

Minutes

A regular meeting of the Defined Contribution Plans Advisory Committee (DCPAC) of the VRS Board of Trustees convened on May 23, 2024, with the following members present:

Susan T. Gooden, Chair
Hon. Matthew James, Vice Chair
Ravindra Deo
C. Matt Harris
Rick Larson
Brenda Madden
Arun Muralidhar (*remotely in accordance with § 2.2-3708.3(B)(3)*)
David Winter

Members of the Board of Trustees:
John M. Bennett

VRS Staff:
Trish Bishop, Jeanne Chenault, Michael Cooper, David Cotter, Antonio Fisher, Josh Fox, Kelly Hiers, KC Howell, Robert Irving, Sandy Jack, Andrew Junkin, Brian Lackey, Ryan LaRochelle, Joyce Monroe, Robert Osborne, Laura Pugliese, Michael Scott, Jennifer Schreck, Jacob Schwartz, Virginia Sowers, Ashley Spradley, Bridgette Watkins-Smith, Rachel Webb, Leslie Weldon and Tanya Williams.

Guests:
Jamie Bitz, JLARC; Andrew Ness, Sageview; Lauren Albanese, Financial Investment News.

The meeting convened at 1:00 p.m.

Opening Remarks

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. Dr. Gooden introduced herself as the new Chair of the committee and welcomed the new Vice Chair, Delegate Matthew James.

Approval of Minutes

Upon a motion by Mr. Winter and a second by Mr. Larson, the minutes of the March 14, 2024, meeting were approved by the Committee.

Administrative Reports and Communications Update

DC Plans Overview

Robert Irving, Director of Customer Service, 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.

Mr. Irving advised the Committee that total assets across all plans have increased 7% from the previous quarter, which is primarily attributable to market conditions. Hybrid Retirement Plan assets and accounts continue to increase each year because of new members since this is the primary plan. Mr. Irving discussed the National Association of Government Deferred Contribution Administrators (NAGDCA) and its work to advocate for stakeholders, educational resources and networking opportunities. Kelly Hiers, VRS Defined Contribution Plans Administrator, is currently serving as president of the organization. DC Plans received Communicator Awards, including the Excellence Award for the contribution increase campaign and the Distinction Award for the Start, Stop, Connect Retirement Planning 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, Mr. Irving 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

Mr. Irving 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

Sandy Jack, Director of Policy, Planning and Compliance, 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 Retirement Plan 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 Retirement Plan 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 \$1,000 or less in the ORPHE Plan.

Following a motion by Mr. Deo, with a second by Ms. Madden, the Committee recommended approval of the following action to the full Board of Trustees:

RBA: Approve Plan Document Updates.

***Request for Board Action:** The Virginia Retirement System 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.*

Dr. Gooden thanked Mr. Irving and Ms. Jack for their presentations.

DC Plans Investments Update

Performance Reports

Laura Pugliese, Portfolio Manager of Defined Contribution Plans, 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

Ms. Pugliese 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.

Ms. Pugliese's highlights of the report included an update on fiduciary initiatives, investment types, retirement income solutions and advisory services. Ms. Pugliese 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.

Dr. Gooden thanked Ms. Pugliese for her presentation.

Other Business

Advice and Managed Accounts

Trish Bishop, Director, introduced Andrew Ness from the SageView Advisory Group. Mr. Ness, Retirement Plan Consultant at SageView, gave 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. 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, and that he wished for the record to reflect that he did not vote in favor of the proposal. Further, he shared by email his opposition to the use of Target Date Funds as default investment options in DC Plans.

Following a motion by Mr. Harris, with a second by Ms. Madden, the Committee recommended approval of the following action to the full Board of Trustees:

RBA: Approve the provision of investment advice and managed account services to defined contribution plans participants by the third-party record keeper.

Request for Board Action: The Virginia Retirement System Board of Trustees accepts the recommendation of the Defined Contribution Plans Advisory Committee (DCPAC) 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.

Dr. Gooden thanked Mr. Ness for his presentation.

DCPAC Appointments

Ms. Bishop 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. Ms. Bishop 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. Ms. Bishop 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.

Following a motion by Mr. Winter, with a second by Mr. Deo, the Committee recommended approval of the following actions, in a block, to the full Board of Trustees:

RBA: Reappointment of DCPAC Members.

Request for Board Action: The Board 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.

RBA: Appointment of DCPAC Members.

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

Dr. Gooden thanked Ms. Bishop for her presentation.

Discussion of New Ideas

No new ideas were presented.

Upcoming Defined Contribution Plans Advisory Committee Meetings

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

- Thursday, September 12th
- Thursday, December 5th

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.

Adjournment

There being no further business, Dr. Gooden adjourned the meeting at 2:25 p.m. upon a motion by Mr. Deo, with a second by Ms. Madden, and a vote of the Committee.



Chair



Date