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## Minutes

A regular meeting of the Virginia Retirement System Board of Trustees was held on June 20, 2024, in Richmond, Virginia with the following members participating:

Board members:

A. Scott Andrews, Chair  
Michael P. Disharoon, Vice-Chair  
Hon. J. Brandon Bell, II  
John M. Bennett  
Lawrence A. Bernert, III  
Susan T. Gooden, Ph.D. (*attended remotely from Stamford, CT under § 2.2-3708.3(B)(4)*)  
Jessica L. Hood

VRS Staff:

Patricia Bishop, Jennifer Schreck, Andrew Junkin, Advait Apte, John Alouf, Rory Badura, Parham Behrooz, Brock Bell, Caroline Cardwell, Jeanne Chenault, Michael Cooper, David Cotter, Juanita Cribbs, Sara Denson, Valerie Disanto, Laurie Fennell, Laura Fields, Antonio Fisher, Kenny Fleming, Josh Fox, Katherine Grawe, JT Grier, Krystal Groff, Kelly Hiers, Dane Honrado, KC Howell, Robert Irving, Sandy Jack, LaShaunda King, Kristina Koutrakos, Brian Lackey, Matt Lacy, Chung Ma, Curt Mattson, Scott Mootz, Walker Noland, Greg Oliff, Vera Pleasants, Shawn Rabalais, Paula Reid, Mark Rein, Dan Schlussler, Michael Scott, Emily Trent, Leslie Weldon, Dan Whitlock and Steve Woodall.

Guests:

Lauren Albanese, Financial Investment News; Harrison Bader and Mitchell King, BlackRock; Kevin Balaod, With Intelligence; Amruta Liz Binoy and Emily Grimes, Department of Planning and Budget; Jamie Bitz, Joint Legislative Audit and Review Commission; Justin Ferrell, Virginia Auditor of Public Accounts; Jessica Hamlin, PitchBook; Elizabeth Myers, Office of the Attorney General; and Andrew Ness, SageView.

The meeting convened at 12:59 p.m.

### Opening Remarks

Mr. Andrews called the meeting to order and welcomed everyone to the June 20, 2024, meeting of the Virginia Retirement System Board of Trustees.

### Approval of Minutes

Following a motion by Mr. Disharoon, and a second by Senator Bell, the VRS Board of Trustees unanimously approved the minutes from its April 18, 2024, meeting.

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## **Report of the Investment Policy Committee**

The Board received the report of the Investment Policy Committee and placed it on file.

### APPROVAL OF MINUTES

Mr. Andrews began his report by noting the Committee approved the minutes of its June 20, 2023, meeting.

### INVESTMENT POLICY COMMITTEE CHARTER REVIEW

Sandy Jack, Director of Policy, Planning and Compliance, reviewed proposed changes to the Investment Policy Committee charter. The updates provide clarity in some sections of the policy and reflect associated changes since the last review. The AFT will review all proposed committee charter revisions and recommend changes to the Board at its September meeting.

The Committee recommends approval of the changes to the Investment Policy Committee charter.

### DISCUSSION AND CONSIDERATION OF INVESTMENT BENCHMARKS AND PERFORMANCE HURDLES

Andrew Junkin, Chief Investment Officer, presented an overview of the current Investment Benchmarks and Performance Hurdles. Mr. Junkin noted to perpetuate VRS' good governance practices, the Board regularly reviews investment benchmarks and hurdles for investment staff incentive compensation. RVK, an independent consulting firm, conducted a study of the benchmarks and hurdles and found that current benchmarks and hurdles are appropriate and not in need of change. RVK presented their findings to the Investment Advisory Committee and to the Board in April 2024. The Investment Policy Committee reviewed the benchmarks and hurdles during their June 20, 2024, meeting.

The Committee recommended approval of the following action to the full Board.

***Request for Board Action:*** The VRS Board of Trustees affirms the benchmarks and performance hurdles documented in the RVK report, VRS Benchmark & Performance Hurdle Analysis.

### DISCUSSION AND CONSIDERATION OF ASSET ALLOCATION AND LEVERAGE UPDATE

Mr. Junkin presented an update on the Asset Allocation and Leverage project. Mr. Junkin reported on the implementation progress, launched in January 2024 at ~1%. Based on cash needs, the VRS portfolio is using less leverage than the policy portfolio and will continue to explore additional sources of funding.

Lastly, the Investment Policy Committee reviewed the asset allocation and leverage update.

Mr. Andrews concluded the report.

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

**RBA: Affirm Benchmarks and Performance Hurdles**

*Request for Board Action 2024-06-10: The VRS Board of Trustees affirms the benchmarks and performance hurdles documented in the RVK report, VRS Benchmark & Performance Hurdle Analysis.*

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

**RBA: FY 2025 Defined Benefit Plan Strategic Asset Allocation**

*Request for Board Action 2024-06-11: The VRS Board of Trustees approves the FY2025 Defined Benefit Plan Strategic Asset Allocation and Allowable Ranges, effective July 1, 2024.*

**Report of the Chief Investment Officer**

Andrew Junkin, Chief Investment Officer, began his report with a market overview and discussed asset allocation, total fund performance and tracking error, concluding that risk measures are within Board-approved levels. Mr. Junkin then discussed the New Investments and Terminations report.

Mr. Andrews thanked Mr. Junkin 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.

**APPROVAL OF MINUTES**

Dr. Gooden began her report by noting the Committee approved the minutes of its March 14, 2024, meeting.

**ADMINISTRATION**

**Administration Reports & Communications**

Dr. Gooden advised that staff provided an overview of the DC Plans and an update on administrative reports for the first quarter of 2024. An overview of assets and accounts across the various defined contribution plans, as well as account trends, was also provided.

Staff advised the Committee that total assets across all plans have increased 7% from the previous quarter, which is attributed to market conditions. Hybrid Retirement Plan assets and accounts continue to increase each year because of new members since this is the primary plan. Staff spoke of NAGDCA

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(National Association of Government Deferred Contribution Administrators) and its work to advocate for stakeholders, educational resources, and networking opportunities. Kelly Hiers, VRS DC Plans Administrator, currently serves as the president of NAGDCA. DC Plans received Communicator Awards, including the Excellence Award for the contribution increase campaign and the Distinction Award for the Start, Stop, Connect Campaign. The Gold Stevie Award was won for Marketing Campaign of the Year by The American Business Awards, also for the Start, Stop, Connect Retirement Planning Campaign. Further, staff provided updates on plan assets and accounts, hybrid voluntary contribution elections, hybrid rate separation (effective July 1, 2024), ORPHE and upcoming DC Plans events.

#### DC Plans Recordkeeper Transition Update

Staff provided an update on the DC Plans Recordkeeper transition to Voya. VRS staff have been meeting with MissionSquare and Voya in preparation for the transition. Highlights of the overall project were provided along with a Communications timeline.

#### RBA for Plan Document Updates

Staff presented a Request for Board Action regarding the amended and restated plan documents, including: (i) Commonwealth of Virginia 457 Deferred Compensation Plan (COV Plan), (ii) Virginia Hybrid 457 Deferred Compensation Plan (Hybrid Plan), and (iii) Optional Retirement Plan of the Commonwealth of Virginia for Employees of Institutions of Higher Education (ORPHE plan), effective January 1, 2025. Proposed changes included eliminating the first day of the month rule for initial elections and the exception to that rule for new hires in the Hybrid Retirement Plan; amending the maximum amount of elective deferrals to reflect the current federal level in the hybrid and COV Plans; allowing additional elective age-based catch-up deferrals for participants ages 60 to 63 in the COV Plan; allowing additional unforeseen emergency withdrawals in the Hybrid Retirement Plan; allowing self-certification for unforeseen emergency withdrawals under certain circumstances in the hybrid and COV Plans; eliminating the de minimis withdrawal option in the COV Plan; allowing for in-plan Roth conversions to the COV Plan, and adding a provision governing the mandatory cash-out of participants accounts when the participant severs employment if the balance in the account is \$1000 or less to the ORPHE Plan.

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

### INVESTMENTS

#### Performance Reports

Staff provided an overview of the March 31, 2024, 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.

#### Callan 2024 DC Trends Survey

Staff provided an overview of highlights from the Callan 2024 DC Trends survey, which was included in the meeting materials Appendix for the Committee to review. The Callan 2024 DC Trends survey results

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represented 132 large DC plan sponsors that span a range of industries across corporate, tax-exempt, and government organizations.

Staff's highlights of the report included an update on fiduciary initiatives, investment types, retirement income solutions, and advisory services. Staff noted the top three areas public and corporate DC plan sponsors intend to focus on in 2024 are their investment policy statements, plan fees, and investment structures.

#### OTHER BUSINESS

##### Advice and Managed Accounts

A presentation covering investment advice and managed accounts, the difference between the two services, how both services differ from target date funds, the availability of such services in other states, industry observations, and the adoption process should VRS allow investment advice and managed account services to be provided to defined contribution plans participants was provided by Andrew Ness of Sageview Consulting. A recommendation was made to allow investment advice and managed account services to be provided to defined contribution plans participants by the third-party record keeper beginning January 1, 2025. Staff will work with Mr. Ness and present a proposed implementation and monitoring plan to the DCPAC at its September meeting. VRS staff will also work with the third-party record keeper to execute contract language reflecting the provisions intended for the program, including but not limited to required outreach and re-enrollment.

Dr. Muralidhar experienced technical audio difficulties during the meeting but expressed via email his opposition to the provision of advice and managed accounts. He also asked that the record reflect that he did not vote in favor of the provision of advice and managed accounts. Further, he shared by email his discomfort with the use of Target Date Funds as default investment options in DC Plans.

While Dr. Muralidhar disagreed, the Committee recommended approval of the following action to the Board of Trustees.

*Request for Board Action to Approve the provision of investment advice and managed account services to defined contribution plans participants by the third-party record keeper.*

##### DCPAC Appointments

Staff informed the Committee of the request for reappointment of Ravindra Deo, Brenda Madden and C. Matt Harris, each to a two-year term ending June 20, 2026. Their current terms expire on June 20, 2024.

The Committee recommended approval of the above action for reappointment to the Administration, Finance and Talent Management Committee, who will make its final recommendation to the Board of Trustees

Staff further informed the Committee that Ms. Irvin resigned her DCPAC position because she is not able to continue her role with the committee and Dr. Muralidhar was not reappointed. Staff consulted with the Virginia Association of School Business Officials (VASBO) and the Virginia Association of School Superintendents (VASS) to find a suitable candidate to fill the local school division vacancy.

The Committee recommended approval of Kate Jonas and Monique Barnes to the Administration, Finance and Talent Management Committee. The Administration, Finance and Talent Management Committee will provide their recommendation to the Board.

#### DISCUSSION OF NEW IDEAS

No new ideas were presented.

#### 2024 MEETINGS

Dr. Gooden confirmed the remaining DCPAC meeting dates in 2024, all at 1:00 p.m.:

- Thursday, September 12<sup>th</sup>
- Thursday, December 5<sup>th</sup>

Additionally, the ORPHE Annual Employer Update will be scheduled for September 2024 (TBD) and will appear on the DCPAC agenda as an upcoming event. This is not a DCPAC meeting; however, members may attend if interested.

There was no other business to come before the Committee.

Mr. Andrews thanked Dr. Gooden for her report.

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

#### **RBA: Plan Document Updates**

***Request for Board Action 2024-06-12: The VRS Board of Trustees approves the amended and restated (i) Commonwealth of Virginia 457 Deferred Compensation Plan (COV Plan), (ii) Virginia Hybrid 457 Deferred Compensation Plan (Hybrid Plan), and (iii) Optional Retirement Plan of the Commonwealth of Virginia for Employees of Institutions of Higher Education, effective January 1, 2025.***

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

#### **RBA: Approve the Provision of Investment Advice and Management Account Services to Defined Contribution Plans Participants by the Third-Party Record Keeper**

***Request for Board Action 2024-06-13: The VRS Board of Trustees approves the recommendation of the Defined Contribution Plans Advisory Committee (DCPAC) to allow investment advice and managed***



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*account services to be provided to defined contribution plans participants by the third-party record keeper beginning January 1, 2025.*

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

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

**APPROVAL OF MINUTES**

Mr. Andrews began his report by noting the Committee approved the minutes of its February 8, 2024, meeting.

**DISCUSSION AND CONSIDERATION OF FY 2025 AGENCY PERFORMANCE OUTCOMES (APOs) AND OPERATIONAL MEASURES (OMs)**

Michael Cooper, Chief Operating Officer, presented the proposed FY 2025 Agency Performance Outcomes and Operational Measures to the Committee. Mr. Cooper noted that the APOs are considered stretch goals for the organization, requiring input across all business units, and operational measures reflect the agency's day-to-day business operations. After some discussion with the Committee, staff will update the target for several measures and consider changes to the target methodology. The changes will be presented at the Board's June 20, 2024, meeting.

The Committee recommended approval of the following action to the full Board, subject to the changes requested by the Committee:

*Request for Board Action: The Board approves the FY 2025 Agency Performance Outcomes (APOs) and Operational Measures.*

**ADMINISTRATION, FINANCE AND TALENT MANAGEMENT COMMITTEE CHARTER REVIEW**

Sandy Jack, Director of Policy, Planning and Compliance, reviewed proposed changes to the AFT Committee charter. The updates provide clarity in some sections of the policy and reflect associated changes since the last review. The AFT will review all proposed committee charter revisions and recommend approved changes to the Board at its September meeting.

The Committee recommended approval of the changes to the Administration, Finance and Talent Management Committee charter.

**REAPPOINTMENT AND APPOINTMENT OF DEFINED CONTRIBUTION PLANS ADVISORY COMMITTEE (DCPAC) MEMBERS**

Trish Bishop, Director, reviewed the three members of the DCPAC eligible for reappointment. Mr. Ravindra Deo, Ms. Brenda Madden and Mr. Matt Harris have expressed interest in continuing to serve. In addition, Ms. Bishop noted two new members, Kate Jonas and Monique Barnes, are recommended for appointment to the DCPAC.

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REAPPOINTMENT OF INVESTMENT ADVISORY COMMITTEE (IAC) MEMBERS

Andrew Junkin, Chief Investment Officer, reviewed the proposed reappointment of Bryan Lewis to the Investment Advisory Committee.

FREEDOM OF INFORMATION ACT (FOIA) ELECTRONIC MEETING ATTENDANCE POLICY

Ms. Jack reviewed changes to VRS' Freedom of Information Act Electronic Meeting Attendance Policy. The updates reflect recently enacted changes to the Commonwealth's FOIA laws and regulations.

The Committee recommended approval of the proposed changes to the full Board.

EXTERNAL INVESTMENT MANAGER REFERRAL POLICY

Ms. Jack next reviewed changes to the VRS External Investment Manager Referral Policy. The amendments are expected to further enhance the high level of transparency in the hiring process for all external investment managers by (i) expanding the categories of officials whose communications trigger the Policy to include all elected Virginia officials, Deputy/Assistant Secretaries, and agency heads; and (ii) expanding the categories of individuals who must report such communications to include members of the Board, the Director, and members of the Director's Executive Committee.

The Committee recommended approval of the proposed amendments to the Investment Department Policy on External Investment Manager Referrals to the full Board of Trustees.

BUDGET UPDATE

Jon Farmer, Budget and Performance Reporting Manager, provided an update on the FY 2024 budget. Mr. Farmer advised the Committee that VRS began the fiscal year with approximately \$121 million and through April 2024 has expended approximately \$87 million. Mr. Farmer noted that the agency is on track to conclude the fiscal year with an estimated \$8 million in unexpended appropriation.

SUCCESSION MANAGEMENT UPDATE

Paula Reid, Director of Human Resources, presented an update on the agency's succession management initiative. Ms. Reid reviewed statistics on the number of employees eligible for retirement in the near future, along with turnover rates, and outlined the efforts underway to maximize knowledge transfer and provide cross-training opportunities.

Mr. Andrews concluded the report.

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

**RBA: Approve FY 2025 APOs and Operational Measures**

***Request for Board Action 2024-06-14: The VRS Board of Trustees approves the FY 2025 Agency Performance Outcomes and Agency Operational Measures.***



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

**RBA: Reappointment of DCPAC Members**

*Request for Board Action 2024-06-15: The VRS Board of Trustees reappoints Ravindra Deo, Brenda Madden, and C. Matt Harris to the Defined Contribution Plans Advisory Committee (DCPAC), each for a two-year term ending June 20, 2026.*

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

**RBA: Appointment of DCPAC Members**

*Request for Board Action 2024-06-16: The VRS Board of Trustees appoints Kate Jonas and Monique G. Barnes to the Defined Contribution Plans Advisory Committee (DCPAC) for two-year terms ending June 20, 2026.*

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

**RBA: Appointment of IAC Member**

*Request for Board Action 2024-06-17: The VRS Board of Trustees reappoints W. Bryan Lewis to the Investment Advisory Committee for a two-year term ending March 31, 2026.*

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

**RBA: Adopt a revised "FOIA Electronic Meeting Attendance Policy"**

*Request for Board Action 2024-06-18: The VRS Board of Trustees adopts a revised "FOIA Electronic Meeting Attendance Policy."*

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

**RBA: Amend Investment Department Policy on External Investment Manager Referrals Policy**

*Request for Board Action 2024-06-19: The VRS Board of Trustees approves amendments to the Investment Department Policy on External Investment Manager Referrals.*

**Report of the Benefits and Actuarial Committee**

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

APPROVAL OF MINUTES

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Mr. Bennett began his report by noting the Committee approved the minutes of its February 7, 2024, meeting.

#### ELECTION OF COMMITTEE VICE CHAIR

The Committee unanimously approved the nomination of Lindsey K. Pantele to continue serving as Vice-Chair.

#### B&A COMMITTEE CHARTER REVIEW

Sandy Jack, Director of Policy, Planning and Compliance, provided an overview of the recommended changes to the Benefits and Actuarial Committee Charter. The changes provide clarity in sections of the policy and reflect associated changes since the last review of the charter.

The Committee approved the recommended changes to the charter and recommended approval to the Administration, Finance and Talent Management Committee and the full Board of Trustees.

#### INFORMATION ITEMS

##### Update on Optional Form Study

Rory Badura, Senior Staff Actuary, provided an update on the Optional Form Study to the Committee. Mr. Badura advised that the adjustment factors used to determine optional forms of payment are being updated to reflect changes in assumptions that have occurred since the factors were last updated. The updated factors will better align with the current funding assumptions and will provide a slightly better outcome for members who elect an optional form of payment. There will be minimal impact to the plans as the factors are designed to be cost neutral to the plan. Impacts to members electing an optional form of payment will vary based on the option elected and the age at retirement. Mr. Badura noted the *Code of Virginia* provides that actuarial equivalent tables should be used to determine optional forms of payment; however, it does not specify or require that assumptions used to develop such tables be on the same basis as those used for computing contribution rates.

Mr. Badura advised the new optional form factors will affect retirements after December 31, 2024, and will be reviewed as part of the quadrennial experience study beginning in Spring 2029. Staff will be working over the next few months to implement the new tables in VRS systems, as well as communicating the upcoming changes to VRS members.

##### Pension Dashboard

Mr. Badura provided an overview and status update on the development of a VRS Pension Dashboard that will consolidate historical measures, display trend information of key indicators and provide monthly updates of economic and cash flow measures that indicate expectations for upcoming valuation results.

The dashboard will allow access to various pension and OPEB plan measures associated with plan liabilities, employer costs, plan cash flows and demographic information. The dashboard will include

historical information, some year-to-date measures for monthly monitoring, and forecasting. Mr. Badura noted that this was a work in progress and will start with common key indicators but will be expanded to include additional demographic measures in the near future.

Next steps include converting to Power BI for internal access and exploring options to provide access for VRS Board members.

Mr. Bennett introduced Sara Denson, Staff Actuary, to present an overview of the Optional Form project and factors with the Board, in Mr. Badura's absence. Mr. Bennett thanked Ms. Denson for the presentation.

2024 B&A Committee Meeting Schedule:

- October 16 at 1:00 p.m.
- November 14 at 10:00 a.m.

Mr. Andrews thanked Mr. Bennett for the report.

**Report of the Audit and Compliance Committee**

The Board received the report of the Audit and Compliance Committee and placed it on file.

APPROVAL OF MINUTES

Senator Bell noted the Committee approved the minutes of its December 7, 2023, meeting.

ELECTION OF COMMITTEE VICE CHAIR

The committee nominated and elected Mr. John M. Bennett to serve as the committee's vice chair.

STATUS UPDATE ON THE 2023 EMPLOYER ASSURANCES REVIEW

The Auditor of Public Accounts (APA) reported the Employer Assurances Review, covering GASB Statements No. 68 and 75, is progressing as planned. The APA indicated they should conclude their work over the pension and other post-employment benefit plans and issue the related opinions later this month and in July, respectively.

ENTRANCE WITH THE APA FOR THE VRS 2024 ANNUAL COMPREHENSIVE FINANCIAL REPORT AUDIT

The committee held its annual entrance conference with the APA to review the approach and scope of the examination of VRS' Annual Comprehensive Financial Report for the fiscal year ending June 30, 2024.

AUDIT REPORTS

The committee received two audit reports.

- The review of *Member and Employer Contributions* determined sufficient controls are in place to support VRS member and employer contribution activities and associated processes are working as expected. There were no formal recommendations resulting from this review.

- The review of *Investment Decision Support* determined overall, the data requests, projects and resources are properly managed in respect to best practice based on the size, scope and complexity of the project. Certain areas of enhancement were discussed, including one formal recommendation.

#### ANNUAL REPORT ON CODE OF ETHICS

The Chief Operating Officer and the Regulatory and Legal Officer provided annual reports on their respective processes for communicating VRS' Code of Ethics and Conduct and for monitoring compliance, as required by the Audit and Compliance Committee Charter. Both indicated compliance with the reporting and certification requirements for their respective programs.

The Internal Audit Director noted the Internal Audit department's adherence to the VRS Code of Ethics, Institute of Internal Auditors' Code of Ethics and similar frameworks required by professional designations and memberships held by the department.

#### AUDIT PLAN PROGRESS AS OF DECEMBER 31, 2023

The Internal Audit Director reported on the progress on the fiscal year 2024 annual audit plan as of December 31, 2023, the mid-point of the fiscal year.

#### IMPLEMENTATION OF THE 2024 GLOBAL INTERNAL AUDIT STANDARDS

The Internal Audit Director discussed upcoming changes to audit standards effective January 2025. She shared the essential conditions to be performed by the committee and board given their oversight responsibilities. The committee provided feedback on its expectations for VRS' internal audit function and related governance documents, as required by the new standards.

#### QUARTERLY REPORTS ON FRAUD, WASTE AND ABUSE HOTLINE CASES

Internal Audit shared there were no fraud, waste and abuse hotline complaints reported via the Office of the State Inspector General or other sources during the period of November 1, 2023, through January 31, 2024. However, there was one case reported for the period February 1, 2024, through April 30, 2024, related to short-term disability benefits, which was unfounded and closed.

#### MISCELLANEOUS UPDATES

##### Internal Audit's Review of Cost of Living Adjustments

Internal Audit noted its review of the proposed "Cost of Living Adjustments" as calculated by VRS' actuary, Gabriel, Roeder, Smith & Company, was completed and the results were provided to the Benefits and Actuarial Committee and Board of Trustees at their respective meetings in February 2024.

##### Management's Quarterly Travel Expenses and Per Diem Reports

The committee received Management's Quarterly Travel Expenses and Per Diem report covering the three-month periods ending December 31, 2023, and March 31, 2024.

#### Next Committee Meeting Date

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The committee's next meeting is scheduled for Wednesday, September 18, 2024, at 10:30 a.m.

Mr. Andrews thanked Senator Bell for the report.

#### **Report of the Director**

Ms. Bishop, Director, began her report with an update on the agency road map for FY 2024, noting all projects are progressing as planned, as well as a review of New Coverage Elections.

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

- VRS received the Award of Excellence and Award for the Contribution Increase Campaign and the Award of Distinction for the Start, Stop, Continue Retirement Planning Campaign from the Academy of Interactive & Visual Arts (AIVA).
- VRS was awarded Marketing Campaign of the Year for Government/Institutional/Recruitment with the Start, Stop, Continue Retirement Planning Campaign and received a Gold Stevie Award by the American Business Awards.
- VRS ranked number #4 among the top 10 agencies in raising funds for the Commonwealth of Virginia (CVC) Campaign and received the Bronze Level Award.
- The Joint Legislative Audit & Review Commission (JLARC) will hold its annual review on July 1, 2024, at 10:00 a.m. Ms. Bishop, Mr. Junkin and Mr. Andrews will be presenting the annual VRS agency update.
- Lastly, a preview of upcoming meetings topics was provided.

#### DPB Deficit Provision Acknowledgement Form

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

Mr. Andrews thanked Ms. Bishop for her report.

#### **Adjournment**

There being no further business and following a motion by Senator Bell, with a second by Mr. Disharoon, the VRS Board of Trustees agreed to adjourn the meeting at 2:41 p.m.



Chair



Secretary

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## Report

The Investment Policy Committee met on June 20, 2024, and discussed the following:

### **APPROVAL OF MINUTES**

The Committee approved the minutes of its April 20, 2023, meeting.

### **INVESTMENT POLICY COMMITTEE CHARTER REVIEW**

Sandy Jack, Director of Policy, Planning and Compliance, reviewed proposed changes to the Investment Policy Committee charter. The updates provide clarity in some sections of the policy and reflect associated changes since the last review. The AFT will review all proposed committee charter revisions and recommended approved changes to the Board at its September meeting.

The Committee recommends approval of the changes to the Investment Policy Committee charter.

### **DISCUSSION AND CONSIDERATION OF INVESTMENT BENCHMARKS AND PERFORMANCE HURDLES**

Andrew Junkin, Chief Investment Officer, presented an overview of the current Investment Benchmarks and Performance Hurdles. Mr. Junkin noted to perpetuate VRS' good governance practices, the Board regularly reviews investment benchmarks and hurdles for investment staff incentive compensation. RVK, an independent consulting firm, conducted a study of the benchmarks and hurdles and found that current benchmarks and hurdles are appropriate and not in need of change. RVK presented their findings to the Investment Advisory Committee and to the Board in April 2024. The Investment Policy Committee reviewed the benchmarks and hurdles during their June 20, 2024, meeting.

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

***Request for Board Action:*** The VRS Board of Trustees affirms the benchmarks and performance hurdles documented in the RVK report, VRS Benchmark & Performance Hurdle Analysis.

### **DISCUSSION AND CONSIDERATION OF ASSET ALLOCATION AND LEVERAGE UPDATE**

Andrew Junkin, Chief Investment Officer, presented an update on the Asset Allocation and Leverage project. Mr. Junkin reported on the implementation progress, launched in January 2024 at ~1%. Based on cash needs, the VRS portfolio is using less leverage than the policy portfolio and will continue to explore additional sources of funding. The Investment Policy Committee reviewed the asset allocation and leverage update during their June 20, 2024, meeting.

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

***Request for Board Action:*** The VRS Board of Trustees approves the FY2025 Defined Benefit Plan Strategic Asset Allocation and Allowable Ranges, effective July 1, 2024.



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Submitted to the Board of Trustees on June 20, 2024.



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A. Scott Andrews, Chair  
Investment Policy Committee

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## Report

The Defined Contribution Plans Advisory Committee (DCPAC) convened on May 23, 2024, at 1:00 p.m. and took up the following matters:

### WELCOME AND INTRODUCTION

Dr. Gooden welcomed Committee members, Board members, agency officials, representatives from stakeholder groups, and other members of the public joining in person and through electronic means, to the DCPAC. She introduced herself as the new Chair of the committee and welcomed the new Vice Chair, Delegate Matthew James.

### APPROVAL OF MINUTES

The Committee approved the minutes of its March 14, 2024, meeting.

### ADMINISTRATION

#### Administration Reports & Communications

Staff provided an overview of the DC Plans and an update on administrative reports for the first quarter of 2024. An overview of assets and accounts across the various defined contribution plans, as well as account trends, was also provided.

Staff advised the Committee that total assets across all plans have increased 7% from the previous quarter, which is attributed to market conditions. Hybrid Retirement Plan assets and accounts continue to increase each year because of new members since this is the primary plan. Staff spoke of NAGDCA (National Association of Government Deferred Contribution Administrators) and its work to advocate for stakeholders, educational resources, and networking opportunities. DC Plans received Communicator Awards, including the Excellence Award for the contribution increase campaign and the Distinction Award for the Start, Stop, Connect Campaign. The Gold Stevie Award was won for Marketing Campaign of the Year by The American Business Awards, also for the Start, Stop, Connect Retirement Planning Campaign. Further, staff provided updates on plan assets and accounts, hybrid voluntary contribution elections, hybrid rate separation (effective July 1, 2024), ORPHE and upcoming DC Plans events.

#### DC Plans Recordkeeper Transition Update

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#### RBA for Plan Document Updates

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Staff presented a Request for Board Action regarding the amended and restated plan documents, including: (i) Commonwealth of Virginia 457 Deferred Compensation Plan (COV Plan), (ii) Virginia Hybrid 457 Deferred Compensation Plan (Hybrid Plan), and (iii) Optional Retirement Plan of the Commonwealth of Virginia for Employees of Institutions of Higher Education (ORPHE plan), effective January 1, 2025. Proposed changes included eliminating the first day of the month rule for initial elections and the exception to that rule for new hires in the Hybrid Retirement Plan; amending the maximum amount of elective deferrals to reflect the current federal level in the hybrid and COV Plans; allowing additional elective age-based catch-up deferrals for participants ages 60 to 63 in the COV Plan; allowing additional unforeseen emergency withdrawals in the Hybrid Retirement Plan; allowing self-certification for unforeseen emergency withdrawals under certain circumstances in the hybrid and COV Plans; eliminating the de minimus withdrawal option in the COV Plan; allowing for in-plan Roth conversions to the COV Plan, and adding a provision governing the mandatory cash-out of participants accounts when the participant severs employment if the balance in the account is \$1000 or less to the ORPHE Plan.

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

***Request for Board Action to Approve Plan Document Updates***

**INVESTMENTS**

**Performance Reports**

Staff provided an overview of the March 31, 2024, 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.

**Callan 2024 DC Trends Survey**

Staff provided an overview of highlights from the Callan 2024 DC Trends survey, which was included in the meeting materials Appendix for the Committee to review. The Callan 2024 DC Trends survey results represented 132 large DC plan sponsors that span a range of industries across corporate, tax-exempt, and government organizations.

Staff's highlights of the report included an update on fiduciary initiatives, investment types, retirement income solutions, and advisory services. Staff noted the top three areas public and corporate DC plan sponsors intend to focus on in 2024 are their investment policy statements, plan fees, and investment structures.

**OTHER BUSINESS**

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### Advice and Managed Accounts

A presentation covering investment advice and managed accounts, the difference between the two services, how both services differ from target date funds, the availability of such services in other states, industry observations, and the adoption process should VRS allow investment advice and managed account services to be provided to defined contribution plans participants was provided by Andrew Ness with Sageview Consulting. A recommendation was made to allow investment advice and managed account services to be provided to defined contribution plans participants by the third-party record keeper beginning January 1, 2025. Staff will work with Mr. Ness and present a proposed implementation and monitoring plan to the DCPAC at its September meeting. VRS staff will also work with the third-party record keeper to execute contract language reflecting the provisions intended for the program, including but not limited to required outreach and re-enrollment.

Dr. Muralidhar experienced technical audio difficulties during the meeting but expressed via email his opposition to the provision of advice and managed accounts. Further, he shared by email his discomfort with the use of Target Date Funds as default investment options in DC Plans.

While Dr. Muralidhar disagreed, the Committee recommends approval of the following action to the Board of Trustees.

***Request for Board Action to Approve the provision of investment advice and managed account services to defined contribution plans participants by the third-party record keeper***

### DCPAC Appointments

Staff informed the Committee of the request for reappointment of Ravindra Deo, Brenda Madden, and C. Matt Harris, each to a two-year term ending June 20, 2026. Their current terms expire on June 20, 2024.

### *Recommend RBA for Reappointment of DCPAC Members*

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

***Request for Board Action: The Board reappoints Ravindra Deo, Brenda Madden, and C. Matt Harris to the Defined Contribution Plans Advisory Committee (DCPAC), for a two-year term ending June 20, 2026.***

Staff further informed the Committee that Ms. Irvin resigned her DCPAC position because she is not able to continue her role with the committee, and Dr. Muralidhar was not reappointed. Staff consulted with the Virginia Association of School Business Officials (VASBO) and the Virginia Association of School Superintendents (VASS), to find a suitable candidate to fill the local school division vacancy.

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*Recommend RBA for Appointment of DCPAC Member*

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

***Request for Board Action:*** *The Board appoints to the Defined Contribution Plans Advisory Committee (DCPAC) Kate Jonas and Monique G. Barnes for two-year terms ending June 20, 2026.*

**DISCUSSION OF NEW IDEAS**

No new ideas were presented.

**2024 MEETINGS**

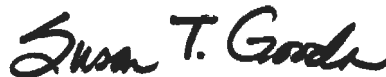
Dr. Gooden confirmed the remaining DCPAC meeting dates in 2024, all at 1:00 p.m.:

- Thursday, September 12<sup>th</sup>
- Thursday, December 5<sup>th</sup>

Additionally, the ORPHE Annual Employer Update will be scheduled for September 2024 (TBD) and will appear on the DCPAC agenda as an upcoming event. This is not a DCPAC meeting; however, members may attend if interested.

There was no other business to come before the Committee.

Submitted to the Board of Trustees on June 20, 2024.



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Susan T. Gooden, Chair  
Defined Contribution Plans Advisory Committee

## Report

The Administration, Finance and Talent Management Committee met on June 11, 2024, and discussed the following:

### **APPROVAL OF MINUTES**

The Committee approved the minutes of its February 8, 2024, meeting.

### **DISCUSSION AND CONSIDERATION OF FY 2025 AGENCY PERFORMANCE OUTCOMES (APOs) AND OPERATIONAL MEASURES (OMs)**

Michael Cooper, Chief Operating Officer, presented the proposed FY 2025 Agency Performance Outcomes and Operational Measures to the Committee. Mr. Cooper noted that the APOs are considered stretch goals for the organization, requiring input across all business units, and operational measures reflect the agency's day-to-day business operations. After some discussion with the Committee, staff will update the target for several measures and consider changes to the target methodology. The changes will be presented at the Board's June 20, 2024, meeting.

The Committee recommends approval of the following action to the full Board, subject to the changes requested by the Committee:

***Request for Board Action:*** *The Board approves the FY 2025 Agency Performance Outcomes (APOs) and Operational Measures.*

### **ADMINISTRATION, FINANCE AND TALENT MANAGEMENT COMMITTEE CHARTER REVIEW**

Sandy Jack, Director of Policy, Planning and Compliance, reviewed proposed changes to the AFT Committee charter. The updates provide clarity in some sections of the policy and reflect associated changes since the last review. The AFT will review all proposed committee charter revisions and recommend approved changes to the Board at its September meeting.

The Committee recommends approval of the changes to the Administration, Finance and Talent Management Committee charter.

### **REAPPOINTMENT AND APPOINTMENT OF DEFINED CONTRIBUTION PLANS ADVISORY COMMITTEE (DCPAC) MEMBERS**

Trish Bishop, Director, reviewed the three members of the DCPAC eligible for reappointment. In addition, Ms. Bishop noted two new members recommended for appointment to the DCPAC.

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

***Request for Board Action:*** *The VRS Board of Trustees approves the reappointment of Ravindra Deo, Brenda Madden and Matt Harris, and the appointment of Kate Jonas and Monique Barnes, to the DCPAC, each for a two-year term ending June 20, 2026.*



#### **REAPPOINTMENT OF INVESTMENT ADVISORY COMMITTEE (IAC) MEMBERS**

Andrew Junkin, Chief Investment Officer, reviewed the proposed reappointment of Bryan Lewis to the Investment Advisory Committee.

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

***Request for Board Action:** The VRS Board of Trustees approves the reappointment of Bryan Lewis to the Investment Advisory Committee for a two-year term ending March 31, 2026.*

#### **FREEDOM OF INFORMATION ACT (FOIA) ELECTRONIC MEETING ATTENDANCE POLICY**

Ms. Jack reviewed changes to VRS' Freedom of Information Act Electronic Meeting Attendance Policy. The updates reflect recently enacted changes to the Commonwealth's FOIA laws and regulations.

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

***Request for Board Action:** The VRS Board of Trustees adopts a revised FOIA Electronic Meeting Attendance Policy.*

#### **EXTERNAL INVESTMENT MANAGER REFERRAL POLICY**

Ms. Jack next reviewed changes to the VRS External Investment Manager Referral Policy. The amendments are expected to further enhance the high level of transparency in the hiring process for all external investment managers by (i) expanding the categories of officials whose communications trigger the Policy to include all elected Virginia officials, Deputy/Assistant Secretaries, and agency heads; and (ii) expanding the categories of individuals who must report such communications to include members of the Board, the Director, and members of the Director's Executive Committee.

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

***Request for Board Action:** The VRS Board of Trustees approves amendments to the Investment Department Policy on External Investment Manager Referrals.*

#### **BUDGET UPDATE**

Jon Farmer, Budget and Performance Reporting Manager, provided an update on the FY 2024 budget. Mr. Farmer advised the Committee that VRS began the fiscal year with approximately \$121 million and through April 2024 has expended approximately \$87 million. Mr. Farmer noted that the agency is on track to conclude the fiscal year with an estimated \$8 million in unexpended appropriation.

#### **SUCCESSION MANAGEMENT UPDATE**

Paula Reid, Director of Human Resources, presented an update on the agency's succession management initiative. Ms. Reid reviewed statistics on the number of employees eligible for retirement in the near

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future, along with turnover rates, and outlined the efforts underway to maximize knowledge transfer and provide cross-training opportunities.

Submitted to the Board of Trustees on June 20, 2024.



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A. Scott Andrews, Chair  
Administration, Finance and Talent Management Committee

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## Report

The VRS Benefits and Actuarial Committee held a meeting on June 12, 2024, in accordance with 2.2-3708.3(B)(3) of the *Code of Virginia*, and took up the following matters:

### **APPROVAL OF MINUTES**

The Committee approved the minutes of its February 7, 2024, meeting.

### **ELECTION OF COMMITTEE VICE CHAIR**

The Committee unanimously approved the nomination of Lindsey K. Pantele to continue serving as Vice Chair.

### **B&A COMMITTEE CHARTER REVIEW**

Sandy Jack, Director of Policy, Planning and Compliance, provided an overview of the recommended changes to the Benefits and Actuarial Committee Charter. The changes provide clarity in sections of the policy and reflect associated changes since the last review of the charter.

The Committee approved the recommended changes to the charter and recommended approval to the Administration, Finance and Talent Management Committee and the full Board of Trustees.

### **INFORMATION ITEMS**

#### **Update on Optional Form Study**

Rory Badura, Senior Staff Actuary, provided an update on the Optional Form Study to the Committee. Mr. Badura advised that the adjustment factors used to determine optional forms of payment are being updated to reflect changes in assumptions that have occurred since the factors were last updated. The updated factors will better align with the current funding assumptions and will provide a slightly better outcome for members who elect an optional form of payment. There will be minimal impact to the plans as the factors are designed to be cost neutral to the plan. Impacts to members electing an optional form of payment will vary based on the option elected and the age at retirement. Mr. Badura noted the *Code of Virginia* provides that actuarial equivalent tables should be used to determine optional forms of payment, however, does not specify or require that assumptions used to develop such tables be on the same basis as those used for computing contribution rates.

Mr. Badura advised the new optional form factors will affect retirements after December 31, 2024, and will be reviewed as part of the quadrennial experience study beginning in Spring 2029. Staff will be working over the next few months to implement the new tables in VRS systems, as well as communicating the upcoming changes to VRS members.

#### **Pension Dashboard**

Mr. Badura provided an overview and status update on the development of a VRS Pension Dashboard that will consolidate historical measures, display trend information of key indicators and provide

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monthly updates of economic and cash flow measures that indicate expectations for upcoming valuation results.

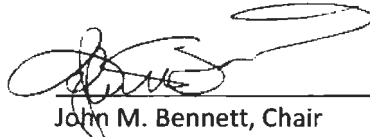
The dashboard will allow access to various pension and OPEB plan measures associated with plan liabilities, employer costs, plan cash flows and demographic information. The dashboard will include historical information, some year-to-date measures for monthly monitoring, and forecasting. Mr. Badura noted that this was a work in progress and will start with common key indicators but will be expanded to include additional demographic measures in the near future.

Next steps include converting to Power BI for internal access and exploring options to provide access for VRS Board members.

2024 B&A Committee Meeting Schedule:

- October 16 at 1:00 p.m.
- November 14 at 10:00 a.m.

Submitted to the Board of Trustees on June 20, 2024.



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John M. Bennett, Chair  
Benefits and Actuarial Committee

## Report

The Audit and Compliance Committee (committee) met on June 11, 2024. Sen. Bell welcomed committee members, board members, agency officials, representatives from stakeholder groups and other members of the public joining in person and through electronic means. The committee discussed the following:

### **APPROVAL OF MINUTES**

The committee approved the minutes of its December 7, 2023, meeting.

### **ELECTION OF COMMITTEE VICE CHAIR**

The committee nominated and elected Mr. John M. Bennett to serve as the committee's vice chair.

### **STATUS UPDATE ON THE 2023 EMPLOYER ASSURANCES REVIEW**

The Auditor of Public Accounts (APA) reported the Employer Assurances Review, covering GASB Statements No. 68 and 75, is progressing as planned. The APA indicated they should conclude their work over the pension and other post-employment benefit plans and issue the related opinions later this month and in July, respectively.

### **ENTRANCE WITH THE APA FOR THE VRS 2024 ANNUAL COMPREHENSIVE FINANCIAL REPORT AUDIT**

The committee held its annual entrance conference with the APA to review the approach and scope of the examination of VRS' Annual Comprehensive Financial Report for the fiscal year ending June 30, 2024.

### **AUDIT REPORTS**

The committee received two audit reports.

- The review of *Member and Employer Contributions* determined sufficient controls are in place to support VRS member and employer contribution activities and associated processes are working as expected. There were no formal recommendations resulting from this review.
- The review of *Investment Decision Support* determined overall, the data requests, projects and resources are properly managed in respect to best practice based on the size, scope and complexity of the project. Certain areas of enhancement were discussed, including one formal recommendation.

### **ANNUAL REPORT ON CODE OF ETHICS**

The Chief Operating Officer and the Regulatory and Legal Officer provided annual reports on their respective processes for communicating VRS' Code of Ethics and Conduct and for monitoring compliance, as required by the Audit and Compliance Committee Charter. Both indicated compliance with the reporting and certification requirements for their respective programs.

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The Internal Audit Director noted the Internal Audit department's adherence to the VRS Code of Ethics, Institute of Internal Auditors' Code of Ethics and similar frameworks required by professional designations and memberships held by the department.

**AUDIT PLAN PROGRESS AS OF DECEMBER 31, 2023**

The Internal Audit Director reported on the progress on the fiscal year 2024 annual audit plan as of December 31, 2023, the mid-point of the fiscal year.

**IMPLEMENTATION OF THE 2024 GLOBAL INTERNAL AUDIT STANDARDS**

The Internal Audit Director discussed upcoming changes to audit standards effective January 2025. She shared the essential conditions to be performed by the committee and board given their oversight responsibilities. The committee provided feedback on its expectations for VRS' internal audit function and related governance documents, as required by the new standards.

**QUARTERLY REPORTS ON FRAUD, WASTE AND ABUSE HOTLINE CASES**

Internal Audit shared there were no fraud, waste and abuse hotline complaints reported via the Office of the State Inspector General or other sources during the period of November 1, 2023, through January 31, 2024. However, there was one case reported for the period February 1, 2024, through April 30, 2024, related to short-term disability benefits, which was unfounded and closed.

**MISCELLANEOUS UPDATES**

The committee received the following miscellaneous updates:

**Internal Audit's Review of Cost of Living Adjustments**

Internal Audit noted its review of the proposed "Cost of Living Adjustments" as calculated by VRS' actuary, Gabriel, Roeder, Smith & Company, was completed and the results were provided to the Benefits and Actuarial Committee and Board of Trustees at their respective meetings in February 2024.

**Management's Quarterly Travel Expenses and Per Diem Reports**

The committee received Management's Quarterly Travel Expenses and Per Diem report covering the three-month periods ending December 31, 2023, and March 31, 2024.

**Next Committee Meeting Date**

The committee's next meeting is scheduled for Wednesday, September 18, 2024, at 10:30 a.m.

Respectfully submitted to the Board of Trustees on June 20, 2024.

  
Sen. J. Brandon Bell, II, Chair  
Audit and Compliance Committee