



Administration, Finance and Talent Management Committee Meeting

**VRS, 1111 E. Main St., 3rd
Floor Board Room**

**Wednesday, 9/18/2024
1:00 - 3:00 PM ET**

I. Approve Minutes

• **June 11, 2024**

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II. RBA - Review Revised Board Governance Policy and Committee Charters

• **RBA - Review Revised Board Governance Policy and Committee Charters**

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Board Governance Policy Revisions 2024 - Page 9

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Administration, Finance and Talent Management Committee Charter Final 2024 - Page 50

Audit and Compliance Committee Charter - Clean - Page 54

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Benefits and Actuarial Committee Charter Final 2024 - Page 67

Defined Contribution Plans Advisory Committee Charter Clean revisions 2024 - Page 71

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III. RBA - Reappointment of Investment Advisory Committee (IAC) Members

• **RBA - Reappointment of Investment Advisory Committee (IAC) Members**

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Bio for Theodore Economou - Page 85

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IV. Budget Update

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V. Pay Plans Overview

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Investment Operations and Administrative Pay Plan Policy - Page 142

VI. RBA - Review Attainment of FY2024 Agency Performance Outcomes (APOs) and Operational Measures

• **RBA - Review Attainment of FY2024 Agency Performance Outcomes (APOs) and Operational Measures**

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VII. RBA - Review Performance Bonuses for Eligible Administrative and Investment Operations and Administrative Employees

- **RBA - Review Performance Bonuses for Eligible Administrative and Investment Operations and Administrative Employees**

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VIII. Informational Item

- **RBA Audit Director's Performance Review**

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- **RBA Approve a Salary Adjustment for the Audit Director**

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IX. RBA - FY2024 Incentive Pay for Investment Professionals (Closed session)

- **RBA - FY2024 Incentive Pay for Investment Professionals**

X. RBA - Leadership Performance Review (Closed session)

- **RBA - Director's Performance Review**

Minutes

A regular meeting of the Virginia Retirement System Administration, Finance and Talent Management Committee was held on June 11, 2024, with the following members participating:

A. Scott Andrews, Chair (*attended remotely from The Plains, Virginia under § 2.2-3708.3(B)(1) due to a temporary medical condition*)

Michael P. Disharoon, Vice Chair

Lawrence A. Bernert, III

Board members present:

John M. Bennett

VRS Staff:

Patricia Bishop, Andrew Junkin, Jennifer Schreck, Jeanne Chenault, Michael Cooper, David Cotter, Juanita Cribbs, Jon Farmer, Robert Irving, Sandy Jack, LaShaunda King, Curt Mattson, Matt Priestas, Paula Reid, Mark Rein, Emily Trent and Scott Weaver.

Guests:

Jamie Bitz, Joint Legislative Audit and Review Commission.

The meeting convened at 10:31 a.m.

Opening Remarks

Mr. Andrews called the meeting to order and welcomed everyone to the June 11, 2024, meeting of the Administration, Finance and Talent Management Committee.

Approval of Minutes

Following a motion by Mr. Disharoon, with a second by Mr. Bennett, the Committee approved the minutes of its February 8, 2024, meeting.

Discussion and Consideration of FY 2025 Agency Performance Outcomes (APOs) and Operational Measures

Michael Cooper, Chief Operating Officer, reviewed the proposed Agency Performance Outcomes (APOs) and Operational Measures for FY 2025. Mr. Cooper noted that 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.

Staff is proposing five APOs for FY 2025, each with multiple subcomponents. Sixteen operational measures are also proposed for the fiscal year. To satisfy the requirements for the gainsharing bonus, staff must accomplish four of the five APOs and 13 of the 16 operational measures. The Board discussed amendments to the operational measures for FY 2025.

Upon a motion by Mr. Disharoon, with a second by Mr. Bennett, the Committee recommended approval of the action to the full Board of Trustees subject to forthcoming changes as discussed by Committee and to be presented at the upcoming Board meeting:

RBA: Approve FY 2025 APOs and Operational Measures

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

Administration, Finance and Talent Management Committee Charter Review

Sandy Jack, Director of Policy, Planning and Compliance, advised the Committee of proposed changes to the Administration, Finance and Talent Management (AFT) Committee Charter. Ms. Jack presented the substantive changes and informed the Board that periodic reviews are conducted on all Committee Charters to make sure they accurately recite the proper duties and procedures and reflect current Board governance best practices. The AFT Committee will review all recommended changes for each committee charter at the September AFT Committee meeting.

Upon a motion by Mr. Bernert, with a second by Mr. Disharoon, the Committee approved the changes to its charter submitted at this meeting, as amended, with such ministerial changes as necessary, and recommended that the Board of Trustees approve such changes.

Reappointment of DCPAC Members

Trish Bishop, Director, presented the recommendations for reappointment of three members of the Defined Contribution Plans Advisory Committee (DCPAC). Ms. Bishop advised the members' terms are set to expire and all have expressed an interest in continuing to serve on the DCPAC.

Upon a motion by Mr. Bennett, with a second by Mr. Bernert, the Committee recommended approval of the action 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.*

Appointment of DCPAC Members

Next, Ms. Bishop presented the recommendation to appoint Kate Jonas to the Defined Contribution Plans Advisory Committee (DCPAC) to fill the term of Dr. Arun Muralidhar upon its expiration on June 20, 2024, and appoint Monique G. Barnes to the DCPAC to fill the unexpired term of Shannon Irving, which expires on June 20, 2025.

Upon a motion by Mr. Bennett, with a second by Mr. Bernert, the Committee recommended approval of the action to the full Board of Trustees:

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), each for a two-year term ending June 20, 2026.*

Reappointment of IAC Member

Andrew Junkin, Chief Investment Officer, informed the Committee of an Investment Advisory Committee (IAC) member due for reappointment. Mr. Junkin indicated that Bryan Lewis has been an active and engaged participant of the IAC and is willing to continue his service.

Upon a motion by Mr. Bennett, with a second by Mr. Bernert, the Committee recommended approval of the action to the full Board of Trustees:

RBA: Reappointment of IAC Member

Request for Board Action: *The Board reappoints Bryan Lewis to the Investment Advisory Committee (IAC) for a two-year term ending March 31, 2026.*

FOIA Electronic Meeting Attendance Policy

Next, Ms. Jack advised that during the 2024 session, the General Assembly adopted amendments to the Freedom of Information Act (FOIA), effective July 1, 2024, that change the methods by and circumstances under which public bodies may meet virtually. *Code of Virginia* §§ 2.2-3708.2 and 2.2-3708.3 govern meetings held through electronic communication means. Ms. Jack presented the required updates to the policy.

Upon a motion by Mr. Disharoon, with a second by Mr. Bennett, the Committee recommended approval of the action to the full Board of Trustees:

RBA: Adopt a revised “FOIA Electronic Meeting Attendance Policy”

Request for Board Action: *The Board adopts a revised “FOIA Electronic Meeting Attendance Policy.”*

External Investment Manager Referral Policy

Ms. Jack provided the Board with suggested amendments to the current External Investment Manager Referral Policy, adopted in 2012, to enhance the already high level of transparency in the hiring process for all external investment managers in keeping with VRS’ commitment to operating under the highest ethical standards. The amendments accomplish this by expanding (i) the categories of officials whose communications trigger the Policy to include all elected Virginia officials, Deputy/Assistant Secretaries, and agency heads; and (ii) 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. There are also amendments to clarify the reporting process and update language used throughout the Policy.

Upon a motion by Mr. Bennett, with a second by Mr. Bernert, the Committee recommended approval of the action to the full Board of Trustees:

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

Mr. Andrews thanked Ms. Jack for her presentation.

Quarterly Budget Update

Next, Jonathan Farmer, Budget and Performance Reporting Manager, provided a quarterly budget update to the Committee. Mr. Farmer reviewed the agency’s expenditures through April 30, 2024, and outlined anticipated spending through the remainder of the fiscal year. He also explained that in previous years there have been larger unexpended balances with personnel vacancies as a driving factor. The reduction in the anticipated administration surplus variance is due to the agency’s absorption of two salary increases authorized in the FY24 Appropriation Act and changes to the compensation structure. Technical services, IT and Investments expenses were also driving factors in increased expenditures. Mr. Farmer indicated that VRS is still on track to finish the year with a surplus of approximately \$8 million.

Mr. Andrews thanked Mr. Farmer for the update.

Succession Management Update

Next, Paula Reid, Director of Human Resources, provided a succession management overview to the Committee. The succession management initiative addresses three concerns: 1) the loss of intellectual capital in key positions as more employees become eligible to retire; 2) the decreasing number of younger adults in the workforce available to develop the skills necessary to move into higher-level positions and shorter tenures; and 3) reducing risk by ensuring business continuity. Ms. Reid identified key steps for an effective initiative and VRS-planned efforts to support succession management, highlighting individual and group discussions in addition to leadership meetings. The Board will continue to receive updates as the initiative progresses.

Mr. Andrews thanked Ms. Reid for the update.

Adjournment

There being no further business and following a motion by Mr. Bernert, with a second by Mr. Bennett, the Committee agreed to adjourn the meeting at 11:42 a.m.

Chair

Date

Amend the Board of Trustees Governance Policy and Committee Charters

Requested Action

The Virginia Retirement System Board of Trustees approves amendments to the Board's Governance Policy and to the charters for each of the Board's standing committees and advisory committees.

Description/Background

VRS staff undertook a comprehensive review of the Board of Trustees' governance documents, specifically the Board's Governance Policy and the charters for each of the Board's standing committees and advisory committees. The purposes of the review were to harmonize the language in the Board's Governance Policy and the committee charters, standardize certain provisions in the committee charters to ensure consistency among the charters, and clarify the duties and responsibilities of the individuals and entities set forth in the Governance Policy and committee charters.

The amended documents are as follows:

- Board of Trustees Governance Policy
- Administration, Finance and Talent Management Committee charter
- Audit and Compliance Committee charter
- Benefits and Actuarial Committee charter
- Defined Contribution Plans Advisory Committee charter
- Investment Advisory Committee charter
- Investment Policy Committee charter

Each of the affected committees has reviewed its respective charter amendments and concurs with and recommends its respective charter amendments.

The Administration, Finance and Talent Management Committee, as set forth in its charter, has the responsibility to review amendments to the Board's Governance Policy and committee charters. The Administration, Finance and Talent Management Committee reviewed the proposed amendments to these documents at its September 18, 2024, meeting and recommends the proposed amendments be adopted.

In accordance with the Board's Governance Policy which provides that amendments to the Governance Policy or committee charters can be approved only after such amendments were submitted for review at a prior regular meeting of the Board, the Administration, Finance and Talent Management Committee presented the proposed amendments to the Governance Policy and the committee charters at the Board's meeting on September 19, 2024, which allow the proposed amendments to these documents to be voted on for final approval at today's meeting.

Authority for Requested Action

Code of Virginia § 51.1-124.22(A)(8) authorizes the Board to make determinations necessary to carry out the provisions of Title 51.1 of the Code of Virginia.

The above action is approved.

A. Scott Andrews, Chair
VRS Board of Trustees

Date

BOARD OF TRUSTEES GOVERNANCE POLICY

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BOARD OF TRUSTEES GOVERNANCE POLICY

I. PURPOSE

This Governance Policy is established to:

- A. Set forth the policies and procedures pursuant to under which the Board of Trustees will fulfill its statutory and fiduciary responsibilities;
- B. Ensure that the Board will perform its functions in a manner that is consistent with and in furtherance of the principles set forth below; and
- C. Facilitate the organized, efficient, and cohesive functioning of the Board.

II. AUTHORITY

Title 51.1 of the *Code of Virginia* establishes the Virginia Retirement System (“VRS”) as an independent agency of the Commonwealth, and sets forth the purpose, powers, and duties of the Board of Trustees (the “Board”) relative to its responsibilities as administrator and trustee of the retirement systems and plans provided for therein and in Article X, Section 11 of the Constitution of Virginia.

Pursuant to Title 51.1, the Board administers and is trustee of the funds of the (i) Virginia Retirement System Trust, including Plan 1, Plan 2, the defined benefit component of the Hybrid Retirement Plan, and Plan 1 and Plan 2 hazardous duty benefits for political subdivision employees; (ii) the State Police Officers’ Retirement System Trust, including Plan 1 and Plan 2; (iii) the Virginia Law Officers’ Retirement System Trust, including Plan 1 and Plan 2; (iv) the Judicial Retirement System Trust, including Plan 1 and Plan 2, and the defined benefit component of the Hybrid Retirement Plan for judges; (v) the Virginia Sickness and Disability Program (VSDP) Trust for state employees, including VSDP long-term care; (vi) the Virginia Local Disability Program (VLDP) Trust for eligible school division and political subdivision employees, including VLDP long-term care; (vii) a disability retirement option for certain members not covered under VSDP or VLDP; (viii) the Hybrid 457 Deferred Compensation Plan; (ix) the Hybrid 401(a) Cash Match Plan; (x) the Optional Retirement Plan for Political Appointees (ORPPA); (xi) the Optional Retirement Plan for School Superintendents (ORPSS); (xii) the Optional Retirement Plan for Employees of Higher Education (ORPHE); (xiii) the Commonwealth of Virginia 457 Deferred Compensation Plan; (xiv) the Virginia Cash Match Plan; (xv) the Virginia Supplemental Retirement Plan; (xvi) the

Group Life Insurance Program; [\(xvii\)](#) the Retiree Health Insurance Credit Program; and [\(xviii\)](#) the Line of Duty Death and Health Benefits Trust Fund.

In addition, pursuant to Title 51.1, the Board administers or has substantial oversight responsibilities for the Benefit Restoration Plan, the Commonwealth of Virginia Voluntary Group Long Term Care Insurance Program, and the Volunteer Firefighters' and Rescue Squad Workers' Service Award Fund Program, as well as benefit eligibility determinations under the Line of Duty Act in Title 9.1.

III. *PRINCIPLES*

A. COMMITMENT:

The Board is dedicated to seeing that VRS accomplishes its mission and fulfills its vision. These are:

Mission: "VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service."

Vision: "To be the trusted leader in the delivery of benefits and services to those we serve."

B. GOVERNING STYLE:

1. To achieve its commitment, the Board will govern with an emphasis on:
 - a) Outward vision and strategic leadership rather than administrative focus;
 - b) Encouraging diversity of viewpoints;
 - c) Maintaining a clear distinction between the roles of the Board and those of the Director, the Chief Investment Officer, and the Audit Director;
 - d) Collective determination rather than individual decision-making; and
 - e) Being proactive rather than reactive.
2. Accordingly, in all of its deliberations, actions, and decisions, the Board will be guided by the following principles:
 - a) The Board's focus will be to set long-term objectives and goals for members, retirees and beneficiaries, not on day-to-day administrative operations;
 - b) The Board will set broad organizational values and perspectives to guide VRS staff;
 - c) The Board will exercise ~~whatever the~~ self-discipline ~~is needed~~ necessary to govern with excellence. Discipline will apply to matters such as preparation

- for meetings, attendance, policy-making principles, respect of clarified roles, and speaking with one voice;
- d) The Board will be accountable to the members, retirees and beneficiaries for competent, conscientious and effective accomplishment of its obligations; ~~and No. No member, officer, individual,~~ or committee of the Board will usurp this role or hinder this commitment.
 - e) The Board will monitor its own processes and performance, and it will ensure the continuity and advancement of its governance capability by orientation of new Board members and ongoing training and development of all Board members.

IV. STRUCTURE AND FUNCTION OF THE BOARD

A. COMPOSITION

1. The members of the Board are appointed, serve, and can be removed pursuant to *Code of Virginia* § [51.1.124.20](#), as it may be amended from time to time:
 - a) The VRS Board is composed of nine members, ~~each.~~
 - b) ~~Board members are appointed for a term of five years~~ five-year terms. No member may serve for more than two consecutive five-year terms ~~and, should~~ a. A member be who is appointed to complete the ~~remainder unexpired term~~ of a former member's term, he or she member may serve only one ~~complete~~ additional five-year term thereafter.
 - b) The Governor appoints five Board members and the Joint Rules Committee of the General Assembly appoints four members of the Board. All appointments must be confirmed by the General Assembly.
 - c) Of the five members appointed by the Governor, two shall have a minimum of five years of experience in the direct management, analysis, supervision or investment of assets; one shall have at least five years of direct experience in the management and administration of employee benefit plans; one shall be a local employee; and, one shall be a faculty member or employee of a state-supported institution of higher education.
 - d) Of the four members appointed by the General Assembly, two shall have a minimum of five years of experience in the direct management, analysis, supervision or investment of assets; one shall be a state employee; and one shall be a teacher.
 - e) Board members are subject to removal from office only as set forth in sections 24.2-230 through 24.2-238 of the *Code of Virginia*.
2. All new Board members shall complete an orientation program as soon as practicable after the date of their appointment to the Board.

3. All Board members shall sign an affirmation pledging to uphold both the letter and the spirit of the attached Board of Trustees Code of Ethics and Conduct as soon as practicable after the date of their appointment to the Board, and at least annually thereafter.

B. STANDARD OF CARE

~~As provided~~The Board standard of care is established in Article X, Section 11 of the Constitution of Virginia:

“The General Assembly shall maintain a retirement system for state employees and employees of participating political subdivisions and school divisions. The funds of the retirement system shall be deemed separate and independent trust funds, shall be segregated from all other funds of the Commonwealth, and shall be invested and administered solely in the interests of the members and beneficiaries thereof. Neither the General Assembly nor any public officer, employee, or agency shall use or authorize the use of such trust funds for any purpose other than as provided in law for benefits, refunds, and administrative expenses, including but not limited to legislative oversight of the retirement system. Such trust funds shall be invested as authorized by law. Retirement system benefits shall be funded using methods which are consistent with generally accepted actuarial principles. The retirement system shall be subject to restrictions, terms, and conditions as may be prescribed by the General Assembly.”

The Board standard of care is further described in subsections C and D of § 51.1-124.30 of the *Code of Virginia*:

“C. The Board shall discharge its duties with respect to the Retirement System solely in the interest of the beneficiaries thereof and shall invest the assets of the Retirement System with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. The Board shall also diversify such investments so as to minimize the risk of large losses unless under the circumstances it is clearly prudent not to do so.”
~~*Code of Virginia § 51.1-124.30.C.*~~

“D. No officer, director or member of the Board or of any advisory committee of the Retirement System or any of its tax exempt subsidiary corporations whose actions are within the standard of care in subsection C above shall be held personally liable for losses suffered by the Retirement

System on investments made under the authority of this chapter.” *Code of Virginia* § 51.1-124.30.D.

C. CHAIRPERSON

The Governor designates ~~which one~~ of the nine members of the Board ~~shall to~~ serve as chairperson, subject to confirmation by the General Assembly. In accordance with § 51.1-124.20(D) of the *Code of Virginia*, the chairperson ~~may serve no more than two two-year terms~~ is appointed for a two-year term and may be reappointed for one additional two-year term.

The chairperson ~~is charged with~~ has the following duties:

1. Facilitating the operation of Board meetings;
2. Reviewing proposed agendas for Board meetings;
3. Presiding over meetings of the Board;
4. When required, certifying any actions taken by the Board;
5. Communicating on behalf of the Board to outside entities interested in VRS; and
6. Performing such additional duties as provided herein or as may be set by resolution of the Board.

D. VICE-CHAIRPERSON

~~The vice-chairperson is a member of the Board, elected by a~~ By majority vote of the Board ~~shall elect one of its members as vice-chairperson.~~ The election of the vice-chairperson shall take place at the first regular meeting following the installation of a new chairperson, ~~or~~ at the first regular meeting following the reappointment of the chairperson, at the first regular meeting after the vice-chairperson’s term ends or at the first regular meeting after the vice-chairperson is no longer serving in the position. The vice-chairperson is elected for a two-year term, and may be re-elected for two additional terms.

Commented [SJ1]: Added language to clarify that a new vice-chair may be elected after the current vice-chair is no longer serving on the Board.

In the event of the absence or incapacity of the chairperson, the vice-chairperson shall preside over Board meetings; and shall fulfill such other duties and responsibilities of the chairperson as may be necessary.

E. SECRETARY

The Director shall act as secretary to the Board. The Director shall continue to serve as secretary until such time as he or she is unable or unwilling to continue to do so, or until such time as the Board appoints another secretary.

The Secretary to the Board has the following duties ~~and responsibilities:~~

1. ~~To maintain~~Maintain a current list of the membership of the Board and ~~of~~ each committee;
2. ~~To notify~~Notify Board members of meetings;
3. ~~To coordinate~~Coordinate and disseminate information to the members of the Board;
4. ~~To maintain~~Maintain official minutes and records of all proceedings of the Board;
5. ~~To respond~~Respond to requests received by VRS under the Freedom of Information Act (FOIA);
6. ~~To accept~~Accept service of process on behalf of the Board;
7. ~~To notify~~Notify Board members of training and filing requirements related to the State and Local Government Conflict of Interests Act (COIA);
8. ~~To prepare~~Prepare, prior to each meeting, an agenda for use by the presiding chairperson; and
9. ~~To coordinate~~Coordinate presentations for the Board.

F. MEETINGS/ATTENDANCE

The Board determines and approves a regular meeting schedule on an annual basis. Changes in the schedule may be made in coordination with the Board members. The Board is authorized to schedule additional meetings, if deemed necessary, after giving appropriate notice to all members of the Board and to the public.

Attendance at Board meetings is considered to be an essential element of a Board member's fiduciary responsibility. Therefore, members are expected to attend all meetings unless there are extenuating circumstances that prevent such attendance.

G. PROCEDURAL STANDARDS

1. The rules contained in the current edition of *Robert's Rules of Order Newly Revised* shall govern all proceedings of the Board and VRS committee meetings insofar as they are applicable and not inconsistent with any of the policies adopted by the Board, including this Governance Policy. Special note is to be made of the rules provided for procedure in small boards which are deemed to be appropriate for use in all meetings contemplated in these policies, including meetings of all advisory, standing, and special committees.
2. Unless otherwise specified by the Board, voting by proxy is not allowed.
3. A majority of members of the Board shall constitute a quorum at Board meetings.
4. Except as otherwise specified herein, approval of an action or decision shall be by a majority of those voting.

H. RESPONSIBILITIES AND DUTIES OF THE BOARD

To fulfill its fiduciary and administrative responsibilities, the Board may, as necessary, review, monitor, and oversee the following items, among others:

1. Agency mission and vision;
2. ~~Budget vs. Actual~~Budgeted and actual expenditures;
3. Internal controls;
4. Strategic plan and objectives;
5. Design of Defined Benefit plans and programs;
6. Design of Group Life and other ~~Insurance~~ insurance programs;
7. Design of Defined Contribution programs;
8. Performance of Director, Audit Director, and Chief Investment Officer;
9. Investment performance;
10. Funded status;
11. Actuarial valuations and demographic and economic assumptions; and
12. Financial health of VRS through review of financial statements.

To fulfill its fiduciary and administrative responsibilities, the Board shall, as necessary, approve the following items, among others, ~~as needed~~:

1. Governance documents;
2. Agency Performance Objectives;
3. Agency compensation plans;
4. Funding policy and contribution rates;
5. Asset allocation targets (policy risk/reward parameters);
6. Allowable ranges around the policy targets;
7. Total fund and program level benchmarks;
8. Active risk limits relative to policy;
9. Defined Benefit Plan Investment Policy Statement;
10. Defined Contribution Plans Investment Policy Statements;
11. Investment Belief Statements for defined benefit and defined contribution plans;
12. Appointments to ~~Standing, Special standing, special,~~ and ~~Advisory Committees~~ advisory committees;
13. Appointment and termination of Custodian Bank;
14. Appointment and termination of Plan Actuary;
15. Appointment of Director, Audit Director, and Chief Investment Officer;
16. Investment and administrative budgets;
17. Legislation to be introduced at VRS' request;
18. ~~Cost-of-living~~ increases where approval is required by statute; and
19. Internal Audit long-term and annual work plans.

V. CONNECTION OF THE BOARD TO VRS OPERATIONS

The Board is connected to the operations, conduct, and achievements of VRS through the Director, the Chief Investment Officer, and the Audit Director.

The individuals in these three positions are appointed, employed, monitored, and evaluated directly by the Board. They constitute the Board's only link to each area of VRS. Therefore, as specified below, all authority and accountability of the VRS staff, as far as the Board is concerned, is considered the authority and accountability of one of these three people.

The Director and the Chief Investment Officer are responsible for direct operational decision making and administration of the policies and guidelines established by the Board. The power to delegate authority, to execute contracts, or to sign official documents on behalf of the Board rests solely with the Board, and this authority is exercised by signature resolutions ~~passed~~ adopted by the Board from time to time.

A. DIRECTOR

Pursuant to *Code of Virginia* § 51.1-124.22(A), the Board shall appoint a Director, who shall not be a member of the Board, to serve as the chief administrative officer of the VRS. The Director serves at the pleasure of the Board.

The Board ~~herewith~~ delegates to the Director full responsibility to administer the provisions of Title 51.1 of the *Code of Virginia*, and other applicable state and federal laws and regulations, under the general direction of the Board and in compliance with the statutes and such policies, rules, guidelines, and procedures as the Board may adopt.

This delegation includes, but is not limited to, the following duties and authority:

1. Determining the accuracy and timeliness of all payments due to VRS;
2. Accounting for and depositing payments made to VRS;
3. Making payment and distributing funds consistent with Title 51.1 of the *Code of Virginia* and other applicable state and federal laws and regulations;
4. Responding to all correspondence regarding rights and benefits of members and employers;
5. Assisting committees of the Board in the discharge of their functions, including providing an orientation program to Board members as soon as practicable after the date of their appointment, in coordination with the ~~CIO~~ Chief Investment Officer and Audit Director;
6. Maintaining VRS records, files, and documents;
7. Developing and maintaining communications and relationships with other state agencies, public retirement systems, and organizations involved with or having an impact on public retirement issues;
8. Representing VRS before the General Assembly and ~~of~~ any of its committees and agencies on matters relating to the administration of VRS;
9. Serving as liaison with legal, medical, and actuarial professionals and third-party administrators;

Commented [SJ2]: Addition to clarify that state and federal laws are applicable to VRS and Board responsibilities beyond Title 51.1.

10. Monitoring the activities and performance of consultants and outside service providers hired by VRS;
11. Developing, approving, and monitoring progress towards completion of divisional business plans and projects;
12. Overseeing the day-to-day administrative operations of VRS;
13. Assigning duties to administrative staff;
14. Determining the appropriate organizational structure and staffing for all functions of VRS other than those performed by the investment and internal audit departments;
15. Determining administrative staff compensation within the parameters of the current compensation plan;
16. Developing, implementing, and supervising plans, policies, standards, programs, and services for applicable personnel;
17. Hiring, retaining, and terminating administrative staff;
18. Providing the Board and the Board chairperson with timely information necessary to discharge their fiduciary duties;
19. Developing, amending, and refining policies for Board approval, including, but not limited to, the following:
 - a) Strategic plan and objectives;
 - b) Service quality standards;
 - c) Agency performance evaluation; and
 - d) Other administrative policies;
20. Issuing final case decisions regarding applications for disability retirement and other matters that have been appealed pursuant to the Administrative Process Act;
21. Evaluating and establishing service credits;
22. Verifying eligibility for, computing, and paying service retirement allowances;
23. Determining whether to discontinue recovery of and waive overpayments, and reporting such determinations to the Benefits and Actuarial Committee when it is outside of normal business operations;
24. Making determinations regarding new and/or amended employer coverage;
25. Approving and authorizing payment of refund requests;
26. Adjudicating questions regarding interpretation and application of relevant law and policy;
27. Referring questions to the Board when the determination would be precedent-setting;
28. Developing and maintaining the administrative portion of the VRS budget ;
29. Monitoring Agency-wide expenditures versus [the VRS](#) budget;
30. Developing and implementing internal controls;
31. Coordinating with the Chief Investment Officer in such a manner as to ensure operational efficiency at both the Board and agency levels;
32. Absent express Board action otherwise, performing the duties of Secretary to the Board; and
33. Performing such additional duties when directed to do so by the Board.

The power to delegate authority to disburse or transfer public funds or assets, execute contracts, or sign official documents on behalf of the Board rests solely with the Board. Therefore, ~~only the Director and any other staff member so authorized by any signature resolutions approved by the Board, and consistent with such signature resolutions, may execute contracts and official documents on behalf of VRS and authorize the disbursement or transfer of public funds or assets of VRS.~~ This authority may not be further delegated by the Director to any other person or persons.

The Director may, however, as ~~he or she deems they deem~~ reasonable, delegate any other of the Director's responsibilities, duties, and authority to members of the administrative staff in order to facilitate the efficient functioning of VRS.

B. CHIEF INVESTMENT OFFICER

Pursuant to *Code of Virginia* § 51.1-124.24(A), the Board shall appoint a Chief Investment Officer ("CIO"), who shall not be a member of the Board, to direct, manage and administer the investment department. The CIO serves at the pleasure of the Board.

The Board ~~herewith~~ delegates to the CIO full responsibility to devise and approve investment strategies that are intended to move the defined benefit and defined contribution plans investment programs towards their broad objectives and goals. As such, the CIO should be free to devise any strategy that is within the policies and guidelines as the Board may adopt.

This delegation includes, but is not limited to, the following duties and authority:

1. Planning, organizing and directing the investment work of VRS;
2. Implementing investment policies and strategies established by the Board;
3. Determining asset allocation within the guidelines established by the Board;
4. Supervising, evaluating, and monitoring the investment portfolio and associated investment activities;
5. Hiring and ~~or~~ terminating consultants;
6. Hiring and ~~or~~ terminating investment managers;
7. Developing and maintaining the investment department portion of the VRS budget;
8. Developing and implementing internal controls;
9. Implementing investment-related regulatory requirements;
10. Providing the Board and the Board ~~Chairperson~~ chairperson with timely information necessary to discharge their fiduciary duties;
11. Representing VRS before the General Assembly and ~~or~~ any of its committees and agencies on investment matters;
12. Determining the appropriate organizational structure and staffing for the investment functions of VRS;

13. Determining investment staff compensation within the parameters of the current compensation plan;
14. Developing, implementing, and supervising plans, policies, standards, programs, and services for investment personnel;
15. Hiring, retaining, and terminating investment staff;
16. Overseeing the day-to-day investment operations;
17. Responding to applicable correspondence regarding investment matters;
18. Assisting committees of the Board in the discharge of their functions, including providing an orientation program to Board members as soon as practicable after the date of their appointment, in coordination with the Director and Audit Director;
19. Monitoring activities and performance of internal and external investment managers;
20. Recommending to the Board the appointment, replacement, and termination of the custodian bank;
21. Maintaining necessary systems and technology for investment management and support of all investment functions, in compliance with applicable Virginia Information Technologies Agency (VITA) security standards;
22. Developing, amending, and refining policies for Board approval, including, but not limited to, the following:
 - a) VRS Defined Benefit Plan Investment Policy Statement;
 - b) VRS Defined Benefit Plan Investment Belief Statements
 - c) VRS Investment Policy Statement For An Unbundled Defined Contribution Plan Structure;
 - d) VRS Investment Policy Statement For A Bundled Defined Contribution Plan Structure;
 - e) VRS Defined Contribution Plans Investment Belief Statements; and
 - f) Other applicable investment policies;
23. Monitoring compliance with and continued appropriateness of the defined benefit and the defined contribution plans fund policies and guidelines;
24. Coordinating with the Director in such a manner as to ensure operational efficiency at both the Board and agency levels; and
25. Performing such additional duties when directed to do so by the Board.

The power to delegate authority to disburse or transfer public funds or assets, execute contracts, or sign official documents on behalf of the Board rests solely with the Board. Therefore, only the CIO and any other staff member so authorized by any signature resolutions approved by the Board, and consistent with such signature resolutions, may execute contracts and official documents on behalf of VRS. This authority may not be further delegated by the CIO to any other person or persons. The CIO may, however, as ~~he or she~~ they deems reasonable, delegate any other of the CIO's responsibilities, duties, and authority to members of the investment staff in order to facilitate the efficient functioning of the investment department of VRS. Notwithstanding

the foregoing, an authorized entity may execute necessary documents on behalf of VRS as may be required by contract or agreement.

C. AUDIT DIRECTOR

The Board shall appoint an Audit Director, who reports directly to the Board through the Audit and Compliance Committee, ~~to serve.~~ The Audit Director serves at the pleasure of the Board.

 The Board herewith delegates to the Audit Director full responsibility to provide objective analyses, appraisals, recommendations, and pertinent comments concerning the implementation of and adherence to established policies and procedures throughout VRS.

This delegation includes, but is not limited to, the following duties and authority:

1. Reviewing and appraising the soundness, adequacy and applications of accounting, financial, and other operating controls, and promoting effective control at a reasonable cost;
2. Ascertaining the extent of compliance with established policies, plans, and procedures;
3. Ascertaining the extent to which assets are accounted for and safeguarded from losses of all kinds;
4. Ascertaining the reliability of financial data developed within the organization;
5. Recommending operating improvements;
6. Developing a comprehensive long-range audit plan and corresponding annual audit plans and implementing the such plans after review ~~and~~ by the Audit and Compliance Committee and approval by the Board;
7. Allocating resources, setting frequencies, selecting subjects, determining scopes of work, applying techniques;
8. Supervising examinations of VRS operations and other special projects;
9. Ensuring all audit procedures are performed and are documented in accordance with agreed upon standards and departmental policies and procedures;
10. Revising the long-range and annual audit plans, as necessary, to accommodate changing needs and unexpected events;
11. Reporting to the Audit and Compliance Committee on a regular basis and, when necessary, reporting directly to the Board;
12. Assisting the Board and its committees ~~in~~ in the discharge of their functions, including providing an orientation program to Board members as soon as practicable after the date of their appointment, in coordination with the Director and CIO;
13. Monitoring management's implementation of audit recommendations;
14. Determining the appropriate organizational structure and staffing for the internal audit department;
15. Hiring, retaining, and terminating ~~a~~ a professional and proficient audit staff;

16. Determining Internal Audit staff compensation within the parameters of the current compensation plan.
17. Establishing an Internal Audit Department Charter, which acknowledges the appropriate authority, roles, responsibilities, scope and services of the internal audit function, as authorized by the Audit and Compliance Committee in consultation with senior management; and
18. Performing such additional -duties when directed to do so by the Board.

The Audit Director has sole authority to determine the scope of internal audit activities, and shall not be restricted by the Director or the CIO.

The Audit Director shall have unrestricted access to the Board, including communicating and interacting directly with the Board members, and participating in private meetings without senior management. The Audit Director, with the support of VRS staff shall ensure any meetings are held in accordance with commonwealth of Virginia's Freedom of Information Act.

The Audit Director shall have full and unrestricted access to all VRS function, data, records, information, physical property and personnel pertinent to each area under review. Special arrangements shall be made for the examination of records that are confidential in nature.

The Audit Director shall have direct access to the Director and to the CIO in any instance where the Audit Director believes such access is needed to fulfill the stated objectives of the Department.

The Audit Director may, as ~~he or she deems~~ they deem reasonable, delegate any of the Audit Director's responsibilities, duties, and authority to members of the internal audit staff in order to facilitate the efficient functioning of the internal audit department.

VI. COMMITTEES

A. ADVISORY COMMITTEES

Pursuant to *Code of Virginia* § 51.1-124.26, the Board shall appoint an Investment Advisory Committee to provide the Board with sophisticated, objective, and prudent investment advice to serve at the pleasure of the Board.

In addition, the Board may appoint such advisory committees as it deems necessary to further assist it in fulfilling its fiduciary duty as trustee of the VRS funds. ~~The Board shall also and shall~~ set forth the purpose and authority of the any such advisory committee.

The recommendations of an advisory committee are not binding upon the Board.

Each advisory committee may include no more than two (2) Board members. No individual Board member may serve on more than one advisory committee. Other than such Board members, no elected or appointed official may serve on any such advisory committees.

Appointment to an advisory committee shall require a two-thirds vote of the Board. Advisory committee members serve at the pleasure of the Board and may be removed by a majority vote of the Board.

The Board of Trustees Code of Ethics and Conduct shall ~~also~~ apply to all advisory committee members, who shall sign an affirmation pledging to uphold both the letter and the spirit of that Code as soon as practicable after the date of their appointment to the advisory committee, and at least annually thereafter.

Once appointed by the Board, an advisory committee shall develop a committee charter subject to approval and adoption by the Board. Each advisory committee charter shall include a statement of the purpose and authority for which the committee was appointed, a description of the committee's duties and responsibilities, and an overview of the composition and operating procedures of the committee.

The Board has established the following advisory committees:

1. INVESTMENT ADVISORY COMMITTEE ~~(REQUIRED BY LAW)~~

The purpose of the Investment Advisory Committee (IAC) is to provide the Board with sophisticated, objective, and prudent investment advice. It shall consist of seven to nine members.

The ~~Investment Advisory Committee~~ IAC shall, except for the defined contribution plans investments:

- a) Review, evaluate, and monitor investments and investment opportunities;
- b) Make appropriate recommendations to the Board about such investments and investment opportunities; and
- c) Make recommendations to the Board about overall asset allocation.

2. DEFINED CONTRIBUTION PLANS ADVISORY COMMITTEE

The purpose of the Defined Contribution Plans Advisory Committee (DCPAC) is to review matters relating to or affecting plan administration, plan design and investments of the various defined contribution plans established pursuant to the *Code of Virginia* and to make recommendations to the Board regarding those matters.

In addition to the duties and responsibilities outlined in its charter, the DCPAC shall assist the Board with its statutory responsibilities to review and oversee the policies and procedures constituting the process by which the Board reviews and determines whether to approve requests by institutions of higher education that seek to withdraw from participation in the Optional Retirement Plan of the Commonwealth of Virginia for Employees of Institutions of Higher Education.

B. STANDING COMMITTEES

The Board may establish such standing committees as it determines would be necessary or helpful in fulfilling its responsibilities.

The purpose and authority of a standing committee must be carefully ~~set forth delineated~~ to avoid conflict with authority delegated to the Director, the CIO, and/or the Audit Director.

Once created, a standing committee shall remain in existence until such time as the Board takes the necessary action to dissolve it.

Unless otherwise specified, all standing committees established by the Board are subject to the following principles and guidelines:

1. Standing committees are to focus their efforts on matters of material significance to the VRS Board, and refrain from any involvement in operational details or decision-making that are the responsibility of the Director, the CIO, and/or the Audit Director.
2. Standing committees may assist the Board by suggesting policy alternatives for Board consideration.
3. A standing committee does not speak or act for the Board, unless the Board specifically delegates such authority to it for a specific and time-limited purpose.
4. Each standing committee shall notify all Board members of the time and place of all committee meetings. Board members may choose to attend any committee meeting, regardless of whether or not they are members of the committee. Any member of the VRS Board who is not a member of the standing committee but is present at a meeting of that committee ~~may serve as an alternate to an absent member of the committee for purposes of constituting a quorum, and any such participation shall not be considered voting by proxy. Moreover, any VRS Board member who is not a member of the standing committee but is present at a meeting of that committee~~ shall have all the rights and privileges afforded to a member of the committee while present at such meeting, including voting and being counted toward a quorum, and any such participation shall not be considered voting by proxy.

Commented [SJ3]: Removed unnecessary alternate member language. Not needed because any member of the Board may attend any committee meeting and have the rights of a member of the committee.

Once established by the Board, a standing committee shall develop a committee charter subject to approval and adoption by the Board. Each committee charter shall include a statement of the purpose and authority for which the committee was established, a description of the committee's duties and responsibilities, and an overview of the composition and operating procedures of the committee.

The Board has established the following standing committees:

1. ADMINISTRATION, ~~FINANCE, AND TALENT MANAGEMENT AND PERSONNEL~~ COMMITTEE

The purpose of the Administration, ~~Finance, and Talent Management and Personnel~~ Committee is to review matters relating to or affecting administrative functions, personnel plans, the budget, and finance, and to make recommendations to the full Board regarding those matters.

2. AUDIT AND COMPLIANCE COMMITTEE

The purpose of the Audit and Compliance Committee is to review matters relating to or affecting internal and external audit, including, but not limited to, VRS' financial reporting process, systems of internal control, auditing procedures and process, and process for monitoring compliance with laws, regulations and the Code of Conduct; and to submit reports or make recommendations to the full Board regarding those matters.

3. BENEFITS AND ACTUARIAL COMMITTEE

The purpose of the Benefits and Actuarial Committee is to review matters relating to or affecting benefits, benefit administration, and actuarial soundness of all plans administered by VRS except for the defined contribution plans, and to make recommendations to the full Board regarding those matters.

4. INVESTMENT POLICY COMMITTEE

The purpose of the Investment Policy Committee is to facilitate the determination of appropriate defined benefit plan investment policies, ~~setting to set~~ guidelines under which those policies will be carried out, and to make appropriate recommendations to the full Board regarding those policies and guidelines. It is the intent of the Board that all substantive concerns, discussions, and recommendations regarding VRS investment policy be directed to the Investment Policy Committee for vetting and reporting back to the Board for action, if any.

C. SPECIAL COMMITTEES

The Board may establish a special committee, as needed, to carry out a specified task. Upon completion of the task for which it was established, and presentation of its final report to the Board, a special committee shall cease to exist. A special committee may not be appointed to perform a task that falls within the assigned function of any existing standing or advisory committee.

VII. RELATIONSHIP WITH THE PUBLIC

Because it is a public body responsible for the management of public funds, the VRS Board has the responsibility to conduct its business in an environment that is open to public scrutiny. In doing so, the VRS Board shall operate in full compliance with both the letter and the spirit of the Virginia Freedom of Information Act (FOIA) and the State and Local Government Conflict of Interests Act (COIA).

A. PRINCIPLES

1. VRS shall maintain open communication with the public, the employers, and members it serves, and the news media.
2. VRS shall make public information available in as efficient a manner as possible, while protecting the confidentiality of the members, retirees, beneficiaries, and employers it serves.
3. The public shall be granted access to all meetings and to all records of meetings of the Board and Board committees except for such meetings as are closed pursuant to and in accordance with FOIA.

B. COMMUNICATION WITH THE MEDIA

1. The Chairperson of the Board is authorized to act as spokesperson for the Board and for VRS.
2. The Chairperson may delegate all or a part of this authority as ~~he or she~~[they](#) deems appropriate, subject to approval by the Board. The Board herewith approves the following delegation:
 - a) The Director or his or her designee is authorized to act as spokesperson regarding administrative and operational matters.
 - b) The CIO or his or her designee is authorized to act as spokesperson regarding investment matters.
3. The Chairperson shall, to the extent possible, review all official press releases regarding Board policy, activities, or other matters prior to publication.

VIII. OPINIONS OF THE ATTORNEY GENERAL

Pursuant to *Code of Virginia* § 2.2-505(A), requests from VRS for written advice in the form of official advisory opinions from the Attorney General must be made in writing by the Board Chairperson or by the Director. Before requesting an official advisory opinion of the Attorney General, the Director shall review the request with and obtain the prior approval of the Board Chairperson and, where feasible, the Board of Trustees.

IX. AMENDMENT OF GOVERNANCE POLICY

~~The VRS Board of Trustees~~ A copy of any proposed amendment to the Governance Policy and or any committee charters charter, in whole or in part, may be altered, amended, modified, and/or rescinded, and new policies or provisions may be adopted in lieu thereof, or of any new policy or charter must first be submitted for consideration at a regular meeting of the Board. The Board may approve any such amendment or new policy or charter by a two-thirds vote of the Board, provided that a copy of the proposed amendment is submitted in writing at the preceding regular meeting, at any subsequent regular meeting of the Board.

In the case of urgent and/or extraordinary circumstances requiring the immediate action of the Board, the Board may amend ~~a policy or provision~~ the Governance Policy or a committee charter at the same meeting at which the proposed amendment is ~~introduced, first submitted~~ provided that such action is by a unanimous consent vote of the Board. Furthermore, ~~any~~ Any such amendment ~~must be~~ shall cease to be in effect at the conclusion of the next regular Board meeting unless unless it is submitted for reconsideration approved at the next such Board meeting and, only if it then is reaffirmed by a two-thirds vote, shall such amendment permanently become a part of the Governance Policy or committee charter of the Board.

Notwithstanding the foregoing, the Administration, Finance, and Talent Management and Personnel Committee shall periodically review the Governance Policy and committee charters. The Committee shall report its findings and recommended changes to the Board.

X. VALIDITY OF GOVERNANCE POLICY

In the event any of the provisions set forth in the Governance Policy shall be deemed to be invalid as a result of any conflict with ~~a any~~ any provision of the *Code of Virginia* ~~or~~ the Appropriation Act, or any Act of Assembly, such conflict shall not invalidate the entirety of the Governance Policy, but the remaining provisions of the Governance Policy shall continue in full force and effect.

In the event any of the provisions set forth in the Governance Policy are found to be in conflict with any provision(s) of contained in any the committee charters adopted hereunder, the Governance Policy shall supersede and take precedence over any conflicting provisions of a committee charter.

BOARD OF TRUSTEES GOVERNANCE POLICY

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BOARD OF TRUSTEES GOVERNANCE POLICY

I. PURPOSE

This Governance Policy is established to:

- A. Set forth the policies and procedures under which the Board of Trustees will fulfill its statutory and fiduciary responsibilities;
- B. Ensure the Board will perform its functions in a manner consistent with and in furtherance of the principles set forth below; and
- C. Facilitate the organized, efficient, and cohesive functioning of the Board.

II. AUTHORITY

Title 51.1 of the *Code of Virginia* establishes the Virginia Retirement System (“VRS”) as an independent agency of the Commonwealth, and sets forth the purpose, powers, and duties of the Board of Trustees (the “Board”) relative to its responsibilities as administrator and trustee of the retirement systems and plans provided for therein and in Article X, Section 11 of the Constitution of Virginia.

Pursuant to Title 51.1, the Board administers and is trustee of the funds of the (i) Virginia Retirement System Trust, including Plan 1, Plan 2, the defined benefit component of the Hybrid Retirement Plan, and Plan 1 and Plan 2 hazardous duty benefits for political subdivision employees; (ii) the State Police Officers’ Retirement System Trust, including Plan 1 and Plan 2; (iii) the Virginia Law Officers’ Retirement System Trust, including Plan 1 and Plan 2; (iv) the Judicial Retirement System Trust, including Plan 1 and Plan 2, and the defined benefit component of the Hybrid Retirement Plan for judges; (v) the Virginia Sickness and Disability Program (VSDP) Trust for state employees, including VSDP long-term care; (vi) the Virginia Local Disability Program (VLDP) Trust for eligible school division and political subdivision employees, including VLDP long-term care; (vii) a disability retirement option for certain members not covered under VSDP or VLDP; (viii) the Hybrid 457 Deferred Compensation Plan; (ix) the Hybrid 401(a) Cash Match Plan; (x) the Optional Retirement Plan for Political Appointees (ORPPA); (xi) the Optional Retirement Plan for School Superintendents (ORPSS); (xii) the Optional Retirement Plan for Employees of Higher Education (ORPHE); (xiii) the Commonwealth of Virginia 457 Deferred Compensation Plan; (xiv) the Virginia Cash Match Plan; (xv) the Virginia Supplemental Retirement Plan; (xvi) the Group Life Insurance Program; (xvii) the Retiree Health Insurance Credit Program; and (xviii) the Line of Duty Death and Health Benefits Trust Fund.

In addition, pursuant to Title 51.1, the Board administers or has substantial oversight responsibilities for the Benefit Restoration Plan, the Commonwealth of Virginia Voluntary Group Long Term Care Insurance Program, and the Volunteer Firefighters' and Rescue Squad Workers' Service Award Fund Program, as well as benefit eligibility determinations under the Line of Duty Act in Title 9.1.

III. PRINCIPLES

A. COMMITMENT:

The Board is dedicated to seeing that VRS accomplishes its mission and fulfills its vision. These are:

Mission: "VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service."

Vision: "To be the trusted leader in the delivery of benefits and services to those we serve."

B. GOVERNING STYLE:

1. To achieve its commitment, the Board will govern with an emphasis on:
 - a) Outward vision and strategic leadership rather than administrative focus;
 - b) Encouraging diversity of viewpoints;
 - c) Maintaining a clear distinction between the roles of the Board and those of the Director, the Chief Investment Officer, and the Audit Director;
 - d) Collective determination rather than individual decision-making; and
 - e) Being proactive rather than reactive.

2. Accordingly, in all of its deliberations, actions, and decisions, the Board will be guided by the following principles:
 - a) The Board's focus will be to set long-term objectives and goals for members, retirees and beneficiaries, not on day-to-day administrative operations;
 - b) The Board will set broad organizational values and perspectives to guide VRS staff;
 - c) The Board will exercise the self-discipline necessary to govern with excellence. Discipline will apply to matters such as preparation for meetings, attendance, policy-making principles, respect of clarified roles, and speaking with one voice;

- d) The Board will be accountable to the members, retirees and beneficiaries for competent, conscientious and effective accomplishment of its obligations. No member, officer, or committee of the Board will usurp this role or hinder this commitment.
- e) The Board will monitor its own processes and performance, and it will ensure the continuity and advancement of its governance capability by orientation of new Board members and ongoing training and development of all Board members.

IV. STRUCTURE AND FUNCTION OF THE BOARD

A. COMPOSITION

1. The members of the Board are appointed, serve, and can be removed pursuant to *Code of Virginia* § [51.1.124.20](#), as it may be amended from time to time:
 - a) The VRS Board is composed of nine members.
 - b) Board members are appointed for five-year terms. No member may serve for more than two consecutive five-year terms. A member who is appointed to complete the unexpired term of a former member may serve only one additional five-year term thereafter.
 - b) The Governor appoints five Board members and the Joint Rules Committee of the General Assembly appoints four members of the Board. All appointments must be confirmed by the General Assembly.
 - c) Of the five members appointed by the Governor, two shall have a minimum of five years of experience in the direct management, analysis, supervision or investment of assets; one shall have at least five years of direct experience in the management and administration of employee benefit plans; one shall be a local employee; and, one shall be a faculty member or employee of a state-supported institution of higher education.
 - d) Of the four members appointed by the General Assembly, two shall have a minimum of five years of experience in the direct management, analysis, supervision or investment of assets; one shall be a state employee; and one shall be a teacher.
 - e) Board members are subject to removal from office only as set forth in sections 24.2-230 through 24.2-238 of the *Code of Virginia*.
2. All new Board members shall complete an orientation program as soon as practicable after the date of their appointment to the Board.
3. All Board members shall sign an affirmation pledging to uphold both the letter and the spirit of the attached Board of Trustees Code of Ethics and Conduct as

soon as practicable after the date of their appointment to the Board, and at least annually thereafter.

B. STANDARD OF CARE

The Board standard of care is established in Article X, Section 11 of the Constitution of Virginia:

The General Assembly shall maintain a retirement system for state employees and employees of participating political subdivisions and school divisions. The funds of the retirement system shall be deemed separate and independent trust funds, shall be segregated from all other funds of the Commonwealth, and shall be invested and administered solely in the interests of the members and beneficiaries thereof. Neither the General Assembly nor any public officer, employee, or agency shall use or authorize the use of such trust funds for any purpose other than as provided in law for benefits, refunds, and administrative expenses, including but not limited to legislative oversight of the retirement system. Such trust funds shall be invested as authorized by law. Retirement system benefits shall be funded using methods which are consistent with generally accepted actuarial principles. The retirement system shall be subject to restrictions, terms, and conditions as may be prescribed by the General Assembly.

The Board standard of care is further described in subsections C and D of § 51.1-124.30 of the *Code of Virginia*:

C. The Board shall discharge its duties with respect to the Retirement System solely in the interest of the beneficiaries thereof and shall invest the assets of the Retirement System with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. The Board shall also diversify such investments so as to minimize the risk of large losses unless under the circumstances it is clearly prudent not to do so.

D. No officer, director or member of the Board or of any advisory committee of the Retirement System or any of its tax exempt subsidiary corporations whose actions are within the standard of care in subsection C above shall be held personally liable for losses suffered by the Retirement System on investments made under the authority of this chapter.

C. CHAIRPERSON

The Governor designates one of the nine members of the Board to serve as chairperson, subject to confirmation by the General Assembly. In accordance with § 51.1-124.20(D) of the *Code of Virginia*, the chairperson is appointed for a two-year term and may be reappointed for one additional two-year term.

The chairperson has the following duties:

1. Facilitating the operation of Board meetings;
2. Reviewing proposed agendas for Board meetings;
3. Presiding over meetings of the Board;
4. When required, certifying any actions taken by the Board;
5. Communicating on behalf of the Board to outside entities interested in VRS; and
6. Performing such additional duties as provided herein or as may be set by resolution of the Board.

D. VICE-CHAIRPERSON

By majority vote, the Board shall elect one of its members as vice-chairperson. The election of the vice-chairperson shall take place at the first regular meeting following the installation of a new chairperson, at the first regular meeting following the reappointment of the chairperson, at the first regular meeting after the vice-chairperson's term ends or at the first regular meeting after the vice-chairperson is no longer serving in the position. The vice-chairperson is elected for a two-year term and may be re-elected for two additional terms.

In the event of the absence or incapacity of the chairperson, the vice-chairperson shall preside over Board meetings and shall fulfill such other duties and responsibilities of the chairperson as may be necessary.

E. SECRETARY

The Director shall act as secretary to the Board. The Director shall continue to serve as secretary until such time as he or she is unable or unwilling to continue to do so, or until such time as the Board appoints another secretary.

The Secretary to the Board has the following duties:

1. Maintain a current list of the membership of the Board and each committee;
2. Notify Board members of meetings;
3. Coordinate and disseminate information to the members of the Board;
4. Maintain official minutes and records of all proceedings of the Board;
5. Respond to requests received by VRS under the Freedom of Information Act (FOIA);

6. Accept service of process on behalf of the Board;
7. Notify Board members of training and filing requirements related to the State and Local Government Conflict of Interests Act (COIA);
8. Prepare, prior to each meeting, an agenda for use by the presiding chairperson; and
9. Coordinate presentations for the Board.

F. MEETINGS/ATTENDANCE

The Board determines and approves a regular meeting schedule on an annual basis. Changes in the schedule may be made in coordination with the Board members. The Board is authorized to schedule additional meetings, if deemed necessary, after giving appropriate notice to all members of the Board and to the public.

Attendance at Board meetings is considered to be an essential element of a Board member's fiduciary responsibility. Therefore, members are expected to attend all meetings unless there are extenuating circumstances that prevent such attendance.

G. PROCEDURAL STANDARDS

1. The rules contained in the current edition of *Robert's Rules of Order Newly Revised* shall govern all proceedings of the Board and VRS committee meetings insofar as they are applicable and not inconsistent with any of the policies adopted by the Board, including this Governance Policy. Special note is to be made of the rules provided for procedure in small boards which are deemed to be appropriate for use in all meetings contemplated in these policies, including meetings of all advisory, standing, and special committees.
2. Unless otherwise specified by the Board, voting by proxy is not allowed.
3. A majority of members of the Board shall constitute a quorum at Board meetings.
4. Except as otherwise specified herein, approval of an action or decision shall be by a majority of those voting.

H. RESPONSIBILITIES AND DUTIES OF THE BOARD

To fulfill its fiduciary and administrative responsibilities, the Board may, as necessary, review, monitor, and oversee the following items, among others:

1. Agency mission and vision;
2. Budgeted and actual expenditures;
3. Internal controls;
4. Strategic plan and objectives;
5. Design of Defined Benefit plans and programs;
6. Design of Group Life and other insurance programs;
7. Design of Defined Contribution programs;

8. Performance of Director, Audit Director, and Chief Investment Officer;
9. Investment performance;
10. Funded status;
11. Actuarial valuations and demographic and economic assumptions; and
12. Financial health of VRS through review of financial statements.

To fulfill its fiduciary and administrative responsibilities, the Board shall, as necessary, approve the following items, among others:

1. Governance documents;
2. Agency Performance Objectives;
3. Agency compensation plans;
4. Funding policy and contribution rates;
5. Asset allocation targets (policy risk/reward parameters);
6. Allowable ranges around the policy targets;
7. Total fund and program level benchmarks;
8. Active risk limits relative to policy;
9. Defined Benefit Plan Investment Policy Statement;
10. Defined Contribution Plans Investment Policy Statements;
11. Investment Belief Statements for defined benefit and defined contribution plans;
12. Appointments to standing, special, and advisory committees;
13. Appointment and termination of Custodian Bank;
14. Appointment and termination of Plan Actuary;
15. Appointment of Director, Audit Director, and Chief Investment Officer;
16. Investment and administrative budgets;
17. Legislation to be introduced at VRS' request;
18. Cost-of-living increases where approval is required by statute; and
19. Internal Audit long-term and annual work plans.

V. CONNECTION OF THE BOARD TO VRS OPERATIONS

The Board is connected to the operations, conduct, and achievements of VRS through the Director, the Chief Investment Officer, and the Audit Director.

The individuals in these three positions are appointed, employed, monitored, and evaluated directly by the Board. They constitute the Board's only link to each area of VRS. Therefore, as specified below, all authority and accountability of the VRS staff, as far as the Board is concerned, is considered the authority and accountability of one of these three people.

The Director and the Chief Investment Officer are responsible for direct operational decision making and administration of the policies and guidelines established by the Board. The power to delegate authority, to execute contracts, or to sign official

documents on behalf of the Board rests solely with the Board, and this authority is exercised by signature resolutions adopted by the Board from time to time.

A. DIRECTOR

Pursuant to *Code of Virginia* § 51.1-124.22(A), the Board shall appoint a Director, who shall not be a member of the Board, to serve as the chief administrative officer of the VRS. The Director serves at the pleasure of the Board.

The Board delegates to the Director full responsibility to administer the provisions of Title 51.1 of the *Code of Virginia*, and other applicable state and federal laws and regulations, under the general direction of the Board and in compliance with the statutes and such policies, rules, guidelines, and procedures as the Board may adopt.

This delegation includes, but is not limited to, the following duties and authority:

1. Determining the accuracy and timeliness of all payments due to VRS;
2. Accounting for and depositing payments made to VRS;
3. Making payment and distributing funds consistent with Title 51.1 of the *Code of Virginia* and other applicable state and federal laws and regulations;
4. Responding to all correspondence regarding rights and benefits of members and employers;
5. Assisting committees of the Board in the discharge of their functions, including providing an orientation program to Board members as soon as practicable after the date of their appointment, in coordination with the Chief Investment Officer and Audit Director;
6. Maintaining VRS records, files, and documents;
7. Developing and maintaining communications and relationships with other state agencies, public retirement systems, and organizations involved with or having an impact on public retirement issues;
8. Representing VRS before the General Assembly and any of its committees and agencies on matters relating to the administration of VRS;
9. Serving as liaison with legal, medical, and actuarial professionals and third-party administrators;
10. Monitoring the activities and performance of consultants and outside service providers hired by VRS;
11. Developing, approving, and monitoring progress towards completion of divisional business plans and projects;
12. Overseeing the day-to-day administrative operations of VRS;
13. Assigning duties to administrative staff;
14. Determining the appropriate organizational structure and staffing for all functions of VRS other than those performed by the investment and internal audit departments;

15. Determining administrative staff compensation within the parameters of the current compensation plan;
16. Developing, implementing, and supervising plans, policies, standards, programs, and services for applicable personnel;
17. Hiring, retaining, and terminating administrative staff;
18. Providing the Board and the Board chairperson with timely information necessary to discharge their fiduciary duties;
19. Developing, amending, and refining policies for Board approval, including, but not limited to, the following:
 - a) Strategic plan and objectives;
 - b) Service quality standards;
 - c) Agency performance evaluation; and
 - d) Other administrative policies;
20. Issuing final case decisions regarding applications for disability retirement and other matters that have been appealed pursuant to the Administrative Process Act;
21. Evaluating and establishing service credits;
22. Verifying eligibility for, computing, and paying service retirement allowances;
23. Determining whether to discontinue recovery of and waive overpayments, and reporting such determinations to the Benefits and Actuarial Committee when it is outside of normal business operations;
24. Making determinations regarding new and/or amended employer coverage;
25. Approving and authorizing payment of refund requests;
26. Adjudicating questions regarding interpretation and application of relevant law and policy;
27. Referring questions to the Board when the determination would be precedent-setting;
28. Developing and maintaining the administrative portion of the VRS budget ;
29. Monitoring Agency-wide expenditures versus the VRS budget;
30. Developing and implementing internal controls;
31. Coordinating with the Chief Investment Officer in such a manner as to ensure operational efficiency at both the Board and agency levels;
32. Absent express Board action otherwise, performing the duties of Secretary to the Board; and
33. Performing such additional duties when directed to do so by the Board.

The power to delegate authority to disburse or transfer public funds or assets, execute contracts, or sign official documents on behalf of the Board rests solely with the Board. Therefore, only the Director and any other staff member so authorized by any signature resolutions approved by the Board, and consistent with such signature resolutions, may execute contracts and official documents on behalf of VRS and authorize the disbursement or transfer of public funds or assets of VRS. This authority may not be further delegated by the Director to any other person or persons.

The Director may, however, as they deem reasonable, delegate any other of the Director's responsibilities, duties, and authority to members of the administrative staff in order to facilitate the efficient functioning of VRS.

B. CHIEF INVESTMENT OFFICER

Pursuant to *Code of Virginia* § 51.1-124.24(A), the Board shall appoint a Chief Investment Officer ("CIO"), who shall not be a member of the Board, to direct, manage and administer the investment department. The CIO serves at the pleasure of the Board.

The Board delegates to the CIO full responsibility to devise and approve investment strategies that are intended to move the defined benefit and defined contribution plans investment programs towards their broad objectives and goals. As such, the CIO should be free to devise any strategy that is within the policies and guidelines as the Board may adopt.

This delegation includes, but is not limited to, the following duties and authority:

1. Planning, organizing and directing the investment work of VRS;
2. Implementing investment policies and strategies established by the Board;
3. Determining asset allocation within the guidelines established by the Board;
4. Supervising, evaluating, and monitoring the investment portfolio and associated investment activities;
5. Hiring and terminating consultants;
6. Hiring and terminating investment managers;
7. Developing and maintaining the investment department portion of the VRS budget;
8. Developing and implementing internal controls;
9. Implementing investment-related regulatory requirements;
10. Providing the Board and the Board chairperson with timely information necessary to discharge their fiduciary duties;
11. Representing VRS before the General Assembly and any of its committees and agencies on investment matters;
12. Determining the appropriate organizational structure and staffing for the investment functions of VRS;
13. Determining investment staff compensation within the parameters of the current compensation plan;
14. Developing, implementing, and supervising plans, policies, standards, programs, and services for investment personnel;
15. Hiring, retaining, and terminating investment staff;
16. Overseeing the day-to-day investment operations;
17. Responding to applicable correspondence regarding investment matters;
18. Assisting committees of the Board in the discharge of their functions, including providing an orientation program to Board members as soon as practicable after

- the date of their appointment, in coordination with the Director and Audit Director;
19. Monitoring activities and performance of internal and external investment managers;
 20. Recommending to the Board the appointment, replacement, and termination of the custodian bank;
 21. Maintaining necessary systems and technology for investment management and support of all investment functions, in compliance with applicable Virginia Information Technologies Agency (VITA) security standards;
 22. Developing, amending, and refining policies for Board approval, including, but not limited to, the following:
 - a) VRS Defined Benefit Plan Investment Policy Statement;
 - b) VRS Defined Benefit Plan Investment Belief Statements
 - c) VRS Investment Policy Statement For An Unbundled Defined Contribution Plan Structure;
 - d) VRS Investment Policy Statement For A Bundled Defined Contribution Plan Structure;
 - e) VRS Defined Contribution Plans Investment Belief Statements; and
 - f) Other applicable investment policies;
 23. Monitoring compliance with and continued appropriateness of the defined benefit and the defined contribution plans fund policies and guidelines;
 24. Coordinating with the Director in such a manner as to ensure operational efficiency at both the Board and agency levels; and
 25. Performing such additional duties when directed to do so by the Board.

The power to delegate authority to disburse or transfer public funds or assets, execute contracts, or sign official documents on behalf of the Board rests solely with the Board. Therefore, only the CIO and any other staff member so authorized by any signature resolutions approved by the Board, and consistent with such signature resolutions, may execute contracts and official documents on behalf of VRS. This authority may not be further delegated by the CIO to any other person or persons. The CIO may, however, as they deem reasonable, delegate any other of the CIO's responsibilities, duties, and authority to members of the investment staff in order to facilitate the efficient functioning of the investment department of VRS. Notwithstanding the foregoing, an authorized entity may execute necessary documents on behalf of VRS as may be required by contract or agreement.

C. AUDIT DIRECTOR

The Board shall appoint an Audit Director, who reports directly to the Board through the Audit and Compliance Committee. The Audit Director serves at the pleasure of the Board.

The Board delegates to the Audit Director full responsibility to provide objective analyses, appraisals, recommendations, and pertinent comments concerning the implementation of and adherence to established policies and procedures throughout VRS.

This delegation includes, but is not limited to, the following duties and authority:

1. Reviewing and appraising the soundness, adequacy and applications of accounting, financial, and other operating controls, and promoting effective control at a reasonable cost;
2. Ascertaining the extent of compliance with established policies, plans, and procedures;
3. Ascertaining the extent to which assets are accounted for and safeguarded from losses of all kinds;
4. Ascertaining the reliability of financial data developed within the organization;
5. Recommending operating improvements;
6. Developing a comprehensive long-range audit plan and corresponding annual audit plans and implementing such plans after review by the Audit and Compliance Committee and approval by the Board;
7. Allocating resources, setting frequencies, selecting subjects, determining scopes of work, applying techniques;
8. Supervising examinations of VRS operations and other special projects;
9. Ensuring all audit procedures are performed and are documented in accordance with agreed upon standards and departmental policies and procedures;
10. Revising the long-range and annual audit plans, as necessary, to accommodate changing needs and unexpected events;
11. Reporting to the Audit and Compliance Committee on a regular basis and, when necessary, reporting directly to the Board;
12. Assisting the Board and its committees in the discharge of their functions, including providing an orientation program to Board members as soon as practicable after the date of their appointment, in coordination with the Director and CIO;
13. Monitoring management's implementation of audit recommendations;
14. Determining the appropriate organizational structure and staffing for the internal audit department;
15. Hiring, retaining, and terminating a professional and proficient audit staff;
16. Determining Internal Audit staff compensation within the parameters of the current compensation plan.
17. Establishing an Internal Audit Department Charter, which acknowledges the appropriate authority, roles, responsibilities, scope and services of the internal audit function, as authorized by the Audit and Compliance Committee in consultation with senior management; and
18. Performing such additional duties when directed to do so by the Board.

The Audit Director has sole authority to determine the scope of internal audit activities and shall not be restricted by the Director or the CIO.

The Audit Director shall have unrestricted access to the Board, including communicating and interacting directly with the Board members, and participating in private meetings without senior management. The Audit Director, with the support of VRS staff shall ensure any meetings are held in accordance with commonwealth of Virginia's Freedom of Information Act.

The Audit Director shall have full and unrestricted access to all VRS function, data, records, information, physical property and personnel pertinent to each area under review. Special arrangements shall be made for the examination of records that are confidential in nature.

The Audit Director shall have direct access to the Director and to the CIO in any instance where the Audit Director believes such access is needed to fulfill the stated objectives of the Department.

The Audit Director may, as they deem reasonable, delegate any of the Audit Director's responsibilities, duties, and authority to members of the internal audit staff in order to facilitate the efficient functioning of the internal audit department.

VI. COMMITTEES

A. ADVISORY COMMITTEES

Pursuant to *Code of Virginia* § 51.1-124.26, the Board shall appoint an Investment Advisory Committee to provide the Board with sophisticated, objective, and prudent investment advice to serve at the pleasure of the Board.

In addition, the Board may appoint such advisory committees as it deems necessary to further assist it in fulfilling its fiduciary duty as trustee of the VRS funds and shall set forth the purpose and authority of any such advisory committee.

The recommendations of an advisory committee are not binding upon the Board.

Each advisory committee may include no more than two (2) Board members. No individual Board member may serve on more than one advisory committee. Other than such Board members, no elected or appointed official may serve on any such advisory committees.

Appointment to an advisory committee shall require a two-thirds vote of the Board. Advisory committee members serve at the pleasure of the Board and may be removed by a majority vote of the Board.

The Board of Trustees Code of Ethics and Conduct shall apply to all advisory committee members, who shall sign an affirmation pledging to uphold both the letter and the spirit of that Code as soon as practicable after the date of their appointment to the advisory committee, and at least annually thereafter.

Once appointed by the Board, an advisory committee shall develop a committee charter subject to approval and adoption by the Board. Each advisory committee charter shall include a statement of the purpose and authority for which the committee was appointed, a description of the committee's duties and responsibilities, and an overview of the composition and operating procedures of the committee.

The Board has established the following advisory committees:

1. INVESTMENT ADVISORY COMMITTEE

The purpose of the Investment Advisory Committee (IAC) is to provide the Board with sophisticated, objective, and prudent investment advice. It shall consist of seven to nine members.

The IAC shall, except for the defined contribution plans investments:

- a) Review, evaluate, and monitor investments and investment opportunities;
- b) Make appropriate recommendations to the Board about such investments and investment opportunities; and
- c) Make recommendations to the Board about overall asset allocation.

2. DEFINED CONTRIBUTION PLANS ADVISORY COMMITTEE

The purpose of the Defined Contribution Plans Advisory Committee (DCPAC) is to review matters relating to or affecting plan administration, plan design and investments of the various defined contribution plans established pursuant to the *Code of Virginia* and to make recommendations to the Board regarding those matters.

In addition to the duties and responsibilities outlined in its charter, the DCPAC shall assist the Board with its statutory responsibilities to review and oversee the policies and procedures constituting the process by which the Board reviews and determines whether to approve requests by institutions of higher education that seek to withdraw from participation in the Optional Retirement Plan of the Commonwealth of Virginia for Employees of Institutions of Higher Education.

B. STANDING COMMITTEES

The Board may establish such standing committees as it determines would be necessary or helpful in fulfilling its responsibilities.

The purpose and authority of a standing committee must be carefully delineated to avoid conflict with authority delegated to the Director, the CIO, and/or the Audit Director.

Once created, a standing committee shall remain in existence until such time as the Board takes the necessary action to dissolve it.

Unless otherwise specified, all standing committees established by the Board are subject to the following principles and guidelines:

1. Standing committees are to focus their efforts on matters of material significance to the VRS Board, and refrain from any involvement in operational details or decision-making that are the responsibility of the Director, the CIO, and/or the Audit Director.
2. Standing committees may assist the Board by suggesting policy alternatives for Board consideration.
3. A standing committee does not speak or act for the Board, unless the Board specifically delegates such authority to it for a specific and time-limited purpose.
4. Each standing committee shall notify all Board members of the time and place of all committee meetings. Board members may choose to attend any committee meeting, regardless of whether or not they are members of the committee. Any member of the VRS Board who is not a member of the standing committee but is present at a meeting of that committee shall have all the rights and privileges afforded to a member of the committee while present at such meeting, including voting and being counted toward a quorum, and any such participation shall not be considered voting by proxy.

Once established by the Board, a standing committee shall develop a committee charter subject to approval and adoption by the Board. Each committee charter shall include a statement of the purpose and authority for which the committee was established, a description of the committee's duties and responsibilities, and an overview of the composition and operating procedures of the committee.

The Board has established the following standing committees:

1. ADMINISTRATION, FINANCE, AND TALENT MANAGEMENT COMMITTEE

The purpose of the Administration, Finance, and Talent Management Committee is to review matters relating to or affecting administrative functions, personnel plans, the

budget, and finance, and to make recommendations to the full Board regarding those matters.

2. AUDIT AND COMPLIANCE COMMITTEE

The purpose of the Audit and Compliance Committee is to review matters relating to or affecting internal and external audit, including, but not limited to, VRS' financial reporting process, systems of internal control, auditing procedures and process, and process for monitoring compliance with laws, regulations and the Code of Conduct; and to submit reports or make recommendations to the full Board regarding those matters.

3. BENEFITS AND ACTUARIAL COMMITTEE

The purpose of the Benefits and Actuarial Committee is to review matters relating to or affecting benefits, benefit administration, and actuarial soundness of all plans administered by VRS except for the defined contribution plans, and to make recommendations to the full Board regarding those matters.

4. INVESTMENT POLICY COMMITTEE

The purpose of the Investment Policy Committee is to facilitate the determination of appropriate defined benefit plan investment policies, to set guidelines under which those policies will be carried out, and to make appropriate recommendations to the full Board regarding those policies and guidelines. It is the intent of the Board that all substantive concerns, discussions, and recommendations regarding VRS investment policy be directed to the Investment Policy Committee for vetting and reporting back to the Board for action, if any.

C. SPECIAL COMMITTEES

The Board may establish a special committee, as needed, to carry out a specified task. Upon completion of the task for which it was established and presentation of its final report to the Board, a special committee shall cease to exist. A special committee may not be appointed to perform a task that falls within the assigned function of any existing standing or advisory committee.

VII. RELATIONSHIP WITH THE PUBLIC

Because it is a public body responsible for the management of public funds, the VRS Board has the responsibility to conduct its business in an environment that is open to public scrutiny. In doing so, the VRS Board shall operate in full compliance with both the letter and the spirit of the Virginia Freedom of Information Act (FOIA) and the State and Local Government Conflict of Interests Act (COIA).

A. PRINCIPLES

1. VRS shall maintain open communication with the public, the employers, and members it serves, and the news media.
2. VRS shall make public information available in as efficient a manner as possible, while protecting the confidentiality of the members, retirees, beneficiaries, and employers it serves.
3. The public shall be granted access to all meetings and to all records of meetings of the Board and Board committees except for such meetings as are closed pursuant to and in accordance with FOIA.

B. COMMUNICATION WITH THE MEDIA

1. The Chairperson of the Board is authorized to act as spokesperson for the Board and for VRS.
2. The Chairperson may delegate all or a part of this authority as they deem appropriate, subject to approval by the Board. The Board herewith approves the following delegation:
 - a) The Director or his or her designee is authorized to act as spokesperson regarding administrative and operational matters.
 - b) The CIO or his or her designee is authorized to act as spokesperson regarding investment matters.
3. The Chairperson shall, to the extent possible, review all official press releases regarding Board policy, activities, or other matters prior to publication.

VIII. OPINIONS OF THE ATTORNEY GENERAL

Pursuant to *Code of Virginia* § 2.2-505(A), requests from VRS for written advice in the form of official advisory opinions from the Attorney General must be made in writing by the Board Chairperson or by the Director. Before requesting an official advisory opinion of the Attorney General, the Director shall review the request with and obtain the prior approval of the Board Chairperson and, where feasible, the Board of Trustees.

IX. AMENDMENT OF GOVERNANCE POLICY

A copy of any proposed amendment to the Governance Policy or any committee charter or of any new policy or charter must first be submitted for consideration at a regular meeting of the Board. The Board may approve any such amendment or new policy or charter by a two-thirds vote of the Board at any subsequent regular meeting of the Board.

In the case of urgent and/or extraordinary circumstances requiring the immediate action of the Board, the Board may amend the Governance Policy or a committee charter at the same meeting at which the proposed amendment is first submitted by a unanimous vote of the Board. Any such amendment shall cease to be in effect at the conclusion of the next regular Board meeting unless it is approved at such Board meeting by a two-thirds vote of the Board.

Notwithstanding the foregoing, the Administration, Finance, and Talent Management Committee shall periodically review the Governance Policy and committee charters. The Committee shall report its findings and recommended changes to the Board.

X. *VALIDITY OF GOVERNANCE POLICY*

In the event any of the provisions set forth in the Governance Policy shall be deemed to be invalid as a result of any conflict with any provision of the *Code of Virginia*, the Appropriation Act, or any Act of Assembly, such conflict shall not invalidate the entirety of the Governance Policy, but the remaining provisions of the Governance Policy shall continue in full force and effect.

In the event any of the provisions set forth in the Governance Policy are found to be in conflict with any provision contained in any the committee charter adopted hereunder, the Governance Policy shall supersede and take precedence over any conflicting provisions of a committee charter.

COMMITTEE CHARTER FOR THE ADMINISTRATION, FINANCE AND TALENT MANAGEMENT COMMITTEE

PURPOSE

The purpose of the Administration, Finance and Talent Management Committee (Committee) is to review matters relating to or affecting administrative functions, personnel plans, the budget, and finance, and to make recommendations to the full Board regarding those matters.

AUTHORITY

The Committee is authorized to request, gather, and consider whatever information it deems relevant to the matters brought before it, and to report its findings or recommendations on those matters to the Board. The Committee is not empowered to take any further or independent action unless such action is specifically authorized or directed by the Board.

DUTIES AND RESPONSIBILITIES

The Committee's duties and responsibilities include the following on an as needed basis unless otherwise specified:

1. Review administrative issues identified by the Board, the Director, or the Chief Investment Officer and make recommendations to the Board regarding such issues.
2. Review VRS budget proposals and make related recommendations to the Board.
3. Regularly review the status of the budget in relation to actual expenditures and identify for the Board any areas in need of attention.
4. Review and make recommendations to the Board regarding VRS's mission and strategic plan and objectives as needed.
5. Review and make recommendations to the Board regarding requests for carry-forward funds, additional revenue appropriations, transfers of appropriations from the second year to the first year of a biennium, and transfers between programs in timely fashion so as to enable the Board to act on these issues before they are forwarded to the Department of Planning and Budget.
6. Review and make recommendations to the Board regarding the establishment of or changes to personnel and compensation policies and plans.

7. Review and make recommendations to the Board regarding the annual Agency Performance Outcomes and related Agency Operating Standards.
8. Review and make recommendations to the Board regarding the performance of the Director and the Chief Investment Officer.
9. Work with the Chief Investment Officer and the chairperson of the Investment Advisory Committee (IAC) to identify potential new members for the IAC and to determine which candidate(s) will be recommended to the Board for appointment to the IAC.
10. Review each member of the IAC who is eligible for reappointment and determine whether to recommend that the member be reappointed by the Board.
11. Work with the chairperson of the Defined Contribution Plans Advisory Committee (DCPAC) to identify potential new members for the DCPAC and to determine which candidate(s) will be recommended to the Board for appointment to the DCPAC.
12. Review each non-Board member of the DCPAC who is eligible for reappointment and determine whether to recommend that the member be reappointed by the Board.
13. Investigate any allegations or complaints regarding violation(s) of the Board's Code of Ethics and Standards of Conduct and report findings to the Board, together with recommendations regarding action to be taken.
14. Periodically, as needed, review the Board's Governance Policy and committee charters, and recommend to the Board such changes as are deemed appropriate.
15. Perform such other duties when directed to do so by the Board.

COMPOSITION

The Committee is composed of the chairperson and the vice-chairperson of the Board and at least one (1) and no more than three (3) additional Board members. Additional Board members shall be appointed by the chairperson of the Board, subject to approval by the Board.

The chairperson and vice-chairperson of the Board shall serve as the chairperson and vice-chairperson, respectively, of the Committee and their terms on the Committee shall run concurrently with their terms as chairperson and vice-chairperson of the Board. The other Committee members are appointed for a two-year term and may be reappointed for additional two-year terms.

OFFICERS

Chairperson

The chairperson has the following duties:

1. Facilitating the operation of the Committee meetings;
2. Reviewing proposed agendas for Committee meetings;
3. Presiding over meetings of the Committee;
4. Reporting to the Board on the matters considered by the Committee and the recommendations of the Committee; and
5. Performing such additional duties as are required to facilitate the Committee's fulfillment of its responsibilities.

Vice-Chairperson

In the event of the absence or incapacity of the Committee chairperson, the vice-chairperson shall preside at meetings of the Committee and shall fulfill such other duties and responsibilities of the chairperson as may be necessary.

Secretary

The Director, or the Director's designee, shall act as secretary to the Committee.

The secretary has the following duties:

1. Help the chairperson develop the agenda for Committee meetings;
2. Notify Committee members of meetings;
3. Coordinate and distribute information to Committee members;
4. Act as liaison between the Committee and VRS staff;
5. Coordinate matters on the agenda and presentations for the Committee; and
6. Maintain the minutes and records of all Committee meetings.

CONDUCT OF BUSINESS

1. The rules contained in the current edition of *Robert's Rules of Order Newly Revised* shall govern all Committee meetings insofar as they are applicable and not inconsistent with any of the policies adopted by the Board, including this charter, with particular attention to the rules provided for conduct of business in committees. Special note is to be made of the rules provided for procedure in

- small boards which are deemed to be appropriate for use in all meetings contemplated in this charter.
2. Unless otherwise specified by the Board, voting by proxy is not allowed.
 3. A majority of the appointed members of the Committee shall constitute a quorum at meetings of the Committee. Any Board member who is not a member of the Committee but is present at a Committee meeting shall have all the rights and privileges afforded to a Committee member while present at such meeting, including voting and being counted toward a quorum, and any such participation shall not be considered voting by proxy. The participation by any Board member who is not a member of the Committee shall be recorded in the minutes of the Committee meeting.
 4. Except as otherwise specified herein, approval of an action or decision shall be by a majority of those Committee members present and voting at a Committee meeting.
 5. The Committee chairperson will seek at all times to develop a consensus of opinion among Committee members in order to be able to present clear and concise recommendations to the Board. In the event that a consensus is not obtainable, the Committee chairperson will present the range of opinions and their rationale to the Board.
 6. The Committee chairperson, vice-chairperson, any committee member or, in their absence, a staff designee, will report to the Board on the content and results of each Committee meeting. The chairperson or vice-chairperson will sign all meeting minutes, as applicable.
 7. The Committee will generally meet at least twice per year.

CHANGES IN THE CHARTER

The Committee may, from time to time, deem it necessary to alter, amend, modify, or rescind all or a part of this charter. Such revisions, once approved by a majority vote of the Committee, shall be submitted to the Board for final approval. If approved by a two-thirds vote of the Board, such revisions shall be incorporated into and made a part of this charter.

COMMITTEE CHARTER

AUDIT AND COMPLIANCE COMMITTEE

PURPOSE

The purpose of the Audit and Compliance Committee (Committee) is to review matters relating to or affecting internal and external audit, including, but not limited to, VRS' financial reporting process, systems of internal control, auditing procedures and process, and process for monitoring compliance with laws, regulations, and the Code of Conduct, and to submit reports or make recommendations to the full Board regarding those matters.

AUTHORITY

The Committee is authorized to request, gather, and consider whatever information it deems relevant to the matters brought before it, and to report its findings or recommendations on those matters to the Board. The Committee is not empowered to take any further or independent action unless such action is specifically authorized or directed by the Board.

DUTIES AND RESPONSIBILITIES

The Committee duties and responsibilities include the following on an as needed basis unless otherwise specified:

1. Monitor internal and external audit functions and report to the Board following each Committee meeting on the reports and matters presented to or considered by the Committee.
2. Review the Internal Audit Department Charter, assess its continued alignment with the Board's mandate for the internal audit function as well as the scope and types of internal audit services to be provided. As necessary, approve changes to the Internal Audit Department Charter.
3. Communicate the Board's perspectives on VRS' strategies, objectives, and risks to assist the Audit Director with determining internal audit priorities.

4. Review the risk-based annual and long-range audit plans developed by the Audit Director, provide feedback in response to such plans to the Audit Director, and make recommendations to the Board regarding such audit plans.
5. Monitor progress of work on the annual audit plan through review of the Audit Director's semi-annual progress reports, and reports of any revisions made to the audit plan, making recommendations to the Board for action regarding any significant revisions to the audit plan.
6. Ensure the internal audit department has unrestricted access to all VRS activities, records, properties, and personnel applicable to the area under review. The Board has resolved that the scope of internal audit activities may not be restricted by actions of management.
7. Make appropriate inquiries of management and the Audit Director to determine whether there are any inappropriate scope, access, authority or resource limitations which impact the department's ability to fulfill its responsibilities effectively and make recommendations to the Board, if any, for necessary action.
8. Receive and review reports of the Audit Director and make recommendations to the Board, as necessary, for action.
9. Gain an understanding of the effectiveness of VRS' governance, risk management, and control processes based on the results of internal audit engagements and discussions with management.
10. Receive and review reports from the Audit Director regarding the effectiveness and sufficiency of the internal audit department resources, including the sufficiency of the department's funding and organizational structure to fulfill the internal audit mandate and plans. As appropriate, work with management and the Audit Director to make recommendations to the Board through the Administration, Finance and Talent Management Committee regarding requests for changes in the funding and staffing of the department.
11. Monitor the status of management's progress in response to audit recommendations.
12. Ensure a quality assurance and improvement program has been established for the internal audit function and review the results annually.
13. Ensure an independent, external quality assurance review of the internal audit department is performed at least once every five years, review the report of such review. As appropriate, recommend to the Board what, if any, corrective actions are necessary relative to the governance of the function, and monitor the implementation of any corrective actions undertaken as a result of the review.
14. Provide the opportunity for meetings between the Committee and the Audit Director whenever the Committee or Audit Director finds such to be necessary.
15. Periodically review and approve the requirements necessary for the Audit Director to manage the internal audit function and identify the necessary qualifications, experience, and competencies to fulfill the approved roles and responsibilities of the position.

16. Approve the internal audit function's performance objectives at least annually.
17. Assess the effectiveness and efficiency of the internal audit function by:
 - a. Reviewing the internal audit function's performance objectives, including conformance with the Standards, laws and regulations; ability to meet the internal audit mandate, and progress towards completion of the internal audit plan.
 - b. Considering the results of the internal audit function's quality assurance and improvement program.
 - c. Determining the extent to which the internal audit function's performance objectives are being met.
18. Review and make recommendations to the Board through the Administration, Finance and Talent Management Committee regarding the performance of the Audit Director.
19. Discuss with the Audit Director and senior management any disagreements the Audit Director has with senior management or other stakeholders on the scope, findings or other aspects of an engagement that may affect the ability of the internal audit function to execute its responsibilities, and provide support as necessary to enable the Audit Director to perform the responsibilities outlined in the internal audit mandate defined in the Internal Audit Department Charter, including, if necessary, providing a recommendation to the Board for action.
20. Receive and review reports from management regarding the process for communicating the VRS Code of Conduct to agency personnel, and for monitoring compliance therewith. This includes the processes and compliance mechanisms in place for both administrative and investment department personnel. As necessary, request permission from the Board to retain independent counsel (through the Office of the Attorney General), accountants, or others to advise the Committee.
21. Conduct entrance and exit conferences with the Auditor of Public Accounts, or any other external assurance provider, regarding assurance services provided and report to the Board on the scope and substance of those meetings.
22. Review the annual financial statements and other sections of the annual report, and consider whether they are complete and consistent with information known to Committee members.
23. Receive and review reports of the Auditor of Public Accounts or any other external assurance provider, and if necessary, make recommendations to the Board regarding actions to be taken.
24. Ensure management and the external auditors review all matters required to be communicated to the Committee under generally accepted government auditing standards.
25. Provide time during Committee meetings for external auditors to discuss any matters that the Committee or auditors believe should be discussed.

26. Periodically consider the desirability of an audit by an independent accounting firm and, if such audit is deemed necessary, present such a recommendation to the Board together with a list of candidate firms.
27. Perform such other duties when directed to do so by the Board.

COMPOSITION

The Committee is composed of at least three (3) Board members appointed by the chairperson of the Board, subject to approval by the Board.

Each member is appointed for a two-year term, and may be reappointed for additional two-year terms.

OFFICERS

Chairperson

The chairperson of the Board shall appoint the chairperson of the Committee, subject to approval by the Board. The Committee chairperson is appointed for a two-year term, and may be reappointed for additional two-year terms.

The chairperson has the following duties:

1. Facilitating the operation of the Committee meetings;
2. Reviewing proposed agendas for Committee meetings;
3. Presiding over meetings of the Committee;
4. Reporting to the Board on the matters considered by the Committee and the recommendations of the Committee; and
5. Performing such additional duties as are required to facilitate the Committee's fulfillment of its responsibilities.

Vice-Chairperson

The Committee shall elect its vice-chairperson at the first meeting following the appointment or reappointment of a chairperson, or at the first meeting following such time as a sitting vice-chairperson becomes unable or unwilling to complete their term.

The term of the vice-chairperson shall commence upon election and shall terminate at the first meeting of the Committee following the appointment or reappointment of a Committee chairperson.

In the event of the absence or incapacity of the Committee chairperson, the vice-chairperson shall preside at meetings of the Committee and shall fulfill such other duties and responsibilities of the chairperson as may be necessary.

Secretary

The Audit Director, or the Audit Director's designee, shall act as secretary to the Committee.

The secretary has the following duties:

1. Help the chairperson develop the agenda for Committee meetings;
2. Notify Committee members of meetings;
3. Coordinate and distribute information to Committee members;
4. Act as liaison between the Committee and VRS staff;
5. Serve as liaison between the Committee and the Auditor of Public Accounts;
6. Coordinate matters on the agenda and presentations for the Committee; and
7. Maintain the minutes and records of all Committee meetings.

CONDUCT OF BUSINESS

1. The rules contained in the current edition of *Robert's Rules of Order Newly Revised* shall govern all Committee meetings insofar as they are applicable and not inconsistent with any of the policies adopted by the Board, including this charter, with particular attention to the rules provided for conduct of business in committees. Special note is to be made of the rules provided for procedure in small boards which are deemed to be appropriate for use in all meetings contemplated in this charter.
2. Unless otherwise specified by the Board, voting by proxy is not allowed.
3. A majority of the members of the Committee shall constitute a quorum at meetings of the Committee. Any Board member who is not a member of the Committee but is present at a Committee meeting shall have all the rights and privileges afforded to a Committee member while present at such meeting, including voting and being counted toward a quorum, and any such participation shall not be considered voting by proxy. The participation by any Board member who is not a member of the Committee shall be recorded in the minutes of the Committee meeting.
4. Except as otherwise specified herein, approval of an action or decision shall be by a majority of those Committee members present and voting at a Committee meeting.
5. The Committee chairperson will seek at all times to develop a consensus of opinion among Committee members in order to be able to present clear and

concise recommendations to the Board. In the event that a consensus is not obtainable, the Committee chairperson will present the range of opinions and their rationale to the Board.

6. The Committee chairperson, vice-chairperson or, in their absence, a staff designee, will report to the Board on the content and results of each Committee meeting. The chairperson or vice-chairperson will sign all meeting minutes, as applicable.
7. The Committee will generally meet four times per year.

CHANGES IN THE CHARTER

The Committee may, from time to time, deem it necessary to alter, amend, modify, or rescind all or a part of this charter. Such revisions, once approved by a majority vote of the Committee, shall be submitted to the Board for final approval. If approved by a two-thirds vote of the Board, such revisions shall be incorporated into and made a part of this charter.

COMMITTEE CHARTER
AUDIT AND COMPLIANCE COMMITTEE

PURPOSE

The purpose of the Audit and Compliance Committee (Committee) is to review matters relating to or affecting internal and external audit, including, but not limited to, VRS' financial reporting process, systems of internal control, auditing procedures and process, and process for monitoring compliance with laws, regulations, and the Code of Conduct, and to submit reports or make recommendations to the full Board regarding those matters.

AUTHORITY

The Committee is authorized to request, gather, and consider whatever information it deems relevant to the matters brought before it, and to report its findings or recommendations on those matters to the Board. The Committee is not empowered to take any further or independent action unless such action is specifically authorized or directed by the Board.

DUTIES AND RESPONSIBILITIES

~~To fulfill the purpose for which it was established, the~~ Committee shall perform duties and responsibilities include the following on an as needed basis unless otherwise specified:

1. Monitor internal and external audit functions and report to the Board following each Committee meeting on the reports and matters presented to or considered by the Committee.
2. ~~Review and approve changes to the Internal Audit Department Charter, assess its continued alignment with the Board's mandate for the internal audit function as well as the scope and types of internal audit services to be provided. As necessary, approve changes to the Internal Audit Department Charter.~~
3. ~~Communicate the Board's perspectives on VRS' strategies, objectives, and risks to assist the Audit Director with determining internal audit priorities.~~

Commented [JS1]: Changes are proposed to meet the following needs:
1) Consistency with other board governance document language. (Updates by members of the Policy and Compliance department)
2) Conformance with Global Internal Auditing Standards. (see referenced sections of *The Standards*.)
3) Recognition of relationship between certain responsibilities, leading to a re-ordering of certain topics to reflect their linkage.

Commented [SJ2]: Conformed the introductory language across all committee charters to clarify that all duties and responsibilities are performed on an as needed basis unless a frequency is otherwise specified.

Commented [JS3]: Standard 6.1

Commented [JS4]: Standard 8.1

~~2. Review the effectiveness of internal and external auditing methods including coordination of efforts. (Note: While members of the Committee are expected to become sufficiently familiar with the accounting practices of VRS so that they are able to do this, they are not expected to become accounting experts. They may, as necessary and in good faith, rely upon the professional accounting expertise of the Audit Director and of the external auditors.)~~

Commented [JS5]: Revised “Duties and Responsibilities, Item 18” better capture the intent of new *The Standards*. Therefore this item is no longer necessary.

~~3-4. Review and make recommendations to the Board regarding both the risk-based annual and long-range audit plans developed by the Audit Director, provide feedback in response to such plans to the Audit Director, and make recommendations to the Board regarding such audit plans, and provide feedback in response thereto.~~

Commented [JS6]: Standards 6.3

~~4-5. Monitor progress of work on the annual work-audit plan through review of the Audit Director’s semi-annual progress reports, and reports of any revisions made to the work-audit plan, making recommendations to the Board for action regarding any significant revisions to the audit plan.~~

Commented [JS7]: Standards 8.1, 9.4

~~5. Receive and review reports of the Audit Director and report on same to the Board with recommendations, if any, for necessary action.~~

~~6. Ensure the internal audit department has unrestricted access to all VRS activities, records, properties, and personnel applicable to the area under review. -The Board has endorsed this right and has resolved that the scope of internal audit activities may not be restricted by actions of management.~~

~~6-7. Make appropriate inquiries of management and the Audit Director to determine whether there are any inappropriate scope, access, authority or resource limitations which impact the department’s ability to fulfill its responsibilities effectively and make recommendations to the Board, if any, for necessary action.~~

Commented [JS8]: Standard 6.3

~~8. Receive and review reports of the Audit Director and report on same make recommendations to the Board with recommendations, if as necessary any, for necessary action.~~

~~7-9. Consider the effectiveness of the VRS’ internal control system, including information technology security and control. Gain an understanding of the effectiveness of VRS’ governance, risk management, and control processes based on the results of internal audit engagements and discussions with management.~~

Commented [JS9]: Standard 8.1

~~8-10. Receive and review reports from the Audit Director regarding the effectiveness and sufficiency of the internal audit department resources, including the appropriateness-sufficiency of the department’s funding and organizational structure to fulfill the internal audit mandate and plans. Determine-As appropriate, work with management and the Audit Director to make recommendations to the Board through the Administration, Finance and Talent Management Committee whether-regarding requests by the Audit Director for changes in the funding and staffing of that the department should be submitted to the Administration and Personnel, Finance and Talent Management Committee.~~

Commented [JS10]: Standard 8.2

- 9.11. Monitor the status of management's progress in response to audit recommendations. ~~Review annual report of the Audit Recommendation Follow-Up System and monitor status of management's progress in response to audit recommendations.~~
10. ~~Review and approve changes to the Internal Audit Department Charter.~~
12. Ensure a quality assurance and improvement program has been established for the internal audit function and review the results annually.
- 11.13. ~~Ensure that an independent, full-scope-external quality assurance review of the internal audit department is performed at least once every five years, review the report of such review. As appropriate, recommend to the Board what, if any, corrective actions are necessary relative to the governance of the function, and monitor the implementation of such any corrective actions as are mandated by the Board undertaken as a result of the review.~~
12. ~~Ensure the internal audit department has unrestricted access to all VRS activities, records, properties, and personnel applicable to the area under review. The Board has endorsed this right and has resolved that the scope of internal audit activities may not be restricted by actions of management.~~
- 13.14. Provide the opportunity for meetings between the Committee and the Audit Director whenever the Committee or Audit Director finds such to be necessary.
15. Periodically review and approve the requirements necessary for the Audit Director to manage the internal audit function and identify the necessary qualifications, experience, and competencies to fulfill the approved roles and responsibilities of the position.
16. Approve the internal audit function's performance objectives at least annually.
17. Assess the effectiveness and efficiency of the internal audit function by:
- a. Reviewing the internal audit function's performance objectives, including conformance with the Standards, laws and regulations; ability to meet the internal audit mandate, and progress towards completion of the internal audit plan.
 - b. Considering the results of the internal audit function's quality assurance and improvement program.
 - c. Determining the extent to which the internal audit function's performance objectives are being met.
18. Review and make recommendations to the Board through the Administration, Finance and Talent Management Committee regarding the performance of the Audit Director.
14.
19. Discuss with the Audit Director and senior management any disagreements the Audit Director has with senior management or other stakeholders on the scope, findings or other aspects of an engagement that may affect the ability of the internal audit function to execute its responsibilities, and provide support as

Commented [JS11]: Standard 8.1
These changes focus on the monitoring responsibility removing the name of the tool used to facilitate it.

Commented [JS12]: Moved to item #3 above.

Commented [JS13]: Standards 8.3, 8.4

Commented [JS14]: Moved to item #7 above

Commented [JS15]: Standard 7.2

Commented [JS16]: Standard 8.3

Commented [JS17]: Standards 7.1, 8.3, 12.2

necessary to enable the Audit Director to perform the responsibilities outlined in the internal audit mandate defined in the Internal Audit Department Charter, including, if necessary, providing a recommendation to the Board for action.

- ~~15.~~ In cases where the Director or the Chief Investment Officer disagrees with an audit recommendation, the matter shall be presented to the Committee, which shall make an initial determination as to whether the audit recommendation requires management action or should be deleted and. The Committee will present provide a recommendation that determination to the Board for a final decision.
- ~~16.~~ Receive and review reports from management regarding the process for communicating the VRS Code of Conduct to agency personnel, and for monitoring compliance therewith. This includes the processes and compliance mechanisms in place for both administrative and investment department personnel.
- ~~17.~~ Conduct entrance and exit conferences with the Auditor of Public Accounts, and report to the Board on the scope and substance of those meetings.
- ~~18-20.~~ As necessary, request permission from the ~~full~~ Board to retain independent counsel (through the Office of the Attorney General), accountants, or others to advise the Committee.
- ~~21.~~ Conduct entrance and exit conferences with the Auditor of Public Accounts, or any other external assurance provider, regarding assurance services provided and report to the Board on the scope and substance of those meetings.
- ~~22.~~ Review the annual financial statements and other sections of the annual report, and consider whether they are complete and consistent with information known to Committee members, and, to the best of their knowledge, reflect appropriate accounting principles.
- ~~23.~~ Receive and review reports of the Auditor of Public Accounts and/or any other external ~~auditors~~ assurance provider, and if necessary, report on same to the Board with make recommendations to the Board; if any, for necessary regarding actions to be taken. Review the annual financial statements and other sections of the annual report, and consider whether they are complete and consistent with information known to Committee members, and, to the best of their knowledge, reflect appropriate accounting principles. ~~Have~~
- ~~24.~~ Ensure management and the external auditors review all matters required to be communicated to the Committee under generally accepted government auditing standards. Allow for meetings with the
- ~~19-25.~~ Provide time during Committee meetings for external auditors to discuss any matters that the Committee or auditors believe should be discussed.
- ~~20-26.~~ Periodically consider the desirability of an audit by an independent accounting firm and, if such audit is deemed necessary, present such a recommendation to the Board together with a list of candidate firms.
- ~~21-27.~~ Perform such other duties when directed to do so by the Board.

Commented [JS18]: Language updated based on Standard 8.1 which acknowledges there are other potential areas for disagreement, besides audit recommendations, that may exist and impact the effectiveness of the internal audit function.

Commented [JS19]: Moved to item #21 below.

Commented [JS20]: Moved to item #22 above.

COMPOSITION

The Committee is composed of at least three (3) Board members appointed by the chairperson of the Board, subject to approval by the Board.

Each member is appointed for a two-year term, and may be reappointed for additional two-year terms.

OFFICERS

Chairperson

The ~~VRS Board~~ chairperson of the Board shall appoint the chairperson of the Committee, subject to approval by the Board.

The Committee chairperson is appointed for a two-year term, and may be reappointed for additional two-year terms.

The chairperson ~~is charged with~~ has the following duties:

1. Facilitating the operation of the Committee meetings;
2. Reviewing proposed agendas for Committee meetings;
3. Presiding over meetings of the Committee;
4. Reporting to the Board on the matters considered by the Committee, and the recommendations of the Committee; and
5. Performing such additional duties as are required to facilitate the Committee's fulfillment of its responsibilities.

Vice-Chairperson

The Committee shall elect its vice-chairperson at the first meeting following the appointment or reappointment of a chairperson, or at the first meeting following such time as a sitting vice-chairperson becomes unable or unwilling to complete ~~his or her~~ their term.

The term of the vice-chairperson shall commence upon election and shall terminate at the first meeting of the Committee following the appointment or reappointment of a Committee chairperson.

In the event of the absence or incapacity of the Committee chairperson, the vice-chairperson shall preside at meetings of the Committee and shall fulfill such other duties and responsibilities of the chairperson as may be necessary.

Secretary

The Audit Director, or the Audit Director's designee, shall act as secretary to the Committee. ~~The Audit Director shall continue to serve as secretary until such time as he or she is unable or unwilling to continue to do so, or until such time as the Committee appoints another secretary.~~

The secretary has the following duties:

1. Help the chairperson develop the agenda for Committee meetings;
2. Notify Committee members of meetings;
3. Coordinate and distribute information to Committee members;
4. Act as liaison between the Committee and VRS staff;
- 4.5. ~~Serve as liaison between the Committee and the Auditor of Public Accounts;~~
- 5.6. Coordinate matters on the agenda and presentations for the Committee; and
- 6.7. Maintain the minutes and records of all Committee meetings.

CONDUCT OF BUSINESS

1. The rules contained in the current edition of *Robert's Rules of Order Newly Revised* shall govern all Committee meetings insofar as they are applicable and not inconsistent with any of the policies adopted by the Board, including this charter, with particular attention to the rules provided for conduct of business in committees. Special note is to be made of the rules provided for procedure in small boards which are deemed to be appropriate for use in all meetings contemplated in this charter.
2. Unless otherwise specified by the Board, voting by proxy is not allowed.
3. A majority of the members of the Committee shall constitute a quorum at meetings of the Committee. ~~For the purposes of determining the presence of a quorum, an abstention or disqualification shall be considered an absence. However, any member of the Board who is not a member of the Committee but is present at a Committee meeting may serve as an alternate to an absent member of the Committee for purposes of constituting a quorum, and any such participation shall not be considered voting by proxy. Moreover, any~~ Any Board member who is not a member of the Committee but is present at a Committee meeting shall have all the rights and privileges afforded to a Committee member while present at such meeting, including voting and being counted toward a quorum, and any such participation shall not be considered voting by proxy. The ~~presence of any~~

Commented [JS21]: As with other governance documents, this language is being deleted because an alternative secretary is already designated and it is not anticipated the need for this secondary action would ever arise.

Commented [JS22]: Added to acknowledge current practice.

Commented [JS23]: Added procedural language relating to small boards for consistency across all charters and the Board Governance Policy.

Commented [SJ24]: Removed language indicating that an abstention vote be considered an absence for purposes of establishing a quorum. This is atypical for board procedures. Usually an abstention does not impact a quorum. Consistent change across all committees.

~~alternate at a Committee meeting and the~~ participation by any Board member who is not a member of the Committee shall be recorded in the minutes of the Committee meeting.

Commented [SJ25]: Removed unnecessary language relating to alternate members. The provision is not needed because any member of the Board may attend any committee meeting and be granted the rights of a member of the committee.

4. Except as otherwise specified herein, approval of an action or decision shall be by a majority of those Committee members present and voting at a Committee meeting.
5. The Committee chairperson will seek at all times to develop a consensus of opinion among Committee members in order to be able to present clear and concise recommendations to the Board. In the event that a consensus is not obtainable, the Committee chairperson will present the range of opinions and their rationale to the Board.
6. The Committee chairperson, ~~vice-chairperson or, in their absence, a staff designee,~~ will report to the Board on the content and results of each Committee meeting. The chairperson or vice-chairperson will sign all meeting minutes, as applicable.
7. The Committee ~~will generally shall meet at least~~ four times per year.

Commented [SJ26]: Added language to clarify the vice-chair or a staff designee can give the committee report to the Board in the chair's absence.

Commented [JS27]: Adjusted to align with language in other charters and acknowledge flexibility when circumstances prevent the committee from meeting four times per year or require the committee to meet more frequently.

CHANGES IN THE CHARTER

The Committee may, from time to time, deem it necessary to alter, amend, modify, or rescind all or a part of this charter. Such revisions, once approved by a majority vote of the Committee, shall be submitted to the Board for final approval. If approved by a two-thirds vote of the Board, such revisions shall be incorporated into and made a part of this charter.

COMMITTEE CHARTER FOR THE BENEFITS AND ACTUARIAL COMMITTEE

PURPOSE

The purpose of the Benefits and Actuarial Committee (Committee) is to review matters relating to or affecting benefits, benefit administration, and actuarial soundness of all plans administered by VRS, except for the defined contribution plans, and to make recommendations to the full Board regarding those matters.

AUTHORITY

The Committee is authorized to request, gather, and consider whatever information it deems relevant to the matters brought before it, and to report its findings or recommendations on those matters to the Board. The Committee is not empowered to take any further or independent action unless such action is specifically authorized or directed by the Board.

DUTIES AND RESPONSIBILITIES

The Committee's duties and responsibilities include the following on an as needed basis unless otherwise specified:

1. Review proposed policies and procedural guidelines on issues related to benefits, and determine whether to recommend them for adoption by the Board, or to take some other course of action.
2. Review issues involving the award or denial of benefits brought to the Board by the Director because of their potential precedent-setting character and make a recommendation to the full Board regarding the instructions to be given to the Director.
3. Review reports of actuaries and other consultants regarding all plans and programs administered by VRS, except for the defined contribution plans, inform the Board about all such information received, and advise the Board as needed as to the significance or impact of such information and any recommended changes.
4. Propose educational programs for the Board as necessary regarding pertinent issues related to benefits, benefit administration, and actuarial information.

5. Review and affirm determinations of the Director regarding the discontinuance of recovery and waiver of overpayments and advise the Board about such determinations when it is outside of normal business operations.
6. Review benefit issues and short- and long-range plans for the administration of benefits, upon request, and provide feedback to staff.
7. Review actuarial analyses and investigations pursuant to Va. Code § 51.1-124.22, and make recommendations to the Board regarding the impact of that data on future employer contributions and other benefit issues.
8. Perform such other duties when directed to do so by the Board.

While members of the Committee are expected to become sufficiently familiar with the benefits and actuarial practices of VRS, they are not expected to be or become experts in the actuarial or any other relevant field. They may, as is necessary and in good faith, rely upon the professional expertise of such actuaries and consultants.

COMPOSITION

The Committee is composed of at least three (3) Board members appointed by the chairperson of the Board, subject to approval by the Board.

In making appointments to the Committee, preference may be accorded to the Board member with direct experience in the management and administration of employee benefit plans, the Board member who is a local employee, the Board member who is a state employee, or the Board member who is a teacher.

Each member is appointed for a two-year term, and may be reappointed for additional two-year terms.

OFFICERS

Chairperson

The chairperson of the Board shall appoint the chairperson of the Committee, subject to approval by the Board. The Committee chairperson is appointed for a two-year term, and may be reappointed for additional two-year terms.

The chairperson has the following duties:

1. Facilitating the operation of the Committee meetings;

2. Reviewing proposed agendas for Committee meetings;
3. Presiding over meetings of the Committee;
4. Reporting to the Board on the matters considered by the Committee and the recommendations of the Committee; and
5. Performing such additional duties as are required to facilitate the Committee's fulfillment of its responsibilities.

Vice-Chairperson

The Committee shall elect its vice-chairperson at the first meeting following the appointment or reappointment of a chairperson, or at the first meeting following such time as a sitting vice-chairperson becomes unable or unwilling to complete their term.

The term of the vice-chairperson shall commence upon election and shall terminate at the first meeting of the Committee following the appointment or reappointment of a Committee chairperson.

In the event of the absence or incapacity of the Committee chairperson, the vice-chairperson shall preside at meetings of the Committee and shall fulfill such other duties and responsibilities of the chairperson as may be necessary.

Secretary

The Director, or the Director's designee, shall act as secretary to the Committee.

The secretary has the following duties:

1. Help the chairperson develop the agenda for Committee meetings;
2. Notify Committee members of meetings;
3. Coordinate and distribute information to Committee members;
4. Act as liaison between the Committee and VRS staff;
5. Coordinate matters on the agenda and presentations for the Committee; and
6. Maintain the minutes and records of all Committee meetings.

CONDUCT OF BUSINESS

1. The rules contained in the current edition of *Robert's Rules of Order Newly Revised* shall govern all Committee meetings insofar as they are applicable and not inconsistent with any of the policies adopted by the Board, including this charter, with particular attention to the rules provided for conduct of business in committees. Special note is to be made of the rules provided for procedure in

- small boards which are deemed to be appropriate for use in all meetings contemplated in this charter.
2. Unless otherwise specified by the Board, voting by proxy is not allowed.
 3. A majority of the appointed members of the Committee shall constitute a quorum at meetings of the Committee. Any Board member who is not a member of the Committee but is present at a Committee meeting shall have all the rights and privileges afforded to a Committee member while present at such meeting, including voting and being counted toward a quorum, and any such participation shall not be considered voting by proxy. The participation by any Board member who is not a member of the Committee shall be recorded in the minutes of the Committee meeting.
 4. Except as otherwise specified herein, approval of an action or decision shall be by a majority of those Committee members present and voting at a Committee meeting.
 5. The Committee chairperson will seek at all times to develop a consensus of opinion among Committee members in order to be able to present clear and concise recommendations to the Board. In the event that a consensus is not obtainable, the Committee chairperson will present the range of opinions and their rationale to the Board.
 6. The Committee chairperson, vice-chairperson, any committee member or, in their absence, a staff designee, will report to the Board on the content and results of each Committee meeting. The chairperson or vice-chairperson will sign all meeting minutes, as applicable.
 7. The Committee will generally meet at least four times per year.

CHANGES IN THE CHARTER

The Committee may, from time to time, deem it necessary to alter, amend, modify, or rescind all or a part of this charter. Such revisions, once approved by a majority vote of the Committee, shall be submitted to the Board for final approval. If approved by a two-thirds vote of the Board such revisions shall be incorporated into and made a part of this charter.

COMMITTEE CHARTER FOR THE DEFINED CONTRIBUTION PLANS ADVISORY COMMITTEE

PURPOSE

The purpose of the Defined Contribution Plans Advisory Committee (DCPAC) is to review matters relating to or affecting the plan administration, plan design and investments of the various defined contribution plans established pursuant to the *Code of Virginia* and to make recommendations to the Board regarding those matters.

AUTHORITY

Sections 51.1-126, 51.1-126.5, 51.1-126.6, 51.1-169, 51.1-602, 51.1-608, and 51.1-618 of the *Code of Virginia* authorize the Board to establish, maintain, and administer various defined contribution plans for eligible employees. Section 51.1-124.26(A) of the *Code of Virginia* authorizes the Board to appoint advisory committees as it deems necessary.

DUTIES AND RESPONSIBILITIES

The DCPAC is an advisory committee with the purpose of assisting the Board in fulfilling its statutory responsibilities to review and oversee the policies and procedures constituting the process by which the Board reviews and determines whether to approve requests by institutions of higher education that seek to withdraw from participation in the Optional Retirement Plan of the Commonwealth of Virginia for Employees of Institutions of Higher Education (ORPHE). The DCPAC accomplishes this by providing defined contribution plan administration, plan design, and investment advice to the Board. The Board has established the following duties and responsibilities for the DCPAC on an as needed basis unless otherwise specified in consideration of the Board's need for certain types of information and advice:

1. DCPAC advice should always be prudent within the context of managing public sector defined contribution plans.
2. The DCPAC's recommendations are not binding on the Board and the DCPAC has no authority over staff or administrative and investment decisions.
3. On an ongoing basis, the DCPAC will review defined contribution plan national trends and identify best practices.
4. On an ongoing basis, the DCPAC will review statistical information relating to the status of the defined contribution plans and aggregate participant activities in the respective plans.

5. On an ongoing basis, the DCPAC will assist staff in identifying potential asset classes and investment strategies that might help each plan achieve its investment objectives and will recommend changes to the Board as needed.
6. At least on an annual basis, the DCPAC will review administrative expenses incurred by the defined contribution plans and participant administrative fees assessed as may be applicable and recommend adjustments to the Board as needed.
7. Periodically, the DCPAC will review the VRS Defined Contribution Plans Investment Policy Statements and VRS Defined Contribution Plans Investment Belief Statements and make recommendations to the Board regarding any changes or revisions.
8. The DCPAC will receive defined contribution plans investment performance and investment fee information at least on a quarterly basis. Atypical performance or other items of a serious nature are brought to the attention of the DCPAC by investment staff as soon as possible. At least on an annual basis, the DCPAC will perform a comprehensive review of the investment program for each plan. Primary emphasis for investment performance should be on longer time frames, such as three (3) and five (5) years, but shorter-term trends should be considered if significant. The DCPAC may provide recommendations, as appropriate, to the Board regarding any investment options that should be considered for addition or deletion and any significant performance issues.
9. The DCPAC will sponsor an Annual Employer Update for institutions of higher education whose employees participate in the ORPHE. The purpose of the Update is to communicate to the institutions on plan performance, service provider activities, plan or procedure changes, and legislation affecting the plans. The information presented may include a service review for prior year activities and any other preapproved information and materials related to communication, new services to be offered or products under consideration. The DCPAC may be represented by the chairperson or the vice-chairperson as available or by the VRS Director. In addition, the DCPAC member who represents a state-supported college or university may also participate in the Annual Employer Update.
10. As needed, the DCPAC will review any changes to the Master Trusts and Plan Documents and make any necessary recommendations to the Board for revisions.
11. The DCPAC will receive recommendations from staff regarding bids for defined contribution plans record keepers and recommend to the Board the preferred candidate for Board approval.
12. The DCPAC will review data and reports from consultants, as needed, inform the Board about such information received, and advise the Board as to any recommended changes in the defined contribution plans as a result of such data and reports.
13. The DCPAC will address any ad hoc request by the Board for specific information or recommendations regarding plan administration and existing or potential investments.

14. The DCPAC, through the DCPAC chairperson, is authorized to request and consider whatever information it deems relevant in carrying out its duties and responsibilities as outlined in this charter
15. Perform such other duties when directed to do so by the Board.

COMPOSITION

The DCPAC is composed of nine members, no more than two of whom may be members of the Board and neither of whom may serve on another VRS advisory committee, in accordance with Va. Code § 51.1-124.26. The DCPAC shall include two members of the Board. Except for such Board members, no elected or appointed officials may serve on the DCPAC. Appointees to the DCPAC must be approved by a two-thirds vote of the Board. All members of the DCPAC shall serve at the pleasure of the Board and may be relieved of their positions at any time by a majority vote of the Board. Each non-Board member is appointed to a two-year term and may be reappointed for an unlimited number of additional terms.

The seven non-Board member appointees shall be as follows: one shall be an active participating faculty member or employee of a state-supported institution of higher education that participates in the ORPHE; one shall be an active employee of a local school division of the Commonwealth who demonstrates expertise in the administration of retirement benefits; one shall be an active employee of a local government of the Commonwealth that is a participating VRS employer who demonstrates expertise in the administration of retirement benefits; two shall demonstrate expertise in the management and administration of employee DC plans; and two shall demonstrate expertise in the management, analysis or supervision of investments.

OFFICERS

Chairperson

The VRS Board chairperson shall appoint the chairperson of the DCPAC, subject to a two-thirds vote by the Board. The DCPAC chairperson shall be one of the Board members appointed to the DCPAC. The DCPAC chairperson is appointed for a two-year term that shall not extend past their Board term and may be reappointed for additional two-year terms unless their term on the Board ends.

The chairperson has the following duties:

1. Facilitating the operation of the DCPAC meetings;
2. Reviewing proposed agendas for DCPAC meetings;
3. Presiding over meetings of the DCPAC;

4. Reporting to the Board on the matters considered by the DCPAC and the recommendations of the DCPAC; and
5. Performing such additional duties as are required to facilitate the DCPAC's fulfillment of its responsibilities.

Vice-Chairperson

The DCPAC vice-chairperson shall be the Board member appointed to the DCPAC who is not the chairperson. The DCPAC vice-chairperson is appointed for a two-year term that shall not extend past their Board term and may be reappointed for additional two-year terms as vice-chairperson unless their term on the Board ends or they are appointed as the DCPAC chairperson. In the event of the absence or incapacity of the DCPAC chairperson, the vice-chairperson shall preside at meetings of the DCPAC and shall fulfill such other duties and responsibilities of the chairperson as may be necessary.

Secretary

The Director, or the Director's designee, shall act as secretary to the DCPAC.

The secretary has the following duties:

1. Help the chairperson develop the agenda for DCPAC meetings;
2. Notify DCPAC members of meetings;
3. Coordinate and distribute information to DCPAC members;
4. Act as liaison between the DCPAC and VRS staff;
5. Coordinate matters on the agenda and presentations for the DCPAC; and
6. Maintain the minutes and records of all DCPAC meetings.

CONDUCT OF BUSINESS

1. The rules contained in the current edition of *Robert's Rules of Order Newly Revised* shall govern all DCPAC meetings insofar as they are applicable and not inconsistent with any of the policies adopted by the Board, including this charter, with particular attention to the rules provided for conduct of business in committees. Special note is to be made of the rules provided for procedure in small boards which are deemed to be appropriate for use in all meetings contemplated in this charter.
2. Unless otherwise specified by the Board, voting by proxy is not allowed.
3. A majority of the members of the DCPAC shall constitute a quorum at meetings of the DCPAC.
4. Except as otherwise specified herein, approval of an action or decision shall be by a majority of those DCPAC members present and voting at a DCPAC meeting.

5. The DCPAC chairperson will seek at all times to develop a consensus of opinion among DCPAC members in order to be able to present clear and concise recommendations to the Board. In the event that a consensus is not obtainable, the DCPAC chairperson will present the range of opinions and their rationale to the Board.
6. The DCPAC chairperson, vice-chairperson or, in their absence, a staff designee, will report to the Board on the content and results of each DCPAC meeting. The chairperson or vice-chairperson will sign all meeting minutes, as applicable.
7. The DCPAC will generally meet at least three times per year, and more often if necessary to meet the objectives listed in this charter.

CHANGES IN THE CHARTER

The Board may consider changes to this charter at any of its meetings, and a two-thirds vote of the Board is necessary to implement the changes. The DCPAC may from time to time consider changes in the charter that are expected to enable the DCPAC to better serve the needs of the Board. Any charter changes suggested to the Board by the DCPAC must be approved by a majority vote of the DCPAC before submission to the Board, where a two-thirds vote of the Board is necessary to implement the changes.

COMMITTEE CHARTER FOR THE INVESTMENT ADVISORY COMMITTEE (IAC)

PURPOSE

The purpose of the Investment Advisory Committee (IAC) is to provide the Board with sophisticated, objective, and prudent investment advice.

The IAC shall, except for the defined contribution plans investments:

- a) Review, evaluate, and monitor investments and investment opportunities;
- b) Make appropriate recommendations to the Board about such investments and investment opportunities; and
- c) Make recommendations to the Board about overall asset allocation.

AUTHORITY

Section 51.1-124.26 of the *Code of Virginia* requires the Board of Trustees to establish and maintain the IAC.

DUTIES AND RESPONSIBILITIES

The IAC is an advisory committee with the purpose of assisting the Board in fulfilling its fiduciary duty as trustee of the funds of the Retirement System. The Board has established the following duties and responsibilities for the IAC on an as needed basis unless otherwise specified in consideration of the Board's need for certain types of information and advice:

1. IAC advice should always be prudent within the context of managing a public pension plan.
2. The IAC's recommendations are not binding on the Board, and the IAC has no authority over staff or administrative and investment decisions.
3. Periodically, the IAC will review staff's long-term forward return assumptions. Upon the commencement of a Board study on long-term asset allocation and risk tolerance (typically every three years), the IAC will provide the Board with strategic asset allocation advice.
4. The IAC will review staff's scenario analysis exercise in which the fund's intermediate-term performance is evaluated based on changes in cyclical variables

- such as interest rates and economic growth. This exercise is the source of possible changes in allocation of the portfolio (within Board-allowed constraints).
5. The IAC will periodically review the investment performance results and risk management position of the fund. Primary emphasis should be on longer timeframes, but shorter-term trends should be considered if significant. The IAC is expected to focus on the total fund, program level, and strategy level results, as opposed to individual investment manager results.
 6. On an ongoing basis, the IAC will monitor the portfolio for continued suitability with the investment objectives of the fund.
 7. On an ongoing basis, the IAC will assist staff in identifying potential investment classes and strategies that might help the fund achieve its objectives.
 8. The IAC will address any ad hoc request by the Board for specific information or recommendations regarding existing or potential VRS investments.
 9. The IAC, through the IAC chairperson, is authorized to request and consider whatever information it deems relevant in carrying out its duties and responsibilities as outlined in this charter.
 10. Perform such other duties when directed to do so by the Board.

COMPOSITION

The IAC is composed of seven to nine members at the discretion of the Board, no more than two of whom may be members of the Board and neither of whom may serve on another VRS advisory committee, in accordance with Va. Code § 51.1-124.26. Except for such Board members, no elected or appointed officials may serve on the IAC. Appointees to the IAC must be approved by a two-thirds vote of the Board. All members of the IAC shall serve at the pleasure of the Board and may be relieved of their positions at any time by a majority vote of the Board. Each non-Board member is appointed to a two-year term and may be reappointed for an unlimited number of additional two-year terms.

In accordance with Va. Code § 51.1-124.26, members of the IAC shall demonstrate extensive experience in any one or more of the following areas: domestic or international equity or fixed-income securities, cash management, alternative investments, substantial real estate investments, or managed futures.

OFFICERS

Chairperson

The VRS Board chairperson shall appoint the chairperson of the IAC, subject to a two-thirds vote by the Board. No member of the Board may serve as IAC chairperson.

The IAC chairperson is appointed for a two-year term and may be reappointed for unlimited additional two-year terms.

The IAC chairperson has the following duties:

1. Facilitating the operation of the IAC meetings;
2. Reviewing proposed agendas for IAC meetings;
3. Presiding over meetings of the IAC;
4. Reporting to the Board on the matters considered by the IAC and the recommendations of the IAC; and
5. Performing such additional duties as are required to facilitate the IAC's fulfillment of its responsibilities.

Vice-Chairperson

The IAC shall elect its vice-chairperson at the first meeting following the appointment or reappointment of the IAC chairperson, or at the first meeting following such time as a sitting vice-chairperson becomes unable or unwilling to complete their term. No member of the Board may serve as IAC vice-chairperson.

The term of the vice-chairperson shall commence upon election and shall terminate at the first meeting of the IAC following the appointment or reappointment of an IAC chairperson.

In the event of the absence or incapacity of the IAC chairperson, the vice-chairperson shall preside at meetings of the IAC and shall fulfill such other duties and responsibilities of the chairperson as may be necessary.

Secretary

The Chief Investment Officer (CIO), or the CIO's designee, shall act as secretary to the IAC.

The secretary has the following duties:

1. Help the chairperson develop the agenda for IAC meetings;
2. Notify IAC members of meetings;
3. Coordinate and distribute information to IAC members;
4. Act as liaison between the IAC and VRS staff;
5. Coordinate matters on the agenda and presentation for the IAC; and
6. Maintain the minutes and records of all IAC meetings.

CONDUCT OF BUSINESS

1. The rules contained in the current edition of *Robert's Rules of Order Newly Revised* shall govern all IAC meetings insofar as they are applicable and not inconsistent with any of the policies adopted by the Board, including this charter, with particular attention to the rules provided for conduct of business in committees. Special note is to be made of the rules provided for procedure in small boards which are deemed to be appropriate for use in all meetings contemplated in this charter.
2. Unless otherwise specified by the Board, voting by proxy is not allowed.
3. A majority of the members of the IAC shall constitute a quorum at IAC meetings.
4. Except as otherwise specified herein, approval of an action or decision shall be by a majority of those IAC members present and voting at an IAC meeting.
5. The IAC chairperson will seek at all times to develop a consensus of opinion among IAC members in order to be able to present clear and concise recommendations to the Board. In the event that a consensus is not obtainable, the IAC chairperson will present the range of opinions and their rationale to the Board.
6. The IAC chairperson, vice-chairperson or, in their absence, a staff designee, will report to the Board on the content and results of each IAC meeting. The chairperson or vice-chairperson will sign all meeting minutes, as applicable.
7. The IAC will meet jointly with the Board at the Annual Board Retreat. In addition, the IAC will meet at least twice per year, and more often if necessary to meet the objectives listed in this charter.

CHANGES IN CHARTER

The Board may consider changes to this charter at any of its meetings, and a two-thirds vote of the Board is necessary to implement the changes. The IAC may from time to time consider changes in the charter that are expected to enable the IAC to better serve the needs of the Board. Any charter changes suggested to the Board by the IAC must be approved by a majority vote of the IAC before submission to the Board, where a two-thirds vote of the Board is necessary to implement the changes.

COMMITTEE CHARTER FOR THE INVESTMENT POLICY COMMITTEE

PURPOSE

The purpose of the Investment Policy Committee (IPC) is to facilitate the determination of appropriate investment policies, to set guidelines under which those policies will be carried out, and to make appropriate recommendations to the full Board regarding those policies and guidelines. It is the intent of the Board that all substantive concerns, discussions, and recommendations regarding VRS investment policy be directed to the IPC for vetting and reporting back to the full Board for action, if any.

AUTHORITY

The IPC is authorized to request, gather, and consider whatever information it deems relevant to the matters brought before it, and to report its findings or recommendations on those matters to the Board. The IPC is not empowered to take any further or independent action unless such action is specifically authorized or directed by the Board.

DUTIES AND RESPONSIBILITIES

The IPC's duties and responsibilities include the following on an as needed basis unless otherwise specified:

1. Determine the overall risk tolerance to recommend to the full Board as acceptable for the fund.
2. Develop and recommend to the full Board a single long-term policy benchmark against which to compare the fund's performance.
3. Propose to the full Board revisions to the investment policy statements for the fund that in turn provide clear objectives for VRS investment staff. This includes recommendations for the establishment of a risk budget framework that defines acceptable portfolio exposures and acceptable ranges of performance relative to the benchmark.
4. Perform such other duties when directed to do so by the Board.

COMPOSITION

The IPC is composed of at least three (3) and no more than nine (9) Board members: the chairperson of the Board, the vice-chairperson of the Board, and additional Board members appointed by the chairperson of the Board, subject to approval by the Board. In addition, the chairperson of the Investment Advisory Committee may participate in the deliberations of the IPC but may not vote on any matters before the IPC.

The chairperson and vice-chairperson of the Board shall serve as the chairperson and vice-chairperson, respectively, of the IPC and their terms on the IPC shall run concurrently with their terms as chairperson and vice-chairperson of the Board. The terms of the other IPC members run concurrently with their terms as Board members.

OFFICERS

Chairperson

The chairperson has the following duties:

1. Facilitating the operation of the IPC meetings
2. Reviewing proposed agendas for IPC meetings;
3. Presiding over meetings of the IPC;
4. Reporting to the Board on the matters considered by the IPC and the recommendations of the IPC; and
5. Performing such additional duties as are required to facilitate the IPC's fulfillment of its responsibilities.

Vice-Chairperson

In the event of the absence or incapacity of the IPC chairperson, the vice-chairperson shall preside at meetings of the IPC and shall fulfill such other duties and responsibilities of the chairperson as may be necessary.

Secretary

The VRS Chief Investment Officer (CIO), or the CIO's designee, shall act as secretary to the IPC. The CIO shall continue to serve as secretary until such time as he or she is unable or unwilling to continue to do so, or until such time as the IPC appoints another secretary.

The secretary has the following duties:

1. Help the chairperson develop the agenda for IPC meetings;
2. Notify IPC members of meetings;
3. Coordinate and distribute information to IPC members;
4. Act as liaison between the IPC and VRS staff;
5. Coordinate matters on the agenda and presentation for the IPC; and
6. Maintain the minutes and records of all IPC meetings.

CONDUCT OF BUSINESS

1. The rules contained in the current edition of *Robert's Rules of Order Newly Revised* shall govern all IPC meetings insofar as they are applicable and not inconsistent with any of the policies adopted by the Board, including this charter, with particular attention to the rules provided for conduct of business in committees. Special note is to be made of the rules provided for procedure in small boards which are deemed to be appropriate for use in all meetings contemplated in this charter.
2. Unless otherwise specified by the Board, voting by proxy is not allowed.
3. A majority of the appointed members of the IPC shall constitute a quorum at meetings of the IPC. The chairperson of the Investment Advisory Committee shall not be considered in determining the presence of a quorum. Any Board member who is not a member of the IPC but is present at an IPC meeting shall have all the rights and privileges afforded to an IPC member while present at such meeting, including voting and being counted toward a quorum, and any such participation shall not be considered voting by proxy. The participation by any Board member who is not a member of the IPC shall be recorded in the minutes of the IPC meeting.
4. Except as otherwise specified herein, approval of an action or decision shall be by a majority of those IPC members present and voting at an IPC meeting.
5. The IPC chairperson will seek at all times to develop a consensus of opinion among IPC members in order to be able to present clear and concise recommendations to the Board. In the event that a consensus is not obtainable, the IPC chairperson will present the range of opinions and their rationale to the Board.
6. The IPC chairperson, vice-chairperson, any committee member or, in their absence, a staff designee, will report to the Board on the content and results of each IPC meeting. The chairperson or vice-chairperson will sign all meeting minutes, as applicable.

7. The Committee will meet as often as necessary to meet the objectives listed in this charter.

CHANGES IN THE CHARTER

The IPC may, from time to time, deem it necessary to alter, amend, modify, or rescind all or a part of this charter. Such revisions, once approved by a majority vote of the IPC, shall be submitted to the Board for final approval. If approved by a two-thirds vote of the Board such revisions shall be incorporated into and made a part of this charter.



Reappoint IAC members

Requested Action

The Board reappoints (i) Theodore Economou for a two-year term ending September 13, 2026, (ii) Palmer Garson for a two-year term ending October 16, 2026, and (iii) Lawrence Kochard for a two-year term ending February 19, 2027.

Rationale for Requested Action

Theodore Economou, Palmer Garson, and Lawrence Kochard currently serve on the Investment Advisory Committee (IAC) and each is willing to be reappointed for another two-year term. Mr. Economou is currently a Managing partner with the Tesseris Group LLC. Ms. Garson is currently a Managing Director with Silvercrest Asset Management Group. Mr. Kochard is currently the Chief Investment Officer and a partner at Makena Capital Management.

Authority for Requested Action

Code of Virginia § 51.1-124.26 requires the Board to appoint an Investment Advisory Committee to provide the Board with sophisticated, objective, and prudent investment advice, which will further assist the Board in fulfilling its fiduciary duty as trustee of the funds of the Retirement System.

The above action is approved.

A. Scott Andrews, Chair
VRS Board of Trustees

Date

THEODORE ECONOMOU, CFA

Board Member and Advisor

- Expertise in investment management, risk management, and private banking
 - 30-year executive career spanning US and Europe
 - Experience in both private markets and public markets
-

EXECUTIVE POSITIONS

TESSERIS GROUP LLC (Geneva, Switzerland) 2023 – Present

Managing Partner

Advisory and investment consulting firm with expertise in risk management and real assets

BOARD MANDATES

METHAK INVESTMENT HOLDING (Jeddah, Saudi Arabia) 2022 – Present

Member of the Board of Directors & Investment Committee (non-executive)

Methak IH is the investment arm of the Salem Bin Mahfouz Foundation.

EUROBANK PRIVATE BANK LUXEMBOURG SA (Luxembourg) 2022 – Present

Member of the Board of Directors (non-executive)

Chair of the Risk Committee; Member of the Audit and Remuneration Committees;

HEREDITAS sp. z o.o. (Łódź, Poland) 2023 – Present

Chairman of the Board

Family office active in Poland.

ADVISORY MANDATES

VIRGINIA RETIREMENT SYSTEM (Virginia, USA) 2013 – Present

External Advisor, Member of the “Investment Advisory Committee”

Advise on the management of US\$100 billion in assets of the retirement system of the commonwealth of Virginia, USA.

BAE SYSTEMS PENSION SCHEMES (London, UK) 2019 – Present

External Advisor to the Trustees

Advise investment committee Trustees on management of £30 billion portfolio, with a special focus on private assets.

INVESTMENT & PENSIONS EUROPE (London, United Kingdom) 2022 – Present

Member of the Annual Awards Judging Panel

Global, Infrastructure, and Real Asset Awards

INSTITUTE OF FINANCE and FINANCIAL REGULATION (Athens, Greece) 2022 – Present

Professional Fellow

Co-organizer of annual “Asset Management for Pension Funds” conference

EUROPEAN COMMISSION (Brussels, Belgium) 2013 – 2013
Secretary, Task Force for a Pan-European Pension Fund (DG Research & Innovation)
Reporting to chairman, responsible for editing of Task Force's final report

PAST BOARD POSITIONS

LOMBARD ODIER BANK PENSION FUND (Geneva, Switzerland) 2014 – 2020
Chair, Investment Committee
Led restructuring of 1.5Bn CHF investment portfolio to target higher performance with a risk-based strategy, winning a commendation at the 2019 Investment & Pensions Europe (IPE) Global Awards.

ITT INDUSTRIES LTD PENSION SCHEME (Basingstoke, UK) 2004 – 2009
Member of the Investment Committee
Led initiative to diversify investment portfolio, increasing non-UK exposure, and introducing private assets.

PAST EXECUTIVE POSITIONS

LOMBARD ODIER INVESTMENT MANAGERS (Geneva, Switzerland) 2015 – 2020
Chief Investment Officer, Multi-Asset

Grew flagship multi-asset fund by more than CHF 1 billion in 5 years.

- Delivered superior performance for CHF6 billion AuM in multi-asset portfolios
- Introduced internal control system (ICS) for asset management and reporting
- Improved performance through improved quantitative research and modelling

CERN PENSION FUND (Geneva, Switzerland) 2009 – 2015
Chief Executive Officer & CIO

Reporting to Board of Directors and to Council of 20 member countries, delivered performance exceeding targets for the \$4bn portfolio, while implementing a strong compliance, control, and internal audit culture.

- Designed and implemented comprehensive, risk-driven governance, later featured in the [Journal of Investment Consulting](#).
- Introduced International Public Sector Accounting Standards (IPSAS).
- Successfully passed triple annual audits (by internal auditor, financial auditor, and government auditor).
- Implemented first-ever internal control system (ICS), based on COSO framework.
- Won several industry awards ([Investment & Pensions Europe](#), [CIO Magazine](#), [HFR](#) award for “outstanding career contribution by an individual investor”)

- ITT CORPORATION (New York, USA) 1993 – 2009**
Assistant Treasurer, Corporate Finance 2002 – 2009
Restructured pension fund investment portfolio to lower risk and increase performance.
- Led restructuring of \$5 billion U.S. defined benefit pension investments portfolio to implement economic liability hedge (2003), and increase private assets to 20%
 - ITT Pension Fund realized top decile performance among US large pension funds, winning several awards, including *Institutional Investor's* 2005 Corporate Plan Sponsor of the Year Award.
- Director, Investor Relations 1996 – 2002**
- Built strong investor base and loyalty starting with IPO on the NYSE in 1995, and during period of extensive mergers & acquisitions activity (\$4bn in divestitures and \$2bn in acquisitions of public and private companies).
 - Recognized among “Best Investor Relations Officers” in USA (2001 Barron’s survey)
- Manager, Corporate Development 1993 – 1995**
- Analysis, planning, negotiation, and execution of acquisitions in the automotive equipment industry.
- ACCENTURE (Geneva and Zurich, Switzerland) 1987 – 1991**
Senior Consultant, Financial Services Group
Designed and implemented financial risk management systems for multinational financial corporations, exchanges, and banks.

EDUCATION

- ACADÉMIE DES ADMINISTRATEURS, Switzerland 2021**
“Fundamentals of Board Governance” Certificate
- CFA INSTITUTE, Charlottesville, Virginia, U.S.A 1999**
Chartered Financial Analyst
- NORTHWESTERN UNIVERSITY, Evanston, Illinois, U.S.A. 1993**
Master of Management, J.L. Kellogg Graduate School of Management
Recipient of Alexander S. Onassis Scholarship
- EPFL – ÉCOLE POLYTECHNIQUE FÉDÉRALE DE LAUSANNE, Switzerland 1987**
M.Sc, Mechanical Engineering
Majors in thermodynamics and machine-tool design

LANGUAGES (FLUENT)

- French, English, German, Greek

PALMER P. GARSON, MANAGING DIRECTOR

Ms. Garson is a Portfolio Manager and member of both the Investment Policy and Strategy Group and the Manager Selection Group. Ms. Garson has over 30-years of experience in financial services, which she began in Investment Banking and Private Equity, then transitioned to Endowment and Foundation Investment Management. Earlier in her career, she co-founded Jefferson Capital Partners, a Private Equity firm, and developed extensive finance experience while working for Morgan Stanley & Co., A.G. Edwards, and Mellon Bank. Ms. Garson currently serves as a Trustee for the Mary Morton Parsons Foundation, the Virginia Foundation of Independent Colleges (VFIC), and St. Mary's School. She serves on the Investment Advisory Board of the VRS. Ms. Garson has also served on numerous Investment Committees and is currently active with VCIMCO (VCU's \$2 billion endowment), Randolph College, Virginia Foundation of Independent Colleges, Order of St. John, and St. Mary's School (where she is the current investment committee chair). She is a former trustee of the Duke Alumni Association and the Darden School Foundation. Palmer graduated cum laude with a BA from Duke University and earned an MBA from the Darden Graduate School of Business at the University of Virginia.

LAWRENCE E. KOCHARD

SUMMARY

- Seasoned investment thought-leader, executive and multi-asset-class investor
- Experienced corporate and not-for-profit board member
- 19 years teaching finance at the University of Virginia and Georgetown University
- Ph.D. & MA – University of Virginia, MBA – University of Rochester, BA – College of William & Mary
- Chartered Financial Analyst

CAREER SUMMARY

Larry Kochard is currently the Chief Investment Officer and a partner at Makena Capital Management, a \$20 billion global investment firm. He chairs Makena's Investment Committee and is a member of the firm's three-person Executive Committee, which leads the firm. Larry joined Makena in January 2018. Makena Capital is an endowment-style multi-asset class fund with endowment, foundation, family office and sovereign wealth fund clients.

Larry was previously the Chief Executive Officer (CEO) and Chief Investment Officer (CIO) of the University of Virginia Investment Management Company (UVIMCO) for seven years. UVIMCO managed the \$10 billion endowment for the University of Virginia. As CEO, Larry provided leadership for all aspects of UVIMCO's operations and served as UVIMCO's primary representative to the university, related foundations and the public. As CIO, Larry led the investment process and made all investment decisions across the portfolio, which included public equity, private equity, hedge fund, real asset and fixed income investments.

Prior to joining UVIMCO, Larry was the first-ever CIO of Georgetown University from 2004 through 2010, having built their investment office and much of their alternative investment portfolio from scratch.

Larry was previously the Managing Director of Equity and Hedge Fund Investments at the Virginia Retirement System, where he managed a \$27 billion public equity portfolio, managed a \$2 billion private equity portfolio and initiated and managed a \$1.2 billion hedge fund portfolio. The public equity portfolio included money managed internally (\$6 billion) using a low-tracking-error factor-based approach, in addition to hiring external money managers.

From 1997 to 2016, Larry taught finance courses as an adjunct and a full-time faculty member at the University of Virginia and Georgetown University. He spent the early part of his career in debt capital markets at Goldman Sachs and corporate finance at Fannie Mae and DuPont.

CURRENT BOARD EXPERIENCE

Virginia Retirement System Member, Investment Advisory Committee, Chair since 2017	1998 to 2001, and 2011 to present
Eighteen48 Partners, multi-family office Member, Investment Committee	2019 to present
Virginia Museum of Fine Arts Member, Board of Directors and Investment Committee	2022 to present IC Chair, July 2024

PAST BOARD EXPERIENCE

Janus Henderson Group Member, Board of Directors. Chair, Compensation Committee	2008 to 2022
Virginia Environmental Endowment Member, Board of Directors and Chair, Investment Committee	2014 to 2022
Virginia Commonwealth University Investment Management Company Member, Board of Directors	2015 to 2021
College of William & Mary Foundation Member, Board of Trustees and Chair, Investment Committee	2005 to 2011
Saint Louis University Member, Investment Committee	2004 to 2008
Commonwealth Public Broadcasting WCVE Richmond PBS, WHTJ Charlottesville PBS, WCVW Richmond PBS Member, Board of Directors and Chair, Finance and Investment Committee	2003 to 2005
Richmond Retirement System Member, Investment Advisory Committee	2002 to 2005

EDUCATION

CFA, CFA Institute, 2003
Ph.D., Economics, University of Virginia, Charlottesville, 1999
MA, Economics, University of Virginia, 1996
MBA, Finance and Accounting, University of Rochester Simon School of Business, 1980
BA, Economics, College of William & Mary, 1978

HONORS

Rodney Adams Endowment Management Award, National Association of College and University Business Officers (2015)
Outstanding Large Endowment of the Year by Foundation and Endowment Money Management News (2007)

PUBLICATIONS

Co-authored *Foundation and Endowment Investing: Philosophies and Strategies of Top Investors and Institutions*, which features interviews with successful chief investment officers (published by Wiley and released in January 2008)

Co-authored *Top Hedge Fund Investors: Stories, Strategies and Advice*, which features interviews with successful hedge fund investors (published by Wiley and released in July 2010)

Using a Z-Score Approach to Combine Value and Momentum in Tactical Asset Allocation, Wang and Kochard, Journal of Wealth Management, 2012

Low-Volatility Cycles: The Influence of Valuation and Momentum on Low-Volatility Portfolios, Garcia-Feijóo, Kochard, Sullivan and Wang, Financial Analysts Journal (Graham and Dodd Readers' Choice Award)



Virginia Retirement System (VRS) FY 2024 Year-End Budget to Actual Report

	Current Budget ¹ A	Expenses through 6/30/2024 B	Variance Favorable/ (Unfavorable) E = A - D	% Remaining F = E / A
Administration				
Personnel				
Salaries & Wages	20,618,000	20,599,000	19,000	0.1%
Fringe Benefits	8,376,000	8,367,000	9,000	0.1%
Incentive Compensation	886,000	886,000	-	0.0%
Contractual Services				
Management & Administration ²	1,773,000	1,374,000	399,000	22.5%
Professional Services ³	4,869,000	3,467,000	1,402,000	28.8%
Technical Services ⁴	969,000	214,000	755,000	77.9%
Travel & Training	472,000	345,000	127,000	26.9%
Network Infrastructure	781,000	174,000	607,000	77.7%
Equipment & Supplies	391,000	69,000	322,000	82.4%
Facility	1,601,000	1,535,000	66,000	4.1%
Administration Total	40,736,000	37,030,000	3,706,000	9.1%
Information Technology				
Personnel				
Salaries & Wages	8,419,000	8,172,000	247,000	2.9%
Fringe Benefits	3,155,000	3,132,000	23,000	0.7%
Incentive Compensation	315,000	315,000	-	0.0%
Contractual Services				
Management & Administration ²	1,768,000	1,555,000	213,000	12.0%
Professional Services ³	161,000	82,000	79,000	49.1%
Technical Services ⁴	13,194,000	10,674,000	2,520,000	19.1%
Travel & Training	124,000	89,000	35,000	28.2%
Network Infrastructure	8,191,000	6,688,000	1,503,000	18.3%
Equipment & Supplies	133,000	32,000	101,000	75.9%
Facility	317,000	315,000	2,000	0.6%
Information Technology Total⁵	35,777,000	31,054,000	4,723,000	13.2%



Virginia Retirement System (VRS) FY 2024 Year-End Budget to Actual Report

	Current Budget ¹ A	Expenses through 6/30/2024 B	Variance Favorable/ (Unfavorable) E = A - D	% Remaining E / A
Investment Management				
Personnel				
Salaries & Wages	15,274,000	15,271,000	3,000	0.0%
Fringe Benefits	5,192,000	5,183,000	9,000	0.2%
Incentive Compensation	8,325,000	8,325,000	-	0.0%
Contractual Services				
Management & Administration ²	433,000	241,000	192,000	44.3%
Professional Services ³	1,882,000	1,655,000	227,000	12.1%
Technical Services ⁴	11,593,000	11,292,000	301,000	2.6%
Travel & Training	948,000	527,000	421,000	44.4%
Network Infrastructure	400,000	273,000	127,000	31.8%
Equipment & Supplies	25,000	15,000	10,000	40.0%
Facility	729,000	716,000	13,000	1.8%
Investment Management Total	44,801,000	43,498,000	1,303,000	2.9%
VRS Subtotal	121,314,000	111,582,000	9,732,000	8.0%

¹ Original budget plus/minus transfers

² Management & Administration includes postage, printing, communications, memberships, subscriptions, insurance, claims and bonds

³ Professional Services includes fiscal services, management services, legal services, media services, medical services, and auditing services

⁴ Technical Services includes computer operating services, contractors and data feeds

⁵ Does not include funds obligated through POs, but not yet paid



Virginia Retirement System (VRS) FY 2025 Budget to Actual Projections

	Current Budget ¹ A	Expenses through 7/31/2024 B	Projected Remaining Expenses C	Projected Total Expenses ² D = B + C	Projected Variance Favorable/ (Unfavorable) E = A - D	Projected % Remaining F = E / A
Administration						
Personnel						
Salaries & Wages	23,905,000	1,920,000	21,481,000	23,401,000	504,000	2.1%
Fringe Benefits	9,333,000	744,000	8,317,000	9,061,000	272,000	2.9%
Incentive Compensation	1,328,000	4,000	1,320,000	1,324,000	4,000	0.3%
Contractual Services						
Management & Administration ³	3,060,000	120,000	2,560,000	2,680,000	380,000	12.4%
Professional Services ⁴	3,659,000	206,000	3,303,000	3,509,000	150,000	4.1%
Technical Services ⁵	2,075,000	80,000	1,748,000	1,828,000	247,000	11.9%
Travel & Training	617,000	40,000	460,000	500,000	117,000	19.0%
Network Infrastructure	2,466,000	99,000	2,317,000	2,416,000	50,000	2.0%
Equipment & Supplies	125,000	-	100,000	100,000	25,000	20.0%
Facility	5,024,000	4,000	4,220,000	4,224,000	800,000	15.9%
Administration Total	51,592,000	3,217,000	45,826,000	49,043,000	2,549,000	4.9%
Information Technology						
Personnel						
Salaries & Wages	9,404,000	629,000	7,879,000	8,508,000	896,000	9.5%
Fringe Benefits	3,584,000	230,000	2,887,000	3,117,000	467,000	13.0%
Incentive Compensation	325,000	-	325,000	325,000	-	0.0%
Contractual Services						
Management & Administration ³	1,683,000	54,000	1,404,000	1,458,000	225,000	13.4%
Professional Services ⁴	384,000	-	351,000	351,000	33,000	8.6%
Technical Services ⁵	13,894,000	845,000	12,817,000	13,662,000	232,000	1.7%
Travel & Training	103,000	5,000	87,000	92,000	11,000	10.7%
Network Infrastructure	4,886,000	355,000	4,329,000	4,684,000	202,000	4.1%
Equipment & Supplies	111,000	-	84,000	84,000	27,000	24.3%
Facility	125,000	25,000	94,000	119,000	6,000	4.8%
Information Technology Total⁶	34,499,000	2,143,000	30,257,000	32,400,000	2,099,000	6.1%



Virginia Retirement System (VRS) FY 2025 Budget to Actual Projections

	Current Budget ¹ A	Expenses through 7/31/2024 B	Projected Remaining Expenses C	Projected Total Expenses D = B + C	Projected Variance Favorable/ (Unfavorable) E = A - D	Projected % Remaining E / A
Investment Management						
Personnel						
Salaries & Wages	18,666,000	1,433,000	16,062,000	17,495,000	1,171,000	6.3%
Fringe Benefits	6,103,000	443,000	5,015,000	5,458,000	645,000	10.6%
Incentive Compensation	8,019,000	1,000	8,018,000	8,019,000	-	0.0%
Contractual Services						
Management & Administration ³	1,054,000	87,000	863,000	950,000	104,000	9.9%
Professional Services ⁴	2,080,000	134,000	1,711,000	1,845,000	235,000	11.3%
Technical Services ⁵	11,936,000	1,039,000	10,245,000	11,284,000	652,000	5.5%
Travel & Training	777,000	21,000	600,000	621,000	156,000	20.1%
Network Infrastructure	843,000	-	700,000	700,000	143,000	17.0%
Equipment & Supplies	17,000	-	11,000	11,000	6,000	35.3%
Facility	785,000	11,000	751,000	762,000	23,000	2.9%
Investment Management Total	50,280,000	3,169,000	43,976,000	47,145,000	3,135,000	6.2%
VRS Subtotal	136,371,000	8,529,000	120,059,000	128,588,000	7,783,000	5.7%

¹ Original budget plus/minus transfers

² Projected Total Expenses are best estimates as of the creation of this report and are subject to change

³ Management & Administration includes postage, printing, communications, memberships, subscriptions, insurance, claims and bonds

⁴ Professional Services includes fiscal services, management services, legal services, media services, medical services, and auditing services

⁵ Technical Services includes computer operating services, contractors and data feeds

⁶ Does not include funds obligated through POs, but not yet paid



VRS Administrative and Investment Operations and Administration Staff Pay Plan Overviews

Paula Reid
HR Director

Purpose of the VRS Administrative Pay Plan

The purpose of the VRS Administrative Pay Plan is to:

- **Attract**
- **Motivate**
- **Retain** skilled employees

All within a compensation framework which is:

- **Competitive** with the external market
- Internally **equitable**
- **Performance-based**

*VRS is committed to providing a **total rewards package** tied to the attainment of individual and team results and the achievement of organizational goals.*



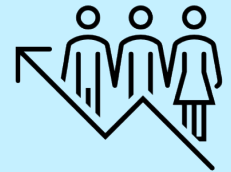
Comparative market analysis is done **every three years**

Purpose of the Investment Operations and Administration Staff Pay Plan

The purpose of the Investment Operations and Administration Staff Pay Plan is to:

- **Compensate employees reasonably and equitably** to encourage constructive individual and team effort
- Recognize that these positions require **specialized experience and expertise**

The Plan ensures Investment Department operations and Administration salaries **are competitive with the market average** of a mix of **public and private sector** organizations.



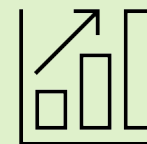
VRS Human Resources contracts for comparative market salary data about every two years to ensure the competitiveness of the salary structure.

Pay Plan Details

The Plans include:

- **16 salary grades** for **general** classifications
- **14 salary grades** for **technology** classifications
- **12 salary grades** for **investment operations** and **administration**

There is a **broad span between the minimum and maximum salary** of each salary grade to allow, in most cases, for salary growth or other possible adjustments over an employee's span of employment.



Any changes to pay ranges must be approved by VRS Board of Trustees.

In-Grade Salary Adjustments

In-grade salary adjustments

These occur when employees receive an increase in base pay:

- To ensure **competitiveness**
- For **retention**
- To recognize **increased skills, abilities, knowledge or responsibilities** outside of the position classification process

In-grade adjustments include:

- Market
- Internal alignment
- Individual accomplishment
- Skill acquisition and application
- Change in job duties
- Retention

Bonuses

- Sign-On Bonus
- Referral Bonus
- Recognition Bonus
- Performance Bonus
- Gain-sharing Bonus

The VRS Board of Trustees remains mindful of the value that staff adds to the organization.

However, the VRS Board of Trustees also specifically **reserves the right to cancel, reduce, or delay the amount of any bonuses payable under this plan** when, in the sole **discretion of the VRS Board of Trustees, extreme budgetary pressures, economic, market or other conditions** are such that **the VRS Board of Trustees deems such action necessary** under the circumstances.



Performance Bonus

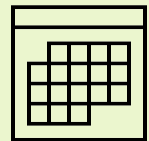
Performance bonuses are provided agency-wide following the annual review process.

Subject to the approval of the VRS Board of Trustees, eligible employees who:

- Receive an overall rating of “**exceptional**” will receive a **4% bonus**
- Receive an overall rating of “**exceeds**” will receive a **2% bonus**, based on their salary as of June 30

Employees who receive an overall “meets,” “does not meet” or “needs improvement” rating **will not receive a performance bonus.**

The performance cycle and thus, bonus payments, align with the fiscal year, July 1 through June 30.



Gainsharing Bonus

Gainsharing bonuses are provided when it is determined the agency has successfully attained the **Agency Performance Outcomes (APOs)** and **Operational Measures (OMs)**.

Eligible employees must receive at least a **“meets” on their performance evaluation** and must meet established **tenure criteria**.



Subject to the approval of the VRS Board of Trustees, attainment of the APOs and OMs may result in **eligible employees receiving a lump-sum bonus of 2.5%, or other amount determined by the Board**, based on their salary as of June 30.



Investment Professionals' Pay Plan Overview

Curt Mattson
Chief Administrative Officer

Pay Plan Background

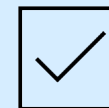
The VRS Board of Trustees has designed this pay plan after working with an independent compensation consultant.

The Board has also adopted benchmarks and excess return objectives, recommended by an independent investment consultant, to be used as part of this pay plan.

- Current benchmarks and excess return objectives were approved at the June 2024 Board meeting after presentations by the independent investment consultant.


Three core elements of this pay plan:

- Base Salary
- Incentive Pay
- Deferred Compensation Plan for VRS Investment Personnel (DCPIP)



Pay Plan Philosophy

Overall, this pay plan is designed to:

- **Attract, motivate and retain skilled investment professionals** – by offering competitive compensation opportunities.
- **Directly align compensation with** long-term, superior relative and absolute **investment performance**.
- **Reinforce risk management priorities** and standards.
- **Attract and retain senior investment professionals** – by deferring a portion of the incentive compensation on a tax-deferred basis.
- **Benefit all stakeholders** – VRS' beneficiaries, VRS' employees, and Virginia's taxpayers – through a compensation plan that  **is clear, aligned with performance, competitive and cost effective.**

Pay Plan Philosophy

This pay plan anchors on two broad and long-standing principles:

- 1. VRS should pay base salaries consistent with the 75th percentile of a peer group of other leading public funds.**

The primary guidelines for determining VRS' public fund peer group will be:

- funds of similar size (AUM).
- funds with significant (>25%) assets managed internally.
- additional considerations include:
 - asset allocation / diverse portfolio similar to VRS
 - degree of delegation to the CIO and staff
 - use of outside investment consultants,
 - Board pay decision making authority

Pay Plan Philosophy

This pay plan anchors on two broad and long-standing principles:

2. Target Total Compensation(base salary plus incentive pay) should approximate the 50th percentile of a blended group weighted 75% to public funds and 25% to private-sector firms that employ investment professionals.

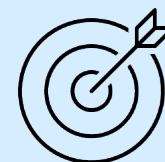
- This universe is where VRS competes for talent.
- Actual total compensation in any given year can be above or below this goal.

Incentive Plan Mechanics

Eligible Plan participants will be assigned a target incentive level, expressed as a percentage of their actual earned base salary.

Target incentive levels vary by position.

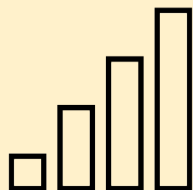
Target incentive levels are weighted or allocated to separate Plan components, with the specific components and weightings varying by position:



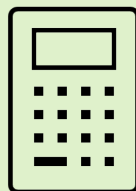
- **Total Fund** relative investment performance, and
- **Asset Class** relative investment performance, **or**
- **Average of Asset Class Multipliers** (for positions that support multiple asset classes), and
- **Qualitative** – focuses on individual achievement of assigned objectives.

Incentive Plan Mechanics

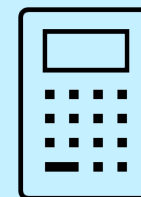
Performance is measured over trailing **three- and five-year annualized periods** (each weighted 50%).



Multipliers are determined by the **relative performance exceeding the excess return target** for the total fund and each asset class.



Multipliers may range from **0 to 2 times the target incentive level** for each participant.



Incentive Plan Mechanics

For the fiscal year ending June 30, 2023, and all subsequent years, unless as otherwise determined, the Plan's incentive opportunities are as follows:

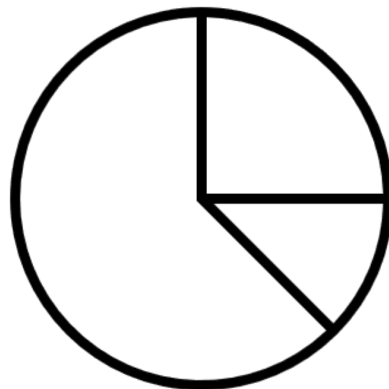
Incentive Levels	
VRS Position	Incentive ¹ (% Salary)
Chief Investment Officer	70 ²
Deputy Chief Investment Officer	65 ²
Managing Director – Portfolio Solutions Group	65 ²
Managing Director – Private Market Assets and DC Plans	65 ²
Managing Director – Public Market Assets	65 ²
Program Director	60 ²
Director – Strategy, Research, Risk and/or Investment Decision Support	50
Senior Portfolio Manager	50
Portfolio Manager	40
Senior Investment Officer	30
Investment Officer	30
Senior Investment Analyst	20
Investment Analyst	10

¹Performance-adjusted preliminary awards can vary from zero to two times the incentive.

²A portion, up to 50%, of the positions' earned incentives is subject to mandatory deferral.

Incentive Plan Mechanics

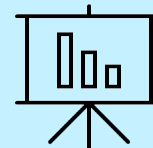
After year-end, payouts for each Plan component are **calculated based on investment performance.**



Each participant's **preliminary award** equals the **sum of all of their performance adjusted Plan components.**

Incentive Plan Mechanics

Final awards equal preliminary awards adjusted, up or down, based on the Total Fund's one-year absolute return.



- Specifically, there will be **no adjustment** for returns **between 0% and the assumed rate of return, currently 6.75%**.
- There will be a **positive one-for-one adjustment** for returns **in excess of the assumed rate of return**
 - *(e.g., if Total Fund one-year actual absolute return equals +9.75%, then the preliminary awards will be increased by 3%).*
- There will be a **negative one-for-one adjustment** for a return **less than 0%**
 - *(e.g., if Total Fund one-year actual absolute return equals -15%, then the preliminary awards will be reduced by 15%).*
- This adjustment is **specifically intended to systematically take into account, in the shorter term, the effect of market cycles on the health of the pension plan** by providing a mechanism to reflect the impact of up and down markets on incentive compensation.

Incentive Compensation: Example 1

Incentive Calculation Worksheet :: Example 1

Name: **Investment Employee** Position Title: Portfolio Manager Area: Asset Class
 June 30 Salary \$100,000.00
 Target Incentive % at 1.0 40%

Target Incentive Weightings by Plan Component

Total Fund	20%
Asset Class	60%
Quantitative Average of Asset Class Multipliers	0%
Qualitative	20%
Total	100%

Incentive Calculation Percentages:

Total Fund	8%
Asset Class	24%
Quantitative Average of Asset Class Multipliers	0%
Qualitative	8%
Total	40%

	<u>3-YR</u>	<u>5-YR</u>	<u>Total</u>
Total Fund Performance (8%, 4% per measurement period):			
% of Salary at 1.0 Multiple	4.00%	4.00%	
Multiple	2.00	2.00	
\$ Earned (Salary X % X Multiple)	\$8,000.00	\$8,000.00	\$16,000.00
Specific Fund Performance (24%, 12% per measurement period):			
% of Salary at 1.0 Multiple	12.00%	12.00%	
Multiple Earned	1.84	2.00	
\$ Earned (Salary X % X Multiple)	\$22,080.00	\$24,000.00	\$46,080.00
Qualitative (8% of Salary)			
Multiple		1.00	\$8,000.00
Preliminary Award			\$70,080.00
Total Fund 1 year Return Adjustment		3.13%	
Final Award			\$72,273.50

Totals may not foot due to rounding.

Incentive Compensation: Example 2

Incentive Calculation Worksheet :: Example 2

Name: **Investment Employee** Position Title: **Portfolio Manager** Area: **Asset Class**
 June 30 Salary **\$100,000.00**
 Target Incentive % at 1.0 **40%**

Target Incentive Weightings by Plan Component

Total Fund	20%
Asset Class	60%
Quantitative Average of Asset Class Multipliers	0%
Qualitative	20%
Total	100%

Incentive Calculation Percentages:

Total Fund	8%
Asset Class	24%
Quantitative Average of Asset Class Multipliers	0%
Qualitative	8%
Total	40%

3-YR **5-YR** **Total**

Total Fund Performance (8%, 4% per measurement period):

% of Salary at 1.0 Multiple	4.00%	4.00%	
Multiple	0.83	1.43	
\$ Earned (Salary X % X Multiple)	\$3,320.00	\$5,720.00	\$9,040.00

Specific Fund Performance (24%, 12% per measurement period):

% of Salary at 1.0 Multiple	12.00%	12.00%	
Multiple Earned	1.06	1.08	
\$ Earned (Salary X % X Multiple)	\$12,720.00	\$12,960.00	\$25,680.00

Qualitative (8% of Salary)

Multiple	1.00	\$8,000.00
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Preliminary Award

\$42,720.00

Total Fund 1 year Return Adjustment

0.80%

Final Award

\$43,061.76

Totals may not foot due to rounding.



VIRGINIA RETIREMENT SYSTEM
HUMAN RESOURCES POLICIES AND PROCEDURES

Title: ADMINISTRATIVE PAY PLAN

Policy Number: 3.10

Supersedes: 12/10/2023

Effective Date: 06/10/2024

I. Authority

The Director is authorized under the Appropriation Act to use agency funds or funds appropriated, if any, to implement the provisions of new or existing performance-based pay plans.

II. Purpose

The purpose of the Administrative Pay Plan (Plan) is to attract, motivate and retain skilled employees within a compensation framework that is competitive with the external market, internally equitable and performance based. VRS is committed to providing a total rewards package tied to the attainment of individual and team results and the achievement of organizational goals.

III. Policy

The Plan applies to all full and part-time (non-wage) employees who work under the administrative and audit authorities of VRS. Wage employees' pay complies with the provisions of the state classification and pay plan. The Plan ensures that agency salaries are competitive with the market average of a mix of public and private sector organizations. Comparative market salary data is typically reviewed every two (2) years to ensure competitiveness of the salary structure.

The Plan includes 16 salary grades for general classifications and 14 salary grades for technology classifications as identified in Appendix 1.

There is a broad span between the minimum and maximum salary of each salary grade to allow, in most cases, for salary growth or other possible adjustments over an employee's span of employment.

IV. Procedure

A. Job Placement

Placement of jobs in each grade is determined by measuring the degree of expertise and accountability required for each position in four areas:

1. **Knowledge and Expertise** measures the amount and depth of knowledge, experience and skills necessary for functioning effectively in a specified role. This expertise may be in technical disciplines, procedures specific to the organization, ability to use certain equipment, and/or management responsibility for planning, organizing and integrating the work of others.

2. **Complexity and Conceptual Thinking** measures the amount of analytical and problem-solving skills required in the position to evaluate and diagnose differing situations and devise new approaches relating to the organization as a whole and/or its business strategies.
3. **Contribution and Impact** measures the breadth of the position's contribution to the advancement of VRS' vision, "To be the trusted leader in the delivery of benefits and services to those we serve." This ranges from improving work processes in the work unit to influencing agency-wide results.
4. **Effective Communication** measures the position's requirements for interacting with and/or influencing coworkers, team members, contacts in other units/departments, members, retirees or contacts outside the organization.

Each job is evaluated in objective terms, not only to ascertain its demands on the individual, but also to determine its worth in comparison to other jobs in the agency and its importance to VRS' success.

Salary ranges are established for all grades by recognizing the level of education, knowledge, skill, and experience needed to perform each job. The salary range demonstrates the interrelationships of the jobs used by the agency in addition to comparing salaries paid for similar classifications in private and public sectors. The salary range for a job includes a minimum, midpoint and maximum salary.

- **Minimum** is the lowest salary paid for a position within the salary grade.
- **Midpoint** is the median salary for the grade.
- **Maximum** is the highest salary paid for a position within the salary grade.

Individual performance, time in the position, previous related work experience, and other factors can influence earnings that are higher or lower than the midpoint.

The expectation is that employees with salaries closer to the maximum for their position are more tenured, have been a consistently exceptional performer, or have more work experience.

During the job placement process, Fair Labor Standards Act (FLSA) exemption statuses (exempt or non-exempt) are determined based on the FLSA job duties test.

B. Starting Salary

The respective member of the Director's Executive Committee (DEC) approves the hiring salary range when the recruitment is formally requested. Hiring supervisors and second line supervisors recommend the starting salary for new employees and the respective member of the DEC approves the starting salary, in coordination with the human resources director.

The salaries paid to employees in the department; the candidate's education, skills, work experience; and salary history are typically considered when determining the appropriate salary to offer a candidate. Starting salaries typically do not exceed the salary grade midpoint. Additional justification is required to support offering salaries above the midpoint.

C. Salary Adjustments

1. Introductory Increases

The introductory period for new employees is 12 months from the date of hire. The introductory period serves as an adjustment period for employees to establish a working relationship with their supervisors, to acclimate to their new job duties and to learn about VRS. When employees successfully complete the introductory period, they typically receive a pay increase of 2% if they are at least meeting expectations.

The Performance Management Policy outlines details.

2. Promotions

A promotion occurs when an employee transitions to a different position assigned to a higher salary grade. A promotion can be competitive (selected through a recruitment and hiring process) or non-competitive (i.e., through the career development process).

When employees compete and are hired into a job in a higher grade, they are typically eligible for a salary increase between 5% and 15%. Any exception requires additional justification, an internal equity review and approval of the appropriate DEC member and the director of human resources.

For non-competitive promotions, the salary will be subject to review to ensure internal equity. Promotional salaries must be at or above the minimum of the new salary grade. Promotional pay cannot place an employees' salary above the maximum of the salary grade.

3. Lateral

A lateral occurs when an employee moves into a position with a different job title and classification which is in the same salary grade. This movement constitutes a lateral move or a transfer.

For a competitive (posted and selected) lateral move/transfer, a salary increase may be considered only if duties of the new position are substantially different. If an increase is approved the increase amount shall not exceed 5%, provided the increase does not exceed the maximum salary range. Any exception to this guideline requires additional justification, an internal equity review and approval of the appropriate DEC member and the director of human resources.

4. Downward Assignments (Voluntary or Involuntary)

Downward assignments occur when an employee transitions to a position within a salary grade lower than the current grade.

- **Voluntary** – An employee- initiated request to transition to a position within a lower salary grade.
- **Involuntary** – A management- initiated request to transition an employee to a position within a lower salary grade, typically due to performance, corrective action or restructuring. A downward assignment would typically result in the salary being placed at any pay rate within the lower classification, not to exceed the maximum or fall below the minimum of the new salary range.

Any exception to this guideline will require additional justification, an internal equity review and approval of the appropriate DEC member and the director of human resources.

In unique situations, such as job abolishment or agency reorganization, an employee's salary may exceed the maximum of the lower grade and the salary remain unchanged. Salaries remain frozen until market adjustments allow additional increases (red-circle). These employees remain eligible to receive applicable performance or gainsharing bonus awards if performance criteria are met.

5. Job Reclassifications

Job reclassifications occur when the employee's duties and responsibilities change substantially, which may result in a different pay grade. Reclassification is based on job content and not the performance of the incumbent. Job studies are performed by human resources, with input by management.

- **Reclassification Upward:** Occurs when it is determined that an individual's job duties and responsibilities have changed significantly enough to transition the position into a different classification within a higher salary grade.
- Employees typically receive salary increases between 2% and 15%. Reclassification increases are approved by the appropriate DEC member, in coordination with the human resources director. Salaries must be at or above the minimum of the new pay grade.
- **Reclassification Laterally:** Occurs when it is determined that an individual's job duties and responsibilities have changed significantly enough to transition the position into a different classification within the same salary grade. No salary increase is awarded. Any exception to this guideline will require additional justification, an internal equity review, and approval of the appropriate DEC member, in coordination with the human resources director.
- **Reclassification Downward:** Occurs when it is determined that an individual's job duties and responsibilities have changed significantly enough to transition the position into a different classification within a lower salary grade.

6. Regrade

Regrades occur when the classification is determined to warrant a different pay grade. This is typically determined by a market analysis or internal classification review, performed by HR in coordination with the DEC member.

Employees typically receive salary increases between 2% and 15%. Regrade increases are approved by the appropriate DEC member, in coordination with human resources. Salaries must be at or above the minimum of the new pay grade.

7. Acting Pay

Acting pay is provided when an employee is temporarily assigned to assume the responsibilities of a position in a higher salary grade.

- **Less Than Two Years Duration:** The employee will receive at least a 5% salary adjustment while serving in an acting position. If the 5% increase does not place the employee at the minimum salary of the acting position, the salary must be increased to the minimum of the acting range. The acting amount shall not exceed the maximum of the acting range. When the employee returns to the former position, his or her salary will be reduced by the dollar amount received while performing the “acting” job responsibilities.
- **Beyond Two Years Duration:** When employees are deemed to be “acting” by performing the full duties of a position for more than two years, the supervisor may choose to promote the individual without going through a competitive process. If the employee is promoted, the employee is eligible for a promotional increase. Otherwise, the position will be open for recruitment. The permanent filling of the position may involve no change in current salary or could include a pay increase, depending upon the circumstances and available budget.

If an employee is acting in a position that is the same salary grade, acting pay would not be provided unless there is sufficient justification to support that the duties of the acting position are substantially different.

8. In-grade

In-grade salary adjustments occur when employees receive an increase in base pay to ensure competitiveness, retention, and to recognize increased skills, abilities, knowledge, or responsibilities outside of the position classification process. These adjustments should only be provided once per fiscal year. Listed below are the categories and descriptions of in-grade salary adjustments.

- **Market adjustment:** Warranted in cases where external market forces exist due to high demand for a particular skill or position which may result in significantly higher turnover. Market adjustments may also occur if it is determined that an individual’s salary is significantly lower than market study findings. Salary adjustments can apply to an individual or classification of employees to ensure competitiveness and retention of staff. An in-grade adjustment of 1% to 10% of salary is typically provided.
- **Internal alignment adjustment:** Warranted when employees’ salaries are unusually low or out of comparability with other employees in the work unit. Factors considered include experience, education, knowledge, skills and abilities. An in-grade adjustment of 1% to 10% of salary is typically provided.
- **Individual accomplishment adjustment:** May be awarded to recognize the attainment of a higher level of expertise through professional certification requiring continuing education credits (CEUs). In- grade adjustments are awarded at the time of the original certification. If the certification does not require CEUs, an in-grade adjustment will not be provided; however, a bonus may be considered. Additionally, an in-grade adjustment for completion of a degree that relates to a current or career path position may be provided. Other similar situations may be considered as justification for an individual accomplishment adjustment. An in-grade adjustment of 1% to 10% of salary is typically provided.

- **Skill acquisition and application adjustment:** May be awarded to recognize the acquisition and application of relevant, pre-defined, job-based skills, resulting in increased value to the organization. Typically, an Individual Development Plan identifies the needed skills and the skill acquisition plan. Formal assessments, through testing or demonstration of the skills acquired and applied to the job, may result in an in-grade adjustment. An in-grade adjustment of 1% to 4% of salary is typically provided.
- **Change in job duties adjustment:** May be awarded to an employee who assumes new higher-level duties and responsibilities that are critical to the operations of the agency. An in-grade adjustment of 1% to 10% of salary is typically provided.
- **Retention adjustment:** May be granted to prevent employees from seeking employment outside the agency including:
 - Employees in occupations that have high value in the labor market when salaries have not been competitive with the marketplace. In such cases, the adjustment is normally granted to all employees in a particular occupation or functional area to avoid turnover.
 - Individual employees who are assigned to key functions.

An in-grade adjustment of 1% to 10% of salary is typically provided.

The employee's supervisor must request the in-grade adjustment in writing and include documentation supporting the need for a pay adjustment. The respective DEC member approves in-grade adjustments, in coordination with the human resources director.

When an employee's salary is at or above the salary maximum for his/her job grade, a bonus payment may be awarded. The respective member of the DEC approves the bonus, in coordination with the human resources director.

9. Competitive

A competitive pay increase is an option available to supervisors to retain top performers, who have received an external job offer, when the loss is determined to be detrimental to the organization. Employees must furnish a copy of the respective job offer.

The supervisor requests, in writing, a competitive pay increase and includes documentation supporting the need for an adjustment and justification for the increase. The respective member of the DEC approves the increase, in coordination with the human resources director.

Competitive pay increases apply to base salary and may not exceed the salary maximum for the salary range. In extraordinary circumstances, when an employee's base salary is at maximum, a bonus is an option. In these situations, the respective member of the DEC, in coordination with the human resources director, submits the request for agency director approval.

10. Increases Governed by the Appropriations Act

VRS will implement pay actions consistent with the provisions of the Appropriation Act.

D. Bonuses

1. Sign-on

Sign-on bonuses may be provided to qualified external candidates when the position is determined to be hard-to-fill, or when there is a demonstrated need to provide supplemental pay to compete with the market.

The amount of the sign-on bonus will vary depending on the position and the supply of candidates. The amount of the bonus typically ranges from 1% to 20% of the midpoint of the salary range.

Fifty percent of the sign-on bonus will be paid in the first paycheck with the remainder of the bonus being paid following the successful completion of the one-year introductory period.

Refer to the **Employee Sign-on Bonus Program Policy**.

2. Referral

Referral bonuses may be provided to full and part-time employees who refer a candidate hired into a full-time position.

The amount of the referral bonus is \$1,000. Fifty percent is paid in the paycheck following the referred employee's first full pay cycle with the remainder of the bonus being paid following the successful completion of the referred employee's introductory period.

Refer to the **Employee Referral Program Policy**.

While the VRS Board of Trustees remains mindful of the value that staff adds to the organization and supportive of the pay plan, the VRS Board of Trustees also specifically reserves the right to cancel, reduce, or delay the amount of any bonuses payable under this plan when, in the sole discretion of the VRS Board of Trustees, extreme budgetary pressures, economic, market or other conditions are such that the VRS Board of Trustees deems such action necessary under the circumstances.

Consistent with the preceding paragraph, payment of performance bonuses under this plan is not guaranteed.

3. Performance

Performance bonuses are provided agency wide following the annual review process.

Subject to the approval of the VRS Board of Trustees, eligible employees who receive an overall rating of "exceptional" will receive a 4% bonus and employees who receive an overall rating of "exceeds" will receive a 2% bonus, based on their salary as of June 30. Employees who receive an overall "meets," "does not meet" or "needs improvement" rating will not receive a performance bonus. The performance cycle and thus, bonus payments, align with the fiscal year, July 1 through June 30.

The **Performance Management Policy** outlines details.

While the VRS Board of Trustees remains mindful of the value that staff adds to the organization and supportive of the pay plan, the VRS Board of Trustees also specifically reserves the right to cancel, reduce, or delay the amount of any bonuses payable under this plan when, in the sole discretion of the VRS Board of Trustees, extreme budgetary pressures, economic, market or other conditions are such that the VRS Board of Trustees deems such action necessary under the circumstances.

Consistent with the preceding paragraph, payment of performance bonuses under this plan is not guaranteed.

4. Gainsharing

Gainsharing bonuses are provided when it is determined the agency has successfully attained the Agency Performance Outcomes (APO) and Operational Measures (OM).

Subject to the approval of the VRS Board of Trustees, attainment of the APOs and OMs may result in eligible employees receiving a lump-sum bonus of 2.5%, or other amount determined by the Board, based on their salary as of June 30.

The **Performance Management Policy** outlines details.

While the VRS Board of Trustees remains mindful of the value that staff adds to the organization and supportive of the pay plan, the VRS Board of Trustees also specifically reserves the right to cancel, reduce, or delay the amount of any bonuses payable under this plan when, in the sole discretion of the VRS Board of Trustees, extreme budgetary pressures, economic, market or other conditions are such that the VRS Board of Trustees deems such action necessary under the circumstances. Consistent with the preceding paragraph, payment of gainsharing bonuses under this plan is not guaranteed.

5. Employee Recognition Bonus

Employee recognition bonuses may be provided to full and part-time employees for individual or team accomplishments typically associated with special projects, process improvements, innovation or other outstanding accomplishments.

Bonuses range from \$50 to \$5,000 depending upon the value of individual or team accomplishments.

Bonuses up to and including \$1,000 require approval by the appropriate DEC member. Special Recognition Bonuses, above \$1,000 through \$5,000, require approval by the DEC member and Agency Director, Chief Investment Officer, or Internal Audit Director.

The fiscal year bonus cap is \$5,000 per employee.

The **Recognition and Awards Program Policy** outlines details.

V. Additional Information

A. VRS Pay Plans

In addition to the Administrative Pay Plan, VRS maintains several other pay plans to meet specific employment and compensation needs. These plans are as follows:

- **Investment Professionals' Pay Plan** - This pay plan is separate from the administrative plan and includes its own salary and classification structure as well as incentive pay guidelines.
- **Investment Operations and Administration Staff Pay Plan** - This pay plan is separate from the administrative plan and includes its own salary and classification structure.
- **Executive Pay Plan** – This pay plan provides the annual salary and bonus amounts provided to the Agency Director, Chief Investment Officer and Audit Director by the VRS Board of Trustees.

B. Key Terms

FLSA - The Fair Labor Standards Act

Exempt – Employees who are not covered by or are exempted from the minimum wage and overtime provisions of the Fair Labor Standards Act

Non-exempt – Employees who are subject to the minimum wage and overtime provisions of the Fair Labor Standards Act

Salary grade – A series of specific pay rates assigned to a classification as the compensation for that classification

Pay rate – A specific dollar amount, expressed as either an annual or hourly rate

Red-circle – A designation for salaries that exceed the maximum of a specified salary range. Employees are not eligible for further base pay increases until the range maximum surpasses the employee's salary.

APPENDIX 1 – PAY RANGES

Administrative SALARY RANGES			
Grade	Min	Mid	Max
1	\$ 42,473	\$ 50,966	\$ 59,462
2	\$46,719	\$56,063	\$ 65,407
3	\$51,391	\$ 61,670	\$ 71,949
4	\$ 56,531	\$ 67,837	\$79,143
5	\$ 62,184	\$74,621	\$ 87,058
6	\$ 68,402	\$ 82,084	\$95,763
7	\$73,707	\$ 90,292	\$106,876
8	\$81,077	\$99,321	\$ 117,563
9	\$ 89,186	\$109,253	\$129,320
10	\$ 96,142	\$120,178	\$144,213
11	\$105,756	\$132,196	\$158,635
12	\$118,976	\$148,720	\$178,464
13	\$133,849	\$ 167,310	\$200,773
14	\$150,907	\$192,407	\$233,907
15	\$ 173,544	\$221,268	\$ 268,993
16	\$ 199,575	\$ 254,458	\$309,342

Technology SALARY GRADES			
Grade	Min	Mid	Max
T1	\$57,899	\$69,480	\$81,060
T2	\$63,689	\$76,428	\$89,165
T3	\$70,060	\$84,071	\$98,083
T4	\$77,065	\$92,478	\$107,891
T5	\$84,771	\$101,726	\$118,680
T6	\$93,248	\$111,898	\$130,547
T7	\$100,481	\$123,088	\$145,697
T8	\$110,528	\$135,398	\$160,266
T9	\$121,581	\$148,937	\$176,293
T10	\$131,064	\$163,831	\$196,597
T11	\$144,171	\$180,214	\$216,257
T12	\$158,588	\$198,235	\$237,883
T13	\$174,447	\$218,058	\$261,670
T14	\$188,128	\$239,864	\$291,600



**VIRGINIA RETIREMENT SYSTEM
INVESTMENT PROFESSIONALS'
PAY PLAN
Effective June 10, 2024**

OVERVIEW & PAY PHILOSOPHY

The Virginia Retirement System's (VRS) Board of Trustees (Board) has designed this Investment Professionals' Pay Plan (Plan) after working with an independent compensation consultant. In addition, the Board has adopted benchmarks, recommended by an independent investment consultant, to be used as part of this Plan.

This Plan includes three core elements:

- Base Salary (described in Section I)
- Incentive Pay (described in Section II)
- Deferred Compensation Plan for VRS Personnel (DCIP) (described in Section III)

Overall, this Plan is designed to:

- Attract, motivate, and retain skilled investment professionals by offering competitive compensation opportunities.
- Directly align compensation with long-term, superior relative and absolute investment performance.
- Reinforce risk management priorities and standards.
- Attract and retain senior investment professionals by deferring a portion of incentive compensation on a tax-deferred basis.
- Benefit all stakeholders – VRS' beneficiaries, VRS' employees, and Virginia's taxpayers – through a compensation plan that is clear, aligned with performance, competitive and cost effective.

Importantly, this Plan anchors on two broad and long-standing philosophical principles:

1. VRS should pay base salaries consistent with the 75th percentile of a peer group of other leading public funds. The primary guidelines for determining VRS' leading public fund peer group will be (1) funds of similar size (AUM) as VRS and (2) funds with significant (>25%) assets managed internally. Additional criteria the Board may consider is asset allocation / diverse portfolio similar to VRS, degree of delegation to the Chief Investment Officer (CIO) and staff, use of outside investment consultants, and Board pay decision making authority.
2. VRS should provide incentive compensation opportunities such that, in combination with base salary, total compensation levels approximate the median (50th percentile) of a blended group weighted 75% to the total compensation levels of leading peer group public funds and 25% to the total compensation levels of a broad range of private-sector firms that employ investment professionals.

I. Base Salary

SALARY RANGES

This Plan establishes a salary range for each job class taking into account its relative importance to VRS and the salaries paid for comparable types of jobs in other leading public funds.

Minimum, midpoint, and maximum salary rates define the salary range for each job class/position. The midpoint of each job class/position approximates the 75th percentile of salaries of a peer group of leading public pension funds. Actual salaries can be higher or lower than the midpoint depending on factors such as job performance, professional education and certifications, the willingness to assume new and higher-level duties and responsibilities, the ability to learn quickly and apply new knowledge and skills, being a team player, and the length of time in the position.

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Investment Professionals’ Pay Plan
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Each position’s salary range includes a defined:

- **Minimum** - the lowest base salary paid for a job within the job class/position.
- **Midpoint** - represents the market salary paid to a fully qualified employee, who has the institutional knowledge and practical experience to fulfill independently all of the responsibilities of the job/position.
- **Maximum** - the highest salary rate for the job class/position.

Grade	Position	Salary Range (\$ Thousands)		
		Min (\$)	Mid (\$)	Max (\$)
11	Chief Investment Officer	\$384,190	\$512,940	\$640,660
10	Deputy Chief Investment Officer	\$348,140	\$463,500	\$579,890
9	Managing Director	\$318,530	\$422,775	\$ 527,021
8	Program Director	\$ 272,198	\$364,861	\$457,524
7	Director – Strategy, Research, Risk and/or Investment Decision Support	\$237,449	\$318,530	\$399,609
6	Senior Portfolio Manager	\$237,449	\$318,530	\$399,609
5	Portfolio Manager	\$185,326	\$249,032	\$312,738
4	Senior Investment Officer	\$156,369	\$208,492	\$260,891
3	Investment Officer	\$121,620	\$162,160	\$202,701
2	Senior Investment Analyst	\$92,663	\$121,620	\$150,578
1	Investment Analyst	\$75,289	\$98,455	\$121,620

In considering the above salary range, it important to note the following:

- **Market Pay Reviews:** The VRS normally conducts a comparative market total pay study generally every two to three years to ensure competitiveness of the salary and incentive structures. Typically, the VRS conducts the study in the 1st quarter of the calendar year with an effective date of July 1 (the beginning of the fiscal year).
- **Changes in Salary Ranges:** The Board must approve changes to the salary scale and incentive structure.

Salary Adjustments

Oversight & Administration

VRS will implement pay actions consistent with the provisions of the Appropriation Act. The VRS Board, however, approves across-the-board performance-based salary increases, market-based salary increases and incentive pools, for VRS investment professionals, consistent with the Code of Virginia and the Appropriation Act. The CIO approves salary adjustments for individual investment professionals and, as described later in the Plan, sign-on bonuses, incentive payments, and relocation expenses subject to the limitations in the Code of Virginia and other applicable state or federal law and regulation.

Merit Increases

- Salary increases are based on meeting individual performance standards. The supervisor completes the evaluation after the end of the fiscal year. If a participant in the investment employees’ pay plan does not meet overall performance standards, then the participant is

Investment Professionals' Pay Plan Effective June 10, 2024

ineligible for performance increases to their base salary and market adjustments to their base salary for that performance cycle. Performance cycles are on a fiscal year basis (July 1 through June 30) and typically begin with an effective date of performance plans in the first quarter of the new fiscal year.

- The CIO will receive base salary increases as approved by the VRS Board and in accordance with the terms in the CIO's Employment Agreement, with approved effective dates established by the VRS Board.

Starting Salaries

The starting salary for a new employee considers the rates presently paid to other employees in the department and those in the same job class (when applicable), the candidate's education, skills, work experience, and salary history. The starting salary normally does not exceed the salary grade midpoint.

Reallocation

Reallocation occurs when a job classification is reviewed by Human Resources, and it is determined that the job duties and responsibilities have changed significantly enough to place the job in a different job title and job class. Unless the CIO authorizes an exception, this would not exceed a 15% increase. However, the individual's salary will always be at least at the minimum of the range of the new job, regardless of the amount of the increase.

In-grade Adjustments

In-grade adjustments occur to ensure competitiveness, retention, and to recognize increased skills, abilities, knowledge, obtainment of a degree or certification, or significant increases in responsibilities within the job class. Unless the CIO authorizes an exception, adjustments will not exceed a 10% increase.

Promotions

Promotions occur when an individual moves into a position in a higher job class. Promotions can be competitive (selected through a recruitment and hiring process) or non-competitive (through a job reclassification or reallocation). Unless the CIO approves an exception, promotions will not exceed a 15% increase. However, the individual's salary will always be at least at the minimum of the range of the new job, regardless of the amount of the increase.

Downward Assignment

Downward adjustment occurs when an employee changes positions whether voluntarily, or because of unsatisfactory performance, resulting in a downward change in job class. A reduction in salary may occur based on a review of the salary and range and the circumstances associated with the downward move. In downward assignments, an individual's salary cannot exceed the maximum of the new salary range.

II. Incentive Pay PLAN

ADMINISTRATION

The VRS Board of Trustees, as Plan Administrator, administers incentive pay under the Plan through the Administration, Finance and Talent Management (AFT) Committee and retains full and complete discretion:

- To increase or decrease incentives for any and/or all Plan participants.
- To modify, amend or rescind any aspect of the Plan at any time for any and/or all Plan participants.
- While the Plan Administrator remains mindful of the value that staff adds to the organization and supports the Plan, the Plan Administrator also specifically reserves the right to cancel, reduce, or delay the amount of any incentives payable under this Plan when, in the sole discretion of the Plan Administrator, extreme budgetary pressures, economic, market or other conditions are such that the Plan Administrator deems such action necessary under the circumstances.

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- Consistent with the preceding paragraph, payment of incentives under this Plan is not guaranteed.

The Plan Administrator may delegate certain aspects of this Plan's day-to-day operation to the VRS CIO and the VRS Director of Human Resources. However, any substantive Plan-related questions or issues impacting incentive payouts for the CIO require the Plan Administrator's prior approval.

PLAN ELIGIBILITY

Incumbents in the positions listed below are eligible for incentive pay under the Plan, provided they:

- Are active VRS employees.
- Work for VRS at least forty hours per week. Plan participants who work less than full-time may be eligible to receive a prorated incentive payment. Wage employees are not eligible to participate in the Plan.
- Receive an individual performance evaluation of at least "meets expectations" for the relevant performance year (i.e., the year preceding the normally scheduled year of payment).
- Remain in compliance with the VRS Investment Department Code of Ethics and Standards of Professional Conduct Policy.

Chief Investment Officer

Deputy Chief Investment Officer

Managing Director – Portfolio Solutions Group

Managing Director – Private Market Assets and Defined Contribution (DC) Plans

Managing Director – Public Market Assets

Program Director

Director – Strategy, Research, Risk and/or Investment Decision Support

Senior Portfolio Manager

Portfolio Manager

Senior Investment Officer

Investment Officer

Senior Investment Analyst

Investment Analyst

The CIO will determine the design of the incentive pay structure for the positions supporting the DC Plans, with both quantitative and qualitative elements.

Generally, employees on an approved leave of absence are considered active employees. The CIO will resolve all questions regarding eligibility, or in the case of the CIO, eligibility will be determined by the Board.

Participation in this Plan in any one year does not confer the right to participate in this Plan in any other year or to receive Plan payouts for the current and/or any future year. Participation in this Plan does not confer the right to continued employment. Subject to the provisions of this Plan, only active VRS employees may receive payments under this Plan.

OVERALL INCENTIVE PLAN MECHANICS

As described in more detail throughout this document, under the terms of this Plan:

- Eligible Plan participants will be assigned an incentive opportunity, expressed as a percentage of their actual earned base salary.

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- Incentive opportunities vary by position, with the level of such opportunities increasing with the degree to which the position directly affects VRS' investment performance.
- Incentives are weighted or allocated to separate Plan components, described below, with the specific components and weightings varying by position:
 1. Total Fund relative investment performance
 2. Asset Class relative investment performance
 3. Average of Asset Class Multipliers (for positions that support multiple asset classes)
 4. Qualitative – focuses on individual achievement of assigned objectives.
- After year-end, payouts under each Plan component would be determined based on performance.
- Each participant's preliminary award would equal the sum of all of their performance adjusted Plan components.
- Final awards would equal preliminary awards adjusted, up or down, based on the Total Fund's one-year absolute return. Specifically, there will be no adjustment for returns between 0% and the assumed rate of return, currently 6.75%. There will be a positive one-for-one adjustment for returns in excess of the assumed rate of return (e.g., if Total Fund one-year actual absolute return equals +9.75%, then the preliminary awards will be increased by 3%). There will be a negative one-for-one adjustment for a return less than 0% (e.g., if Total Fund one-year actual absolute return equals -15%, then the preliminary awards will be reduced by 15%). This adjustment is specifically intended to systematically take into account, in the shorter term, the effect of market cycles on the health of the pension plan by providing a mechanism to reflect the impact of up and down markets on incentive compensation.

Generally, a participant must be employed on the date of payment of the award. However, see INCENTIVE PLAN PROVISIONS, *Termination of Employment Due to Death, Disability or Retirement*.

INCENTIVE OPPORTUNITIES

Incentive opportunities will vary by position based on multiple criteria:

- The position's potential effect on the VRS' investment performance.
- Competitive market pay requirements.
- Internal equity considerations.
- Other factors determined by the CIO or, in the case of the CIO's position, by VRS' Board.

Actual awards can vary based on performance.

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For the fiscal year ending June 30, 2023, and all subsequent years, unless as otherwise determined, the Plan’s incentive opportunities are as follows:

Incentive Levels	
VRS Position	Incentive¹ (% Salary)
Chief Investment Officer	70 ²
Deputy Chief Investment Officer	65 ²
Managing Director – Portfolio Solutions Group	65 ²
Managing Director – Private Market Assets and DC Plans	65 ²
Managing Director – Public Market Assets	65 ²
Program Director	60 ²
Director – Strategy, Research, Risk and/or Investment Decision Support	50
Senior Portfolio Manager	50
Portfolio Manager	40
Senior Investment Officer	30
Investment Officer	30
Senior Investment Analyst	20
Investment Analyst	10

¹Performance-adjusted preliminary awards can vary from zero to two times the incentive.

²A portion, up to 50%, of the positions’ earned incentives is subject to mandatory deferral.

INCENTIVE WEIGHTINGS

Each participant’s incentive award will be weighted or allocated to separate, stand-alone Plan components. Importantly, all participants have a portion of their incentive opportunities weighted:

- To the Total Fund Plan component – which helps reinforce the importance of collective success as measured by the Total Fund’s relative investment results.
- To the Qualitative Plan component – this helps reinforce achievement of specific initiatives and professional development.

Described below are the specific Plan weightings and the approach for determining awards under each of these Plan components.

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Incentive Weightings by Plan Component					
VRS Position	Total Fund %	Asset Class Multipliers %	Asset Class %	Qualitative %	Total
		(% of total incentive weighted to each component)			
Chief Investment Officer	60	20 ¹		20	100
Deputy Chief Investment Officer	60	20 ¹		20	100
Managing Director – Portfolio Solutions Group	60	20 ¹		20	100
Managing Director – Private Market Assets and DC Plans	40	40 ²		20	100
Managing Director – Public Market Assets	40	40 ³		20	100
Program Director	30	50 ⁴	50	20	100
Director – Strategy, Research, Risk and/or Investment Decision Support	30	50 ⁴		20	100
Senior Portfolio Manager	20		60	20	100
Portfolio Manager	20		60	20	100
Senior Investment Officer	20	60 ⁴	60	20	100
Investment Officer	20	60 ⁴	60	20	100
Senior Investment Analyst	20	30 ⁴	30	50	100
Investment Analyst	20	30 ⁴	30	50	100

¹Average multiplier based on the multipliers of all asset classes under the incumbent’s purview.

²The MD Private Market Assets and DC Plans average multiplier is based on the multipliers of private market asset classes under the incumbent’s purview.

³The MD Public Market Assets average multiplier is based MD on the multipliers of the public market asset classes under the incumbent’s purview.

⁴These positions may support a specific asset class or multiple asset classes. If the position supports a specific asset class, then the multiplier is based on the asset class multiplier. If the position supports multiple asset classes, then the multiplier is based on the average of the multipliers of the asset classes supported.

QUANTITATIVE PLAN COMPONENTS

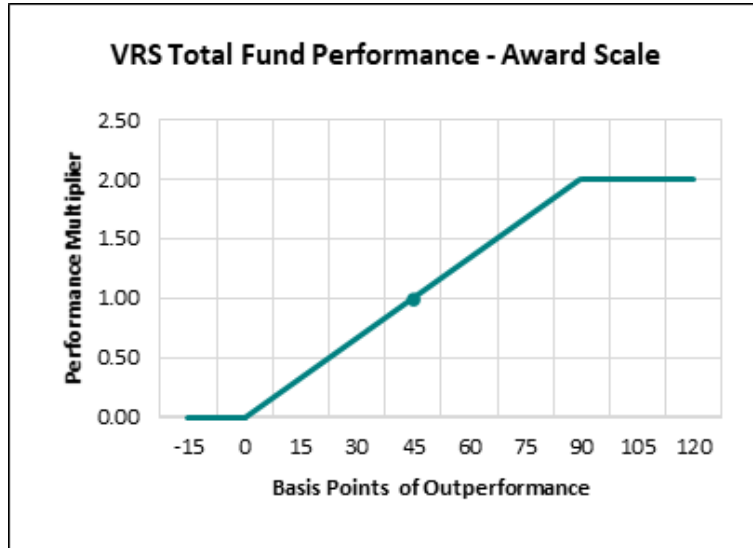
These Plan components link participants’ incentive compensation to relative investment performance or, more specifically, the extent by which the Total Fund and/or Asset Class performance exceeds passive benchmarks (indices) as measured over trailing three- and five-year annualized periods (each weighted 50%).

For purposes of this Plan:

- Measurement of relative investment performance is net of third-party fees, which consist of investment management fees and performance fees paid to investment managers, custodian fees, legal fees, internal investment staff administrative expenses, and miscellaneous fees.
- A performance-award scale defines the linkage between relative investment performance and a corresponding Performance Multiplier. Illustrating this approach at the Total Fund level, when VRS’ relative investment performance:
 - Equals zero or less (i.e., no relative value added), then the VRS Performance Multiplier will equal zero and there will be no incentive payouts under this Plan component.
 - Equals 45 bps, then the VRS Performance Multiplier will equal 1.00 and there will be a 100% payout of this Plan component.
 - Equals 90 bps or more, then the VRS Performance Multiplier will equal 2.00 and there will be a 200% payout of this Plan component.
 - Is anywhere between zero and 90 bps, then the VRS Performance Multiplier is determined on an interpolated, straight-line basis.

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Note: The Board approved the Verus recommended excess return objective (45 basis points) for the Total Fund at the June 15, 2020 meeting with an effective date of July 1, 2020. For implementation purposes, the Total Fund excess return objective will be a blend of the former excess return objective (30 basis points) to be used until June 30, 2020, and the new excess return objective (45 basis points) to be used from July 1, 2020 onward.



- Selected participants whose responsibilities span multiple asset classes may have a portion of their incentive weighted to a component that is determined based on the average multipliers of asset classes they support. The intent of this Plan component is to recognize and reward superior relative investment performance, regardless of the level of the associated assets.

The Board is responsible for setting the basis point outperformance standards for the Total Fund. The CIO is responsible for setting the basis point outperformance standards for individual asset classes, subject to the Board's final review and approval.

QUALITATIVE PLAN COMPONENT

The qualitative incentive multiplier can range from 0.00 to 2.00 at the CIO's discretion. The CIO obtains input from applicable senior staff regarding individual performance levels to help determine the qualitative rating. The qualitative rating is separate and distinct from the individual's annual performance evaluation rating requirement for plan eligibility. This Plan component links participants' incentive compensation to achievement of individual and/or position-specific performance objectives and VRS' overall performance objectives. Actual awards under this Plan component will reflect:

- Position and/or incumbent-specific performance criteria.
- Achievement of key VRS performance objectives, including:
 - Building an effective organization
 - Enhancing investment excellence
 - Developing staff

The Board will annually determine the CIO's qualitative incentive multiplier after assessing attainment of the qualitative performance objectives, considering input and recommendations provided by the AFT Committee.

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DETERMINING PRELIMINARY AWARDS

After the end of each fiscal year, a preliminary award will be determined for each Plan participant by aggregating all of their performance multiplier-adjusted weighted Plan components. In particular:

- Performance multipliers will be determined for each Plan component based on actual results.
- Preliminary payouts under each weighted Plan component will be determined by multiplying the incentive dollars weighted to that component by the associated performance multiplier.
- Total preliminary awards would be determined by adding up all of that participant's weighted Plan components.

Illustrated below is this approach for a position with an incentive of \$80,000.

Plan Component	Weighted Portion of Incentive		Performance Multiplier	=	
Total Fund	\$16,000	X	1.50	=	\$24,000
Asset Class	48,000	X	1.00	=	48,000
Qualitative	16,000	X	1.20	=	19,200

Preliminary Award **\$91,200**

DETERMINING FINAL AWARDS

Final awards, if any, would be determined after each fiscal year-end by adjusting the sum of each participant's preliminary award, up or down, based on VRS' one-year absolute return for the most recently completed fiscal year. Specifically, there will be no adjustment for returns between 0% and the assumed rate of return, currently 6.75%. There will be a positive one-for-one adjustment for returns in excess of the assumed rate of return. There will be a negative one-for-one adjustment for returns less than 0%. Illustrated below is the process for determining final awards.

Scenario #1: The Total Fund's One-Year Absolute Return Is +5%

Plan Component	Weighted Portion of Incentive		Performance Multiplier	=	Actual Award
Total Fund	\$16,000	X	1.50	=	\$24,000
Asset Class	48,000	X	1.00	=	48,000
Qualitative	16,000	X	1.20	=	19,200

Preliminary Award **\$91,200**
 X no adjustment **0%**

Final Award **\$91,200**

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Scenario #2: The Total Fund's One-Year Absolute Return Is 9.75%

Plan Component	Weighted Portion of Incentive		Performance Multiplier	=	Actual Award
Total Fund	\$16,000	X	1.50	=	\$24,000
Asset Class	48,000	X	1.00	=	48,000
Qualitative	16,000	X	1.20	=	19,200

Preliminary Award \$91,200

X 1+ Total Fund's One-Year Rate of Return
Less Assumed Rate of Return **103%**

Final Award \$93,936

Scenario #3: The Total Fund's One-Year Absolute Return Is -15%

Plan Component	Weighted Portion of Incentive		Performance Multiplier	=	Actual Award
Total Fund	\$16,000	X	1.50	=	\$24,000
Asset Class	48,000	X	1.00	=	48,000
Qualitative	16,000	X	1.20	=	19,200

Preliminary Award \$91,200

X 1+ Total Fund's One-Year Rate of Return **85%**

Final Award \$77,520

PAYING OUT FINAL AWARDS

Board Review

Prior to payout of any and/or all awards, the CIO will present a schedule of aggregate incentives to the Board of Trustees, through the AFT Committee, in advance. This report will include, in aggregate, the awards, the multipliers awarded for each component, the actual dollar awards earned for each component and the total awards. Internal Audit and Human Resources will review the calculations. As requested by the AFT Committee, the CIO will provide additional information prior to the Board approving the payout of any and/or all awards.

Final Award Payout

Final awards will be paid out as follows:

- For the CIO, Deputy CIO, Managing Directors, and Program Directors, 50% of the total award amounts up to the Internal Revenue Code (IRC) § 415(c)(1)(A) plan limits will be contributed to the DCIP plan. For the CIO only, any portion of this amount that cannot be contributed to the DCIP due to the IRC plan limits will instead be contributed to the § 415(m) plan. All other amounts are paid in cash. See Section III.
- For all other Plan participants, awards are paid 100% in cash.

Timing of Cash Payouts

When the Board approves incentive awards, the VRS will make payments between July 1 and December 31 after VRS' fiscal year end.

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INCENTIVE PLAN PROVISIONS

- ***New employees, promoted employees and other employees who transfer into another position covered in this pay plan:***
 - Employees who join the VRS Investment Department after the commencement of the fiscal year may be eligible to participate in the Plan. Incentives will be computed on the incentive percentage and their actual earned salary for the year.
 - Promoted employees and employees who transfer into another position covered in this Plan will have their incentives calculated based on their actual earned salary for the year and a proportional incentive percentage for each position held during the fiscal year.
- ***Minimum Individual Performance Standard:*** Employees with an individual performance rating of “Does Not Meet Expectations” are not eligible to receive any incentive payment under the Plan.
- ***Termination of Employment Due to Death, Disability, or Retirement:*** Terminated employees may be eligible to receive a time-weighted portion of their final award for the current performance year. Plan participants who terminate employment due to death or disability or who retire during a fiscal year will be eligible to receive a time-weighted portion of their Board approved award (1/12 for each complete month worked in their last year of service). Notwithstanding any other provision of this Plan, the incentive payments for the year in which death, disability or retirement occurs shall be paid 100% in cash to such employee or his representative between July 1 and December 31 following the end of the fiscal year in which such death, disability or retirement occurs.
- ***Termination for all Other Reasons:*** Except as specifically determined by the CIO for all positions other than the CIO, and by the AFT Committee for the CIO’s position, participants who terminate employment with VRS for all other reasons prior to the normally scheduled date of payout forfeit all rights under the Plan.
- ***Clawback:*** In the event of termination for malfeasance related to duties as an investment professional, VRS retains the right to seek repayment for any and/or all paid incentive awards.

III. Defined Contribution Incentive Plan for VRS Personnel (DCIP) PARTICIPATION

The DCIP covers, in relevant part, VRS investment professionals who meet the definition of eligible participant. “Eligible participants” in the DCIP are the CIO, Deputy CIO, Managing Directors, and Program Directors. The Board retains the discretion to amend, at any time, the positions that are eligible to participate in the DCIP.

AMOUNTS SUBJECT TO ANNUAL DEFERRAL

- Contributions to the DCIP only occur in years when VRS’ Board decides, at its full and complete discretion, to allow payment of incentive awards.
- In years when VRS’ Board decides to pay incentive awards, 50% of the final awards up to specified IRC § 415(c)(1)(A) limits will be contributed to the DCIP for each eligible participant. For the CIO only, any portion of the incentive award that cannot be contributed to the DCIP due to the IRC plan limits will instead be contributed to the § 415(m) plan. All other amounts are paid in cash.

INVESTMENT RETURN

Eligible participants’ accounts in the DCIP and, if applicable, the § 415(m) plan, will earn an “investment return” (positive or negative) equaling the current annual rate of return of the VRS Fund. However, upon attaining age 55, the DCIP permits eligible participants who have established accounts in the Commonwealth of Virginia 457 Deferred Compensation Plan, to transfer a portion (but not all) of their account to the Virginia Cash Match Plan. This transfer right allows eligible participants in the DCIP who are age 55 or older to direct their own investments among the investment options available under the Virginia Cash Match Plan. Notwithstanding the transfer right, eligible participants must leave at least a minimal balance amount in their DCIP account in order to keep the account open for future contributions. The VRS Defined Contribution Plan Administrator will assist eligible participants with these transfers.

The CIO cannot transfer funds from the § 415(m) plan to the Virginia Cash Match Plan because the §

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415(m) plan is a non-qualified "excess benefit plan" not permitted to be held in trust for the exclusive benefit of the plan participants.

DISTRIBUTIONS

The eligible participant's DCIP account will be distributed to the eligible participant as soon as administratively practicable following the last day of the quarter in which the eligible participant terminates employment with the Commonwealth of Virginia. The eligible participant may elect to receive the balance in the DCIP either in cash or as a "rollover" into another retirement plan or IRA. All distributions/rollovers will be credited with earnings through the latest quarter end for which finalized performance is available by the date of the distribution/rollover.

The distribution of the CIO's account in the § 415(m) plan will be made in cash to the CIO within 180 days of the CIO's termination of employment, and is not eligible for rollover.

For any eligible participant who transferred a portion of their DCIP account to the Virginia Cash Match Plan, the terms of the Cash Match Plan will govern distributions.

All applicable laws and regulations will govern the creation, funding, and distributions of the DCIP and § 415(m) plan. Detailed plan documents are on file with the Human Resources Director and the Chief Financial Officer, which will control over any inconsistencies or discrepancies with this summary

TAXATION

Taxation of the contributions to the DCIP and § 415(m) plans is deferred until distribution from the respective plan.

IV. Other Compensation Plan Information

Competitive Pay Increases

Competitive pay increases are an option available to retain a highly valued employee who has received a job offer from another employer. Requests for competitive pay increases should take into consideration the employee's experience, level of education, performance and contribution to the agency, and the salaries of other employees in comparable jobs. A written job offer must be received to provide a competitive pay increase.

Sign-on Bonuses

Investment professionals hired at the VRS may be eligible for sign-on bonuses, as described in the VRS Employee Sign-on Bonus Program Policy.

Relocation Expenses

Investment professionals hired at the VRS may be eligible for reimbursement of relocation expenses, if approved by the CIO. The reimbursement of the expenses must comply with the Department of Accounts Moving and Relocation Policy.

Employment at Will

The investment employees covered by this Plan are exempt from the provisions of the Virginia Personnel Act and employment in these positions is at will. Just as the employee retains the right to resign at any time, the VRS has a similar right to end at will employment with or without cause. An at-will employee does not serve an introductory period. An at-will employee is not eligible to use the agency's grievance procedure to resolve employment disputes.

Investment employees covered by this Plan are eligible for all other employment benefits and subject to agency policies that do not contradict their "at will" status.

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409A Compliance

The intent of the Board is that payments and benefits under this Plan either comply with Section 409A of the Internal Revenue Code and applicable guidance issued thereunder ("Code Section 409A") or qualify for an exemption from Code Section 409A and, accordingly, all provisions of this Plan shall be construed in a manner consistent with the requirements for avoiding taxes or penalties under Code Section 409A. The Board shall not take any action to accelerate or delay the payment of any monies and/or provision of any benefits in any matter which would not be in compliance with Code Section 409A to the extent Code Section 409A applies to such payment or benefit. Notwithstanding any of the provisions of this Plan, the Board shall not be liable to the employee if any payment or benefit which is to be provided pursuant to this Plan and which is considered deferred compensation subject to Code Section 409A otherwise fails to comply with, or be exempt from, the requirements of Code Section 409A.

CLASS STRUCTURE

The following descriptions are the summaries of VRS' investment professional job classes/positions:

Chief Investment Officer

The CIO manages and directs investment programs, determines appropriate program structure, implementation, and monitoring. The CIO manages investment professionals who are directly responsible for internal and external investment programs. The CIO heads the Executive and Management Committees, which are responsible for reviewing all investment recommendations. The CIO collaborates with the VRS Board-appointed Investment Advisory Committee (IAC) and delivers frequent reports and updates to the VRS Board.

Deputy Chief Investment Officer

The Deputy CIO assists the CIO in managing and directing investment programs, determines appropriate program structure, implementation, and monitoring. The Deputy CIO manages investment professionals who are directly responsible for internal and external investment programs. The Deputy CIO is a member of the Executive and Management Committees, which are responsible for reviewing all investment recommendations. The Deputy CIO collaborates with the CIO and the VRS Board-appointed IAC.

Managing Director

The Managing Director is a senior investment position reporting directly to the CIO. This position serves on the Investment Executive and Management Committees. The Executive Committee is a department wide resource to the CIO for management and administrative issues. The Management Committee participates in asset allocation and manager/fund allocation decisions.

Program Director

The Program Director has deep asset class knowledge and carries full managerial responsibility for a VRS investment program, including all internally and externally managed assets. The Program Director may also support multiple asset classes. The Program Director participates on the Investment Management Committee and regularly presents information to the IAC and the Board. The Program Director, as applicable, operates within an explicit risk budget and has investment performance objectives that are regularly measured. The Program Director has full responsibility for negotiating on behalf of VRS.

Director - Strategy, Research, Risk and/or Investment Decision Support

Strategy – The position within Strategy identifies and evaluates relative value-based tilt opportunities that have the potential to 1) improve the fund's return without materially increasing the risk, 2) reduce the fund's risk without materially reducing the return, or 3) some combination of these objectives. In addition, staff within Strategy 1) review and evaluate the implications of macro-economic conditions, 2) analyze current conditions and opportunities within major asset classes and key asset class subsectors, 3) monitor and evaluate the tactical and strategic tilts of key VRS investment partners, and 4) identify strategy ideas including risk and return expectations for

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base case and alternative scenarios.

Research – The position within Research has responsibility to support both basic and applied research efforts for all VRS investment staff. This effort includes monitoring, coordinating, facilitating, and implementing current best practices and methods to ensure optimal investment performance and risk management at both the program and plan level.

Risk – The position within Risk has responsibility in the design, implementation, and management of the risk management program including project management (solicitation and queueing of projects from clients), guidance and coordination within the group, mathematical and statistical analysis of empirical problems, risk management, and high-level programming. Additionally, staff within Risk assist with the design and implementation of a diverse collection of strategies designed to have low or negative correlation to other VRS asset classes.

Investment Decision Support – The position within Investment Decision Support has responsibility for the design and delivery of investment program, risk management, strategy, and research analytic systems. As a component of this, staff is responsible for all investments data as well as the design, development, and implementation of the quantitative infrastructure for the VRS investment programs. This includes a data warehouse, various data retrieval tools, quantitative analysis tools, program level reporting tools and support applications that retrieve, consolidate and report information.

Senior Portfolio Manager

The Senior Portfolio Manager positions have responsibility for multiple portfolio strategies and/or may supervise one or more Senior Investment Officers or Portfolio Managers. The Senior Portfolio Manager positions provide a potential career progression ladder for Portfolio Managers over time, considering the contributions, experience, and sustained performance for the incumbents.

Portfolio Manager

The Portfolio Manager provides critical input to strategy development and is responsible for the more complicated and higher risk investments. The Portfolio Manager may delegate to the Senior Investment Officer certain portions of the investment program. The Portfolio Manager will begin to negotiate terms on behalf of VRS. The Portfolio Manager, from time to time, makes presentations and recommendations to the Management Committee, and perhaps the IAC and Board.

The Portfolio Manager supporting the DC Plans is a senior investment position reporting directly to the Managing Director - Private Market Assets and DC Plans. This position provides critical input to the design, implementation, and monitoring of all investment related aspects of the VRS DC Plans. Responsibilities include (1) evaluation and selection of new investment strategies, managers and/or funds, (2) negotiating terms on behalf of VRS, (3) monitoring and management of relationships with existing DC investment managers, (4) implementing investment policy as determined by the VRS Board, (5) presenting to the Defined Contribution Plans Advisory Committee and the Board, and (6) any other projects or duties relating to the DC Plans as may be assigned from time to time.

Senior Investment Officer

The Senior Investment Officer has higher level monitoring responsibilities that tend to involve higher risk and strategies that are more complicated. Some Senior Investment Officers may have day-to-day responsibilities for managing internal portfolios, subject to risk limits prescribed by the program director. The Senior Investment Officer will increasingly become involved in strategy development and formal recommendations to the Program Director.

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Investment Officer

The Investment Officer, in addition to analytical responsibilities, may have direct responsibility for monitoring some portion of the existing portfolio, or some strategies or managers under consideration in the future. Such assignments will typically be in lower risk and less complicated strategies. The Investment Officer may continue to be involved in monitoring, compliance, and administration, but will also begin to make formal investment recommendations to the Program Director.

Senior Investment Analyst

The Senior Investment Analyst performs various types of analysis at the direction of more senior staff members. Analyst activities are geared around providing support for senior staff members more directly involved in the decision-making process. Such activities will include research, reporting, monitoring, compliance, and administration.

Investment Analyst

The Investment Analyst assists other investment professionals in their daily operations, including investment research and analysis, trading, and portfolio management. Analysts follow and report current market information relating to assigned sectors of the market. In addition, the Analyst conducts independent research on various topics, performs data maintenance, integrity, and report generation tasks.

Supersedes: 12/10/2023

Effective Date: 06/10/2024

I. Purpose

The pay plan (the “Plan”) applies to all full and part-time (non-wage) Investment Department operations and administration staff and associated positions. This includes all Investment Department employees who are not included in the Investment Professionals’ Pay Plan. Wage employees’ pay complies with the provisions of the state classification and pay plan. The Plan recognizes that Investment Department supervisors and managers are in the best position to assess, appraise and reward the performance of individuals under their supervision. The objective of the Plan is to compensate employees reasonably and equitably, to encourage constructive individual and team effort, and to recognize that these positions require specialized experience and expertise.

The Plan ensures that Investment Department operations and administration salaries are competitive with the market average of a mix of public and private sector organizations. Human Resources (HR) contracts for comparative market salary data about every two years, to ensure competitiveness of the salary structure.

II. Policy

The salary for each position has a minimum, midpoint and maximum:

- **Minimum** is the lowest salary paid for a position within the salary grade.
- **Midpoint** represents the target market salary paid to employees who are fully qualified and meet all competencies required to fulfill each of the position’s responsibilities.
- **Maximum** is the highest salary paid for a position within the salary grade.

The midpoint of each grade is set equal to the market average. Individual performance, time in the position, previous related work experience, and other factors can influence earnings that are higher or lower than the midpoint.

The expectation is that employees with salaries closer to the maximum for their position are more tenured, have been a consistently exceptional performer or have more work experience.

During the job placement process, Fair Labor Standards Act (FLSA) exemption statuses (exempt or non-exempt) are determined based on the FLSA job duties test.

See Salary Ranges and Position Titles and Salary Grades tables in the Appendix.

Performance Assessment

Investment Department operations and administration staff will receive a formal performance assessment annually, using the following five-point rating scale: “Does Not Meet Expectations,” “Needs Improvement,” “Meets Expectations,” “Exceeds Expectations,” and “Exceptional,” based on the criteria described in employees’ position descriptions.

However, the VRS expects supervisors and managers to give informal performance feedback at least quarterly and more frequently to co-workers who are inexperienced in their position or who are not meeting the performance expectations of their supervisor or manager. In the latter case, the feedback must be in writing to employees.

The Rating Scale definitions are as follows.

- **Does Not Meet Expectations** - Performance must improve substantially within a reasonable period if the individual is to remain in this position. The employee is not meeting the job requirements. The person consistently fails to meet the objective(s) described in the goal area.
- **Needs Improvement** - Performance is noticeably less than expected. The employee generally meets most job requirements, but struggles to meet them all. The need for further development and improvement is clearly recognized.
- **Meets Expectations** - Performance clearly and fully meets all the requirements of the position in terms of quality, timeliness, and quantity of work. The assessment is a good, solid performance. While minor deviations may occur, the overall level of performance meets all position requirements. The person consistently meets and may occasionally exceed the objective(s) described in the goal area. Employees that attain and maintain this rating are performing their jobs as expected, meeting deadlines, and delivering good quality results.
- **Exceeds Expectations** - Performance frequently exceeds job requirements. Accomplishments are regularly above expected levels. Performance is sustained and uniformly high with thorough and on-time results. Tasks assigned are consistently completed with good quality and on time or ahead of schedule, and the tasks are sometimes completed even if they are not directly assigned. The person will often perform tasks that fall outside their job description.
- **Exceptional** - Performance levels and accomplishments far exceed normal expectations. This category is for the employee who truly stands out and clearly and consistently demonstrates exceptional accomplishments in terms of quality and quantity of work that is easily recognized, as truly exceptional by others. This rating is very difficult to achieve in the regular execution of one’s job. An opportunity has to present itself and the person needs to identify it and take full advantage of it. It is difficult to define the precise criteria on a performance plan that will allow a person to achieve an exceptional rating, but “you will know it when you see it.”

Starting Salary

The VRS Chief Investment Officer (CIO) approves a position's grade and salary range when signing the VRS Position Approval form. Hiring supervisors and second-line supervisors recommend the starting salary for new employees, with the final approval by the CIO, in coordination with HR. When making salary offers, consider salaries presently paid to employees in the department and the candidate's education, skills and work experience. Starting salaries typically do not exceed the salary grade midpoint of the job. Additional justification is required to support offering salaries above the midpoint.

Salary Adjustments

A. Introductory Period

The introductory period for new employees is normally six months from the date of hire but can be up to a year for selected positions. This is the adjustment period for employees to establish a working relationship with their supervisors and to acclimate to their new job duties.

When employees successfully complete the introductory period, they typically receive a pay increase of 2% if they are at least meeting expectations. The VRS may discharge employees with or without cause at any time during the introductory period.

In situations that warrant additional time to evaluate employees' performance, skill level or suitability for the job, VRS may extend the introductory period up to an additional six months. Supervisors will communicate the extension of the introductory period in writing to the employee and HR prior to the conclusion of the employee's initial introductory period. Communications should include reasons for the extension and improvements needed by the employee to meet performance expectations successfully during the extended introductory period. VRS expects these employees to improve their performance to "Meets" or they face termination, demotion, or transfer to a suitable job, if such an opportunity exists.

B. Promotions

A promotion occurs when an employee transitions to a different position assigned to a higher salary grade. A promotion can be competitive (selected through a recruitment and hiring process) or non-competitive (i.e., through the career development process).

When employees compete and are hired into a job in a higher grade, they are typically eligible for a salary increase between 5% and 15%. For non-competitive promotions, the salary will be subject to review to ensure internal equity. Promotional salaries must be at or above the minimum of the new salary grade. Promotional pay cannot place an employees' salary above the maximum of the salary grade.

C. Lateral

A lateral occurs when an employee moves into a position with a different job title and classification which is in the same salary grade. This movement constitutes a lateral move or a transfer.

For a competitive (posted and selected) lateral move/transfer, a salary increase may be considered only if duties of the new position are substantially different. If an increase is approved the increase amount shall not exceed 5%, provided the increase does not exceed the maximum salary range. Any exception to this guideline requires additional justification, an internal equity review and approval of the CIO in coordination with HR.

D. Downward Assignments (Voluntary or Performance Related)

Downward assignments occur when an employee transitions to a position within a salary grade lower than the current grade.

- **Voluntary** – An employee-initiated request to transition to a position within a lower salary grade.
- **Involuntary**– A management-initiated request to transition an employee to a position within a lower salary grade, typically due to performance, corrective action or restructuring.

A downward assignment would typically result in the salary being placed at any pay rate within the lower classification, not to exceed the maximum or fall below the minimum of the new salary range. Any exception to this guideline will require additional justification, an internal equity review and approval of the CIO in coordination with HR.

In unique situations, such as job abolishment or agency reorganization, an employee’s salary may exceed the maximum of the lower grade and the salary remain unchanged. Salaries remain frozen until market adjustments allow additional increases. These employees remain eligible to receive applicable performance or gainsharing bonus awards if performance criteria are met.

E. Job Reclassifications

Job reclassifications occur when the employee’s duties and responsibilities change substantially, which may result in a different pay grade. Reclassification is based on job content and not the performance of the incumbent. Job studies are performed by HR, with input by management.

- **Reclassification Upward:** Occurs when it is determined that an individual’s job duties and responsibilities have changed significantly enough to transition the position into a different classification within a higher salary grade. Employees typically receive salary increases between 2% and 15%. Reclassification increases are approved by the CIO, in coordination with HR. Salaries must be at or above the minimum of the new pay grade.

- **Reclassification Laterally:** Occurs when it is determined that an individual’s job duties and responsibilities have changed significantly enough to transition the position into a different classification within the same salary grade. No salary increase is awarded. Any exception to this guideline will require additional justification, an internal equity review, and approval of the CIO, in coordination with HR.
- **Reclassification Downward:** Occurs when it is determined that an individual’s job duties and responsibilities have changed significantly enough to transition the position into a different classification within a lower salary grade.

This will result in the salary being placed at any pay rate within the lower classification, not to exceed the maximum or fall below the minimum of the new salary range. Any exception to this guideline will require additional justification, an internal equity review and approval of the CIO, in coordination with HR.

F. Regrade

Regrades occur when the classification is determined to warrant a different pay grade. This is typically determined by a market analysis or internal classification review, performed by HR in coordination with the CIO. Employees typically receive salary increases between 2% and 15%. Regrade increases are approved by the CIO, in coordination with HR. Salaries must be at or above the minimum of the new pay grade.

G. Acting Pay

Acting pay is provided when an employee is temporarily assigned to assume the responsibilities of a position in a higher salary grade.

- **Less Than Two Years Duration:** The employee will receive at least a 5% salary adjustment while serving in an acting position. If the 5% increase does not place the employee at the minimum salary of the acting position, the salary must be increased to the minimum of the acting range. The acting amount shall not exceed the maximum of the acting range. When the employee returns to the former position, his or her salary will be reduced by the dollar amount received while performing the “acting” job responsibilities.
- **Beyond Two Years Duration:** When employees are deemed to be “acting” by performing the full duties of a position for more than two years, the supervisor may choose to promote the individual without going through a competitive process. If the employee is promoted, the employee is eligible for a promotional increase. Otherwise, the position will be open for recruitment. The permanent filling of the position may involve no change in current salary or could include a pay increase, depending upon the circumstances and available budget. If an employee is acting in a position that is the same salary grade, acting pay would not be provided unless there is sufficient justification to support that the duties of the acting position are substantially different.

H. In-grade Adjustments

In-grade salary adjustments occur when employees receive an increase in base pay to ensure competitiveness, retention, and to recognize increased skills, abilities, knowledge, or responsibilities outside of the position classification process. These adjustments should only be provided once per fiscal year. Listed below are the categories and descriptions of in-grade salary adjustments.

- **Market adjustment:** Warranted in cases where external market forces exist due to high demand for a particular skill or position which may result in significantly higher turnover. Market adjustments may also occur if it is determined that an individual's salary is significantly lower than market study findings. Salary adjustments can apply to an individual or classification of employees to ensure competitiveness and retention of staff. An in-grade adjustment of 1% to 10% of salary is typically provided.
- **Internal alignment adjustment:** Warranted when employees' salaries are unusually low or out of comparability with other employees in the work unit. Factors considered include experience, education, knowledge, skills and abilities. An in-grade adjustment of 1% to 10% of salary is typically provided.
- **Individual accomplishment adjustment:** May be awarded to recognize the attainment of a higher level of expertise through professional certification requiring continuing education credits (CEUs). In-grade adjustments are awarded at the time of the original certification. If the certification does not require CEUs, an in-grade adjustment will not be provided; however, a bonus may be considered. Additionally, an in-grade adjustment for completion of a degree that relates to a current or career path position may be provided. Other similar situations may be considered as justification for an individual accomplishment adjustment. An in-grade adjustment of 1% to 10% of salary is typically provided.
- **Skill acquisition and application adjustment:** May be awarded to recognize the acquisition and application of relevant, pre-defined, job-based skills, resulting in increased value to the organization. Typically, an Individual Development Plan identifies the needed skills and the skill acquisition plan. Formal assessments, through testing or demonstration of the skills acquired and applied to the job, may result in an in-grade adjustment. An in-grade adjustment of 1% to 4% of salary is typically provided.

The employee's supervisor must request the in-grade adjustment in writing and include documentation supporting the need for a pay adjustment. The CIO approves in-grade adjustments, in coordination with HR.

When an employee's salary is at or above the salary maximum for his/her job grade, a bonus payment may be awarded. The CIO approves the bonus, in coordination with HR.

I. Competitive Pay Increases

A competitive pay increase is an option available to supervisors to retain top performers, who have received an external job offer, when the loss is determined to be detrimental to the organization. Employees must furnish a copy of the respective job offer.

The supervisor requests, in writing, a competitive pay increase and includes documentation supporting the need for an adjustment and justification for the increase. The CIO approves the increase, in coordination with HR.

Competitive pay increases apply to base salary and may not exceed the salary maximum for the salary range. In extraordinary circumstances, when an employee's base salary is at maximum, a bonus is an option. In these situations, the CIO approves the action, in coordination with HR.

J. Increases Governed by the Appropriation Act

VRS will implement pay actions consistent with the provisions of the Appropriation Act.

Bonuses

A. Sign-on

Sign-on bonuses may be provided to qualified external candidates when the position is determined to be hard-to-fill, or when there is a demonstrated need to provide supplemental pay to compete with the market.

The amount of the sign-on bonus will vary depending on the position and the supply of candidates. The amount of the bonus typically ranges from 1% to 20% of the midpoint of the salary range.

Fifty percent of the sign-on bonus will be paid in the first paycheck with the remainder of the bonus being paid following the successful completion of the introductory period.

Refer to the Employee Sign-on Bonus Program Policy.

B. Referral

Referral bonuses may be provided to full and part-time employees who refer a candidate hired into a full-time position. The amount of the referral bonus is \$1,000. Fifty percent is paid in the paycheck following the referred employee's first full pay cycle with the remainder of the bonus being paid following the successful completion of the referred employee's introductory period.

Refer to the Employee Referral Program Policy.

C. Performance

Performance bonuses, where applicable, are provided to the Investment operations and administration staff following the annual review process.

Subject to the approval of the VRS Board of Trustees, eligible employees who receive an overall rating of “exceptional” will receive a 4% bonus and employees who receive an overall rating of “exceeds” will receive a 2% bonus, based on their salary as of June 30.

Employees who receive an overall “meets,” “does not meet” or “needs improvement” rating will not receive a performance bonus.

The performance cycle and thus, bonus payments, align with the fiscal year, July 1 through June 30. While the VRS Board of Trustees remains mindful of the value that staff adds to the organization and supportive of the pay plan, the VRS Board of Trustees also specifically reserves the right to cancel, reduce, or delay the amount of any bonuses payable under this plan when, in the sole discretion of the VRS Board of Trustees, extreme budgetary pressures, economic, market or other conditions are such that the VRS Board of Trustees deems such action necessary under the circumstances.

Consistent with preceding paragraph, payment of performance bonuses under this plan is not guaranteed.

D. Gainsharing

The Investment Department’s operations and administration staff employees may receive a lump-sum bonus equal to 2.5% of salary if their performance “meets expectations”, “exceeds expectations” or is “exceptional”, as rated in their annual performance assessment and the employee consistently works, as a team member, to accomplish the goals of the Investment Department.

Additionally, Investment Department’s operations and administration staff employees are eligible to be recognized and rewarded under the provisions of the VRS Recognition and Awards Program.

While the VRS Board of Trustees remains mindful of the value that staff adds to the organization and supportive of the pay plan, the VRS Board of Trustees also specifically reserves the right to cancel, reduce, or delay the amount of any bonuses payable under this plan when, in the sole discretion of the VRS Board of Trustees, extreme budgetary pressures, economic, market or other conditions are such that the VRS Board of Trustees deems such action necessary under the circumstances.

Consistent with the preceding paragraph, payment of gainsharing bonuses under this plan is not guaranteed.

Administrative Policies

Policy Title: Investment Operations and Administration Staff Pay Plan



Other VRS Pay Plans

In addition to the Investment Operations and Administration Staff Pay Plan, VRS maintains several other pay plans to meet specific employment and compensation needs. These plans are as follows:

- **Administrative Pay Plan** - This pay plan is separate from the investment operations and administration staff pay plan and includes its own salary and classification structure.
- **Investment Professionals' Pay Plan** - This pay plan is separate from the administrative plan and includes its own salary and classification structure as well as incentive pay guidelines.
- **Executive Pay Plan** – This pay plan provides the annual salary and bonus amounts provided to the Agency Director, Chief Investment Officer and Audit Director by the VRS Board of Trustees.

Salary Ranges

Grade	Minimum	Midpoint	Maximum
1	\$47,372	\$59,214	\$71,057
2	\$53,294	\$66,616	\$79,938
3	\$59,953	\$74,943	\$89,931
4	\$67,569	84,460	\$101,352
5	\$76,148	\$95,184	114,222
6	\$85,801	\$107,251	\$128,701
7	\$96,525	\$120,656	\$144,789
8	\$108,324	\$135,405	\$162,485
9	\$ 122,267	\$152,831	\$183,399
10	\$137,279	\$171,603	\$205,923
11	\$154,442	\$193,052	\$231,661
12	\$173,747	\$217,182	\$ 260,620
Minimum is 80% of midpoint. Maximum is 120% of midpoint.			
Bandwidth is 50%.			
Difference between grades is 10-15%.			

Position Titles and Salary Grades

Group	Title	Grade
Executive	Chief Administrative Officer	12
Executive	Deputy Chief Administrative Officer	11
Regulatory and Legal	Regulatory and Legal Officer	10
Regulatory and Legal	Regulatory and Legal Lead Senior Analyst	9
Regulatory and Legal	Regulatory and Legal Analyst III	8
Regulatory and Legal	Regulatory and Legal Analyst II	6
Regulatory and Legal	Regulatory and Legal Analyst I	4
Regulatory and Legal	Office Administrator	6
Compliance	Compliance Officer	10
Compliance	Compliance Lead Senior Analyst	9
Compliance	Compliance Analyst III	8
Compliance	Compliance Analyst II	6
Compliance	Compliance Analyst I	5
Operations	Operations Manager	10
Operations	Operations Lead Senior Analyst	9
Operations	Operations Analyst III	8
Operations	Operations Analyst II	6
Operations	Operations Analyst I	4
Systems	Decision Systems Manager	10
Systems	Decision Systems Principal	10
Systems	Decision Systems Analyst III	9
Systems	Decision Systems Analyst II	8
Systems	Decision Systems Analyst I	7
Systems	Decision Data Analyst II	6
Systems	Decision Data Analyst I	4
Admin	Portfolio Assistant	3
Admin	Executive Assistant	3
Admin	Administrative Assistant	1



Attainment of FY 2024 APOs and Operational Measures (and corresponding lump-sum bonus).

Requested Action

The VRS Board of Trustees approves the attainment of FY 2024 APOs and Operational Measures and a lump-sum bonus equal to 2.5% of salary for eligible administrative employees and eligible Investment Department operations and administration employees.

Description/Background

VRS' Agency Performance Outcomes (APOs): The Board approves APOs for each fiscal year. Successful attainment of the APOs is one-half of the gainsharing portion of the performance management program, and it is to be paid as a lump-sum bonus equal to 2.5% of salary for FY 2024, as set forth in the Administrative Pay Plan. The expectation is that all employees will work collaboratively and contribute to attaining the annual APOs. The goal is to complete four (4) of the five (5) APOs for FY 2024.

VRS' Annual Operational Measures: VRS also identifies key operational measures each year. The operational measures are the other part of the gainsharing portion of the performance management program. The goal is to meet the target for at least thirteen (13) of the sixteen (16) measures set for the year. Again, the expectation is that all employees will work collaboratively and contribute to accomplishing key functions of the agency.

The agency achieved fourteen (14) of the sixteen (16) operational measures for FY 2024. Additionally, VRS successfully completed all five (5) of the FY 2024 APOs.

Investment Department Gainsharing: The Investment Department's operations and administration staff employees are eligible to receive a lump-sum bonus equal to 2.5% of salary if their performance at least meets expectations, as rated in their annual performance assessment, and the employee consistently works, as a team member, to accomplish the goals of the Investment Department.

Cost: The approximate total cost for the 2.5% bonus payments to eligible employees is \$776,534.43 to be paid from the FY 2025 budget.

Rationale for Requested Action

Both the Administrative Pay Plan and the Investment Operations and Administration Staff Pay Plan contain gainsharing language, as outlined previously, to reward teamwork, collaboration and organizational results.

Authority for Requested Action

Code of Virginia § 51.1-124.22(A)(11) authorizes the Board to establish and administer a compensation plan for officers and employees of the Retirement System.

The above action is approved.


A. Scott Andrews, Chair
VRS Board of Trustees

Date



Date: September 9, 2024

To: Trish Bishop, Director

From: Jennifer Schreck, Internal Audit Director 
Krystal Groff, Principal Auditor

Subject: Review of FY2024 Agency Performance Outcomes and Operational Measures

As part of our annual process, Internal Audit has reviewed the status of the FY2024 Agency Performance Outcomes (APOs) and Operational Measures (OMs), as set forth by management for the fiscal year ended June 30, 2024. The purpose of our review was to obtain reasonable, but not absolute assurance, the status of such outcomes and measures were fairly represented in management's status reports.

Based upon our review of available documentation, attendance at VRS Board and Committee meetings and discussions with various VRS personnel, nothing came to our attention to cause us to question the representations set forth by management with respect to either the APOs or the OMs. Accordingly, we have no reason to believe that the APOs and OMs were not appropriately represented as satisfied for the fiscal year ended June 30, 2024.

I would like to commend the management team and staff for their accomplishments this past year. Please feel free to share this information with the Administration, Finance and Talent Management Committee as well as the full Board of Trustees, as you deem appropriate.



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2024

Summary

APO Status Indicator

- Proceeding as planned
- ▲ Off plan, mitigation in place
- ◆ Off plan, mitigation needed
- ★ Completed
- N/S Not started

Overall Measure: 4 of 5 completed

APO #	APO Description	Strategic Goal	July	August	September	October	November	December	January	February	March	April	May	June
1	Customer Experience Enhancements: Call Management System (CMS) - Phase 1 <i>(Measure: 3 of 4 completed)</i>	Member, Retiree and Employer Education, Outreach and Partnership	●	●	●	●	●	●	●	●	●	●	●	★
2	Customer Experience Enhancements: Voice of the Customer (VoC) Program – Phase 1 <i>(Measure: 3 of 4 completed)</i>	Member, Retiree and Employer Education, Outreach and Partnership	N/S	N/S	N/S	●	●	●	●	●	●	●	●	★
3	Records Management Program – Phase 2 Implementation <i>(Measure: 4 of 5 completed)</i>	Digital Transformation and Secure Service Delivery	N/S	N/S	N/S	●	●	●	●	●	●	●	●	★
4	Hybrid Plan – Contribution Separation Legislation Implementation Phase 2 <i>(Measure: 4 of 4 completed)</i>	Superior Governance and Long-Term Financial Health	●	●	●	●	●	●	●	●	●	●	●	★
5	Human Resource Information System (HRIS) Implementation – Phase 1 <i>(Measure: 4 of 5 completed)</i>	Organizational Strength, Culture and Engagement	N/S	N/S	●	●	●	●	●	●	●	●	●	★



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2024

APO 1

APO Status Indicator

- Proceeding as planned
- ▲ Off plan, mitigation in place
- ◆ Off plan, mitigation needed
- ★ Completed
- N/S Not started

APO 1 Measure: 3 of 4 completed

Customer Experience Enhancements: Call Management System (CMS) - Phase 1

Strategic Goal:

Member, Retiree and Employer Education, Outreach and Partnership

#	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
1.1	Develop and prioritize call management system (CMS) requirements.	●	●	●	●	●	★	★	★	★	★	★	★
1.2	Initiate development of new key performance indicators (KPIs) for call management.	N/S	N/S	N/S	●	●	●	●	●	●	●	●	★
1.3	Procure a new CMS system.	N/S	N/S	●	●	●	▲	▲	★	★	★	★	★
1.4	Establish initial Customer Counseling Center (CCC) queue metrics dashboard.	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	●	●	●	★



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2024

APO 2

APO Status Indicator

- Proceeding as planned
- ▲ Off plan, mitigation in place
- ◆ Off plan, mitigation needed
- ★ Completed
- N/S Not started

APO 2 Measure: 3 of 4 completed

Customer Experience Enhancements: Voice of the Customer (VoC) Program – Phase 1

Strategic Goal:
Member, Retiree and Employer Education, Outreach and Partnership

#	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
2.1	Identify and document VoC customer feedback channels.	N/S	N/S	N/S	●	●	●	●	●	●	●	●	★
2.2	Develop essential responsibilities and position description for new Customer Experience Officer position, and initiate recruitment process.	N/S	N/S	N/S	N/S	N/S	N/S	●	●	●	●	●	★
2.3	Define key business units to be involved in initial VoC program and develop organizational structure.	N/S	N/S	N/S	N/S	N/S	N/S	N/S	●	●	●	●	★
2.4	Research and identify solutions for collecting and storing customer feedback in a centralized repository.	N/S	N/S	N/S	N/S	N/S	●	●	●	●	●	●	★



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2024

APO 3

APO Status Indicator

- Proceeding as planned
- ▲ Off plan, mitigation in place
- ◆ Off plan, mitigation needed
- ★ Completed
- N/S Not started

APO 3 Measure: 4 of 5 completed

Records Management Program – Phase 2 Implementation										Strategic Goal: Digital Transformation and Secure Service Delivery			
#	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
3.1	Develop a physical records digitization program, including processes for indexing, scanning, storage, retrieval and disposition.	N/S	N/S	N/S	N/S	N/S	●	●	●	●	★	★	★
3.2	Initiate the implementation of the physical records digitization program.	N/S	N/S	N/S	N/S	N/S	●	●	●	●	★	★	★
3.3	Conduct a comprehensive review of VRS' current records management program, including policies, procedures and retention requirements.	N/S	N/S	N/S	●	●	●	★	★	★	★	★	★
3.4	Develop a statement of work (SOW) defining a comprehensive electronic content management (ECM) system.	N/S	N/S	N/S	N/S	N/S	N/S	N/S	●	●	●	●	★
3.5	Initiate the procurement of a new ECM software solution.	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	●	★



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2024

APO 4

APO Status Indicator

- Proceeding as planned
- ▲ Off plan, mitigation in place
- ◆ Off plan, mitigation needed
- ★ Completed
- N/S Not started

APO 4 Measure: 4 of 4 completed

Hybrid Plan – Contribution Separation Legislation Implementation Phase 2

Strategic Goal:

Superior Governance and Long-Term Financial Health

#	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
4.1	Develop and execute a comprehensive communications plan, including employer outreach, and updates to publications and training materials.	●	●	●	●	●	●	●	●	●	●	●	★
4.2	Conduct technology system testing.	●	●	●	●	★	★	★	★	★	★	★	★
4.3	Complete staff and employer readiness activities.	N/S	N/S	N/S	N/S	●	●	●	●	●	●	●	★
4.4	Establish post-deployment quality monitoring.	N/S	N/S	N/S	N/S	N/S	N/S	●	●	●	●	●	★



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2024

APO 5

APO Status Indicator

- Proceeding as planned
- ▲ Off plan, mitigation in place
- ◆ Off plan, mitigation needed
- ★ Completed
- N/S Not started

APO 5 Measure: 4 of 5 completed

Human Resource Information System (HRIS) Implementation – Phase 1										Strategic Goal: Organizational Strength, Culture and Engagement			
#	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
5.1	Establish an HRIS project team.	N/S	N/S	★	★	★	★	★	★	★	★	★	★
5.2	Develop a statement of work (SOW) and procure the services of a consultant to serve as HRIS project manager.	N/S	N/S	N/S	N/S	●	●	●	●	●	★	★	★
5.3	Identify and document stakeholder business needs, technology implementation and on-going support requirements for a new HRIS.	N/S	N/S	N/S	N/S	●	●	●	●	●	●	★	★
5.4	Initiate a statement of work (SOW) outlining HRIS system requirements.	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	●	★	★
5.5	Develop a project implementation plan and timeline for completion of the multi-phase HRIS project.	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	●	★

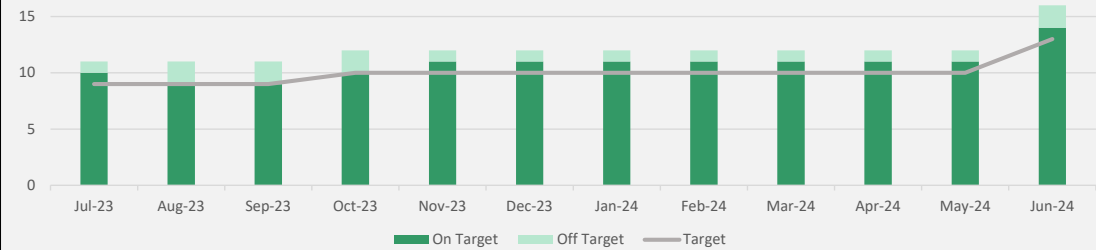
June-24

Current Status - All Operational Measures



■ On Target ■ Off Target

YTD Status - All Operational Measures



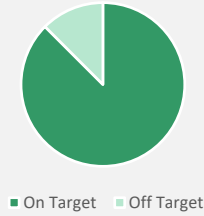
OM #	Operational Measure (OM)	Description	Strategic Goal	Target (Goal)	Current Status	YTD Status	Reporting Frequency	Comments
1	Timeliness of Monthly Financial Account Reconciliations	Percentage of monthly financial control reconciliations completed by last business day of the following month	Superior Governance and Long-Term Financial Health	> 95.00%	100.00%	100.00%	Monthly	
2	Average Abandoned Call Rate	Percentage of calls to the Customer Counseling Center (CCC) that result in hang-ups while in the queue	Member, Retiree and Employer Education, Outreach and Partnership	< 7.00%	13.01%	16.16%	Monthly	
3	Timeliness of Response to Messages Received by the Customer Counseling Center (CCC)	Average response time to emails received by the CCC	Member, Retiree and Employer Education, Outreach and Partnership	.75 business days	0.40	0.36	Monthly	
4	Timeliness of Monthly Retirement Disbursements	Percentage of monthly retirement disbursements processed no later than the first business day of the month	Superior Governance and Long-Term Financial Health	100.00%	100.00%	100.00%	Monthly	
5	Timeliness of Service Retirements Processed	Percentage of service retirements processed so that retiring members are set up to receive retirement benefits on the first retirement payment date for which they are eligible	Superior Governance and Long-Term Financial Health	95.00%	99.84%	99.77%	Monthly	
6	Accuracy of Service Retirements Processed	Percentage of service retirements processed for which the corresponding benefit payment correctly reflects the member's service record	Superior Governance and Long-Term Financial Health	99.00%	100.00%	99.88%	Monthly	
7	Timeliness of Disability Retirements Processed	Percentage of disability retirements processed within 30 days of VRS receiving notification of approval by the Medical Review Board	Superior Governance and Long-Term Financial Health	98.00%	100.00%	99.07%	Monthly	
8	Accuracy of Disability Retirements Processed	Percentage of disability retirements processed for which the corresponding benefit paid correctly reflects the member's service record	Superior Governance and Long-Term Financial Health	99.00%	100.00%	99.65%	Monthly	
9	Timeliness of Workflow Documentation Imaging	Percentage of workflow documents imaged within one business day of receipt	Digital Transformation and Secure Service Delivery	99.50%	100.00%	100.00%	Monthly	
10	Planned IT System Availability	Percentage of time critical systems are available during periods of planned availability	Technology Infrastructure	99.50%	100.00%	99.97%	Monthly	
11	Timeliness of Employer Contribution Confirmations	Percentage of Employer Contribution Confirmation (CC) snapshots completed in VNAV by the end of the month in which they are due	Superior Governance and Long-Term Financial Health	97.00%	100.00%	100.00%	Monthly	
12	Implementation of Corrective Action to Audit Recommendations	Percentage of audit recommendations for which VRS management represents that corrective action has been implemented by the approved target date	Superior Governance and Long-Term Financial Health	> 95.00%	100.00%	100.00%	Quarterly	
13	Preventable Employee Turnover	Percentage of employees voluntarily separating VRS employment due to preventable experiences	Organizational Strength, Culture and Engagement	< 10.00%	27.27%	27.27%	Annual	

Overall Measure: 13 of 16 meet or exceed target

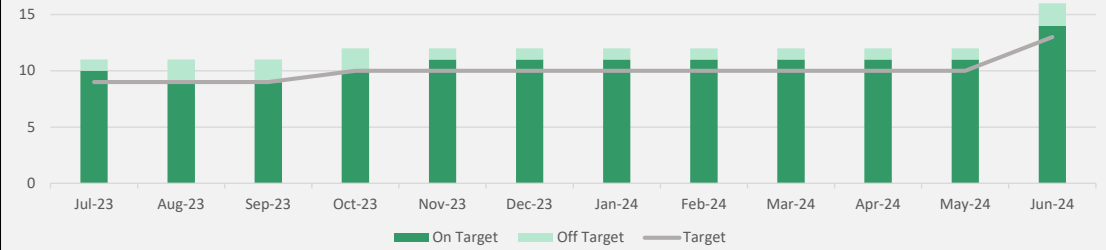
Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

June-24

Current Status - All Operational Measures



YTD Status - All Operational Measures



OM #	Operational Measure (OM)	Description	Strategic Goal	Target (Goal)	Current Status	YTD Status	Reporting Frequency	Comments
14	Cost to Administer Defined Benefit Plans	Annual pension administration cost for defined benefit plans, as compared to peer group median reported by CEM Benchmarking, Inc.	Superior Governance and Long-Term Financial Health	FY 2023 CEM Peer Cost Average	\$ 81.00	\$ 81.00	Annual	Will not know FY 2023 CEM peer cost until spring 2024
15	Systems Security Awareness	Percentage of eligible staff who have completed security training in compliance with the agency's and Commonwealth's security policies	Digital Transformation and Secure Service Delivery	100.00%	100.00%	100.00%	Annual	Measure reported on an annual basis
16	Employee Professional Development	Percentage of full-time VRS administration employees receiving at least 8 hours of professional development	Organizational Strength, Culture and Engagement	85.00%	94.00%	94.00%	Annual	Measure reported on an annual basis

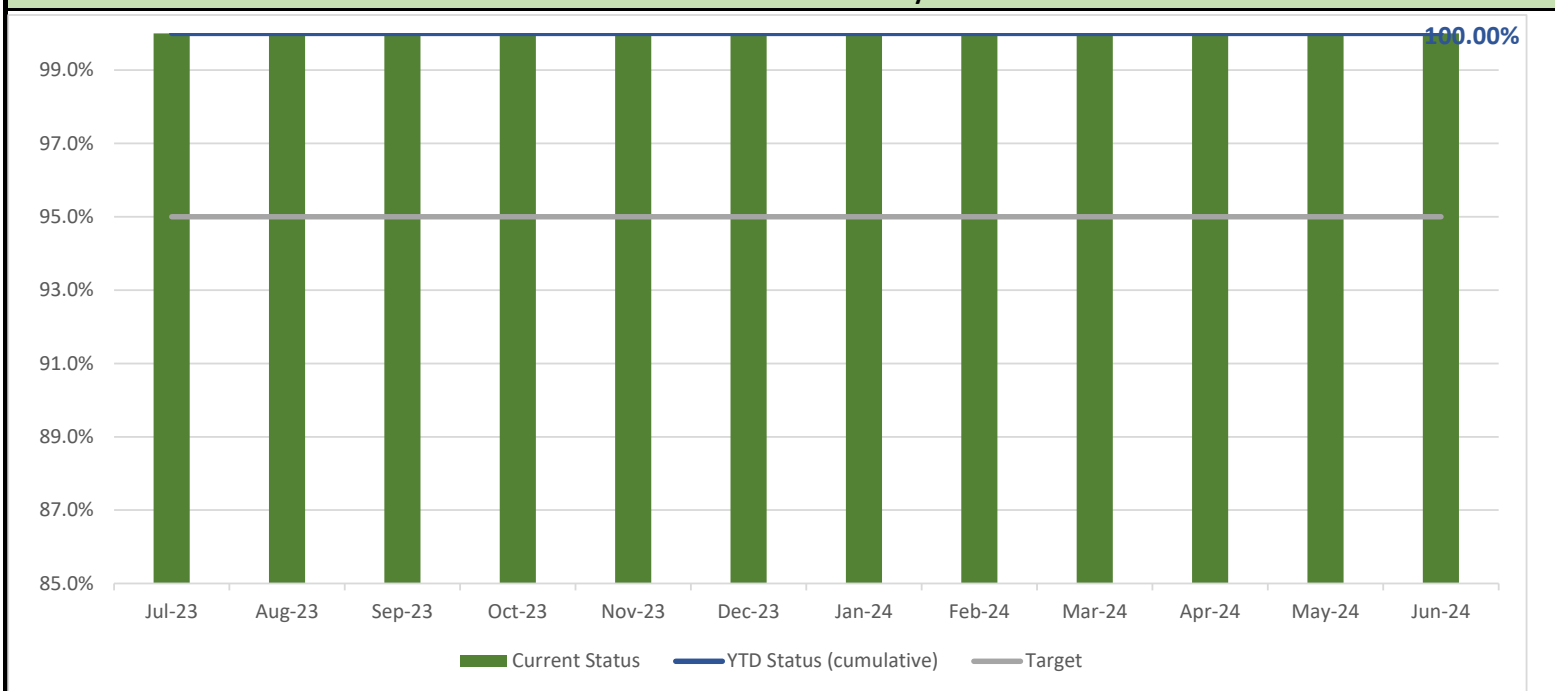
Overall Measure: 13 of 16 meet or exceed target

Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

Reporting Period: June-24

Operational Measure	Timeliness of Monthly Financial Account Reconciliations		
Strategic Goal	Superior Governance and Long-Term Financial Health		
Description	Percentage of monthly financial control reconciliations completed by last business day of the following month		
Calculation Methodology	The number of financial account reconciliations completed by the last business day of the month, divided by the total accounts requiring reconciliation each month.		
Data Source	Finance Control Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	> 95.00%	Baseline (Performance History)	99%
<i>Target Rationale: Accounts for potential impacts due to the transition to a return to the office and ongoing system changes</i>		<i>Baseline Rationale: 5 year average = 99%</i>	
Current Reporting Month Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	100.00%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Ongoing transition to the hybrid work environment impacts processes and agency resources	Identify alternative processes to work around disruptions, and cross-train staff for backup as needed	
2	Ongoing transition to Cardinal HCM impacts processes and agency resources, including technology, that limit system availability	Enact business continuity plan for technology outages	
3	Unanticipated external/internal requests for new programs that expand the overall number of reconciliations	Streamline process for approving and implementing new programs to expedite roll-out and ensure accurate reconciliation reporting	

YTD Performance History



VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

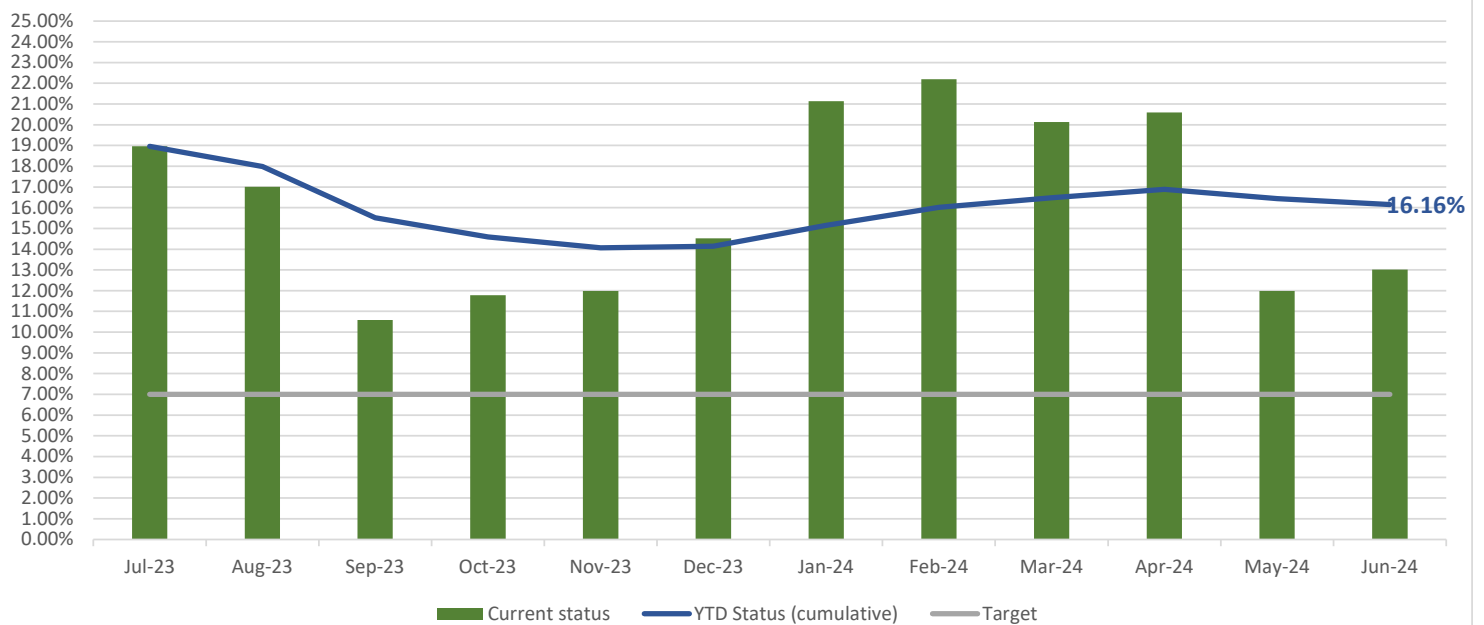
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Overall Measure: 13 of 16 meet or exceed target

Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

Operational Measure	Average Abandoned Call Rate		
Strategic Goal	Member, Retiree and Employer Education, Outreach and Partnership		
Description	Percentage of calls to the Customer Counseling Center (CCC) that result in hang-ups while in the queue		
Calculation Methodology	The number of abandoned calls (defined as a caller hanging up prior to reaching a knowledgeable person), divided by the total number of calls received by the CCC support teams. Average rate is calculated on a cumulative basis.		
Data Source	Customer Counseling Center Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	< 7.00%	Baseline (Performance History)	6.40%
Target Rationale: To account for anticipated high call volume due to system changes and the transition to a return to the office		Baseline Rationale: 5 year average = 6.4%	
Current Reporting Month Status	13.01%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	16.16%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Regulatory or legislative changes that impact customer benefits and result in increased call volumes (i.e. federal tax code change)	Prepare and implement a staffing augmentation plan for times when additional resources are needed on short notice to react to call influxes due to external causes	
2	The ongoing transition to the hybrid work environment impacts processes and agency resources, including system unavailability, which may cause an increase in call volume	Prepare a staffing augmentation plan for times when additional resources are needed on short notice to react to call influxes	
3	Need for increased security requirements for accessing members' records in accordance with industry best practices which cause longer call times	Identify opportunities to expedite the requisite validation process while still ensuring compliance with VRS security protocols to protect member data	

YTD Performance History



VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

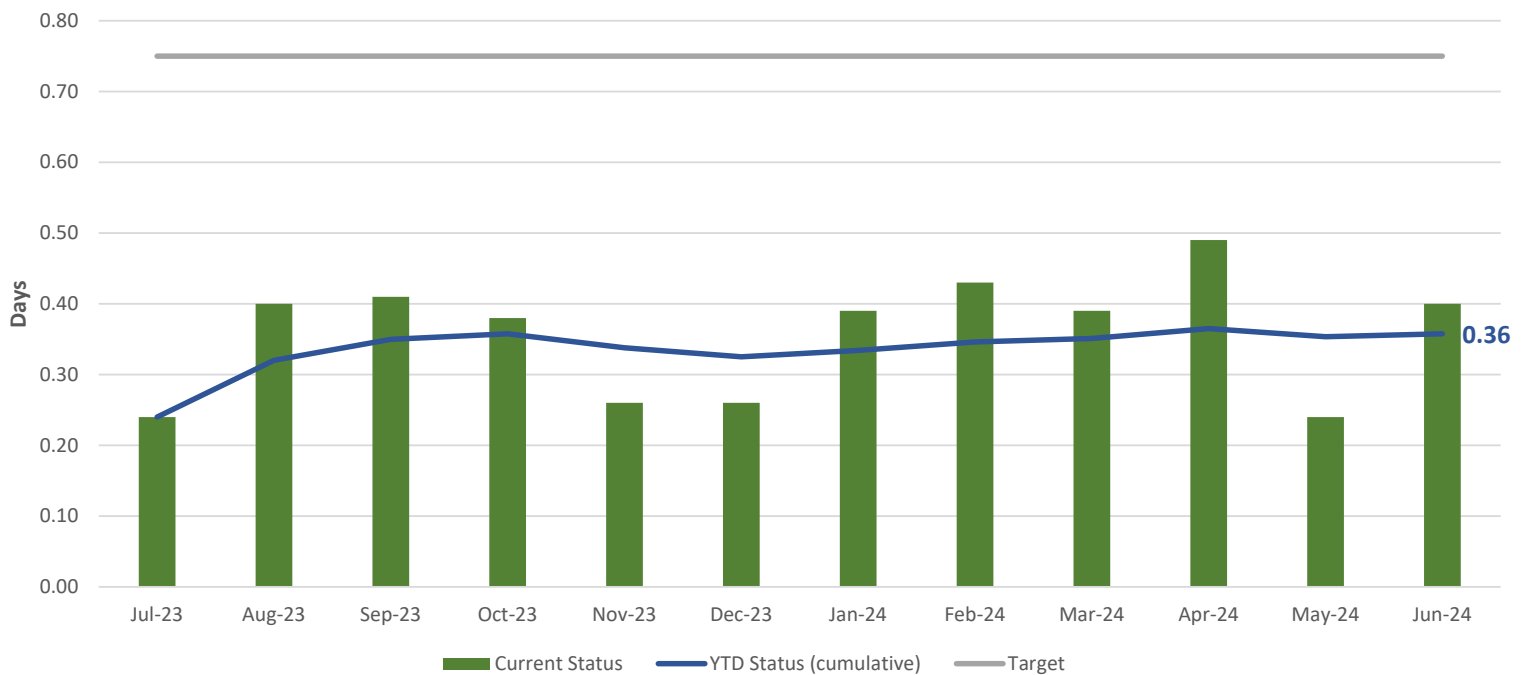
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Overall Measure: 13 of 16 meet or exceed target

Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

Operational Measure	Timeliness of Response to Messages Received by the Customer Counseling Center (CCC)		
Strategic Goal	Member, Retiree and Employer Education, Outreach and Partnership		
Description	Average response time to emails received by the CCC		
Calculation Methodology	The number of messages responded to within two business days, divided by the total number of messages responded to by the CCC. Note: In FY 2024, the CCC may transition its electronic communications from the current traditional email platform to secure messaging conducted through myVRS.		
Data Source	Customer Counseling Center Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	.75 business days	Baseline (Performance History)	.84 business days
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = .84 days</i>	
Current Reporting Month Status	0.40	YTD Status (Cumulative; used at year-end to determine whether target has been met)	0.36
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Transition may occur in FY 2024 from traditional emails to secure messaging through the MyVRS portal	Proactively train CCC staff on the process changes that will occur when secure messaging is implemented	
2	Ongoing transition to hybrid work environment impacts processes and agency resources, including email/secure messaging capabilities	Prepare a staff augmentation plan for times when additional resources are needed to address email backlogs resulting from system outages	
3	Historically high rate of turnover of CCC staff	Continue recruitment and retention measures to attract and retain CCC staff	

YTD Performance History



VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

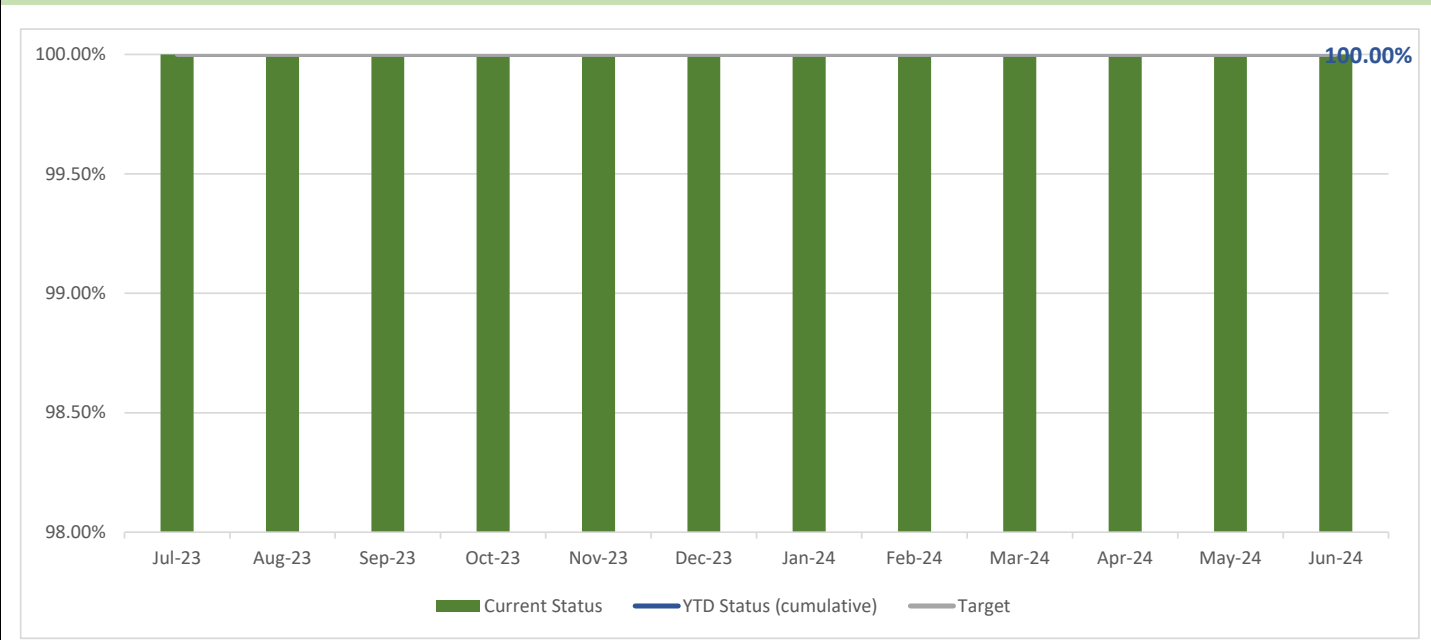
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Overall Measure: 13 of 16 meet or exceed target

Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

Operational Measure	Timeliness of Monthly Retirement Disbursements		
Strategic Goal	Superior Governance and Long-Term Financial Health		
Description	Percentage of monthly retirement disbursements processed no later than the first business day of the month		
Calculation Methodology	The number of monthly retirement disbursements processed so that the payment date is no later than the first business day of the month, divided by the total number of monthly retirement disbursements that require processing each month. "Processed" is defined as funds having been disbursed to retirees; "disbursed" is defined as the funds having been paid out of the VRS account. This process requires VRS to submit documentation to external partners (Virginia Department of Treasury, banking partner) in sufficient time to meet the first business day of the month requirement.		
Data Source	Benefit Disbursements Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	100.00%	Baseline (Performance History)	100.00%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 100%</i>	
Current Reporting Month Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	100.00%
Potential Constraints to Meeting Target		100	
1	Dependence upon external parties who are integral to the process (i.e., Virginia Department of Treasury and banking partner)	Develop contingency plan in concert with external parties to ensure open lines of communication and alternate processes in the event of a potential delay	
2	Ongoing transition to hybrid work environment impacts processes and agency resources, including technology outages that limit ability to process and/or transmit fund documentation to external stakeholders	Enact business continuity plan for technology outages	
3	Sensitivity of data that requires strong controls and several levels of approvals; risk of staff absences or unavailability	Cross-train existing staff and ensure redundancy of staff authorized to approve retirements	

YTD Performance History



VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

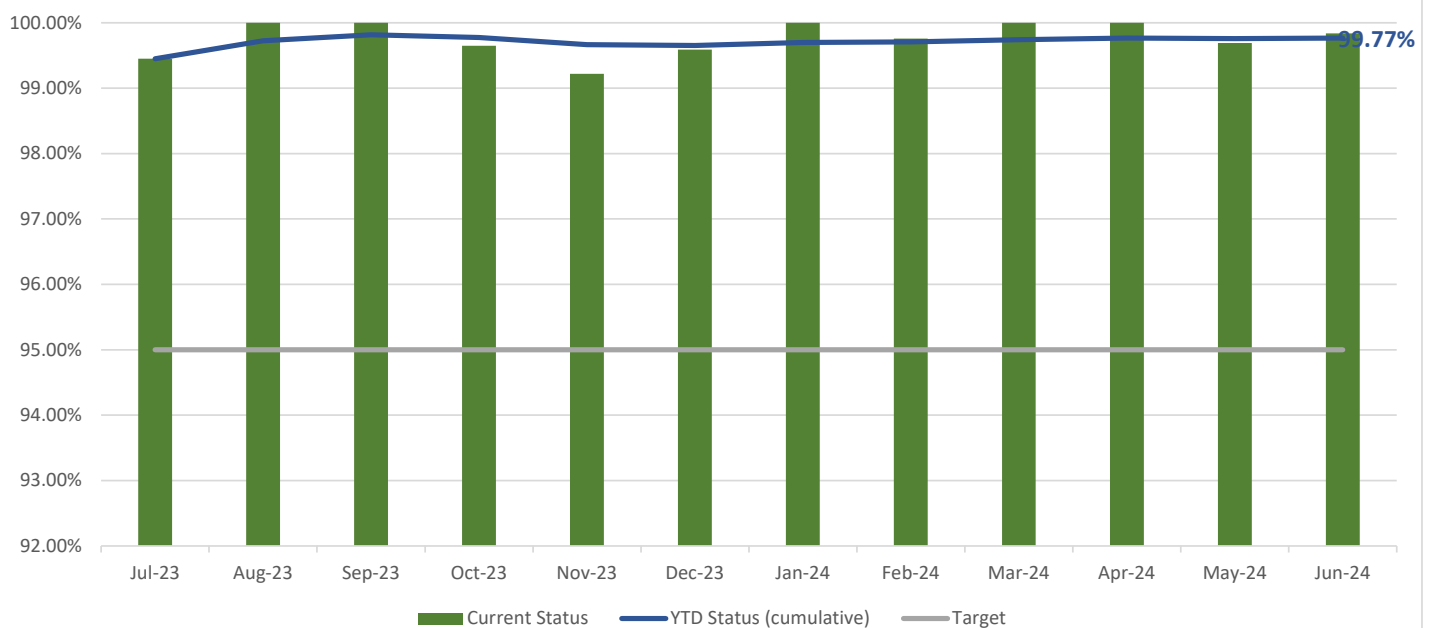
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Overall Measure: 13 of 16 meet or exceed target

Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

Operational Measure	Timeliness of Service Retirements Processed		
Strategic Goal	Superior Governance and Long-Term Financial Health		
Description	Percentage of service retirements processed so that retiring members are set up to receive retirement benefits on the first retirement payment date for which they are eligible		
Calculation Methodology	The number of service retirement payments processed by the first payment date on which the member is eligible to receive retirement benefits, divided by the total number of initial payments made for the same time period. The "first payment date on which the member is eligible to receive retirement benefits" is based on the date by which VRS receives a member's retirement application that is determined by VRS to be complete, accurate, and ready for payment processing. "Processed" is defined as funds having been paid to retirees; "disbursed" is defined as the funds having been paid out of the VRS account.		
Data Source	Service Retirement Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	95.00%	Baseline (Performance History)	98.38%
<i>Target Rationale: Accounts for system conversion and ongoing pandemic</i>		<i>Baseline Rationale: 5 year average = 98.38%</i>	
Current Reporting Month Status	99.84%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	99.77%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Ongoing implementation of myVRS enhancements, which will significantly change current processes	Provide ample opportunity for advanced training; augment staffing as needed to ensure adequate resources during transition	
2	Ongoing transition to hybrid work environment impacts processes and agency resources, including technology outages that limit ability to process retirements	Enact business continuity plan for technology outages	
3	Sensitivity of data that requires strong controls and several levels of approvals; risk of staff absences or unavailability	Cross-train existing staff and ensure redundancy-of staff authorized to approve retirements	

YTD Performance History



VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

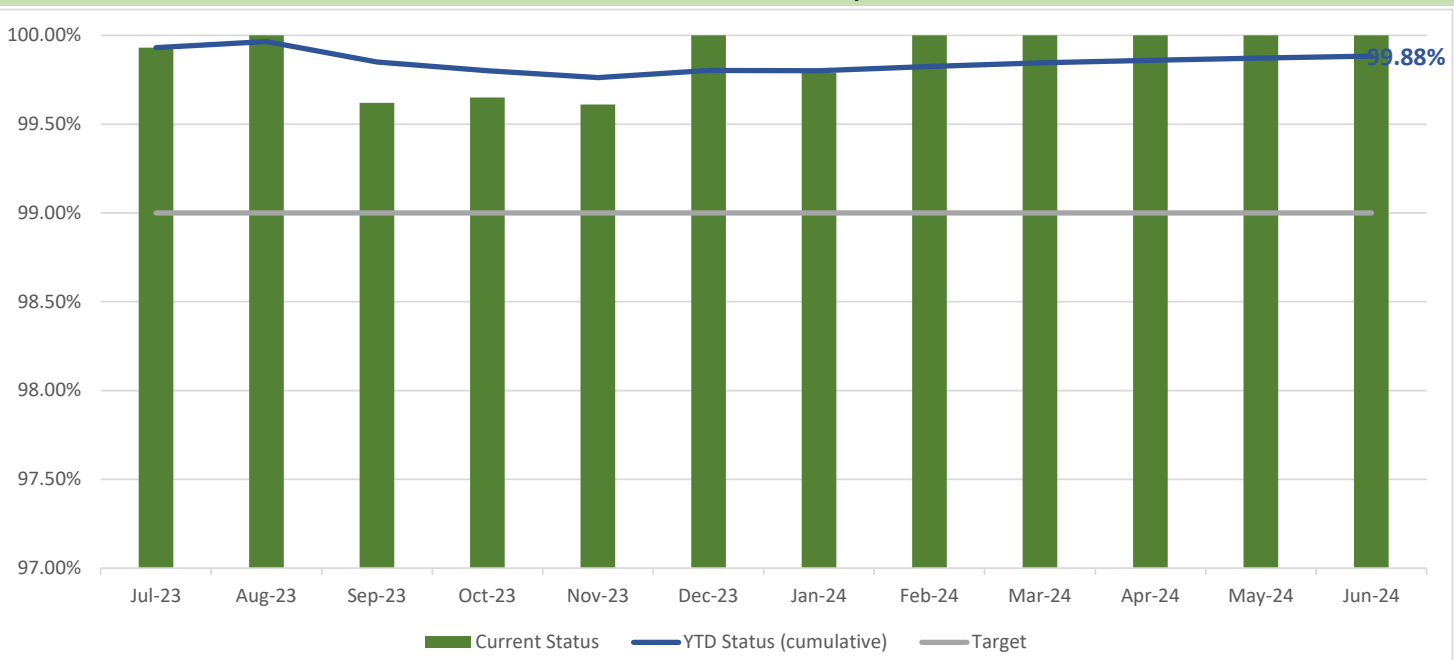
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Overall Measure: 13 of 16 meet or exceed target

Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

Operational Measure	Accuracy of Service Retirements Processed		
Strategic Goal	Superior Governance and Long-Term Financial Health		
Description	Percentage of service retirements processed for which the corresponding benefit payment correctly reflects the member's service record		
Calculation Methodology	The number of service retirement applications processed and corresponding benefit paid accurately, divided by the total number of initial service retirement benefits processed and paid. An accurate benefit payment is defined as the benefit amount correctly reflecting the member's service record. "Processed" is defined as funds having been paid to retirees; "paid" is defined as the funds having been paid out of the VRS account.		
Data Source	Service Retirement Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	99.00%	Baseline (Performance History)	99.00%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 99%</i>	
Current Reporting Month Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	99.88%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Ongoing implementation of myVRS enhancements, which will significantly change current processes	Provide ample opportunity for advanced training; augment staffing as needed to ensure adequate resources during transition	
2	Ongoing transition to hybrid work environment impacts processes and agency resources, including technology outages that limit ability to process retirements	Enact business continuity plan for technology outages	
3	Sensitivity of data that requires strong controls and several levels of approvals; risk of staff absences or unavailability	Cross-train existing staff and ensure redundancy of staff authorized to approve retirements	

YTD Performance History



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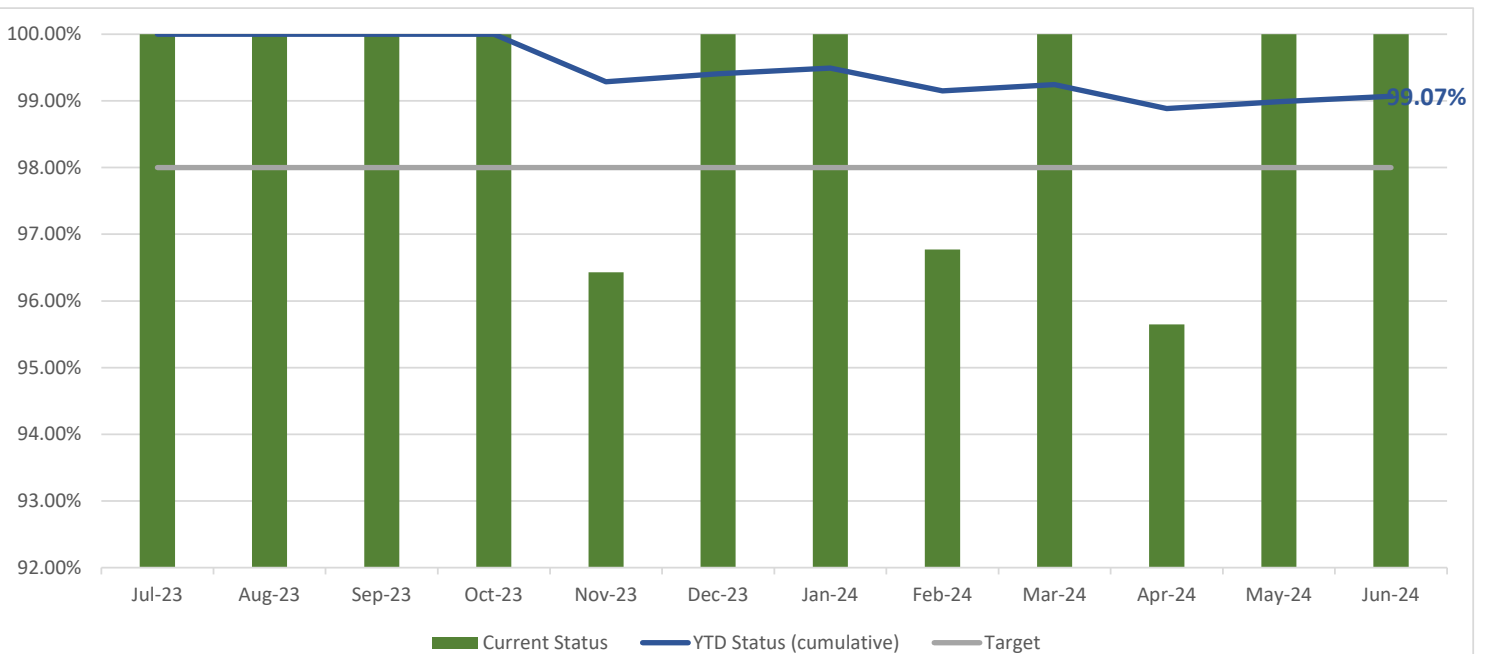
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Overall Measure: 13 of 16 meet or exceed target

Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

Operational Measure	Timeliness of Disability Retirements Processed		
Strategic Goal	Superior Governance and Long-Term Financial Health		
Description	Percentage of disability retirements processed within 30 days of VRS receiving notification of approval by the Medical Review Board		
Calculation Methodology	The number of disability retirements processed within 30 days after VRS receives notice of approval of the application by the Medical Review Board. "Processed" is defined as funds having been paid to retirees; "paid" is defined as the funds having been paid out of the VRS account.		
Data Source	Disability Retirement Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	98.00%	Baseline (Performance History)	97.96%
Target Rationale: To account for potential processing delays due to system conversion in FY 2021 and ongoing pandemic impacts		Baseline Rationale: 5 year average = 97.96%	
Current Reporting Month Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	99.07%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Ongoing implementation of myVRS enhancements, which will significantly change current processes	Provide ample opportunity for advanced training; augment staffing as needed to ensure adequate resources during transition	
2	Ongoing transition to hybrid work environment impacts processes and agency resources, including technology outages that limit ability to process retirements	Enact business continuity plan for technology outages	
3	Sensitivity of data that requires strong controls and several levels of approvals; risk of staff absences or unavailability	Cross-train existing staff and ensure redundancy of staff authorized to approve retirements	

YTD Performance History



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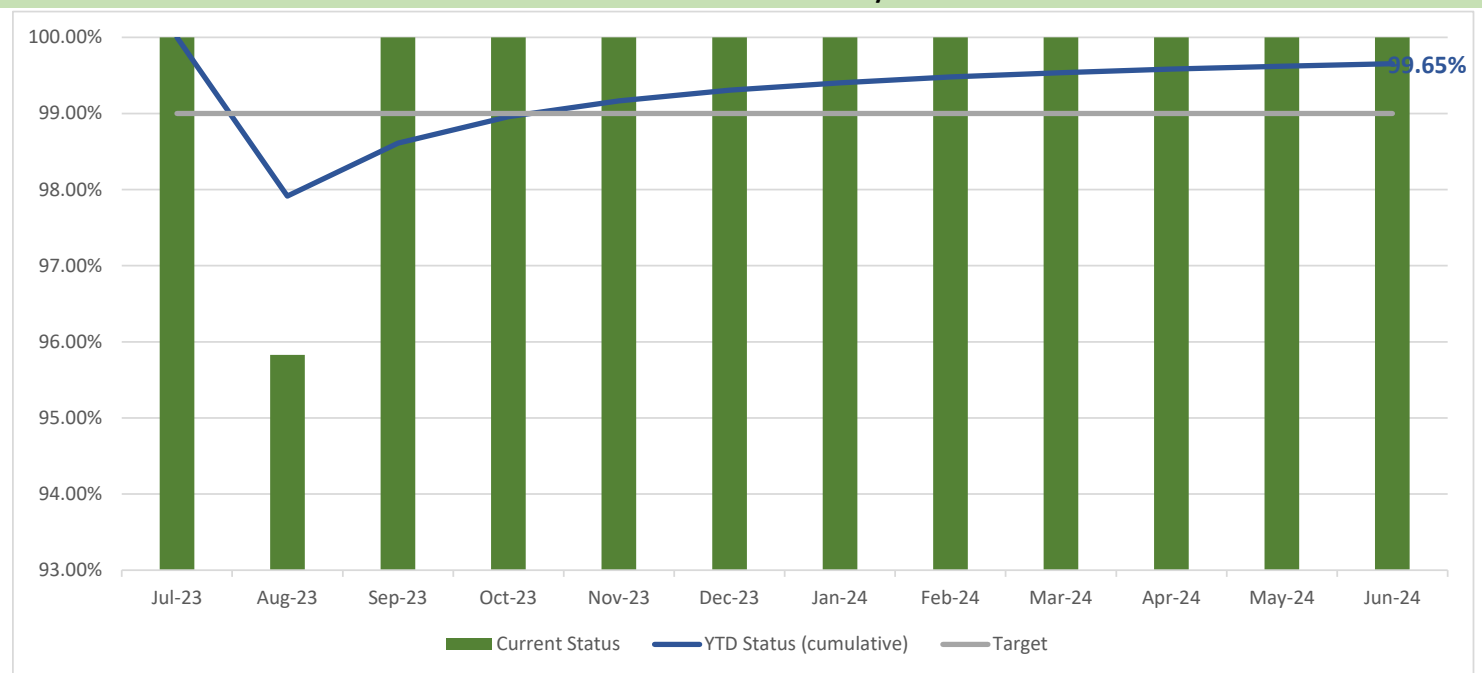
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Overall Measure: 13 of 16 meet or exceed target

Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

Operational Measure	Accuracy of Disability Retirements Processed		
Strategic Goal	Superior Governance and Long-Term Financial Health		
Description	Percentage of disability retirements processed for which the corresponding benefit paid correctly reflects the member's service record		
Calculation Methodology	The number of disability retirement applications processed and corresponding benefit paid accurately, divided by the total number of initial disability retirement benefits processed and paid. An accurate benefit payment is defined as the benefit amount correctly reflecting the member's service record. "Processed" is defined as funds having been paid to retirees; "paid" is defined as the funds having been paid out of the VRS account.		
Data Source	Disability Retirement Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	99.00%	Baseline (Performance History)	99.00%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 99%</i>	
Current Reporting Month Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	99.65%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Ongoing implementation of myVRS enhancements, which will significantly change current processes	Provide ample opportunity for advanced training; augment staffing as needed to ensure adequate resources during transition	
2	Ongoing transition to hybrid work environment impacts processes and agency resources, including technology outages that limit ability to process retirements	Enact business continuity plan for technology outages	
3	Sensitivity of data that requires strong controls and several levels of approvals; risk of staff absences or unavailability	Cross-train existing staff and ensure redundancy of staff authorized to approve retirements	

YTD Performance History



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VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

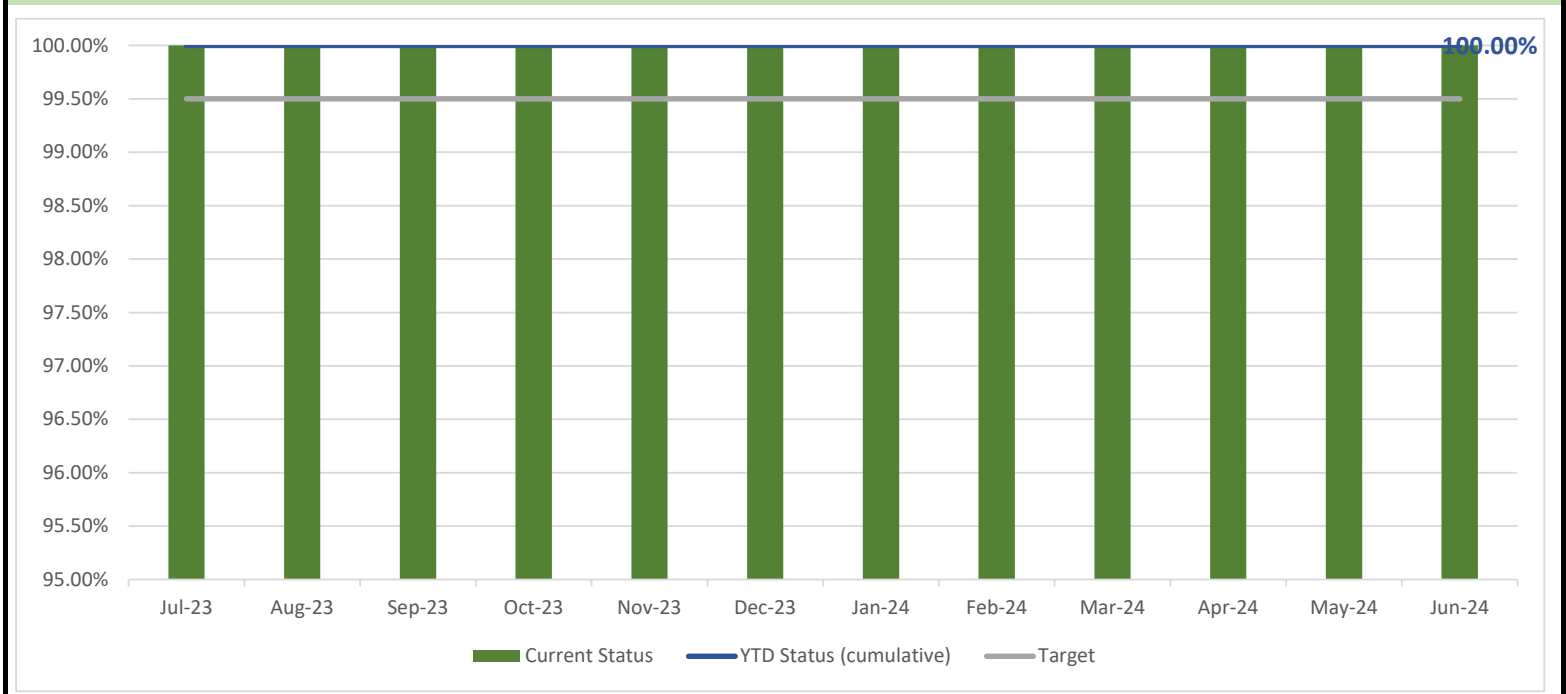
Overall Measure: 13 of 16 meet or exceed target

Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

Operational Measure	Timeliness of Workflow Documentation Imaging		
Strategic Goal	Digital Transformation and Secure Service Delivery		
Description	Percentage of workflow documents imaged within one business day of receipt		
Calculation Methodology	The number of documents imaged within one business day of receipt by the Imaging business unit, divided by the number of documents received by the Imaging unit within the same timeframe. Currently, an average of 20,000 documents are imaged per month.		
Data Source	Technology Services SLEs Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	99.50%	Baseline (Performance History)	99.90%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 99.9%</i>	
Current Reporting Month Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	100.00%

Potential Constraints to Meeting Target		Mitigation Strategies
1	Dependence upon current Imaging unit staffing level to ensure expedient and accurate processing within the prescribed turnaround time	Prescribe duties that merit the continuance of the current Imaging unit staffing level (with respect to the ongoing transition to online retirements that should reduce paper form intake levels)
2	Ongoing transition to hybrid work environment impacts processes and agency resources, including technology outages that limit system availability	Enact business continuity plan for technology outages
3	Staffing constraints; specific skill set required limits feasibility for untrained staff to produce results with same efficiency and effectiveness	Establish a routine cross-training program to ensure well-trained staff are available at all times

YTD Performance History

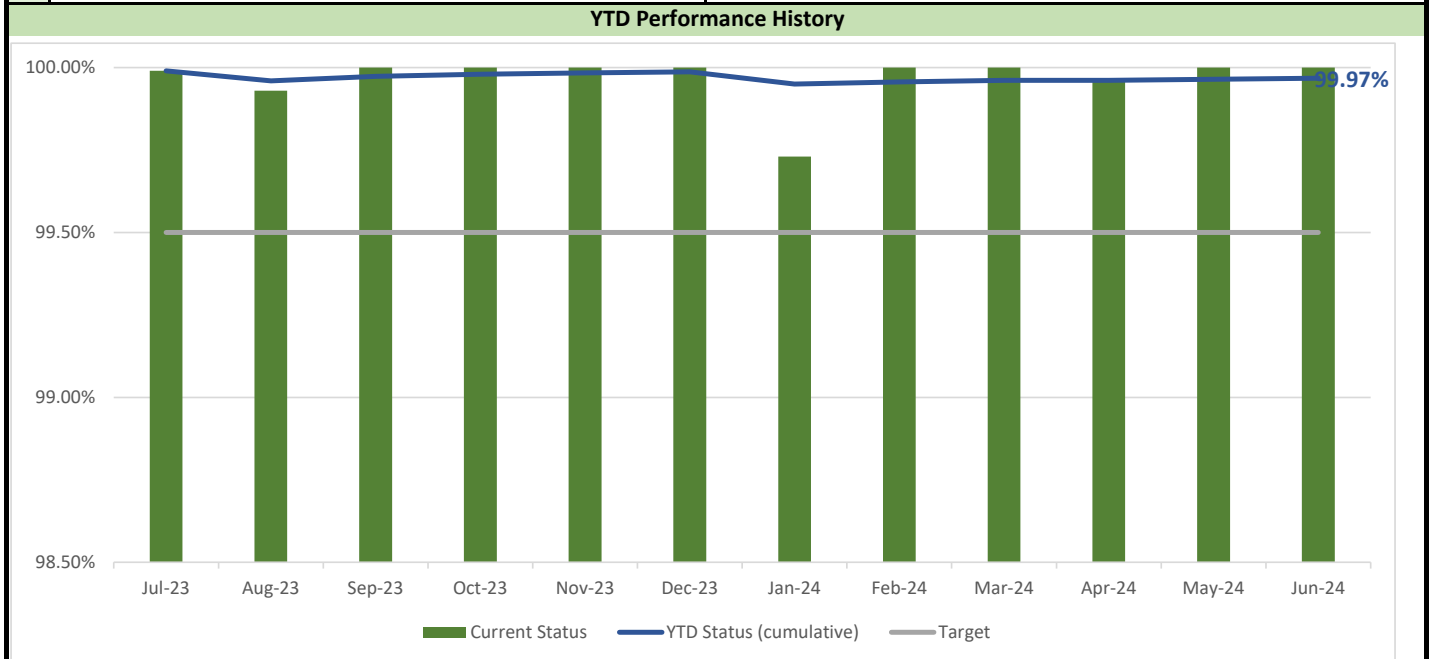


VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Operational Measure	Planned IT System Availability		
Strategic Goal	Technology Infrastructure		
Description	Percentage of time critical systems are available during periods of planned availability		
Calculation Methodology	Percentage of time during which critical business systems are available for use by VRS staff and customers, divided by the total time for which it was planned that said systems would be available. Critical business systems include: VNAV, telephone, email, internet, myVRS, Imaging, Investments, D365, Customer Counseling Center Cisco phone system, and remote access. Note: business systems deemed "critical" may change periodically depending on business needs or system changes (ex: RIMS was decommissioned in spring 2019 and is no longer considered a critical business system as of that time). Periods of availability are pre-determined based on business needs and requirements regarding routine system testing, maintenance and upgrades. "Availability" is defined as being able to be used by the majority of persons for whom it is intended and for the majority of purposes for the system's intended use.		
Data Source	Technology Services SLEs Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	99.50%	Baseline (Performance History)	99.90%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 99.9%</i>	
Current Reporting Month Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	99.97%

Potential Constraints to Meeting Target		Mitigation Strategies
1	Failure on the part of third party business partners to provide dependent services	Implement back-up plans (ex: different phone line)
2	Ongoing transition to hybrid work environment impacts processes and agency resources, including technology outages that limit system availability	Enact business continuity plan for technology outages
3	Timing of a potential system failure that limits staff resources available to respond immediately	Strategically plan staffing availability to address potential system failures in the most effective manner



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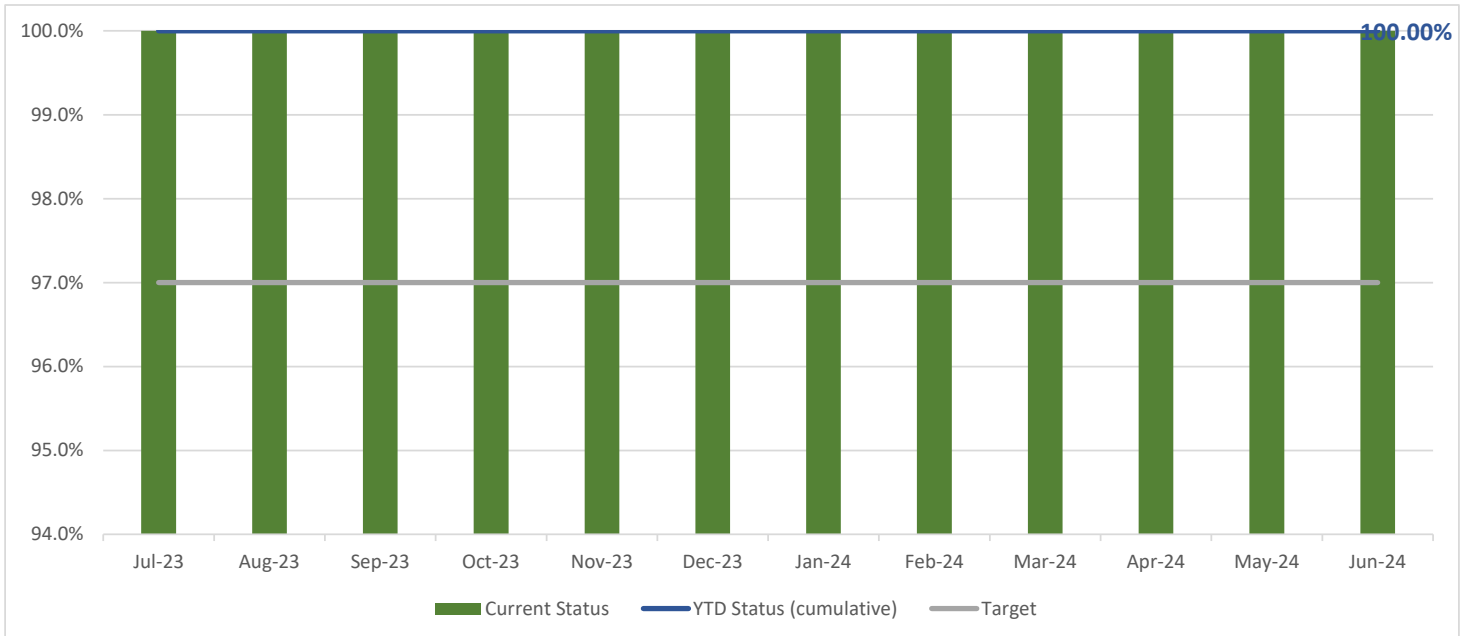
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Overall Measure: 13 of 16 meet or exceed target

Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

Operational Measure	Timeliness of Employer Contribution Confirmations		
Strategic Goal	Superior Governance and Long-Term Financial Health		
Description	Percentage of Employer Contribution Confirmation (CC) snapshots completed in VNAV by the end of the month in which they are due		
Calculation Methodology	The number of employer CC snapshots received by the end of the month in which they are due, divided by the total number of employer CC snapshots required for the same time period. VRS works with employers to ensure that monthly CC snapshots are posted in a timely fashion. There are over 1,000 employers reporting to VRS for which CC snapshots are required on a monthly basis.		
Data Source	Employer Reporting Contribution Confirmation and Payment Status Report	Reporting Frequency	Monthly
Target (Performance Goal)	97.00%	Baseline (Performance History)	98.80%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 98.80%</i>	
Current Reporting Month Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	100.00%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Dependence on over 1,000 employers to submit their confirmations on time every month	Proactively communicate with employers with a focus on those with a history of delinquent submissions to mediate potential causes for delay	
2	Impact of ongoing transition to hybrid work environment on resources at the employer level that prevent their timely submission of CC snapshots	Proactively communicate with employers to identify potential impacts and assist as appropriate with the submission process	
3	Ongoing Cardinal transition for state employers may delay timely submission due to additional responsibilities during Cardinal transition	Provide notice to state employers of potential for delay due to Cardinal implementation and advise that they prepare to ensure timely report submission	

YTD Performance History



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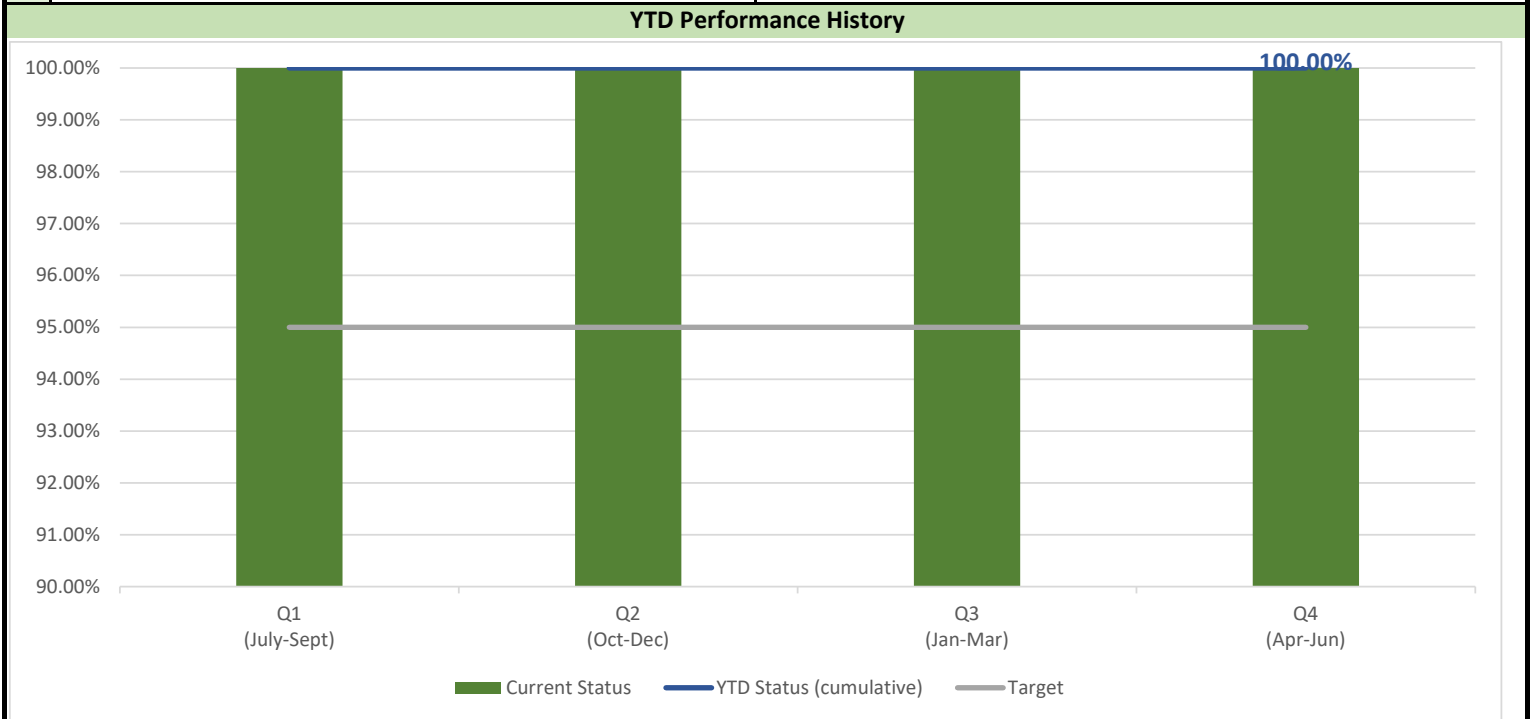
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

Overall Measure: 13 of 16 meet or exceed target

Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

Operational Measure	Implementation of Corrective Action to Audit Recommendations		
Strategic Goal	Superior Governance and Long-Term Financial Health		
Description	Percentage of audit recommendations for which VRS management represents that corrective action has been implemented by the approved target date		
Calculation Methodology	The number of audit recommendations for which VRS management has represented that corrective action has been implemented, divided by the total number of audit recommendations for which corrective action is needed as of the date the measure is calculated. VRS management establishes target dates and provides periodic updates to Audit regarding whether actions have been taken. Audit tracks responses in the Audit Recommendation Follow-Up System (ARFUS).		
Data Source	ARFUS	Reporting Frequency	Quarterly
Target (Performance Goal)	> 95.00%	Baseline (Performance History)	97.00%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 97.00%</i>	
Current Reporting Month Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	100.00%

Potential Constraints to Meeting Target		Mitigation Strategies
1	High cost to implement necessary corrective action	Work within existing agency allocations and, if necessary, also with state budgetary processes to obtain resources needed to effectuate corrective action
2	Limited staff resources to effectively implement necessary corrective action	Adjust allocation of staffing resources to enable corrective action implementation
3	External factors that delay ability to take necessary corrective action (ex: legislative mandates that redirect agency resources, ongoing pandemic)	Communicate with DEC and Audit regarding possible adjustment of target date to accommodate timeline of when resources will be available



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Overall Measure: 13 of 16 meet or exceed target

Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

Operational Measure	Preventable Employee Turnover		
Strategic Goal	Organizational Strength, Culture and Engagement		
Description	Percentage of employees voluntarily separating VRS employment due to preventable experiences		
Calculation Methodology	The number of Administration employees who voluntarily separate from VRS employment due to preventable reasons, divided by the total number of Administration employees who voluntarily separate VRS employment, when total employee turnover exceeds 5% within the same period of time. Preventable turnover is determined from exit interview results, and includes substantiated reports of unsuccessful supervision or management, unsatisfactory work environment, insufficient resources to complete one's job effectively, and unavailability of training opportunities.		
Data Source	Human Resources Department Exit Interview Survey Results	Reporting Frequency	Annual
Target (Performance Goal)	< 10.00%	Baseline (Performance History)	6.67%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: FY 2022 results</i>	
Current Reporting Month Status	27.27%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	27.27%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Unrealistic employee expectations regarding VRS work environment and responsibilities	Provide clear position descriptions and responsibilities upon hire; outline organization culture and expectations on a regular basis; ensure open communication between employees, managers and supervisors	
2	Reorganization due to myVRS enhancements may alter current work responsibilities for some employees	Provide clear and open communication throughout the implementation process; Offer sufficient training opportunities for employees tasked with new responsibilities	
3	Ongoing transition to hybrid work environment impacts employee morale	Continue direct outreach to employees, provide EAP resources and implement employee engagement activities	
YTD Performance History			
<p>[Reported as an annual measure]</p>			
VRS Mission: <i>VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.</i>			
VRS Vision: <i>To be the trusted leader in the delivery of benefits and services to those we serve.</i>			

Fiscal Year 2024 Operational Measures

Reporting Period: June-24

Operational Measure		Cost to Administer Defined Benefit Plans	
Strategic Goal		Superior Governance and Long-Term Financial Health	
Description		Annual pension administration cost for defined benefit plans, as compared to peer group median reported by CEM Benchmarking, Inc.	
Calculation Methodology		VRS pension administration cost per active member and annuitant for defined benefit plans as compared to that of its peer group, as calculated by CEM Benchmarking, Inc. The average peer cost calculated by CEM is available on delay and will not be known until spring 2024. At that time the FY 2023 annual agency cost will be compared to the to the FY 2022 CEM peer cost to determine whether VRS's cost is lower than the peer average.	
Data Source		CEM Benchmarking, Inc.	Reporting Frequency
			Annual
Target (Performance Goal)		Lower than the FY 2023 CEM Peer Cost Average	Baseline (Performance History)
			N/A
Target Rationale: <i>Measuring VRS annual administrative cost for FY 2023 against the most current peer data as provided by CEM Benchmarking, Inc.</i>		Baseline Rationale: N/A	
Current Reporting Month Status		\$81	YTD Status (Used at year-end to determine whether target has been met)
			\$81
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Significant unanticipated costs to administer pension plans due to external influences, including the ongoing pandemic and transition to a return to the office	Work within existing agency allocations and prioritize spending plans to ensure administrative expenditures remain reasonable	
2	Dependent upon expenditure patterns for the CEM Peer group for administrative cost average	Maintain communications with CEM peers to stay informed on any spending abnormalities that may skew CEM-calculated peer costing	
3	FY 2023 CEM cost not known until late into FY 2024 (limiting agency ability to react if missing target)	Proactively calculate and monitor agency administrative cost in anticipation of receiving the FY 2023 CEM cost; adjust agency spending if out of line with recent CEM peer cost averages	
YTD Performance History			
[Average Pension Administration Cost for VRS' Peer Group, as provided by CEM Benchmarking, will be known in spring 2024]			
VRS Mission: <i>VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.</i>			
VRS Vision: <i>To be the trusted leader in the delivery of benefits and services to those we serve.</i>			

Overall Measure: 13 of 16 meet or exceed target

Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

Operational Measure	Systems Security Awareness		
Strategic Goal	Digital Transformation and Secure Service Delivery		
Description	Percentage of eligible staff who have completed security training in compliance with the agency's and Commonwealth's security policies		
Calculation Methodology	Percentage of eligible staff who have completed the agency's annual security training, VRS User IT Security Policy Training ("security training"), divided by the total eligible agency staff. Employees who join the agency during FY 2022 are required to complete security training within 30 days after their start date. All staff are required to complete the training during the annual training window. The training provides information on such critical security practices as protecting sensitive data, utilizing effective passphrases, reviewing acceptable technology use policies, being on alert for phishing and other malpractices, and more. The percentage is calculated on a cumulative basis and reported annually (with the total requirement recalculated monthly as new staff are hired and required to obtain security training).		
Data Source	Technology Services SLEs Performance Report	Reporting Frequency	Annual
Target (Performance Goal)	100.00%	Baseline (Performance History)	100.00%
<i>Target Rationale: Maintain high security awareness</i>		<i>Baseline Rationale: All VRS staff completed security training in FY 2023</i>	
Current Status	100.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	100.00%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Unavailability of the Virginia Learning Center (VLC, a non-VRS application) for training	Provide sufficient time for staff to obtain training within prescribed timeline to allow for possible VLC system unavailability	
2	Ongoing transition to hybrid work environment impacts processes and agency resources, including technology outages that limit system availability	Enact business continuity plan for technology outages	
3	New training requirements as set-forth by the Commonwealth Security Policy that require changes to the prepared security training	Proactively coordinate with different units within VRS to ensure sufficient time and resources to make necessary changes to the prepared training	
YTD Performance History			
[Reported as an annual measure]			
VRS Mission: <i>VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.</i>			
VRS Vision: <i>To be the trusted leader in the delivery of benefits and services to those we serve.</i>			

Overall Measure: 13 of 16 meet or exceed target

Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

Operational Measure	Employee Professional Development		
Strategic Goal	Organizational Strength, Culture and Engagement		
Description	Percentage of full-time VRS administration employees receiving at least 8 hours of professional development		
Calculation Methodology	The number of eligible full-time VRS administration employees who have completed at least 8 hours of professional development, divided by the total number of eligible full-time administration employees. Eligible employees are full-time administration staff hired after July 1, 2023 who are not on short- or long-term disability or FMLA during FY 2024. Qualifying professional development includes courses designated in the Virginia Learning Center (VLC), as well as conferences, webinars, college or trade school classes, and any other professional development as approved by the Human Resources Director. Number of hours received is tracked on a cumulative basis and reported quarterly.		
Data Source	Human Resources Performance Report	Reporting Frequency	Annual
Target (Performance Goal)	85.00%	Baseline (Performance History)	91.30%
<i>Target Rationale: Maintain recent performance and increased total # of hours</i>		<i>Baseline Rationale: 5 year average = 91.32%</i>	
Current Status	94.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	94.00%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Limited staff flexibility to obtain professional development due to significant staff time dedicated to HCI data center and other system enhancements.	Encourage staff to plan for professional development opportunities before and/or after periods of time dedicated to HCI data center and other system enhancements.	
2	Dependence on IT system availability/accessibility for trainings and/or time tracking	Advise staff to plan to be proactive about obtaining professional development and reporting their hours earned as they go	
3	Limited progressive course availability on relevant subject matter area	Ongoing communication between managers and staff to expand and identify new learning opportunities	
YTD Performance History			
[Reported as an annual measure]			
VRS Mission: <i>VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.</i> VRS Vision: <i>To be the trusted leader in the delivery of benefits and services to those we serve.</i>			

Overall Measure: 13 of 16 meet or exceed target

Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.



Performance bonuses for eligible administrative employees and Investment Department operations and administration employees.

Requested Action

The VRS Board of Trustees approves performance lump-sum bonuses for eligible administrative employees and eligible Investment Department operations and administration employees.

Description/Background

The Board approved the current Administrative Pay Plan and the current Investment Operations and Administration Staff Pay Plan on April 18, 2024, and the plans became effective on June 10, 2024. Each of the plans state:

Subject to the approval of the VRS Board of Trustees, eligible employees who receive an overall rating of “exceptional” will receive a 4% bonus and employees who receive an overall rating of “exceeds” will receive a 2% bonus, based on their salary as of June 30.

Cost: The approximate total cost for the FY 2024 performance bonus payments to eligible employees is \$669,902.42 to be paid from the FY 2025 budget.

Rationale for Requested Action

Bonus payments recognize and reward the positive contributions of individual performance that enable VRS to achieve and exceed its goals and objectives.

Authority for Requested Action

Code of Virginia § 51.1-124.22(A)(11) authorizes the Board to establish and administer a compensation plan for officers and employees of the Retirement System.

The above action is approved.

A. Scott Andrews, Chair
VRS Board of Trustees

Date

Audit Director's Performance Review.

Requested Action

The VRS Board of Trustees approves a 7% performance bonus for the Audit Director.

Description/Background

The Audit and Compliance Committee reviewed and evaluated the performance of the Audit Director. Based on this review and evaluation, the Committee recommends that the Board approve a 7% performance bonus for the Audit Director payable October 16, 2024.

Rationale for Requested Action

The Audit and Compliance Committee recommends that the Board approve a 7% performance bonus for the Audit Director, payable October 16, 2024, based on the Committee's review and evaluation of the Audit Director's performance during FY 2024. The Audit and Compliance Committee Charter in paragraph 14 of the duties and responsibilities section states "Review and make recommendations to the Board regarding the performance of the Audit Director." Section IV. H.(8) of the Board Governance Policy provides that the Board may review, monitor and oversee the performance of the Audit Director. Also, the Executive Pay Plan contemplates granting a performance bonus to the Audit Director.

Authority for Requested Action

Code of Virginia § 51.1-124.22(11) authorizes the Board to establish and administer a compensation plan for officers and employees of the Retirement System.

The above action is approved.

A. Scott Andrews, Chair
VRS Board of Trustees

Date

Approve a salary adjustment for the Audit Director.

Requested Action

The VRS Board of Trustees approves a 3% salary adjustment for the Audit Director.

Description/Background

In accordance with the Executive Pay Plan, the base salary of the Audit Director is determined by the Board of Trustees. In addition, the Executive Pay Plan permits adjustments to the base salary of the Audit Director based on market study findings. The Audit and Compliance Committee recently reviewed and evaluated market study data for the Audit Director.

Rationale for Requested Action

The Audit and Compliance Committee recommends that the Board approve a 3% salary adjustment for the Audit Director effective October 10, 2024, based on the Committee's review of market comparison data for similar positions. Paragraph 14 of the Duties and Responsibilities section of the Audit and Compliance Committee Charter authorizes the Committee to "[r]eview and make recommendations to the Board regarding the performance of the Audit Director." Section IV.H.8 of the Board Governance Policy provides that the Board may review, monitor, and oversee the performance of the Audit Director. Also, the Executive Pay Plan contemplates making adjustments to the Audit Director's salary as deemed necessary.

Authority for Requested Action

Va. Code § 51.1-124.22(11) authorizes the Board to establish and administer a compensation plan for officers and employees of the Retirement System.

The above action is approved.

A. Scott Andrews, Chair
VRS Board of Trustees

Date