



December 2, 2022

**MEMORANDUM**

**TO:** VRS Board of Trustees

**FROM:** Patricia S. Bishop  
Director

**RE:** Agenda Materials for December 8<sup>th</sup> Board Meeting

We are looking forward to the December 8<sup>th</sup> Board meeting beginning at 1:00 p.m. in the VRS Boardroom located at 1111 East Main Street, Bank of America - Pavilion Building, 3<sup>rd</sup> 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.

For your reference, the Audit and Compliance Committee will be meeting on Thursday, December 8<sup>th</sup> at 10:00 a.m. and the Administration, Finance and Talent Management Committee at 11:45 a.m.

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  
April Kees, Senate Finance Committee  
Mike Tweedy, 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, 12/8/2022**  
**1:00 - 3:30 PM ET**

**I. Approve Minutes**

- **November 15, 2022**

*Board Minutes 11.15.22 - Page 4*

**II. Report of the Investment Advisory Committee**

**III. Report of the Chief Investment Officer**

*Asset Allocation Report 9.30.22 - Page 11*

*Daily Asset Allocation Report 11.30.22 - Page 12*

*Performance Summary 9.30.22 - Page 13*

*Plan Tracking Error 9.30.22 - Page 14*

*New Investments and Terminations - Page 15*

- **RBA – Approve Benchmarks for Real Assets and Risk-Based Investments**

*RBA - Approve Real Assets and Risk-Based Investments Benchmarks - Page 16*

**IV. Report of the Defined Contribution Plans Advisory Committee**

*Report of the DCPAC - Page 18*

- **RBA – Approve Additional Methods of Proxy Voting for the Defined Contribution Plans**

*RBA - Approve Proxy Voting Methods - Page 22*

**V. Report of the Audit and Compliance Committee**

*Report of the A&CC - Page 23*

**VI. Report of the Administration, Finance and Talent Management Committee**

*Report of the AFT - Page 25*

- **RBA – Appointment of Defined Contribution Plans Advisory Committee (DCPAC) Member**

*RBA - Appoint DCPAC Member - Page 26*

*Bio for Matt Harris - Page 27*

**VII. Annual Comprehensive Financial Report (ACFR) Update**

*ACFR Presentation - Page 28*

**VIII. Resolution of Appreciation for Ron Schmitz, Chief Investment Officer**

*Resolution for Ron Schmitz - Page 34*

**IX. Report of the Director**

*FY 2023 Agency Roadmap Update - October - Page 35*

*Director's Report Slides - Page 37*

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## Minutes

A regular meeting of the Virginia Retirement System Board of Trustees was held on November 15, 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 (*entered at 1:13 p.m.*)

John M. Bennett

William A. Garrett (*attended remotely from Manassas, VA under § 2.2-3708.3(B)(4)*)

Dr. Susan T. Gooden, Ph.D.

W. Brett Hayes

Lindsey K. Pantele (*attended remotely from Henrico, VA under § 2.2-3708.3(B)(4)*)

VRS Staff:

Patricia Bishop, Ron Schmitz, Jennifer Schreck, Andrew Junkin, Advait Apte, Rory Badura, Parham Behrooz, Kevin Bliss, Caroline Cardwell, Jeanne Chenault, Michael Cooper, Harriet Covey, Juanita Cribbs, Sara Denson, Valerie Disanto, Barry Faison, Jonathan Farmer, Laurie Fennell, Brian Goodman, JT Grier, Dane Honrado, KC Howell, Robert Irving, Ross Kasarda, LaShaunda King, Kristina Koutrakos, Matt Lacy, Chung Ma, Curt Mattson, Walker Noland, Greg Oliff, Angela Payne, Steven Ramirez, Paula Reid, Dan Schlussler, Jillian Sherman, Rob Voeks, Leslie Weldon, Dan Whitlock, Cindy Wilkinson and Steve Woodall.

Guests:

Mike Heale, CEM Benchmarking, Inc; Jim Anderson, Becky Stouffer and Kurt Dosson, Gabriel, Roeder, Smith & Company; Lauren Albanese, Financial Investment News; John Kevin Balaod, With Intelligence; Taylor Benson, BlackRock; Jamie Bitz, Joint Legislative Audit and Review Commission; Igor DeOlivia and Brian Deveney, Auditor of Public Accounts; Justin Flores, Private Equity Stakeholder Project; Rob Kozlowski, Pensions & Investments; Alex Meyer, Goldman Sachs; and Elizabeth Myers, Office of the Attorney General.

The meeting convened at 1:00 p.m.

### Opening Remarks

Mr. Andrews called the meeting to order and welcomed everyone to the November 15, 2022, meeting of the Virginia Retirement System Board of Trustees. The Board then held a moment of silence for those affected by the recent tragedy at the University of Virginia.

After noting the meeting was being held in accordance with § 2.2-3708.3(B)(4) of the *Code of Virginia* and the VRS Remote Meeting Attendance Policy, Mr. Andrews took a roll call for attendance\*:

Mr. Montgomery: Present

Mr. Bennett: Present

Mr. Garrett: Present

Dr. Gooden: Present

Mr. Hayes: Present  
Ms. Pantele: Present  
Mr. Andrews: Present

*\*Mr. Bell was not present for the roll call.*

#### **Approval of Minutes**

Following a motion by Mr. Montgomery, with a second by Mr. Bennett, the VRS Board of Trustees approved the minutes from its October 18, 2022, meeting upon the following roll call vote\*:

Mr. Montgomery: Aye  
Mr. Bennett: Aye  
Mr. Garrett: Aye  
Dr. Gooden: Aye  
Mr. Hayes: Aye  
Ms. Pantele: Aye  
Mr. Andrews: Aye

*\*Mr. Bell was not present for this vote.*

#### **Report of the Chief Investment Officer**

Ron Schmitz, Chief Investment Officer, began his report with a market overview and discussed asset allocation, total fund portfolio and tracking error, concluding that risk measures are within Board-approved levels. Next, Mr. Schmitz discussed the New Investments and Terminations report. Last, Mr. Schmitz noted that the Investment staff was evaluating two potential benchmark changes and would be presenting those to the IAC at its November meeting and would follow up with the Board at its December meeting.

Mr. Andrews thanked Mr. Schmitz for his report.

#### **CEM Cost Effective Analysis of VRS Investment Program**

Mike Heale of CEM Benchmarking, Inc., presented the results of the Investment Benchmarking Analysis for the five-year period ending December 31, 2021. Mr. Heale advised that VRS' five-year and ten-year performance placed VRS in the positive value-added, low cost quadrant of the cost effectiveness chart. Specifically, for the five-year period, the VRS net value added was 100 basis points and the cost savings was 6 basis points. For the ten-year period, the VRS net value added was 65 basis points and the cost savings was 5 basis points.

Mr. Heale also noted that the analysis suggests VRS saves approximately \$61 million annually by managing a portion of the funds in-house versus managing those funds externally.

Mr. Andrews thanked Mr. Heale for his presentation and praised the Investment staff for their efforts to continue delivering a positive value added at a lower cost.

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### Report of the Benefits and Actuarial Committee

The VRS Board of Trustees received the report of the Benefits and Actuarial Committee and placed it on file.

#### APPROVAL OF MINUTES

Mr. Bennett, Committee Vice Chair, began his report by noting the Committee approved the minutes of its October 17, 2022, meeting.

#### GABRIEL, ROEDER, SMITH & COMPANY (GRS) 2022 ACTUARIAL VALUATION RESULTS FOR POLITICAL SUBDIVISION RETIREMENT PLANS, THE VIRGINIA SICKNESS AND DISABILITY PROGRAM (VSDP), THE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP), THE LOCAL HEALTH INSURANCE CREDIT (HIC) PLANS, AND THE LINE OF DUTY ACT (LODA) FUND.

Jim Anderson and Becky Stouffer from the VRS plan actuary, Gabriel, Roeder, Smith & Company (GRS), presented the June 30, 2022, actuarial valuations for the Political Subdivision Plans, the Virginia Sickness and Disability Program (VSDP), the Virginia Local Disability Program (VLDP), Local Health Insurance Credit (HIC) Plans and the Line of Duty Act (LODA) Fund. The VRS actuary conducts annual valuations as of the close of the fiscal year (June 30). In odd-numbered years the valuations are used to establish employer contribution rates. The results in even-numbered years are shared with the Board of Trustees to inform the Board of any emerging trends or indications of the magnitude and direction of contribution rates.

Similar to the state-wide pension plans, despite lower-than-expected returns for fiscal year 2022, recognition of prior investment gains led to improved funded status for the political subdivision pension plans in aggregate on an actuarial asset basis. Fiscal year 2022 also included higher than expected cost-of-living increases and pay increases for political subdivision plans in aggregate which led to higher-than-expected liabilities.

The HIC plans for political subdivisions as well as the state-funded HIC plans for Constitutional Officers, Social Services Employees, and Registrars all had an increase in funded status and a slight decrease in contribution rates. Due to a recently implemented allocation methodology for the HIC benefits, the HIC plans for political subdivisions saw an increase in liability, however it was offset by unrecognized gains from the prior valuation. The new methodology allocates a prorated portion of HIC liability to each employer a member worked for that offered the HIC benefit.

VSDP and VLDP each had a slight decrease in plan funded status mainly due to slight differences in application of the actuarial funding method used by GRS. This also led to slightly lower contribution rates for each plan compared to the 2021 valuation.

GRS then presented information on the Line of Duty Act Fund (LODA). The LODA plan is a pay-as-you-go plan that must collect the required funds to pay benefits expected to be incurred over the coming year. With a notable decrease in the covered headcount as well as an expected increase in plan claims, GRS, working with VRS staff, recommended an increase in the LODA premium to \$830.00 per FTE beginning

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July 1, 2023. The increase in the rate was set to cover FY 2024 costs, including a one-month reserve for incurred but not reported claims (IBNR).

**RBA: Accept the Plan Actuary’s Valuations as of June 30, 2022, for the Political Subdivision Retirement Plans; the Health Insurance Credit (HIC) Plans for Political Subdivisions; the State-Funded HIC for Constitutional Officers, Social Services Employees and Registrars; the Virginia Sickness and Disability Program, including the Self-Funded Long-Term Care; and the Virginia Local Disability Program, including the Self-Funded Long-Term Care.**

***Request for Board Action 2022-11-26:** The Virginia Retirement System Board of Trustees accepts the June 30, 2022, Actuarial Valuations conducted by the VRS plan actuary, Gabriel, Roeder, Smith & Company, for the Political Subdivision Retirement Plans; the Health Insurance Credit (HIC) Plans for Political Subdivisions; the State-Funded HIC for Constitutional Officers, Social Services Employees and Registrars; the Virginia Sickness and Disability Program, including the Self-Funded Long-Term Care; and the Virginia Local Disability Program, including the Self-Funded Long-Term Care.*

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

Mr. Montgomery: Aye  
Mr. Bell: Aye  
Mr. Bennett: Aye  
Mr. Garrett: Aye  
Dr. Gooden: Aye  
Mr. Hayes: Aye  
Ms. Pantele: Aye  
Mr. Andrews: Aye

**RBA: Accept revised LODA premium for FY 2024 as recommended by the Plan Actuary, effective July 1, 2023.**

***Request for Board Action 2022-11-27:** The Board accepts the increased FY 2024 premium for the Line of Duty Death and Health Benefits Trust Fund (the LODA Fund) as recommended by the Plan Actuary for FY 2024.*

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

Mr. Montgomery: Aye  
Mr. Bell: Aye  
Mr. Bennett: Aye  
Mr. Garrett: Aye  
Dr. Gooden: Aye  
Mr. Hayes: Aye  
Ms. Pantele: Aye  
Mr. Andrews: Aye

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## INFORMATION ITEMS

### Review of Stress Test and Sensitivity Analysis Report

Rory Badura, Senior Staff Actuary, presented the findings of the VRS Stress Test and Sensitivity Analysis Report. He noted that the report is based on the June 30, 2021, actuarial valuation and analyzes the potential effect on plan funding over the next several years and contains various adverse economic scenarios that illustrate impacts of higher inflation and continued market volatility. The report focuses on adverse events as they better highlight areas of risk.

### Confirmed 2023 B&A Committee Meeting Schedule:

The Committee reviewed its 2023 meeting schedule.

Mr. Andrews thanked Mr. Bennett for his report. Mr. Andrews next thanked GRS and the VRS staff actuaries for ensuring a smooth transition and their hard work in developing, validating and delivering the results.

### **Review Revised Governance Policy and Committee Charters (2<sup>nd</sup> Review)**

Next, Cindy Wilkinson, Director of Policy, Planning and Compliance, reviewed the revisions to the Board's governance policy and committee charters to implement the Board's approval of changing the name of the Administration and Personnel Committee to the Administration, Finance and Talent Management Committee (AFT).

### **RBA: Amend Board governance documents to reflect the renaming of the Administration and Personnel Committee to the Administration, Finance and Talent Management Committee.**

***Request for Board Action 2022-11-28:*** *The Virginia Retirement System Board of Trustees approves amendments to its Governance Policy; the Administration and Personnel Committee charter; the Audit and Compliance Committee charter; and, the Code of Ethics and Conduct to accommodate the change in the name of the Administration and Personnel Committee to the Administration, Finance and Talent Management Committee.*

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

Mr. Montgomery: Aye  
Mr. Bell: Aye  
Mr. Bennett: Aye  
Mr. Garrett: Aye  
Dr. Gooden: Aye  
Mr. Hayes: Aye  
Ms. Pantele: Aye  
Mr. Andrews: Aye

Mr. Andrews thanked Ms. Wilkinson for her presentation.



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### Report of the Director

Trish Bishop, VRS Director, began her report with an update on the agency roadmap for FY 2023, noting all projects are progressing as planned, as well as a review of New Coverage Elections. Next, Ms. Bishop announced that VRS received the Public Pension Standards Award for Funding and Administration for the 19<sup>th</sup> consecutive year from the Public Pension Coordinating Council.

Ms. Bishop then made the following announcements to the Board:

- The Joint Legislative Audit and Review Commission (JLARC) will meet on December 12, 2022, and, while not presenting, VRS representatives will be available to respond to questions.
- The annual Code of Ethics and Standards of Conduct training will be distributed to the Board electronically in December.
- As required by the 2022 Appropriation Act, VRS will be presenting the Return-to-Work Report to the General Assembly by December 15<sup>th</sup>. The report includes an overview of the Internal Revenue Service laws and regulations regarding return to work, an analysis of Virginia's return-to-work provisions compared to other public pension plans, and an actuarial analysis of potential modifications to the provisions.
- The Agency Annual Meeting will be held at the Greater Richmond Convention Center on December 14, 2022, to celebrate annual achievements and present awards.
- VRS was featured in a recent article by Pensions & Investments Magazine after receiving the 2022 Art Caple President's Award for Excellence for the SmartStep Campaign from the National Association of Government Defined Contribution Administrators.
- VRS held its annual celebration of Diwali, India's biggest and most important festivals, on October 26<sup>th</sup>, during which staff enjoyed food and other items.
- VRS ranked fifth among all participating agencies that contributed to the 2021 Commonwealth of Virginia Campaign (CVC) campaign, with over \$53,000 in donations. The 2022 CVC Campaign is in progress and has raised more than \$6,800 to date.

Lastly, Ms. Bishop noted the confirmed 2023 Board and committee schedules are now available.

Mr. Andrews thanked Ms. Bishop for her report.

### Other Business

Mr. Andrews reviewed the upcoming meeting schedule:

- Investment Advisory Committee – November 30 at 9:00 a.m.
- Defined Contribution Plans Advisory Committee – December 1 at 1:00 p.m.
- Audit and Compliance Committee – December 8 at 10:00 a.m.
- Administration, Finance and Talent Management Committee – December 8 at 11:45 a.m.
- Board of Trustees – December 8 at 1:00 p.m.

### Adjournment

Following a motion by Mr. Montgomery, with a second by Mr. Bell, the VRS Board of Trustees agreed to adjourn the meeting upon the following roll call vote:

Mr. Montgomery: Aye

Mr. Bell: Aye

Mr. Bennett: Aye

Mr. Garrett: Aye

Dr. Gooden: Aye

Mr. Hayes: Aye

Ms. Pantele: Aye

Mr. Andrews: Aye

There being no further business, the meeting concluded at 2:20 p.m.

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Chair

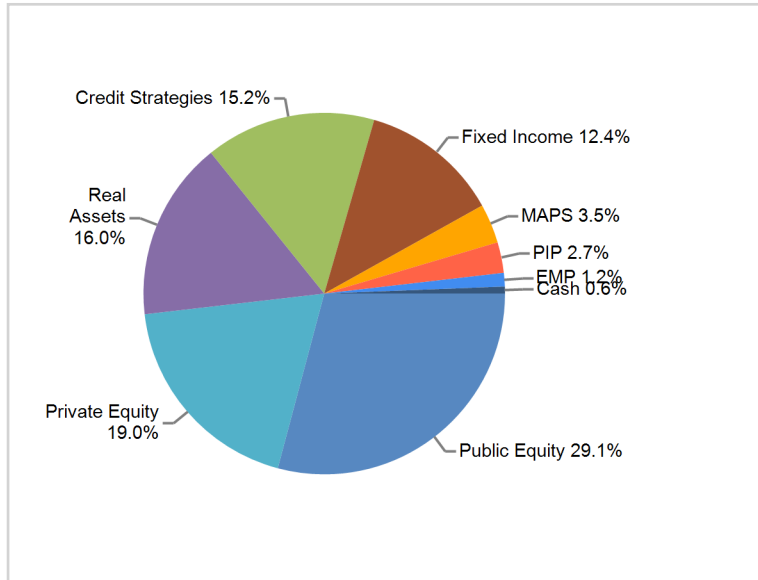
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Secretary

# Asset Allocation Report

## September 30, 2022

For Internal Investment Purposes Only



Tracking Error	
3Yr-Total Fund:	<b>2.05%</b>
3Yr-Total Public:	<b>1.71%</b>
5Yr-Total Fund:	<b>1.94%</b>
5Yr-Total Public:	<b>1.41%</b>

	Current \$Bil	Current Weight	Policy Weight	Variance	Allowable Range		Internal %
<b>Total Fund</b>	<b>96.8</b>						<b>26.5%</b>
<b>Public Equity</b>	<b>28.2</b>	<b>29.1%</b>	<b>34.0%</b>	<b>-4.9%</b>	<b>-5%</b>	<b>+5%</b>	<b>45.4%</b>
<b>Fixed Income</b>	<b>12.0</b>	<b>12.4%</b>	<b>15.0%</b>	<b>-2.6%</b>	<b>-3%</b>	<b>+5%</b>	<b>96.3%</b>
<b>Credit Strategies</b>	<b>14.8</b>	<b>15.2%</b>	<b>14.0%</b>	<b>1.2%</b>	<b>-5%</b>	<b>+5%</b>	
RS Credit	4.3	4.5%	5.6%	-1.1%			
NRS Credit	10.4	10.8%	8.4%	2.4%			
<b>Real Assets</b>	<b>15.5</b>	<b>16.0%</b>	<b>14.0%</b>	<b>2.0%</b>	<b>-5%</b>	<b>+5%</b>	<b>8.1%</b>
Public RE	1.3	1.3%					99.9%
Private RE	9.6	9.9%					
Other RA	4.7	4.8%					
<b>Private Equity</b>	<b>18.4</b>	<b>19.0%</b>	<b>16.0%</b>	<b>3.0%</b>	<b>-5%</b>	<b>+5%</b>	
<b>MAPS</b>	<b>3.4</b>	<b>3.5%</b>	<b>4.0%</b>	<b>-0.5%</b>	<b>-2%</b>	<b>+2%</b>	
DSTRAT	1.7	1.7%					
RBI	1.8	1.8%					0.4%
<b>PIP</b>	<b>2.7</b>	<b>2.7%</b>	<b>2.0%</b>	<b>0.7%</b>	<b>-2%</b>	<b>+2%</b>	
<b>EMP</b>	<b>1.2</b>	<b>1.2%</b>	<b>0.0%</b>	<b>1.2%</b>		<b>+3%</b>	
<b>Cash</b>	<b>0.6</b>	<b>0.6%</b>	<b>1.0%</b>	<b>-0.4%</b>	<b>-1%</b>	<b>+4%</b>	

High-Level Exposure	Current \$Bil	Current Weight	Policy Weight	Variance	Allowable Range	
<b>Total Equity</b>	<b>46.6</b>	<b>48.2%</b>	<b>50.0%</b>	<b>-1.8%</b>	<b>-10%</b>	<b>10%</b>
<b>Fixed Income + Cash</b>	<b>12.6</b>	<b>13.1%</b>	<b>16.0%</b>	<b>-2.9%</b>	<b>-4%</b>	<b>9%</b>

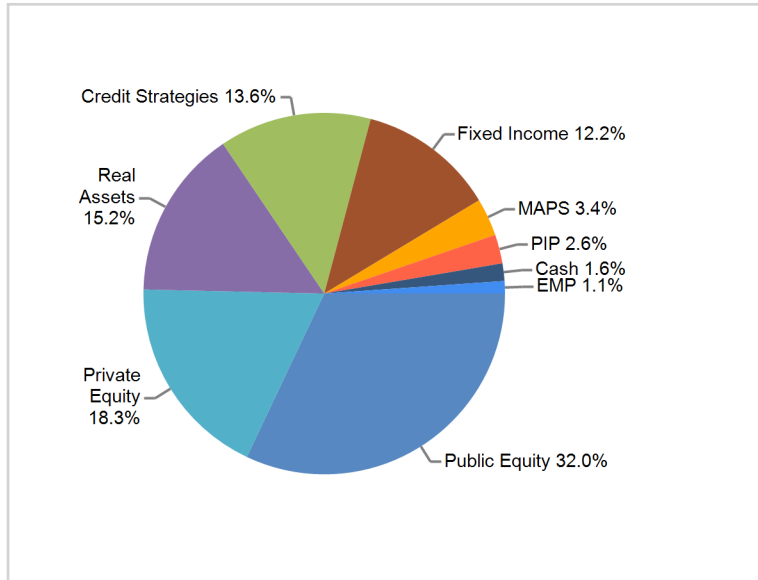
	Current \$Bil	Current Weight	Policy Limit
<b>Hedge Funds</b>	<b>9.4</b>	<b>9.7%</b>	<b>15.0%</b>

\* Total Fund includes the following amt held by the Treasurer of VA: \$ 62 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 9/30/2022

\* Differences in totals are due to rounding.



Tracking Error	
3Yr-Total Fund:	2.05%
3Yr-Total Public:	1.71%
5Yr-Total Fund:	1.94%
5Yr-Total Public:	1.41%

	Current \$Bil	Current Weight	Policy Weight	Variance	Allowable Range		Internal %
<b>Total Fund</b>	<b>101.6</b>						<b>28.7%</b>
<b>Public Equity</b>	<b>32.5</b>	<b>32.0%</b>	<b>34.0%</b>	<b>-2.0%</b>	<b>-5%</b>	<b>+5%</b>	<b>48.1%</b>
<b>Fixed Income</b>	<b>12.4</b>	<b>12.2%</b>	<b>15.0%</b>	<b>-2.8%</b>	<b>-3%</b>	<b>+5%</b>	<b>96.4%</b>
<b>Credit Strategies</b>	<b>13.8</b>	<b>13.6%</b>	<b>14.0%</b>	<b>-0.4%</b>	<b>-5%</b>	<b>+5%</b>	
RS Credit	3.1	3.0%	5.6%	-2.6%			
NRS Credit	10.7	10.6%	8.4%	2.2%			
<b>Real Assets</b>	<b>15.4</b>	<b>15.2%</b>	<b>14.0%</b>	<b>1.2%</b>	<b>-5%</b>	<b>+5%</b>	<b>9.0%</b>
Public RE	1.4	1.4%					99.9%
Private RE	9.5	9.3%					
Other RA	4.6	4.5%					
<b>Private Equity</b>	<b>18.6</b>	<b>18.3%</b>	<b>16.0%</b>	<b>2.3%</b>	<b>-5%</b>	<b>+5%</b>	
<b>MAPS</b>	<b>3.4</b>	<b>3.4%</b>	<b>4.0%</b>	<b>-0.6%</b>	<b>-2%</b>	<b>+2%</b>	
DSTRAT	1.6	1.6%					6.0%
RBI	1.8	1.8%					0.4%
<b>PIP</b>	<b>2.6</b>	<b>2.6%</b>	<b>2.0%</b>	<b>0.6%</b>	<b>-2%</b>	<b>+2%</b>	
<b>EMP</b>	<b>1.1</b>	<b>1.1%</b>	<b>0.0%</b>	<b>1.1%</b>		<b>+3%</b>	
<b>Cash</b>	<b>1.6</b>	<b>1.6%</b>	<b>1.0%</b>	<b>0.6%</b>	<b>-1%</b>	<b>+4%</b>	

High-Level Exposure	Current \$Bil	Current Weight	Policy Weight	Variance	Allowable Range	
<b>Total Equity</b>	<b>51.2</b>	<b>50.4%</b>	<b>50.0%</b>	<b>0.4%</b>	<b>-10%</b>	<b>10%</b>
<b>Fixed Income + Cash</b>	<b>14.0</b>	<b>13.8%</b>	<b>16.0%</b>	<b>-2.2%</b>	<b>-4%</b>	<b>9%</b>

	Current \$Bil	Current Weight	Policy Limit
<b>Hedge Funds</b>	<b>9.7</b>	<b>9.5%</b>	<b>15.0%</b>

\* Total Fund includes the following amt held by the Treasurer of VA: \$ 402 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 9/30/2022

\* Differences in totals are due to rounding.

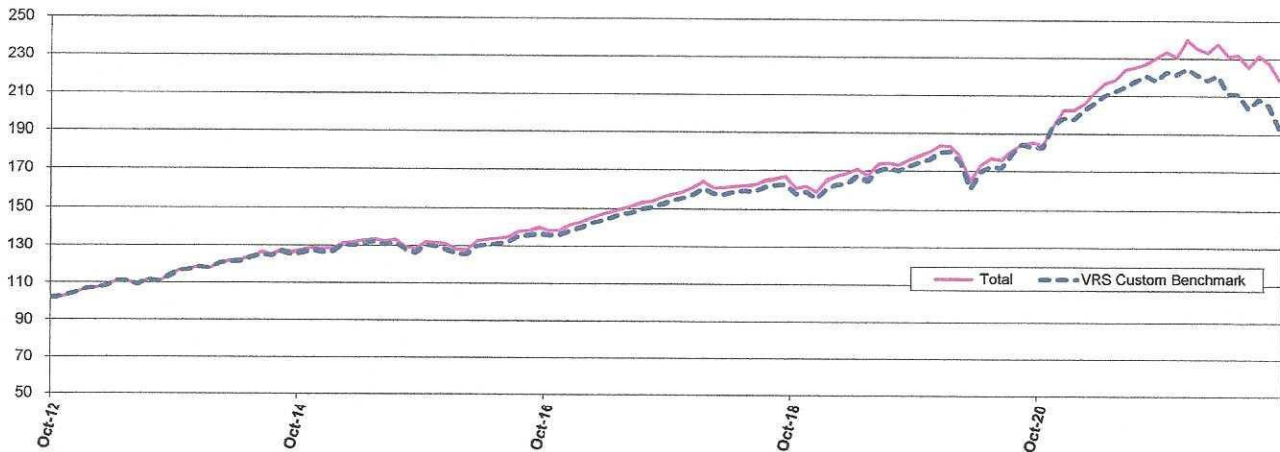
**PERFORMANCE SUMMARY**  
**Rolling Periods Ending**  
**September 30, 2022**



**TOTAL FUND PERFORMANCE**

	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month	Fiscal YTD	Cal YTD	Market Value (\$MM)
<b>Total Public Equity Strategies</b>	<b>7.6</b>	<b>4.1</b>	<b>3.9</b>	<b>-19.4</b>	<b>-6.0</b>	<b>-8.4</b>	<b>-6.0</b>	<b>-23.3</b>	<b>27,600</b>
<i>Benchmark</i>	7.5	4.5	3.8	-20.9	-6.5	-9.6	-6.5	-25.5	
<b>Total Fixed Income</b>	<b>1.6</b>	<b>0.6</b>	<b>-2.0</b>	<b>-14.9</b>	<b>-4.6</b>	<b>-4.6</b>	<b>-4.6</b>	<b>-14.9</b>	<b>12,047</b>
<i>Benchmark</i>	0.9	-0.3	-3.3	-15.1	-4.6	-4.4	-4.6	-15.1	
<b>Total Credit Strategies</b>	<b>6.1</b>	<b>5.6</b>	<b>6.0</b>	<b>-1.4</b>	<b>-0.6</b>	<b>-1.9</b>	<b>-0.6</b>	<b>-3.2</b>	<b>14,756</b>
<i>Benchmark</i>	4.3	2.9	1.5	-7.2	0.2	-3.0	0.2	-7.9	
<b>Total Real Assets</b>	<b>10.8</b>	<b>10.0</b>	<b>10.9</b>	<b>20.0</b>	<b>1.9</b>	<b>1.7</b>	<b>1.9</b>	<b>12.7</b>	<b>15,527</b>
<i>Benchmark</i>	9.1	8.3	9.2	17.5	2.7	0.1	2.7	11.5	
<b>Total Private Equity</b>	<b>16.9</b>	<b>19.2</b>	<b>22.1</b>	<b>8.7</b>	<b>-4.1</b>	<b>-3.8</b>	<b>-4.1</b>	<b>0.9</b>	<b>18,427</b>
<i>Benchmark</i>	12.1	9.6	7.9	-16.2	-15.7	-8.6	-15.7	-15.3	
<b>Total Private Investment Partnerships</b>	<b>n/a</b>	<b>9.7</b>	<b>11.2</b>	<b>8.2</b>	<b>-1.2</b>	<b>-1.2</b>	<b>-1.2</b>	<b>3.5</b>	<b>2,652</b>
<i>Benchmark</i>	n/a	7.3	7.2	-1.1	-3.8	-3.4	-3.8	-2.7	
<b>Total Multi-Asset Public Strategies</b>	<b>n/a</b>	<b>n/a</b>	<b>2.6</b>	<b>-7.0</b>	<b>-2.2</b>	<b>-3.9</b>	<b>-2.2</b>	<b>-9.2</b>	<b>3,408</b>
<i>Benchmark</i>	n/a	n/a	1.9	-11.4	-3.4	-4.9	-3.4	-13.8	
<b>Total Fund</b>	<b>7.9</b>	<b>7.0</b>	<b>7.5</b>	<b>-5.0</b>	<b>-3.1</b>	<b>-4.0</b>	<b>-3.1</b>	<b>-8.9</b>	<b>96,795</b>
<i>VRS Custom Benchmark</i>	6.6	4.8	3.8	-11.6	-5.2	-6.0	-5.2	-14.3	

**10-Year Performance Indexed to 100**

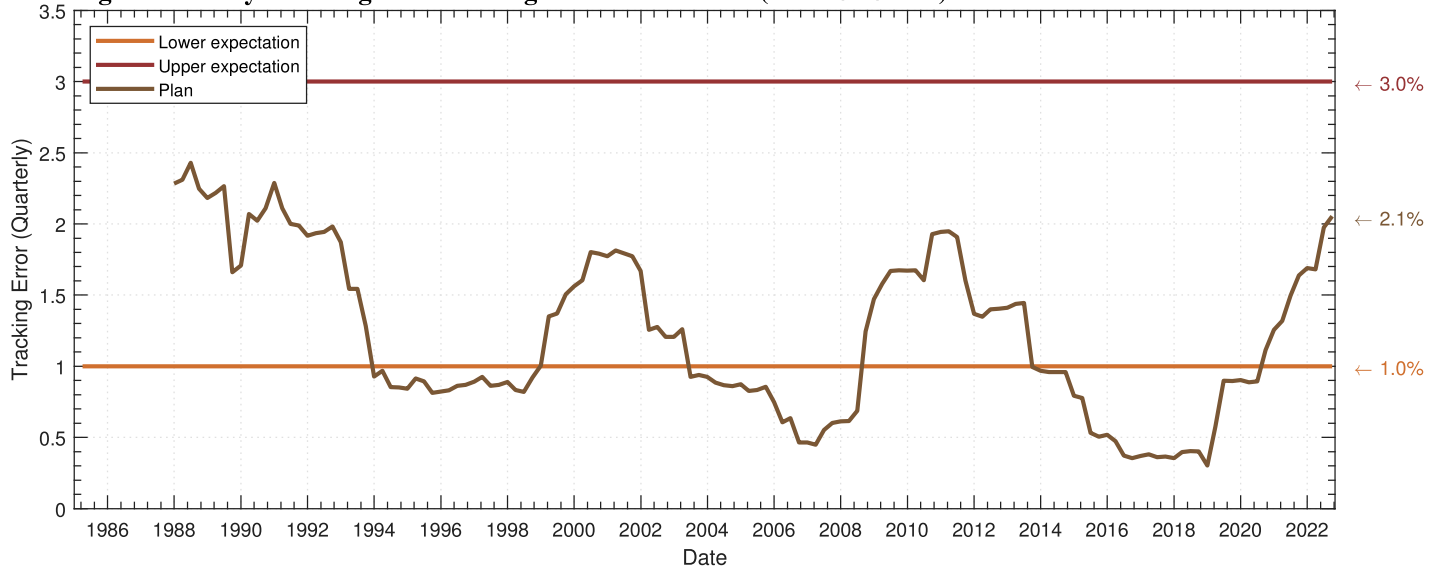


Effective July 2013, the VRS Custom Benchmark is a blend of the Asset Class Benchmarks at policy weights.

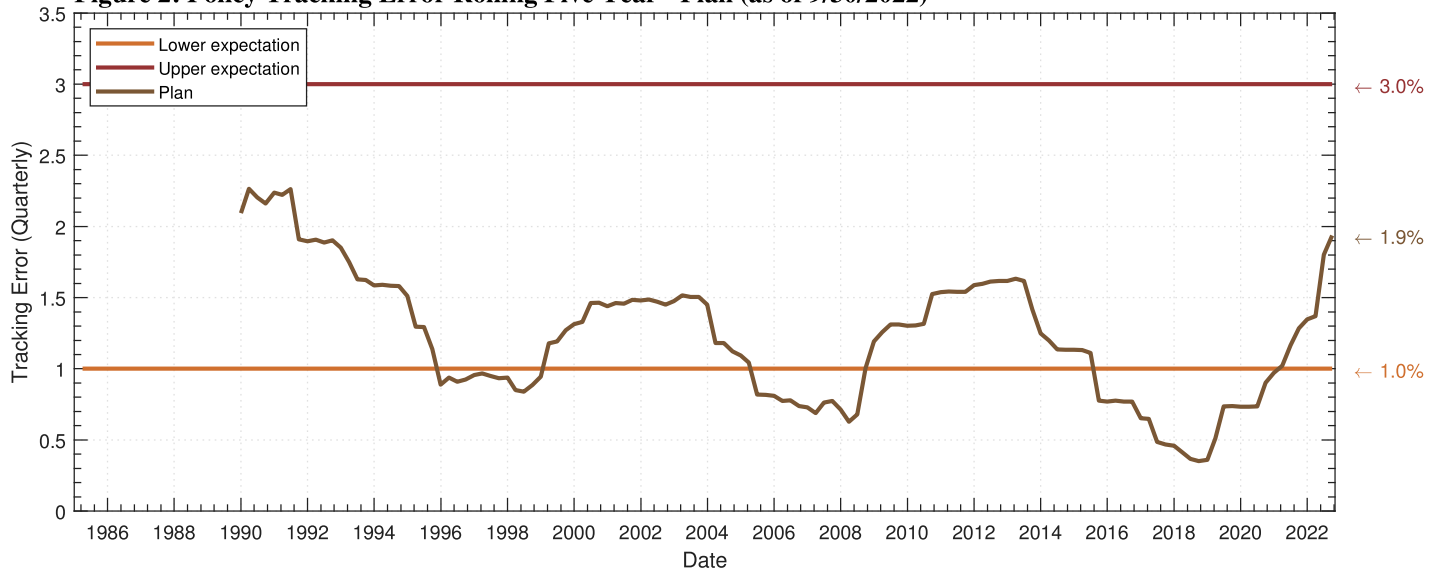
The VRS Cash Account, the Treasurer Short-Term Investment Account, the VRS Rebalancing Account, transition activity and accounts with market values of less than \$1 million are included in the Total Fund's market value. Differences in market value totals are due to rounding.

# Total Fund Tracking Error

**Figure 1: Policy Tracking Error Rolling Three Year - Plan (as of 9/30/2022)**



**Figure 2: Policy Tracking Error Rolling Five Year - Plan (as of 9/30/2022)**



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
Real Assets	Hired	11/16/2022	\$100 Million	5 Years	<b>Stonepeak Opportunities Fund LP</b> – A closed-end fund investing in mid-market diversified infrastructure deals in North America as well as Europe.



**Approve Benchmarks for Real Assets and Risk-Based Investments, effective January 1, 2023.**

**Requested Action**

The VRS Board of Trustees approves the recommended benchmarks for Real Assets and Risk-Based Investments, effective January 1, 2023.

**Description/Background**

The Board previously approved the Real Assets and Risk-Based Investments benchmarks at the June 26, 2014 and November 20, 2019 meetings, respectively.

Current Benchmarks:

Real Assets	The market value weighted blend of the Total Real Estate Benchmark, of which 85% is the NCREIF Private Real Estate Benchmark (ODCE Index (net) lagged by three months) and 15% is the Total REIT Benchmark (FTSE/EPRA/NAREIT Developed REIT Index) and the Other Real Assets Custom Benchmark (the CPI-U Index plus 400 basis points per annum lagged by three months). <i>(Effective date: July 1, 2014)</i>
Risk-Based Investments	A blend of the RBI Diversifiers Benchmark (80%) and the S&P Risk Parity 12% Volatility Benchmark (20%). The RBI Diversifiers Benchmark is composed of Bloomberg Barclays US Treasury Bellwethers: 3 month plus 250 basis points per annum. <i>(Effective date: January 1, 2020)</i>

The CIO is recommending changes to both benchmarks. Specifically, the CIO recommends eliminating the global REITS from the Real Estate portfolio, as well as from the Total Real Estate Benchmark, and the risk parity from the Risk-Based Investments benchmark.

Recommended Benchmarks:

Real Assets	The market value weighted blend of the NCREIF Private Real Estate Benchmark (ODCE Index (net) lagged by three months) and the Other Real Assets Custom Benchmark (the CPI-U Index plus 400 basis points per annum lagged by three months).
Risk-Based Investments	The Bloomberg Barclays US Treasury Bellwethers: 3 month plus 250 basis points per annum.

**Rationale for Requested Action**

Removing REITS and Risk Parity better aligns Real Assets and Risk-Based Investments, respectively, with each program’s main objective of providing meaningful diversification to the Plan.



**Authority for Requested Action**

The Board is authorized to approve these recommendations pursuant to the provisions of *Code of Virginia* §§ 51.1-124.22 and -124.30.

The above action is approved.

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A. Scott Andrews, Chair  
VRS Board of Trustees

---

Date

## **Report**

The Defined Contribution Plans Advisory Committee (DCPAC) convened on December 1, 2022 at 1:00 p.m. and took up the following matters:

### **WELCOME AND INTRODUCTION**

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.

### **ADMINISTRATION**

#### **Annual Administrative Expense Reports**

Staff provided an overview of the administrative expense report and annual cost update for FY 2022, as required by the DCPAC Charter. The report provided both direct and indirect costs associated with administering VRS' Defined Contribution Plans. Total administrative costs related to participants and expenditures for FY 2022 were provided, along with a cost trend analysis over the five-year period from FY 2018 to FY 2022.

#### **Administrative Reports and Communication Update**

Staff provided an update on administrative reports for the third quarter of 2022. Updates included 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 third quarter focus on increasing contributions and enrollments among plan participants.

#### **ORPHE Update**

Staff provided an overview of ORPHE reports for the third quarter of 2022, including plan assets and accounts.

#### **ORPHE Employer Update Report**

Mr. Larson provided an overview of the ORPHE Annual Employer Update hosted by VRS on September 29, 2022. He noted that 21 participating institutions were represented.

#### **DC Plans Recordkeeper RFP Update**

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Staff provided an update on the DC Plans Recordkeeper RFP. The deadline for proposals received in response to the Recordkeeper RFP is December 2, 2022. The formal evaluation process will begin in January 2023.

## **INVESTMENTS**

### Performance Reports

Staff provided an overview of the October 31, 2022 performance reports to the DCPAC, including the unbundled DC plans investment options and the bundled TIAA investment menu in the Retirement Choice (RC) contract for ORPHE. Staff highlighted areas from the unbundled investment options and the bundled TIAA passively managed investment options for the longer dated return series where performance was at least 10 basis points above or below the benchmark after accounting for fund expense ratios on the downside for passively managed funds. Actively managed and capital preservation funds' performance was highlighted as appropriate. In the past, staff focused on highlighting funds that underperformed their benchmarks.

### CEM Defined Contribution Plans Survey

Staff reviewed the CEM DC Plans 2021 survey results, which was comprised of 99 corporate and 24 public plans representing \$1.4 trillion in assets. Staff informed the Committee that the survey results included the unbundled DC Plans supplemental 457 Deferred Compensation Plan, in addition to the bundled TIAA program for ORPHE. Staff noted that the TIAA information was based solely on the TIAA RC contract. Staff included the CEM DC Survey Reports in the Appendix for the Committee to review.

### Proxy Voting

Staff informed the Committee that one of the VRS DC investment managers, BlackRock, approached VRS with an expanded proxy voting choice option for their institutional clients investing in certain index strategies. Proxy voting optionality provides VRS the opportunity to potentially have more influence on how publicly traded companies are managed and vote its pro-rata share of a fund's securities more in line with VRS investment strategies and beliefs. Staff confirmed that there is no additional cost for this option.

*Recommend RBA to Approve Additional Methods of Proxy Voting for the Defined Contribution Plans*

The Committee recommended approval of the following action to the Board:

***Request for Board Action:*** *The VRS Board of Trustees approves additional proxy voting methods used for the defined contribution (DC) plans and delegates to the Chief Investment Officer which method(s) to select. In addition to the current method whereby the Board has delegated full authority and responsibility to the investment managers to vote all securities held in the plans, the Board approves*

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*additional voting choice options, where feasible, to include voting proxies by selecting from a menu of third-party proxy voting policies offered by an investment manager or voting proxies according to VRS' own policies.*

## **OTHER BUSINESS**

### Code of Ethics

Staff informed the Committee that an email notification would be forthcoming that includes instructions for completing the review and affirmation of the Board of Trustees' Code of Ethics and Conduct, an annual requirement of VRS advisory committee members. Staff shared that Committee members will be able to electronically sign and submit the affirmation statement.

### DCPAC Appointments

Staff informed the Committee that Mr. Smither resigned his position with Powhatan County and, therefore, is ineligible to continue in his role with the DCPAC. Staff consulted with the Virginia Municipal League (VML) and the Virginia Association of Counties (VACo) to find a suitable candidate to fill the vacancy. VML and VACo recommended C. Matt Harris, the Chesterfield Deputy County Administrator for Finance and Administration.

### *Recommend RBA for Appointment of DCPAC Member*

The Committee recommended approval of the following action to the Administration, Finance and Talent Management Committee. The Administration, Finance and Talent Management Committee will provide their recommendation to the Board:

***Request for Board Action:*** *The Board appoints C. Matt Harris to the Defined Contribution Plans Advisory Committee (DCPAC) to fill the unexpired term of Edward N. (Ned) Smither, which expires June 20, 2024.*

### Discussion of New Ideas

No new business was brought before the Committee.

## **2023 MEETINGS**

The Committee is scheduled to meet on the following dates in 2023, all at 1:00 p.m.:

- Thursday, March 30<sup>th</sup>
- Thursday, June 1<sup>st</sup>
- Thursday, September 7<sup>th</sup>

- Thursday, November 30<sup>th</sup>

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

There was no other business to come before the Committee.

Submitted to the Board of Trustees on December 8, 2022.

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J. Brandon Bell, Chair  
Defined Contribution Plans Advisory Committee



**Approve Additional Methods of Proxy Voting  
for the Defined Contribution Plans**

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**Requested Action**

The VRS Board of Trustees approves additional proxy voting methods used for the defined contribution (DC) plans and delegates to the Chief Investment Officer which method(s) to select. In addition to the current method whereby the Board has delegated full authority and responsibility to the investment managers to vote all securities held in the plans, the Board approves additional voting choice options, where feasible, to include voting proxies by selecting from a menu of third-party proxy voting policies offered by an investment manager or voting proxies according to VRS' own policies.

**Description/Background**

Currently, most investment options offered through the VRS-administered DC plans are via collective investment trusts (CITs). Like mutual funds, investors in CITs invest and own units or shares of a fund and do not own a fund's underlying securities directly. Standard practice regarding proxy voting for CITs and mutual funds is to have the investment manager vote proxies on behalf of the fund investors.

One of the VRS DC investment managers, BlackRock, approached VRS with an expanded proxy voting choice option for their institutional clients investing in certain index strategies in addition to the current method of BlackRock voting proxies on behalf of their clients.

Additionally, recent news reports indicated other investment managers are exploring ways for fund investors at the institutional and retail level to vote proxies.

**Rationale for Requested Action**

Proxy voting optionality provides VRS the opportunity to potentially have more influence on how publicly traded companies are managed and vote its pro-rata share of a fund's securities that are more in-line with VRS investment strategies and beliefs.

**Authority for Requested Action**

Section 51.1-124.22(8) of the *Code of Virginia* authorizes the VRS Board of Trustees to adopt procedures and make determinations necessary to carry out the provisions of Title 51.1.

The above action is approved.

---

A. Scott Andrews, Chairman  
VRS Board of Trustees

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Date

## Report

The Audit and Compliance Committee met on December 8, 2022. Mr. Hayes 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 September 13, 2022 meeting.

### **EXIT ON THE AUDITOR OF PUBLIC ACCOUNTS (APA) 2022 ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR) AUDIT**

The APA informed the committee the audit work over the 2022 VRS Annual Comprehensive Financial Report (ACFR) was in its final stage. Upon completion, the APA anticipates issuing an unmodified opinion on VRS' financial statements. They noted their companion "Report on Internal Controls and Compliance" would be issued next month (January).

### **ENTRANCE WITH THE APA REGARDING EMPLOYER ASSURANCES (GASB 68 AND 75)**

The APA then provided the committee with an overview of its upcoming examinations designed to provide participating employers and their auditors the assurances necessary to prepare their own annual comprehensive financial statements in accordance with Governmental Accounting Standards Board (GASB) Statements:

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

The APA anticipates issuing its opinions on these matters on or about June 30, 2023.

### **QUALITY ASSURANCE REVIEW OF THE INTERNAL AUDIT DEPARTMENT**

The Audit Director presented the results of the department's Annual Quality Assurance Improvement Program Review as of June 30, 2022, noting the review concluded there is reasonable assurance that the VRS Internal Audit Department is operating in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

### **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 or other sources during the period of August 1, 2022, through October 31, 2022.

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**MANAGEMENT'S QUARTERLY TRAVEL EXPENSE AND PER DIEM REPORT**

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

**CONFIRMATION OF 2023 MEETING SCHEDULE**

The committee received confirmation of the 2023 VRS Board and Committee meeting dates. The committee's next meeting is scheduled for Wednesday, March 29, 2023 at 1 p.m.

**AUDIT REPORTS**

The committee received two audit reports.

- The review of the *General Ledger System* concluded processes are in place to protect the confidentiality, integrity and availability of the system; however, opportunities to enhance these processes exist. One written recommendation was included in the report.
- The committee went into closed session to receive the report on *myVRS and the Fraud System*.

Upon returning to open meeting, the committee accepted both reports.

Respectfully submitted to the Board of Trustees on December 8, 2022.

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W. Brett Hayes, Vice Chair  
Audit and Compliance Committee



## Report

The Administration, Finance and Talent Management Committee met on December 8, 2022, and discussed the following:

### **APPROVAL OF MINUTES**

The Committee approved the minutes of its October 18, 2022, meeting.

### **APPOINTMENT OF DEFINED CONTRIBUTION PLANS ADVISORY COMMITTEE (DCPAC) MEMBER**

Trish Bishop, Director, advised the Committee of the vacant seat on the DCPAC for a political subdivision employee. Matt Harris, Deputy County Administrator for Chesterfield County, has agreed to serve on the Committee.

The Committee, with the concurrence of the DCPAC, recommends approval of the following action to the full Board:

***Request for Board Action:*** *The VRS Board of Trustees approves the appointment of C. Matt Harris to the Defined Contribution Plans Advisory Committee to fill the unexpired term of Edward N. Smither, which expires June 20, 2024.*

Submitted to the Board of Trustees on December 8, 2022.

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A. Scott Andrews, Chair  
Administration and Personnel Committee



**Appointment of DCPAC member.**

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**Requested Action**

The Board appoints C. Matt Harris to the Defined Contribution Plans Advisory Committee (DCPAC) to fill the unexpired term of Edward N. (Ned) Smither, which expires June 20, 2024.

**Rationale for Requested Action**

Mr. Harris was appointed Deputy County Administrator for Finance and Administration at Chesterfield County in March 2018. He supervises and coordinates the operations of the County Administrator's Office and the Clerk to the Board of Supervisor's Office to ensure integrated support and interaction with the County Administrator, Board of Supervisors, employees and residents of the County. He also coordinates special events and serves as Liaison with the Committee on the Future, Registrar, Commissioner of the Revenue and Treasurer. Mr. Harris oversees the following County departments: Accounting; Budget and Management; Clerk to the Board of Supervisor's Office; Committee on the Future; Communications and Media; County Administrator's Office; Finance; Intergovernmental Relations; Learning and Performance Center; Procurement; Real Estate Assessment; and Special Events.

Prior to being appointed Deputy, Mr. Harris served as the County's Budget and Management director where he led the department and served as a key advisor to the County Administrator and the Board of Supervisors.

Mr. Harris earned an undergraduate degree in Economics from Virginia Tech and a Master's degree from the University of North Carolina – Chapel Hill.

Mr. Harris is highly qualified and willing to be appointed to the DCPAC, and it is the Board's pleasure to appoint him to the Committee.

**Authority for Requested Action**

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

The above action is approved.

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A. Scott Andrews, Chair  
VRS Board of Trustees

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Date

## **Matt Harris, Deputy County Administrator for Finance and Administration**

Matt Harris was appointed Deputy County Administrator for Finance and Administration in March 2018. He supervises and coordinates the operations of the County Administrator's Office and the Office of Constituent Services to help ensure integrated support and interaction with the County Administrator, Board of Supervisors, employees and residents of the County. Mr. Harris also provides strategic direction and supervision to major county functions such as Intergovernmental Relations (the liaison function with state and Federal officials), the Learning and Performance Center, Communications and Media and Finance (Accounting, Budget and Management, Purchasing, Real Estate Assessment). He coordinates special events and serves as liaison with the Registrar, Commissioner of the Revenue and Treasurer. Mr. Harris also serves on the Board of Directors for the Riverside Regional Jail, the finance committee for the Greater Richmond Convention Center Authority, the Board of Directors for the VML-VACo OPEB Trust, the Board of Directors for the Chesterfield County SRP Trust, the Board of Directors for the Chesterfield County Schools SRP Trust, and is a member of the VACo Finance Steering Committee.

Prior to being appointed Deputy, Mr. Harris served as the county's Budget and Management Director where he led the department and served as a key advisor to the County Administrator and the Board of Supervisors.

Mr. Harris received a Bachelor's degree in Economics from Virginia Tech and a Master's degree from the University of North Carolina – Chapel Hill. He lives in Midlothian with his wife, Meghan, and five children.



Virginia Retirement System®

80 Years of Serving Those Who Serve Others.

# FY 2022 VRS Financial Highlights



# Funds Flow—Unaudited



## Years Ended June 30, 2022 and 2021

	2022	2021
<b>Contributions</b>	\$ 5,122,816,000	\$ 4,272,477,000
<b>Net Investment Income</b>	(124,260,000)	22,282,303,000
<b>Miscellaneous Additions and Transfers</b>	9,037,000	5,348,000
<b>Total Additions</b>	<b>\$ 5,007,593,000</b>	<b>\$ 26,560,128,000</b>
<b>Total Deductions</b>	6,424,293,000	6,176,202,000
<b>Net Additions</b>	<b>\$(1,416,700,000)</b>	<b>\$ 20,383,926,000</b>
<b>Net Flow (Contributions minus Deductions)</b>	<b>\$(1,301,477,000)</b>	<b>\$(1,903,725,000)</b>

# Deductions Detail—Unaudited



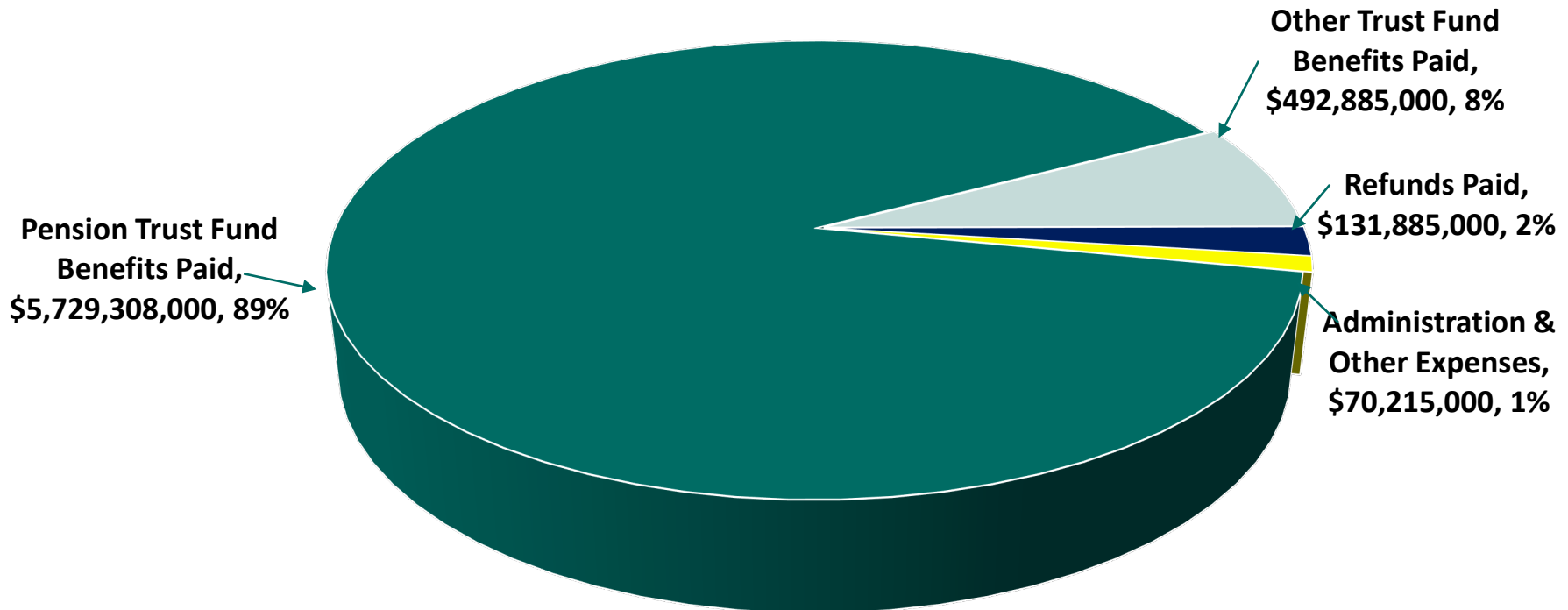
## Years Ended June 30, 2022 and 2021

	2022	2021
<b>Retirement Benefits</b>	\$ 5,729,308,000	\$ 5,522,199,000
<b>Refunds</b>	131,885,000	116,186,000
<b>Life Insurance Premium &amp; Claims</b>	258,997,000	251,382,000
<b>Health Insurance Credit Reimbursements</b>	179,043,000	171,401,000
<b>Disability Insurance Benefits</b>	40,733,000	38,708,000
<b>LODA Reimbursements</b>	14,112,000	13,095,000
<b>Administrative &amp; Other Expenses</b>	70,215,000	63,231,000
<b>Net Additions</b>	<b>\$ 6,424,293,000</b>	<b>\$ 6,176,202,000</b>

# Benefits and Expenses— All Trust Funds—Unaudited

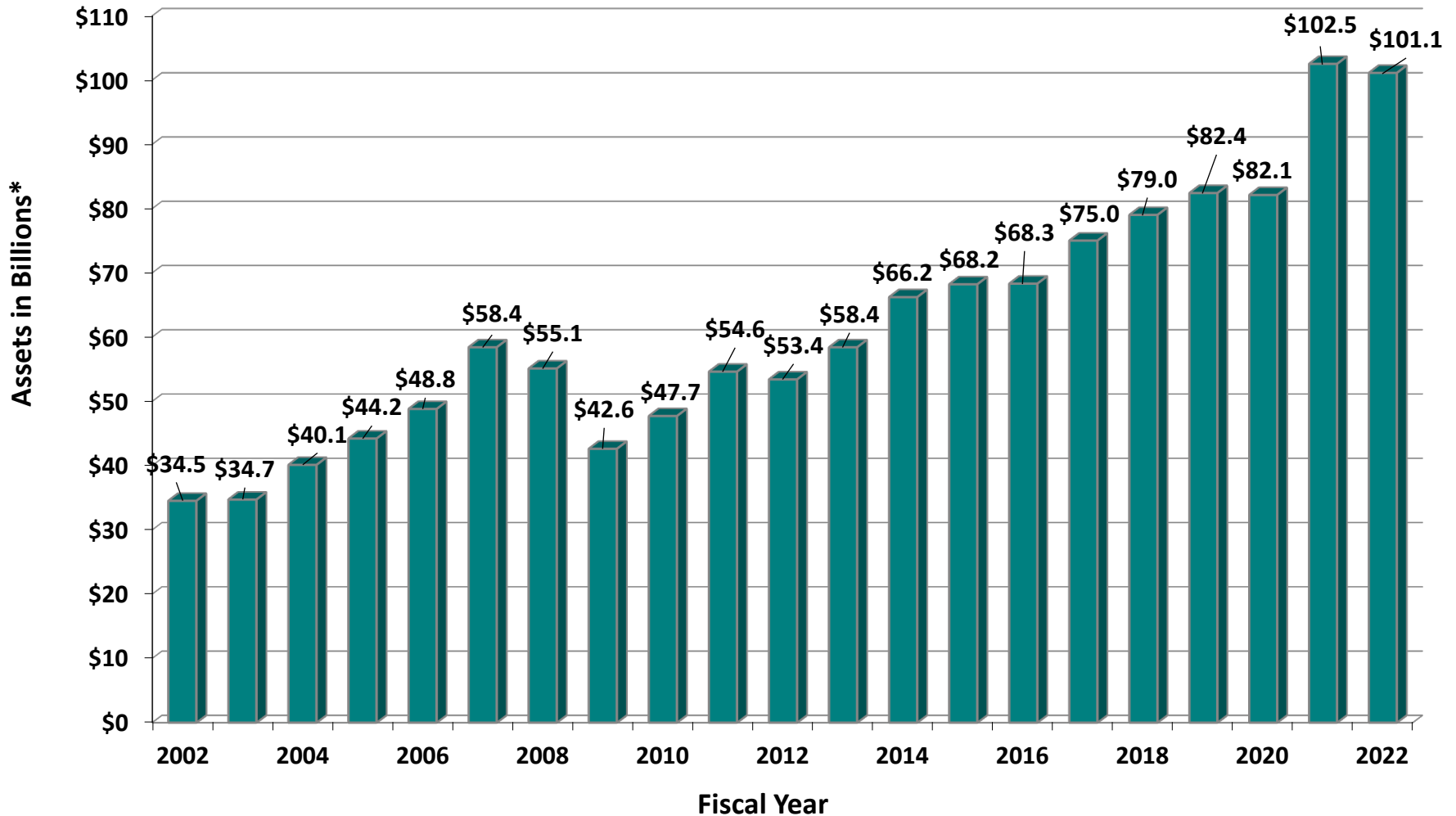


## Year Ended June 30, 2022



**Total Benefits and Expenses for FY 2022: \$6,424,293,000**

# VRS Net Position—Unaudited



\* Values for all years prior to FY 2020 in this table were adjusted to reflect the impact of the implementation of GASB Statement No. 84 in FY 2020.



# Share of Net Position

as of June 30, 2022 - Unaudited



	\$ in Thousands	%	Totals
<b>PENSIONS</b>			
<b>State:</b>			
State Employees	\$22,579,326	22.335%	<b>25.826%</b>
SPORS	1,031,383	1.020%	
VaLORS	1,841,041	1.821%	
JRS	656,965	0.650%	
<b>Non-State:</b>			
Teachers	45,211,731	44.723%	<b>70.487%</b>
Political Subdivisions	26,045,031	25.764%	
<b>Total Pensions</b>	<b>\$97,365,477</b>		<b>96.313%</b>
<b>OTHER POST-EMPLOYMENT BENEFIT PLANS (OPEBs)</b>			
Group Life Insurance	2,467,989	2.441%	<b>3.547%</b>
Retiree Health Insurance Credit	492,325	0.487%	
Disability Insurance Trust Fund	602,916	0.596%	
Virginia Local Disability Program	15,268	0.016%	
Line of Duty Act Trust Fund	7,214	0.007%	
<b>Total OPEBs</b>	<b>\$3,585,712</b>		
<b>CUSTODIAL PLANS</b>			
VRS Investment Portfolio DC Plans	63,656	0.064%	<b>0.140%</b>
Commonwealth Health Research Fund	46,592	0.046%	
Volunteer Firefighters' and Rescue Squad Workers' Service Award Fund	5,472	0.005%	
Commonwealth's Attorneys Training Fund	25,777	0.025%	
<b>Total Custodial Plans</b>	<b>\$141,497</b>		
<b>GRAND TOTAL</b>	<b>\$101,092,686</b>		<b>100.00%</b>



*Resolution of Appreciation*

PRESENTED TO

**Ronald D. Schmitz**

*W*HEREAS, Ronald D. Schmitz was selected by the Virginia Retirement System Board of Trustees to lead the Investment Program in 2011; and

*W*HEREAS, Mr. Schmitz led the investment team during a number of challenging financial environments, steadily guiding the system through these periods of market fluctuation, while exercising calm, steady leadership; and

*W*HEREAS, during Mr. Schmitz's tenure at the Virginia Retirement System, the VRS Trust Fund almost doubled in size, building from \$51 billion in 2011 when he first arrived at the agency to more than \$100 billion as of June 30, 2021, marking a significant milestone for the fund; and

*W*HEREAS, under Mr. Schmitz's leadership and guidance, and through his investment acumen, the VRS Trust Fund experienced an outstanding return in 2021 of 27.5%, a fiscal year performance not seen in the past thirty years; and

*W*HEREAS, believing in attracting and retaining diverse managers and staff, Mr. Schmitz helped initiate and lead the Diversity, Equity, and Inclusion Steering Committee to encourage engagement, dialogue, different perspectives, and creative approaches that enhanced the agency's ability to serve its members; and

*W*HEREAS, Mr. Schmitz was devoted to managing the fund and leading the agency's investment program to ensure an efficient and diverse portfolio that garners returns and targets an acceptable level of risk, while ultimately ensuring benefits are available for the System's members and beneficiaries over a long time horizon;

*N*OW, THEREFORE, BE IT RESOLVED, that on December 8, 2022, we, the members of the Board of Trustees of the Virginia Retirement System, hereby acknowledge Mr. Schmitz's service to the Virginia Retirement System, its members, retirees, and the Commonwealth of Virginia, and are grateful for his contributions and stewardship.

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A. SCOTT ANDREWS, CHAIR



**VRS Project Portfolio**  
**FISCAL YEAR 2023**  
 October 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	●													
Comprehensive Agency Training Program – EDGE (Empower, Develop, Grow and Engage)	Organization Strength Culture and Engagement	●													
IT Initiatives <sup>1</sup>	Strategic Alignment	Status	2022						2023						
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 <sup>2</sup>	Strategic Alignment	Status	2022						2023						
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	●													
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	●													
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	●													
Operational/Ongoing Activities	Strategic Alignment	Status	2022						2023						
COLA 2022		★													
FYE 2022		★													
Retirement Wave 2022		★													
Teacher Contracts		★													
MBPs		★													
Annual Code of Ethics Training		●													
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														

<sup>1</sup>Initiatives led directly by Technology Services.

<sup>2</sup>Other 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 Emergency Medical Technicians**

**Town of Blacksburg  
(Montgomery County),  
effective December 1, 2022.**

**Enhanced Hazardous Duty  
1.85% Multiplier**

**Rockingham County,  
effective July 1, 2023.**



Government Finance Officers Association

Award for  
Outstanding  
Achievement in  
Popular Annual  
Financial Reporting

Presented to

**Virginia Retirement System**

For its Annual Financial Report  
For the Fiscal Year Ended

June 30, 2021

*Christopher P. Morill*

Executive Director/CEO

The Government Finance Officers Association of the United States and Canada (GFOA) recognized VRS with an **Award for Outstanding Achievement in Financial Reporting** for the *Popular Annual Financial Report (PAFR)* for the fiscal year ended June 30, 2021.

This was the **sixth consecutive year** VRS was eligible to achieve this prestigious recognition.



- The annual code of ethics and standards of conduct training will be distributed electronically again this year.
- The materials are self-guided and can be completed by Board and committee members on their own.
- Upon review of the training materials, Board and committee members will be asked to electronically sign and return the affirmation statement.
- Materials and instructions will be distributed via email at the beginning of December.



- The Conflict of Interest Act filing is due by Wednesday, February 1, 2023 for Statements of Economic Interests and Financial Disclosure statements.
- During the week of December 12, LaShaunda King, COIA Agency Coordinator will email you a filing reminder.
- The filing period covers January 1, 2022 – December 31, 2022.
- Just a few reminders:
  - A \$250 late filing penalty is assessed if the deadline is missed. ALL disclosures must be submitted electronically through the online filing system.
  - The Council will NOT accept any disclosures on paper or via email.
  - All financial disclosures are due on February 1.



## Please mark your calendars for the VRS Annual Meeting:

- **Greater Richmond Convention Center**
- **Wednesday, December 14, 2022**
- **8:30–11:30 a.m.**
- **Theme: “Celebrating 80 Years of Serving Those Who Serve Others”**

This is the agency’s opportunity to celebrate annual achievements and to present awards.

