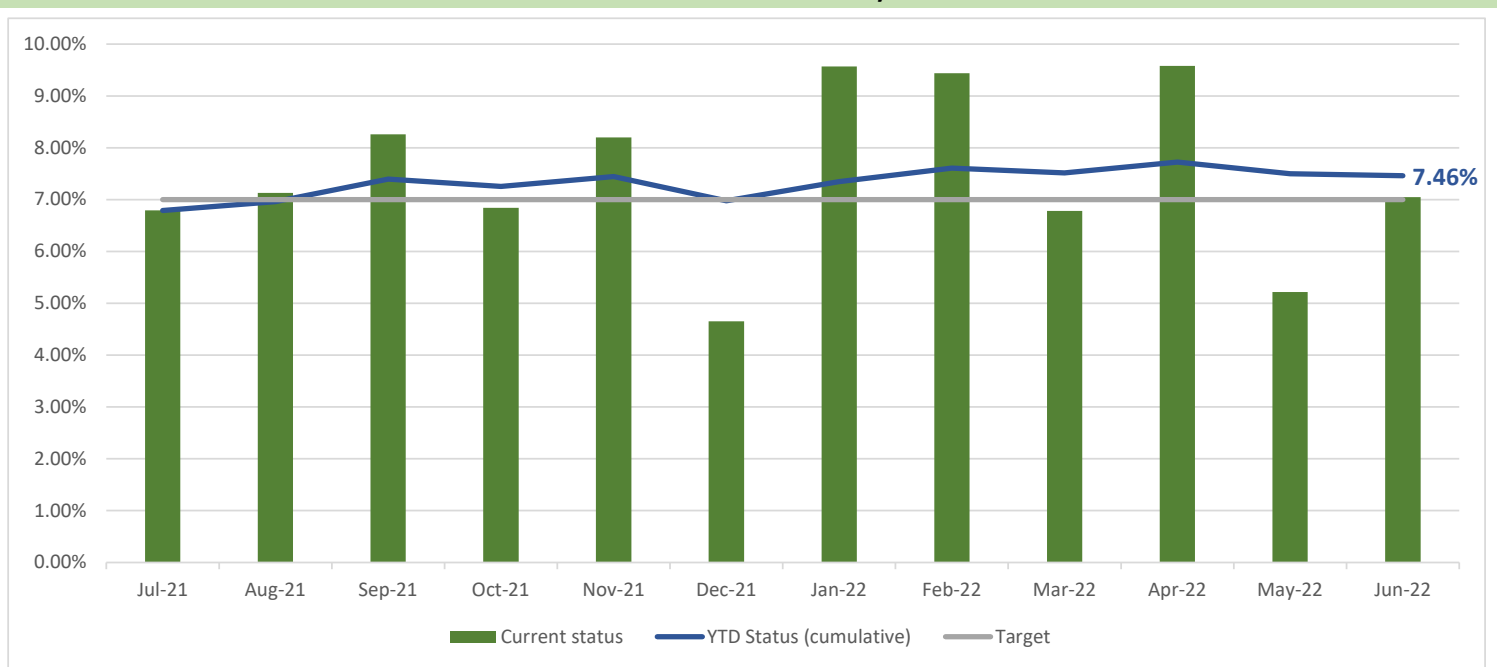
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

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%
Target Rationale: To account for anticipated high call volume due to system changes and the transition to a return to the office	Baseline Rationale: 5 year average = 6.2%		
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

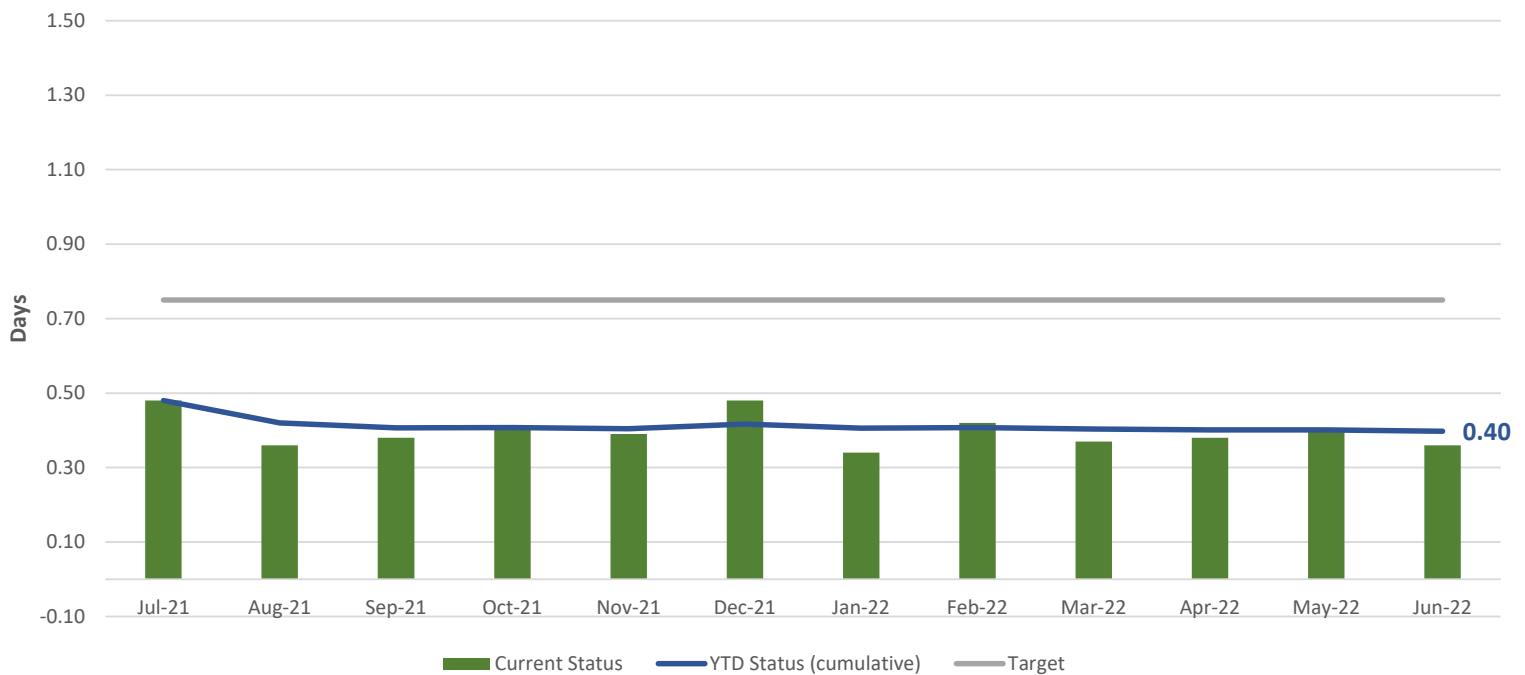


VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

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

Operational Measure	Timeliness of 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



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

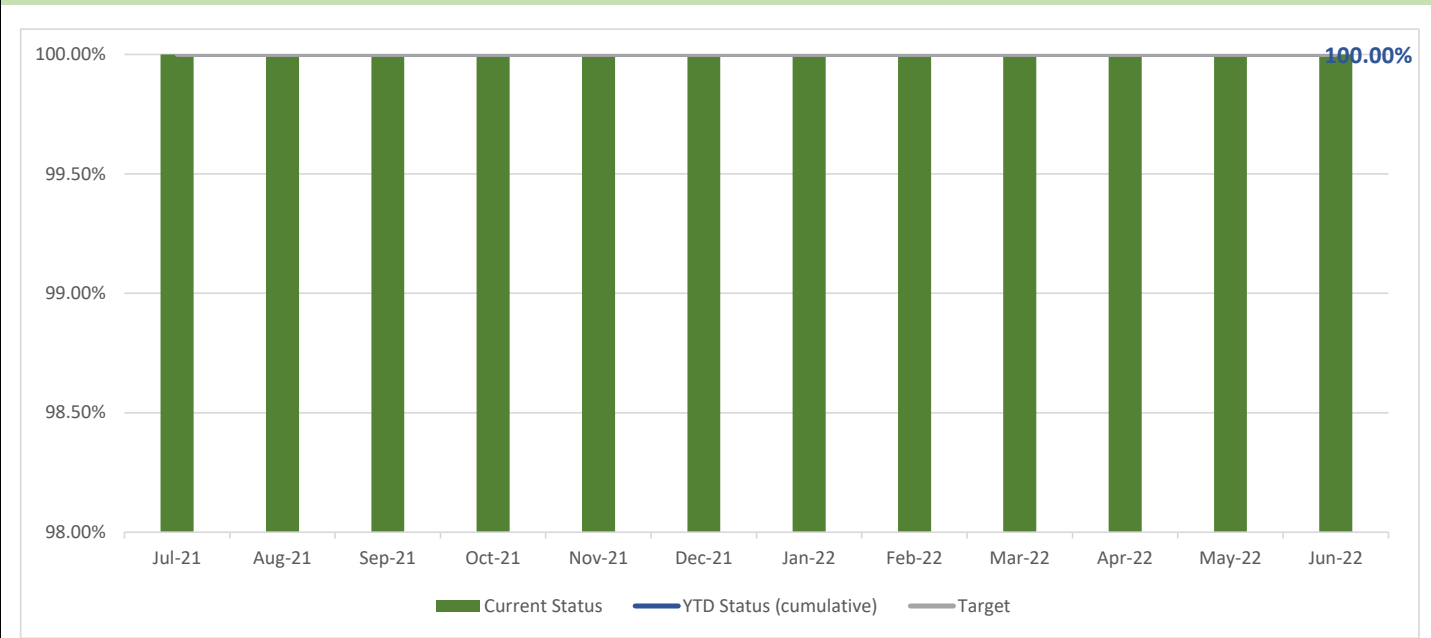
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

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	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



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

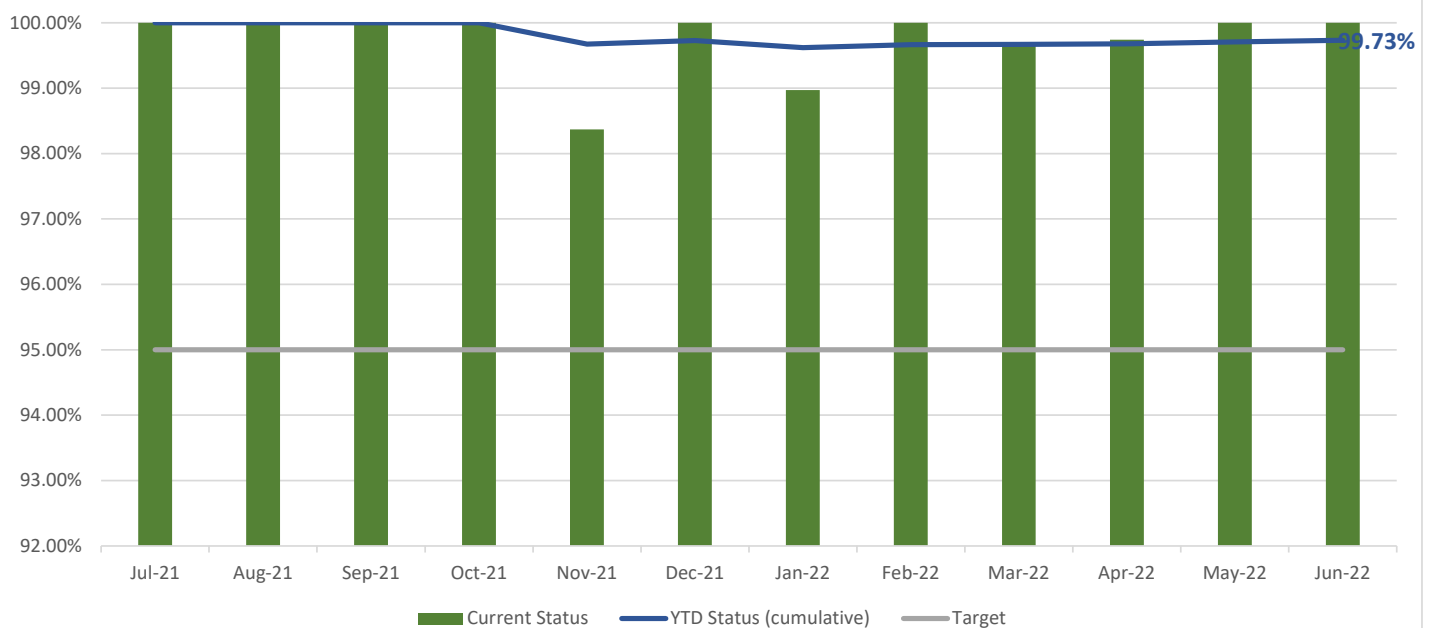
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

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	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



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

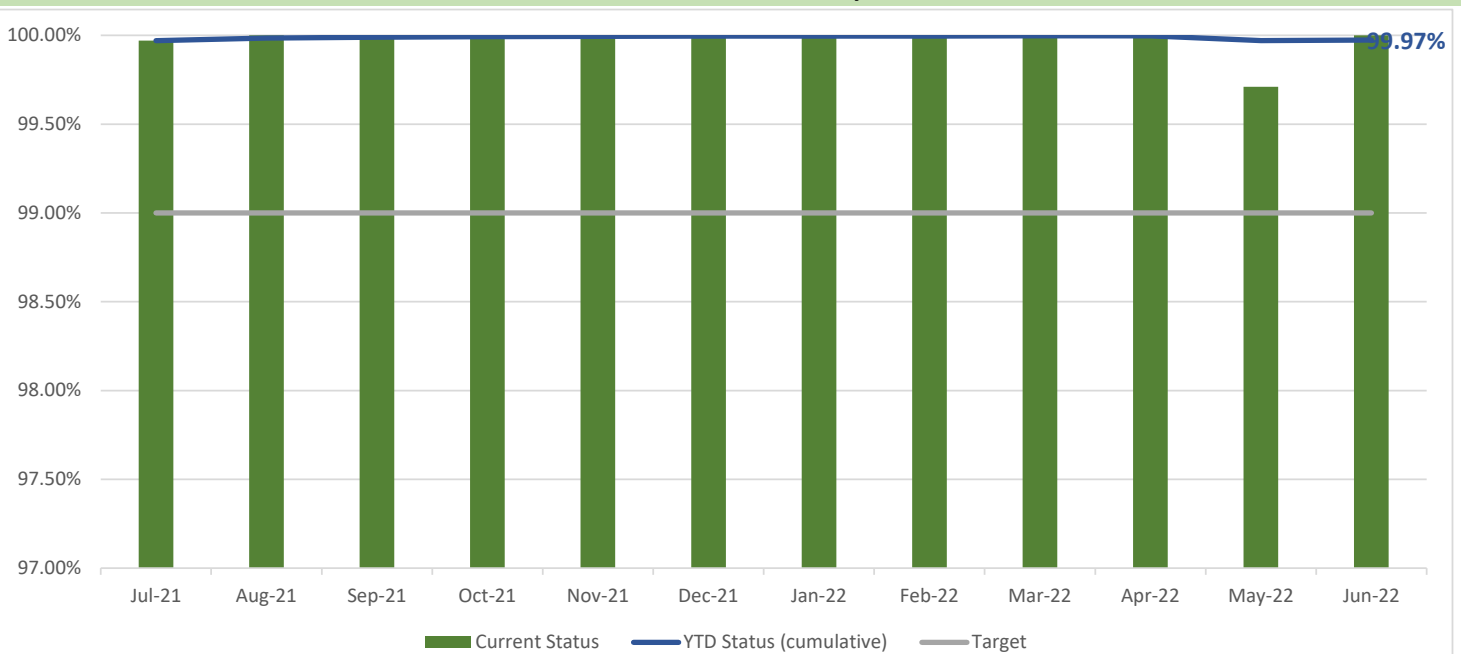
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

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 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



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

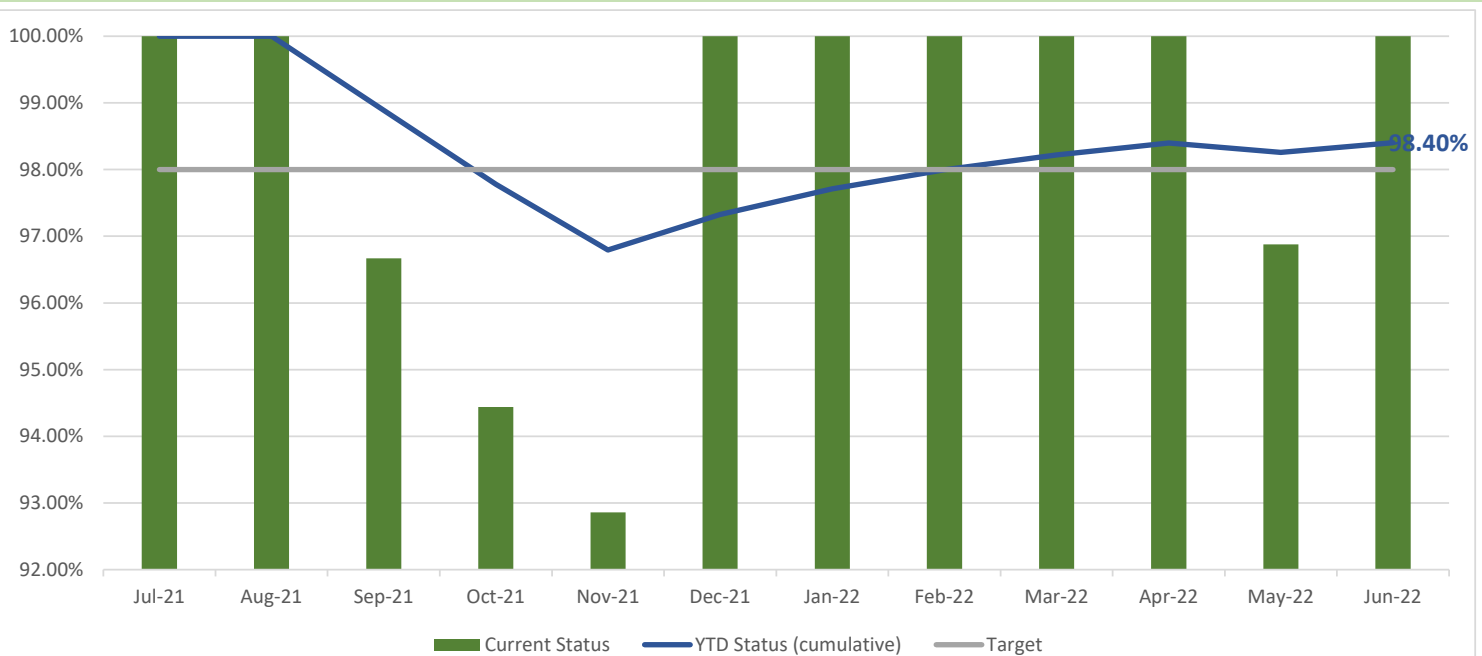
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

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	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



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

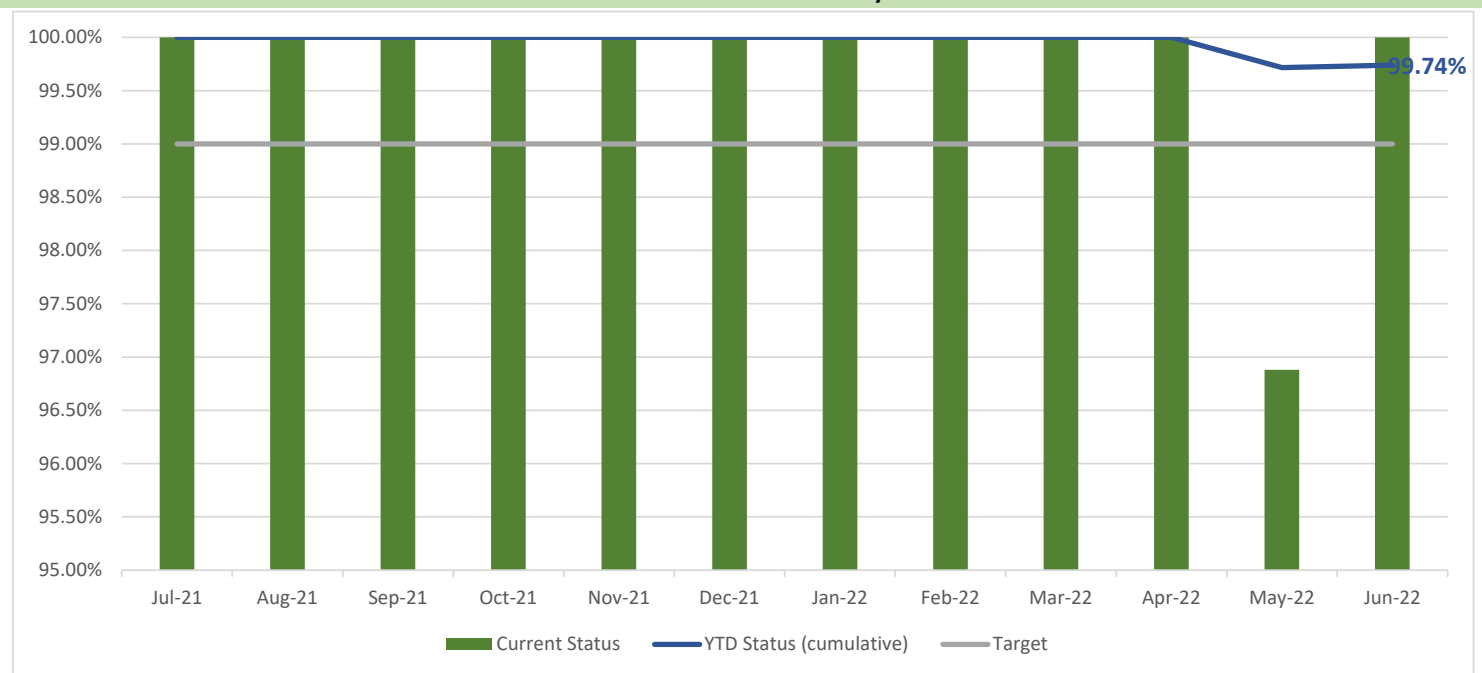
Overall Measure: 13 of 16 meet or exceed target

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

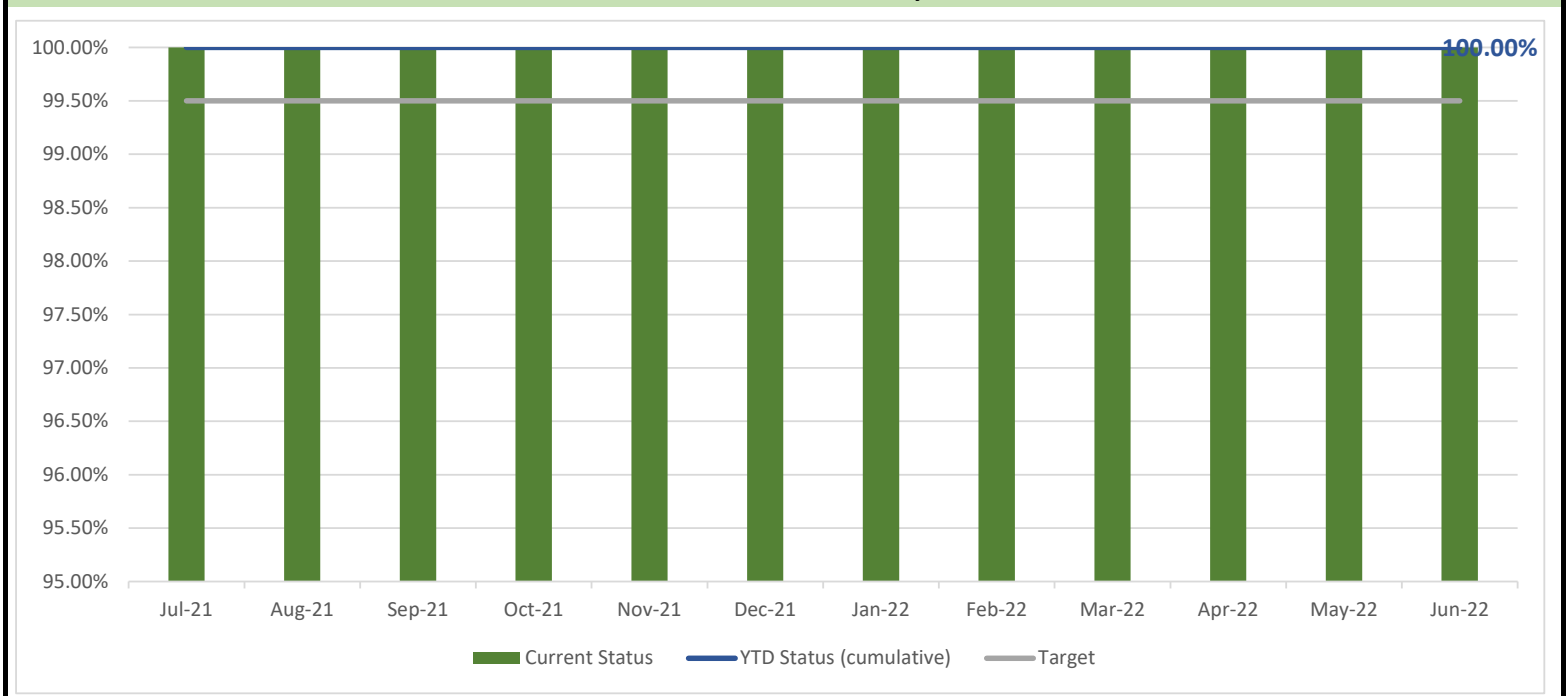
Overall Measure: 13 of 16 meet or exceed target

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 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

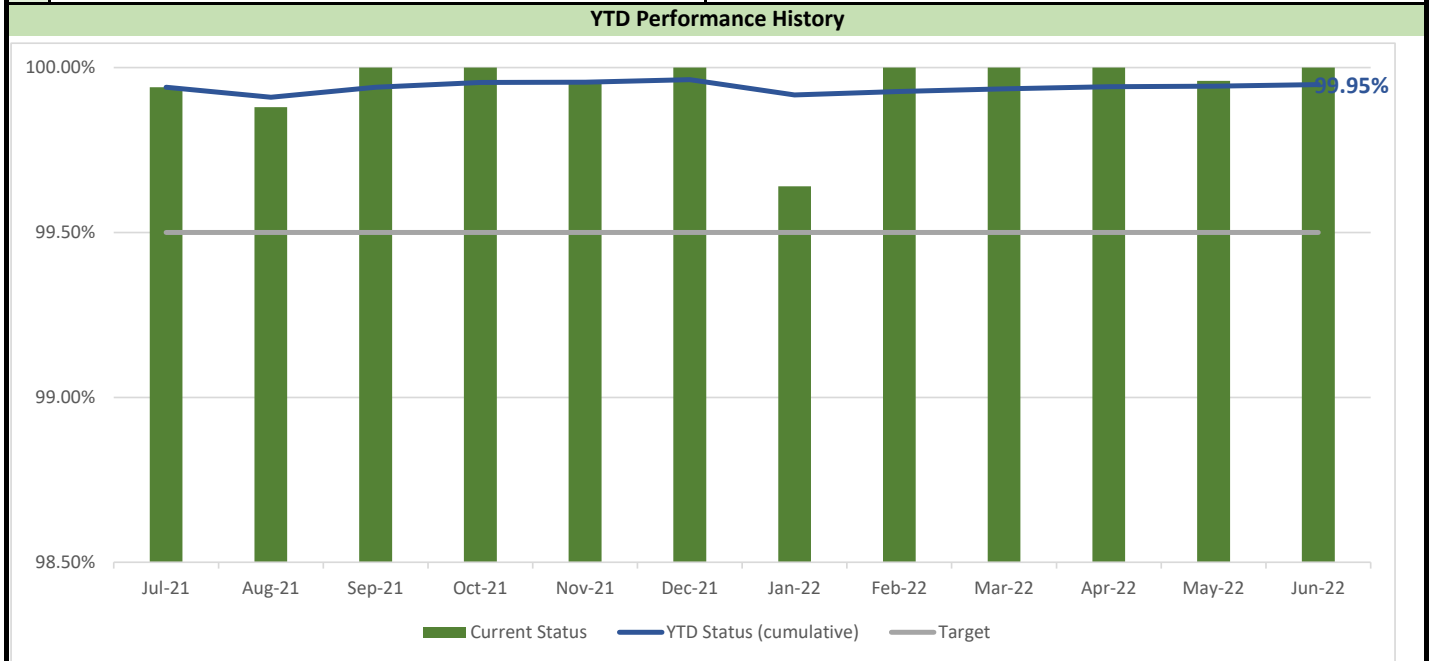


VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

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

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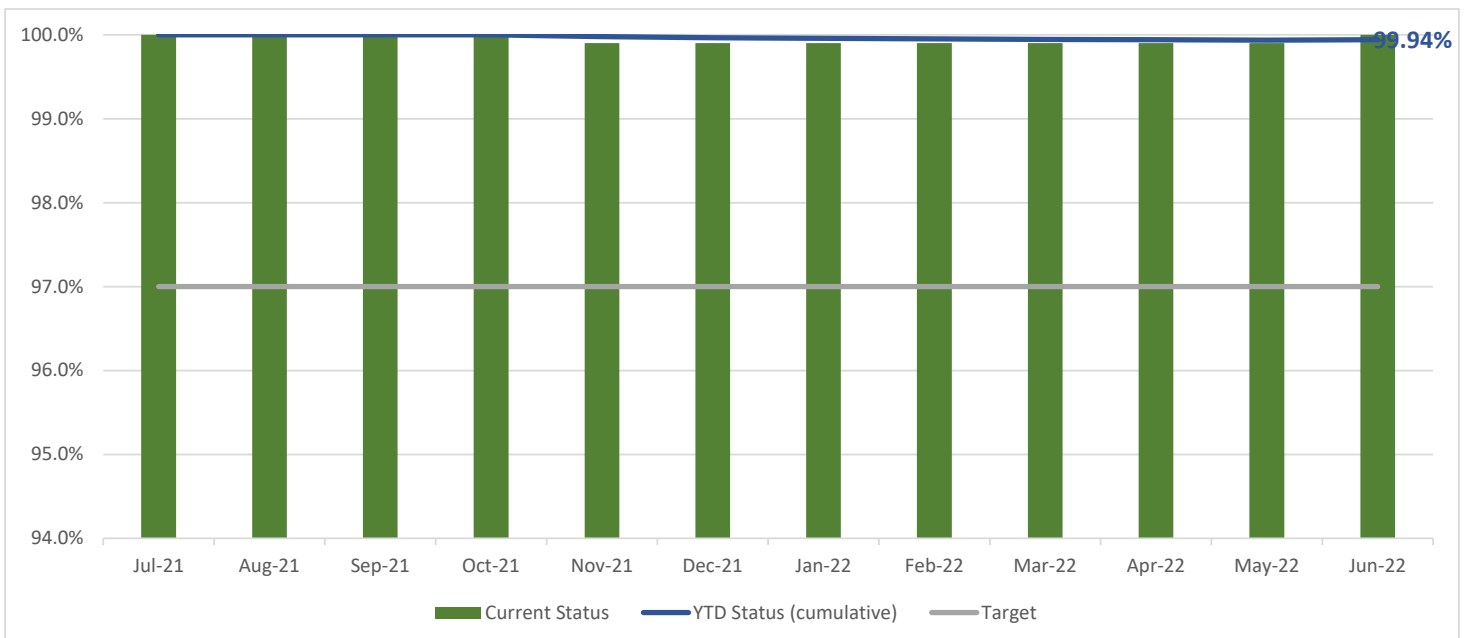
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

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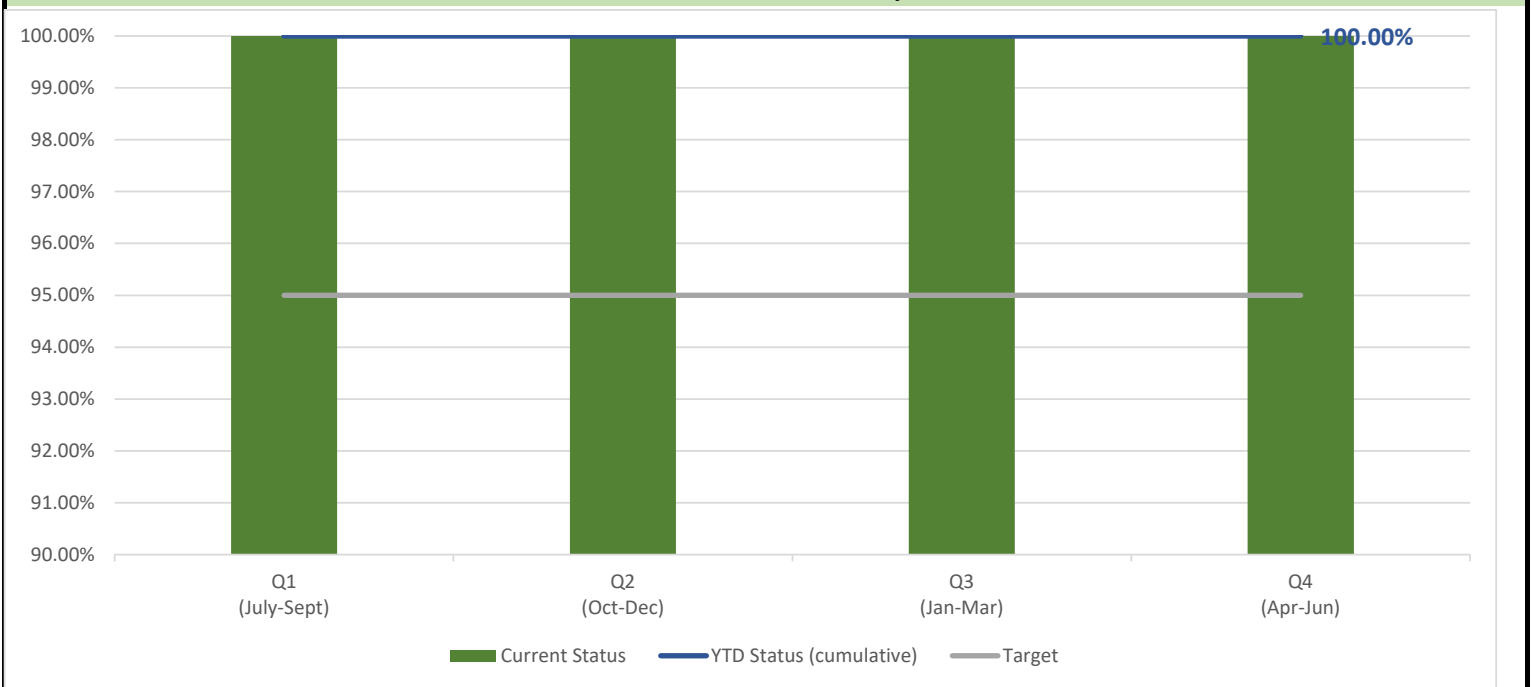
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

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]			
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	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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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.



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

Approve FY 2022 incentive payments for VRS investment professionals.

Requested Action

The VRS Board of Trustees approves payment of an incentive amount of approximately \$7,343,564.18 for FY 2022 to VRS investment professionals as authorized by the Investment Professionals' Pay Plan.

Description/Background

The VRS Board of Trustees approved the applicable Investment Professionals' Pay Plan (the "Plan") on June 10, 2021. Overall, this pay plan is designed to:

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

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

1. VRS should pay base salaries consistent with the 75th percentile of a peer group of other leading public funds.
2. VRS should provide incentive compensation opportunities such that, in combination with base salary, total compensation levels approximate the median (50th percentile) of a blended group weighted 75% to the total compensation levels of leading peer group public funds and 25% to the total compensation levels of a broad range of private sector firms that employ investment professionals.

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

- To increase or decrease target incentives for Plan participants.
- To modify, amend or rescind any aspect of the Plan at any time for Plan participants.

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

The Plan also provides for advance review by the Plan Administrator of incentive awards:

Board Review

Prior to payout of awards, the CIO will present a schedule of aggregate incentives to the Board of Trustees, through the A&P Committee, in advance. This report will include, in aggregate, the target awards, the multipliers awarded for each component, the actual dollar awards earned for each component and the total awards, attached. As requested by the A&P Committee, the CIO will provide additional information prior to the Board approving the payout of awards.

Internal Audit notified Human Resources in a September 6, 2022 memorandum, a copy of which is attached to this RBA, that the aggregate amount and the proposed payment amounts for each individual are accurately computed and in accordance with the Plan.

Rationale for Requested Action

The aggregate recommended incentive award amount for the Board of Trustees to approve is approximately \$7,343,564.18 for 52 investment professionals eligible to participate in the pay plan during FY 2022.

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

Fiscal Year 2022 Incentive Compensation Summary

Target Incentive Levels	
VRS Position	Target Incentive
Chief Investment Officer	70%
Deputy Chief Investment Officer	65%
Managing Director - Strategy, Research, Risk and/or Investment Decision Support	65%
Managing Director - Internal Assets	65%
Managing Director - Global Investments	65%
Program Director	60%
Director - Strategy, Research, Risk and/or Investment Decision Support	50%
Senior Portfolio Manager	50%
Portfolio Manager	40%
Manager - Strategy, Research, Risk and/or Investment Decision Support	30%
Senior Investment Officer	30%
Investment Officer	30%
Senior Investment Analyst	25%
Investment Analyst	5%

Multipliers		
	3 Year	5 Year
Total Fund	2.00	2.00
Public Equity	0.00	0.00
Fixed Income	2.00	2.00
Credit Strategies	2.00	2.00
Real Assets	2.00	2.00
Private Equity	2.00	2.00
Internal Equity Management	0.00	0.00
Average of All Asset Class Multipliers	1.33	1.33
Average of Public Market Assets	0.67	0.67
Average of Private Market Assets	2.00	2.00
Defined Contribution Plans	2.00	2.00

The Qualitative Multiplier is determined by the CIO and can range from 0.0 to 2.0.
The Total Fund One-Year Return Adjustment was 0%.

Aggregate Incentives	
Total Fund	\$2,854,893.23
Specific Fund	\$2,092,808.15
Average Specific Fund	\$984,893.97
Qualitative	\$1,410,968.83
Preliminary Total	\$7,343,564.18
1 Year Absolute Return Adjustment	\$0.00
Total	\$7,343,564.18



**VIRGINIA RETIREMENT SYSTEM
INVESTMENT PROFESSIONALS'
PAY PLAN
Effective July 10, 2022**

Investment Professionals' Pay Plan

Effective July 10, 2022

OVERVIEW & PAY PHILOSOPHY

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

This pay plan includes three core elements:

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

Overall, this pay plan is designed to:

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

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

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

I. Base Salary

SALARY RANGES

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

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

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Each position’s salary range includes a defined:

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

Grade	Position	Salary Range (\$ Thousands)		
		Min (\$)	Mid (\$)	Max (\$)
10	Chief Investment Officer/Chief Managing Director	341,250	451,500	567,000
9	Managing Director	288,750	383,250	477,750
8	Program Director	246,750	330,750	414,750
7	Director – Strategy, Research, Risk and/or Investment Decision Support	215,250	288,750	362,250
6	Senior Portfolio Manager	215,520	288,750	362,250
5	Portfolio Manager	168,000	225,750	283,500
4	Senior Investment Officer	141,750	189,000	236,500
3	Investment Officer	110,250	147,000	183,750
2	Senior Investment Analyst	84,000	110,250	136,500
1	Investment Analyst	68,250	89,250	110,250

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

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

Salary Adjustments

Oversight & Administration

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

Merit Increases

- Salary increases are based on meeting individual performance standards. The supervisor completes the evaluation after the end of the fiscal year. If a participant in the investment employees’ pay plan does not meet overall performance standards, then the participant is ineligible for performance increases to their base salary and market adjustments to their

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base salary for that performance cycle. Performance cycles are on a fiscal year basis (July 1 through June 30) and typically begin with an effective date of performance plans in the first quarter of the new fiscal year.

- The CIO will receive base salary increases as approved by the VRS Board of Trustees and in accordance with the terms in the CIO's Employment Agreement, with approved effective dates established by the VRS Board of Trustees.

Starting Salaries

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

Reallocation

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

In-grade Adjustments

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

Promotions

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

Downward Assignment

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

II. Incentive Pay Plan

PLAN ADMINISTRATION

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

- To increase or decrease incentives for any and/or all Plan participants.
- To modify, amend or rescind any aspect of the Plan at any time for any and/or all Plan participants.
- While the Plan Administrator remains mindful of the value that staff adds to the organization and supportive of the pay plan, the Plan Administrator also specifically reserves the right to cancel, reduce, or delay the amount of any incentives payable under this plan when, in the sole discretion of the Plan Administrator, extreme budgetary pressures, economic, market or other conditions are such that the Plan Administrator deems such action necessary under the circumstances.

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- Consistent with the preceding paragraph, payment of incentives under this plan is not guaranteed.

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

PLAN ELIGIBILITY

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

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

Positions Eligible to Participate in the Investment Professional’s Pay Plan
Chief Investment Officer/Chief Managing Director
Managing Director – Portfolio Solutions Group
Managing Director – Private Market Assets and DC Plans
Managing Director – Public Market Assets
Program Director
Director – Strategy, Research, Risk and/or Investment Decision Support
Senior Portfolio Manager
Portfolio Manager
Senior Investment Officer
Investment Officer
Senior Investment Analyst
Investment Analyst

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

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

Participation in this Plan in any one year does not confer the right to participate in this Plan in any other year or to receive Plan payouts for the current and/or any future year. Participation in this Plan does not confer the right to continued employment. Subject to the provisions of this Plan, only active VRS employees may receive payments under this Plan.

OVERALL INCENTIVE PLAN MECHANICS

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

- Eligible Plan participants will be assigned an incentive opportunity, expressed as a percentage of their actual earned base salary.
- Incentive opportunities vary by position, with the level of such opportunities increasing with the degree to which the position directly affects VRS’ investment performance.

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- Incentives are weighted or allocated to separate Plan components, described below, with the specific components and weightings varying by position:
 1. Total Fund relative investment performance
 2. Asset Class relative investment performance
 3. Average of Asset Class Multipliers (for positions that support multiple asset classes)
 4. Qualitative – focuses on individual achievement of assigned objectives.

- After year-end, payouts under each Plan component would be determined based on performance.
- Each participant's preliminary award would equal the sum of all of their performance adjusted Plan components.
- Final awards would equal preliminary awards adjusted, up or down, based on the Total Fund's one-year absolute return. Specifically, there will be no adjustment for returns between 0% and the assumed rate of return, currently 6.75%. There will be a positive one-for-one adjustment for returns in excess of the assumed rate of return (e.g., if Total Fund one-year actual absolute return equals +9.75%, then the preliminary awards will be increased by 3%). There will be a negative one-for-one adjustment for a return less than 0% (e.g., if Total Fund one-year actual absolute return equals -15%, then the preliminary awards will be reduced by 15%). This adjustment is specifically intended to systematically take into account, in the shorter term, the effect of market cycles on the health of the pension plan by providing a mechanism to reflect the impact of up and down markets on incentive compensation.
 - 50% of eligible senior staff-members' awards (up to IRS limits) will be deferred into tax-qualified accounts. See section III, Defined Contribution Incentive Plan for VRS Investment Management Personnel (DCPIP). While deferred, awards are subject to the Total Fund's annual absolute return.
 - All other awards paid in cash.

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

INCENTIVE OPPORTUNITIES

Incentive opportunities will vary by position based on multiple criteria:

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

Actual awards can vary based on performance.

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For the fiscal year ending June 30, 2022, and all subsequent years, unless as otherwise determined, the Plan’s incentive opportunities are as follows:

Incentive Levels	
VRS Position	Incentive¹ (% Salary)
Chief Investment Officer/Chief Managing Director	70 ²
Managing Director – Portfolio Solutions Group	65 ²
Managing Director – Private Market Assets and DC Plans	65 ²
Managing Director – Public Market Assets	65 ²
Program Director	60 ²
Director – Strategy, Research, Risk and/or Investment Decision Support	50
Senior Portfolio Manager	50
Portfolio Manager	40
Senior Investment Officer	30
Investment Officer	30
Senior Investment Analyst	25
Investment Analyst	5

¹Performance-adjusted preliminary awards can vary from zero to two times the incentive.

²A portion, up to 50%, of the positions’ earned incentives is subject to mandatory deferral.

INCENTIVE WEIGHTINGS

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

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

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

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Incentive Weightings by Plan Component					
VRS Position	Total Fund %	Asset Class Multipliers %	Asset Class %	Qualitative %	Total
		(% of total incentive weighted to each component)			
Chief Investment Officer/Chief Managing Director	60	20 ¹		20	100
Managing Director – Portfolio Solutions Group	60	20 ¹		20	100
Managing Director – Private Market Assets and DC Plans	40	40 ²		20	100
Managing Director – Public Market Assets	40	40 ³		20	100
Program Director	30	50 ⁴	50	20	100
Director – Strategy, Research, Risk and/or Investment Decision Support	30	50 ¹		20	100
Senior Portfolio Manager	20		60	20	100
Portfolio Manager	20		60	20	100
Senior Investment Officer	20	60 ⁴	60	20	100
Investment Officer	20	60 ⁴	60	20	100
Senior Investment Analyst	20	30 ⁴	30	50	100
Investment Analyst	20	30 ⁴	30	50	100

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

²The MD Private Market Assets and DC Plans average multiplier is based on the multipliers of private market asset classes under the incumbent's purview.

³The MD Public Market Assets average multiplier is based on the multipliers of the public market asset classes under the incumbent's purview.

⁴These positions may support a specific asset class or multiple asset classes. If the position supports a specific asset class, then the multiplier is based on the asset class multiplier. If the position supports multiple asset classes, then the multiplier is based on the average of the multipliers of the asset classes supported.

QUANTITATIVE PLAN COMPONENTS

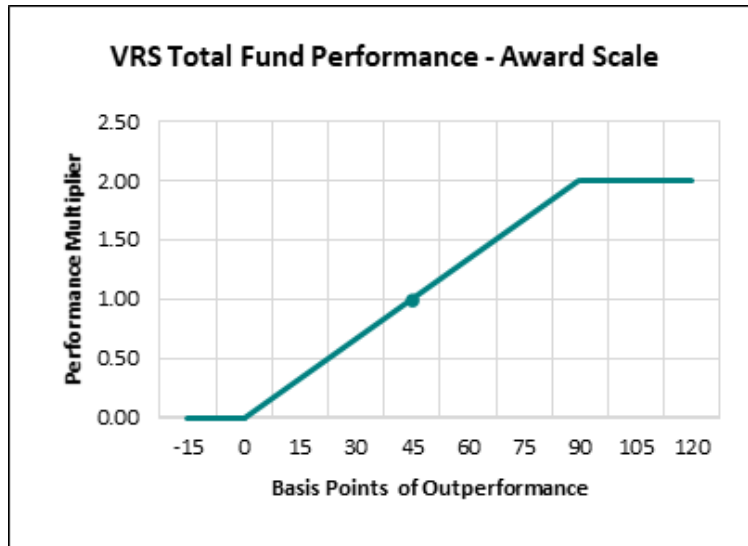
These Plan components link participants' incentive compensation to relative investment performance or, more specifically, the extent by which the Total Fund and/or Asset Class performance exceeds passive benchmarks (indices) as measured over trailing three- and five-year annualized periods (each weighted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

For purposes of this Plan:

- Measurement of relative investment performance is net of third-party fees, which consist of investment management fees and performance fees paid to investment managers, custodian fees, legal fees, internal investment staff administrative expenses, and miscellaneous fees.
- A performance-award scale defines the linkage between relative investment performance and a corresponding Performance Multiplier. Illustrating this approach at the Total Fund level, when VRS' relative investment performance:
 - Equals zero or less (i.e., no relative value added), then the VRS Performance Multiplier will equal zero and there will be no incentive payouts under this Plan component.
 - Equals 45 bps, then the VRS Performance Multiplier will equal 1.00 and there will be a 100% payout of this Plan component.
 - Equals 90 bps or more, then the VRS Performance Multiplier will equal 2.00 and there will be a 200% payout of this Plan component.
 - Is anywhere between zero and 90 bps, then the VRS Performance Multiplier is determined on an interpolated, straight-line basis.

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Note: The Board approved the Verus recommended excess return objective (45 basis points) for the Total Fund at the June 15, 2020 meeting with an effective date of July 1, 2020. For implementation purposes, the Total Fund excess return objective will be a blend of the former excess return objective (30 basis points) to be used until June 30, 2020, and the new excess return objective (45 basis points) to be used from July 1, 2020 onward.



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

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

QUALITATIVE PLAN COMPONENT

The qualitative incentive multiplier can range from 0.00 to 2.00 at the CIO's discretion. The CIO obtains input from applicable senior staff regarding individual performance levels to help determine the qualitative rating. The qualitative rating is separate and distinct from the individual's annual performance evaluation rating requirement for plan eligibility. This Plan component links participants' incentive compensation to achievement of individual and/or position-specific performance objectives and VRS' overall performance objectives. Actual awards under this plan component will reflect:

- Position and/or incumbent-specific performance criteria.
- Achievement of key VRS performance objectives, including:
 - Building an effective organization
 - Enhancing investment excellence
 - Developing staff

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

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DETERMINING PRELIMINARY AWARDS

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

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

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

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

Preliminary Award **\$91,200**

DETERMINING FINAL AWARDS

Final awards, if any, would be determined after each fiscal year-end by adjusting the sum of each participant's preliminary award, up or down, based on VRS' one-year absolute return for the most recently completed fiscal year. Specifically, there will be no adjustment for returns between 0% and the assumed rate of return, currently 6.75%. There will be a positive one-for-one adjustment for returns in excess of the assumed rate of return. There will be a negative one-for-one adjustment for returns less than 0%. Illustrated below is the process for determining final awards.

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

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

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

Final Award **\$91,200**

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Scenario #2: The Total Fund's One-Year Absolute Return Is 9.75%

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

Preliminary Award \$91,200

X 1+ Total Fund's One-Year Rate of Return
 Less Assumed Rate of Return 103%

Final Award \$93,936

Scenario #3: The Total Fund's One-Year Absolute Return Is -15%

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

Preliminary Award \$91,200

X 1+ Total Fund's One-Year Rate of Return 85%

Final Award \$77,520

PAYING OUT FINAL AWARDS

Board Review

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

Final Award Payout

Final awards will be paid out as follows:

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

Timing of Cash Payouts

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

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INCENTIVE PLAN PROVISIONS

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

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

PARTICIPATION

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

AMOUNTS SUBJECT TO ANNUAL DEFERRAL

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

INVESTMENT RETURN

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

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FUND TRANSFERS AND DISTRIBUTIONS

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

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

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

TAXATION

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

IV. Other Compensation Plan Information

Competitive Pay Increases

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

Sign-on Bonuses

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

Relocation Expenses

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

Employment at Will

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

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

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409A Compliance

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

CLASS STRUCTURE

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

Chief Investment Officer/Chief Managing Director

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

Managing Director

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

Program Director

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

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

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

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

Investment Professionals' Pay Plan

Effective July 10, 2022

Risk – The position within Risk has responsibility in the design, implementation, and management of the risk management program including project management (solicitation and queueing of projects from clients), guidance and coordination within the group, mathematical and statistical analysis of empirical problems, risk management, and high-level programming. Additionally, staff within Risk assist with the design and implementation of a diverse collection of strategies designed to have low or negative correlation to other VRS asset classes.

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

Senior Portfolio Manager

The Senior Portfolio Manager positions have responsibility for multiple portfolio strategies and/or may supervise one or more Senior Investment Officers or Portfolio Managers. The Senior Portfolio Manager positions provide a potential career progression ladder for Portfolio Managers over time, considering the contributions, experience, and sustained performance for the incumbents.

Portfolio Manager

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

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

Senior Investment Officer

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

Investment Officer

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

Investment Professionals' Pay Plan
Effective July 10, 2022

Senior Investment Analyst

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

Investment Analyst


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



Date: September 6, 2022

To: Paula Reid, Director of Human Resources

CC: Trish Bishop, Director
Ron Schmitz, Chief Investment Officer

From: Jennifer Schreck, Internal Audit Director 
Joshua Fox, Principal Auditor

Subject: **Review of FY2022 Investment Incentive Compensation**

Internal Audit has reviewed the proposed Investment Incentive Compensation for the fiscal year ended June 30, 2022. As presented, the Investment Incentive Compensation amount, in aggregate, is **\$7,310,690.29**, where a qualitative multiplier of **1.0** is used for the Chief Investment Officer. We found this aggregate amount, as well as the proposed individual payment amounts, were accurately computed in accordance with the Investment Professionals' Pay Program, effective June 10, 2021.

Please share this information with the Administration and Personnel Committee as well as the Board of Trustees, as you deem appropriate.

VRS Director's performance review.**Requested Action**

The VRS Board of Trustees approves a performance bonus for the VRS Director payable on October 14, 2022 and a supplemental payment made December 1, 2022 as authorized in the 2022 Appropriation Act.

Description/Background

A performance bonus may be paid to the VRS Director pursuant to § 4-6.01(c)(2)(b)(1) of the 2022 Appropriation Act:

The appointing or governing authority may grant performance bonuses of 0-5 percent for positions whose salaries are listed in §§ 1-1 through 1-9, and 4-6.01 b, c, and d of this act, based on an annual assessment of performance, in accordance with policies and procedures established by such appointing or governing authority. Such performance bonuses shall be over and above the salaries listed in this act, and shall not become part of the base rate of pay.

A 5% performance bonus is payable October 14, 2022.

The Board may supplement the salary of the Director pursuant to § 4-6.01(c)(8) of the 2022 Appropriation Act:

Notwithstanding any provision of this Act, the Board of Trustees of the Virginia Retirement System may supplement the salary of its Director. The Board should be guided by criteria, which provide a reasonable limit on the total additional income of the Director. The criteria should include, without limitation, a consideration of the salaries paid to similar officials in comparable public pension plans. The Board shall report such criteria and potential supplement level to the Chairmen of the Senate Finance and Appropriations and House Appropriations Committees at least 60 days prior to the effectuation of the compensation action. The Board shall report approved supplements to the Department of Human Resource Management for retention in its records.

A supplement of \$85,000 will be paid on December 1, 2022, with an amount up to the applicable Internal Revenue Code § 415(c) limits paid to the Defined Contribution Incentive Plan for VRS Personnel as an employer contribution, and the remainder paid in taxable compensation to the Director.

Rationale for Requested Action

This RBA, which recommends a performance bonus and the award of supplemental compensation for the VRS Director, considers the salaries paid to similar officials in comparable public pension plans, which in 2021 was an average salary of \$273,125. Total average compensation in 2020 (most recent data available) for comparable Directors without CIO responsibilities was \$292,528. The combined salary, performance bonus and supplemental compensation for the VRS Director is intended to make her total compensation comparable to the salary of other similarly situated officials in comparable public pension plans. The statutory base salary for the VRS Director is \$210,558.

The current limitation for 401(a) contributions under Internal Revenue Code § 415(c)(1)(A) is \$61,000, so no more than this amount (taking into account any other 401(a) contributions) may be paid into the DCPIP.

Additionally, the timing of the payment of the supplement complies with the 2022 Appropriation Act. The supplement will be paid on December 1, 2022, which allows more than 60 days' notice to the Chairmen of the Senate Finance and Appropriations and House Appropriations Committees.

Authority for Requested Action

Section 4-6.01(c)(2)(b)(1) and (c)(8) of the 2022 Appropriation Act.

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



2022

Fiscal Year Report

Trish Bishop

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Executive Summary

As VRS celebrates 80 years of serving those who serve others, our team continually strives to meet members where they are by providing services, retirement counseling and education during their careers and into retirement. Our activities throughout the fiscal year contribute to this overarching goal of helping members holistically plan for tomorrow, today.

We continue to focus on advancements in customer service technology. After launching online retirement last year, we were pleased to see 38% of July retirements using online functionality – reducing overtime and freeing staff to handle more high-touch processing. VRS maintains its position in the most coveted quadrant of Cost Effectiveness Measurement’s (CEM) cost-effective services chart, where we deliver high service at a low cost in comparison to our peers.

VRS had a noteworthy legislative session. After years of advocating for reducing unfunded liabilities, especially at times when state resources are available, we are heartened by the collective actions by the General Assembly and Governor to allocate additional funds to the various retirement plans.

Due to exceptional investment performance in FY 21, the actuarially determined contribution rates for the upcoming biennium for state and teacher plans would have been lower than the prior biennium. We are gratified, however, that the legislature kept contribution rates level, which will improve plan health in the long-term.

After two years of remote work, most employees now report to the office for collaboration days on Tuesdays and Wednesdays. Staff in IT security as well as the customer contact center continue to work remotely. The flexibility to serve customers from the home office environment is stabilizing customer response times and other service level measures. It’s also been crucial for staff recruitment and retention.

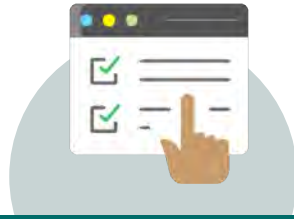
VRS’ success relies on a dedicated team. I’d like to thank the Board of Trustees for your tremendous support, leadership and stewardship. Through your support, our team is empowered to provide exceptional service to our members and beneficiaries. I’d also like to thank Ron and Jennifer and our “OneVRS” team for its unified commitment to our mission.



Awards and Recognition

VRS was honored to receive several national and local awards in the past year:

- 2022 Communicator Award of Distinction
 - Recognizes marketing effectiveness for the SmartStep Auto-Increase Awareness Campaign.
 - Presented by the Academy of Interactive & Visual Arts (AIVA).
- 2022 National Association of Government Defined Contribution Administrators (NAGDCA) Leadership Awards
 - Recognizes public-sector defined contribution plans for excellence and creative communication in various categories.
 - VRS was recognized in two categories: COVID-19 Response and Participant Education & Communication.
- Certificate of Achievement for Excellence in Financial Reporting for the 2020 Annual Report
 - Recognizes excellence in governmental accounting and financial reporting.
 - 39th consecutive year for this award, presented by the Government Finance Officers Association (GFOA) of the U.S. and Canada.
 - We anticipate an award for the 2021 Annual Report.
- Virginia Public Relations Awards
 - Presented by the Public Relations Society of America-Richmond Chapter.
 - Won a Capital Award in the statewide program recognizing outstanding public relations tactics in the internal brochures category for the VRS Member Guide.
- Award for Outstanding Achievement in Popular Annual Financial Reporting for the 2020 PAFR
 - Recognizes the concise summary of financial, investment and statistical information derived from the more comprehensive Annual Report.
 - Fifth consecutive year for this award, presented by the Government Finance Officers Association (GFOA) of the U.S. and Canada.
 - We anticipate an award for the 2021 Popular Annual Financial Report.
- 2021 Governor's Honor Award
 - Presented to Douglas D. Riley, VRS Accounts Payable Specialist.
 - Recognizing his outstanding community volunteer service.
- 2021 Vision Award
 - Presented by the Commonwealth of Virginia Campaign.
 - Recognizing VRS' "Why I Give" video.



myVRS and Online Retirement

Our focus on advancements in customer service technology is an important element of our mission. We were pleased to see 38% of July retirements using online functionality. Approximately 18% of all retirement applications were submitted online since the pilot began in December 2020—reducing overtime and freeing staff to handle more high-touch processing.

Other enhancements to myVRS such as direct deposit management, beneficiary management and the addition

of survivor accounts provided members and retirees with more opportunities for self-service management. Through a myVRS link to Securian Financial added this year, members and retirees can also manage their optional group life insurance coverage online.

We continue to sharpen our systems to better secure and protect data—a top priority in the current environment.

As of June 30:



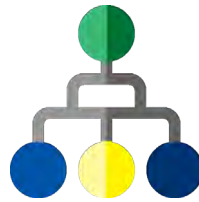
2,442

retirees used the health insurance credit feature



3,729

online retirements processed



17,233

beneficiary updates made in myVRS



5,708

retirees updated direct deposit information online



508,138

FY22 benefit estimates



41,392

FY22 member registrations

334,936

total member registrations



9,714

FY22 retiree registrations

121,369

total retiree registrations



Focus on Communicating and Educating

VRS is dedicated to serving those who serve others in Virginia, and we strive to meet members where they are and help improve retirement outcomes. After laying the groundwork last fiscal year, we launched a new online counseling appointment scheduling system in October, providing convenient access for members and automated appointment reminders. The technology also helps staff with managing and reporting.

With the integration of online video counseling during the pandemic, VRS can now offer members across the commonwealth access to counseling without travel. In-person events resumed in May, and we held several presentations, benefits fairs and one-on-one appointments. We also added a new regional representative in western Virginia to assist with our support needs in that area.

Here's a look back at some of our primary service points this past fiscal year.

Customer Contact Center

204,405

calls answered

7,616

emails received with an average response time of less than one business day

Member Counseling

219

education sessions held statewide

8,670

attendees

3,340

member and retiree counseling sessions (in-person, phone and virtual)

13

virtual benefit fairs

529

attendees

20

in-person benefit fairs

2,647

attendees

Hybrid Retirement Plan Sessions

1

benefit fair

35

attendees

335

virtual counseling sessions

80

virtual Plan Features & Benefits presentations (conducted with MissionSquare)

1,373

attendees

498

overview sessions (conducted by MissionSquare)

3,246

attendees

Education & Training

25

employer webinars

570

attendees

32

employer e-courses

991

views

575

completions

27

member training videos

22,820

views

7,804

completions



myVRS Financial Wellness

Guiding members and retirees to money management and financial education resources continued to be a priority. Among the new content added to the myVRS Financial Wellness platform this year was a money mindfulness section, including guided meditations, videos and financial journaling activities to help users set achievable financial goals. The program also expanded to include content for retirees.

In April, we kicked off an email campaign targeting hybrid plan members during Financial Literacy Month. The series of nine emails received open rates between 30% to 40%, well above typical industry averages. Sessions on the platform doubled to 3,190 compared to 1,401 in March. We also saw 10,500 combined page views through the myVRS portal and the public website from January to June 2022. We successfully engaged more than 4,000 VRS members to take the next step and register to have full access to all tools and courses.

Additional tactics this fiscal year included:

- Promotional slides in external presentations, including presentations to the Virginia Governmental Employees Association (VGEA), Virginia Retired Teachers Association and Virginia Association of School Superintendents.
- Highlighting specific features in each issue of quarterly Member News.
- Promoting the platform in each issue of Retiree News.
- Educating employers at each roundtable.
- Placing external articles in publications for the Virginia Education Association, VGEA and Department of Human Resource Management (DHRM).
- Monthly spot in DHRM's financial wellness tips newsletter.
- Promotions on the VRS Facebook page and LinkedIn page.



83,686

FY22 Page Views

4,358

FY22 Registrations

23,230

Total Registrations

591

FY22 Course Completions

4,534

Cumulative Course Completions

675

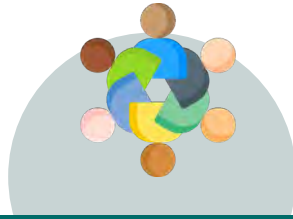
Your Money Personality Assessment Completions

Planning for Retirement

Most Completed Course FY22

20.4%

Average Knowledge Gain (all courses)



Employee Engagement, Diversity and Inclusion

April 26, 2022, marked VRS' return to the office in a hybrid work model after two years of working remotely. Employees attended a training session on our new work model, and scheduled appointments with the technology team to ensure office equipment was in place. The VRS leadership team welcomed employees back with coffee and pastries as colleagues reunited.

Public Service Week (May 2-6) immediately followed our successful return. The kickoff included a video message from me to employees, and we celebrated throughout the week with lunch, afternoon treats and virtual teambuilding activities.

While working remotely last fall and winter, VRS continued with staff activities, creating new ways to connect with team members. During Customer Service Week, October 4-8, VRS employees participated in virtual games and teambuilding challenges, culminating with a special drive-thru event with a breakfast pickup, flu shots and an opportunity to drop off donations for Richmond Public Schools and the Atlantic Outreach Group Food Pantry.

The virtual annual meeting in December recognized employees with service, excellence and team spirit awards.

Fun categories included "Most Likely to Be a Superhero" and "Rookie of the Year." Claire Herring from Blue Ocean Brain delivered the keynote address titled, "Together Toward Tomorrow."

Each month I host VRS Today meetings to recognize employee accomplishments, provide updates on agency initiatives, give technology security tips and promote employee engagement. Attendance averages 300 employees each month and meeting feedback is positive.

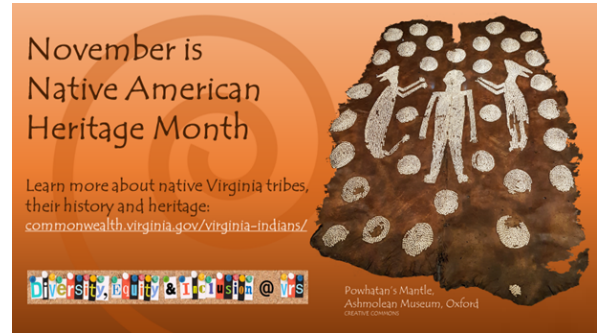
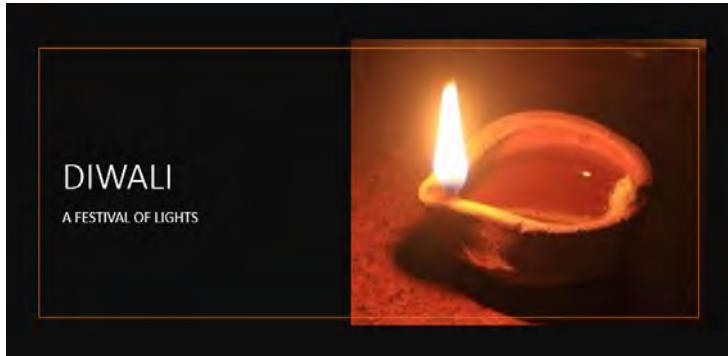
VRS celebrates diversity and fosters an inclusive culture. In coordination with our 80th anniversary, the public relations team created a new video for the Careers page on the website to showcase our diverse workforce and the benefits of working at VRS.

Using the VRS Newscenter, we recognized holidays such as Juneteenth and celebrated special observations such as Black History Month, Pride Month and Diwali. Virtual programs on "Emancipation Towns" and "One Image, Two Freedom Fighters" presented learning opportunities. (See a selection of programs and communications on the following page.) Human Resources also refreshed its DEI onboarding presentation for agency new hires.



(Continued)

VRS Diversity and Inclusion Programs in FY22



Saluting Our Veterans

Kevin Bahr
John Boswell
Roland Brodeur
William Buckley
Zamwezi Chatman
Paulette Cook
John Craft
Barry Faison
Antonio Fisher

April Heintz
Cordell Honrado
Robert Irving
Otto Kretzer
Michael Ruffin
LaTonia Stevenson
Rodney Thomas
Scott Weaver

Thank you all for your service to our country, your bravery and the example you set for us at VRS.

BLACK HISTORY MONTH 2022

Emancipation Towns

Presented by Ana Edwards,
Education Programs Manager,
The American Civil War Museum

Tuesday, February 22, 2022
Noon-1 p.m.
Virtual Program

In the aftermath of the Civil War, newly freed established homes and of own. Some migrated we closer to lands and peopl

Names like Westwood, Washington Park and Jar ring familiar as Richmond began by people starting the determination to beg lives in a new, uncertain

BLACK HISTORY MONTH 2022

One Image, Two Freedom Fighters:

Memory and Representation During and After the Civil War

Monday, February 28, 2022
Noon-1 p.m.
Virtual Program

Discover the 1864 photo of USCT Pvt. Hubbard Pryor that became a national recruitment tool for the U.S. Army and Black male pride in the fight for Emancipation, and then vanished from memory only to resurface as a depiction of Gabriel, the enslaved Virginia blacksmith who led a well-organized, if thwarted large-scale rebellion more than 60 years before.

Presented by Ana Edwards,
Education Programs Manager,
The American Civil War Museum

Celebrating Kwanzaa

Kwanzaa, first celebrated in 1966, was created by Dr. Maulana Karenga, based on harvest festival traditions from various parts of Africa. "Kwanzaa" is derived from the Swahili phrase "matunda ya kwanza," or "first fruits."

On each day of Kwanzaa, a candle is lit for each of the seven principles of Kwanzaa: umoja, kujichagulia, ujamaa, kuumba, ujima, nia and imani. These principles are also known as Nguzo Saba ("seven principles" in Swahili).

Children are important in Kwanzaa celebrations! It is also a time to honor ancestors, family and community.

Habari gani?
"What is the news?"
in Swahili, a traditional Kwanzaa greeting.
(Response: the principle of the day)

Heri ya Kwanzaa!
"Happy Kwanzaa!"
in Swahili

April is Arab American Heritage Month

An estimated 3.7 million Americans have Arab roots, according to the Arab American Institute, with ancestries traced to 22 countries in the Middle East and North Africa, including Lebanon, Syria, Egypt, Palestine, Morocco, Iraq, Jordan, Yemen, Bahrain, Tunisia, Algeria, Sudan, Qatar, Saudi Arabia, United Arab Emirates and others.

In the late 1800s, Arab immigration to the United States began with Arab Christians leaving the Ottoman Empire because of religious persecution, conscription and economic reasons.

Today, Arab Americans live in all U.S. states. Two-thirds reside in 10 states: California, Florida, Illinois, Michigan, New Jersey, New York, Ohio, Pennsylvania, Texas and Virginia. (history.com)

Women Leaders
In Business and Finance

WOMEN'S HISTORY MONTH 2022

May is Asian American and Pacific Islander Heritage Month

June is Pride Month

JUNETEENTH
FREEDOM DAY • JUNE 19, 2022



Advancements in Technology and Security

Improving technology and taking a proactive approach to data security remains a priority as we ensure high availability for our mission-critical applications and business processes.



Top initiatives of the past fiscal year included:

- Enhancing myVRS by adding an online access link for members to update group life insurance coverage, eliminating another paper process.
- Partnering with the Investments department to modernize infrastructure, security and data platforms, with a multiyear plan to migrate to a managed services model that offers web-based efficiencies.
- Setting up two Tier 3 data centers with Hyper-Converged Infrastructure (HCI) to hedge against natural disaster. We expect to commission the new data centers in the spring of 2023.
- Investing in technology talent development to assure continued progress and innovation.
- Information security is a paramount priority. The technology department works with business departments multiple times annually to test various scenarios, ensuring the reliability and availability of backup solutions in the event of a disaster. VRS also takes a layered and proactive approach to security using a variety of tools and processes.

VRS is an active participant in the Commonwealth of Virginia's implementation of a new Enterprise Resource Planning solution. The Human Capital Management (HCM) statewide initiative will replace several legacy systems. This expansive project leverages the commonwealth's investment in Enterprise Resource Planning software and will allow for full integration with the Statewide Financials application.

Employee Systems

Microsoft Teams has become a standard business tool for internal staff and external customer service delivery. The technology supports flexibility, provides more avenues of service and increased communication.



We upgraded our conference rooms with enhanced video technology to equalize in-person and remote worker participation and foster collaboration across teams and departments. As we adjust to a hybrid work environment, we continue to seek methods for enhancing engagement and innovation as well as supporting agency core values and culture.

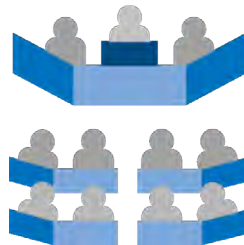


Governor's Office and Virginia General Assembly

To better position legislators to address VRS topics and questions, we hold one-on-one meetings to build relationships and educate them about the agency and the services we provide to employees across the commonwealth.

With the change in administration, VRS answered questions from, provided information to and met with members of the Governor's transition team. In addition, VRS routinely interacts with and responds to inquiries from the Office of the Secretary of Finance. Further, VRS maintains ongoing communication and dialogue

with the Department of Planning and Budget, including responding to a variety of questions and providing wide-ranging analyses.



VRS presented funding and benefit information to the House Appropriations Committee and the Senate Finance and Appropriations Committee. We also initiated outreach efforts to new members of these committees.

Recent cash infusions and other actions (see Legislation on page 19) demonstrate the importance of these educational sessions.



External Communications

The agency placed articles related to VRS benefits and myVRS Financial Wellness in print and online publications:



VRS senior staff met with stakeholder groups to provide education and build awareness of VRS resources and services:

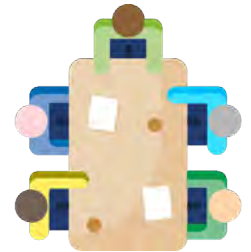
- Association of Government Accountants (AGA)
- CEM Benchmarking
- District Court Judges
- Joint Legislative Audit and Review Commission (JLARC)
- National Association of State Retirement Administrators (NASRA)
- National Council on Teacher Retirement
- Public Pension Financial Forum
- Veterans Services
- Virginia Association of School Superintendents (VASS) & Virginia Association of School Business Officials (VASBO) Winter Conference



- Virginia Government Finance Officers Association (VGFOA)
- Virginia Governmental Employees Association (VGEA)
- Virginia House Appropriations Committee
- Virginia Retired Teachers Association (VRTA)
- Virginia Senate Finance & Appropriations Committee
- Virginia Sheriffs' Association

Industry Outreach and Peer Recognition

Having a seat at the table among industry professionals helps position VRS as a leader and enables us to exchange ideas with colleagues. I had the honor to serve in the following capacities this year:



- Became president-elect of the National Association of State Retirement Administrators (NASRA).
- Served as a member of the National Council on Teacher Retirement's (NCTR) resolutions committee.
- Addressed NCTR's spring conference on the topic of "A Holistic Approach to Members' Financial Wellness and Knowledge."
- Served as a judge for the plan funding policy contest conducted by the National Institute on Retirement Security (NIRS).



Member and Retiree Support

Attention to individual member and retiree needs is at the heart of our customer service commitment.

and accurate payments, while processing refunds and service purchases.

Our Customer Programs team provides caring service to members and retirees experiencing disability and loss. Our Retiree Services team transitions active members to retiree status. Our Finance and Accounting teams ensure on-time

Here are some FY 22 metrics from the Virginia Sickness & Disability Program (VSDP), the Virginia Local Disability Program (VLDP) and Group Life Insurance:

VSDP CLAIMS

7,948

Short-term disability (STD)
claims received

7,317

STD claims approved

1,155

Long-term disability (LTD)
claims opened

1,210

LTD claims closed

VLDP CLAIMS

1,359

STD claims received

1,190

STD claims approved

172

LTD claims opened

124

LTD claims closed

LIFE INSURANCE

7,830

Basic

305

Optional

8,135

Total claims opened

SERVICE RETIREMENTS

13,636

Service Retirements Processed

3,729

Submitted Online



Public Relations

Employer Representative Team

Providing personalized support to more than 800 participating employers is job one for the Employer Representative Team, backed by the Employer Support unit in the Customer Relations Department.



Roundtables and Site Visits

- 133 virtual employer site visits
- 78 virtual employer roundtables completed
- 2,065 employer contacts attended, representing 573 employers

Employer Participation and Benefit Coverage

- 13 actuarial studies
- Processed 34 employer requests for new coverage:
 - ◆ 10 new employers
 - ◆ 24 additional benefit coverage items elected by employers

Special and Continuing Projects

- Outreach to 418 new benefit administrators at participating employers to offer technical assistance and guidance on VRS programs and services.
- Implemented two critical shortage programs: school bus drivers and school security officers. Continued administration of the existing critical shortage program as well as benefit forfeitures, notified employers that offer the enhanced hazardous duty benefits that they have employees reaching the age 70 limit, and assisted higher education employers with the surcharge for their optional retirement plans.

- Coordinated monthly information meeting with Department of Human Resource Management and Department of Accounts.
- Worked across multiple units to make policy decisions. Hold biweekly meetings to discuss individual cases.
- Facilitated setting the new employer contribution rates for fiscal years 2023 and 2024.
- Assisted employer support with a myVRS Navigator security review for employers.
- Completed employer outreach for the Commonwealth of Virginia Voluntary Group Long Term Care Program rate increase.
- Coordinated the onboarding process for City of Norfolk, one of the larger employers to join VRS this year.
- Led project to schedule large employer myVRS Navigator snapshot submissions to avoid system congestion.
- Employer outreach to implement legislation to unblend the defined contribution plan and defined benefit plan employer contribution rates.
- Outreach to new governor's administration.

Communications

The Communications Team completed a four-part Investments video series, an in-house collaboration between the Investments and Public Relations departments to bring more transparency, demonstrate value and build knowledge of the VRS investment strategy among members, retirees and other stakeholders. All four episodes are posted on the Investments page of the VRS website and promoted through



(Continued)

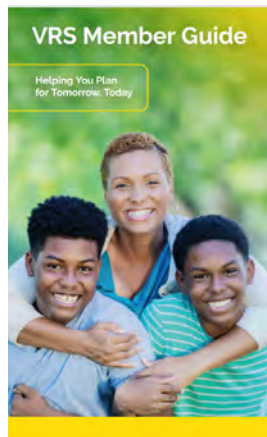
member, retiree and employer newsletters and on social media. We also shared the videos with external stakeholder groups to help them gain deeper insights into how the VRS Trust Fund is managed and invested. Combined, they've had more than 5,000 views. Deeper understanding of our strategy contributed to positive news coverage when we released our fiscal year-end return numbers in late August.

2022 marked VRS' 80th birthday. The Communications Team, working with the Web Team, commemorated the milestone by developing an engaging "80 Years of Serving Those Who Serve Others" campaign. This campaign kicked off in March and was the first of its kind on varetire.



org. Elements included a new 80-year logo on the homepage with a link to an interactive timeline slider on the About VRS page. The timeline showcases VRS' major historical milestones throughout our 80-year history. This new logo was also added to the About VRS page and the About Us video, as well as other inbound sources (Facebook, employer website, etc.). The campaign brought a more than 31% increase in traffic to the About VRS page over the same six-week period the previous year.

New VRS members encounter a large number of handbooks, forms and online resources awaiting prompt action as they enter the system. This year, VRS published a new, compact Member Guide to help quickly orient new hires to their VRS benefits. With a bright design and concise information, it streamlines the orientation process for VRS members in all plans and provides employers with one resource they can hand out. The guide has proven popular with employers.



This past year, I worked with the Communications Team to launch a Benefit Tip video series in which I provide focused information about key member benefits. Not only does this series provide a personal touch in my role as director, it also seeks to inspire members to take immediate action. The Online Beneficiary Management video has proven most popular so far with 1,374 views, followed closely by Claim Your Account Online with 927 views.



The Public Relations team also manages our newsletters and social media communications:

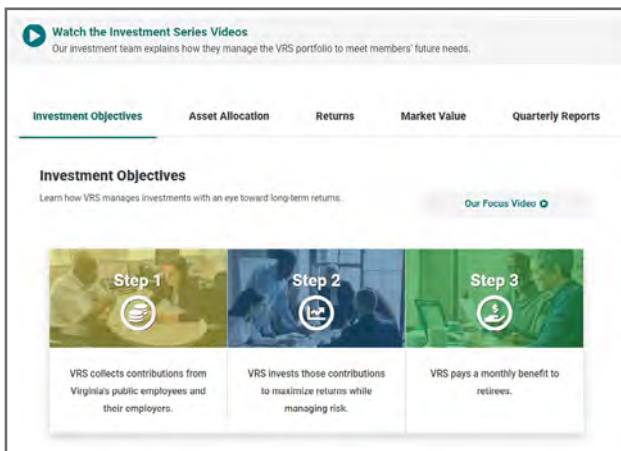
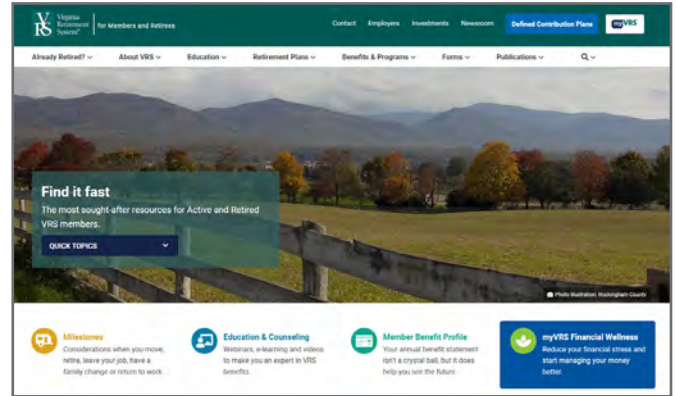
- The **average open rate** for *Employer Update* (monthly e-newsletter) was **28.6%**, well above the government industry average.
- *Member News* (quarterly e-newsletter) has **more than 275,000** subscribers, with an **average open rate of 37.3%**.
- VRS has 4,400 **Facebook** followers and 2,282 **LinkedIn** followers.

(Continued)

Web Services

VRS members, retirees and employers actively consulted the agency’s websites during this past fiscal year. myVRS, the secure online member account portal, led again as one of the top destinations from varetire.org. More than 50% of all traffic to myVRS originates from varetire.org.

The redesign of the Investments page, which launched in August 2021, meant a divergence from static PDFs to a far more dynamic user experience. The web team added visuals like a series of three-step cards outlining a basic flow of contributions collected, contributions invested and benefits paid. The page now includes all investment-related topics within tabs. Many of the tabs also include interactive charts and graphs for strong visualizations, resulting in a 35% increase in visits compared to the previous fiscal year.



With the completion of the employer website—the web team also wrapped up the conversion of our three largest websites to a web content management system (CMS). CMS facilitates faster, consistent and more reliable website changes. A website CMS also provides further savings in terms of IT resources and staff time, better disaster response, improved efficiencies in content management and maintenance, faster redesigns, improved automation of content postings and better support for the “COPE” (create once, publish everywhere) methodology. All of these improvements will ultimately ensure that our employers are getting the most up-to-date content enabling them to administer VRS benefits more effectively.

WEBSITE	PAGE VIEWS
varetire.org (members and retirees)	3 million
employers.varetire.org	306,000
Defined Contribution & Hybrid Sites (co-managed with MissionSquare Retirement)	650,000
orphe.varetire.org	16,500
valoda.org (Virginia Line of Duty Act)	20,000
volsap.org (Volunteer Firefighters’ & Rescue Squad Workers’ Service Award Program)	5,700



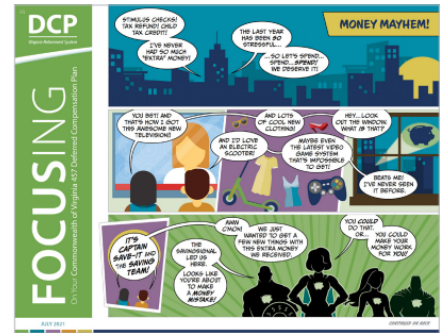
Defined Contribution Plans

Since the beginning of the COVID-19 pandemic, VRS has reinforced messaging to participants encouraging continued saving for retirement. We made it easier for participants to schedule virtual meetings with plan representatives to talk about planning and provided resources to reassure them in times of market volatility.



VRS partnered with MissionSquare Retirement, the third-party record keeper for its defined contribution plans (DCP), to boost awareness and use of the Commonwealth of Virginia 457 Deferred Compensation Plan's SmartStep automatic-increase feature while driving engagement with the participant website, Account Access.

To help accomplish VRS' goals, MissionSquare developed an engaging superhero, "Captain Save-It," to inspire participants to take initiative and use the SmartStep auto-increase feature. SmartStep allows participants to arrange for yearly automatic increases in their contribution amounts. This campaign was designed to captivate participants while increasing awareness about plan features that make it easier to save over the long term.



(Continued)



671
DCP education sessions
3,297
attendees



New SmartStep participants:
750
Hybrid
780
COV 457



479
Certified Financial Planning™
consultations
72
Financial Plans

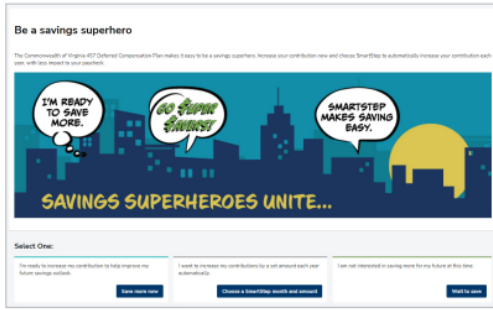
33% of Hybrid Plan members are making voluntary contributions



The campaign resulted in increased SmartStep participation, with 750 new participants for the Hybrid Retirement Plan and 780 for the

Commonwealth of Virginia 457 Plan. The overall voluntary contribution participation rate was 60.7% of the 141,679 total population—85,973 members chose to make a voluntary contribution. The marketing campaign was recognized with several awards (see page 3).

Asset retention in defined contribution plans was also a focus in fiscal year 2022, with review and analysis of



distribution types, unforeseen emergency withdrawals and rollovers. Initiatives in this area have included an updated distribution process with a specific form for rollover requests, the addition of Certified Financial Planning™ services and highlighting a list of reasons to keep funds in the plan in the Leaving Employment guide.

Certified Financial Planning

Our Certified Financial Planning™ services, offered in partnership with MissionSquare Retirement, continue to grow in popularity. This year, the program resulted in 479 Certified Financial Planning™ consultations and 72 financial plans. All VRS members and retirees can participate in complimentary webinars and consultations with CFP® professionals. Financial plans are available at low or no cost, depending on the individual's need.



Agency Operational Measures and Performance Outcomes

VRS performs well in terms of cost and service when compared with other public pension plans. According to the latest report from Cost Effectiveness Measurement (CEM), an independent benchmarking firm, our pension administration cost of \$81 per member was below the peer average of \$107. VRS' total service stands at 81, above the peer median score of 79. VRS maintains its position in the most coveted quadrant of CEM's cost-effective services chart, where we deliver high service at a low cost in comparison to our peers.

To ensure continuous improvement and a high level of customer service, VRS establishes annual agency operational measures and agency performance outcomes.

This year our staff **exceeded 15 of 16 operational measurement goals** for:

- Timely monthly financial account reconciliations and monthly retirement disbursements, answering calls and responding to email inquiries efficiently.
- Processing service and disability retirements accurately and on time.
- Employing a highly skilled and trained staff with across-the-board security system awareness training and a high level of employee engagement in professional development.
- Implementing internal audit recommendations for effective and efficient operations.
- Keeping our IT systems available more than 99% of the planned time.

In addition, we **successfully delivered all four agency performance outcomes (APOs)**.

- Initiated transition of technology systems to Hyper-Converged Infrastructure (HCI), a private cloud environment that enhances information security, produces system efficiencies and maximizes return on investment.
- Conducted a substantial review of the agency's existing records management program, identified opportunities for enhancements, and developed a strategy for implementing changes to streamline processes and ensure adherence with all statutory requirements.
- Completed the final phase of the initial enterprise risk management (ERM) program, a multi-year initiative aimed at enhancing the agency's enterprise-wide focus on risk management.
- Continued implementation of the Cardinal Human Capital Management System, which included testing, communication and training, data conversion and transitioning the project to state operations.



Legislation

The 2022 Legislative Session brought timely updates to address a changing environment:

- The legislature appropriated \$750 million to the VRS trust fund to reduce unfunded liabilities. Another \$250 million is expected in fiscal year 2023, contingent on revenue. And an \$80.4 million cash infusion shored up funding for the state health insurance credit OPEB plan in 2022.
- The budget (covering fiscal years 2023 and 2024) maintains employer contribution rates for pensions for public school teachers and state employees at their current levels, while also fully funding the VRS board-certified contribution rates for the State Police Officers' Retirement System (SPORS), the Virginia Law Officers' Retirement System (VaLORS) and the Judicial Retirement System (JRS).
- The employer defined contribution amount for the Hybrid Retirement Plan and the board-certified defined benefit rate for all plans will be separate contribution amounts, effective July 1, 2024. Unblending the defined contribution rate should increase efficiency by reducing payroll reconciliation issues and other administrative burdens on employers.



- VRS plan record keepers (currently MissionSquare Retirement and TIAA) are now required to calculate gains and losses in a defined contribution account from the valuation date through the date of distribution of the benefits, if ordered to do so by a court and to the extent that sufficient information exists to perform the calculation.
- Medical reviews of claim files under the Line of Duty Act (LODA) must be performed by a doctor, nurse or psychologist who is licensed in Virginia, the District of Columbia or a state contiguous to Virginia, effective July 1, 2023.
- For details, please refer to the [2022 Legislative Summary](#).



Virginia
Retirement
System®

**80 Years of Serving
Those Who Serve Others.**

Enterprise Risk Management at VRS

Michael Cooper,
VRS Chief Operating Officer

September 22, 2022



VRS Strategic Goals



Goal 1:
Organizational Strength,
Culture and Engagement



Goal 2:
Superior Governance and
Long-Term Financial Health



Goal 5:
Technology and
Infrastructure



Goal 3:
Member, Retiree
and Employer
Education, Outreach
and Partnership



Goal 4:
Digital Transformation and
Secure Service Delivery



Vision

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

Mission

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

Enterprise risk management (ERM) is defined in several ways:

“The **culture, capabilities and practices**, integrated with strategy-setting and performance...” –COSO (2017)

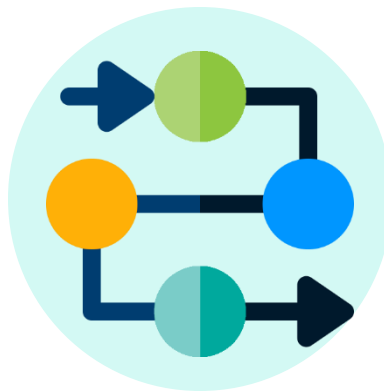
“... foundations and organizational arrangements for **continually improving risk management throughout the organization ...**”
–ISO 31000 (2018)

“... a **strategic business discipline** that supports the achievement of an organization’s objectives by **addressing the full spectrum of its risks and managing the combined impact of those risks** as an interrelated risk portfolio.” –RIMS (2009)

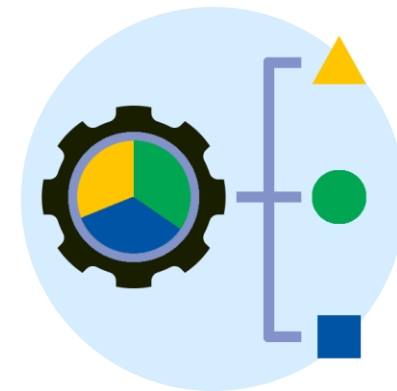
Managing risk in order to maximize performance is the core of ERM.



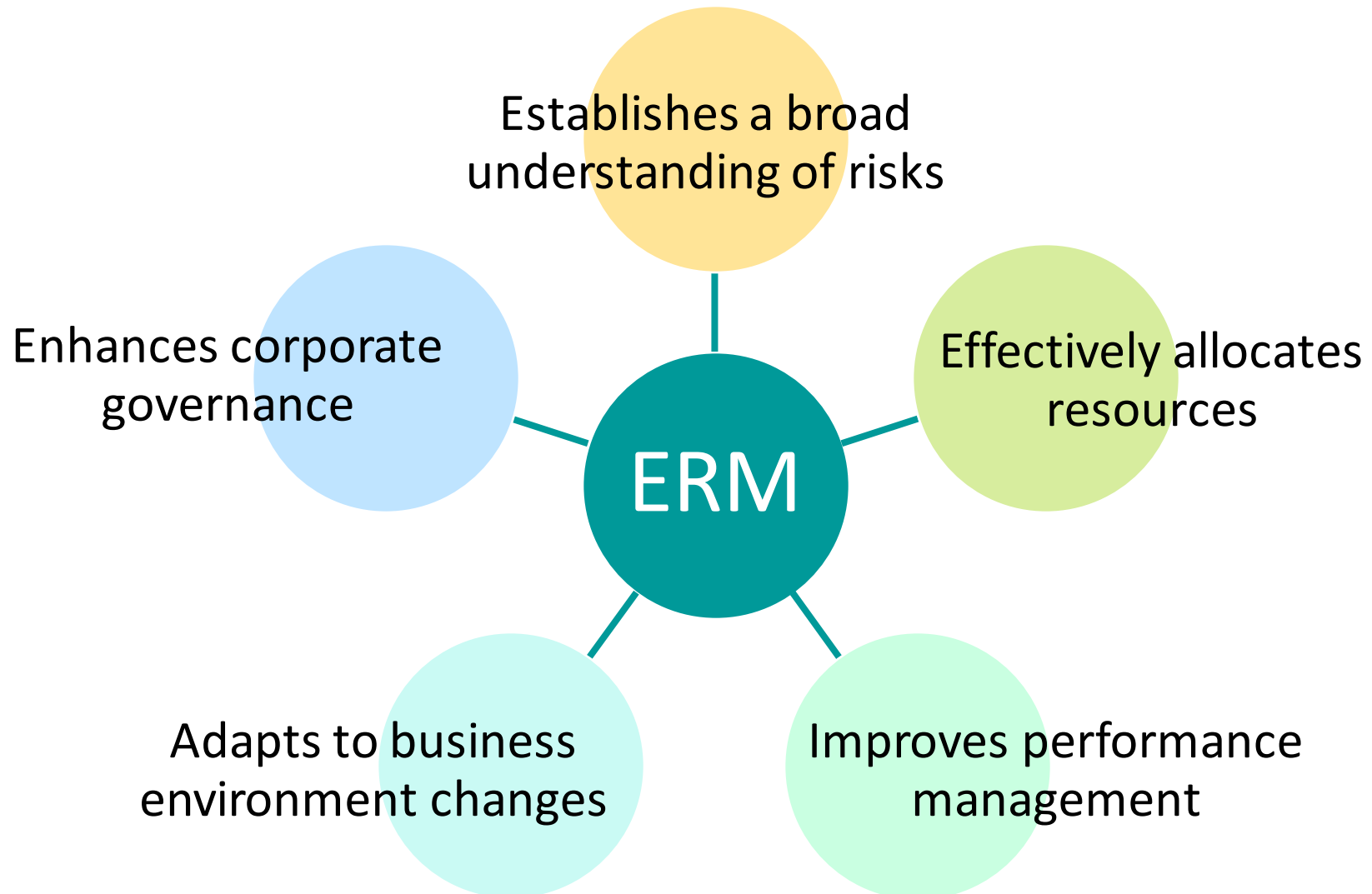
Establishes an understanding of key risks across all levels of the organization



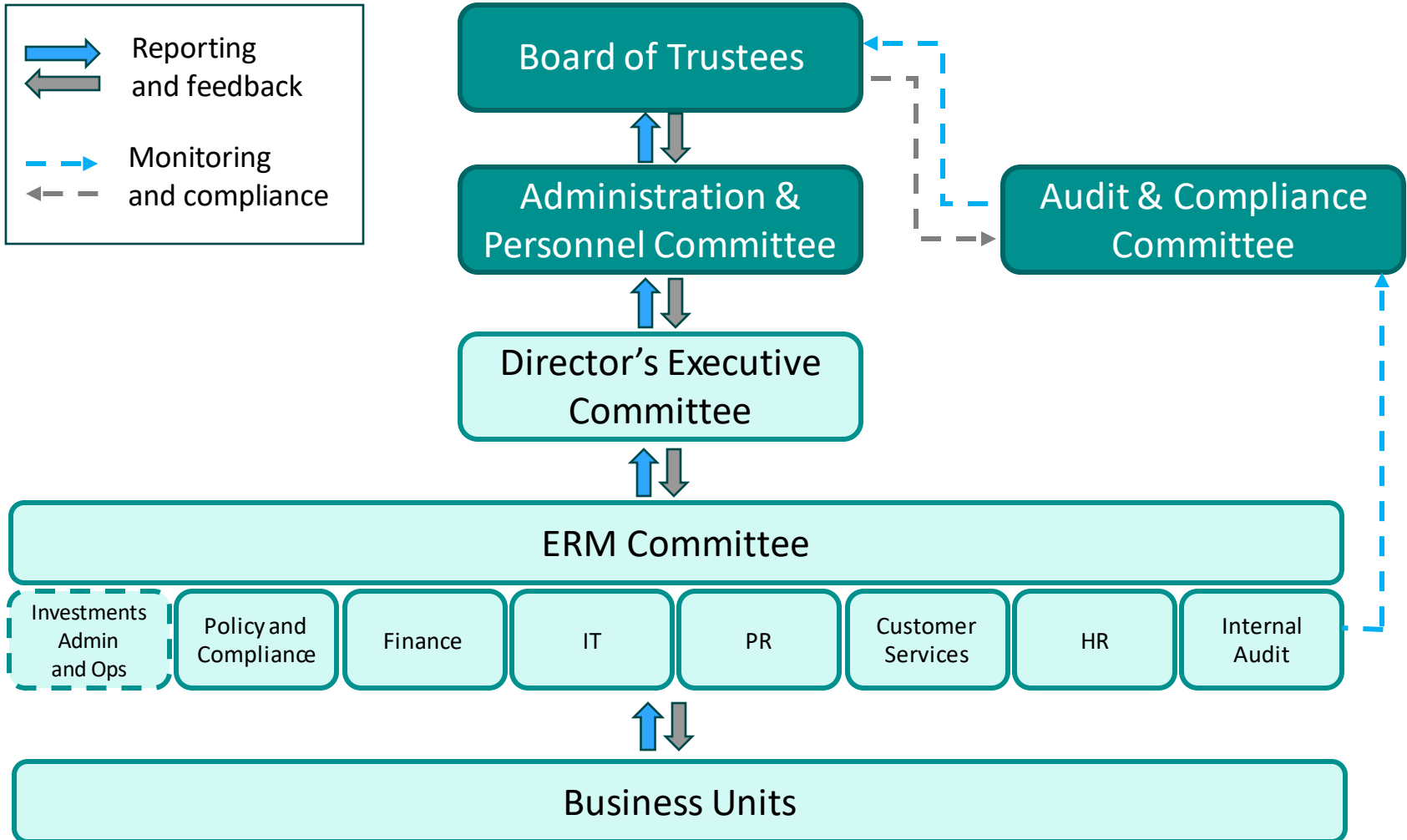
Aligns risk management with strategic planning

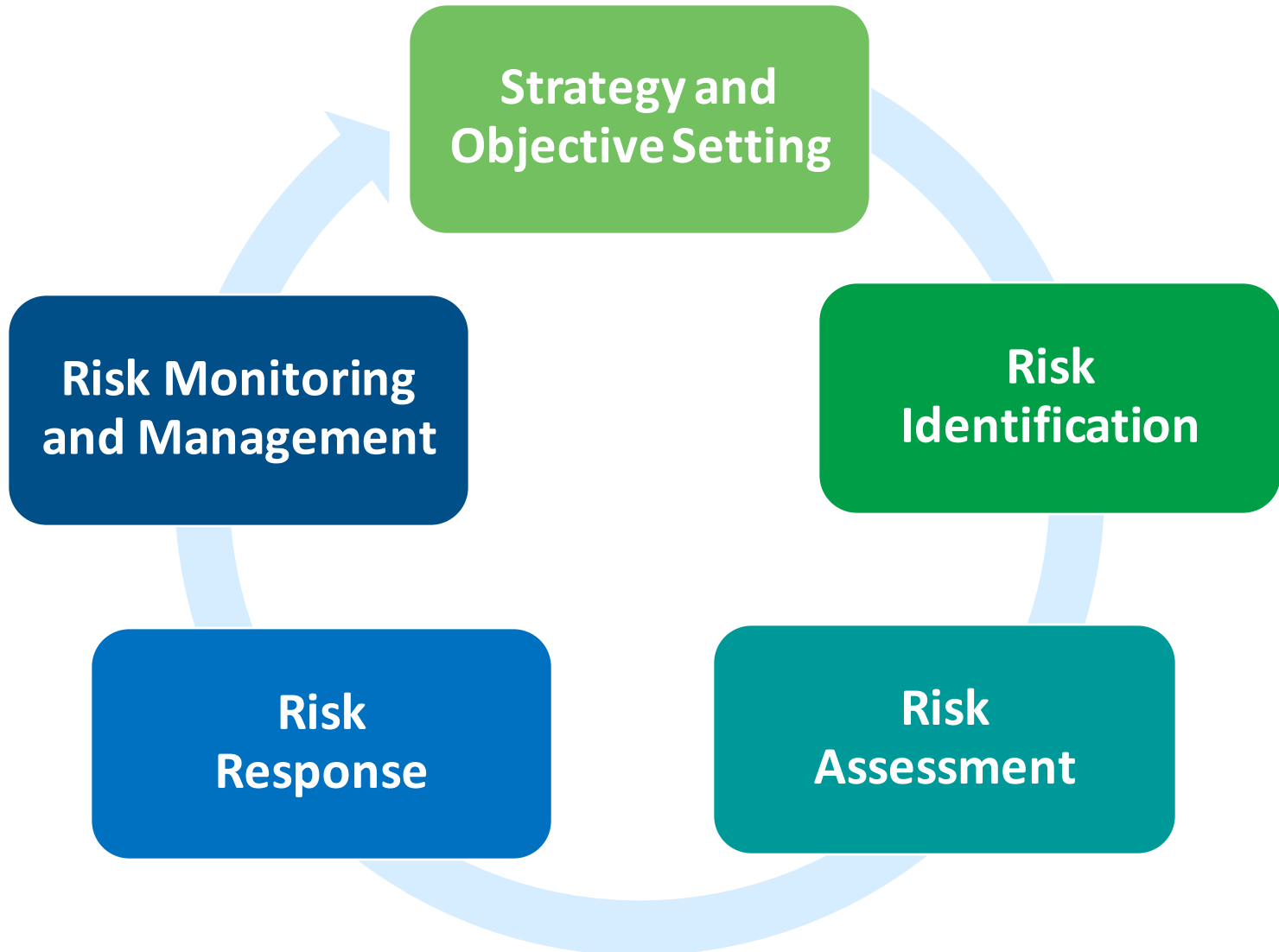


Guides the allocation of resources



ERM Reporting Structure





ERM Implementation



PHASE 1 FY 2019

- Establish the ERM staff committee and committee charter
- Develop risk vocabulary and definitions
- Develop a risk portfolio
- Develop risk assessment implementation strategy
- Create a communication plan*

PHASE 2 FY 2020-21

- Conduct risk assessment to validate and prioritize risks
- Develop and implement a risk response plan based on the outcomes of the risk assessment

PHASE 3 FY 2021-22

- Develop and implement the risk monitoring plan
- Conduct ERM validation

* *Communication occurs throughout all phases*

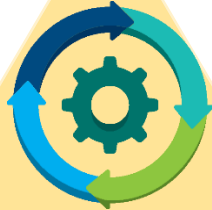
Identified Agency Risks



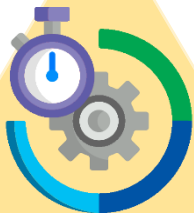
Operational Risks



Benefits Administration



Business Continuity



Business Efficiency

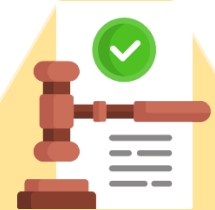


Information Security

Strategic Risks



Business Agility



Compliance

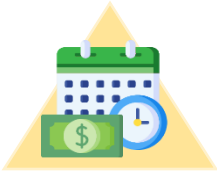


Reputation



Talent Management

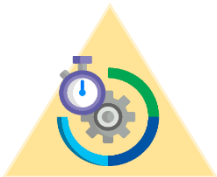
Operational Risk Examples



Benefits Administration: Inability to provide timely and accurate benefits, including contributions and payments.



Business Continuity: Inability to recover timely and resume critical business functions following a major business interruption event.



Business Efficiency: Inability to meet VRS strategic and business objectives in a cost-effective and efficient manner.



Information Security: Failure to protect and secure information assets from cyberattack, unauthorized access or loss.



Business Agility: Failure to sustain continuous improvement by proactively addressing changes in business operations, technology and regulatory compliance.



Compliance: Failure to comply with laws, regulations and policies; inability to adapt to legislation.

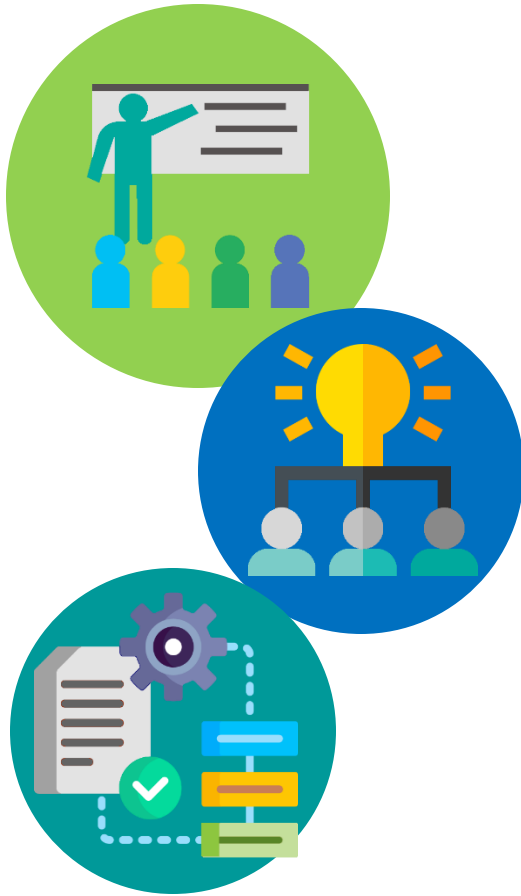


Reputation: The erosion of stakeholder confidence in the integrity of VRS.



Talent Management: Inability to effectively recruit and retain exceptional workforce to support the achievement of VRS business.

Next Steps: Short-Term



- Increase understanding of ERM across the agency by providing education and training for VRS staff
- **Embed ERM in the VRS culture**



- Integrate ERM program with agency operations
- Identify and address risks at the process level across business units of VRS
- Empower VRS staff to take ownership of risk management



Virginia
Retirement
System®

**80 Years of Serving
Those Who Serve Others.**

Thank you!

RESOLUTION
FOR PAYMENT OF RETIREMENT SYSTEM FUNDS
IN THE STATE TREASURY AND SIGNING OFFICIAL DOCUMENTS

Pursuant to the authority vested in the Board of Trustees of the Virginia Retirement System by *Code of Virginia* § 51.1-149, on this 22nd day of September 2022 it is hereby

RESOLVED, that all prior designations by the Board of Trustees of the Virginia Retirement System of persons authorized to sign vouchers and Voucher Transmittals issued by the Retirement System for the payment of funds of the Retirement System in the State Treasury are hereby revoked; and

BE IT FURTHER RESOLVED, that the State Treasurer, the Director of Operations, and the Director of Cash Management and Investments, or their designees, are hereby designated by the Board as those persons authorized to sign only those vouchers issued by the Retirement System for the payment of funds of the Retirement System in the State Treasury which are contained in Agency Business Unit 15800 Account Number 103607, which has been designated by the Comptroller as the short-term investment account, including but not limited to, funds used to purchase short-term securities to mature within two (2) years and to effect repurchase agreements involving securities of varying maturities which are held as short-term investments; and

BE IT FURTHER RESOLVED, that the Director of the Retirement System, the Chief Financial Officer, the Chief Operating Officer, the Customer Services Director and the Chief Technology Officer, whose signatures appear herein, are hereby designated by the Board as those persons authorized to sign Voucher Transmittals issued by the Retirement System for the payment of any and all funds of the Retirement System in the State Treasury and any and all accounts designated by the Comptroller as Retirement System funds accounts, including Agency Business Unit 15800 Account Number 103607, provided that such Voucher Transmittals shall be initialed by appropriate supervisory and management level staff personnel; and

BE IT FURTHER RESOLVED, that the Chief Financial Officer, the Customer Services Director and the Chief Technology Officer are not authorized to sign a Voucher Transmittal prepared in their respective department; and

BE IT FURTHER RESOLVED, that the Director of the Retirement System, the Chief Operating Officer, the Chief Investment Officer or the Chief Administrative Officer - Investments are hereby designated full authority to sign any and all official documents in the name of the Board of Trustees of the Virginia Retirement System including, but not limited to, leases, deeds, contracts, equity index futures and options on such futures, signature cards, minutes and purchase orders; and

BE IT FURTHER RESOLVED, that the following persons are hereby designated by the Board as those additional persons authorized to sign any and all purchase orders and contracts in the name of the Board of Trustees of the Virginia Retirement System: (i) the Chief Financial Officer, provided that the amount of the transaction does not exceed \$500,000; (ii) the Procurement Manager, provided that the amount of the transaction does not exceed \$250,000; and (iii) the General Services Administrator, provided that the amount of the transaction does not exceed \$30,000.

BE IT FURTHER RESOLVED, that a copy of this resolution shall be forward immediately to the Office of the Comptroller.

ATTEST:

A. Scott Andrews
Chairman, VRS Board of Trustees

Patricia S. Bishop
Secretary to the VRS Board of Trustees

***SIGNATURE PAGE
FOR PAYMENT OF RETIREMENT SYSTEM FUNDS
IN THE STATE TREASURY AND SIGNING OFFICIAL DOCUMENTS***

Patricia S. Bishop, Director

Mark A. Rein, Chief Technology and Security
Officer

Barry C. Faison, Chief Financial Officer
(through December 31, 2022)

Ronald D. Schmitz, Chief Investment Officer
(through January 1, 2023)

Leslie B. Weldon, Chief Financial Officer

Andrew H. Junkin, Chief Investment Officer
(effective January 2, 2023)

Michael P. Cooper, Chief Operating Officer

Robert L. Irving, Customer Services Director

Curtis M. Mattson, Chief Administrative

Robert G. Robinson, Procurement Manager

Richard E. Budaji, General Services
Administrator

COMMONWEALTH OF VIRGINIA
CITY OF RICHMOND, TO-WIT:

The foregoing instrument was acknowledged before me this 22nd day of September 2022 by A. Scott Andrews; Patricia S. Bishop; Barry C. Faison; Mark A. Rein; Ronald D. Schmitz; Leslie B. Weldon; Andrew H. Junkin; Michael P. Cooper; Robert L. Irving; Curtis M. Mattson; Robert G. Robinson; and Richard E. Budaji.

LaShaunda B. King, Notary Public

My commission expires September 30, 2026.

***RESOLUTION
FOR MASTER CUSTODIAL SERVICES***

Pursuant to the authority vested in the Board of Trustees of the Virginia Retirement System by *Code of Virginia* § 51.1-149, on this 22nd day of September 2022, it is HEREBY

PREVIOUS DESIGNATIONS REVOKED

RESOLVED, that all prior designations by the Board of Trustees of the Virginia Retirement System of persons authorized to sign investment invoices and actions involving the distribution or payment of funds or transfer of assets of the Virginia Retirement System under your custodial control as well as actions involving administrative matters and proxies within their custodial control are hereby revoked; and

VRS ASSET TRANSFERS AND ACCOUNT PAYMENTS

BE IT FURTHER RESOLVED, that dual signatures, one of which shall be from the Director of the Virginia Retirement System, the Chief Financial Officer, the Chief Operating Officer, the Customer Services Director, or the Chief Technology Officer and the second shall be from the Chief Investment Officer, the Chief Administrative Officer - Investments, the Investments Compliance Officer or the Investments Office Administrator, are hereby required and that those persons are designated and authorized by the Board to sign for all actions involving the distribution or payment of funds or transfer of assets of the Virginia Retirement System under your custodial control that (i) are not initiated by an authorized investment advisor associated with the settlement of a purchase or sale transaction and (ii) are not for the payment of investment management, consulting or custodian fees. If investment personnel are unavailable, any two of the listed VRS administrative personnel could sign. However, in no event shall both signatures be those of investment department personnel; and

VRS ACCOUNT ADMINISTRATIVE MATTERS

BE IT FURTHER RESOLVED, that the Director of the Virginia Retirement System, the Chief Investment Officer, the Chief Administrative Officer - Investments, the Investments Compliance Officer, the Investments Office Administrator, the Controller and the Manager of Investment Accounting are designated by the Board as those additional persons authorized to open and close accounts and take other administrative actions for the VRS accounts not involving the signing of official documents in the name of the Board of Trustees of the VRS or the distribution or payment of funds or transfer of assets of the Virginia Retirement System under your custodial control; and

PROXIES

BE IT FURTHER RESOLVED, that the Chief Investment Officer, the Chief Administrative Officer - Investments, or the Investments Compliance Officer are hereby designated by the Board as the persons authorized to sign proxies for the VRS accounts; and

COMPLIANCE

BE IT FURTHER RESOLVED, that the Director of the Virginia Retirement System, the Chief Investment Officer, the Chief Administrative Officer - Investments, or the Investments Compliance Officer are hereby designated by the Board as those persons authorized to sign for all actions involving compliance issues to include, but not be limited to, class action suits, tax exemptions, authorized signatures, stock and bond powers, required resolutions as needed, etc.

ATTEST:

A. Scott Andrews, Chair
VRS Board of Trustees

Patricia S. Bishop
Secretary to the Board/VRS Director

**VIRGINIA RETIREMENT SYSTEM AUTHORIZED SIGNATURES
FOR MASTER CUSTODIAL SERVICES**

Patricia S. Bishop
Director

Ronald D. Schmitz
Chief Investment Officer
(through January 1, 2023)

Barry C. Faison
Chief Financial Officer
(through December 31, 2022)

Andrew H. Junkin
Chief Investment Officer
(effective January 2, 2023)

Leslie B. Weldon
Chief Financial Officer

Mark A. Rein
Chief Technology and Security Officer

Michael P. Cooper
Chief Operating Officer

Robert L. Irving
Customer Services Director

Curtis M. Mattson
Chief Administrative Officer - Investments

Laurie L. Fennell
Investments Compliance Officer

Abida W. Arezo
Investment Accounting Manager

Danita R. Barnes
Investments Office Administrator

**COMMONWEALTH OF VIRGINIA
CITY OF RICHMOND, TO-WIT:**

The foregoing instrument was acknowledged before me this 22nd day of September 2022 by A. Scott Andrews; Patricia S. Bishop; Ronald D. Schmitz; Andrew H. Junkin; Barry C. Faison; Mark A. Rein; Michael P. Cooper; Robert L. Irving; Curtis M. Mattson; Leslie B. Weldon; Laurie L. Fennell, Abida W. Arezo and Danita R. Barnes.

LaShaunda B. King, Notary Public

My commission expires September 30, 2026.



Adopt a revised “FOIA Electronic Meeting Attendance Policy.”

Requested Action

The Board adopts a revised “FOIA Electronic Meeting Attendance Policy.”

Description/Background

At its 2022 session, the General Assembly adopted amendments to FOIA, effective September 1, 2022, that change the methods by which public bodies can meet remotely or, in a new option, meet virtually where no members are physically present. *Code of Virginia* § 2.2-3708.2 and .3 are the sections within the Virginia Freedom of Information Act (FOIA) that govern meetings held through electronic communication means.

Section 2.2-3708.2 governs remote meetings held through electronic communication means during declared states of emergency.

Subsection B of § 2.2-3708.3 (formerly part of § 2.2-3708.2) governs electronic participation by a member of a public body from a remote location in the event:

1. The member has a temporary or permanent disability or other medical condition that prevents the member's physical attendance;
2. A medical condition of a member's family requires the member to provide care that prevents the member's physical attendance;
3. The member's principal residence is more than 60 miles from the meeting location identified in the required notice for such meeting (new); or
4. The member is unable to attend the meeting due to a personal matter and identifies with specificity the nature of the personal matter. However, the member may not use remote participation due to personal matters more than two meetings per calendar year or 25 percent of the meetings held per calendar year rounded up to the next whole number, whichever is greater.

Subsection C sets out certain specific conditions under which a public body may hold an all-virtual meeting.

Subsection D requires that public bodies adopt a remote meeting policy regarding all-virtual meetings that shall be applied strictly and uniformly, without exception, to the entire membership and without regard to the identity of the member requesting remote participation or the matters that will be considered or voted on at the meeting.

The Board adopted a remote meeting policy at its May 4, 2015 meeting to comply with FOIA in this regard and, at its June 8, 2017, November 14, 2018, and September 21, 2021 meetings, approved revisions related to statutory changes. However, the enactment of § 2.2-3708.3 by the General Assembly effective September 1, 2022 requires further amendment to the policy, and Board action is needed to approve revisions to the policy to conform it to the amended statute.

Redline and clean versions of the revised policy are attached to this RBA.

Authority for Requested Action

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

Code of Virginia § 2.2-3708.3 requires a public body to adopt a written policy in order to be able to allow individuals to meet remotely or the public body to hold an all-virtual meeting as provided under FOIA.

The above action is approved.

A. Scott Andrews, Chair
VRS Board of Trustees

Date

Introduction

Section 2.2-3708.32 of the *Code of Virginia* (the Virginia Freedom of Information Act, or FOIA) requires VRS to develop a remote participation policy prior to allowing remote electronic participation under ~~that~~ subsection B or subsection C. The policy must be applied uniformly to all members and all requests.

Policy

It is the policy of Virginia Retirement System Board of Trustees that individual Board members or members of a Committee of the Board may participate in meetings of the Board or Committee by electronic means as permitted by § 2.2-3708.32 of the *Code of Virginia*. The Board of Trustees as well as standing, advisory, and ad hoc committees of the Board, may also elect to hold an all-virtual public meeting without a quorum physically assembled, as permitted by § 2.2-3708.3(C) of the Code of Virginia. This policy shall apply to the entire membership and without regard to the identity of the member requesting remote participation or the matters that will be considered or voted on at the meeting.

Effective September 1, 2022, the following definitions in the Code of Virginia apply:

- "All-virtual public meeting" means a public meeting (i) conducted by a public body, other than those excepted pursuant to subsection C of § 2.2-3708.3, using electronic communication means, (ii) during which all members of the public body who participate do so remotely rather than being assembled in one physical location, and (iii) to which public access is provided through electronic communication means.
- "Remote participation" means participation by an individual member of a public body by electronic communication means in a public meeting where a quorum of the public body is otherwise physically assembled.

Remote Participation by Individual Members

A~~Individual~~ members may participate remotely for the following reasons under § 2.2-3708.3 B¹:

1. A personal matter, under § 2.2-3708.23(BA)(4)(b):
 - a. On or before the day of a~~In advance of the meeting, the member shall notify staff and the chair of the public body that the member is unable to attend the meeting due to a personal matter. The member must identify with specificity the nature of the personal matter.~~
 - b. When such individual participation is due to a personal matter, such participation is limited by law to two meetings of the public body or 25% of the meetings held rounded up to the next whole number, whichever is greater, per member each calendar year. Participation limits are counted separately for the VRS Board of Trustees and each Committee of the Board.

¹ Note: As of September 1, 2022, former § 2.2-3708.2(D), allowing an individual to participate remotely for any reason with public notice at least three working days in advance of the meeting, has been removed. Accordingly, the Code of Virginia also no longer requires a public body to provide FOIA public comment forms for electronic meetings or an annual electronic meeting report to the FOIA Council.

~~2. A temporary or permanent disability or medical condition that prevents the member's physical attendance, or a family member's medical condition that requires the member to provide care, under § 2.2-3708.32(BA)(1)(a).~~

~~1.~~

~~On or before the day of a~~In advance of the meeting, the member shall notify the VRS FOIA Officer and the chair of the public body that the member is unable to attend the meeting due to a temporary or permanent disability or medical condition that prevents his or her physical presence.

~~3. A family member's medical condition that requires the member to provide care that prevents the member's physical attendance, under § 2.2-3708.3(B)(2).~~

~~2.~~

In advance of the meeting, the member shall notify the VRS FOIA Officer and the chair of the public body that the member is unable to attend the meeting due to a family member's medical condition that requires the member to provide care that prevents his or her physical presence.

~~4.3. Any reason~~The member's principal residence is more than 60 miles from the meeting location identified in the required notice for such meeting, under § 2.2-3708.32(BD)(3).

In advance of the meeting, the member shall notify the VRS FOIA Officer and the chair of the public body that the member is unable to attend the meeting due to the member's residence being more than 60 miles from the meeting location.

~~4. A personal matter, under § 2.2-3708.3(B)(4).~~

~~a. In advance of the meeting, the member shall notify the VRS FOIA Officer and the chair of the public body that the member is unable to attend the meeting due to a personal matter. The member must identify with specificity the nature of the personal matter.~~

~~b. When such individual participation is due to a personal matter, such participation is limited by law to two meetings of the public body or 25% of the meetings held rounded up to the next whole number, whichever is greater, per member each calendar year. Participation limits are counted separately for the VRS Board of Trustees and each Committee of the Board.~~

~~At least three working days in advance of the meeting, has been removed the public body shall give notice that a meeting will be conducted remotely. Remote public meetings under this subsection must allow members of the public to be given substantially equivalent electronic access to the meeting. The public body must hold at least one meeting per calendar year in which no member of the public body participates remotely under this subsection.~~

Whenever an individual member wishes to participate from a remote location (other than the all-virtual option or state of emergency exemption), the law requires a quorum of the Board or Committee to be physically assembled at the primary or central meeting location, and there must be arrangements for the voice of the remote participant to be heard by all persons at the primary or central meeting location. The minutes shall record the specific nature of the personal matter, ~~or~~ the fact of the disability or other condition, the fact of the family member's medical condition, or the fact of the distance from the

FOIA Electronic Meeting Attendance Policy Adopted May 4, 2015
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member's principal residence, and the remote location from which the absent member participated.

The specific requirements and limitations on electronic participation described in this policy apply only to the members of the public body holding a public meeting. Procedural requirements for remote participation that apply to members of the public body do not apply to the general public or other meeting attendees, including employees (unless such employee is a named member of the public body), guest presenters, attendees from other public or private organizations, or members of other, non-VRS public bodies.

Automatic Approval of Remote Participation, with Vote if Challenged:-

VRS' FOIA Officer is responsible for tracking and approving individual remote participation for all VRS-related public bodies. Individual participation from a remote location shall be approved unless such participation would violate this policy or the provisions of the Virginia Freedom of Information Act. If a member's participation from a remote location is challenged, then the Board or Committee shall vote on whether to allow such participation. If a member's participation from a remote location is disapproved because such participation would violate this policy, such disapproval shall be recorded in the minutes with specificity. The member may then monitor the meeting by phone, but may not participate in actions of the Board or Committee.

All-Virtual Public Meetings of the Entire Public Body

There are twois one exceptions to the requirement that a quorum be physically assembled at the primary or central meeting location, described in § 2.2-3708.2(A)(3) and § 2.2-3708.3(C).

Under § 2.2-3708.2, Aa public body may meet remotely without a quorum assembled when the Governor has declared a state of emergency in accordance with *Code of Virginia* § 44-146.17 or the locality in which the public body is located has declared a local state of emergency pursuant to § 44-146.21, provided that (i) the catastrophic nature of the declared emergency makes it impracticable or unsafe to assemble a quorum in a single location and (ii) the purpose of the meeting is to provide for the continuity of operations of the public body or the discharge of its purposes, duties, and responsibilities. The public body must follow the requirements established in §2.2-3708.2(A)(3) regarding access, notice and minutes.

Under § 2.2-3708.3(C), certain public bodies, including VRS, may hold an all-virtual public meeting with no members of the public body participating in person. The public body may not convene an all-virtual meeting more than two times per calendar year or 25% of the meetings held per calendar year, rounded up to the next whole number, whichever is greater, or consecutively with another all-virtual public meeting. When the public body chooses to meet remotely:

- the public must have access to the meeting and be able to hear and, when possible, see; the members participating;
- a phone number or other live contact information must be provided to the public to alert the public body if the audio or video transmission of the meeting fails. The public body must take a recess until access is restored if the audio or video transmission fails for the public;
- all materials must be made available to the public electronically at the same time that materials are provided to the public body;

- no more than two members of the public body may be together in one remote location unless that location is open to the public to physically access it;
- transmission of the meeting must resume after a closed session is held, before the public body certifies the closed meeting under § 2.2-3712 of the *Code of Virginia*; and
- minutes must be taken as required under § 2.2-3707 of the *Code of Virginia* and include that the meeting was held by electronic communication as well as the type of electronic communication used. If a member's participation was disapproved under this subsection of the *Code of Virginia*, that shall also be included in the minutes with specificity.

Approval of Requests for All-Virtual Public Meetings

The Board Secretary or designee is responsible for processing requests for all-virtual meetings for all VRS-related public bodies. Requests for all-virtual meetings shall be considered by the Board Secretary or designee and the Chair of the Board of Trustees or relevant Committee Chair and approved in appropriate circumstances unless such participation would violate this policy or the provisions of the Virginia Freedom of Information Act.

If a request is disapproved because participation would violate this policy, the Board or Committee must reschedule a regular meeting with appropriate notice.

Individual member use of remote meeting participation for a specific public body under § 2.2-3708.3(B) does not affect requirements for all-virtual remote meetings of the public body under § 2.2-3708.3(C).

Introduction

Section 2.2-3708.3 of the *Code of Virginia* (the Virginia Freedom of Information Act, or FOIA) requires VRS to develop a remote participation policy prior to allowing remote electronic participation under subsection B or subsection C. The policy must be applied uniformly to all members and all requests.

Policy

It is the policy of Virginia Retirement System Board of Trustees that individual Board members or members of a Committee of the Board may participate in meetings of the Board or Committee by electronic means as permitted by § 2.2-3708.3 of the *Code of Virginia*. The Board of Trustees as well as standing, advisory, and ad hoc committees of the Board, may also elect to hold an all-virtual public meeting without a quorum physically assembled, as permitted by § 2.2-3708.3(C) of the *Code of Virginia*. This policy shall apply to the entire membership and without regard to the identity of the member requesting remote participation or the matters that will be considered or voted on at the meeting.

Effective September 1, 2022, the following definitions in the *Code of Virginia* apply:

- "All-virtual public meeting" means a public meeting (i) conducted by a public body, other than those excepted pursuant to subsection C of § 2.2-3708.3, using electronic communication means, (ii) during which all members of the public body who participate do so remotely rather than being assembled in one physical location, and (iii) to which public access is provided through electronic communication means.
- "Remote participation" means participation by an individual member of a public body by electronic communication means in a public meeting where a quorum of the public body is otherwise physically assembled.

Remote Participation by Individual Members

Individual members may participate remotely for the following reasons under § 2.2-3708.3 B¹:

1. A temporary or permanent disability or medical condition that prevents the member's physical attendance, under § 2.2-3708.3(B)(1).

In advance of the meeting, the member shall notify the VRS FOIA Officer and the chair of the public body that the member is unable to attend the meeting due to a temporary or permanent disability or medical condition that prevents his or her physical presence.

2. A family member's medical condition that requires the member to provide care that prevents the member's physical attendance, under § 2.2-3708.3(B)(2).

¹ Note: As of September 1, 2022, former § 2.2-3708.2(D), allowing an individual to participate remotely for any reason with public notice at least three working days in advance of the meeting, has been removed. Accordingly, the *Code of Virginia* also no longer requires a public body to provide FOIA public comment forms for electronic meetings or an annual electronic meeting report to the FOIA Council.

In advance of the meeting, the member shall notify the VRS FOIA Officer and the chair of the public body that the member is unable to attend the meeting due to a family member's medical condition that requires the member to provide care that prevents his or her physical presence.

3. The member's principal residence is more than 60 miles from the meeting location identified in the required notice for such meeting, under § 2.2-3708.3(B)(3).

In advance of the meeting, the member shall notify the VRS FOIA Officer and the chair of the public body that the member is unable to attend the meeting due to the member's residence being more than 60 miles from the meeting location.

4. A personal matter, under § 2.2-3708.3(B)(4).
- a. In advance of the meeting, the member shall notify the VRS FOIA Officer and the chair of the public body that the member is unable to attend the meeting due to a personal matter. The member must identify with specificity the nature of the personal matter.
 - b. When such individual participation is due to a personal matter, such participation is limited by law to two meetings of the public body or 25% of the meetings held rounded up to the next whole number, whichever is greater, per member each calendar year. Participation limits are counted separately for the VRS Board of Trustees and each Committee of the Board.

Whenever an individual member wishes to participate from a remote location (other than the all-virtual option or state of emergency exemption), the law requires a quorum of the Board or Committee to be physically assembled at the primary or central meeting location, and there must be arrangements for the voice of the remote participant to be heard by all persons at the primary or central meeting location. The minutes shall record the specific nature of the personal matter, the fact of the disability or other condition, the fact of the family member's medical condition, or the fact of the distance from the member's principal residence, and the remote location from which the absent member participated.

The specific requirements and limitations on electronic participation described in this policy apply only to the members of the public body holding a public meeting. Procedural requirements for remote participation that apply to members of the public body do not apply to the general public or other meeting attendees, including employees (unless such employee is a named member of the public body), guest presenters, attendees from other public or private organizations, or members of other, non-VRS public bodies.

Automatic Approval of Remote Participation:

VRS' FOIA Officer is responsible for tracking and approving individual remote participation for all VRS-related public bodies. Individual participation from a remote location shall be approved unless such participation would violate this policy or the provisions of the Virginia Freedom of Information Act. If a member's participation from a remote location is challenged, then the Board or Committee shall vote on whether to allow such participation. If a member's participation from a remote location is disapproved because such participation would violate this policy, such disapproval shall be recorded in the minutes with specificity. The member may then monitor the meeting, but may not participate in actions of the Board or Committee.

All-Virtual Public Meetings of the Entire Public Body

FOIA Electronic Meeting Attendance Policy Adopted May 4, 2015
Revised June 8, 2017, November 14, 2018, September 21, 2021,
September 22, 2022

There are two exceptions to the requirement that a quorum be physically assembled at the primary or central meeting location, described in § 2.2-3708.2 and § 2.2-3708.3(C).

Under § 2.2-3708.2, a public body may meet remotely without a quorum assembled when the Governor has declared a state of emergency in accordance with *Code of Virginia* § 44-146.17 or the locality in which the public body is located has declared a local state of emergency pursuant to § 44-146.21, provided that (i) the catastrophic nature of the declared emergency makes it impracticable or unsafe to assemble a quorum in a single location and (ii) the purpose of the meeting is to provide for the continuity of operations of the public body or the discharge of its purposes, duties, and responsibilities. The public body must follow the requirements established in §2.2-3708.2 regarding access, notice and minutes.

Under § 2.2-3708.3(C), certain public bodies, including VRS, may hold an all-virtual public meeting with no members of the public body participating in person. The public body may not convene an all-virtual meeting more than two times per calendar year or 25% of the meetings held per calendar year, rounded up to the next whole number, whichever is greater, or consecutively with another all-virtual public meeting. When the public body chooses to meet remotely:

- the public must have access to the meeting and be able to hear and, when possible, see the members participating;
- a phone number or other live contact information must be provided to the public to alert the public body if the audio or video transmission of the meeting fails. The public body must take a recess until access is restored if the audio or video transmission fails for the public;
- all materials must be made available to the public electronically at the same time that materials are provided to the public body;
- no more than two members of the public body may be together in one remote location unless that location is open to the public to physically access it;
- transmission of the meeting must resume after a closed session is held, before the public body certifies the closed meeting under § 2.2-3712 of the *Code of Virginia*; and
- minutes must be taken as required under § 2.2-3707 of the *Code of Virginia* and include that the meeting was held by electronic communication as well as the type of electronic communication used. If a member's participation was disapproved under this subsection of the *Code of Virginia*, that shall also be included in the minutes with specificity.

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If a request is disapproved because participation would violate this policy, the Board or Committee must reschedule a regular meeting with appropriate notice.

Individual member use of remote meeting participation for a specific public body under § 2.2-3708.3(B) does not affect requirements for all-virtual remote meetings of the public body under § 2.2-3708.3(C).



VRS Project Portfolio FISCAL YEAR 2023 August 2022 Status

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)	Strategic Alignment	Status	2022						2023							
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun		
Cardinal HCM Implementation – Cardinal Release 3 State Agencies and VRS Retirees with State Health Insurance	Digital Transformation and Secure Service Delivery	●														
Records Management Program - Phase 2 Implementation	Superior Governance and Long-Term Financial Health	●														
Hyper Converged Infrastructure (HCI) Data Center Migration	Technology Infrastructure	●														
Hybrid Plan – Contribution Separation Legislation Implementation Phase 1	Superior Governance and Long-Term Financial Health	●														
Customer Experience Review	Member, Retiree and Employer Education, Outreach and Partnership	N/S														
Comprehensive Agency Training Program – EDGE (Empower, Develop, Grow and Engage)	Organization Strength Culture and Engagement	●														
IT Initiatives ¹	Strategic Alignment	Status	2022						2023							
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun		
Continuous improvement of IT Security Processes	Digital Transformation and Secure Service Delivery	●														
VNAV Security and Technology Improvement	Digital Transformation and Secure Service Delivery	●														
Conduct Analysis and Gather Requirements for RAMS Replacement	Digital Transformation and Secure Service Delivery	●														
Complete SPO and Decommission SP On-Premise Assets	Technology Infrastructure	●														
Other Projects ²	Strategic Alignment	Status	2022						2023							
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun		
Employee Engagement Initiative Implementation	Organization Strength Culture and Engagement	●														
ERM Implementation	Superior Governance and Long-Term Financial Health	●														
Enhance Agency Roadmap Process	Superior Governance and Long-Term Financial Health	N/S														
Implement Performance Management Evaluation Process	Organization Strength Culture and Engagement	●														
Develop and Release DC/Hybrid Record Keeping Services RFP	Superior Governance and Long-Term Financial Health	●														
Select and Onboard VSDP and VLDP Long Term Care Services Business Partner	Superior Governance and Long-Term Financial Health	●														
Review and Update Agency Operational Measures	Superior Governance and Long-Term Financial Health	N/S														
Implement New ID Badging System	Technology Infrastructure	N/S														
CCC Customer Satisfaction Survey Managed Services	Digital Transformation and Secure Service Delivery	●														
Migration to new Actuarial firm	Superior Governance and Long-Term Financial Health	●														
GASB 96 (accounting and financial reporting for subscription-based information technology arrangements (SBITAs))	Superior Governance and Long-Term Financial Health	N/S														
Operational/Ongoing Activities	Strategic Alignment	Status	2022						2023							
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun		
COLA 2022		★														
FYE 2022		★														
Retirement Wave 2022		★														
Teacher Contracts		★														
MBPs		●														
Annual Code of Ethics Training		N/S														
Annual Security Awareness Training		N/S														
FOIA Training		N/S														
ACFR		●														
PAFR		●														
LODA Annual Report		●														
GASB 67		●														
GASB 68		N/S														
GASB 74		●														
GASB 75		N/S														
Actuarial Valuations		●														
myVRS Annual Updates		N/S														
1099/W2		N/S														

Operational/Ongoing Activities	Strategic Alignment	Status	2022						2023						
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
Annual Roadmap Review		N/S													
FYE 2023		N/S													
Retirement Wave 2023		N/S													
Commonwealth Bond Disclosure		N/S													
ORPHE Surcharge Billing for FY 2024		N/S													
Data Fixes		●													
ALM Backlog Prioritization		●													
Employer VNAV Security Review		N/S													
VRS Fund Sensitivity and Stress Testing Report for GA		●													
Legislation FY 2023		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
N/A		

Red Status Items

Item	Due Date	Comments
N/A		

Realignments/Adjustments

Item	Due Date	Comments
N/A		

New Coverage Elections

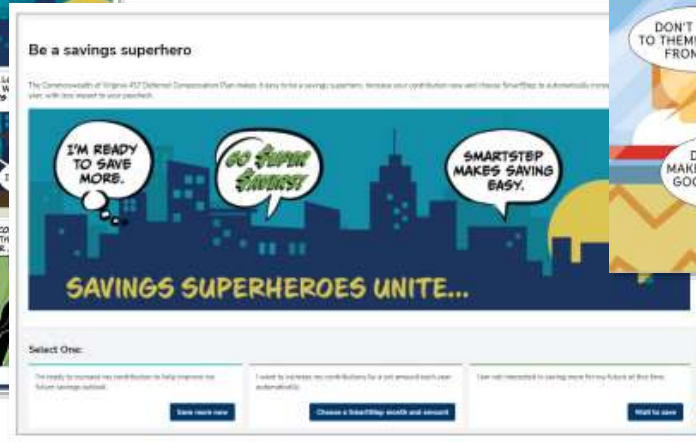
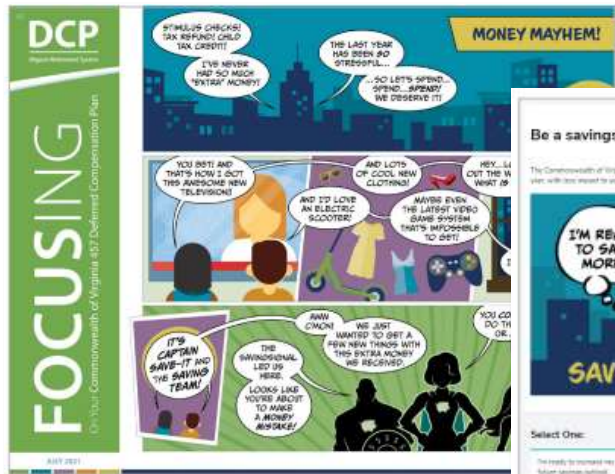


Coverage Elected	Details
Enhanced Hazardous Duty Benefits for Firefighters and Emergency Medical Technicians	Northumberland County Effective July 1, 2022
Enhanced Hazardous Duty Benefits for Law Enforcement Officers	Town of Independence (Grayson County) Effective July 1, 2022 Town of Weber City (Scott County) Effective July 1, 2022
Enhanced Hazardous Duty Benefits for Law Enforcement Officers With the 1.85% Multiplier	Town of Windsor (Isle of Wight County) Effective July 1, 2022
Enhanced Hazardous Duty 1.85% Multiplier	Town of New Market (Shenandoah County) Effective July 1, 2022 Town of Warrenton (Fauquier County) Effective July 1, 2022 Wythe County Effective July 1, 2022
Enhanced Hazardous Duty Benefits for Emergency Medical Technicians	City of Harrisonburg Effective September 1, 2022
Full-time Classification of Transportation Department Employees	Colonial Heights City Schools Effective September 1, 2022



VRS' SmartStep Auto-Increase Awareness Campaign has received two 2022 NAGDCA Leadership Recognition Awards in the categories of **COVID-19 Response** and **Participant Education & Communication**.

The awards recognize the brightest ideas and most innovative solutions from across the public sector defined contribution industry.



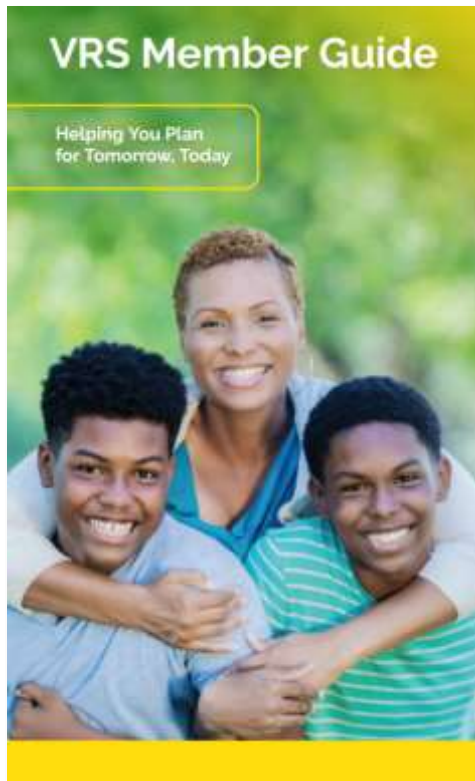
VRS' SmartStep Auto-Increase Awareness Campaign has received the **2022 NAGDCA – Art Caple President's Award.**

The award is presented at the NAGDCA Annual Conference to a public sector retirement plan that has championed a participant-first mentality.

Leadership Awards nominees who receive the highest score in each of the four categories are eligible to receive the prestigious award.



Kelly Hiers and Rebecca Nicholas of VRS are shown with the President's Award.



The **VRS Member Guide** has received a Capital Award in the 2022 Virginia Public Relations Awards competition, sponsored by the Richmond Chapter, Public Relations Society of America (PRSA).

The Capital Award recognizes outstanding public relations tactics.

