



February 3, 2023

**MEMORANDUM**

**TO:** VRS Board of Trustees

**FROM:** Patricia S. Bishop  
Director

**RE:** Agenda Materials for February 9<sup>th</sup> Board Meeting

We are looking forward to the February 9<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 prior to the start of the 11:45 a.m. Investment Policy Committee (IPC) brown bag lunch session.

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 Benefits and Actuarial Committee will be meeting on Tuesday, February 7<sup>th</sup> at 1:00 p.m. and, as noted above, the IPC will host a brown bag lunch session on February 9<sup>th</sup> at 11:45 a.m.

Again, we look forward to seeing you next week. 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  
Josette Bulova, 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, 2/9/2023**  
**1:00 - 3:30 PM ET**

**I. Approve Minutes**

- **December 8, 2022**

- Board Minutes 12.8.22 - Page 4*

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

- Asset Allocation Report 11.30.22 - Page 13*

- Daily Asset Allocation Report 1.31.23 - Page 14*

- Performance Summary 11.30.22 - Page 15*

- Plan Tracking Error 9.30.22 - Page 16*

- New Investments and Terminations - Page 17*

- DIME Quarterly Summary - QE 12.31.22 - Page 18*

- Manager Referral Quarterly Summary - QE 12.31.22 - Page 23*

- **ALM Review Update**

- ALM Presentation - Page 24*

**III. Report of the Investment Policy Committee**

- Report of the IPC - Page 48*

**IV. Report of the Benefits and Actuarial Committee**

- Report of the B&AC - Page 49*

- **RBA – Approval of July 1, 2023 Increase Relating to VSDP Creditable Compensation and VSDP COLA**

- RBA - VSDP COLA - Page 52*

- **RBA – Approval of July 1, 2023 Increase Relating to VLDP Creditable Compensation**

- RBA - VLDP COLA - Page 54*

- 2023 Audit COLA Memorandum - Page 55*

**V. Legislative Update**

- 2023 Legislative Update - Page 59*

**VI. Custodial and Signature Authorization Resolutions**

- **Custodial Authorization 2.9.23**

- Custodial Authorization 2.9.23 - Page 90*

- **Signature Authorization 2.9.23**

- Signature Authorization 2.9.23 - Page 93*

**VII. Report of the Director**

- FY 2023 Agency Roadmap Update - January - Page 96*

- Director's Report - Page 98*

**VIII. Closed Session**

- **Information Technology**

- **Securities Litigation**

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## Minutes

A regular meeting of the Virginia Retirement System Board of Trustees was held on December 8, 2022, in Richmond, Virginia with the following members participating:

Board members:

A. Scott Andrews, Chair  
Hon. J. Brandon Bell, II  
John M. Bennett  
Michael P. Disharoon  
William A. Garrett  
W. Brett Hayes

Investment Advisory Committee

Lawrence E. Kochard, Ph.D., Chair (*attended remotely*)

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, Barry Faison, Jonathan Farmer, Laurie Fennell, Josh Fox, Brian Goodman, Katherine Grawe, JT Grier, Dane Honrado, KC Howell, Robert Irving, LaShaunda King, Kristina Koutrakos, Matt Lacy, Chung Ma, Curt Mattson, Tom Mulvin, Peter Murphy, Walker Noland, Greg Oliff, Angela Payne, Laura Pugliese, Steven Ramirez, Paula Reid, Dan Schlusser, Michael Scott, Jillian Sherman, Leslie Weldon, Dan Whitlock and Steve Woodall.

Guests:

Lauren Albanese, Financial Investment News; Jamie Bitz, Joint Legislative Audit and Review Commission; Brian Deveney and Erin Rodriguez, Auditor of Public Accounts; Jessica Dodson and Michael Tweedy, Senate Finance and Appropriations Committee; Joe Ebisa, With Intelligence; Alicia McElhaney, Institutional Investor; and Elizabeth Myers, Office of the Attorney General.

The meeting convened at 12:59 p.m.

### Opening Remarks

Mr. Andrews called the meeting to order and welcomed everyone to the December 8, 2022, meeting of the Virginia Retirement System Board of Trustees.

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. Bell: Present  
Mr. Bennett: Present  
Mr. Disharoon: Present  
Mr. Garrett: Present  
Mr. Hayes: Present  
Mr. Andrews: Present

Next, Mr. Andrews announced that Joseph Montgomery, Board Vice Chair, was recently presented with the Distinguished Virginian Award by the Virginia Sports Hall of Fame. This award is presented to those who, by personal example, exemplify the best ideals and purposes of sport and exhibit superior leadership qualities in education, athletics, business and in the community.

#### **Approval of Minutes**

Upon a motion by Mr. Hayes, with a second by Mr. Bell, the VRS Board of Trustees approved the minutes from its November 15, 2022, meeting upon the following roll call vote:

Mr. Bell: Aye  
Mr. Bennett: Aye  
Mr. Disharoon: Aye  
Mr. Garrett: Aye  
Mr. Hayes: Aye  
Mr. Andrews: Aye

#### **Report of the Investment Advisory Committee**

Lawrence Kochard, Chair of the Investment Advisory Committee (IAC), began his report by noting the IAC met on November 30, 2022, and approved the minutes from its August 18, 2022 meeting. The Committee received the Chief Investment Officer's (CIO) report that included an overview of market conditions, asset allocation, tracking error and total fund performance as of September 30, 2022.

The Committee received the annual program reviews and discussed key dynamics and topics unique to each program. The Committee noted that returns, short- and long-term, have been favorable and all asset classes generally remain above their respective benchmarks.

The Committee also discussed proposed changes to the benchmarks for the Real Assets and Risk-Based Investing (RBI) programs. The proposed changes more closely align the benchmark for Real Assets with the program's objectives and portfolio composition. With regard to RBI, the proposed change better aligns the program with its objective of providing meaningful diversification for the plan.

Lastly, the Committee praised Ron Schmitz's contributions during his tenure and emphasized that the total value of the Fund has almost doubled under his leadership.

Mr. Andrews thanked Mr. Kochard for his report and his leadership of the IAC.

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

Mr. Schmitz 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. Mr. Schmitz then discussed the New Investments and Terminations report.

Next, Mr. Schmitz presented the proposed changes to the benchmarks for the Real Assets and Risk-Based Investments programs.

Upon a motion by Mr. Bennett, with a second by Mr. Disharoon, the VRS Board of Trustees approved the following action\*:

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***Request for Board Action 2022-12-29:*** *The VRS Board of Trustees approves the recommended benchmarks for Real Assets and Risk-Based Investments, effective January 1, 2023.*

*\*The Board did not take a roll call vote on this action item or any subsequent action items as no members were attending remotely.*

Mr. Andrews thanked Mr. Schmitz for his report.

### **Report of the Defined Contribution Plans Advisory Committee**

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

#### 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

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.

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## 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.

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

***Request for Board Action 2022-12-30: 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.***

## 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.

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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.

The Committee recommended approval of the appointment of C. Matt Harris to serve on the DCPAC to the Administration, Finance and Talent Management Committee.

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.

Mr. Andrews thanked Mr. Bell for his report.

**Report of the Audit and Compliance Committee**

The Board received the report of the Audit and Compliance Committee (A&C) and placed it on file.

APPROVAL OF MINUTES

Mr. Hayes began his report by noting 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 of 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



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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.

#### 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 1:00 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.

Mr. Andrews thanked Mr. Hayes for his report.

#### **Report of the Administration, Finance and Talent Management Committee**

The Board received the report of the Administration, Finance and Talent Management Committee (AFT) and placed it on file.

#### APPROVAL OF MINUTES

Mr. Andrews began his report by noting the Committee approved the minutes of its October 18, 2022, meeting.

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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.

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

***Request for Board Action 2022-12-31: 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.***

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

Next, Mr. Andrews introduced Leslie Weldon, the new Chief Financial Officer (CFO), and retiring CFO, Barry Faison, who presented an update on the Annual Comprehensive Financial Report (ACFR).

Mr. Faison provided an overview of benefits and expenses, contributions and deductions for fiscal years 2021 and 2022. Mr. Faison reviewed the VRS net position growth of assets as reported over the last twenty years, noting these positive outcomes are tied to investment income and employer contributions.

Mr. Andrews thanked Mr. Faison for his presentation and expressed the Board's appreciation of his over 45 years of service to the citizens of the Commonwealth, and over 20 years as CFO for VRS. The Board praised Mr. Faison for his dedication and commitment to VRS, and for exemplifying the mission, vision and core values of the agency.

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

Next, Mr. Andrews presented the following resolution of appreciation for Ronald D. Schmitz:

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

WHEREAS, 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

WHEREAS, 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

WHEREAS, 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

WHEREAS, 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

WHEREAS, 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;

NOW, 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.

Mr. Andrews congratulated Mr. Schmitz on his retirement and expressed the Board's gratitude for his longstanding and exceptional service.

Mr. Schmitz expressed his appreciation to the Board and praised agency staff for their hard work and dedication.

#### **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.

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

- 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). This is the sixth consecutive year VRS was eligible to achieve this recognition.
- The annual Code of Ethics and Standards of Conduct training has been distributed to the Board electronically.
- The annual Conflict of Interest Act filing is due by Wednesday, February 1, 2023, for Statements of Economic Interests and Financial Disclosure statements. The filing period covers January 1, 2022, to December 31, 2022.
- The Agency Annual Meeting will be held at the Greater Richmond Convention Center on December 14, 2022, to celebrate annual achievements and present awards.

Mr. Andrews thanked Ms. Bishop for her report.

#### **Other Business**

Mr. Hayes praised Mr. Schmitz for his professionalism and wished him the best in his retirement.

There being no further business, Mr. Andrews noted there were no upcoming meetings for the remainder of the calendar year and wished everyone a safe and happy new year.

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**Adjournment**

Following a motion by Mr. Disharoon, with a second by Mr. Garrett, the VRS Board of Trustees agreed to adjourn the meeting.

The meeting concluded at 1:54 p.m.

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Chair

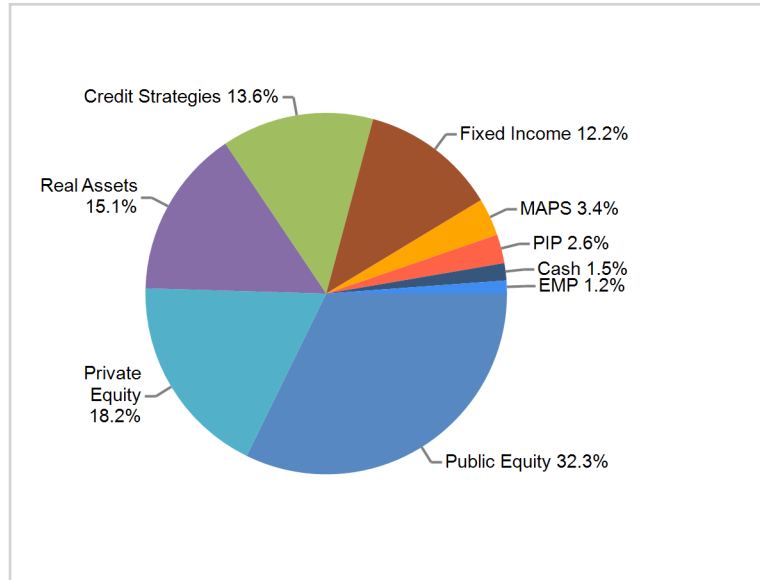
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Secretary

# Asset Allocation Report

## November 30, 2022

For Internal Investment Purposes Only



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>102.0</b>						<b>28.4%</b>
<b>Public Equity</b>	<b>32.9</b>	<b>32.3%</b>	<b>34.0%</b>	<b>-1.7%</b>	<b>-5%</b>	<b>+5%</b>	<b>47.6%</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>13.9</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	10.8	10.6%	8.4%	2.2%			
<b>Real Assets</b>	<b>15.4</b>	<b>15.1%</b>	<b>14.0%</b>	<b>1.1%</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>18.2%</b>	<b>16.0%</b>	<b>2.2%</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%					
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>1.2</b>	<b>1.2%</b>	<b>0.0%</b>	<b>1.2%</b>		<b>+3%</b>	
<b>Cash</b>	<b>1.6</b>	<b>1.5%</b>	<b>1.0%</b>	<b>0.5%</b>	<b>-1%</b>	<b>+4%</b>	

High-Level Exposure	Current \$Bil	Current Weight	Policy Weight	Variance	Allowable Range	
<b>Total Equity</b>	<b>51.5</b>	<b>50.5%</b>	<b>50.0%</b>	<b>0.5%</b>	<b>-10%</b>	<b>10%</b>
<b>Fixed Income + Cash</b>	<b>14.0</b>	<b>13.7%</b>	<b>16.0%</b>	<b>-2.3%</b>	<b>-4%</b>	<b>9%</b>

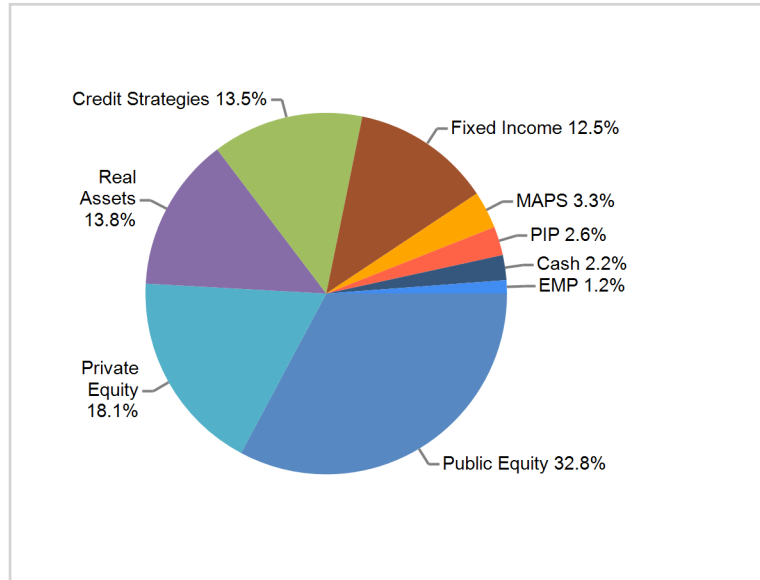
	Current \$Bil	Current Weight	Policy Limit
<b>Hedge Funds</b>	<b>10.0</b>	<b>9.8%</b>	<b>15.0%</b>

\* 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 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:	2.03%
3Yr-Total Public:	1.73%
5Yr-Total Fund:	1.93%
5Yr-Total Public:	1.43%

	Current \$Bil	Current Weight	Policy Weight	Variance	Allowable Range		Internal %
<b>Total Fund</b>	<b>102.5</b>						<b>28.3%</b>
<b>Public Equity</b>	<b>33.6</b>	<b>32.8%</b>	<b>34.0%</b>	<b>-1.2%</b>	<b>-5%</b>	<b>+5%</b>	<b>48.5%</b>
<b>Fixed Income</b>	<b>12.8</b>	<b>12.5%</b>	<b>15.0%</b>	<b>-2.5%</b>	<b>-3%</b>	<b>+5%</b>	<b>96.3%</b>
<b>Credit Strategies</b>	<b>13.9</b>	<b>13.5%</b>	<b>14.0%</b>	<b>-0.5%</b>	<b>-5%</b>	<b>+5%</b>	
RS Credit	3.1	3.1%	5.6%	-2.5%			
NRS Credit	10.7	10.4%	8.4%	2.0%			
<b>Real Assets</b>	<b>14.2</b>	<b>13.8%</b>	<b>14.0%</b>	<b>-0.2%</b>	<b>-5%</b>	<b>+5%</b>	
Private RE	9.6	9.3%					
Other RA	4.6	4.5%					
<b>Private Equity</b>	<b>18.5</b>	<b>18.1%</b>	<b>16.0%</b>	<b>2.1%</b>	<b>-5%</b>	<b>+5%</b>	
<b>MAPS</b>	<b>3.4</b>	<b>3.3%</b>	<b>4.0%</b>	<b>-0.7%</b>	<b>-2%</b>	<b>+2%</b>	
DSTRAT	1.6	1.6%					6.0%
RBI	1.8	1.7%					0.5%
<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>1.2</b>	<b>1.2%</b>	<b>0.0%</b>	<b>1.2%</b>		<b>+3%</b>	
<b>Cash</b>	<b>2.3</b>	<b>2.2%</b>	<b>1.0%</b>	<b>1.2%</b>	<b>-1%</b>	<b>+4%</b>	

<u>High-Level Exposure</u>	<u>Current \$Bil</u>	<u>Current Weight</u>	<u>Policy Weight</u>	<u>Variance</u>	<u>Allowable Range</u>	
<b>Total Equity</b>	<b>52.2</b>	<b>50.9%</b>	<b>50.0%</b>	<b>0.9%</b>	<b>-10%</b>	<b>10%</b>
<b>Fixed Income + Cash</b>	<b>15.1</b>	<b>14.7%</b>	<b>16.0%</b>	<b>-1.3%</b>	<b>-4%</b>	<b>9%</b>

	<u>Current \$Bil</u>	<u>Current Weight</u>	<u>Policy Limit</u>
<b>Hedge Funds</b>	<b>9.6</b>	<b>9.4%</b>	<b>15.0%</b>

\* Total Fund includes the following amt held by the Treasurer of VA: \$ 404 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 ( 5 adjustments applied )

\*Total Fund and Total Public annualized tracking error is calculated using compounded quarterly returns as of 12/31/2022

\* Differences in totals are due to rounding.

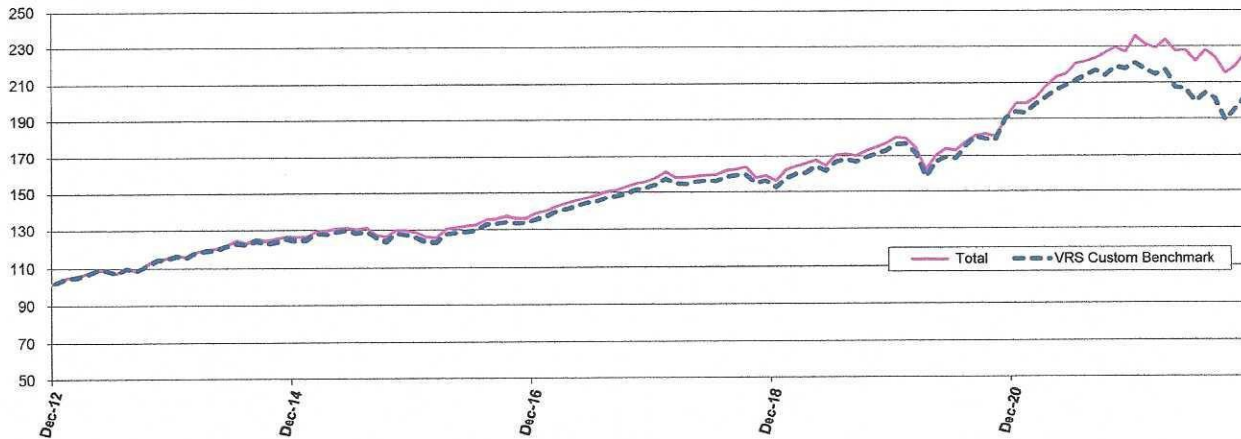
**PERFORMANCE SUMMARY**  
**Rolling Periods Ending**  
**November 30, 2022**



**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>9.0</b>	<b>6.1</b>	<b>6.7</b>	<b>-8.8</b>	<b>4.2</b>	<b>7.6</b>	<b>7.0</b>	<b>-12.6</b>	<b>31,336</b>
<i>Benchmark</i>	8.9	6.5	6.8	-11.4	3.3	7.7	6.8	-14.8	
<b>Total Fixed Income</b>	<b>1.9</b>	<b>1.2</b>	<b>-1.1</b>	<b>-12.3</b>	<b>-1.7</b>	<b>4.0</b>	<b>-1.8</b>	<b>-12.4</b>	<b>12,408</b>
<i>Benchmark</i>	1.1	0.2	-2.5	-12.8	-1.8	3.8	-1.9	-12.8	
<b>Total Credit Strategies</b>	<b>6.1</b>	<b>5.7</b>	<b>6.1</b>	<b>-0.7</b>	<b>-0.8</b>	<b>0.6</b>	<b>0.5</b>	<b>-2.2</b>	<b>13,878</b>
<i>Benchmark</i>	4.5	3.4	2.1	-4.0	0.2	1.9	3.4	-4.9	
<b>Total Real Assets</b>	<b>10.9</b>	<b>10.2</b>	<b>11.2</b>	<b>20.6</b>	<b>2.6</b>	<b>0.6</b>	<b>2.8</b>	<b>13.7</b>	<b>15,416</b>
<i>Benchmark</i>	9.1	8.4	9.3	15.3	1.4	0.9	4.1	13.0	
<b>Total Private Equity</b>	<b>16.9</b>	<b>19.3</b>	<b>22.2</b>	<b>9.3</b>	<b>-3.4</b>	<b>0.3</b>	<b>-3.7</b>	<b>1.3</b>	<b>18,587</b>
<i>Benchmark</i>	12.0	9.8	9.6	-15.9	-5.5	-3.5	-12.9	-12.4	
<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>0.0</b>	<b>-1.2</b>	<b>3.5</b>	<b>2,625</b>
<i>Benchmark</i>	n/a	7.8	8.2	-0.5	-0.9	-0.5	-1.3	-0.2	
<b>Total Multi-Asset Public Strategies</b>	<b>n/a</b>	<b>n/a</b>	<b>3.9</b>	<b>-1.1</b>	<b>1.5</b>	<b>2.9</b>	<b>3.4</b>	<b>-4.1</b>	<b>3,441</b>
<i>Benchmark</i>	n/a	n/a	3.6	-6.6	1.1	3.9	2.8	-8.3	
<b>Total Fund</b>	<b>8.4</b>	<b>7.7</b>	<b>8.5</b>	<b>-0.3</b>	<b>0.9</b>	<b>3.2</b>	<b>1.9</b>	<b>-4.2</b>	<b>101,994</b>
<i>VRS Custom Benchmark</i>	7.2	5.8	5.3	-7.2	0.4	3.1	1.2	-8.5	

10-Year Performance Indexed to 100

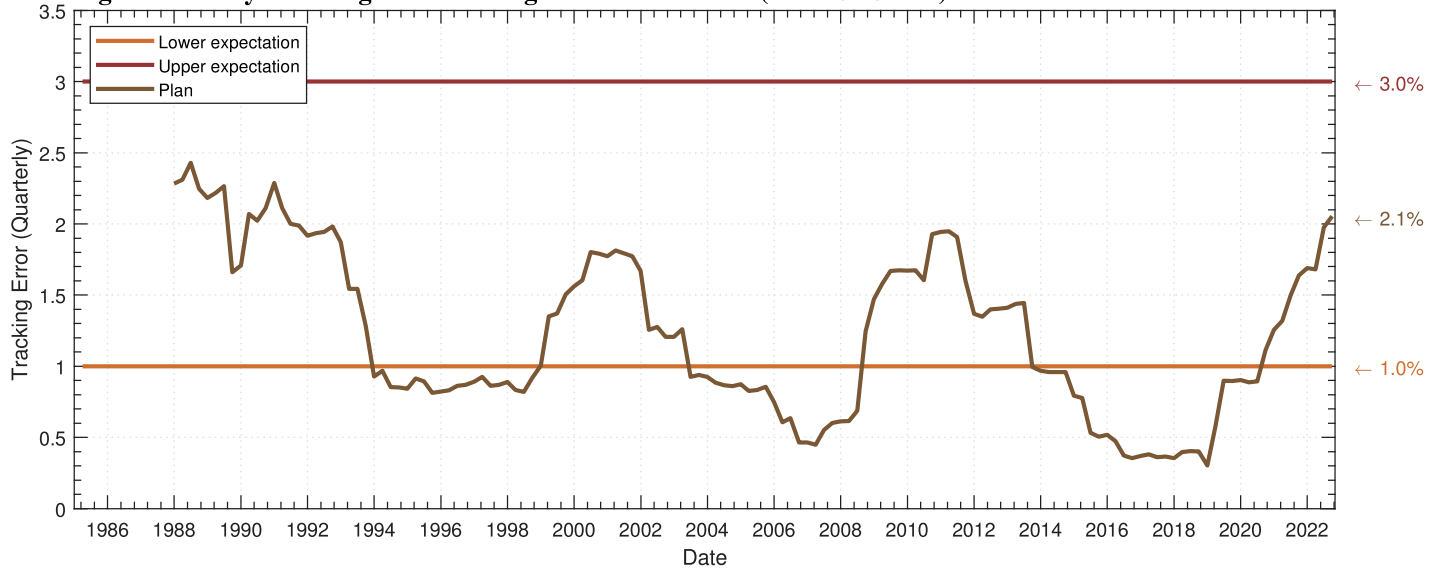


Effective July 2013, the VRS Custom Benchmark is a blend of the Asset Class Benchmarks at policy weights.

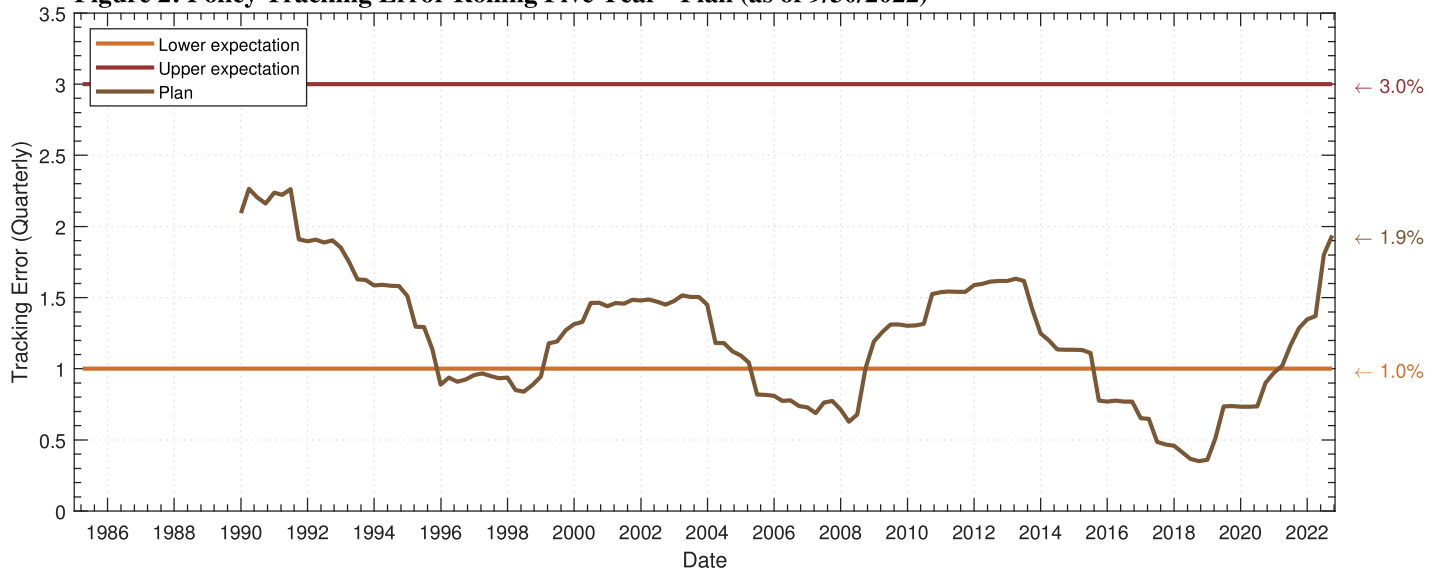
The VRS Cash Account, the Treasurer Short-Term Investment Account, the VRS Rebalancing Account, transition activity and accounts with market values of less than \$1 million are included in the Total Fund's market value. Differences in market value totals are due to rounding.

# 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.



<b>Program</b>	<b>Action</b>	<b>Effective Date</b>	<b>Commitment/ Current Value</b>	<b>Funding/ Defunding Period</b>	<b>Description</b>
Total Fund	Manager acquired active currency manager	11/29/2022	\$1.8 Billion	Immediate	<b>* Systematica Investments</b> – A quantitative active currency manager specializing in G10 currency.
Risk-Based Investments	Terminated	12/31/2022	\$159 Million	Immediate	<b>AQR Risk Parity</b> – An actively managed risk parity mandate.
Public Equity	Closed	01/03/2023	\$2.1 Billion	Immediate	<b>Matoaka</b> – Internal non-US large cap account.

\* The manager is considered Diverse Investment Management Engagement (DIME) under the Commonwealth of Virginia definition, which defines ownership threshold of 51% or more.

VRS Investment Department  
DIME Quarterly Report  
Activity for Quarter Ending December 31, 2022

<b>Investment Program</b>	<b>Activity</b>	<b>Manager Name</b>	<b>Description</b>	<b>VRS Action</b>
Public Equity	Virtual Manager Meeting	Nipun Emerging Markets (minority and women-owned firm) <sup>1</sup>	Manager runs long-only strategy focused on investing in emerging markets.	Staff held an introductory meeting with this manager to discuss the firm and their strategy.
Public Equity	Virtual Manager Meeting	Unison Asset Management (minority-owned firm) <sup>2</sup>	Manager focused on long-term, long-biased, concentrated equities.	Staff held an introductory meeting with this manager to discuss the firm and their strategy.
Public Equity	On-Going Monitoring of Current VRS Manager	Ariel Global (minority and women-owned firm) <sup>1</sup>	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) <sup>1</sup>	Current VRS convertible bond manager.	Staff performed on-going due diligence and monitoring of this current VRS minority manager during the quarter.
Public Equity	Attendance at Conference	Morgan Stanley Women's Investment Leadership Conference	Attended a conference focused on raising the visibility of diverse and women investment managers.	Staff attended the event during the quarter.
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	Virtual Manager Meeting	T30 Capital (women-owned firm) <sup>1</sup>	Manager invests in private credit, including private real estate lending, bridge lending and value added.	Staff reviewed materials and had a meeting with the manager to discuss their firm and strategy.
Credit Strategies	Virtual Manager Meeting	Bregal Sagemount (minority-owned firm) <sup>1</sup>	Manager invests in senior and junior debt of small enterprises.	Staff reviewed materials and had a meeting with the manager to discuss their firm and strategy.

VRS Investment Department  
DIME Quarterly Report  
Activity for Quarter Ending December 31, 2022

<b>Investment Program</b>	<b>Activity</b>	<b>Manager Name</b>	<b>Description</b>	<b>VRS Action</b>
Credit Strategies	Telephone Call with Manager	Lafayette Square (minority-owned firm) <sup>1</sup>	Manager provides resources and capital solutions tailored to entrepreneurial needs.	Staff reviewed materials and had a phone 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.
Fixed Income	On-Going Monitoring of Current VRS Manager	Payden & Rygel (women-owned firm) <sup>1</sup>	Current VRS emerging market debt manager.	Staff had various interactions with this current VRS women-owned manager during the quarter.
Private Equity	Virtual Manager Meeting	Avenue Growth Partners (minority-owned firm) <sup>2</sup>	Lower middle market growth equity fund that targets small niche-market software companies.	Staff had a meeting with this manager during the quarter.
Private Equity	Virtual Manager Meeting	Auldbrass Partners (minority-owned firm) <sup>1</sup>	A secondaries manager focusing on middle market buyout, global buyout, and growth equity.	Staff had a meeting with this manager during the quarter.
Private Equity	Virtual Manager Meeting	GiantLeap Capital (minority-owned firm) <sup>1</sup>	A value-oriented firm investing in technology-driven businesses in critical infrastructure industries.	Staff had a meeting with this manager during the quarter.
Private Equity	Virtual Manager Meeting	Semillero Partners (minority-owned firm) <sup>1</sup>	An early and growth-stage venture investment fund focusing on companies with a sustainable approach in Food & Beverage, Food Tech and Wellness Industries.	Staff had a meeting with this manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	Asia Alternatives (minority and women-owned firm) <sup>1</sup>	A fund-of-funds manager focusing on alternative investments in Asia.	Staff had a call with this manager during the quarter.

VRS Investment Department  
DIME Quarterly Report  
Activity for Quarter Ending December 31, 2022

<b>Investment Program</b>	<b>Activity</b>	<b>Manager Name</b>	<b>Description</b>	<b>VRS Action</b>
Private Equity	On-Going Monitoring of Current VRS Manager	Clearlake Capital Partners (minority-owned firm) <sup>1</sup>	A private equity fund investing in special situations and distressed opportunities.	Staff had a meeting with this manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	SIRIS Capital (minority-owned firm) <sup>1</sup>	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) <sup>1</sup>	Middle market buyout fund targeting consumer and retail companies.	Staff had a meeting with this manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	Veritas Capital (minority-owned firm) <sup>2</sup>	Large market buyout fund targeting primarily technology or technology-enabled solutions to government entities.	Staff had a meeting with this manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	Vista Equity Partners (minority-owned firm) <sup>1</sup>	A large market buyout fund targeting enterprise software companies.	Staff had a call with this manager during the quarter.
Private Equity	Attendance of DIME Conference	Grosvenor Small and Emerging Manager Conference	Attended a conference focused on small, emerging and diverse investment managers.	Staff attended the event during the quarter.
Real Assets	Virtual Manager Meeting	Ambrose Property Group (minority-owned firm) <sup>1</sup>	Manager focused on industrial real estate development in the U.S.	Staff held an introductory meeting with this manager to discuss their background, company, current fundraise initiative and market update.
Real Assets	Virtual Manager Meeting	Bay Street Capital (minority-owned firm) <sup>1</sup>	Manager focused on hospitality assets focused on diverse travelers.	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 December 31, 2022

<b>Investment Program</b>	<b>Activity</b>	<b>Manager Name</b>	<b>Description</b>	<b>VRS Action</b>
Real Assets	Virtual Manager Meeting	Charger Ventures (women-owned firm) <sup>1</sup>	Manager focused on multifamily investments in the Mid-Atlantic and Northeast U.S.	Staff held an introductory meeting with this manager to discuss their background, company, current fundraise initiative and market update.
Real Assets	Virtual Manager Meeting	Elion Partners (minority-owned firm) <sup>1</sup>	U.S. focused, last-mile logistics industrial focused group.	Staff held an update meeting with this manager to discuss their fundraising progress, market dynamics since the time of our last interaction.
Real Assets	Virtual Manager Meeting	Vistria (minority-owned firm) <sup>1</sup>	Manager focused on affordable and workforce multifamily investments in the U.S.	Staff held an introductory meeting with this manager to discuss their background, company, current fundraise initiative and market update.
Real Assets	On-Going Monitoring of Current VRS Manager	Artemis Real Estate Partners (women-owned firm) <sup>1</sup>	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) <sup>1</sup>	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) <sup>1</sup>	Current VRS infrastructure manager.	Staff performed on-going due diligence and monitoring of this current VRS minority-owned manager during the quarter.
Real Assets	On-Going Monitoring of Current VRS Manager	Pantheon Ventures	Current VRS infrastructure and natural resource fund-of-funds manager.	Staff had periodic communication with this manager to discuss potential DIME firms in their market.
Real Assets	On-Going Monitoring of Current VRS Manager	Pritzker Realty Group (women-owned firm) <sup>1</sup>	Current VRS real estate manager.	Staff performed on-going due diligence and monitoring of this current VRS women-owned manager during the quarter.

VRS Investment Department  
DIME Quarterly Report  
Activity for Quarter Ending December 31, 2022

<b>Investment Program</b>	<b>Activity</b>	<b>Manager Name</b>	<b>Description</b>	<b>VRS Action</b>
Real Assets	On-Going Monitoring of Current VRS Manager	Tristan Capital Partners (minority-owned firm) <sup>1</sup>	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	Periodic Update Communication with Consultant	N/A	The Townsend Group is the consultant used by Real Assets.	Periodic communication to review the DIME monitoring activity done on behalf of VRS as well as real estate and infrastructure industry trends.
Real Assets	Update meeting at Industry Conference	Standard Real Estate (minority-owned firm) <sup>1</sup>	Real estate manager focused on multifamily development in select target markets in the U.S.	Staff met informally with this firm at a recent real estate conference.

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 December 31, 2022

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

# Asset Liability Management

## Board of Trustees

### February 9, 2023

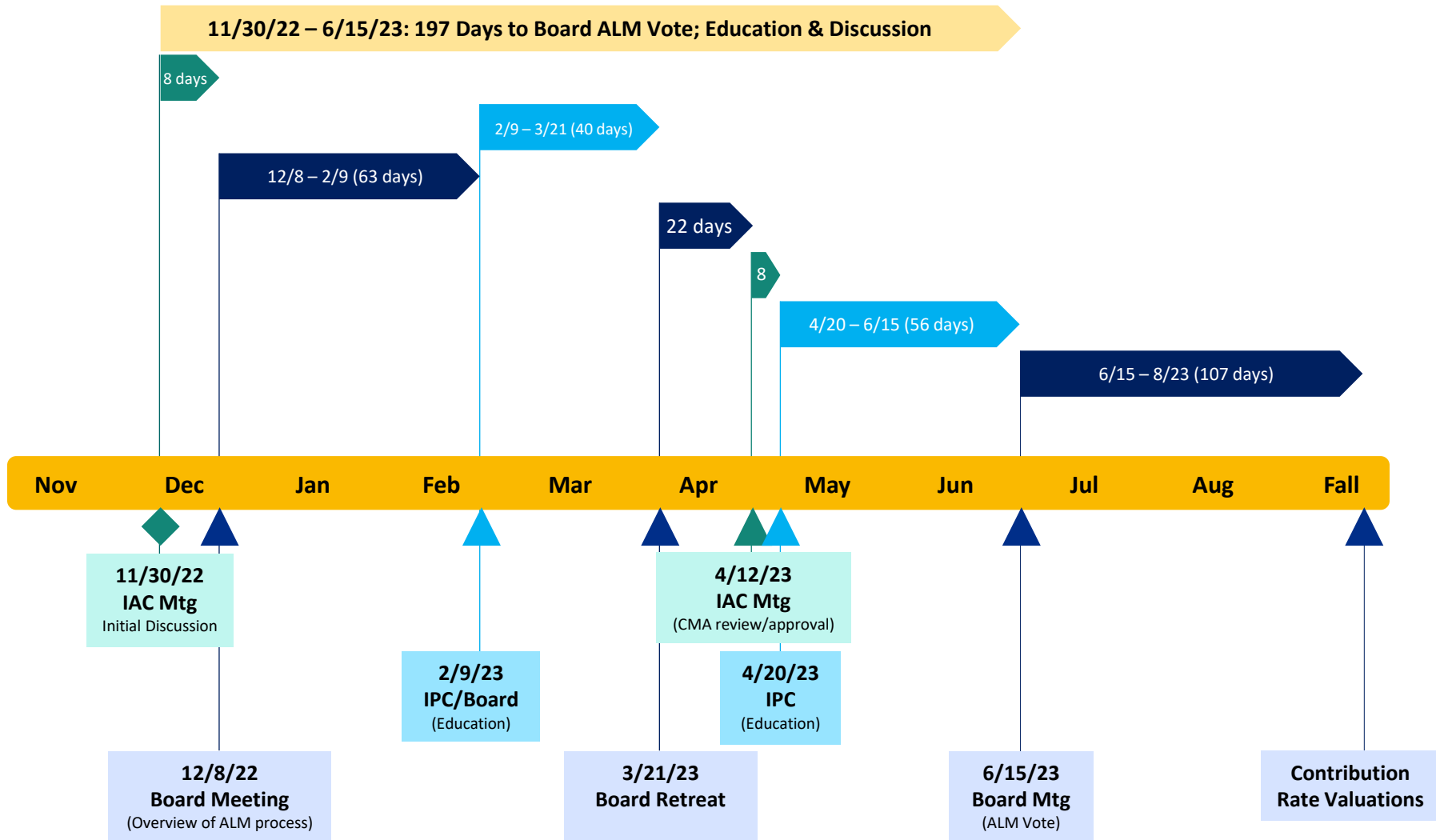
Andrew Junkin





- VRS conducts formal Asset Liability Management (ALM) studies on a three-year cycle, with annual reviews
- The purpose of the ALM study is to integrate our knowledge about the current and future benefit payments of the plan (the “Liabilities”) with the ability to pay those benefit payments from the investment portfolio and expected contributions (the “Assets”)
- The Board will select a target long term asset allocation at the end of this process
- The ALM exercise is about understanding and managing risks, not about eliminating all risks

# Timeline



## Staff & Consultant

Staff sets objectives and deliverables working closely with consultant on empirical modeling and actuarial methods. Consultant is responsible for reviewing staff's modeling assumptions and methods in accordance with best practices and experience with other similar plans. Presents final report with recommendations to the Board.

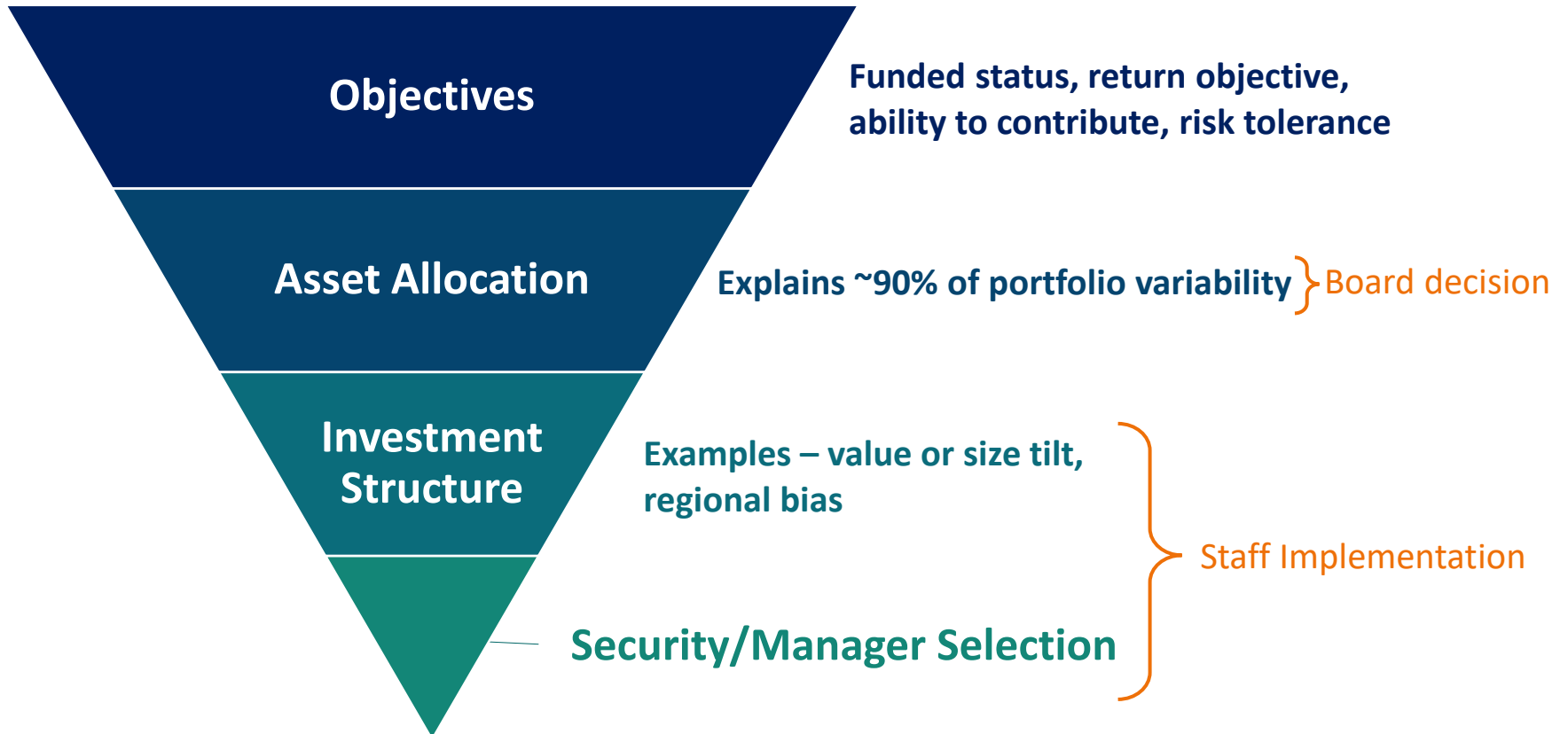
## Investment Advisory Committee

The Investment Advisory Committee advises on staff's capital market assumptions (forward returns and risks at the asset class and total fund level) and guides scenario analysis and stress tests to help determine sensitivity of board's decision factors such as funded status and contribution rates to selected market events.

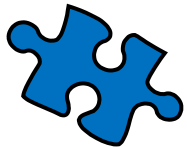
## Board of Trustees

Primary responsibilities include setting the Fund's asset allocation (program level target weights and ranges) and, with the assistance of the plan actuary, recommends changes in contribution rates. The Investment Policy Statement and Investment Beliefs will be reviewed and updated as appropriate.

# Focus On Decisions That Matter



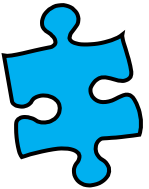
# Risk Assessment Framework



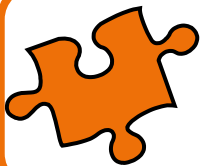
**Shortfall:** Support distributions and long-term growth



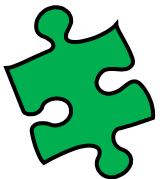
**Inflation:** Preserve long-term purchasing power



**Liquidity:** Balance near-term needs, long-term opportunities



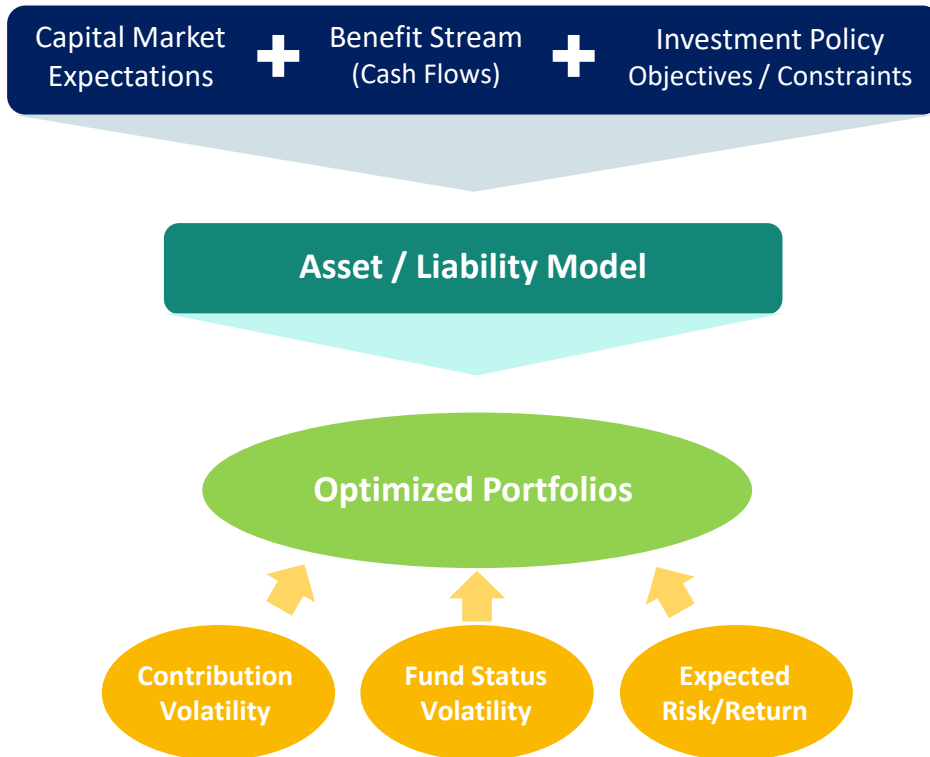
**Drawdown:** Limit large portfolio losses



**Active:** Ensure unique exposures

A multi-dimensional view of risk integrates organizational and investment considerations into a comprehensive framework for evaluating strategic decisions

# Asset Allocation Process



- The VRS core mission is to fund benefits promised to participants
- The role of asset allocation is to manage risk in order to fulfill that core mission
- Rigorously developed capital market assumptions for risk and return
- Given that short-term volatility is also important, the impact of the asset allocation decision on funded ratios, annual contribution requirements, and other metrics must be considered
- Strategic asset allocation is not a guide to outperforming in every market ... but it should provide a roadmap for success over a market cycle

# Modern Portfolio Theory Overview

## Asset Class Expectations

### Expected Return

#### Median Return

- 50% probability that the return will be greater than the expected return
- 50% probability that it will be less than the expected return

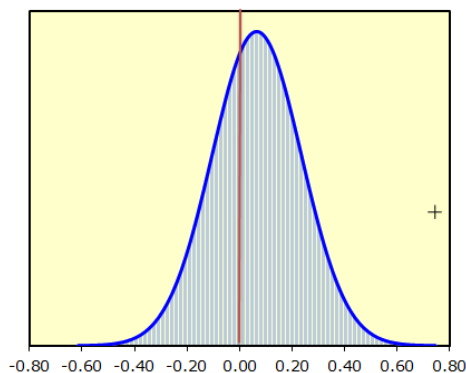
### Standard Deviation

Measures the dispersion of asset class returns around the expected return

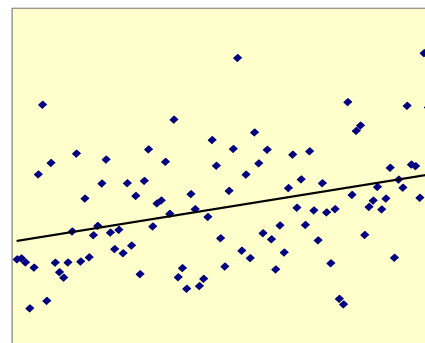
### Correlation

Movement of asset class returns in relation to one another

Distribution of U.S. Equity Geometric Return  
Median Return = 6.5%, Expected Risk = 17.00%



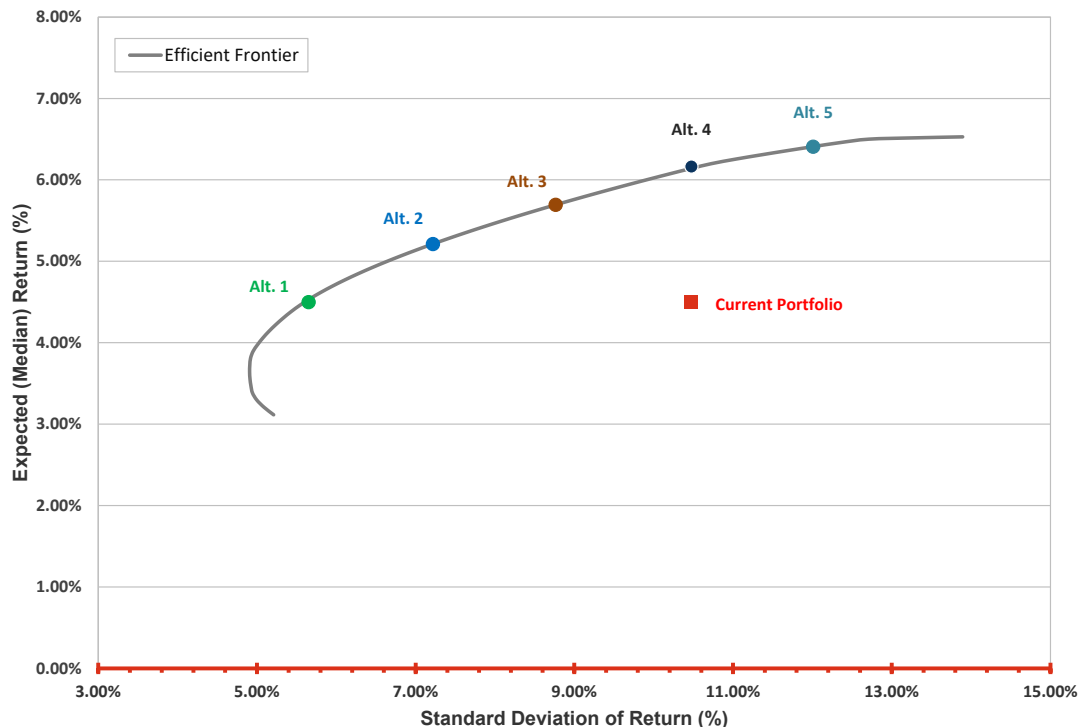
Correlation = .35



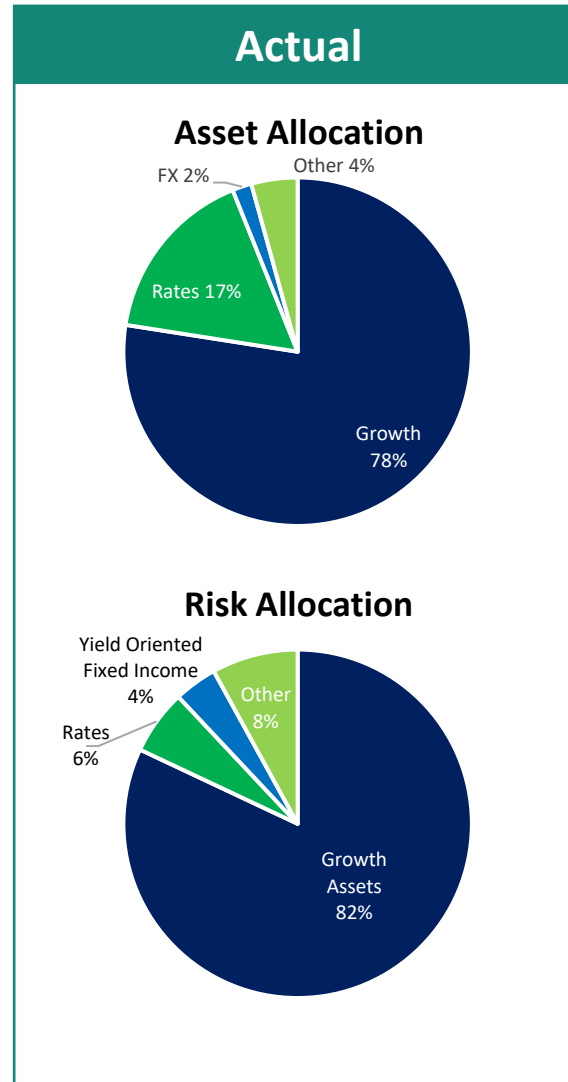
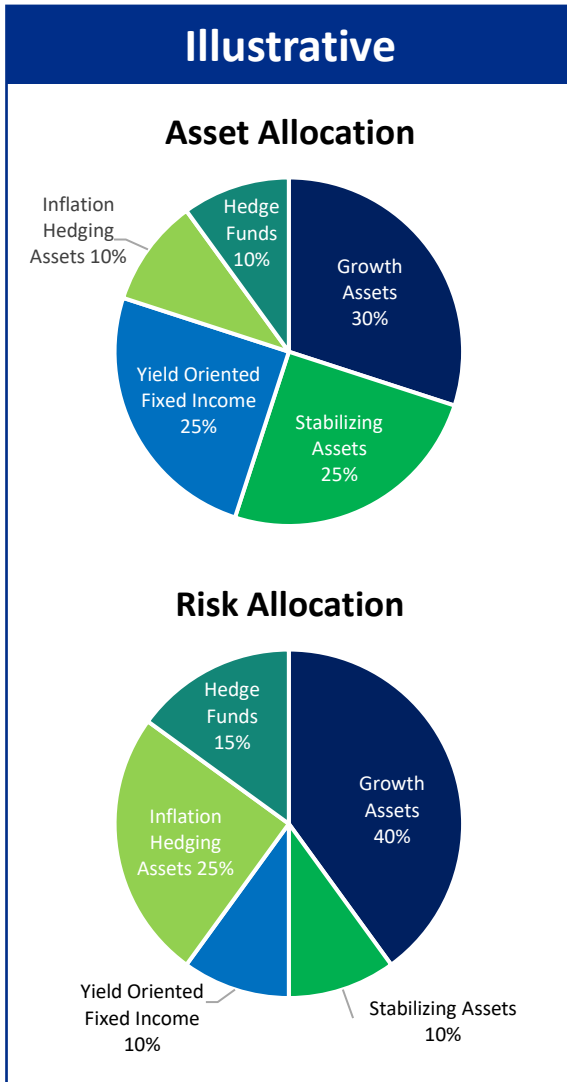
# Modern Portfolio Theory Overview

## Portfolio Theory Primer

- According to Modern Portfolio Theory, investments can be combined so that the portfolio maximizes expected return for a given level of expected return volatility
- Volatility can help us better understand Shortfall Risk and Drawdown Risk

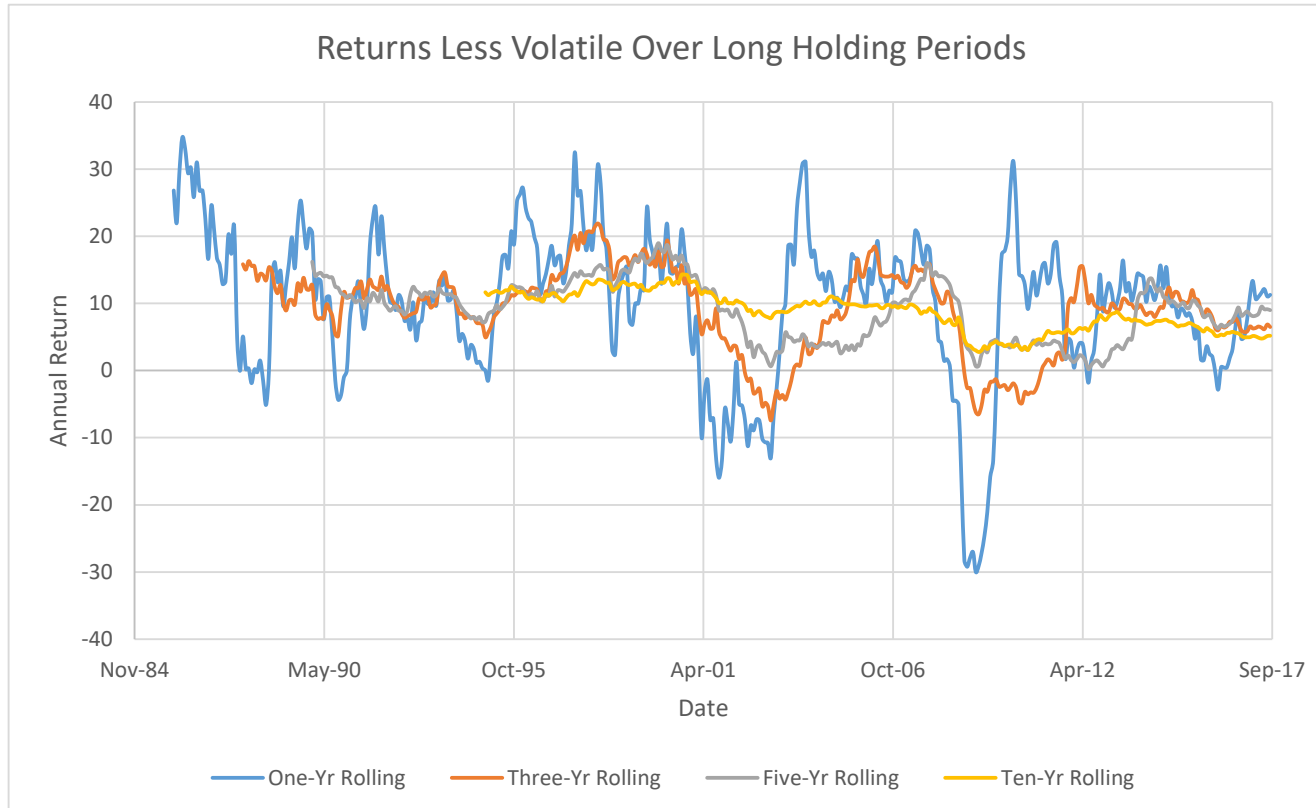






- The goal of asset allocation is to select a diversified mix of suitable asset classes that minimizes risk for a given level of expected return
- Capital allocation and risk allocation are often meaningfully different

# Focus On Longer Run, Less Volatile Return Horizons



Our focus on a long run investment horizon helps mitigate disruptions surrounding short run ups and downs

But, as markets change, even short run volatility needs to be managed vigilantly in order to preserve fund value over time

*Illustrative Only*

# Drawdown Risk – The Path of Returns Matters

- Drawdown risk is especially deceptive and problematic due to compounding
- Consider a two-period scenario with a drawdown followed by a gain
- How is the value of the fund affected?
- The following examples are **hypothetical** only

Beginning Value	Loss %	Mid Period	Gain %	Ending Value	
\$ 100.00	-10%	\$ 90.00	20%	\$ 108.00	←
\$ 100.00	-15%	\$ 85.00	30%	\$ 110.50	
\$ 100.00	-20%	\$ 80.00	40%	\$ 112.00	←
\$ 100.00	-25%	\$ 75.00	50%	\$ 112.50	
\$ 100.00	-30%	\$ 70.00	60%	\$ 112.00	←
\$ 100.00	-35%	\$ 65.00	70%	\$ 110.50	
\$ 100.00	-40%	\$ 60.00	80%	\$ 108.00	←
\$ 100.00	-45%	\$ 55.00	90%	\$ 104.50	
\$ 100.00	-50%	\$ 50.00	100%	\$ 100.00	

# Drawdown Risk – With Cash Outflow

- Cash outflows provide additional complication
- Many public pensions plans – VRS included – are cash flow negative (benefit payments exceed contributions received)
  - This is expected in mature plans
- Benefit payments are not optional and can't be delayed during market drawdowns

Beginning Value	Loss %	Mid Period Value	Benefit Payments	Value After Payments	Gain %	Ending Value
\$ 100.00	-10%	\$ 90.00	\$ (5.00)	\$ 85.00	20%	\$ 102.00
\$ 100.00	-15%	\$ 85.00	\$ (5.00)	\$ 80.00	30%	\$ 104.00
\$ 100.00	-20%	\$ 80.00	\$ (5.00)	\$ 75.00	40%	\$ 105.00
\$ 100.00	-25%	\$ 75.00	\$ (5.00)	\$ 70.00	50%	\$ 105.00
\$ 100.00	-30%	\$ 70.00	\$ (5.00)	\$ 65.00	60%	\$ 104.00
\$ 100.00	-35%	\$ 65.00	\$ (5.00)	\$ 60.00	70%	\$ 102.00
\$ 100.00	-40%	\$ 60.00	\$ (5.00)	\$ 55.00	80%	\$ 99.00
\$ 100.00	-45%	\$ 55.00	\$ (5.00)	\$ 50.00	90%	\$ 95.00
\$ 100.00	-50%	\$ 50.00	\$ (5.00)	\$ 45.00	100%	\$ 90.00

# Drawdown Risk – With Cash Outflow Multi-Period

- The volatility drain compounds over time and is exacerbated by cash outflows

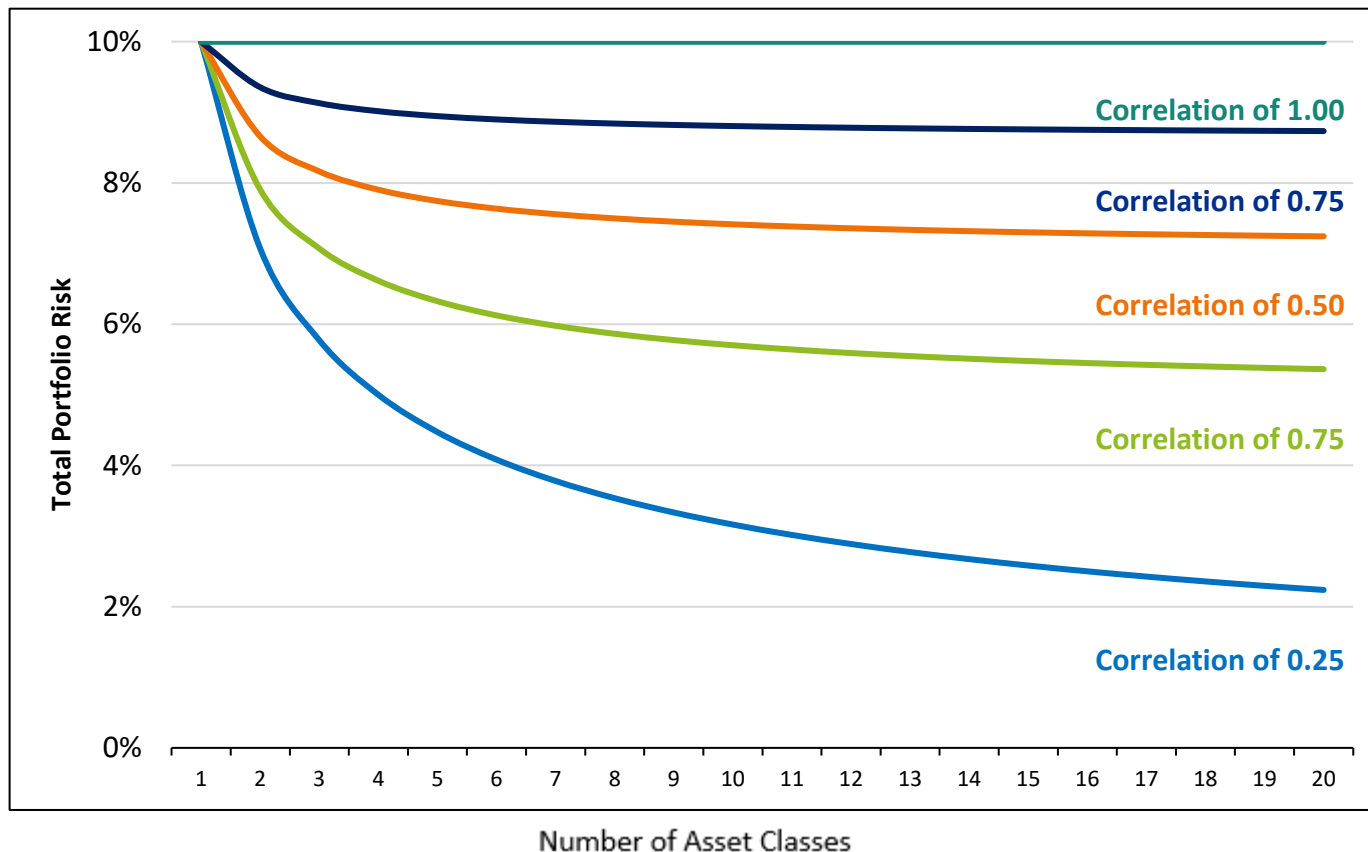
Loss/Gain		Beginning Value	End of Period 5	
-10%	20%	\$ 100.00	\$ 111.73	←
-15%	30%	\$ 100.00	\$ 124.66	
-20%	40%	\$ 100.00	\$ 131.76	←
-25%	50%	\$ 100.00	\$ 132.08	
-30%	60%	\$ 100.00	\$ 125.41	←
-35%	70%	\$ 100.00	\$ 112.33	
-40%	80%	\$ 100.00	\$ 94.13	←
-45%	90%	\$ 100.00	\$ 72.65	
-50%	100%	\$ 100.00	\$ 50.00	

# Drawdown Risk — Takeaways

- The path of returns matters
- Managing drawdown risk without sacrificing expected returns is challenging
- Potential strategies:
  - Meaningful diversification
  - Risk Based Investments
  - Low volatility public equity

# The Arithmetic of Correlations

Simply adding more asset classes with high correlation does not provide meaningful risk reduction



# Forward Returns and Volatilities By Asset Class

Asset Class	Current			Allowable	
	Wt.	E(r)	E( $\sigma$ )	Min	Max
Public Equity	34.0%	7.1%	18.1%	-5.0%	5.0%
Fixed Income	15.0%	4.9%	5.6%	-3.0%	5.0%
Credit Strategies	14.0%	7.1%	6.4%	-5.0%	5.0%
Real Assets	14.0%	6.5%	14.3%	-5.0%	5.0%
Private Equity	16.0%	9.1%	23.1%	-5.0%	5.0%
PIP	2.0%	7.6%	19.4%	-2.0%	2.0%
Dstrat	2.0%	6.7%	12.4%	-2.0%	2.0%
RBI	2.0%	6.2%	5.1%	-2.0%	2.0%
Cash	1.0%	3.7%	0.5%	-1.0%	4.0%
<i>Currency Return Addition</i>		0.1%			
<b>Total Fund</b>		<b>7.1%</b>	<b>14.3%</b>		

Correlations	Public Equity	Fixed Income	Credit Strategies	Real Assets	Private Equity	PIP	Dstrat	RBI
Public Equity	1	0.23	0.69	0.82	0.83	0.87	0.99	-0.05
Fixed Income	0.23	1	0.35	0.25	0.18	0.25	0.32	0.07
Credit Strategies	0.69	0.35	1	0.58	0.72	0.76	0.72	0.01
Real Assets	0.82	0.25	0.58	1	0.69	0.76	0.83	-0.02
Private Equity	0.83	0.18	0.72	0.69	1	0.97	0.83	-0.05
PiP	0.87	0.25	0.76	0.76	0.97	1	0.87	-0.03
Dstrat	0.99	0.32	0.72	0.83	0.83	0.87	1	-0.04
RBI	-0.05	0.07	0.01	-0.02	-0.05	-0.03	-0.04	1

VRS internal 20-year forecasts, as of December 31, 2022



# Risk Based Investments (RBI)

RBI is a portfolio of strategies designed to help protect the VRS portfolio in sharp equity market declines

## First Responders

- Strategies that react quickly to equity drawdowns to provide convex, offsetting returns but have a negative or zero expected return in normal markets

## Second Responders

- Strategies that react slowly to equity drawdowns (especially sustained drawdowns) and have a positive expected return in normal markets

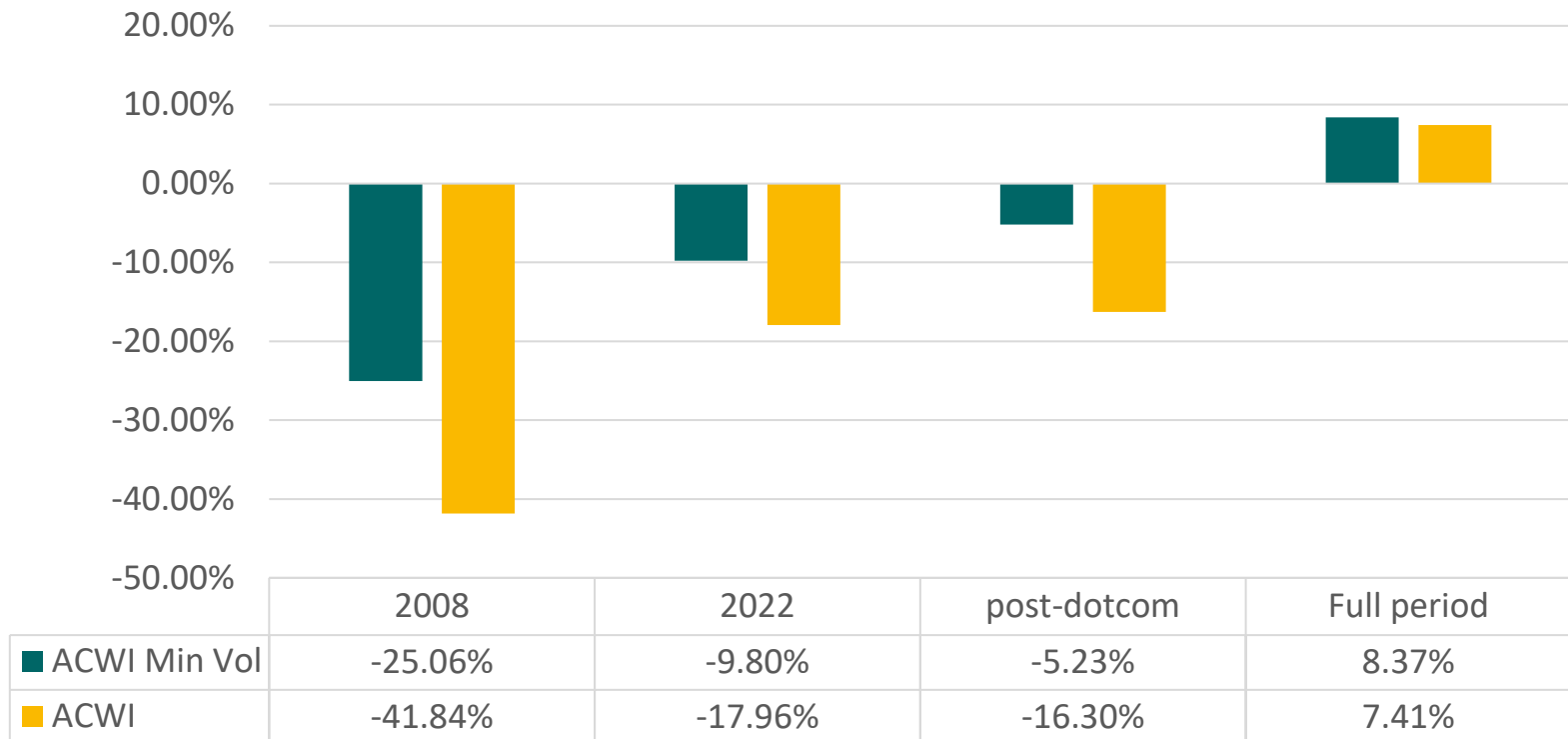
## Diversifiers

- Strategies with positive returns that are uncorrelated with traditional strategies and the Plan but may lack defensive properties

# Low Volatility Public Equity

VRS has successfully used “low vol” public equity strategies opportunistically

Drawdowns and Full History

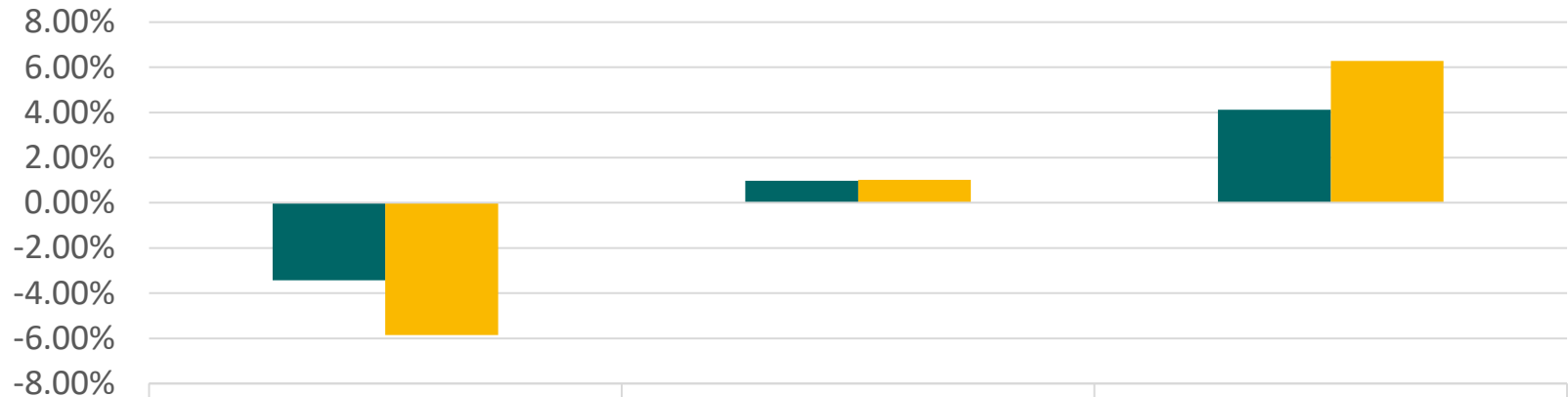


Full period is from June 1993 through December 2022. Index data from Bloomberg. ACWI Min Vol and ACWI are gross, total return, USD.

# Low Volatility Public Equity

Payoff pattern versus market cap weighted strategies has been largely predictable

Average Monthly Return Distribution

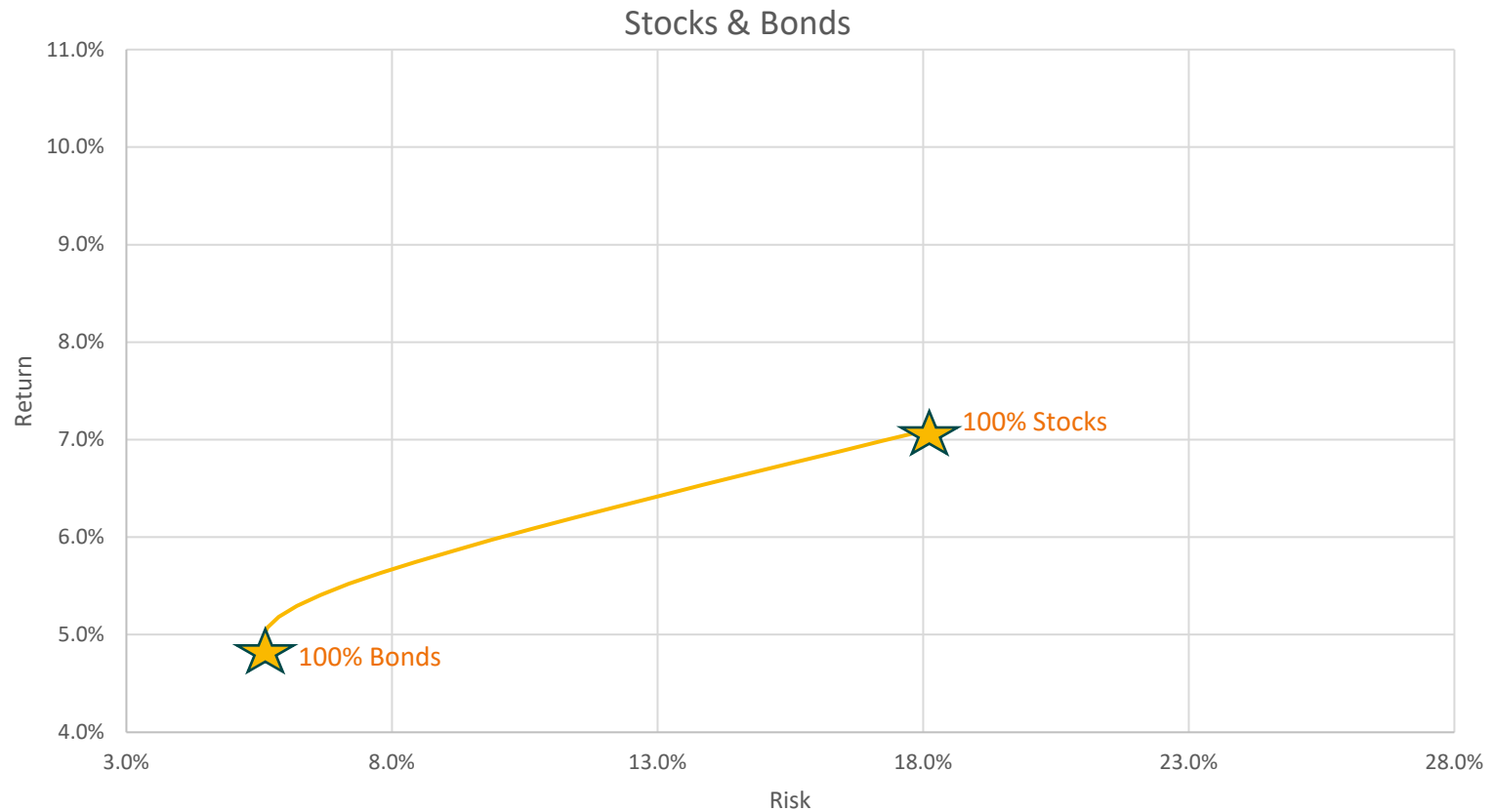


	Worst 20%	Middle	Best 20%
■ ACWI Min Vol	-3.43%	0.97%	4.12%
■ ACWI	-5.85%	1.02%	6.29%
Capture Ratio	58.66%	95.79%	65.46%
Hit Rate	91.55%	47.89%	8.45%

*Index data from Bloomberg. ACWI Min Vol and ACWI are gross, total return, USD.*

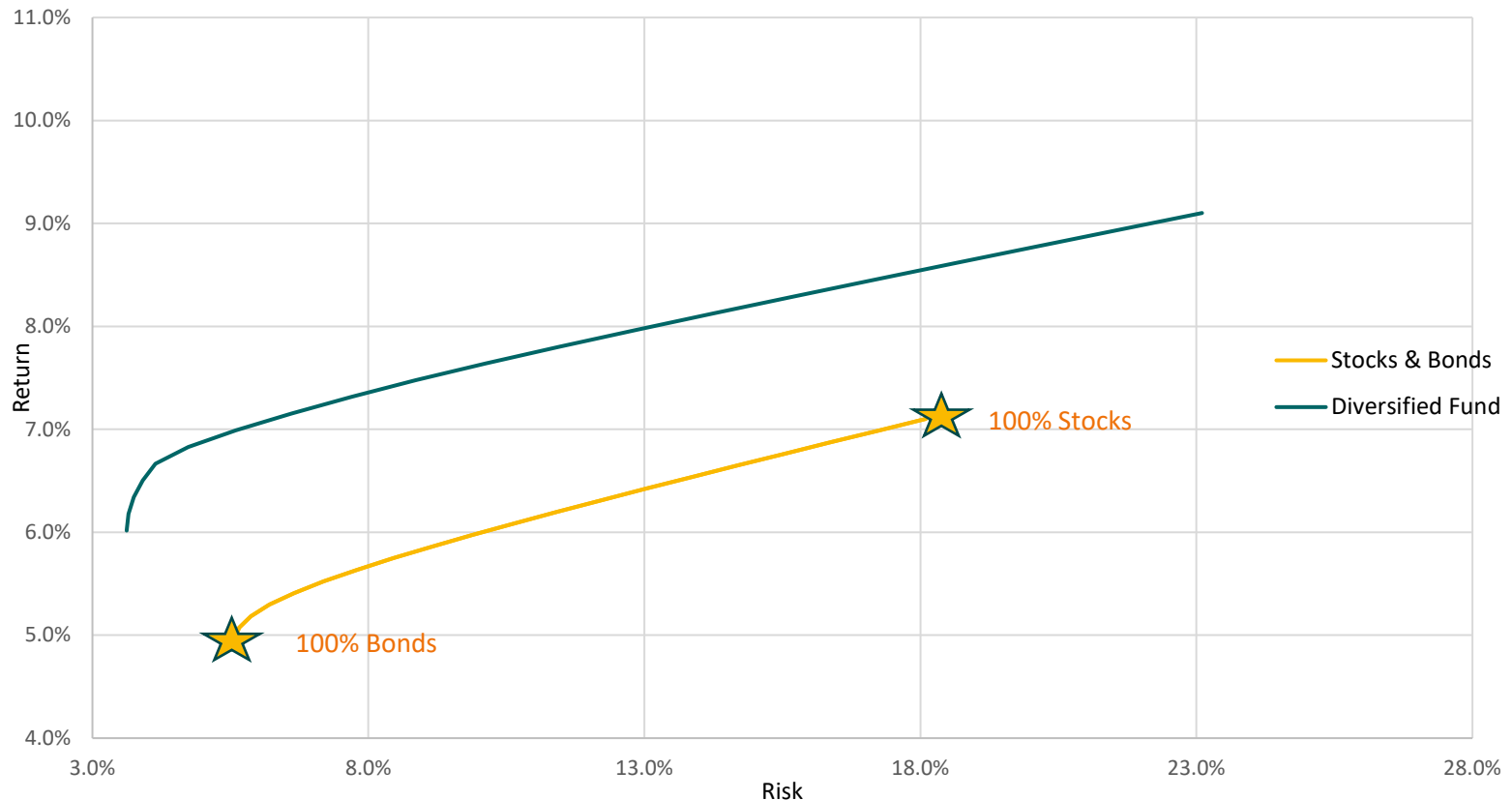
# Basic Diversification

Stocks and Bonds are generally good diversifiers for each other



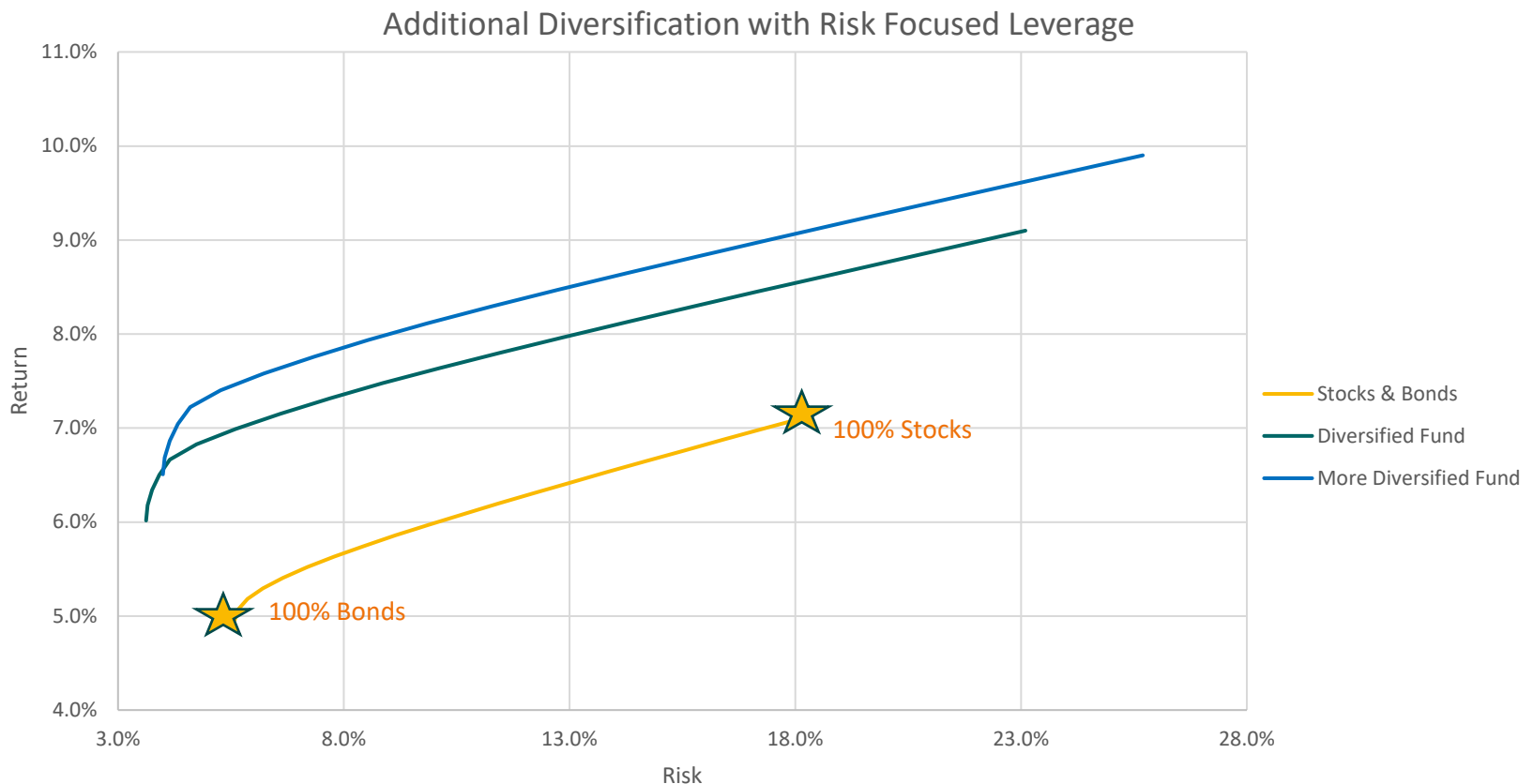
# Additional Diversification

Adding private asset classes and other diversifying strategies increases diversification meaningfully



# Additional Diversification

Risk adjusted return enhancement is possible with prudent use of additional capital



- VRS must address numerous risks when establishing a target asset allocation
- Drawdown risk can have a meaningful effect on any public pension plan, especially when the plan is cash flow negative
- Diversification helps protect against drawdowns, but the diversification must be meaningful
- Most drawdowns are driven by the equity market, so understanding and mitigating equity risk is critical

## **Report**

The Investment Policy Committee met on February 9, 2023, and took up the following matters:

### **APPROVAL OF MINUTES**

The Committee approved the minutes of its March 24, 2021, meeting.

### **ASSET LIABILITY MANAGEMENT (ALM) PROCESS EDUCATION**

In preparation for the upcoming discussion of the Asset Liability Study, Steven Peterson, VRS Director of Research, provided a presentation on the agency's investment beliefs and their impacts on asset allocation decisions.

Submitted to the Board of Trustees on February 9, 2023.

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Scott Andrews, Chair  
Investment Policy Committee



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## Report

The Benefits and Actuarial Committee met on February 7, 2023, and took up the following matters:

### **APPROVAL OF MINUTES**

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

### **COST OF LIVING ADJUSTMENTS**

#### Virginia Sickness and Disability Program

Rory Badura, Senior Staff Actuary, presented the recommendations of Gabriel, Roeder, Smith & Company (GRS), the plan actuary, regarding statutory annual adjustments to Virginia Sickness and Disability Program (VSDP) creditable compensation for members on long-term disability. For VSDP, Mr. Badura advised that the Plan Actuary recommends an increase in the creditable compensation for VRS pension benefit purposes of 4.00%, effective July 1, 2023. In addition, a COLA in the amount of 5.00% shall be applied to long-term disability (LTD) benefit payments for Plan 1 members vested prior to January 1, 2013. A COLA of 3.00% shall be applied for Plan 1 members not vested prior to January 1, 2013, and all Plan 2 and Hybrid Retirement Plan members who have been recipients of LTD benefits for at least one year. The calculations were reviewed by VRS staff and Internal Audit.

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

***Request for Board Action: Effective July 1, 2023, the following increases shall apply:***

- *The creditable compensation used in calculating the member's average final compensation at retirement shall be increased in the amount of 4.00% for a Plan 1, Plan 2 or Hybrid member who has been the recipient of long-term disability (LTD) benefits for at least one calendar year under the Virginia Sickness and Disability Program (VSDP); and*
- *A cost of living adjustment shall be applied to the net LTD benefit payment of 5.00% for Plan 1 members vested prior to January 1, 2013, or 3.00% for Plan 1 members not vested by January 1, 2013, and all Plan 2 and Hybrid members.*

#### Virginia Local Disability Program

Mr. Badura advised that for the VLDP program the Plan Actuary recommends an increase in the creditable compensation used at retirement of 4.00%, effective July 1, 2023. The VLDP plan does not provide for a COLA on LTD benefits being received. The calculations for the increase in creditable compensation were reviewed by VRS staff and Internal Audit.

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

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**Request for Board Action:** *Effective July 1, 2023, each recipient of LTD benefits under the Virginia Local Disability Program (VLDP) who has been receiving LTD benefits for at least one calendar year, and who ultimately retires directly from LTD, will have their creditable compensation at date of disability increased by an amount set by the Board to be used in determining the member's average final compensation for disability retirement. The recommendation applicable to July 1, 2023 is an increase of 4.00% to be applied to a recipient's creditable compensation.*

### **INFORMATION ITEMS**

#### **2023 COLAs Called for Under Statute Not Requiring Board Approval**

Mr. Badura noted that, by statute, VRS cost of living increases are based on the consumer price index for all items, all urban consumers, as published by the Bureau of Labor Statistics of the U.S. Department of Labor. Mr. Badura advised that the COLA increase effective July 1, 2023, of 5.00% is applicable to eligible Plan 1 members vested prior to January 1, 2013. A COLA increase of 3.00% is applicable to Plan 1 members not vested prior to January 1, 2013, and all Plan 2 and Hybrid Plan members effective July 1, 2023. This figure was calculated by GRS, the VRS plan actuary, and verified by VRS and Internal Audit staff. The COLA did not require action by the Committee.

Mr. Badura advised that the *Code of Virginia* requires the Hazardous Duty Supplement provided to hazardous duty employees be reviewed biennially, at which time it is to be increased by any applicable cost of living adjustments since the last applicable increase. Following a Social Security biennial increase of 15.11%, the annual Hazardous Duty Supplement will increase from \$14,664 to \$16,884 for fiscal year 2023.

The Group Life Insurance Program minimum benefit for members retired with at least 30 years of service is to be increased by the same COLA applicable to VRS Plan 2 members, or 3.00%, effective July 1, 2023. The new minimum life insurance payout, effective July 1, 2023, will be \$9,254. The Group Life Insurance Program minimum did not require action by the Committee. The calculations were reviewed by VRS staff and Internal Audit.

#### **2023 Legislative Update**

Ms. Wilkinson provided an update on VRS-related legislation in the 2023 General Assembly session.

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

- April 19 at 1:00 p.m.
- June 14 at 1:00 p.m.
- October 18 at 1:00 p.m.
- November 16 at 10:00 a.m.

Submitted to the Board of Trustees on February 9, 2023.

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William A. Garrett, Chair  
Benefits and Actuarial Committee



## Approval of July 1, 2023 increase relating to VSDP creditable compensation and VSDP COLA.

### Requested Action

Effective July 1, 2023, the following increases shall apply:

- The creditable compensation used in calculating the member's average final compensation at retirement shall be increased in the amount of 4.00% for a Plan 1, Plan 2 or Hybrid member who has been the recipient of long-term disability (LTD) benefits for at least one calendar year under the Virginia Sickness and Disability Program (VSDP); and
- A cost of living adjustment shall be applied to the net LTD benefit payment of 5.00% for Plan 1 members vested prior to January 1, 2013, or 3.00% for Plan 1 members not vested by January 1, 2013 and all Plan 2 and Hybrid members.

### Description/Background

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

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

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

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

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

### Rationale for Requested Action

Per the attached January 20, 2023 letter, the VRS plan actuary, Gabriel, Roeder, Smith & Company, observed increases in creditable compensation of 9.74% during fiscal year 2022 for members enrolled in

VSDP. Based on the recommendation from the plan actuary, and consistent with past practice, the recommended increase in creditable compensation for purposes of service retirement from disability shall be 4.00%, and after offsets, an adjustment to the benefit payments of VSDP LTD recipients who have been receiving such payments for at least one calendar year of 5.00% for Plan 1 members vested as of January 1, 2013 or 3.00% for Plan 1 members not vested by January 1, 2013 and all Plan 2 and Hybrid members.

**Authority for Requested Action**

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

The above action is approved.

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A. Scott Andrews, Chair  
VRS Board of Trustees

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Date



**Approval of July 1, 2023 increase relating to  
VLDP creditable compensation.**

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**Requested Action**

Effective July 1, 2023, each recipient of LTD benefits under the Virginia Local Disability Program (VLDP) who has been receiving LTD benefits for at least one calendar year, and who ultimately retires directly from LTD, will have their creditable compensation at date of disability increased by an amount set by the Board to be used in determining the member's average final compensation for disability retirement. The recommendation applicable July 1, 2023 is an increase of 4.00% to be applied to a recipient's creditable compensation.

**Description/Background**

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

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

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

**Rationale for Requested Action**

Per the attached January 20, 2023 letter, the VRS plan actuary, Gabriel, Roeder, Smith & Company, observed increases in creditable compensation of 11.34% during fiscal year 2022 for VLDP members. Based on the recommendation from the plan actuary, and consistent with past practice the recommended increase in creditable compensation for purposes of service retirement from disability shall be 4.00%.

**Authority for Requested Action**

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

The above action is approved.

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A. Scott Andrews, Chair  
VRS Board of Trustees

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Date



**MEMORANDUM**

TO: Patricia S. Bishop, VRS Director

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

DATE: January 26, 2023

RE: Cost of Living Adjustments (COLAs)

Internal Audit has reviewed the amounts referred to as "Cost of Living Adjustments" as set forth in the attached letter and supporting table from VRS' actuary, Gabriel, Roeder, Smith & Company dated January 20, 2023.

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

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

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

Attachment



January 20, 2023

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

**Re: Cost of Living Adjustments (COLA) Effective July 1, 2023**

Dear Mr. Badura:

As requested, we have calculated the annual COLA called for under Virginia Code for the Virginia Retirement System (VRS), the Virginia Sickness and Disability Program (VSDP), the Virginia Local Disability Program (VLDP) and the Group Insurance Program, in particular the Group Life Insurance (GLI). This replaces the draft version dated January 13, 2023.

The following table summarizes the adjustments recommended effective July 1, 2023. Those denoted in **bold** require action by the Board of Trustees to set the amount of adjustment.

COLA Type/Group	Required by Code	Adjustment Level Set by Board Resolution	July 1, 2023	
			Adjustment	Annual Amount
VRS Plan 1 (Vested as of 1/1/2013)	Yes	N/A	5.00%	N/A
VRS Plan 1 Non-Vested, Plan 2, and Hybrid Plan	Yes	N/A	3.00%	N/A
VSDP Creditable Compensation (for VRS Pension Benefit Determination Purposes)	Yes	Yes	<b>4.00%</b>	N/A
VLDP Creditable Compensation (for VRS Pension Benefit Determination Purposes)	Yes	Yes	<b>4.00%</b>	N/A
VSDP Plan 1 (Vested as of 1/1/2013) (Net LTD Benefit)	Yes	Yes	<b>5.00%</b>	N/A
VSDP Plan 1 Non-Vested, Plan 2, and Hybrid	Yes	Yes	<b>3.00%</b>	N/A
GLI Minimum Benefit (Applicable to employees with at least 30 years of creditable service)	Yes	N/A	3.00%	\$9,254
VRS Hazardous Duty Supplement	Yes	N/A	15.11%	\$16,884

The COLA adjustments were calculated in accordance with the Virginia Code and our understanding of Board of Trustee Policies and Procedures, as adopted February 4, 2011. Refer to the enclosure for additional detail supporting the calculated COLA adjustments.

Please let us know if you have any questions.

Sincerely,  
Gabriel, Roeder, Smith & Company

Rebecca L. Stouffer, ASA, FCA, MAAA

James D. Anderson, FSA, EA, FCA, MAAA

RLS/JDA:rmn

Enclosure

cc: Cindy Wilkinson, VRS



## VRS, VSDP, VLDP, GLI COLA and Recommendations Effective July 1, 2023

COLA Type/Group	Brief Description	Code Section(s)	Average CPI-U		CPI-U Increase <sup>1</sup>	COLA Calculation		
			2021	2022		100% of First 3.00%	50% of Next 4.00%	COLA
VRS Plan 1 (Vested as of 1/1/2013)	100% of the CPI-U Increase up to 3.00% plus 50% of the next 4.00%. Minimum COLA of 0.00%. Maximum COLA of 5.00%.	51.1-166.B.	270.97	292.655	8.00%	3.00%	2.00%	5.00%
COLA Type/Group	Brief Description	Code Section(s)	Average CPI-U		CPI-U Increase <sup>1</sup>	COLA Calculation		
VRS Plan 1 Non-Vested, Plan 2, and Hybrid Plan	100% of the CPI-U increase up to 2.00%, plus 50% of the next 2.00%. Minimum COLA of 0.00%. Maximum COLA of 3.00%.	51.1-166.B.	270.97	292.655		8.00%	2.00%	1.00%
COLA Type/Group	Brief Description/Rationale <sup>2</sup>	Code Section(s)	Creditable Compensation <sup>3</sup>		% Increase in Pay	COLA Calculation		
VSDP Creditable Compensation (for VRS Pension Benefit Determination Purposes)	As recommended by Cavanaugh Macdonald Consulting, LLC and adopted by the Board in 2011, the VSDP Creditable Compensation COLA is based on the increase in the pay rate for State, SPORS and VaLORS VSDP members active at the beginning and the end of the most recent plan year before the date of determination of the COLA. The COLA calculated in this manner may be modified to reflect extraordinary pay adjustments during a given year; however, is subject to the Maximum COLA. Maximum COLA of 4.00%.	51.1-1117.B. 51.1-1123.C. 51.1-1128.B.	\$3,936,591,579	\$4,320,165,440		9.74%	4.00%	
COLA Type/Group	Brief Description/Rationale	Code Section(s)	Creditable Compensation		% Increase in Pay	COLA Calculation		
VLDP Creditable Compensation (for VRS Pension Benefit Determination Purposes)	Apply approach similar to the "VSDP Creditable Compensation." The VLDP Creditable Compensation COLA was based on the increase in the pay rate for Hybrid Pension Plan members (of the Teacher Plan and non-hazardous duty Political Subdivisions) active at the beginning and the end of the most recent plan year before the date of determination of COLA. The COLA calculated in this manner may be modified to reflect extraordinary pay adjustments during a given year, subject to the VSDP maximum COLA level.	51.1-1161.C. 51.1-1169.C.	\$3,599,759,462	\$4,007,894,397		11.34%	4.00%	
COLA Type/Group	Brief Description/Rationale	Code Section(s)				COLA Calculation		
VSDP Plan 1 (Vested as of 1/1/2013) (Net LTD Benefit)	As individuals in receipt of LTD benefits are akin to retirees receiving a retirement allowance, adjust the Net LTD benefit by 100% of the COLA for VRS Plan 1 (Vested as of 1/1/2013).	51.1-1112.C. 51.1-1125.C.						5.00%
COLA Type/Group	Brief Description/Rationale	Code Section(s)				COLA Calculation		
VSDP Plan 1 Non-Vested, Plan 2, and Hybrid	As individuals in receipt of LTD benefits are akin to retirees receiving a retirement allowance, adjust the Net LTD benefit by 100% of the COLA for VRS Plan Non-Vested, Plan 2 and Hybrid Plan.	51.1-1112.C. 51.1-1125.C.						3.00%

<sup>1</sup> Increase in CPI-U is the ratio, or percentage change, of the current year CPI-U to prior year CPI-U index. By Code, the CPI-U index is defined as the calendar year average of the monthly CPI-U averages.

<sup>2</sup> The COLA maximum is not explicitly stated in the Request for Board Action (RBA) – 2011-02-04. Based upon a review of the 2022 Cost of Living Adjustments letter, dated January 20, 2022, and confirmation with the VRS staff, GRS understands that a maximum COLA of 4.00% is applicable under the current policies and procedures.

<sup>3</sup> Creditable Compensation has been compiled from the data provided by the VRS for the June 30, 2021 and June 30, 2022 actuarial valuations.

## VRS, VSDP, VLDP, GLI COLA and Recommendations Effective July 1, 2023 (Concluded)

COLA Type/Group	Brief Description	Code Section(s)	Adjusted Minimum Benefit Calculation		
			COLA	Before COLA	After COLA
GLI Minimum Benefit (Applicable to employees with at least 30 years of creditable service)	Minimum \$8,000 is indexed annually by 100% of the VRS COLA for Plan 1 Non-Vested, Plan 2, and Hybrid Plan.	51.1-505.B.	3.00%	\$8,984	\$9,254

COLA Type/Group	Brief Description	Code Section(s)	Social Security (SS) COLA		Biennial SS COLA Increase %	Adjusted Minimum Benefit Calculation		
			2021	2022		Before COLA (Monthly)	After COLA (Monthly)	After COLA (Annual)
VRS Hazardous Duty Supplement	Initial allowance equal to \$9,264, adjusted July 1, 2001, and biennially thereafter. Increase is based upon the increase in social security benefits in the interim.	51.1-138.B. 51.1-206.B. 51.1-217.B.	5.90%	8.70%	15.11%	\$1,222	\$1,407	\$16,884

# 2023 Legislation\*



- The General Assembly convened on January 11.
- Crossover- when most bills from the originating chamber can only be heard in the opposite chamber- began **February 8**. Other than the Budget Bills, bills that have not cleared the originating chamber did not pass.
- The General Assembly is scheduled to adjourn on February 25
- The General Assembly is scheduled to reconvene on April 12 for the “veto session.”

# 2023 VRS-Related Bills

## Resolutions

Bill Number	Patron	Description
SJ 263	Howell	Commending Ronald D. Schmitz.
SJ 273	Spruill	Confirming appointments made by the Governor, including A. Scott Andrews, Board Chair.
HJ 592	Davis	Commending the 2023 Inductees to the Virginia Sports Hall of Fame, including Joe Montgomery as the 2023
SR 114	Lucas	Distinguished Virginian Award recipient.

# 2023 Return to Work Bills

## House bills

Bill #	Patron	Description
HB 1630	Coyner	<p><u>Substitute</u>: Reduces the current 12-month break in service to <b>6 months</b> for all retirees returning to work full-time. Adds “specialized student support” personnel to the critical shortage section. For all critical shortage positions, requires employer contributions that are already required for Retiree School Security Officers. The substitute extends the sunset from 2025 to 2028.</p> <p>The substitute incorporates HB 1850, HB 2107, and HB 2303.</p> <p><b>Substitute for HB 1630 passed the House 2/2/2023 &amp; has been assigned to SFAC.</b></p> <p><b>HAC Budget Report Item 498 #1h- VRS implementation</b></p>

# 2023 Return to Work Bills

## Senate bills

Bill #	Patron	Description
SB 1107	Cosgrove	<u>Substitute</u> : Reduces the current 12-month break in service to <b>6 months</b> for Retiree School Security Officers.  <b>Substitute for SB 1107 passed the Senate 1/30.</b>
SB 1289	Deeds	<u>Substitute</u> : Creates a <b>separate 6-month</b> break in service exemption for retired school bus drivers. The substitute eliminated the greater than 20% vacancy requirement in the introduced bill for this separate exception. Requires the Sec. of Transportation and Sec. of Education to convene a work group to identify strategies to address shortages.  <b>Substitute for SB 1289 passed the Senate 1/30.</b>
SB 1479	Lucas	<u>Substitute</u> : Reduces the current 12-month break in service to <b>6 months</b> for critical shortage teachers and bus drivers.  <b>Substitute for SB 1479 passed Senate 1/30.</b>
SB 1411	Norment	Adds law-enforcement officers to the existing RSSO provision with a <b>12-month</b> break in service.  <b>Passed Senate 1/30.</b>

SFAC RTW substitutes for **SB 1107, SB 1289, & SB 1479**, make the break in service six months, require employer contributions for all retirees returning to work, & provide a delayed effective date of 1/1/2024.

**SB 1411** was not amended.

# 2023 Hazardous Duty Benefit Bills

Bill Number	Patron	Description
HB 1452	Orrock	<p>Allows the OAG to designate up to 30 individuals as sworn officers in the Medicaid Fraud Control Unit. This would be a new position eligible for VaLORS and LODA benefits. <b>Substitute reprint 2/3 includes LODA but does not include VaLORS.</b></p> <p><b>Substitute reprint passed House 2/7.</b></p>
SB 1201	Reeves	<p><u>Substitute</u>: Adds 911 dispatchers to the list of local employees eligible to receive enhanced retirement benefits for hazardous duty for service earned on or after July 1, 2023 if elected by the locality. The substitute adds VSP dispatchers to VaLORS. Also allows employers to choose whether they will provide hazardous duty benefits for earlier service as a dispatcher. <b>Substitute requires reenactment in 2024.</b></p> <p><b>Floor substitute passed Senate 1/30.</b></p>
SB 826	J. Bell	<p>Authorizes the Virginia School for the Deaf and the Blind to establish a campus police department. Campus police are eligible for VaLORS. It appears VSDB had this authority until the 2016 re-codification.</p> <p><b>SFAC reported with the clause &amp; SFAC Budget Report does not include funding. Passed Senate 2/6.</b></p>



# 2023 VRS-Related Bills

## HIC Bills

Bill Number	Patron	Description
HB 1789	Filler-Corn	<p><u>Substitute</u>: Increases the HIC for retired local officers with at least 30 years of service by the Plan 2 COLA each year.</p> <p><b>Substitute passed House 2/7.</b></p> <p><b>HAC Budget Report Item 498 #1h- VRS implementation</b> <b>HAC Budget Report Item 483 #3h- \$750,000 GF in FY 24.</b></p>
HB 2314	Rasoul	<p><u>Substitute</u>: Increases the HIC for retired state employees with at least 30 years of service by the Plan 2 COLA each year.</p> <p><b>Substitute passed House 2/2 &amp; has been assigned to SFAC.</b></p> <p><b>HAC Budget Report Item 498 #1h- VRS implementation</b> <b>HAC Budget Report Item 483 #1h- \$7,582,000 GF in FY 24.</b></p>

Bill Number	Patron	Description
SB 784	Locke	<p><u>Substitute</u>: Adds a path for retired judges to appear as counsel if they are not authorized for temporary recall and either 1) meet the other requirements already in the Code or 2) is at least age 67 and eligible for full Social Security benefits. The <u>second substitute</u> also provides that a retired judge will not be eligible for temporary recall after they have appeared as private counsel.</p> <p><b>Substitute passed Senate 2/3.</b></p>
SB 1449	Obenshain	<p><u>Substitute</u>: Provides that the <i>entire</i> amount of time a judge is on an extended absence for more than three months that is not due to a medical emergency, disability, or family emergency or for military leave shall be subtracted from creditable service toward retirement benefits and that no employer contributions shall be made <i>at any time</i> during such extended absence period. <b>The substitute also adds an emergency enactment clause.</b></p> <p><b>Substitute passed Senate 2/7.</b></p>

# 2023 LODA Bills

## LODA Bills

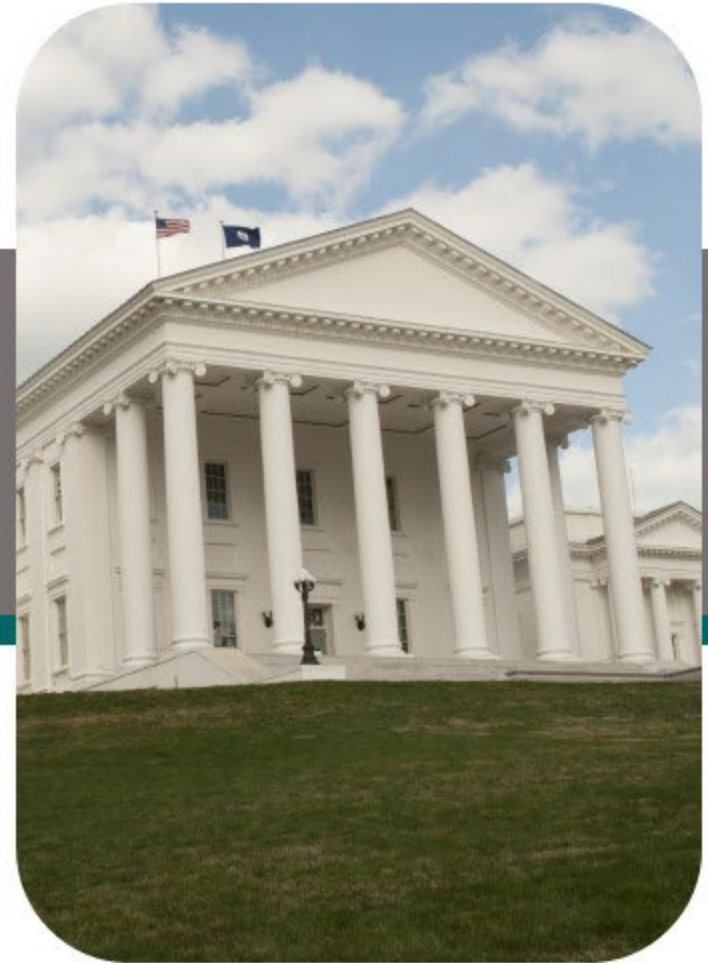
Bill Number	Patron	Description
SB 1046	McPike	<p>Provides that fire marshals appointed with police powers are included in the definition of law-enforcement officer. May provide LODA benefits to a few fire marshals who fill multiple roles for certain localities.</p> <p><b>Passed Senate 1/24.</b></p>
SB 1228	Obenshain	<p><u>Substitute</u>: Provides that nonprofit private institutions of higher education in Virginia may make a one-time election within 6 months of the bill's effective date to provide LODA benefits to their campus police officers.</p> <p><b>Substitute passed Senate 1/31.</b></p> <p><b>SFAC Budget Report Item 498 #2s- \$35,000 NGF authority for VRS to charge <i>contributing private colleges</i> a LODA administrative fee.</b></p>

# 2023 VRS-Related Bills

## Other VRS Bills

Bill Number	Patron	Description
SB 1344	Barker	<p>Allows the City of Alexandria to enter into a contract with the Dept of Health for local administration of local health services. Moves state Health employees to local employees eligible for VRS. The substitute does not make changes to the VRS provisions of the bill.</p> <p><b>Passed Senate 1/24.</b></p>

# Other Bills

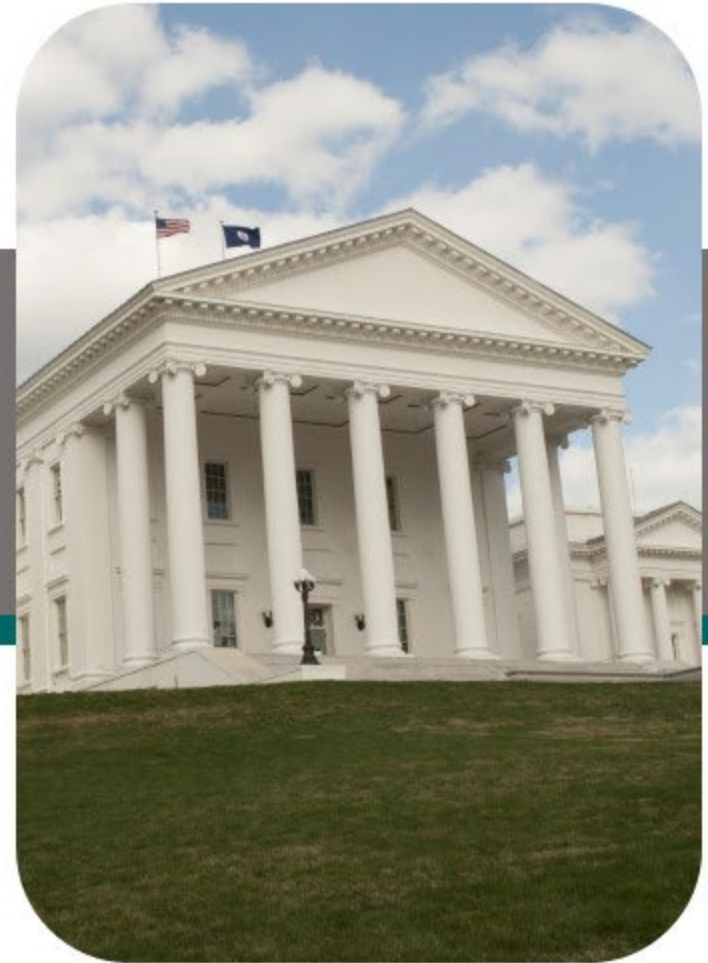


# 2023 Other Bills

## Procurement Bills

Bill Number	Patron	Description
HB 2385	Brewer	<p><b>HB 2385</b> only: Prohibits state agencies from entering into a contract for goods or services with a scrutinized company, defined in the bill as any company owned or operated by the Government of China, other than a company for which the Committee on Foreign Investment in the United States has determined that there are no unresolved national security concerns regarding the transaction that created such ownership or permitted such operation.</p> <p><b>HB 2385 &amp; SB 1459:</b> Prohibits any employee or agent of any executive branch agency or person or entity contracting with any such agency from downloading or using any application, including TikTok or WeChat, or accessing any website developed by ByteDance Ltd. or Tencent Holdings Ltd. (i) on any state-issued device or state-owned or state-leased equipment or (ii) while connected to any wired or wireless Internet network owned, operated, or maintained by the Commonwealth.</p> <p><b>HB 2385 has been assigned to Sen. General Laws</b>  <b>SB 1459 passed 2/7 with a tie broken by the Chair</b></p>
SB 1459	McDougle	
SB 813	Surovell	<p>Prohibits redacting the name of the purchaser or description of purchase from any p-card records requested under FOIA.</p> <p><b>Passed Senate 1/30 &amp; has been assigned to House General Laws</b></p>

# Budget



## Amendments without Corresponding Bills

Item #		Description
408 #1h	HAC	<p>Provides authority for DCJS and VRS to invest funds for the Virginia Mass Violence Care Fund (VMVC Fund). (language of the HAC amendment mirrors Senate member request)</p>
408 #11s 485 #8s	SFAC	<p>Committee amendment transfers the Virginia Mass Violence Care Fund (VMVC Fund) from DCJS to Central Appropriations and requires DCJS to convene a work group to examine ways to: compliment, but not duplicate, the Criminal Injuries Compensation Fund; help ensure sustainability of available funding; and fill gaps for in the current availability of services for individuals impacted by violent events.</p> <p>The work group is comprised of DCJS, Workers' Compensation Commission, DPB, VRS, Treasury, the VTV Family Outreach Foundation, HAC &amp; SFAC staff, and other stakeholders as appropriate. The work group shall report findings to the General Assembly by November 1, 2023. DPB shall not expend funds until the General Assembly adopts a structure for administering the funding.</p> <p>(language only)</p>

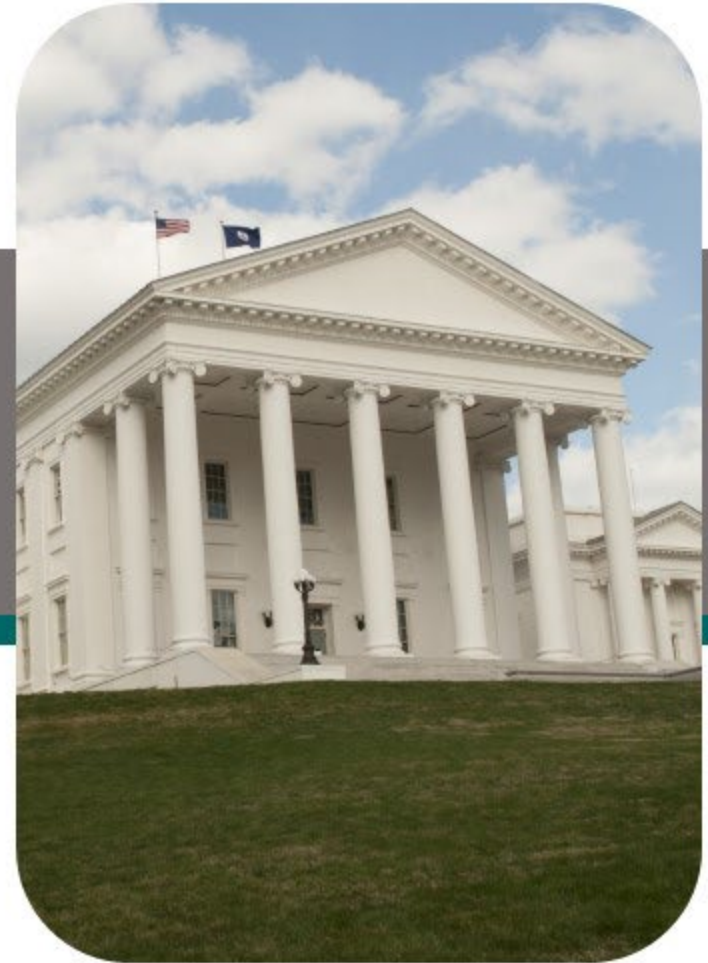


# 2023 Committee Amendments

## Amendments with Corresponding Bills

Item #		Description
483 #1h	HAC	Provides \$7,582,000 GF in FY 24 for the benefits provided under <b>HB 2314</b> for state employees that begin July 2024. Does not adjust the employer contribution rate.
483 #3h	HAC	Provides \$750,000 GF in FY 24 for the benefits provided under <b>HB 1789</b> for local constitutional officers that begin July 2024. Does not adjust the employer contribution rate.
498 #2s	SFAC	Provides authority for VRS to charge private colleges a LODA administrative fee ( <b>SB 1228</b> ). (\$35,000 NGF)
498 #1h	HAC	Provides \$420,000 NGF in FY 23 and \$75,000 NGF in FY 24 for VRS implementation of <b>HB 1630</b> , <b>HB 1789</b> , and <b>HB 2314</b> .
498 #1s	SFAC	Provides \$686,000 NGF for implementation of Senate return to work bills ( <b>SB 1107</b> , <b>SB 1289</b> , <b>SB 1411</b> , and <b>SB 1479</b> )

# Budget- Rates and Funding



## VRS Rates and LODA premiums

Item #	Description
483	Funds LODA premium increase from \$681.84 to \$830.00 per covered employee.

## VRS Infusion

Item #	Description
269	Introduced budget funds the previously-contingent \$250,000,000 infusion on or before June 30, 2023 to reduce the unfunded liabilities of the State Plan, the Teacher Plan, SPORS, VaLORS, JRS, State HIC, Teacher HIC, GLI plan, and HIC for constitutional officers, local social services employees, and registrars.

An estimated:

1. \$73,052,105 to the state employee plan.
2. \$147,457,029 to the public school teacher plan.
3. \$3,652,605 to the State Police Officers' Retirement System.
4. \$6,628,802 to the Virginia Law Officers' Retirement System.
5. \$2,083,338 to the Judicial Retirement System.
6. \$2,840,915 to the HIC plan for state employees.
7. \$4,004,338 to the HIC plan for public school teachers.
8. \$10,146,126 to the GLI plan.
9. \$91,992 to the HIC plan for Constitutional Officers and their employees.
10. \$40,585 to the HIC plan for local social services employees.
11. \$2,165 to HIC plan for Registrars and their employees.

## VRS Infusion

Item #	Description
483	Introduced budget retains the expected infusions of \$25,309,001 from the GF on or before June 30, 2023 and \$55,100,000 from the GF on or before June 30, 2024 to reduce the unfunded liabilities of the State Plan and HIC for constitutional officers, local social services employees, and registrars.
<p>In 2023, an estimated:</p> <ol style="list-style-type: none"><li data-bbox="170 689 1141 732">1. \$24,318,170 to the HIC plan for state employees; and</li><li data-bbox="170 739 1263 782">2. \$990,831 to the HIC plan for local social services employees.</li></ol> <p>In 2024, an estimated:</p> <ol style="list-style-type: none"><li data-bbox="170 889 1068 932">1. \$52,800,000 to the HIC plan for state employees;</li><li data-bbox="170 939 1595 982">2. \$1,576,017 to the HIC plan for Constitutional Officers and their employees; and</li><li data-bbox="170 989 1195 1032">3. \$723,983 to HIC plan for local social services employees.</li></ol>	

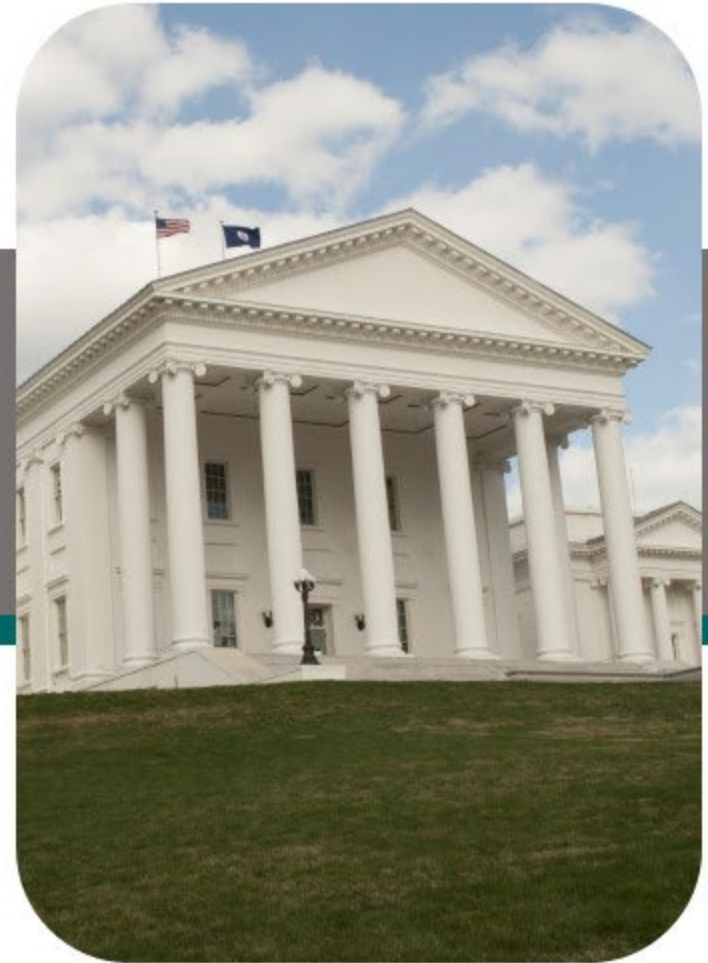
# 2023 Committee Budget Amendments



## VRS Infusion

Item #	Description
483 #4h	Provides an additional \$20 million GF in FY 2024 to increase the infusion from \$55.1 to \$75.1 million to reduce the unfunded liabilities of the State Plan and HIC for constitutional officers and registrars. No change was made to the infusion for local social services employees included in the Governor's introduced budget for FY 2024.
<p>The HAC report would provide in 2024, an estimated:</p> <ol style="list-style-type: none"><li>1. \$72,700,000 to the HIC plan for state employees;</li><li>2. \$1,676,017 to the HIC plan for Constitutional Officers and their employees; and</li><li>3. \$723,983 to HIC plan for local social services employees (#3 is no change).</li></ol>	
485 #1s	Includes a payment of \$250 million to VRS toward unfunded liabilities for the statewide plans. The payment is contingent on FY 2023 unobligated balances. There are 8 total contingency payments for various purposes; VRS is #7. An allocation will not be made unless there are sufficient funds available to allocate the full amount for that item.

# Budget- Salary Actions



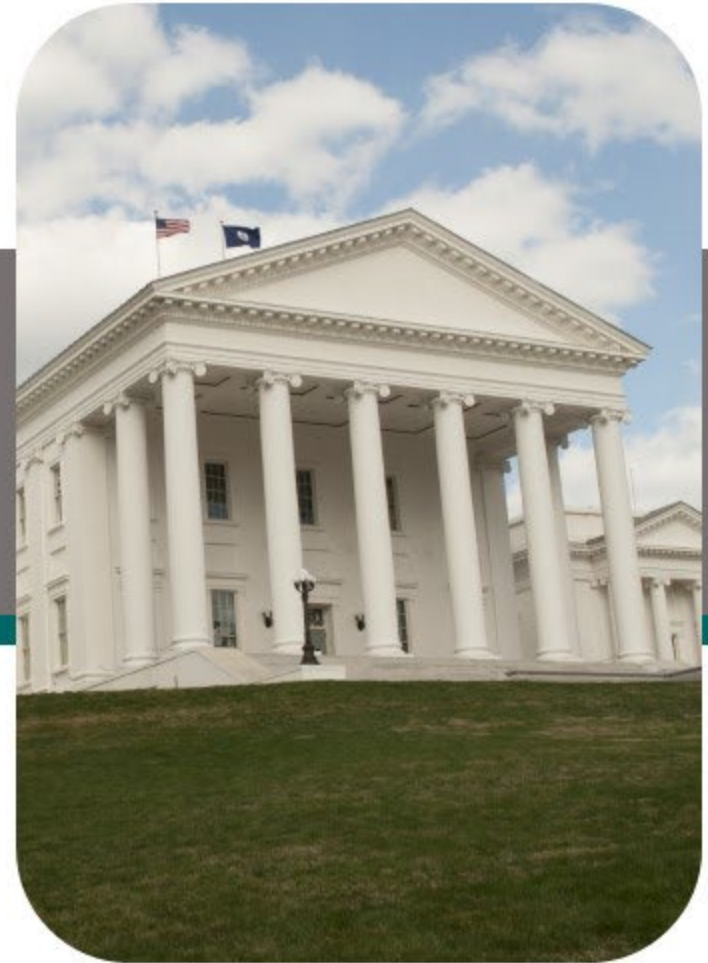
# 2023 Budget Amendments- Salary Increases



Item #	Description
Governor’s Introduced Budget Amendments	<p>Items 72, 75, 76, 77, 78: various salary actions.</p> <p>Item 483: Section AA.1 through BB.7 includes several salary increase actions for state employees.</p> <p>Some actions in Item 483 contingent on revenues.</p>
HAC Amendments	<p>Various salary amendments for several positions.</p> <p>Item 483 #2h is an amendment to redirect bonus funding for an additional 2% to bring the total raise for state and state-supported local employees to 7%.</p> <p>This item strikes Section AA.1 through BB.7, including the \$1,500 bonus for December 2023, and inserts language providing for an additional 0.5% salary action at the discretion of the agency.</p>
SFAC Amendments	<p>Various salary amendments for several positions.</p> <p>Item 483 #3s redirects funding for an additional 2% to bring the total raise for state and state-supported local employees to 7%.</p> <p>Item 483 #2s strikes Section BB.1 through BB.7 and reduces the December 2023 bonus in Section AA.1 from \$1,500 to \$1,000.</p>



# Failed Legislation



# 2023 Failed Legislation

## Investment Bills

Bill Number	Patron	Description
HB 2335	Durant	Provides that unless the Board of Trustees of the Virginia Retirement System can demonstrate that a social investment, defined in the bill, would provide a superior rate of return compared to a similar investment that is not a social investment with a similar time horizon and risk, neither the Board nor any external fiduciary utilized by the Board may invest or make recommendations regarding state funds for the purpose of social investment on or after July 1, 2023.  For <b>SB 1437</b> , SFAC passed by indefinitely at request of the patron 1/25/2023.  For <b>HB 2335</b> , the House subcommittee recommended laying the bill on the table 2/1/2023.
SB 1437	McDougle	

# 2023 Failed Legislation

## Hazardous Duty Bills

Bill Number	Patron	Description
HB 1571	Walker	<p>HB 1571 and HB 2327 add 911 dispatchers to the list of local employees eligible to receive enhanced retirement benefits for hazardous duty service. Under current law, localities may provide such benefits to firefighters, emergency medical technicians, and certain other hazardous duty positions.</p> <p>HB 2327 specifies that the bill is effective for service earned on or after July 1, 2023, but also allows localities to choose whether they will provide hazardous duty benefits for earlier service as a dispatcher.</p> <p>The bills have been referred to the 2023 JLARC hazardous duty study.</p>
HB 2327	Cherry	
HB 2328	Cherry	<p>Adds to VaLORS the 911 dispatchers with agencies already listed in the VaLORS definition of "Employee."</p> <p>The bill has been referred to the 2023 JLARC hazardous duty study.</p>
HB 2299	Orrock	<p>Adds conservation officers of the Department of Conservation and Recreation to the membership of the Virginia Law Officers' Retirement System (VaLORS).</p> <p>The bill has been referred to the 2023 JLARC hazardous duty study.</p>

# 2023 Failed Legislation

## Hazardous Duty Bills

Bill Number	Patron	Description
HB 1750	Webert	Establishes a framework for a retail marijuana market administered by the VA Cannabis Control Authority. Creates special agents of the VCCA. This would be a new position eligible for VaLORS and LODA benefits, similar to VA ABC Authority special agents.
HB 2292	Williams	Requires localities to provide hazardous duty benefits to school resource officers. Also adds SROs to the return-to-work exemption for Retiree School Security Officers.  The HD part of this bill has been referred to the 2023 JLARC hazardous duty study.

# 2023 Failed Legislation

## Return to Work Bills

Bill Number	Patron	Description
SB 869	Cosgrove	For retirees working PT as a SSO on or after January 1, 2020, but before January 1, 2023, removes requirement for 12-month break in service. <b>Struck in SFAC 1/25/2023.</b>

## DC Match

Bill Number	Patron	Description
SB 1369	Vogel	<u>Substitute</u> : Increases the employer DC match limit for assistant Commonwealth's Attorneys & public defenders for contributions made on or after July 1, 2023.  SFAC reported the substitute 1/25. Senate recommitted substitute to SFAC 1/27. <b>The substitute has not been heard in SFAC as of 2/8.</b>

# 2023 Failed Legislation

## House bills - Failed

Bill #	Patron	Description
HB 1850	Subramanyam	<p>For all return-to-work exemptions, <b>six months</b> break in service, requires employer contributions for teachers and bus drivers.</p> <p>Incorporated into the substitute <b>HB 1630</b>.</p>
HB 2107	Bourne	<p>Removes the critical shortage requirement for teachers and bus drivers, <b>two academic semester</b> break in service, extends sunset to July 2030.</p> <p>Incorporated into the substitute <b>HB 1630</b>.</p>
HB 2303	R. Bell	<p>For retired school bus drivers, separate exemption: <b>three-month</b> break in service if the local school division has a <b>greater than 20% vacancy rate</b>. Requires the Sec. of Transportation and Sec. of Education to convene a work group to identify strategies to address shortages.</p> <p>Incorporated into the substitute <b>HB 1630</b>.</p>
HB 2292	Williams	<p>Adds School Resource Officers to existing RSSO provision.</p> <p>Subcommittee recommended laying on the table 1/19.</p>

# 2023 Failed Legislation

## Other VRS Bills

Bill Number	Patron	Description
HB 1867	P. Scott	Allows teachers with prior active-duty military service to be granted up to four year of such service at no cost to the member. <b>HAC subcommittee recommended laying on the table 1/26.</b>
HB 2318 SB 1445	Shin Boysko	Provides that state or local law enforcement officers working at least 20 hours per week on a salaried or hourly basis shall be considered eligible for VRS benefits. HB 2318 also includes part-time correctional officers.  For <b>SB 1445</b> , amended to include correctional officers, make VRS-requested amendments, remove hourly. HAC subcommittee recommended <b>HB 2318</b> be laid on the table. <b>Both bills referred to the JLARC hazardous duty study.</b>
HB 1568	Walker	Removes the vesting requirement for porting of service between retirement systems.  <b>Bill left in HAC 2/7.</b>

# 2023 Failed Legislation

## Procurement Bills

Bill Number	Patron	Description
HB 1913	Batten	<p>Prohibits state agencies from entering into any contract for the purchase of goods that (i) are branded with such state agency's name, logo, insignia, or other designation and (ii) are being purchased for the purpose of advertising, marketing, or promotion.</p> <p><b>Laid on table 1/31.</b></p>
SB 912	Ruff	<p>Prohibits a public body from requiring an offeror to state in a proposal any exception to any contractual terms or conditions, including any liability provisions, contained in a Request for Proposal for information technology. The bill also requires the offeror to state any such exception in writing at the beginning of negotiations, which exception shall be considered during negotiations. Current law only prohibits a public body from requiring an offeror to state in a proposal any exception to the liability provisions of the Request for Proposal.</p> <p>Reported from General Laws 1/11; <b>SFAC PBI with letter 2/2.</b></p>
SB 1115	DeSteph	<p>Provides preference for a bidder who is a resident of Virginia over a bidder who is a resident of any other state in determining the award for any contract for goods, services, or construction under the Virginia Public Procurement Act. Current allowance for granting price preferences to Virginia residents is made mandatory by the bill.</p> <p>Substitute reported from General Laws 2/1; <b>SFAC PBI with letter 2/2.</b></p>



# 2023 Failed Bills

## COIA Bills

Bill Number	Patron	Description
HB 2281	Shin	<p>Authorizes the Virginia Conflict of Interest and Ethics Advisory Council to investigate alleged violations of the State and Local Government Conflict of Interests Act and the General Assembly Conflicts of Interests Act (the Acts). The Council may initiate an investigation upon its own motion or in response to a complaint filed by a resident of the Commonwealth who has firsthand knowledge of an alleged violation. The bill directs the Council to review the disclosure forms filed by members of the General Assembly for compliance with applicable disclosure requirements and limitations on gifts and the accuracy of all information disclosed and authorizes the Council to initiate an investigation based on the findings of this review. The bill increases from a Class 1 misdemeanor to a Class 6 felony the penalty for any knowing violation of the General Assembly Conflicts of Interests Act.</p> <p><b>Bill was left in General Laws 2/7</b></p>

***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 9<sup>th</sup> day of February 2023, 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:**

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A. Scott Andrews, Chair  
VRS Board of Trustees

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Patricia S. Bishop  
Secretary to the Board/VRS Director

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

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Patricia S. Bishop  
Director

---

Andrew H. Junkin  
Chief Investment Officer

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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

---

David E. Porter  
Controller

---

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 9<sup>th</sup> day of February 2023 by A. Scott Andrews; Patricia S. Bishop; Andrew H. Junkin; Mark A. Rein; Michael P. Cooper; Robert L. Irving; Curtis M. Mattson; Leslie B. Weldon; Laurie L. Fennell, Abida W. Arezo; David E. Porter and Danita R. Barnes.

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LaShaunda B. King, Notary Public

My commission expires September 30, 2026.

**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 9<sup>th</sup> day of February 2023 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

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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

\_\_\_\_\_  
Leslie B. Weldon, Chief Financial Officer

\_\_\_\_\_  
Andrew H. Junkin, Chief Investment Officer

\_\_\_\_\_  
Michael P. Cooper, Chief Operating Officer

\_\_\_\_\_  
Robert L. Irving, Customer Services Director

\_\_\_\_\_  
Curtis M. Mattson, Chief Administrative  
Officer – Investments

\_\_\_\_\_  
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 9<sup>th</sup> day of February 2023 by A. Scott Andrews; Patricia S. Bishop; Mark A. Rein; 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.



## VRS Project Portfolio FISCAL YEAR 2023 January 2023 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		★													
FOIA Training		N/S													
ACFR		★													
PAFR		★													
LODA Annual Report		★													
GASB 67		★													
GASB 68		●													
GASB 74		★													
GASB 75		●													
Actuarial Valuations		●													
myVRS Annual Updates		★													
1099/W2		●													



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		●														
Data Fixes		●														
ALM Backlog Prioritization		●														
Employer VNAV Security Review		★														
VRS Fund Sensitivity and Stress Testing Report for GA		●														
Legislation FY 2023		●														

<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
Hyper Converged Infrastructure (HCI) Data Center Migration	6/1/2023	Flexential Richmond notified VRS on December 9, 2022, that VRS must move out of its current cage space by the end of March 2023. Flexential’s landlord forced Flexential to vacate the space. The HCI Data Center Migration project is on hold so VRS resources can focus on the Flexential Richmond Cage Relocation, which should be completed in March 2023. The HCI Data Center Project timeline will be re-baselined after the Flexential Richmond Cage Relocation is complete.

### Red Status Items

Item	Due Date	Comments
N/A		

### Realignments/Adjustments

Item	Due Date	Comments
N/A		

# Director's Report

February 9, 2023

Trish Bishop, VRS Director



# New Employer Coverage

## Coverage Elected

## Details

### New VRS Employer

- **Virginia Dare Soil and Water Conservation District**  
(City of Virginia Beach),  
Effective February 1, 2023
- **Rapidan Service Authority**  
(Orange County),  
Effective February 1, 2023

# SJR 263 Honoring Ron Schmitz



**Senate Joint Resolution 263  
Commending Ronald D. Schmitz  
Patron—Howell**

SJR 263 was recently introduced by Senator Howell, honoring the outstanding service and career accomplishments of Ron Schmitz.

The resolution recognizes Ron's many achievements during his years at VRS, including his steady leadership, efficient management and development of successful investment growth strategies.

Congratulations to Ron on this great honor and acknowledgment of his years of dedicated service to VRS!

# VRS Board Retreat: Save the Date

## March 21-22, 2023 Westin Richmond

MARCH 2023						
SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

This year, we return to our normal retreat schedule:

**Day 1:** Afternoon session followed by a reception and dinner

**Day 2:** Breakfast and a morning session

Watch for your retreat invitation to come in the next couple of weeks!