

Minutes

A regular meeting of the Defined Contribution Plans Advisory Committee (DCPAC) of the VRS Board of Trustees convened on September 12, 2024, with the following members present:

Susan T. Gooden, Chair
Hon. Matthew James, Vice Chair
Monique Barnes
Ravindra Deo
C. Matt Harris
Brenda Madden
David Winter

Members of the Board of Trustees:
John M. Bennett

VRS Staff:

Trish Bishop, Ingrid Allen, Stephen Cerreto, Jeanne Chenault, Michael Cooper, David Cotter, Antonio Fisher, Josh Fox, Kelly Hiers, KC Howell, Robert Irving, Sandy Jack, Brian Lackey, Ryan LaRochelle, Joyce Monroe, Teresa Nyugen, Laura Pugliese, Kristy Scott, Michael Scott, Jennifer Schreck, Jacob Schwartz, Bridgette Watkins-Smith, Rachel Webb, and Leslie Weldon.

Guests:

Jamie Bitz, JLARC; Andrew Ness, Sageview; Lindsay Saienni, Financial Investment News; Amruta Binoy, Department of Planning and Budget; Erin Shell, Auditor of Public Accounts; Col. F. Neal Thompson, Financial Services Consultants Inc.

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 welcomed new Committee members Monique Barnes and Kate Jonas.

Approval of Minutes

Upon a motion by Mr. Winter and a second by Mr. Deo, the minutes of the May 23, 2024, meeting were approved by the Committee.

DC Plans Investments Update

Annual Investment Review

Laura Pugliese, Portfolio Manager of Defined Contribution Plans, provided the Committee with its annual investments review as of June 30, 2024, which included investments for the unbundled DC plans and the TIAA ORPHE. Ms. Pugliese explained that VRS uses white label naming convention for the unbundled DC plans investments and formal investment names for the bundled TIAA ORPHE due to TIAA operational constraints. Ms. Pugliese highlighted the target date portfolios and explained the objective is to address the full life cycle of a member's career. Ms. Pugliese also reviewed upcoming changes to the portfolios. This included the Target Date 2025 Portfolio's assets moving into the Retirement Portfolio in October 2024 because it was reaching its target date, the addition of the Target Date 2070 Portfolio, and various BlackRock enhancements to improve inflation responsiveness as a result of their asset class research.

Dr. Gooden thanked Ms. Pugliese for her presentation.

DCPAC Charter Review

Sandy Jack, Director of Policy, Planning and Compliance, reviewed changes to the Charter to ensure it accurately recites proper duties and procedures and reflects current Board governance best practices. Most of the changes were for clarification purposes, as well as to accurately articulate duties of officers, the proper entities performing functions, and to match specific Code language. These changes will bring consistency across all committee charters.

Following a motion by Mr. Deo, with a second by Ms. Madden, the Committee recommended approval of the DCPAC Charter changes to the Administration, Finance, and Talent Management Committee and the full Board of Trustees.

Dr. Gooden thanked Ms. Jack for her presentation.

Administrative Reports and Communications Update

Administration Reports & Communications

Kelly Hiers, Defined Contribution Plans Administrator, provided an overview of the DC Plans and an update on administrative reports for the second quarter of 2024. An overview of assets and accounts across the various defined contribution plans, as well as account trends, was also provided.

Ms. Hiers advised the Committee that total assets across all plans have increased 3% from the previous quarter. Hybrid Retirement Plan assets and accounts continue to increase as new members are added to the hybrid plan, which is now the primary plan. Ms. Hiers spoke of the EVMS/ODU Merger, which was completed July 11, 2024, and the COV 457 SDBA de-commingling, where \$4.7M in Roth assets at Charles Schwab transferred to 180 new Roth SDBA accounts with MissionSquare. Further, Ms. Hiers provided updates on plan assets and accounts and hybrid voluntary contribution elections. ORPHE participation

rates for DCP showed an increase in DCP elections and a decrease in TIAA elections. Ms. Hiers also provided TIAA updates, which included an amendment to the record-keeping agreement and a targeted beneficiary campaign, as well upcoming DC Plans events.

DC Plans Recordkeeper Transition Update

Ms. Hiers provided a project status on the DC Plans Recordkeeper transition to Voya. VRS staff have been meeting with MissionSquare and Voya in preparation for the transition. Communications have started going out to key stakeholders with additional meetings to follow. Highlights of the overall project were provided, along with an update on contracts/agreements and forms, reporting and procedures, participant and employer support, and other areas pertaining to the transition.

Dr. Gooden thanked Ms. Hiers for her presentation.

Other Business

Advice and Managed Accounts

A presentation covering investment advice and managed accounts, including monitoring of these services, was provided by Andrew Ness with Sageview Consulting. Mr. Ness conducted outreach to other plans to learn about their experiences in providing a hybrid benefit including assets and participant usage, monitoring, and recommendations. He also presented a monitoring program for consideration, which includes reviewing and tracking demographics, engagement/personalization, asset allocation, performance, qualitative benchmarking, and fee benchmarking. VRS administration staff will be responsible for oversight and monitoring of Voya Retirement Advisors' investment advice and professional managed account program.

Dr. Gooden thanked Mr. Ness for his presentation.

Discussion of New Ideas

Mr. Winter raised for discussion the Hybrid Retirement Plan, specifically as it pertains to voluntary participation rates and active election rates in the defined contribution portion of the plan. He further inquired as to whether there is a common measure for comparison with other plans or if there is a generally accepted target or benchmark for voluntary contributions. While the committee is regularly provided with statistics concerning hybrid retirement plan members' voluntary contributions, Mr. Winter noted that a target or benchmark might be useful to know to help determine how the hybrid retirement plan is meeting its plan design goals. Trish Bishop, Director, mentioned that comparing voluntary contributions with other state hybrid plans is challenging, because plan designs vary considerably across different plans, notably with respect to employer matching contributions and automatic features. However, Ms. Bishop also noted that VRS has worked with its record keeper to develop award-winning campaigns to encourage savings. In addition, VRS has offered suggestions in formal legislative reports as well as at presentations to legislative and executive branch policy makers regarding various options that exist to improve outcomes for hybrid plan members, such as automatic enrollment, accelerated auto escalation, and increased employer defined contribution plan percentages.

Ms. Bishop further noted that JLARC will be looking at the Hybrid Retirement Plan and voluntary contributions later this year.

Upcoming DCPAC Meetings

Dr. Gooden confirmed the remaining DCPAC meeting date in 2024, at 1:00 p.m. on Thursday, December 5.

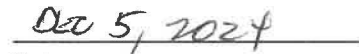
Additionally, the ORPHE Annual Employer Update is scheduled for September 25, 2024, at 10:00 a.m. This is not a DCPAC meeting; however, members may attend if interested.

Adjournment

There being no further business, Dr. Gooden adjourned the meeting at 2:53 p.m. upon a motion by Mr. James, with a second by Mr. Winter, and a vote of the Committee.



Chair



Date