



Defined Contribution Plans Advisory Committee (DCPAC) Meeting

1111 East Main Street, Pavilion Building

Thursday, 6/1/2023

1:00 - 3:00 PM ET

1. Welcome

2. Meeting Minutes

-- Adoption of the Minutes from the March 30, 2023 Meeting
2023.3.30 DCPAC Minutes - Page 2

3. Administration

a. Administrative Reports & Communications

2023Q1 Administrative Summary .pdf - Page 7

4. Investments

a. Performance Reports

DC 6-1-23 Investments slide deck - Page 21

b. Retirement Income Discussion (continued)

5. Other Business

a. COV 457 Plan

-- RBA for 457 Plan Document Amendments
RBA 457 - Page 40
VRS - First Amendment to 2021 COV 457 Plan - Page 42

6. Discussion of New Ideas

7. 2023 Meetings

a. Remaining 2023 Meetings

i. **September 7, 2023 at 1:00 p.m. (Annual Investment Review)**

ii. **November 30, 2023 at 1:00 p.m.**

b. **ORPHE Annual Employer Update (not a meeting of the DCPAC) - September TBD**

8. DC Plans Record Keeper RFP Update (Closed Session)

-- RBA for DC Plans Record Keeper
RBA_AppointmentofVRS DC Plans TPA - Page 45

Minutes

The Defined Contribution Plans Advisory Committee (DCPAC) of the VRS Board of Trustees convened on March 30, 2023, with the following members present:

Brandon Bell, Chair
Susan T. Gooden, Vice Chair* (in accordance with § 2.2-3708.2(B)(3))
Ravindra Deo
Shannon Irvin
Rick Larson
Brenda Madden
Arun Muralidhar* (in accordance with § 2.2-3708.3(B)(4))
David Winter

VRS Board of Trustees:

John Bennett*

VRS Staff:

Trish Bishop, Jeanne Chenault, Michael Cooper, Kelly Hiers, KC Howell, Robert Irving, Ryan LaRochelle, Teresa Nguyen*, Laura Pugliese, Steven Ramirez, Michael Scott, Virginia Sowers*, Ashley Spradley*, Bridgette Watkins, Rachel Webb*, Leslie Weldon, Cindy Wilkinson, and Tanya Williams*.

Guests:

Brian McCleave, Empower Retirement; Andrew Ness, SageView Advisors; Jamie Bitz, JLARC; Lauren Albanese*, Financial Investment News; Robert Coyne*

**Attended remotely*

The meeting convened at 1:00 p.m.

Opening Remarks

Brandon Bell, Chair of the DCPAC, welcomed Committee members, board members, VRS staff, representatives from other stakeholder groups and members of the public.

Approval of Minutes

Upon a motion by Mr. Deo, with a second by Mr. Winter, the Committee unanimously voted to approve the minutes of the December 1, 2022, meeting of the Defined Contribution Plans Advisory Committee.

Administrative Reports and Communications Update

Kelly Hiers, DC Plans Administrator, provided an update on the VRS Defined Contribution Plans for the fourth quarter, ending December 31, 2022. Ms. Hiers shared the total assets under management across all DC plans, as well as an overview of unique participant counts for the unbundled plans. Ms. Hiers noted plan assets and accounts were both up and that there are almost 530,000 total accounts.

Ms. Hiers provided an update on self-directed brokerage accounts due to the recent Charles Schwab and TD Ameritrade merger. The affected population is comparatively small and will be notified of the transition. No blackout is expected during the transition over the Labor Day weekend. Ms. Hiers and Mr. Bell noted the Charles Schwab platform will provide the same level of service as well as enhanced performance and research tools.

Ms. Hiers briefly highlighted a refresh to the Defined Contribution Plans website that occurred in December 2022.

DC Plans and Hybrid Plan Update

Ms. Hiers provided an update on total assets and accounts in the COV 457 and Virginia Cash Match plans through December 31, 2022. Assets were up 5% during the fourth quarter of 2022.

Ms. Hiers also provided a review of total assets and accounts in the Hybrid Retirement Plan for the fourth quarter of 2022. Assets were up 15% and accounts were up 3%. She further updated the Committee on the Hybrid 457 voluntary participation and contribution election rates for the fourth quarter of 2022.

Ms. Hiers provided an update on the status of the 2023 auto-escalation that occurred on January 1st. The opt-out rate was very low at 0.9%. Also, the active control rate, or those who choose to actively increase their contribution rate during the auto-escalation period, was slightly higher than it was during the 2020 escalation at 2.7%. Mr. Muralidhar inquired about if there was any data from the auto-escalated population about who is borrowing with high interest credit card debt and if that subset of the population would be better served not being auto-escalated. Trish Bishop, Director of VRS, advised that VRS could only acquire that data through a voluntary survey and that the auto-escalation is set by law so it would require a legislative change. VRS also has a variety of financial wellness tools for members and retirees to help them with financial planning.

Ms. Hiers next reviewed the DC Plans focus on asset allocation across the plans for the fourth quarter of 2022. She shared the current breakdown of asset allocation across the plans, as well as a comparison for how the allocation varies across plans. Ms. Hiers also provided an overview of investment-related communications and educational materials available to plan participants. She also provided an update on usage of the self-directed brokerage account option. Mr. Winter inquired if the top holdings from the self-directed brokerage account option were equivalent to the VRS lineup of investment options. Ms. Pugliese advised that Investments does not track that data unless asked to by the DC Plans team.

ORPHE Update

Ms. Hiers shared an overview by provider of total ORPHE assets, participants, and average balances for the fourth quarter of 2022. Assets were up 5% during that period. She also gave an update on ORPHE provider selections for the fourth quarter of 2022. Ms. Hiers also highlighted a single performance standard, participant satisfaction, that TIAA did not meet during this quarter.

DC Plans Recordkeeper RFP Update

Ms. Hiers provided an update on the DC Plans Recordkeeper RFP. Responses were due on December 2, 2022, and finalists would be determined by April 2023.

Mr. Bell thanked Ms. Hiers for her presentation.

DC Plans Investments Update

Laura Pugliese, Portfolio Manager of Defined Contribution Plans, reviewed the February 28, 2023, performance reports, including the unbundled DC plans investment options and the bundled TIAA investment menu in the Retirement Choice (RC) contract for ORPHE. Ms. Pugliese shared a brief history of the changes in the Federal Funds Rates since March 2020 as an informational item. Ms. Pugliese also shared that there has been a reduction in the management fees for the Small/Mid-Cap Stock Fund and the Target Date Portfolios within the unbundled DC plans. There is currently work in progress to reduce the management fees for the BlackRock LifePath Index Funds and the BlackRock Russell 2500 Index Fund within the TIAA ORPHE.

Callan 2023 Defined Contribution Trends Survey Highlights

Ms. Pugliese provided an overview of highlights from the Callan 2023 DC Trends survey, which was included in the meeting materials Appendix for the Committee to review. The Callan 2023 DC Trends survey results represented 99 large DC plan sponsors that span a range of industries across corporate, tax-exempt, and government organizations.

Retirement Income Industry Update

Ms. Pugliese provided an update on the topic of retirement income within DC plans. Ms. Pugliese noted that public and corporate DC plan sponsors are focusing more on the distribution phase due to the shift in retirement trends. Ms. Pugliese briefly covered some of the factors leading to this increased focus as well as the various considerations when evaluating retirement income solutions. Ms. Pugliese shared with the Committee highlighted results from the Retirement Research Center's (RRC) 2022 Profiling Retiree Spending Study which looked at retiree savings, spending, and financial and behavioral health. Ms. Pugliese concluded by enumerating next steps for staff as it considers various developments and product offerings in the retirement income space. Ms. Bishop added the importance of focusing on educating members given the complexity of this topic. Ms. Irvin inquired about education for members on the effects of the caps on the Cost-of-Living Adjustments (COLAs) allowed by law for the VRS retirement plans given the recent high inflation environment. Ms. Bishop acknowledged there may be opportunities for further education on inflation and COLAs, but the existence of statutory COLAs is a positive defined benefit plan feature for VRS members that not all corporate and public retirement plans offer to their members. Dr. Gooden inquired about the confidence in retirement planning of retirees by

region and by race. Ms. Pugliese advised she would contact representatives of the RCC to determine if that data was available and respond accordingly.

Mr. Bell thanked Ms. Pugliese for her presentation.

Other Business

Legislative Update

Cindy Wilkinson, Director of Policy and Planning, reviewed DC plan-related legislation that passed during the 2023 regular session of the General Assembly. She advised that the General Assembly adjourned but is expected to return for a special session to complete work on the budget and the reconvened session for the Governor's amendments will be in April. Ms. Wilkinson also noted that while a full budget deal was not reached during the regular session, a "skinny" budget was passed that included a \$250 million infusion for VRS. Ms. Bishop noted that "return-to-work" legislation that allows a VRS retiree to return to work full-time and continue to receive their retirement benefits could change retirement patterns going forward and should be monitored.

Ms. Hiers continued the presentation with a review of the recent "Secure 2.0" federal legislation. The legislation affects primarily public and private DC plans. Ms. Hiers began with a detailed overview of mandatory provisions that will affect VRS. Ms. Hiers noted the mandatory provision to require that age-based catch-up contributions for those who earned over \$145,000 the previous year be made as after-tax Roth contributions has been problematic for public retirement plans across the country, especially those that do not currently have a Roth option available within their plan. Ms. Wilkinson added that retirement plan organizations have sought an extension from the IRS for the implementation of this provision. If there is no extension, VRS's contingency plan is to not allow catch-up contributions for calendar year 2024, which would require a plan document amendment. Ms. Hiers finished with a brief overview of the optional provisions. She noted there will be internal discussions regarding the feasibility of adopting the individual optional provisions. Ms. Bishop added that the optional provision to allow student loan payments to count towards matching employer contributions will likely be popular for employers as a recruitment tool, but also presents some administrative challenges.

DCPAC Appointments

Ms. Bishop informed the Committee of the request for reappointment of Shannon Irvin, Rick Larson, and David Winter, each to a two-year term ending June 20, 2025. Their current terms expire June 20, 2023.

Upon a motion by Mr. Deo, with a second by Ms. Madden, the Committee unanimously recommended approval of the following action to the Administration, Finance, and Talent Management Committee and the full Board:

Request for Board Action: The Board reappoints Shannon Irvin, Rick Larson, and David Winter to the Defined Contribution Plans Advisory Committee (DCPAC), for a two-year term ending June 20, 2025.

Discussion of New Ideas

Dr. Muralidhar shared an article written by a colleague regarding retirement planning. The article, titled *“The Crisis in Retirement Planning,”* was shared with the Committee. Dr. Muralidhar indicated his intention to discuss this topic further at the Committee’s June meeting.

Upcoming Defined Contribution Plans Advisory Committee Meetings

Mr. Bell confirmed the remaining DCPAC meeting dates for 2023. The next meeting of the DCPAC will take place on June 1, 2023, with remaining meetings on September 7 and November 30. All meetings will be held at 1:00 p.m.

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

Adjournment

Upon a motion by Mr. Deo, with a second by Ms. Madden, the Committee unanimously voted to adjourn the meeting at 3:10 p.m.

Chair

Date

VRS Defined Contribution Plans

1st Quarter 2023
(January-March)

Administrative Summary
June 1, 2023

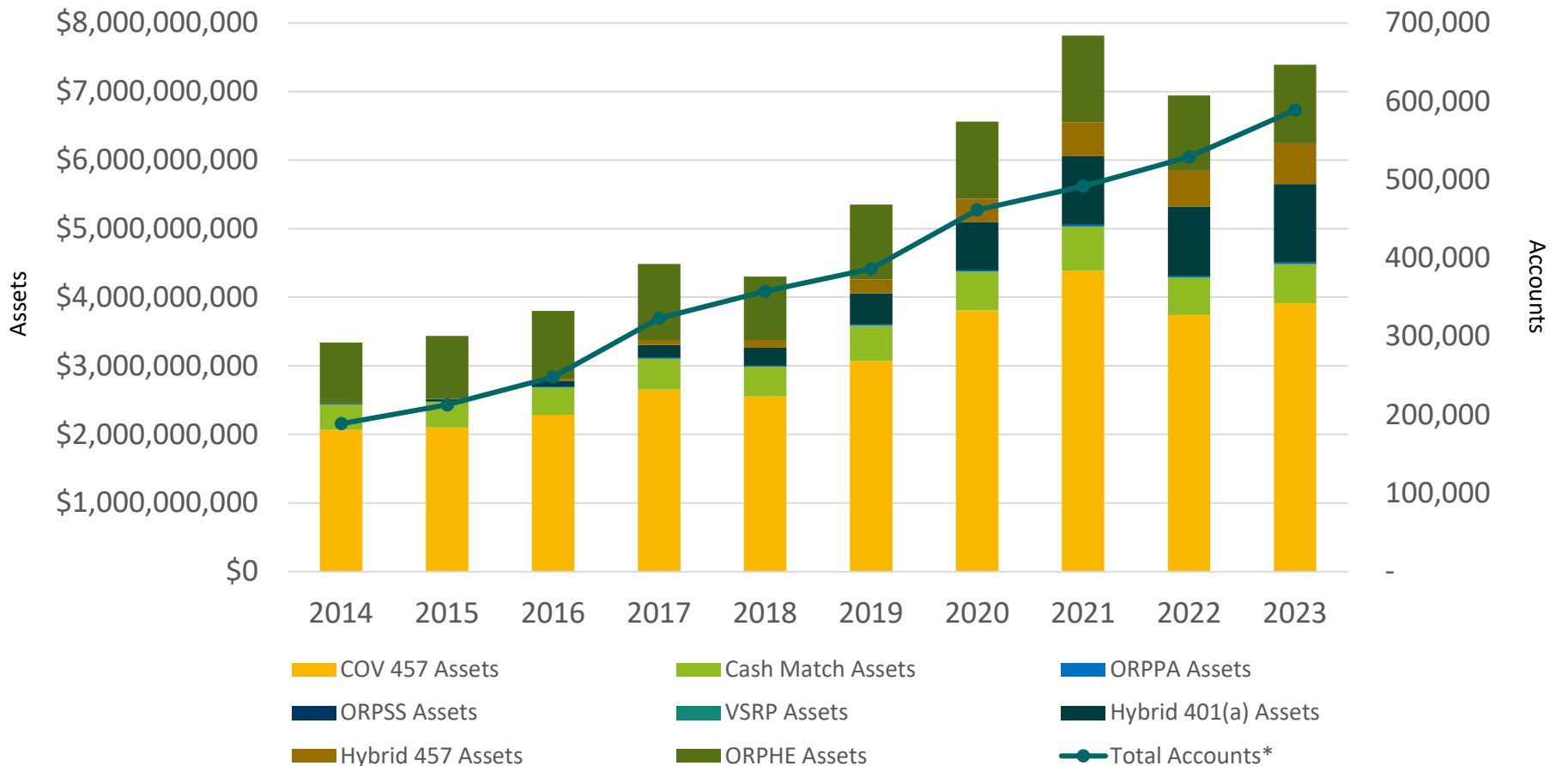


Topic	Slide Number(s)
General Updates	3-6
COV 457 & Cash Match Plans	7
Hybrid Retirement Plan	8-9
ORPHE	10
Upcoming Events	11
DC Plans Unbundled Record Keeper Contract Update	12-13

Total Assets and Accounts Over Time



Totals as of 3/31/2023	Assets	Accounts	Assets ↑ 6% Accounts ↑ 14% since December 31, 2022
	\$7,390,708,194	588,869	



Note: All data except 2023 reflects totals as of calendar year end and includes ORPHE selected providers and MissionSquare participant, beneficiary, forfeiture & reserve accounts. 2023 is as of 3/31/2023.

*Does not indicate unique participants.

Communicator Award – Hybrid Auto-Escalation Campaign



Your Savings are Rolling!

Starting January 1, 2023, your voluntary contributions will increase by 0.5% — even if you're not currently making contributions to the Hybrid 457 plan.

Save Even More

Get your full employer match now by maximizing your contribution, or by using SmartStep to gradually reach the full match. When you contribute 4%, your employer contributes 2.5%.

For example, if you earn \$47,299 a year, you can save \$1,892 and your employer will match this with a \$1,182 contribution to your plan.



It's Easy
No action required! You only need to take action if you choose to opt out of saving more for your future.
Visit varets.org/auto-escalation to learn more.



Keep Your Savings Rolling With Auto-Escalation

On January 1, 2023, the Hybrid Retirement Plan's auto-escalation feature will boost your retirement savings. Automatic increases and matching employer contributions can help keep your savings rolling.



"Keep Your Savings Rolling" Participant Postcard

VRS received an Award of Distinction from the Academy of Interactive and Visual Arts. 2023 Communicator Awards Category – Marketing Effectiveness



DCP
Virginia Retirement System

FOCUSING
On Your Hybrid Retirement Plan

OCTOBER 2022

Avoid an Income Gap

When planning for retirement, you need to save enough to meet your income needs throughout your retirement years. Successful planning ensures you not only maximize your retirement enjoyment but both reduce the risk of outliving your income and can manage and cover costs for the unexpected.

How much will you need?
On average, you'll need to replace 60% to 90% of your pre-retirement income. Your replacement amount varies based on your needs, expenses and retirement age. Keep in mind, retiring early offers fewer years to build savings and potentially a longer distribution period, so life expectancies rise, health care expenses, inflation, taxes and more can also reduce your future income and purchasing power.

Your Hybrid Retirement Plan can help
Get your full employer match now by maximizing your voluntary contribution to your Hybrid Retirement Plan. When you contribute 4% in voluntary contributions, your employer contributes 2.5%.

If your employer offers the Commonwealth of Virginia 457 Deferred Compensation Plan (DC 457 Plan) or another Supplemental 457 Plan, consider saving in this plan too, after you maximize your voluntary contributions to get your full match. Your total contributions to both plans cannot exceed the ES annual limit in all 47 plans.

The example to the right estimates income replacement rates for a 30-year employee, hired at age 35 and maximizing hybrid voluntary contributions. It assumes long-term rates of return of 5% for DC and 7% for defined contribution plan balances.

Save more today! Log In to Account Access at varets.org/hybrid.

Approximate Income Replacement
Employee with 30-Year Career

Component	Approximate Value
Defined Benefit	300
DC Plan 5% Rate of Return	100
DC Plan 0% Rate of Return	50
DC Plan 0% Rate of Return	50
DC Plan 0% Rate of Return	50
Supplemental Retirement Savings	150
Total	700

KEEP YOUR SAVINGS ROLLING WITH AUTO-ESCALATION

On January 1, 2023, the Hybrid Retirement Plan's auto-escalation feature will boost your retirement savings. Automatic increases and matching employer contributions help keep your savings rolling.

What is auto-escalation?
This plan feature helps you save more for retirement by automatically increasing the amount you contribute from each paycheck to your retirement savings.

Who is affected?
Members reported by their employer to VRS prior to September 9, 2022, with their date on or before September 1, 2022, who are not already contributing 4% voluntary contributions.

How much will my contributions increase?
Your voluntary contributions will increase by 0.5%, even if you're not currently making contributions to the Hybrid 457 plan. That amount will be added to 0.5% every three years until you reach the maximum 4%.

Will my auto-escalation increase my health insurance employer match amount?
No, you can't boost your contributions with SmartStep. You can take action anytime to maximize your voluntary contributions with SmartStep. SmartStep is a feature that allows you to set up automatic increases to your voluntary contributions in an amount and monthly you choose. If you set SmartStep, you will be excluded from auto-escalation. If you report one of the following:

- This is the amount for your year starting three months prior to September 16, 2022, or
- You make a SmartStep election or change between September 16 and December 15, 2022.

Other than auto-escalation will occur effective January 1, 2023, and your SmartStep will continue to the month you want.

Why is auto-escalation?
Auto-escalation offers you a convenient way to save more for your future!

- The more you save through voluntary contributions, the more you receive in matching employer contributions. When you contribute 4%, your employer contributes 2.5%.
- It's easy — no action required! You only need to take action if you choose to opt out of saving more for your future.

Members can opt out of auto-escalation from September 16 through December 15, 2022, before the 4 p.m. ET deadline. Log into Account Access at varets.org/hybrid or call Participant Support at 800.527.4267, 907.307.5300, ext. 5375.

Federal Legislation Update

SECURE 2.0

Effective January 1, 2024

Age-based catch-up contributions must be made as Roth contributions for participants that earned \$145,000 or more in the previous year. Participants with earnings under that amount must be able to choose between Roth and pre-tax for age-based contributions.

- Challenges include:
 - Sharing of earnings information between centralized and decentralized state employers.
 - Modifications to payroll feedback files and payroll systems for all employers in the COV 457 Plan.
- Like many other governmental plans, this provision cannot be implemented as written within current timeframe.
- VRS is requesting plan document amendments to allow for flexibility with contribution limits related to implementation timelines for this provision.



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VRS recently participated in meetings with lawmakers and regulatory entities in Washington D.C. to explain these challenges for government sector plans and request for an extended implementation period.

State Legislative Update

Hybrid Rate Separation

- Passed in 2022 General Assembly session and **effective July 1, 2024.**
- Separates employer contributions into two distinct rates.

Defined benefit rate, which is the same across Plan 1, Plan 2, and Hybrid.

Defined contribution rate, which varies from one Hybrid member to another based on voluntary contributions.

Impacts:

- VRS systems
- Employer payroll systems
- Employer budgeting
- Reconciliation
- Reporting

Benefits:

- Simplifies DC plan administration
- Reduced employer errors
- Allows members to save from their first paycheck to their last

Employer Support:

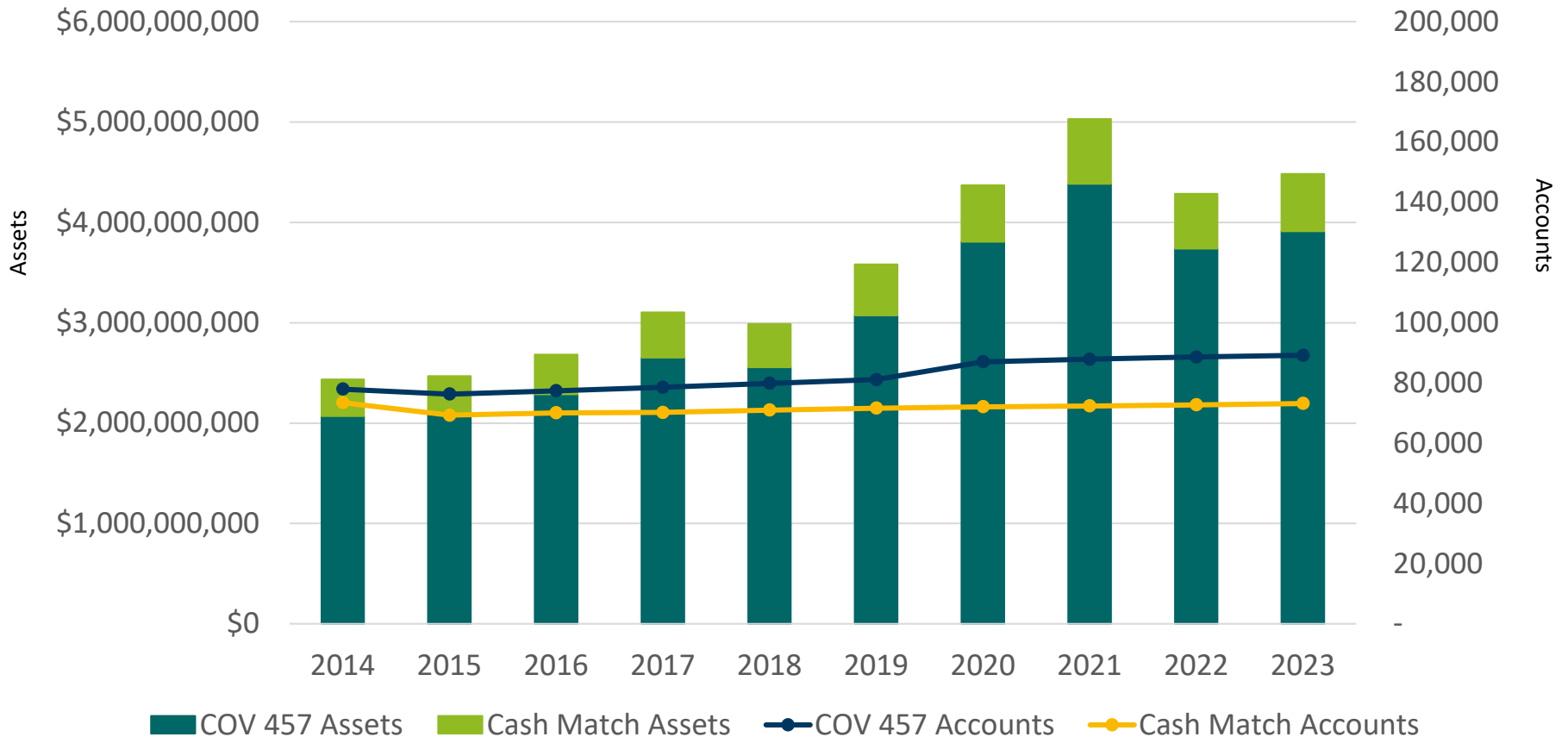
- June info sessions
- Employer newsletter
- Roundtables
- Dedicated email box for questions
- Webpage for updates

COV 457/Cash Match Plan Assets and Accounts



Totals as of 3/31/2023	Assets	Accounts
COV 457	\$3,912,676,579	89,176
Cash Match	\$570,484,016	73,179

Assets ↑ 5% since December 31, 2022



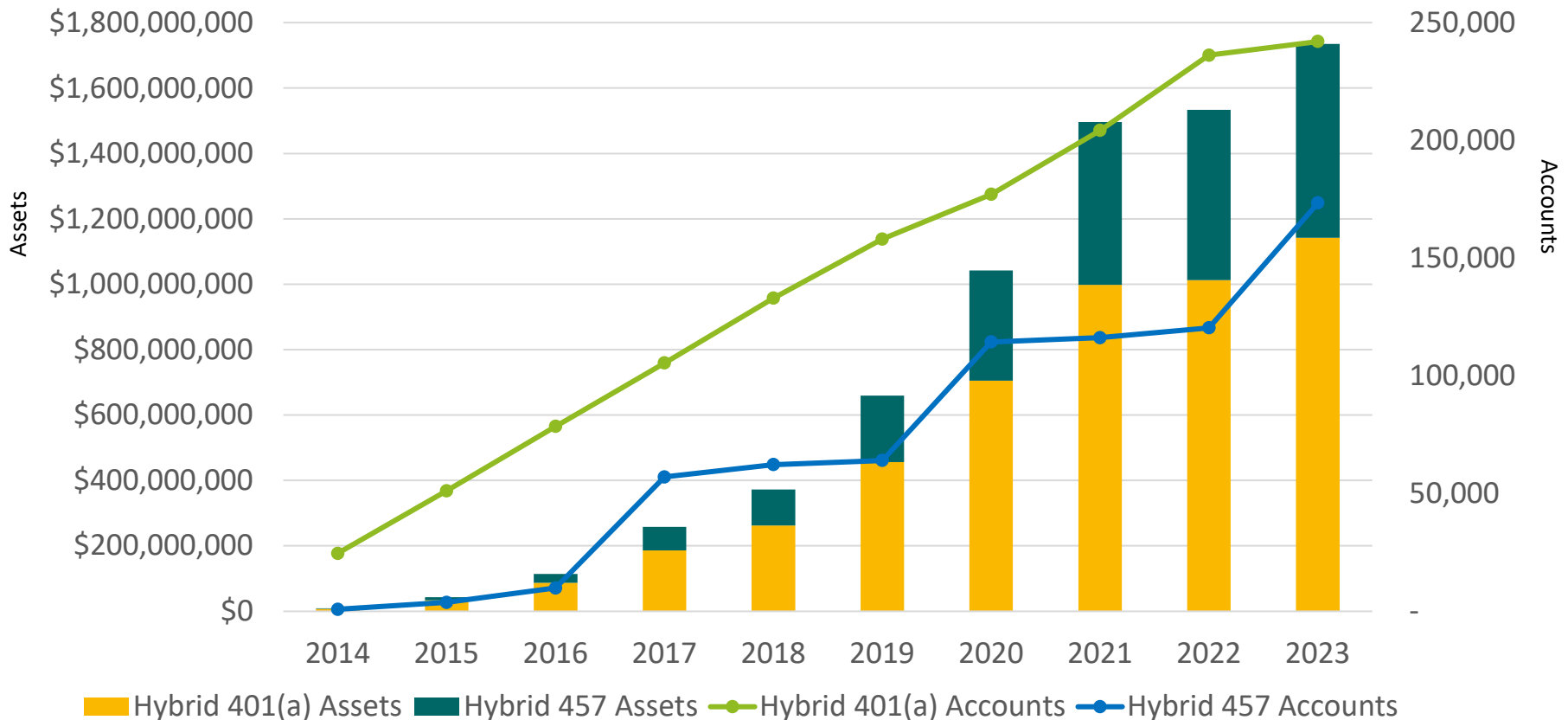
Note: All data except 2023 reflects totals as of calendar year end and includes MissionSquare participant, beneficiary & reserve accounts. 2023 data is as of 3/31/2023.

Hybrid Retirement Plan Assets and Accounts (DC only)



Totals as of 3/31/2023	Assets	Accounts
Hybrid 401(a)	\$1,142,343,364	242,026
Hybrid 457	\$593,033,891	173,416

Assets ↑ 13%
Accounts ↑ 17%
since December 31, 2022



Note: All data except 2023 reflects totals as of calendar year end and includes MissionSquare participant, beneficiary & forfeiture accounts. 2023 data is as of 3/31/2023.

2023 Auto-Escalation Status



Note: Data as of 4/1/23. Percentages do not equal 100% due to employee separations and job changes.

* Counts are cumulative since 12/15/2022.

Administrative Summary

ORPHE

ORPHE Totals*			
	12/31/2022	3/31/2023	% Change
Assets	\$1,096,591,734	\$1,146,794,037	5%
Participants	10,612	10,585	0%
Average Balance	\$103,335	\$108,341	5%



DCP	
	3/31/2023
Assets	\$147,503,899
Participants	2,308
Average Balance	\$63,910

30% of new hires Q1 2023 elected DCP as their provider.

TIAA**	
	3/31/2023
Assets	\$999,290,137
Participants	8,277
Average Balance	\$120,731

70% of new hires Q1 2023 elected TIAA as their provider.

*Excludes deselected providers.

**Includes assets in GRA/RA and RC contracts.

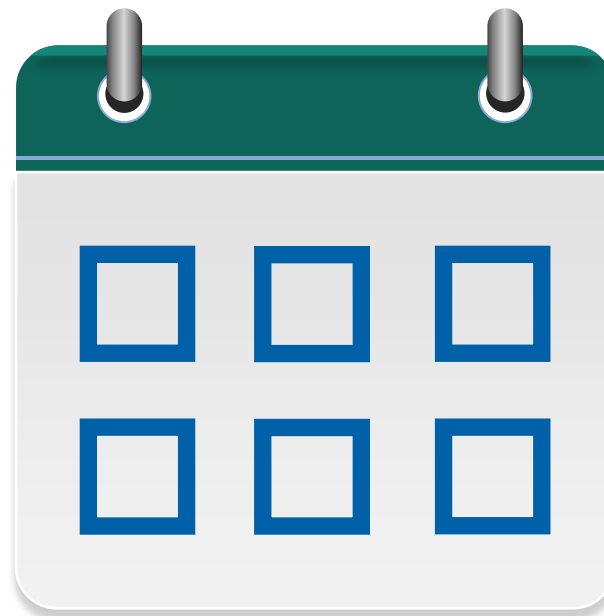
Upcoming Events

July 2023

- Participant notifications about SDBA changes begin.

September 2023

- TD Ameritrade/Schwab transition.



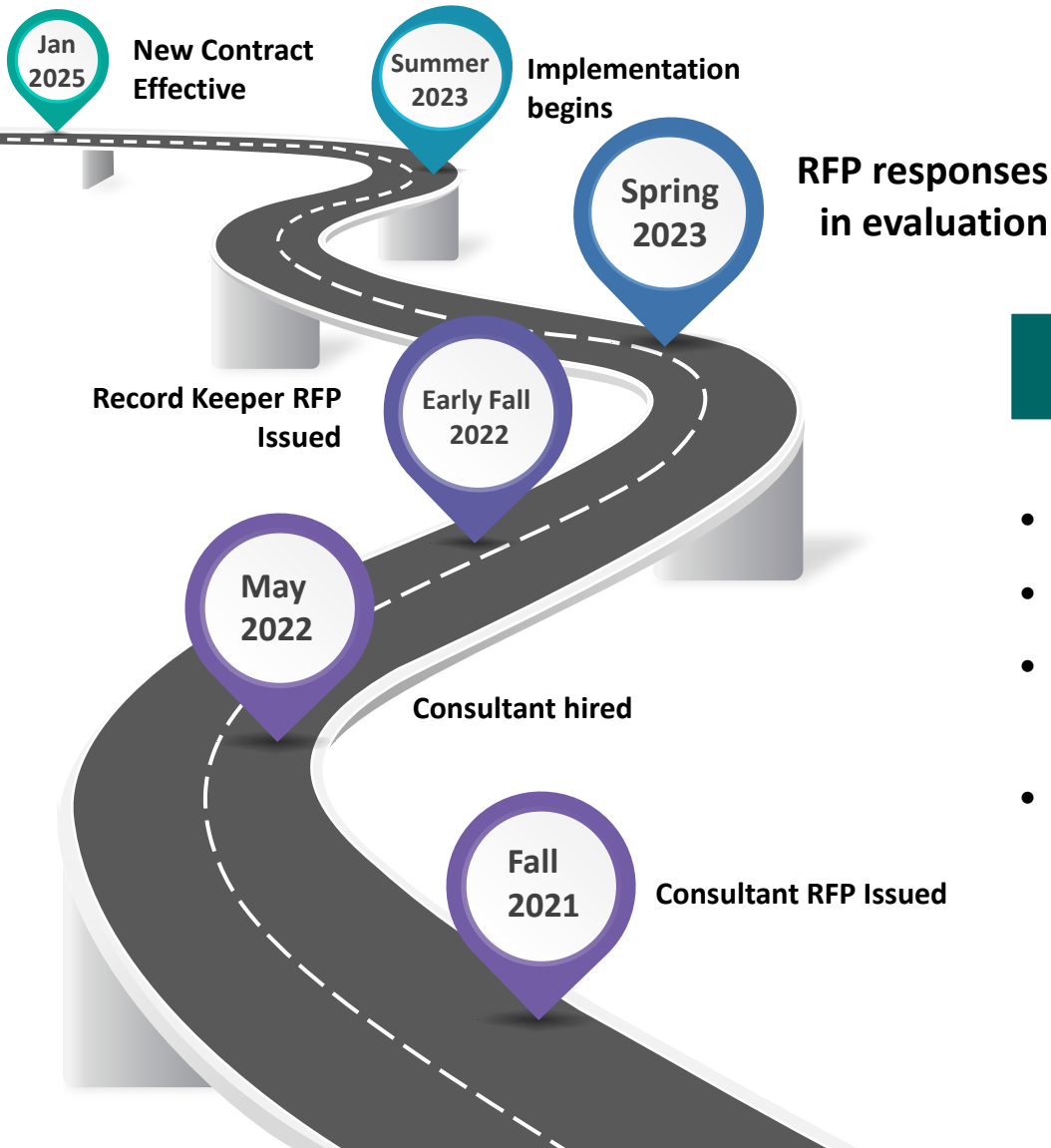
Participant Reminders and Notifications

- Security Guarantee reminder
- Financial Planning email campaign
- Field representatives' asset retention campaign
 - Targeted campaign directed to older participants to highlight planning opportunities with local service team

DC Plans Unbundled Record Keeper Project Status



Unbundled Record Keeper Contract



Project Status

- **RFP issued:** September 23, 2022
- **Responses due:** December 2, 2022
- **Initial evaluation & finalists determined:** April 2023
- **Finalist interviews:** May 15-16, 2023

Thank you!

DC Plans Investments

June 1, 2023





Performance



VRS Primary Pension Plans Basics

April 30, 2023 Performance



Defined Contribution Plans Advisory Committee Report
Unbundled Plans Investment Performance

Below are the totals for the period ending April 30, 2023. Returns greater than one year are annualized.

Investment Options	1 Month	3 Months	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs / Since Inception ¹	Fund Expense Ratio ²	Inception Date	Market Value	% of Market Value ²⁵	% of Participants Selecting an Option ²⁶
	%	%	%	%	%	%	%	%		\$	%	%
Do-It-For-Me: Target Date Portfolios^{3,4}												
Retirement Portfolio	0.76	0.37	5.22	-0.14	3.38	3.94	4.11	0.06	8/1/05	367,636,019	5.7	4.5
Custom Benchmark	0.76	0.39	5.07	-0.22	3.37	3.92	4.08					
Target Date 2025 Portfolio	0.82	0.38	5.57	-0.17	4.99	4.47	5.18	0.06	7/5/06	338,170,408	5.2	5.7
Custom Benchmark	0.81	0.40	5.41	-0.34	4.96	4.42	5.12					
Target Date 2030 Portfolio	0.96	0.46	6.27	0.20	6.81	5.19	5.88	0.06	8/1/05	369,466,098	5.7	7.7
Custom Benchmark	0.94	0.48	6.12	-0.03	6.76	5.13	5.81					
Target Date 2035 Portfolio	1.08	0.56	6.89	0.54	8.53	5.86	6.54	0.06	7/5/06	391,610,224 ²²	6.1	9.0
Custom Benchmark	1.06	0.58	6.75	0.21	8.46	5.78	6.45					
Target Date 2040 Portfolio	1.20	0.66	7.49	0.91	10.11	6.44	7.12	0.06	8/1/05	341,481,768	5.3	9.2
Custom Benchmark	1.18	0.68	7.35	0.47	10.00	6.34	7.00					
Target Date 2045 Portfolio	1.31	0.73	8.00	1.27	11.35	6.91	7.56	0.06	7/5/06	332,163,979	5.1	10.5
Custom Benchmark	1.29	0.76	7.86	0.76	11.21	6.79	7.43					
Target Date 2050 Portfolio	1.38	0.82	8.28	1.54	11.98	7.16	7.79	0.06	9/30/07	336,473,549	5.2	12.0
Custom Benchmark	1.35	0.84	8.15	0.96	11.82	7.02	7.66					
Target Date 2055 Portfolio	1.40	0.86	8.35	1.62	12.08	7.21	7.88	0.06	5/19/10	397,923,957	6.1	15.6
Custom Benchmark	1.37	0.87	8.22	1.03	11.93	7.07	7.74					
Target Date 2060 Portfolio	1.40	0.86	8.35	1.63	12.06	7.20	7.35	0.06	11/17/14	210,256,455	3.3	13.5
Custom Benchmark	1.38	0.87	8.22	1.04	11.93	7.07	7.19					
Target Date 2065 Portfolio	1.40	0.88	8.39	1.66	12.00	n/a	7.72	0.06	9/23/19	27,591,582	0.4	5.0
Custom Benchmark	1.38	0.87	8.23	1.05	11.92	n/a	7.68					
Help-Me-Do-It: Individual Options												
Money Market Fund ^{5,6}	0.41	1.20	1.59	3.40	1.27	1.64	1.05	0.08	11/1/99	115,805,870	1.8	1.7
FTSE 3 Month Treasury Bill Index	0.40	1.15	1.52	2.99	1.06	1.45	0.89					
Yield as of 04/30/23: 5.05% ⁷												
Stable Value Fund ^{8,9}	0.21	0.64	0.80	1.81	1.76	2.02	1.84	0.23	2/1/95	652,611,602	10.1	5.9
Custom Benchmark ¹⁰	0.34	1.09	1.44	4.04	1.86	2.03	1.78					
Yield as of 04/30/23: 2.75% ¹¹												
Bond Fund ¹²	0.61	0.51	3.78	-0.40	-3.10	1.22	1.37	0.03	11/1/99	153,587,485	2.4	2.8
Bloomberg U.S. Aggregate Bond Index	0.61	0.49	3.59	-0.43	-3.15	1.18	1.32					
Inflation-Protected Bond Fund ¹³	0.12	1.60	3.65	-3.94	0.93	3.05	1.50	0.03	7/30/02	55,162,144	0.9	1.3
Bloomberg U.S. TIPS Index	0.11	1.59	3.45	-4.00	0.86	2.98	1.42					
High-Yield Bond Fund ¹⁴	0.12	-0.64	3.13	-0.71	5.18	3.54	4.16	0.39	5/31/04	47,525,170	0.7	1.5
ICE BofA U.S. High-Yield BB-B Constrained Index	0.86	0.80	4.44	1.50	4.21	3.32	3.95					
Stock Fund ¹⁵	1.56	2.72	9.17	2.66	14.53	11.48	12.23	0.01	11/1/99	1,497,362,746	23.1	8.6
S&P 500 Index	1.56	2.72	9.17	2.66	14.52	11.45	12.20					
Small/Mid-Cap Stock Fund ¹⁶	-1.29	-7.17	2.12	-3.22	13.73	6.37	8.98	0.02	11/1/99	393,823,386	6.1	4.9
Russell 2500 Index	-1.30	-7.23	2.04	-3.32	13.63	6.32	8.89					
International Stock Fund ¹⁷	1.76	0.27	8.66	3.75	10.34	2.71	4.52	0.06	11/1/99	207,705,223	3.2	4.0
MSCI ACWI ex-U.S. IMI Index ¹⁸	1.70	0.36	8.37	2.21	9.93	2.39	4.23					
Global Real Estate Fund ¹⁹	1.84	-5.59	3.00	-14.04	5.73	1.66	2.74	0.08	10/1/02	91,495,425	1.4	2.6
FTSE EPRA/NAREIT Developed Index	1.89	-5.78	2.68	-15.28	4.86	0.84	1.94					
VRSIP ²⁰	1.04	2.75	2.75	-1.79	12.28	7.70	7.91	0.59	7/1/08	58,570,019 ²³	0.9	0.4
VRS Custom Benchmark ²¹	0.57	4.73	4.73	-5.45	9.00	5.79	6.76					

VRSIP and benchmark returns are reported with a one month lag. [Return information shown is as of March 31, 2023.] [Market value as of March 31, 2023 was \$58,842,264.]

Do-It-Myself: Self-Directed Brokerage Account												
TD Ameritrade	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	90,802,727		0.2
Total										\$6,477,225,836²⁴		

- 1 If the fund was not in existence for 10 years, fund and corresponding benchmark returns shown represent performance from the since inception date.
- 2 Fund investment advisers may voluntarily agree to waive expenses. Expense waivers may be terminated at any time.
- 3 Effective February 2023, the Target Date Portfolios invest in units of BlackRock's LifePath Index Funds N. The LifePath Index Funds N invest in the master Lifepath Index Funds F. The inception dates shown reflect that of the master LifePath Index Funds F. Prior to February 2023, the Target Date Portfolios invested in BlackRock's LifePath Index Funds O which also invested in the master LifePath Index Funds F. All performance returns are linked.
- 4 Benchmarks are calculated using blended returns of third-party indices that proportionately reflect the respective weightings of the Portfolios' asset classes. Weightings are adjusted quarterly to reflect the Portfolios' asset allocation shifts over time. Indices currently used to calculate the custom benchmarks are: Russell 1000 Index, Russell 2000 Index, MSCI ACWI ex-U.S. IMI Net Dividend Return Index, Bloomberg U.S. Long Credit Bond Index, Bloomberg U.S. Intermediate Credit Bond Index, Bloomberg U.S. Long Government Bond Index, Bloomberg U.S. Intermediate Government Bond Index, Bloomberg U.S. Securitized: MBS, ABS, and CMBS Index, Bloomberg U.S. TIPS Index, FTSE EPRA/NAREIT Developed Index and the Bloomberg Commodity Index Total Return.
- 5 The Money Market Fund invests in units of BlackRock's Short-Term Investment Fund W. The inception data shown reflects the VRS Defined Contribution Plan's investment strategy inception date. Returns of the Fund from July 2012 through July 2016 represent performance of other BlackRock funds. Performance returns are linked.
- 6 An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment it is possible to lose money by investing in the Fund.
- 7 The current yield more closely reflects the earnings of the Fund than the total net return information. There is no guarantee that the Fund will earn the current yield in the future.
- 8 The inception date shown reflects the VRS Defined Contribution Plans investment strategy inception date.
- 9 Direct transfers from the Stable Value Fund to the Money Market Fund (considered a "competing fund") are not permitted. Before transferring to the Money Market Fund, participants must first transfer to a "non-competing" fund for 90 days. Optional Retirement Plan for Higher Education (ORPHE) participants who want to make a direct exchange to another ORPHE provider, must first exchange to a "non-competing" fund on the MissionSquare Retirement investment platform for 90 days.
- 10 Effective August 2016, the benchmark represents a hypothetical return generated by the monthly yields of actively traded U.S. Treasuries based on [50% 2- year maturity + 50% 3- year maturity] plus an annualized spread of 0.25% and is representative of the Fund's expected return profile, given how the Fund is managed and book value accounting treatment. Prior to August 2016 the custom benchmark was based on the monthly yield of actively traded U.S Treasuries with a 3-year maturity plus an annualized spread of 0.50%. The benchmark returns are linked.
- 11 The current yield more closely reflects the earnings of the Fund than the total net return information. There is no guarantee that the Fund will earn the current yield in the future.
- 12 The Bond Fund invests in units of BlackRock's U.S. Debt Index Fund M. The U.S. Debt Index Fund M invests in the master Fund F. The inception date shown reflects the VRS Defined Contribution Plans strategy inception date.
- 13 The Inflation-Protected Bond Fund invests in units of BlackRock's U.S. Treasury-Inflation Protected Securities Fund M. The U.S. Treasury Inflation-Protected Securities Fund M invests in the master Fund F. The inception date shown reflects the inception date of the master Fund F.
- 14 The High-Yield Bond Fund invests in units of JPMorgan's Corporate High-Yield Fund-Investment Class. The inception date shown reflects the date the current investment team at JPMorgan commenced management responsibility of the Fund.
- 15 The Stock Fund invests in units of BlackRock's Equity Index Fund F. Performance represents BlackRock's returns for the master Fund F with deductions taken for management fees negotiated by VRS and fund administrative expenses. The inception date shown reflects the VRS Defined Contribution Plans investment strategy inception date.
- 16 The Small/Mid-Cap Stock Fund invests in units of BlackRock's Russell 2500 Index Fund F. Performance represents BlackRock's returns for the master Fund F with deductions taken for investment management fees negotiated by VRS and fund administrative expenses. The inception date shown reflects the VRS Defined Contribution Plans investment strategy date.
- 17 The International Stock Fund invests in units of BlackRock's MSCI ACWI ex-U.S. IMI Index Fund F. Performance represents BlackRock's returns for the master Fund F with deductions taken for investment management fees negotiated by VRS and fund administrative expenses. The inception date shown reflects the VRS Defined Contribution Plan's investment strategy inception date. Returns from July 2012 through July 2016 represent performance of another BlackRock Fund. Performance returns are linked.
- 18 Effective August 2016, the performance benchmark is the MSCI ACWI ex.-U.S. IMI Index. It was the MSCI World ex-U.S Index from July 2012 through July 2016. The benchmark returns are linked.
- 19 The Global Real Estate Fund invests in units of BlackRock's Developed Real Estate Index Fund F. Performance represents BlackRock's returns for the master Fund F with deductions taken for investment management fees negotiated by VRS and fund administrative expenses. The inception date shown reflects the VRS Defined Contribution Plans investment strategy inception date.
- 20 The inception date shown reflects the date the VRS Investment Portfolio (VRSIP) was unitized.
- 21 The VRS Custom Benchmark is a blend of the asset class benchmarks at policy weights.
- 22 Includes Pending Account VRSIP amount of \$203,851.
- 23 Includes Preliminary Investment Portfolio Account - PIP amount of \$0.
- 24 Includes \$6,877,153 held in the administrative Special Accounts.
- 25 May not equal 100% due to rounding.
- 26 The data reflects the percentage of participants who selected a particular investment option as of March 31, 2023. There were 580,592 participant accounts as of March 31, 2023 across all unbundled DC plans.

All fund performance returns shown reflect all fund management fees and expenses, but do not reflect the Plan administrative fee charged by MissionSquare Retirement which would further reduce the returns shown.

All calculations assume reinvestment of dividends and capital gains. All returns are calculated in U.S. dollars. Performance returns are provided by BlackRock, Galliard Capital Management, JPMorgan, Bank of New York Mellon, and MissionSquare Retirement. Benchmark returns are provided by BlackRock, Russell/Mellon Analytical Services, Galliard, and MissionSquare Retirement. Although data is gathered from sources believed to be reliable, we cannot guarantee completeness or accuracy.

Plan Administrative Fee: An annual record keeping and communication services fee of \$30.50 is deducted from participant accounts on a monthly basis (approximately \$2.54 per month). Only one annual fee of \$30.50 is deducted from participant accounts for those participants participating in more than one Commonwealth of Virginia defined contribution plan.

TIAA ORPHE Investment Changes

- The transition to lower share classes for the BlackRock LifePath Index Funds and the BlackRock Russell 2500 Index Fund will take place after market close May 31, 2023.
- TIAA sent participants communication information about these changes on April 28, 2023.

Defined Contribution Plans Advisory Committee Report

TIAA RC Contract Investment Performance

Below are the totals for the period ending April 30, 2023. Returns greater than one year are annualized.

Investment Options	1 Month	3 Months	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs / Since Inception ¹	Fund Expense Ratio ²	Inception Date	Market Value	% of Market Value ¹⁹	% of Participants Selecting an Option ²⁰
	%	%	%	%	%	%	%	%		\$	%	%
Target Date Portfolios^{3,4}												
BlackRock LifePath Index Retirement Fund O	0.76	0.37	5.21	-0.14	3.38	3.94	4.11	0.08	8/1/05	23,354,589	6.6	7.9
Custom Benchmark	0.76	0.39	5.07	-0.22	3.37	3.92	4.08					
BlackRock LifePath Index 2025 Fund O	0.82	0.37	5.57	-0.18	4.99	4.47	5.18	0.08	7/5/06	20,466,732	5.8	6.9
Custom Benchmark	0.81	0.40	5.41	-0.34	4.96	4.42	5.12					
BlackRock LifePath Index 2030 Fund O	0.96	0.46	6.26	0.20	6.80	5.19	5.88	0.08	8/1/05	30,506,905	8.6	8.6
Custom Benchmark	0.94	0.48	6.12	-0.03	6.76	5.13	5.81					
BlackRock LifePath Index 2035 Fund O	1.08	0.55	6.88	0.54	8.53	5.86	6.54	0.08	7/5/06	24,560,343	6.9	9.0
Custom Benchmark	1.06	0.58	6.75	0.21	8.46	5.78	6.45					
BlackRock LifePath Index 2040 Fund O	1.20	0.65	7.49	0.90	10.11	6.44	7.12	0.08	8/1/05	27,840,648	7.8	9.7
Custom Benchmark	1.18	0.68	7.35	0.47	10.00	6.34	7.00					
BlackRock LifePath Index 2045 Fund O	1.31	0.73	7.99	1.27	11.35	6.91	7.56	0.08	7/5/06	23,578,495	6.6	10.2
Custom Benchmark	1.29	0.76	7.86	0.76	11.21	6.79	7.43					
BlackRock LifePath Index 2050 Fund O	1.37	0.82	8.27	1.54	11.98	7.16	7.79	0.08	9/30/07	14,653,783	4.1	8.3
Custom Benchmark	1.35	0.84	8.15	0.96	11.82	7.02	7.66					
BlackRock LifePath Index 2055 Fund O	1.39	0.85	8.34	1.62	12.07	7.21	7.88	0.08	5/19/10	7,323,307	2.1	6.4
Custom Benchmark	1.37	0.87	8.22	1.03	11.93	7.07	7.74					
BlackRock LifePath Index 2060 Fund O	1.40	0.86	8.35	1.62	12.06	7.20	7.33	0.08	11/17/14	1,824,662	0.5	3.1
Custom Benchmark	1.38	0.87	8.22	1.04	11.93	7.07	7.19					
BlackRock LifePath Index 2065 Fund O	1.40	0.88	8.39	1.66	12.00	n/a	7.71	0.08	9/23/19	3,725,006	1.1	1.9
Custom Benchmark	1.38	0.87	8.23	1.05	11.92	n/a	7.68					
Individual Options												
BlackRock Short-Term Investment Fund W ⁵	0.41	1.20	1.59	3.40	1.27	1.64	1.11	0.08	7/1/03	6,323,174	1.8	7.6
FTSE 3 Month Treasury Bill Index	0.40	1.15	1.52	2.99	1.06	1.45	0.89					
Yield as of 04/30/23: 5.05% ⁶												
BlackRock U.S. Debt Index Fund M ⁷	0.61	0.51	3.78	-0.40	-3.10	1.22	1.37	0.03	6/6/96	10,062,112	2.8	17.9
Bloomberg U.S. Aggregate Bond Index	0.61	0.49	3.59	-0.43	-3.15	1.18	1.32					
BlackRock U.S. TIPS Fund M ⁸	0.12	1.60	3.65	-3.94	0.93	3.05	1.50	0.03	7/30/02	5,175,131	1.5	12.2
Bloomberg U.S. TIPS Index	0.11	1.59	3.45	-4.00	0.86	2.98	1.42					
BlackRock Equity Index Fund J ⁹	1.56	2.72	9.17	2.65	14.53	11.48	12.23	0.01	3/5/97	39,391,390	11.1	24.2
S&P 500 Index	1.56	2.72	9.17	2.66	14.52	11.45	12.20					
BlackRock Russell 2500 Index Fund M ¹⁰	-1.29	-7.18	2.11	-3.24	13.72	6.36	8.97	0.03	9/30/08	8,035,511	2.3	4.8
Russell 2500 Index	-1.30	-7.23	2.04	-3.32	13.63	6.32	8.89					
BlackRock MSCI ACWI ex-U.S. IMI Index Fund M ¹¹	1.76	0.26	8.64	3.71	10.28	2.66	4.32	0.11	2/28/11	16,198,007	4.6	17.5
MSCI ACWI ex-U.S. IMI Index	1.70	0.36	8.37	2.21	9.93	2.39	4.09					
BlackRock MSCI ACWI IMI Index Non-Lendable Fund M ¹²	1.35	0.90	8.46	2.41	12.47	6.97	8.16	0.05	4/12/13	46,609,986	13.1	31.0
MSCI ACWI IMI Index	1.27	0.88	8.31	1.55	12.15	6.65	7.80					
TIAA Real Estate Account ¹³	-0.96	-2.62	-3.35	-2.21	7.13	5.92	6.66	0.77	10/2/95	11,771,410	3.3	26.2
Custom Composite Benchmark ¹⁴	n/a	n/a	n/a	n/a	n/a	n/a	n/a					
TIAA Traditional Annuity RC ^{15,16,17,18}	0.39	1.12	1.49	4.41	3.97	4.00	4.15	--- ²¹	8/1/05	29,713,036	8.4	28.0
Self-Directed Brokerage Account												
TIAA - Self-Directed Account	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4,758,151	1.3	0.9
Total										\$355,872,378		

Footnotes >

- 1 If the fund was not in existence for 10 years, fund and corresponding benchmark returns shown represent performance from the since inception date.
- 2 Fund investment advisers may voluntarily agree to waive expenses. Expense waivers may be terminated at any time.
- 3 The BlackRock LifePath Index Funds O invest in the master LifePath Index Funds F. The inception dates shown reflect the inception date of the master LifePath Funds F. The inception dates for most LifePath Funds O were 12/9/11. The 2055 Fund's O inception date was 12/12/11, the 2060 Fund's O inception date was 1/2/15 and the 2065 Fund's O inception date was 9/23/19. Returns prior to Funds' O inception dates are those of Funds F with deductions taken for Funds O investment management fees.
- 4 Benchmarks are calculated using blended returns of third-party indices that proportionately reflect the respective weightings of the Portfolios' asset classes. Weightings are adjusted quarterly to reflect the Portfolios' asset allocation shifts over time. Indices currently used to calculate the custom benchmarks are: Russell 1000 Index, Russell 2000 Index, MSCI ACWI Ex-U.S. IMI Net Dividend Return Index, Bloomberg U.S. Long Credit Bond Index, Bloomberg U.S. Intermediate Credit Bond Index, Bloomberg U.S. Long Government Bond Index, Bloomberg U.S. Intermediate Government Bond Index, Bloomberg U.S. Securitized: MBS, ABS, and CMBS Index, Bloomberg U.S. TIPS Index, FTSE EPRA/NAREIT Developed Index and the Bloomberg Commodity Index Total Return.
- 5 An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment it is possible to lose money by investing in the Fund.
- 6 The current yield more closely reflects the earnings of the Fund than the total net return information.
- 7 The BlackRock U.S. Debt Fund M invests in the master Fund F. The inception date shown reflects the inception of the master Fund F. The inception date of Fund M was 7/20/12. Returns prior to Fund M's inception date are those of Fund F with deductions taken for Fund M's investment management fees.
- 8 The BlackRock U.S. Treasury Inflation-Protected Securities Fund M invests in the master Fund F. The inception date shown reflects the inception of the master Fund F. The inception date of Fund M was 7/20/12. Returns prior to Fund M's inception date are those of Fund F with deductions taken for Fund M' investment management fees.
- 9 The BlackRock Equity Index Fund J invests in the master Fund F. The inception date shown reflects the inception of the master Fund F. The inception date of Fund J was 3/20/17. Returns prior to Fund J's inception date are those of Fund F with deductions taken for Fund J's investment management fees.
- 10 The BlackRock Russell 2500 Fund M invests in the master Fund F. The inception date shown reflects the inception of the master Fund F. The inception date of Fund M was 1/30/13. Returns prior to Fund M's inception date are those of Fund F with deductions taken for Fund M's investment management fees.
- 11 The BlackRock MSCI ACWI ex-U.S. IMI Index Fund M invests in the master Fund F. The inception date shown reflects the inception of the master Fund F. The inception date of Fund M was 12/31/12. Returns prior to Fund M's inception date are those of Fund F with deductions taken for Fund M's investment management fees.
- 12 The BlackRock MSCI ACWI IMI Index Non-Lendable Fund M invests in the master Fund F. Inception dates for the master Fund F and Fund M are both 4/12/13.
- 13 Transfers out of the TIAA Real Estate Account (REA) are limited to one per quarter. Currently, these transfers do not require a minimum transaction amount; however, in the future TIAA reserves the right, in its sole discretion, to impose minimum transaction levels, which levels will generally be at least \$1,000 (except for systematic transfers, which must be at least \$100) or your entire accumulation, if less. Participants may not make a lump-sum transfer into the REA if their aggregated balances across all contracts is greater than \$150,000. Systematic transfers and recurring contributions are not subject to this limitation.
- 14 Effective January 2014, the Custom Composite Index is 70% NCREIF Open End Diversified Core Equity (ODCE) Net Index, 20% Bloomberg 3-Month Treasury Bill Index, and 10% Dow Jones U.S. Select REIT Index. Prior periods include other representative indices. TIAA's investment management team does not manage its real estate portfolio to a specific published index benchmark. The Custom Composite Index represents a reasonable proxy of how TIAA allocates assets among real property, short-term investments, and REITs over time. The Virginia Retirement System anticipates that Fund returns may vary greatly from those of the Custom Composite Index. Benchmark returns are not available for months that do not end on a calendar quarter due to the fact that NCREIF ODCE Index returns are only published each calendar quarter.
- 15 Upon separation from service or retirement participants can convert their TIAA Traditional accumulation dollars amount to a lifetime income option or withdraw funds through a fixed period annuity ranging from five to 30 years or a Transfer Payout Annuity, which enables participants to move funds out of the TIAA Traditional Annuity in 7 annual installments for the Retirement Choice (RC) contract. Each installment includes a portion of principal and interest, based on the rate in effect when transfer or withdrawal funds are made. However, there are two exceptions to the payout installment. First, if the TIAA Traditional account balance is less than \$5,000, participants can transfer the total amount at any time following termination of employment, but only once during the life of the contract. Second, TIAA Traditional can be withdrawn or transferred to another company up to the full balance within 120 days following termination of employment, subject to 2.5% surrender charge. After the 120-day period, participants can withdraw funds only through a fixed period annuity ranging from five to 30 years or the Transfer Payout Annuity.
- 16 The TIAA Traditional Annuity RC contract has minimum guaranteed rate during the accumulation phase of 1% to 3% . The current minimum rate for the RC contract is 1%. Further, the TIAA Traditional Annuity RC contract applies to premiums deposited during the applicable calendar year and is guaranteed for 10 years, at which point the minimum rate for these premiums will be reset.
- 17 TIAA's annual credited rate on new money for the RC contract for the month of April was 6.25%.
- 18 The TIAA Traditional Annuity is not an investment for purposes of federal securities laws; it is a guaranteed insurance contract. Therefore, unlike a variable annuity or mutual fund, the TIAA Traditional Annuity does not include an identifiable expense ratio. Each premium allocated to the TIAA Traditional Annuity buys a definite amount of lifetime income for participants based on the rate schedule in effect at the time the premium is paid. In addition, the TIAA Traditional Annuity provides a guarantee of principle, a guaranteed minimum rate of interest and the potential for additional amounts of interest when declared by TIAA's Board of Trustees. Additional amounts, when declared, remain in effect for the "declaration year" that begins each March for the accumulating annuities and January for lifetime payout annuities. Additional amounts are not guaranteed for future years.
- 19 May not equal 100% due to rounding
- 20 The data reflects the percentage of participants who selected a particular investment option as of March 31, 2023. There were 5,335 (RC contract) participants as of March 31, 2023.
- 21 Effective July 2022, TIAA no longer provides an estimated expense ratio for its TIAA Traditional Annuity product.

Performance returns shown reflect all fund management fees and other investment related expenses, but do not reflect the TIAA annual administrative fee of \$28 (deducted at \$7.00 per quarter) which would further reduce the returns shown. Performance returns do not reflect redemption fees and/or surrender charges, if applicable.

All calculations assume reinvestment of dividends and capital gains. All returns are calculated in U.S. dollars. Fund and benchmark returns are provided by TIAA and BlackRock. Although data is gathered from sources to be reliable, the Virginia Retirement System cannot guarantee completeness or accuracy.

VRS Primary Pension Plans Basic Characteristics



Purpose of Reviewing Primary Pension Plans Basics

- Provides the DCPAC and other stakeholders context about the diverse nature of the various primary pension plans available to members.
- Primary pension plans benefits are used as baseline retirement income when determining potential retirement income gaps.
- Sets the stage for evaluating DC retirement income products/solutions in a wholistic manner for VRS members.

- Defined Benefit = DB

The retirement benefit is defined. The benefit is based on a member's age, service credit (years of service) and average final compensation at retirement using a formula. Investment risk is borne by the pension system (employer).

- Defined Contribution = DC

The contribution to the plan is defined. The benefit is based on a member's contributions, employer contributions (if any), and investment gains/losses to a member's account. Investment risk is borne solely by the member.

- Average Final Compensation = AFC

- Cost of Living Adjustment = COLA

- Optional Retirement Plan Higher Education = ORPHE

The Retirement Systems

- Virginia Retirement System (VRS)*
 - State Employees
 - Teachers
 - Political Subdivisions
- State Police Officers' Retirement System (SPORS)
- Virginia Law Officers' Retirement System (VaLORS)
- Judicial Retirement System (JRS)

* Information contained within the tables on subsequent slides represent VRS.

VRS Primary Pension Plans Key Items



Category	DB Plans 1 & 2	Hybrid (DB & DC)	ORPHE 1 & 2
Coverage Date	<p>P1: < 7/1/2010 & vested before 1/1/2013</p> <p>P2: 7/1/2010 –12/31/2013 and no refund or < 7/1/2010 but not vested before 1/1/2013</p>	On or later than 1/1/2014	<p>P1: < 7/1/2010</p> <p>P2: on or later than 7/1/2010</p>
Vesting	5 years for both plans	DB: 5 years; DC 401(a) employer- gradual with 100% at four years; DC 457 & employee contributions & net earnings to 401(a) Cash Match - immediate	Immediate for both plans

VRS Primary Pension Plans Key Items

Category	DB Plans 1 & 2	Hybrid	ORPHE 1 & 2
Employee Contribution	5% for both plans	DB: 4% / DC 1% mandatory DC: 0 – 4% voluntary	P1: Not applicable P2: 5%
Employer Contribution	Actuarially determined	DB: varies based on DC contributions DC: 1% mandatory; 0 - 2.5% matching	P1: 10.4% P2: 8.5% - employer may increase up to 8.9%
AFC (DB)	P1: Average 36 consecutive months of highest creditable compensation P2: Average of 60 consecutive months of highest creditable compensation	DB: Average of 60 consecutive months of highest creditable compensation	Not applicable for both plans

VRS Primary Pension Plans Key Items



Category	DB Plans 1 & 2	Hybrid	ORPHE 1 & 2
Multiplier (DB)	<p>P1: 1.70%</p> <p>P2: Same as Plan 1 for service prior to 1-1-2013</p> <p>1.65% for service after 1-1-2013</p>	DB: 1.00%	Not applicable for both plans
Unreduced Retirement (DB)	<p>P1: Age 65 with 5 years or age 50 with 30 years</p> <p>P2: Normal Social Security retirement age with 5 years or when age and service equal 90</p>	Normal Social Security retirement age with 5 years or when age and service equal 90	Not applicable for both plans

VRS Primary Pension Plans Key Items



Category	DB Plans 1 & 2	Hybrid	ORPHE 1 & 2
COLA (DB)	<p>P1: Matches first 3% increase in CPI-Urban and half of additional increase (up to 4%) with maximum 5%</p> <p>P2: Matches first 2% increase in CPI-Urban and half of additional increase (up to 2%) with a maximum of 3%</p>	<p>DB: Matches first 2% increase in CPI-Urban and half of additional increase (up to 2%) with a maximum of 3%</p> <p>DC: Not applicable</p>	<p>Not applicable for both plans</p>

VRS Primary Pension Plans Key Items



Category	DB Plans 1 & 2	Hybrid	ORPHE 1 & 2
Payout Options	<p>Same for both plans</p> <ul style="list-style-type: none"> Basic Benefit Survivor Option Basic with Partial Lump Sum (PLOP) Survivor with PLOP Advanced Pension Option Refund of eligible amounts Rollovers 	<p>DB: Same as DB Plans 1 & 2</p> <p>DC:</p> <ul style="list-style-type: none"> Lump Sum Partial Lump Sum Periodic Payments Partial Lump Sum with Periodic Payments Purchase of an Annuity (full or partial) Rollovers 	<p>Same for both plans</p> <ul style="list-style-type: none"> Lump Sum Partial Lump Sum Periodic Payments Partial Lump Sum with Periodic Payments Purchase of an Annuity (full or partial) Rollovers

VRS Primary Pension Plans Key Items



DB Pension Benefit Comparison Across Plan Types

Assumptions:

DB Plan 1 AFC = \$55,000

DB Plan 2 & Hybrid DB AFC = \$53,000

30 years of service

Member retires with unreduced basic pension benefit

*Hybrid DB represents a portion of the full Hybrid Plan retirement benefit (excludes Hybrid DC portion)

	DB Plan 1	DB Plan 2	Hybrid DB*
Monthly Benefit	\$2,338	\$2,186	\$1,325

VRS DB pension plan benefits continue to serve as a foundational source of a member's retirement income for most members (excludes Optional Retirement Plans) by providing guaranteed monthly income with COLAs.

Defined benefit plan formulas among public sector plan sponsors have changed over the years resulting in DB benefit plan reductions. This has resulted in public sector DC plans transitioning from historically supplemental plans to becoming an integral part of public sector employees' primary retirement income as in the case of VRS' Hybrid Plan.

As VRS retirement plans evolve, staff is dedicated to making improvements to the DC investment programs, where needed, so members have an opportunity to develop a retirement income stream that complements VRS DB plan benefits or other retirement income.



Approve amended and restated 457 Deferred Compensation Plan Document.

Requested Action

The Virginia Retirement System Board of Trustees approves the amended and restated Commonwealth of Virginia 457 Deferred Compensation Plan (Plan), effective July 1, 2023.

Description/Background

The Setting Every Community Up for Retirement Enhancement Act of 2022 (SECURE Act 2.0) was included in the Comprehensive Appropriations Act of 2023, which was signed into law on December 29, 2022. VRS staff undertook a review of the existing Plan Document for the purpose of determining the need or advisability for certain required and discretionary amendments under the SECURE Act 2.0. In connection with this project, staff engaged Ice Miller (outside benefits counsel) to create draft amendments to the Plan Document. The overriding goals of this project were to (i) ensure compliance with recent required changes contained in the SECURE Act 2.0 and (ii) adopt discretionary provisions allowed under the SECURE Act 2.0 that serve the interests of plan members.

The proposed amendments to the Plan Document include the following:

- Effective July 1, 2023, eliminates the first day of the month rule for initial elections and the exception to that rule for new hires (paragraphs 4.01(b) and 4.01(e)).
- Effective July 1, 2023, allows automatic pre-tax contributions to become effective as soon as administratively practicable following the employee's 90th day of employment as opposed to the first day of the next calendar month following the 90th day of employment (paragraph 4.02(c)).
- Effective January 1, 2023, amends the maximum amount of elective deferrals to the plan to reflect the current federal level (paragraph 5.01(a)).
- Effective January 1, 2023, authorizes VRS to suspend the right to make elective age-based catch-up deferrals to the plan for participants age 50 or older for any year beginning in 2024 (paragraph 5.01(b)).
- Effective January 1, 2023, amends the age when required minimum distributions must begin to reflect the current federal level (paragraph 9.07(c)).

The amendments to paragraphs 4.01(b), 4.01(e), and 4.02(c) of the Plan Document are discretionary under the SECURE 2.0 Act that were determined to serve the interests of plan members. The amendments to paragraphs 5.01(a) and 9.07(c) are required under the SECURE Act 2.0.

The amendment to paragraph 5.01(b) related to the catch-up contributions is necessary due to a required change in the SECURE Act 2.0. Specifically, the SECURE Act 2.0 requires that all age-based catch-up contributions must be made to a Roth account if the participant earned more than \$145,000 in the prior calendar year. Because VRS does not have the capability to implement this requirement in the immediate future, in order not to contravene this change in federal law, the amendment gives VRS the discretion to suspend age-based catch-up contributions to ensure VRS continues to comply with federal law.

Authority for Requested Action

Va. Code § 51.1-124.22(8) authorizes the Board to make determinations necessary to carry out the provisions of Title 51.1 of the *Code of Virginia*, and Va. Code § 51.1-124.22(10) requires the Board to adopt rules and policies that bring the Retirement System into compliance with any applicable law or regulation of the Commonwealth of Virginia or the United States.

The above action is approved.

A. Scott Andrews, Chairman
VRS Board of Trustees

Date

**FIRST AMENDMENT
TO THE
COMMONWEALTH OF VIRGINIA 457 DEFERRED COMPENSATION PLAN**

(As Amended and Restated Effective January 1, 2021)

The Board of Trustees of the Virginia Retirement System (“Board”) has the authority to amend the Commonwealth of Virginia 457 Deferred Compensation Plan (“Plan”) in accordance with Section 51.1-600 *et seq.* of the Code of Virginia and Section 16.01 of the Plan. In accordance with such authority, the Board hereby amends the Plan, effective as of the dates stated herein, to reflect certain required and discretionary amendments under the Setting Every Community Up for Retirement Enhancement Act of 2022.

1. As soon as administratively practicable on or after July 1, 2023, paragraph (b) of Section 4.01, addressing Elective Deferrals, is hereby amended to be and read as follows:

(b) Elective Deferrals shall begin as soon as administratively practicable following the date specified in the Salary Reduction Agreement, or, if later or if no date is specified, as soon as administratively practicable after the Salary Reduction Agreement is filed with the Administrator. ~~Notwithstanding the preceding, the Salary Reduction Agreement shall become effective no earlier than the first pay date of the month following the month in which the Salary Reduction Agreement is executed and submitted to the Administrator; provided, however, that a new Employee may defer Compensation payable in the calendar month during which he or she first becomes an Employee if he or she enters into a Salary Reduction Agreement before the first day on which he or she performs services for the Participating Employer~~

2. As soon as administratively practicable on or after July 1, 2023, paragraph (e) of Section 4.01, addressing Elective Deferrals, is hereby amended to be and read as follows:

(e) A Participant may change his or her election to make Pre-Tax Contributions and/or Roth Contributions at any time by entering into a new Salary Reduction Agreement. Any such changes shall be effective as soon as administratively practicable following the date specified in the new Salary Reduction Agreement, or, if later, as soon as administratively practicable after the Salary Reduction Agreement is filed with the Administrator; ~~provided that the Salary Reduction Agreement shall become effective no earlier than the first pay date of the month following the month in which the Salary Reduction Agreement is executed and submitted to the Administrator.~~

3. As soon as administratively practicable on or after July 1, 2023, paragraph (c) of Section 4.02, addressing Automatic Elective Deferrals, is hereby amended to be and read as follows:

(c) Automatic Pre-Tax Contributions shall become effective as soon as administratively practicable ~~the first pay date of the next calendar month~~ following

the Employee's 90th day of employment ~~or as soon as administratively practicable thereafter.~~

4. Effective January 1, 2023, except as otherwise stated herein, Section 5.01, Elective Deferral Limits, is hereby amended to be and read as follows:

Section 5.01. Elective Deferral Limits.

(a) The maximum amount of Elective Deferrals to the Plan for any calendar year shall be limited to the lesser of (i) the applicable dollar amount as provided in Code Section 457(e)(15) or (ii) the Participant's Includible Compensation as provided in Code Section 457(b)(2). The applicable dollar amount is ~~\$1922,500~~ for ~~20203~~, increased thereafter by the Cost-of-Living Adjustment.

(b) A Participant who attains age 50 or more by the end of the calendar year, and who is contributing up to the applicable dollar amount under paragraph (a), may make additional Elective Deferrals under Code Section 414(v) of up to ~~\$76,500~~ for ~~20203~~, increased thereafter by the Cost-of-Living Adjustment. The Administrator shall have the authority, in its sole discretion, if determined necessary to comply with applicable law, to suspend the right to make Elective Deferrals under this paragraph for 2024 or any subsequent calendar year. Any suspension under this subsection shall apply to any new or existing Salary Reduction Agreements in effect for such year or years.

(c) If the applicable year is one of a Participant's last three calendar years ending before the year in which the Participant attains Normal Retirement Age and the amount determined under this paragraph (c) exceeds the amount computed under paragraphs (a) and (b), then the Elective Deferrals limit under this Article V shall be the lesser of:

(1) An amount equal to two times the applicable dollar amount set forth in paragraph (a) for such year; or

(2) The sum of:

(i) An amount equal to (i) the aggregate paragraph (a) limit for the current year plus each prior calendar year beginning after December 31, 2001, during which the Participant was an Employee under the Plan, minus (ii) the aggregate amount of Compensation that the Participant deferred under the Plan during such years, plus

(ii) An amount equal to (i) the aggregate limit referred to in Code Section 457(b)(2) for each prior calendar year beginning after December 31, 1978, and before January 1, 2002, during which the Participant was an Employee (determined without regard to

paragraph (b) or (c)), minus (ii) the aggregate contributions to Pre-2002 Coordination Plans (as defined by Treasury regulations and as provided in Section 5.03(c)) for such years.

However, in no event can the Elective Deferrals be more than the Participant's Compensation for the year.

5. Effective January 1, 2023, except as otherwise stated herein, paragraph (c) of Section 9.07, Distribution Restrictions, is hereby amended to be and read as follows:

(c) A Participant's Accounts shall be distributed to the Participant beginning no later than his or her "required beginning date" as defined in this paragraph or, if applicable, as defined in subsequent legislation or regulations that amend the definition of required beginning date for purposes of Code Section 401(a)(9). Subject to the preceding sentence, required beginning date shall mean April 1 of the calendar year following the calendar year in which the Participant attains ~~age 70½ (age 72 for distributions required to be made after December 31, 2019, with respect to a Participant who would have attained age 70½ after December 31, 2019)~~ his or her applicable age as such term is defined in Code Section 401(a)(9)(C)(v) or, if later, April 1 of the calendar year following the calendar year that the Participant has a Severance from Employment.

6. In all other respects, the Plan shall be and remain unchanged.

IN WITNESS WHEREOF, the undersigned has executed this amendment to the Plan this _____ day of _____, 2023.

BOARD OF TRUSTEES OF THE VIRGINIA RETIREMENT SYSTEM

By: _____

Printed Name: _____

Title: _____

Date: _____



Accept the Defined Contribution Plans Advisory Committee's recommendation for a DC Plans Third-Party Administrator.

Requested Action

The Virginia Retirement System Board of Trustees accepts the recommendation of the Defined Contribution Plans Advisory Committee (DCPAC) for _____ to serve as the Board of Trustees' third-party record keeper for the VRS defined contribution plans subject to negotiation of a contract.

Description/Background

VRS issued a Request for Proposals (RFP # 158-3420-1) for a DC Plans Third-Party Administrator. The RFP was issued via eVA, Virginia's electronic procurement portal.

Four firms submitted written proposals in response to the RFP. The proposals were evaluated by a panel of VRS staff members and an outside consultant based on the following criteria: qualifications and experience, approach to services, and price. Of the four firms that responded, the three highest-ranked firms were selected for interviews with the panel.

During the interviews, all the firms were asked to respond to several questions and to provide an overview of their firm's background and experience, proposed staffing, investment option support, communications (including websites), fees and implementation, if necessary.

The initial contract period is for seven years, with two successive four-year renewals.

Rationale for Requested Action

Based on the results of the scoring of the written proposals and the interviews, the panel's recommendation, with which the DCPAC concurs, is that the Board appoint _____, contingent upon staff's successful negotiation of contract terms acceptable to the parties, to serve as the VRS Board of Trustees' DC Plans Third-Party Administrator. This decision is based on the review of the proposals and the interviews.

Authority for Requested Action

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

The above action is approved.

A. Scott Andrews, Chair
VRS Board of Trustees

Date