



June 15, 2024

MEMORANDUM

TO: VRS Board of Trustees

FROM: Patricia S. Bishop
Director

RE: Agenda Materials for June 20th Board Meeting

We are looking forward to the June 20th Board meeting beginning at 1:00 p.m. in the VRS Boardroom (Chesapeake conference room) located at 1111 East Main Street, Bank of America - Pavilion Building, 3rd floor. Enclosed are the agenda and meeting materials. Boxed lunches will be available prior to the start of the Investment Policy Committee meeting beginning at 11:45 a.m.

Listed below is a recap of the meetings scheduled for next week:

Meeting	Date	Location
Investment Policy Committee	Thursday, June 20 th , 11:45 a.m.	Bank of America Pavilion, 1111 E. Main St., 3 rd floor conference room
Board of Trustees	Thursday, June 20 th , 1:00 p.m.	Bank of America Pavilion, 1111 E. Main St., 3 rd floor conference room

Again, we look forward to seeing you next week. If you have any questions, please feel free to contact me.

Attachments

- cc: The Honorable Stephen E. Cummings, Secretary of Finance
Craig Burns, Department of Taxation
Michael Jay, House Appropriations Committee
April Kees, Senate Finance Committee
Mike Tweedy, Senate Finance Committee
Zack Borgerding, Auditor of Public of Accounts
Jon Howe, Department of Planning and Budget
Dean Lynch, VA Association of Counties
Katie Boyle, VA Association of Counties
Bea Snidow, VA Education Association
Jamie Bitz, Joint Legislative Audit & Review Commission
Kimberly Sarte, Joint Legislative Audit & Review Commission
Hal Greer, Joint Legislative Audit & Review Commission
Elizabeth B. Myers, Office of the Attorney General
Josette Bulova, VA Municipal League
Lawrence Kochard, VRS Investment Advisory Committee
Bonnie Atwood, VA Retired Teachers Association



Board of Trustees Meeting
VRS, 1111 E. Main St., 3rd
Floor Board Room
Thursday, 6/20/2024
1:00 - 3:30 PM ET

I. Approve Minutes

• **April 18, 2024**

Board Meeting Minutes 4.18.24 - Page 4

II. Report of the Investment Policy Committee

IPC Committee Report 6.20.24 - Page 12

RBA - Affirm Benchmarks and Performance Hurdles - Page 14

RBA - FY2025 DB Plan Asset Allocation - Page 16

III. Report of the Chief Investment Officer

CIO Report - June 2024 - Page 18

CIO Quarterly Report - QE 3.24 - Page 28

Performance Summary 4.30.24 - Page 37

Daily Asset Allocation Report 6.12.24 - Page 38

New Investments and Terminations - Page 39

IV. Report of the Defined Contribution Plans Advisory Committee

DCPAC Report 5.23.2024 - Page 40

• **RBA – Plan Document Updates**

RBA - Approve Plan Document Updates - Page 44

• **RBA – Voya Retirement Advisors to offer Advice and Managed Account Services**

RBA - DC Plans Investment Advice-Managed Account - Page 66

Advice & Managed Accounts Sage View - Page 68

V. Report of the Administration, Finance and Talent Management Committee

AFT Committee Report 6.11.24 - Page 75

• **RBA – Review and Approve FY 2025 Agency Performance Outcomes and Operational Measures**

RBA - Approve FY25 APOs and OMs - Page 78

FY25 APOs - Page 80

FY 25 OMs - Amended - Page 86

• **RBA – Reappointment of DCPAC Members**

RBA - Reappointment of DCPAC Members - Page 104

Bio for Ravindra Deo - Page 105

Bio for Brenda Madden - Page 106

Bio for Matt Harris - Page 107

• **RBA – Appointment of DCPAC Members**

RBA - Appointment of DCPAC Member - Page 108

Resume for Kate Jonas - Page 110

Resume for Monique Barnes - Page 112

• **RBA – Reappointment of IAC Member**

RBA - Reappointment of IAC Member - Page 116

Bio for Bryan Lewis - Page 117

- **RBA – Amended FOIA Electronic Meeting Policy**

RBA - Amended FOIA Electronic Meeting Policy - Page 118

FOIA Electronic Attendance Meeting Policy 2024 - Redline - Page 120

FOIA Electronic Attendance Meeting Policy 2024 - Clean - Page 124

- **RBA – External Investment Manager Referral Policy**

RBA External Investment Manager Referral Policy - Page 128

VRS Investment Department Policy on External Investment Manager Referrals - May 2024 - Redline - Page 130

VRS Investment Department Policy on External Investment Manager Referrals - May 2024 - Page 134

VI. Report of the Benefits and Actuarial Committee

Report of the B&A Committee - Page 137

Optional Form Factors 6.20.24 - Page 139

VII. Report of the Audit and Compliance Committee

Report of the A&CC - Page 150

VIII. Report of the Director

FY 2024 Agency Roadmap Update - May - Page 152

Director's Report - Page 154

DPB Deficit Provision Acknowledgment Form - Page 161

Minutes

A regular meeting of the Virginia Retirement System Board of Trustees was held on April 18, 2024, in Richmond, Virginia with the following members participating:

Board members:

A. Scott Andrews, Chair
John M. Bennett
Michael P. Disharoon
Susan T. Gooden, Ph.D. (*entered at 1:48 p.m.*)
Jessica L. Hood
Hon. Matthew James
Lindsey K. Pantele

Investment Advisory Committee:

Lawrence E. Kochard, Ph.D., Chair (*attended remotely*)

VRS Staff:

Patricia Bishop, Jennifer Schreck, Andrew Junkin, Advait Apte, John Alouf, Rory Badura, Parham Behrooz, Matthew Bennett, Jessica Budd, Caroline Cardwell, Jeanne Chenault, Perry Corsello, Michael Cooper, David Cotter, Juanita Cribbs, Sara Denson, Valerie Disanto, Laurie Fennell, Laura Fields, Josh Fox, Katherine Grawe, Krystal Groff, Mehtab Haleem, Dane Honrado, KC Howell, Robert Irving, Sandy Jack, Ross Kasarda, LaShaunda King, Matt Lacy, Chung Ma, Curt Mattson, Michael McDaniel, Walker Noland, Greg Oliff, David Porter, Paula Reid, Mark Rein, Dan Schlusslar, Kristy Scott, Michael Scott, Emily Trent, Scott Weaver, Dan Whitlock and Steve Woodall.

Guests:

Lauren Albanese, Financial Investment News; Muskan Arora, Markets Group; Kevin Balaod, With Intelligence; Jamie Bitz, Joint Legislative Audit and Review Commission; Blake Curtis and Jason Samansky, RVK Inc.; Emily Grimes, Department of Planning and Budget; Tom Herbert and Rakesh Thakur, Ernst & Young; Elizabeth Myers, Office of the Attorney General; and Brigid Schutsky, BlackRock.

The meeting convened at 1:00 p.m.

Opening Remarks

Mr. Andrews called the meeting to order and welcomed everyone to the April 18, 2024, meeting of the Virginia Retirement System Board of Trustees.

Approval of Minutes

Following a motion by Mr. Bennett, and a second by Ms. Pantele, the VRS Board of Trustees unanimously approved the minutes from its February 8, 2024, meeting, as well as minutes of the March 19, 2024, and March 20, 2024, annual retreat.

**Dr. Gooden was not present for this vote.*

Election of Board Vice Chair

Mr. Andrews nominated Michael Disharoon to serve as Vice Chair. The election closed with no other nominations. Following a motion by Mr. Bennett, and a second by Ms. Hood, the VRS Board of Trustees unanimously approved the nomination of Mr. Disharoon to serve as Vice Chair.

**Dr. Gooden was not present for this vote.*

Committee Assignments

Next, Mr. Andrews advised that, with the appointment of two new Board members, and in accordance with the Governance Policy, the Board needed to update its committee assignments.

Following a motion by Mr. Disharoon, with a second by Mr. Bennett, the Board unanimously approved the proposed committee assignments.

**Dr. Gooden was not present for this vote.*

Report of the Investment Advisory Committee

Lawrence Kochard, Chair of the Investment Advisory Committee (IAC), began his report by noting the IAC met on April 10, 2024, and approved the minutes from its August 23, 2023, and November 15, 2023, meetings. The Committee received the Chief Investment Officer's (CIO) report that included an overview of market conditions, asset allocation, tracking error and total fund performance as of December 31, 2023. Following the CIO report, staff provided an update on the Leverage Implementation Project, a review of the Public and Internal Equity programs, and a review of the Fixed Income program including a look at the current team, overviews of asset allocation, philosophy, the markets, portfolio characteristics, and results for the period ending February 29, 2024. Lastly, Jason Samansky and Blake Curtis from RVK presented a Benchmark & Performance Hurdle Analysis and are also scheduled to present next to the Board. The IAC reviewed the current benchmarks and performance hurdles and agreed with RVK's analysis that all were reasonable and appropriate.

Mr. Andrews thanked Mr. Kochard for his report.

Report of the Chief Investment Officer

Andrew Junkin, Chief Investment Officer, introduced Jason Samansky, CFA, Consultant and Blake Curtis, CFA, Associate Consultant, with RVK, Inc., a nationally recognized independent consulting firm. Mr. Samansky presented the report to the Board. RVK reviewed the VRS Investment Policy Statement, historical performance, current and historical benchmarks, policy definitions and incentive compensation hurdles. When compared with benchmarks and policies of RVK's public defined benefit plans, analysis indicated that VRS uses similar investment factors to its peers. RVK found all the

benchmarks used by VRS to be appropriate and reflective of the current investment environment. No changes were recommended.

Mr. Andrews thanked Mr. Samansky for his report.

Next, Mr. Junkin began his report with a market overview and discussed asset allocation, total fund performance and tracking error, concluding that risk measures are within Board-approved levels. Mr. Junkin then discussed the New Investments and Terminations report, the Diverse Investment Manager Engagement (DIME) report and the Quarterly External Investment Manager Referral report.

Mr. Andrews thanked Mr. Junkin for his report.

Report of the Defined Contribution Plans Advisory Committee

Sandy Jack, Director of Policy, Planning and Compliance, provided the report in Senator Bell's absence. The VRS Board of Trustees received the report of the Defined Contribution Plans Advisory Committee following its meeting on March 14, 2024, and placed it on file.

ADMINISTRATION

DC Plans Overview

Staff provided an overview of the DC Plans, as well as an update on administrative reports for the fourth quarter of 2023. An overview of assets and accounts across the various defined contribution plans, as well as asset allocations across all plans and on an individual plan basis, was also provided.

Staff advised the Committee that total assets and plan accounts have increased substantially over the last year. Total Plan assets and accounts have increased 22% and 16%, respectively, during the same time period. Pending Plan Document recommendations, primarily due to SECURE 2.0, were presented to include an additional age-based catch-up provision, hybrid plan deferral change frequency from quarterly to monthly, allowance of in-plan Roth conversions, the addition of Unforeseen Emergency Withdrawal (UEW) provisions to the Hybrid 457 Plan with self-certification in both 457 plans and the elimination of the *de minimis* withdrawal option in the COV 457 Plan – all to be rolled out with the Voya transition, if approved.

DC Plans Recordkeeper Transition Update

Staff provided an update on the transition to Voya. Teams are meeting weekly covering various areas (i.e., Administration, Communications, Call Center, Operational Readiness, Plan Set-up/Conversion, etc.). The contract review and related discussions are expected to be complete by June.

INVESTMENTS

Performance Reports

Staff provided an overview of the January 31, 2024, performance reports to the DCPAC, including the unbundled DC plans investment options and the bundled TIAA investment menu for ORPHE. Staff

provided highlights from two Callan Periodic Tables of Investment Returns from 2014-2023 showing various asset class returns and inflation trends.

Projects

Staff provided an update on various projects, including the review of DC Investments governing documents, Retirement Income Solutions, and Investment Advice & Managed Accounts.

OTHER BUSINESS

Legislative Update

Staff presented an RBA for plan document updates which proposes plan changes regarding escheatment provisions impacting all DC Plans as a result of legislation passed by the General Assembly. The Committee voted to recommend that the Board of Trustees approve the amended and restated Virginia 457 and Cash Match, Hybrid 457 and Cash Match, ORPHE, ORPPA and ORPSS plan documents. Staff further provided an overview of VRS-related legislation presented during the 2024 regular session of the General Assembly. Staff also reviewed SECURE 2.0 Act provisions – mandatory and optional, for which DC Plans have implemented or will implement. Pending approval, most changes will be implemented in conjunction with the Voya transition.

DISCUSSION OF NEW IDEAS

A committee member initiated a discussion regarding the education provided to employees and retirees and what other employers may be doing to supplement educational activities. Staff added various areas that are currently being addressed and concurred there are opportunities for improvement and to enhance what is currently being done. This was a timely discussion to consider where there may be gaps in educational efforts.

2024 MEETINGS

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

- Thursday, May 23rd
- Thursday, September 12th
- Thursday, December 5th

Mr. Andrews thanked Ms. Jack for her report.

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

RBA: Approve amended and restated Plan Documents: Virginia 457 and Cash Match, Hybrid 457 and Cash Match, ORPHE, ORPPA, and ORPSS

Request for Board Action 2024-04-8: *The VRS Board of Trustees approves the amended and restated (i) Commonwealth of Virginia 457 Deferred Compensation Plan, (ii) Virginia Cash Match Plan, (iii) Virginia Hybrid 457 Deferred Compensation Plan, (iv) Virginia Hybrid 401(a) Cash Match Plan, (v) Optional Retirement Plan of the Commonwealth of Virginia for Employees of Institutions of Higher Education, (vi) Optional Retirement Plan of the Commonwealth of Virginia for Political Appointees, and (vii) Optional Retirement Plan of the Commonwealth of Virginia for Public School Superintendents, effective July 1, 2024.*

**Dr. Gooden was not present for this vote.*

Approve Amended Pay Plans

Paula Reid, Director of Human Resources, provided an overview of the proposed amendments to the agency's three pay plans. Ms. Reid advised that negotiations continue in the General Assembly on the Commonwealth's biennium budget, but noted that all current versions of the budget proposals include a 3% pay raise for state employees and associated adjustments to the Commonwealth's pay bands. If approved, the increase will be effective beginning with the June 10th pay period. VRS historically has matched the Commonwealth's pay band increases, which is reflected in the proposed plan amendments. Ms. Reid advised that pay plan adjustments are reviewed by the Administration, Finance and Talent Management (AFT) Committee before being considered by the Board. However, given the unique circumstances of two new Board members necessitating new Committee assignments and the AFT meeting not scheduled until June 11th, which is after the start of the June 10th pay period, the plan amendments are presented to the Board for approval before the effective date.

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

RBA: Approve amended Administrative Pay Plan, Investment Operations and Administration Staff Pay Plan and Investment Professionals' Pay Plan

Request for Board Action 2024-04-9: *The Board approves an amended Administrative Pay Plan, Investment Operations and Administration Staff Pay Plan and Investment Professionals' Pay Plan, effective June 10, 2024.*

**Dr. Gooden was not present for this vote.*

Commending Resolution for Joseph W. Montgomery

Mr. Andrews presented the following commending resolution of service of Joseph W. Montgomery:

WHEREAS, Joseph W. Montgomery faithfully served the Virginia Retirement System Board of Trustees as an esteemed member of the Investment Advisory Committee from 2001 to 2005, where he advised the Board regarding investment matters; and

WHEREAS, Mr. Montgomery was appointed to serve on the Virginia Retirement System Board of Trustees for a first term beginning in March 2014 and was subsequently reappointed in March 2019, serving with distinction; and

WHEREAS, Mr. Montgomery served as Vice Chair of the Board of Trustees where he provided steady leadership and guidance, actively contributing to discussions and sharing his vast knowledge of investment best practices; and

WHEREAS, Mr. Montgomery served in a variety of roles on various Board committees, successfully leading and contributing to Committee discussions and deliberations, including Chair of the Audit and Compliance Committee; Vice Chair and Member of the Administration, Finance, and Talent Management Committee; Vice Chair and Member of the Investment Policy Committee; Vice Chair of the Defined Contribution Plans Advisory Committee; Member of the Strategic Projects Committee; and Member of the Chief Investments Officer Search Committee; and

WHEREAS, Mr. Montgomery, by virtue of his extensive and expert knowledge, provided value to discussions on investment and financial matters, and contributed immeasurably to Board decisions and the success of the System;

NOW, THEREFORE, BE IT RESOLVED, that on April 18, 2024, we, the members of the Board of Trustees of the Virginia Retirement System, hereby acknowledge Mr. Montgomery's loyal and faithful service to the Board of Trustees, the Virginia Retirement System, its members, retirees, and the Commonwealth of Virginia, and are grateful for his contributions, stewardship, and commitment as a member of the Board of Trustees.

Operational Series Update: EDGE Initiative

Paula Reid, Director of Human Resources, provided an overview of EDGE, the in-house professional development and training initiative launched in FY 2023. EDGE was created to empower, develop, grow and engage employees with development opportunities, and personalized and focused training needed to perform jobs effectively. Ms. Reid discussed EDGE participation, advantages, certification levels, recognition, statistics, and positive employee feedback.

Mr. Andrews thanked Ms. Reid for her report.

Report of the Director

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

Ms. Bishop announced that VRS received the Certificate of Transparency from the National Conference on Public Employee Retirement Systems (NCPERS). VRS was recognized for furthering open disclosure, increasing available data, and encouraging the public's understanding of public retirement systems. Ms.

Bishop offered an optional photo opportunity for new professional headshots to the members of the VRS Board of Trustees. Lastly, a preview of upcoming meetings was provided.

Ms. Bishop provided updates on operational and ongoing activities.

Mr. Andrews thanked Ms. Bishop for her report.

Securities Litigation (Closed Session)

Mr. Disharoon moved, with a second by Mr. Bennett, that the Virginia Retirement System Board of Trustees convene a closed meeting under the Virginia Freedom of Information Act for discussion of plans to protect public safety as it relates to terrorist activity or specific cybersecurity threats or vulnerabilities and briefings by staff members, legal counsel, or law-enforcement or emergency service officials concerning actions taken to respond to such matters or a related threat to public safety exemption contained in *Code of Virginia* § 2.2-3711(A)(19).

Upon return to open meeting, Mr. Montgomery moved, with a second by Mr. Disharoon, the following resolution:

WHEREAS, the Virginia Retirement System Board of Trustees convened a closed meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act; and

WHEREAS, § 2.2-3712 of the *Code of Virginia* requires a certification by the Board that such closed meeting was conducted in conformity with Virginia law;

NOW, THEREFORE, BE IT RESOLVED, the Board certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements under this chapter were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered by the Board.

The Board approved the resolution upon the following roll call vote:

Mr. Bennett: Aye
Mr. Disharoon: Aye
Dr. Gooden: Aye
Ms. Hood: Aye
Mr. James: Aye
Ms. Pantele: Aye
Mr. Andrews: Aye

Other Business

Lastly, Mr. Andrews reviewed the following meeting schedule:

- Defined Contribution Plans Advisory Committee – May 23 at 1:00 p.m.

-
- Administrative Finance and Talent Management Committee – June 11 at 10:30 a.m.
 - Audit and Compliance Committee – June 11 at 1:00 p.m.
 - Benefits and Actuarial Committee – June 12 at 1:00 p.m.
 - Board of Trustees – June 20 at 1:00 p.m.

Adjournment

There being no further business and following a motion by Mr. Disharoon, with a second by Ms. Pantele, the VRS Board of Trustees agreed to adjourn the meeting at 2:38 p.m.

Chair

Secretary

Report

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

APPROVAL OF MINUTES

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

INVESTMENT POLICY COMMITTEE CHARTER REVIEW

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

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

DISCUSSION AND CONSIDERATION OF INVESTMENT BENCHMARKS AND PERFORMANCE HURDLES

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

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

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

DISCUSSION AND CONSIDERATION OF ASSET ALLOCATION AND LEVERAGE UPDATE

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

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

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

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

A. Scott Andrews, Chair
Investment Policy Committee

Affirm Benchmarks and Performance Hurdles.

Requested Action

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

Description/Background

RVK, an independent investment consultant, reviewed the VRS investment policy statement, historical performance, current and historical benchmark and policy definitions, and current and historical incentive compensation hurdles. RVK found all the benchmarks used by VRS to be appropriate and reflective of the current investment environment and did not recommend any changes to the benchmarks. In addition, RVK did not recommend any changes to the current hurdle rates.

RVK presented their analysis of VRS' benchmarks and performance hurdles at the April 18, 2024 Board meeting. The benchmarks and performance hurdles are documented below and a copy of RVK's report is attached to this RBA.

Program	Benchmark
Public Equity	A weighted average of the MSCI ACWI IMI Index (net VRS taxes) (85%) and the MSCI World Min Vol Index (net VRS taxes) (15%).
Private Equity	The regional benchmarks of the MSCI ACWI IMI Index (net VRS taxes) lagged by three months, weighted to reflect the Private Equity opportunity set (currently 75% North America, 20% Europe, and 5% Asia and Emerging Markets).
Real Assets	The market value weighted blend of the NCREIF Private Real Estate Benchmark (ODCE index (net) lagged by three months) and the Other Real Assets Custom Benchmark (the CPI-U Index plus 400 basis points per annum lagged by three months).
Credit Strategies	A blend of the Morningstar LSTA Performing Loan Index (50%) and the Bloomberg US High Yield Ba/B 2% Issuer Cap Index (50%).
Diversifying Strategies ¹ , Dynamic Strategies, and Risk-Based Investments	The ICE BofA US 3-Month Treasury Bill Index plus 250 basis points per annum.
Private Investment Partnerships (PIP)	The weighted average of the Private Equity Custom Benchmark (33%), the NCREIF Private Real Estate Benchmark (25%), the Other Real Assets Custom Benchmark (8%), the Bloomberg US HY Ba/B 2% Issuer Cap Index (17%), and the Morningstar LSTA Performing Loan Index (17%).
Fixed Income	A blend of the Bloomberg US Aggregate Bond Index (90%), Bloomberg US High Yield Ba/B 2% Issuer Cap Index (5%), and JP Morgan EMBI Global Core Index (5%).
Leverage	The Secured Overnight Financing Rate (SOFR) plus 50 basis points per annum.
Total Fund	A blend of the Asset Class Benchmarks at policy weights.

¹ Previously known as Multi-Asset Public Strategies (MAPS).

Program	Performance Hurdle (<i>basis points</i>)¹
Public Equity	30
Internal Equity Management	25
Private Equity	200
Real Assets	75
Credit Strategies	75
Fixed Income	25
Total Fund	45

¹ The Board originally approved the excess return objectives at the June 11, 2020 Board meeting with an effective date of July 1, 2020. At that time, new excess return objectives were set for Internal Equity Management, Private Equity, Credit Strategies, Fixed Income, and Total Fund. No changes were made to the existing excess return objectives for Public Equity and Real Assets. For implementation of the new excess return objectives, the calculation of the applicable excess return objective is a blend of the current excess return objective (to be used until June 30, 2020) and the recommended excess return objective (to be used from July 1, 2020 onward).

Rationale for Requested Action

The benchmarks reflect the characteristics of a good benchmark per the CFA Institute: unambiguous, investable, measurable, appropriate, specified in advance, and reflective of current investment opinions. In addition, the benchmarks reflect the investment philosophy and the intended risk parameters within the strategies and provide a good measure of the investment results. The performance hurdles reflect the strategies and current capabilities of staff within each program as well as for the total fund. The measures are based on careful analysis of the risks and opportunities of the underlying markets and an analysis of the practices of peer funds, within the universe of public funds.

Authority for Requested Action

The Board is authorized to approve these recommendations pursuant to the provisions of *Code of Virginia* §§ 51.1-124.22 and -124.30.

The above action is approved on June 20, 2024.

A. Scott Andrews, Chair
VRS Board of Trustees

Date



Approve FY2025 Defined Benefit Plan Strategic Asset Allocation.

Requested Action

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

Description/Background

Board Strategic Asset Allocation and Allowable Ranges. Every year at fiscal year-end, the Chief Investment Officer (CIO) considers market conditions and suggests specific target exposure to the Board for the upcoming fiscal year.

The CIO recommends the following target exposures and allowable ranges effective July 1, 2024, which are unchanged from the current targets and ranges.

Asset Class	Current	Allowable		Proposed	Allowable	
	FY 2024	Range		FY 2025	Range	
	Target	Min	Max	Target	Min	Max
Public Equity	33%	26%	40%	33%	26%	40%
Private Equity	16%	9%	23%	16%	9%	23%
Real Assets	14%	7%	21%	14%	7%	21%
Credit Strategies	14%	7%	21%	14%	7%	21%
Diversifying Strategies ¹	4%	1%	9%	4%	1%	9%
Private Investment Partnerships (PIP)	2%	0%	4%	2%	0%	4%
Exposure Management Portfolio (EMP)	0%	0%	6%	0%	0%	6%
Fixed Income	16%	12%	23%	16%	12%	23%
Cash	2%	0%	7%	2%	0%	7%
Total Fund (Gross)²	101%			101%		
Leverage	-1%	-3%	0%	-1%	-3%	0%
Total Fund (Net)³	100%			100%		
High-Level Exposure						
Total Equity	49%	39%	59%	49%	39%	59%
Fixed Income + Cash	18%	12%	27%	18%	12%	27%
Rebalancing Leverage	3%			3%		

¹ Previously known as Multi-Asset Public Strategies (MAPS).

² Reflects total amount invested.

³ Reflects total amount invested less leverage.

Staff will not, by its tactical actions, underweight or overweight any individual asset class beyond the minimum and maximum allowable ranges. However, market action or Fund liquidity needs could cause an individual asset class to be temporarily below the minimum allowable range or above the maximum allowable range. In such rare cases, using the high-level rebalancing ranges, the CIO will have the flexibility to exceed the individual allowable ranges if the deviation is related to market actions or Fund liquidity needs, if the CIO believes bringing an individual asset class back within its allowable range would not be economically prudent. If, however, the CIO determines an individual asset class needs to be brought back into its allowable range, staff will establish an action plan. In any event, the CIO will communicate the deviation to the Board on a timely basis.

Staff will not, by its tactical actions, cause the Strategic Asset Allocation Leverage (comprised of Asset Allocation Leverage and Rebalancing Leverage) to surpass its limit. However, market action or Fund liquidity needs could cause the Strategic Asset Allocation Leverage to be temporarily above the limit. In such rare cases, the CIO will have the flexibility to exceed the maximum limit if the deviation is related to market actions or Fund liquidity needs, if the CIO believes bringing the Strategic Asset Allocation Leverage back within its limit would not be economically prudent. If, however, the CIO determines the Strategic Asset Allocation Leverage needs to be brought back within its limit, staff will establish an action plan. In any event, the CIO will communicate the deviation to the Board on a timely basis.

Rationale for Requested Action

The recommended Strategic Asset Allocation and Allowable Ranges reflects the current market conditions and continues to allow for easier management of the asset allocation.

Authority for Requested Action

The Board is authorized to approve this recommendation pursuant to the provisions of *Code of Virginia* §§ 51.1-124.22 and -124.30.

The above action is approved on June 20, 2024, with an effective date of July 1, 2024.

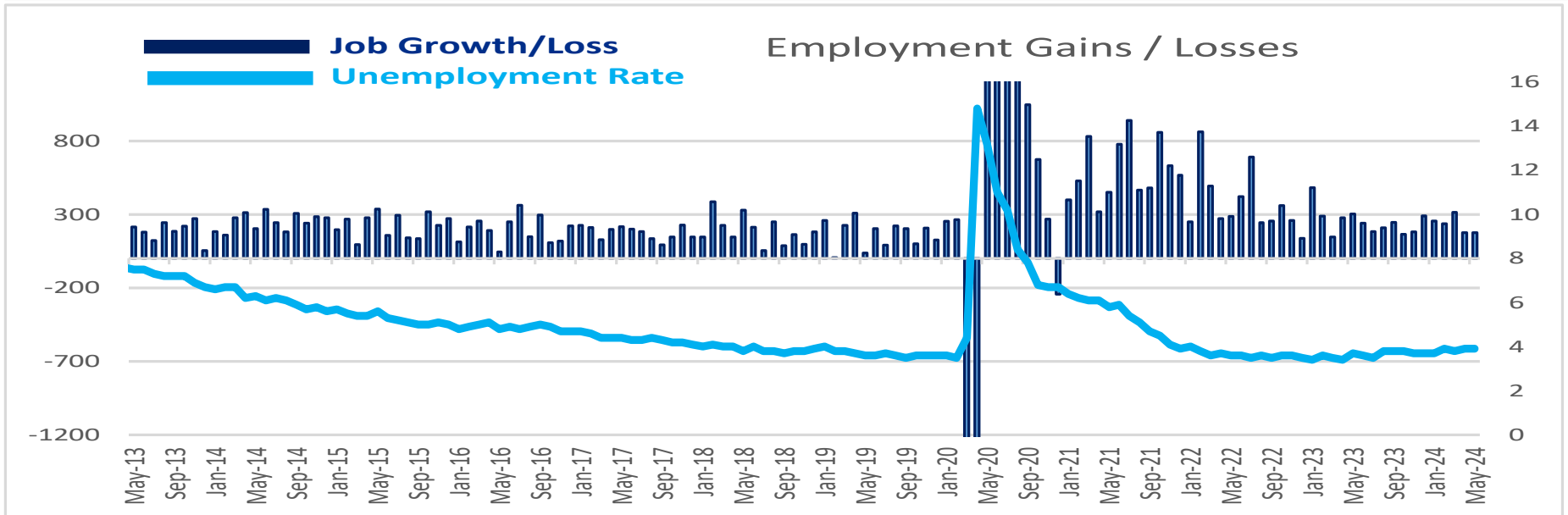
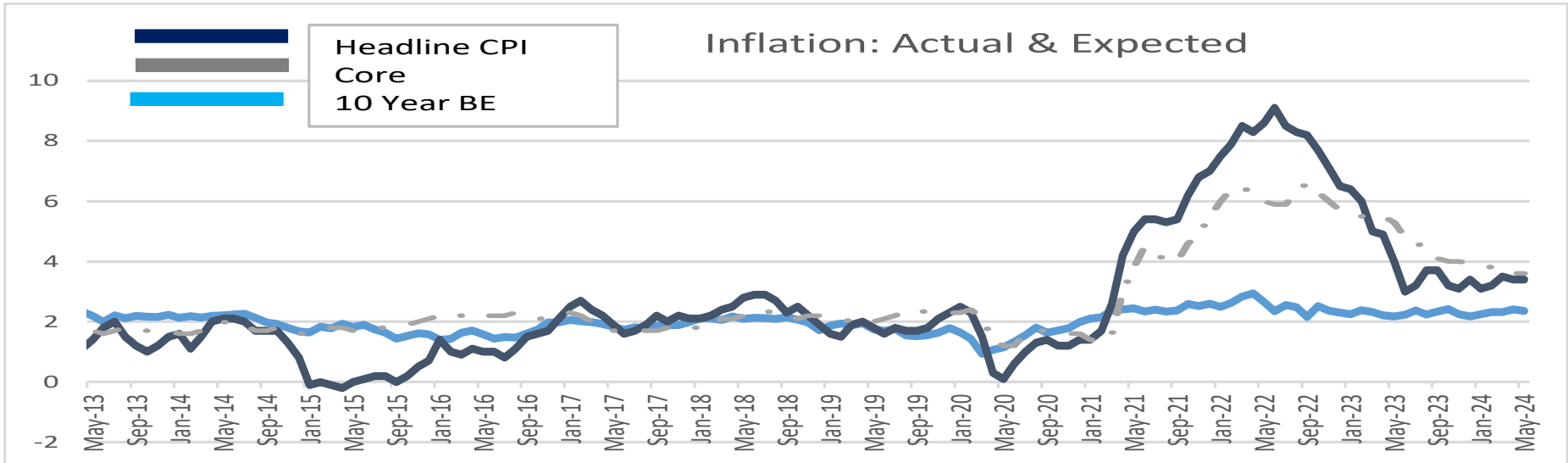
A. Scott Andrews, Chair
VRS Board of Trustees

Date

Chief Investment Officer Report Market Review – June 2024 Andrew Junkin

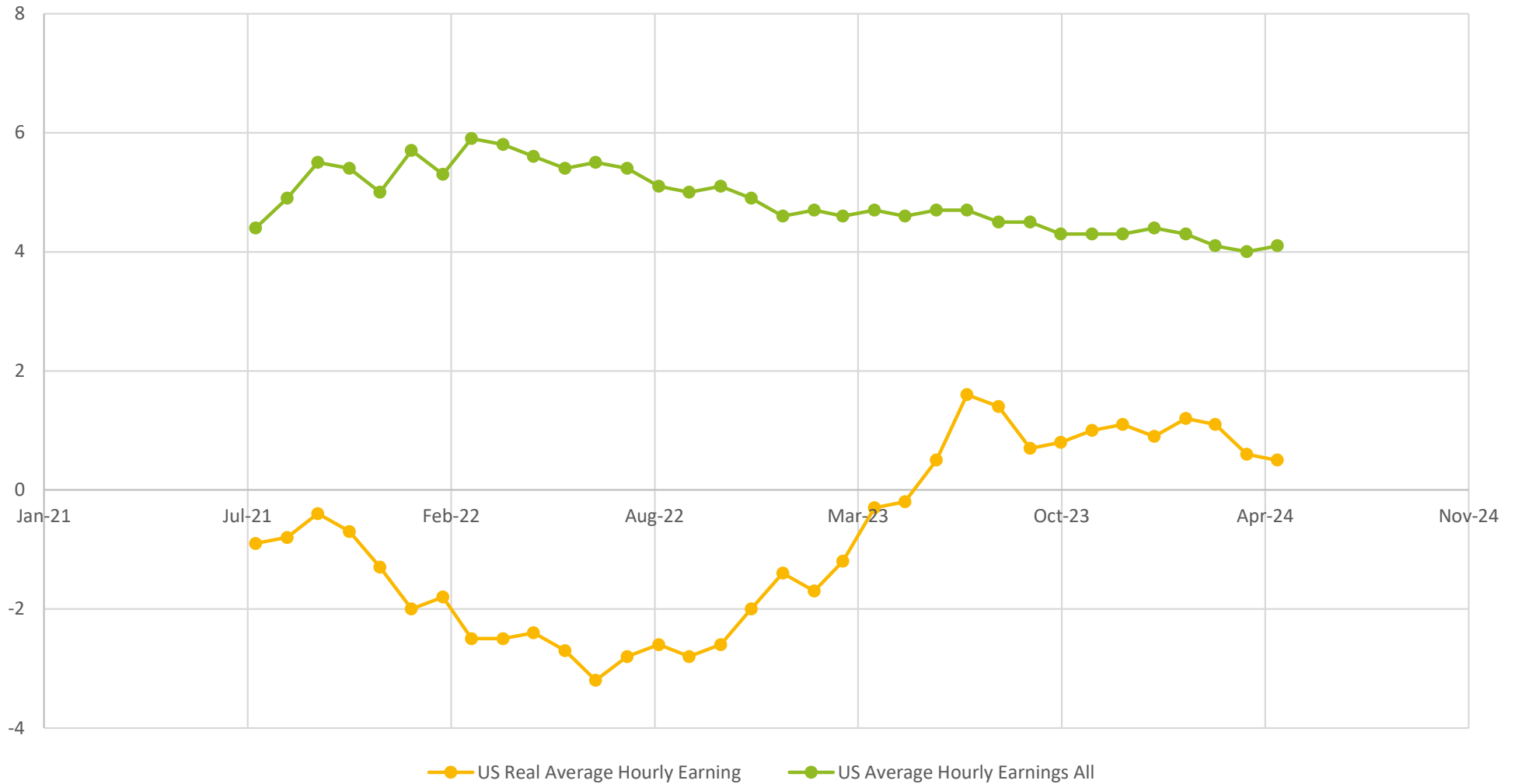


Inflation and Employment



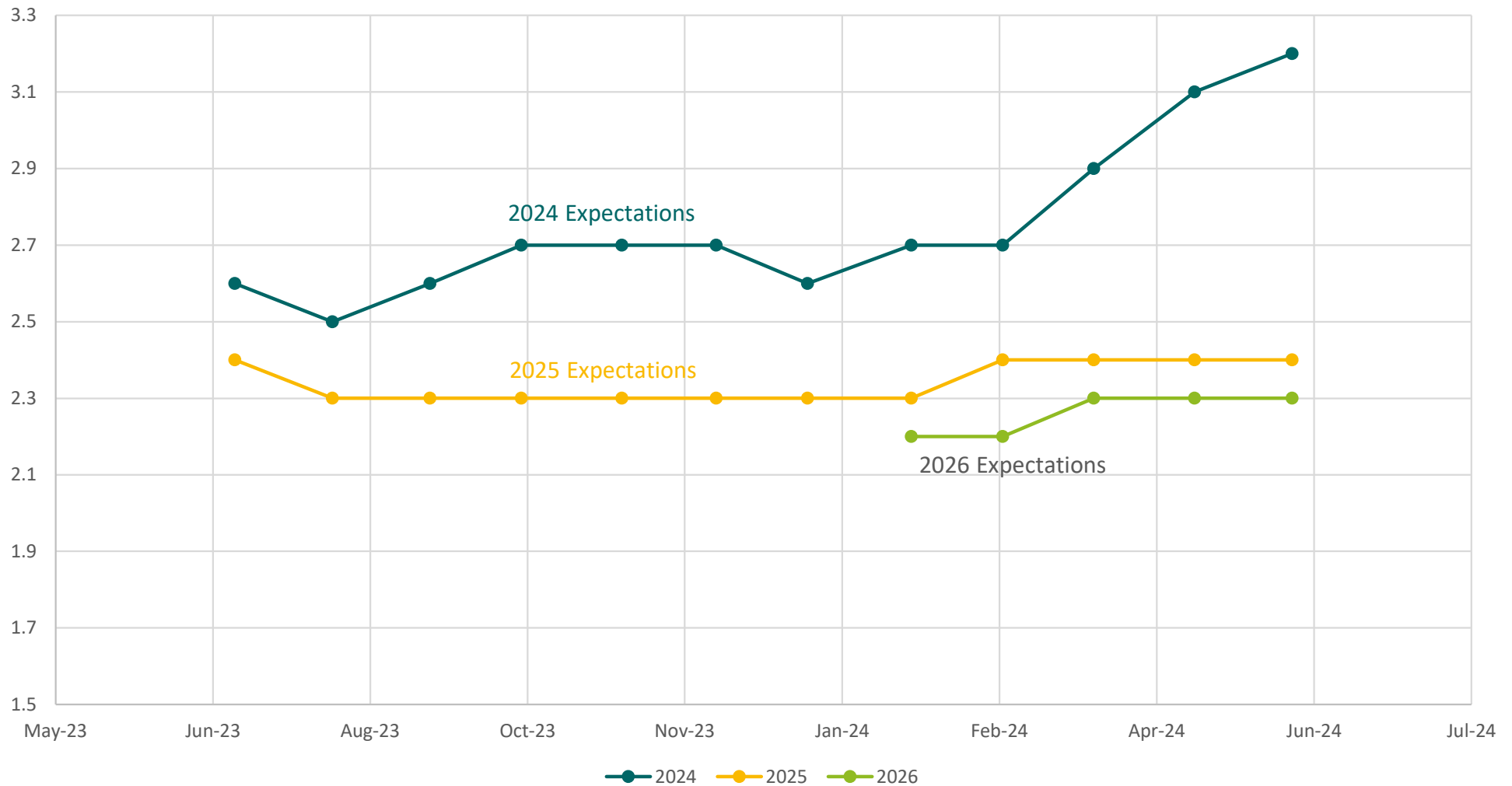
Data Source: Bloomberg

Nominal v. Real Hourly Earnings



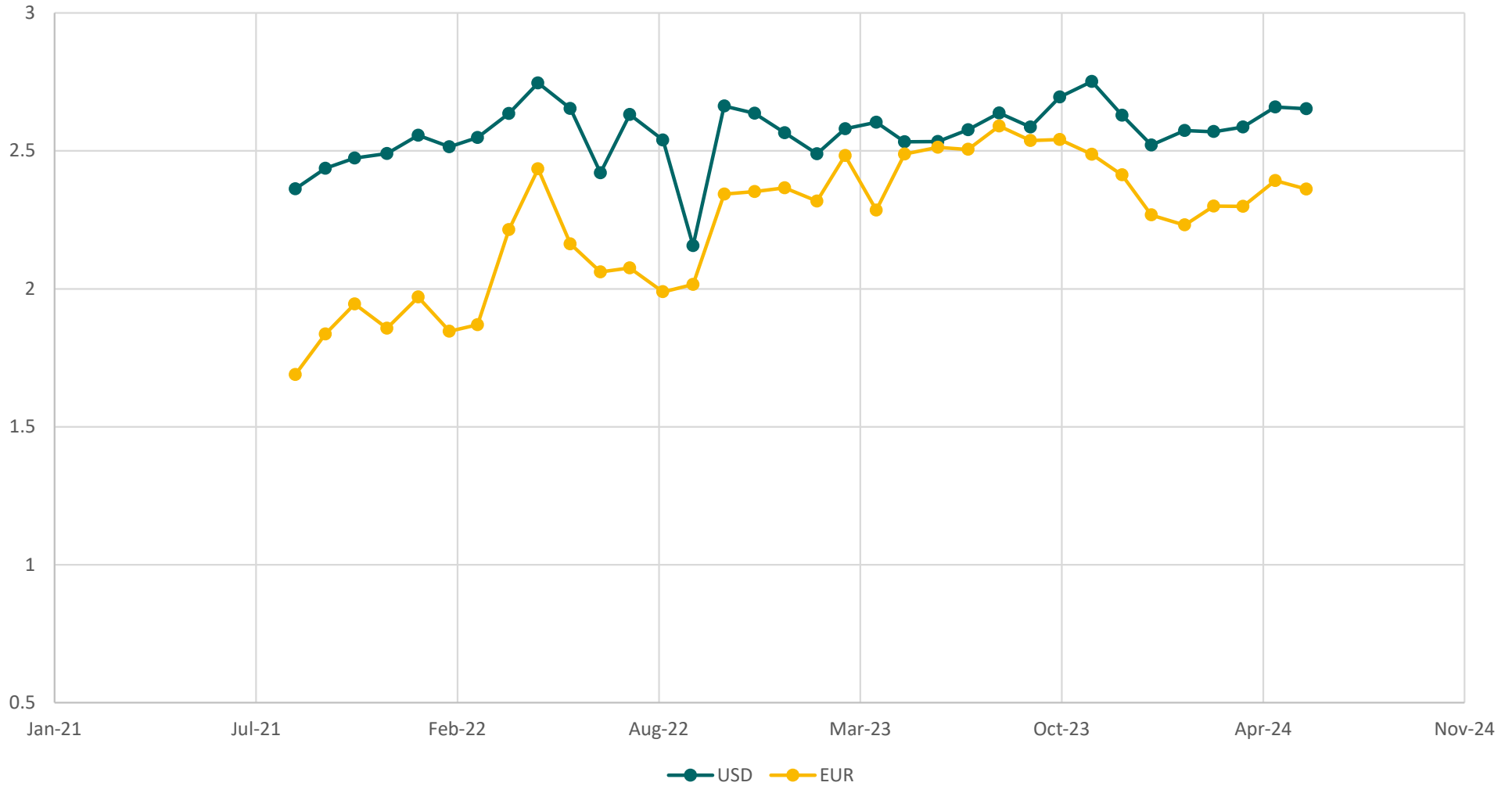
Data Source: Bloomberg

US CPI Expectations



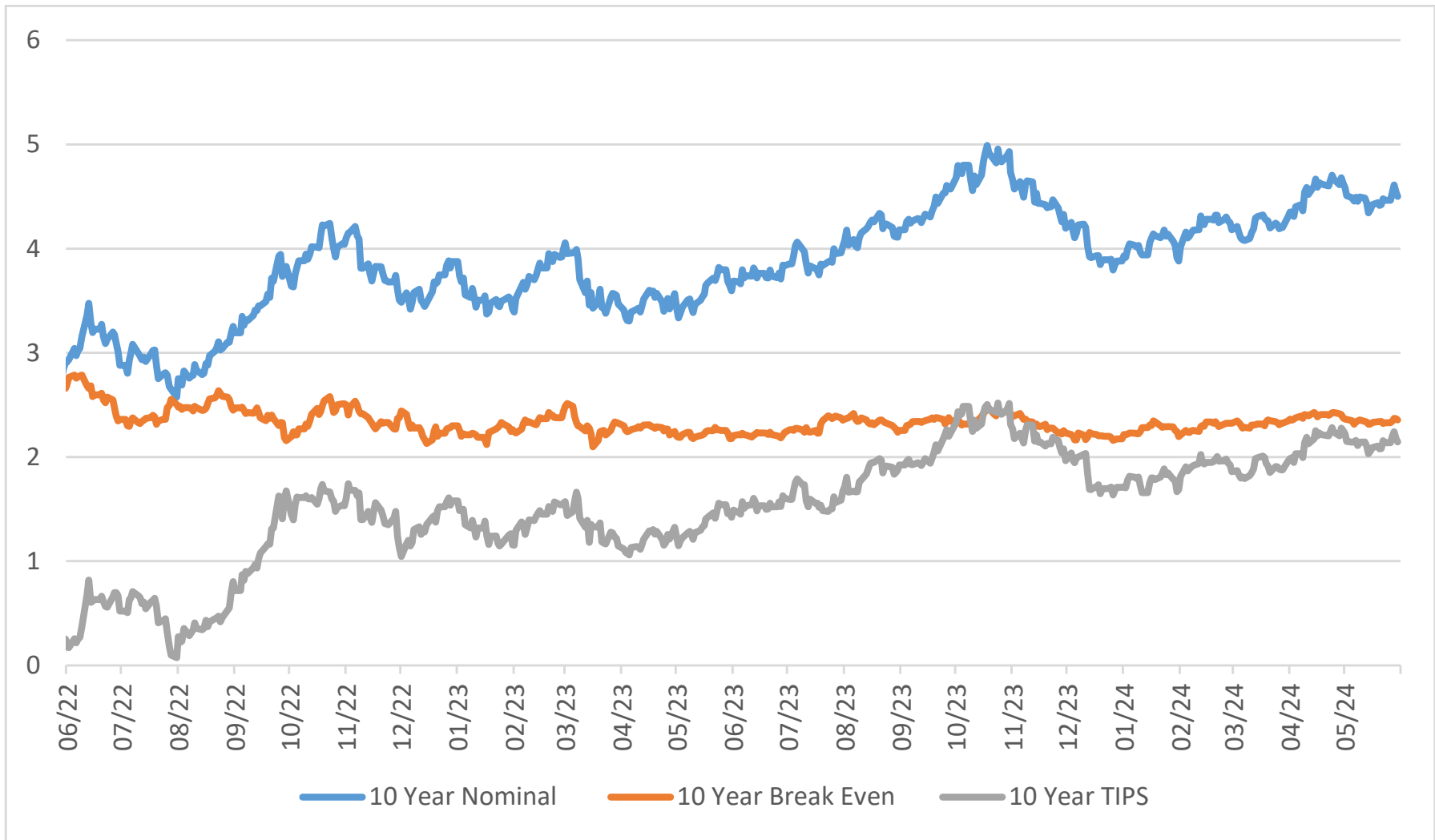
Data Source: Bloomberg

Inflation Swap Forward 5Y5



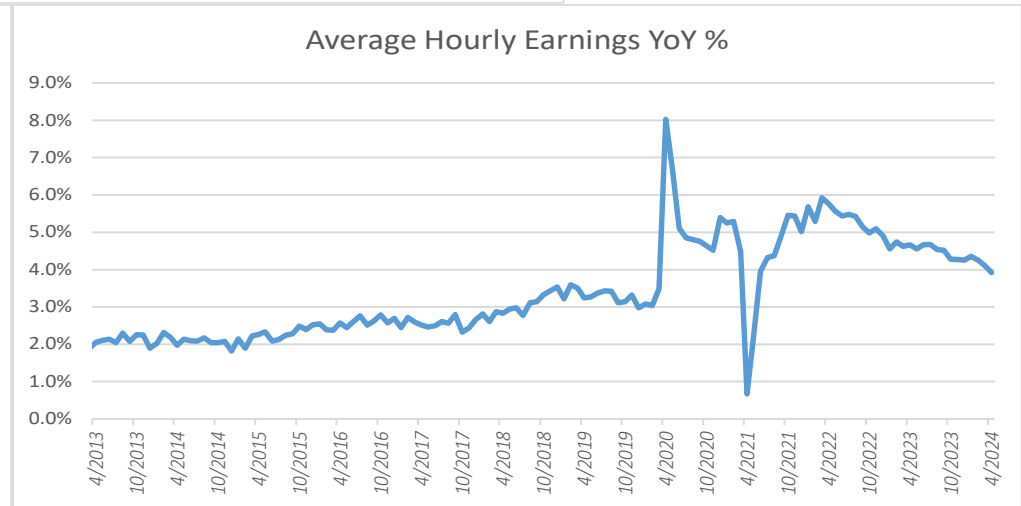
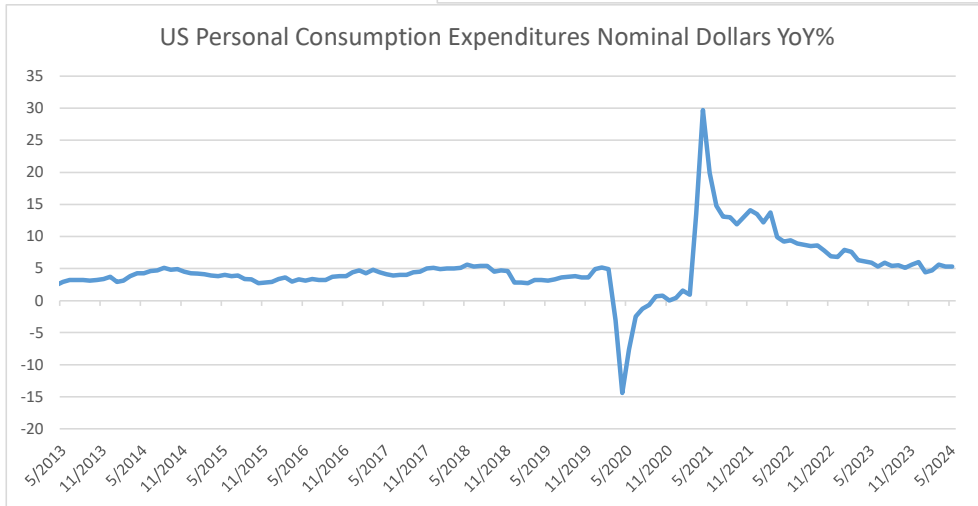
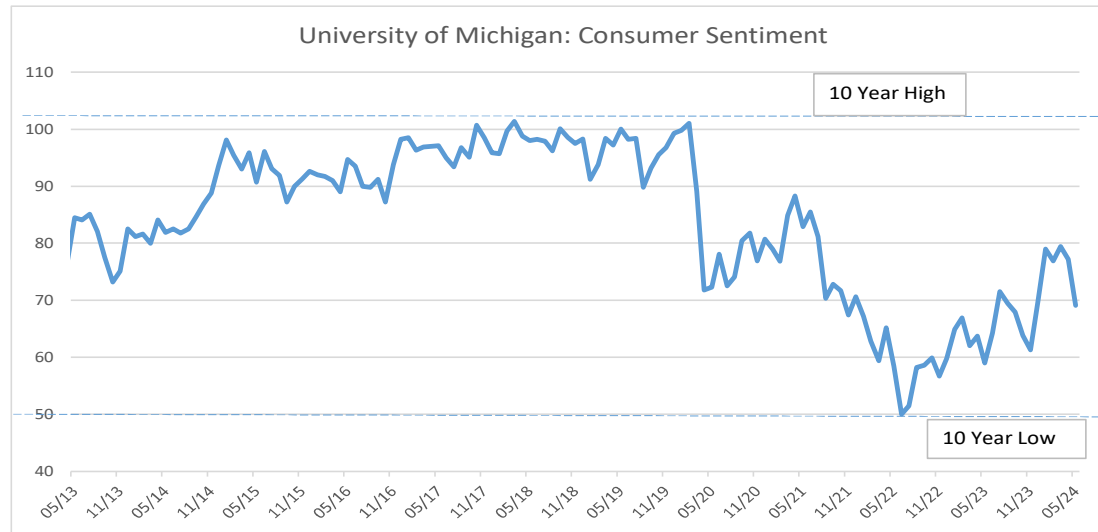
Data Source: Bloomberg

Rate Moves (10Y Nominal, Real & BEI)



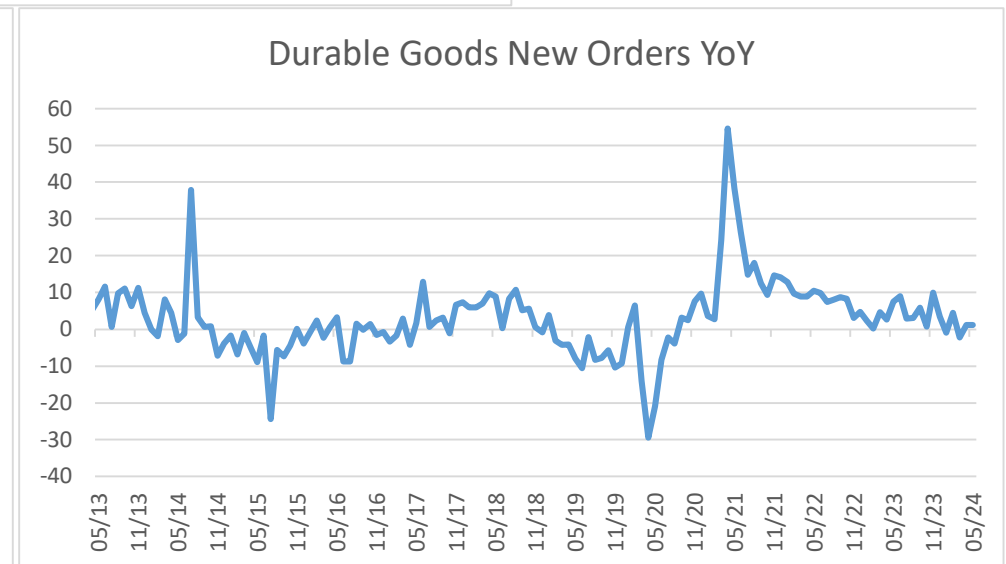
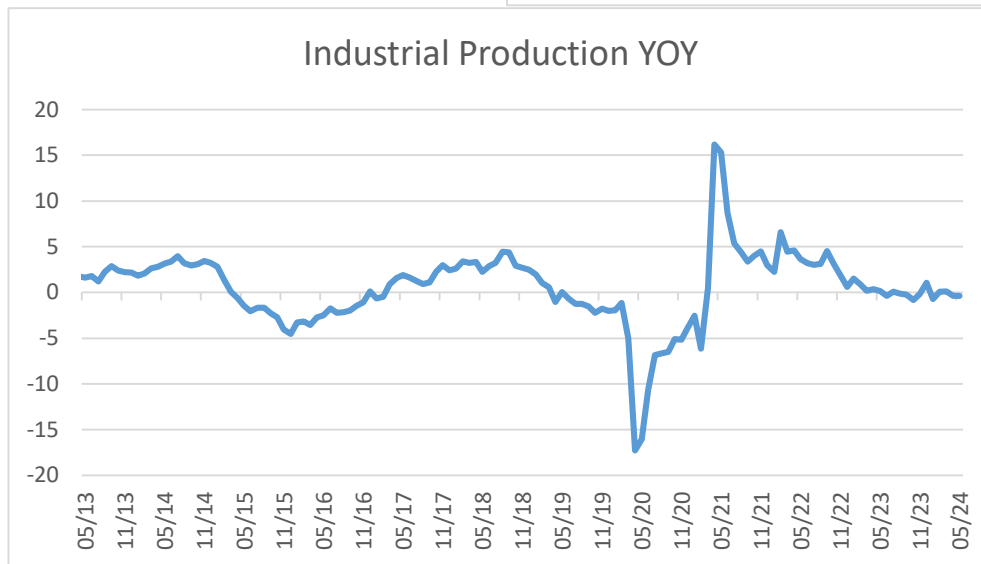
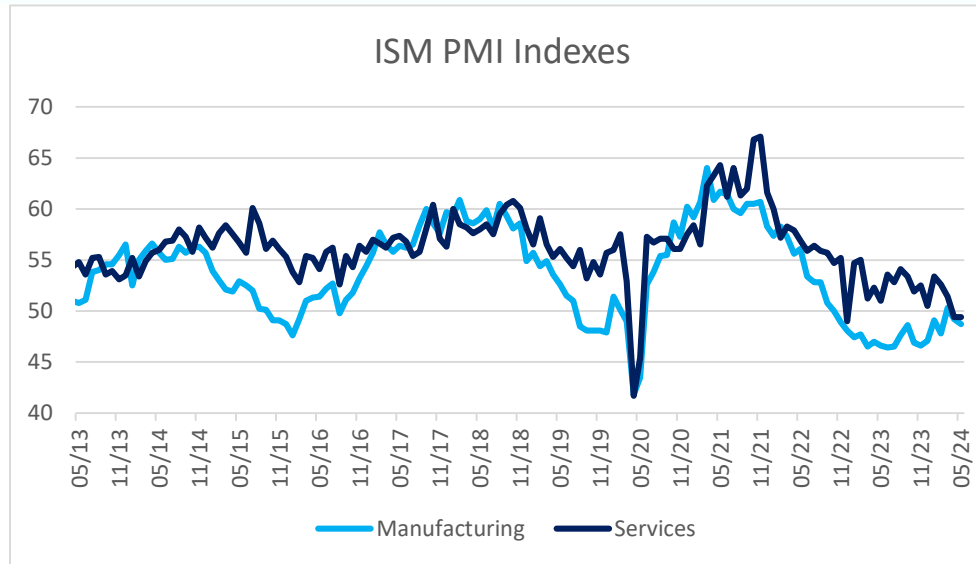
Data Source: Bloomberg

Consumer Activity

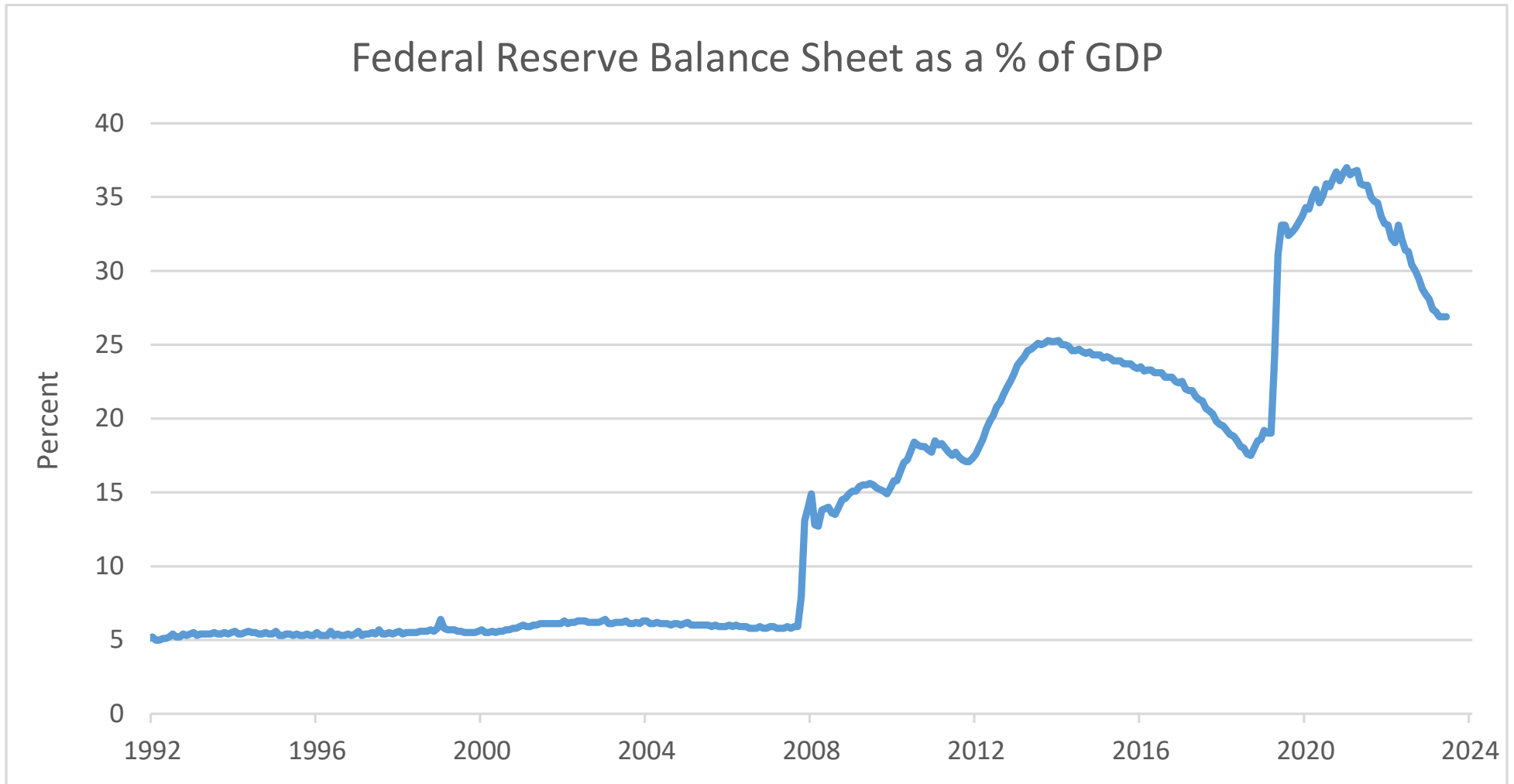


Data Source: Bloomberg

Business Activity

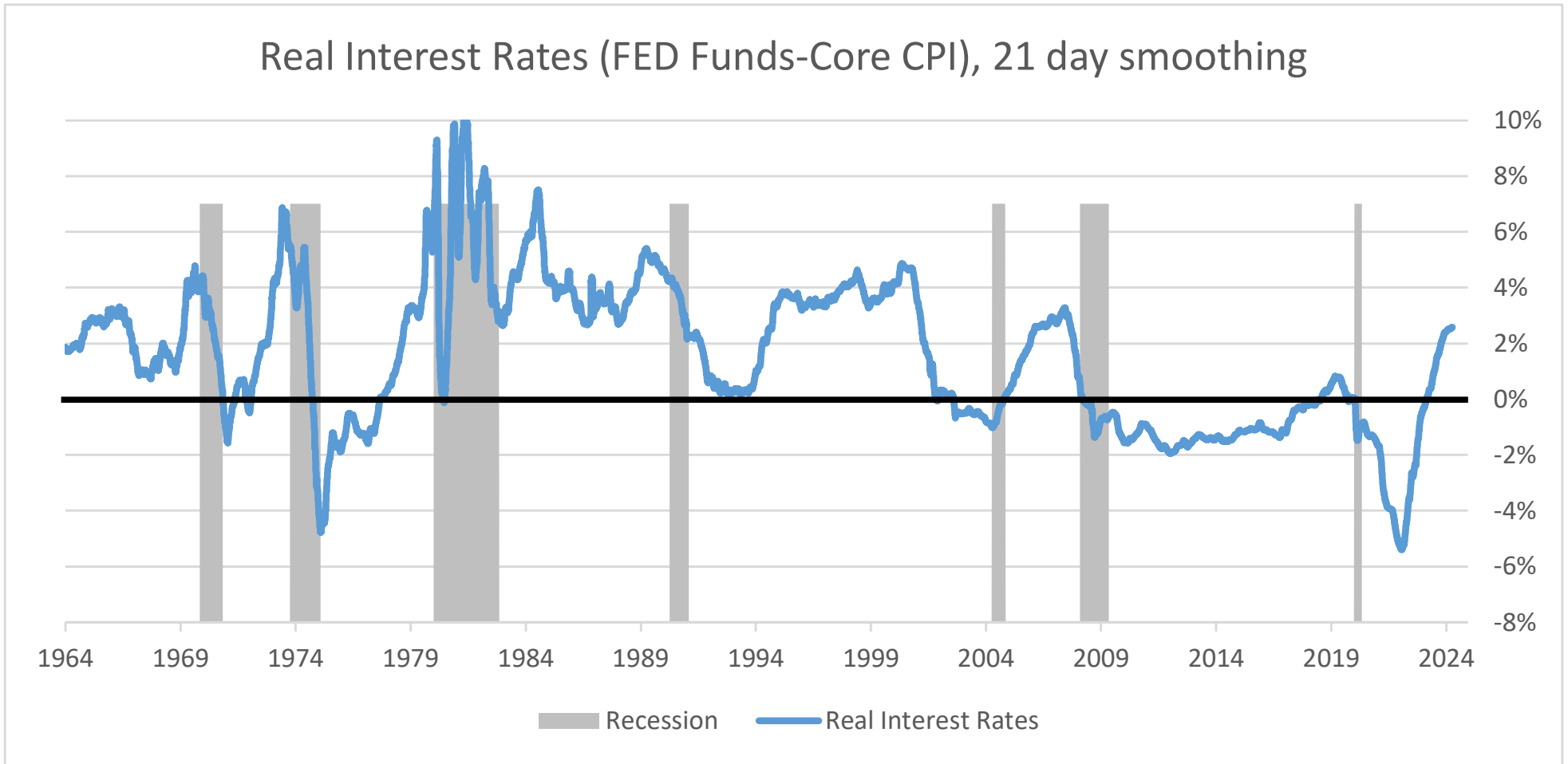


Data Source: Bloomberg



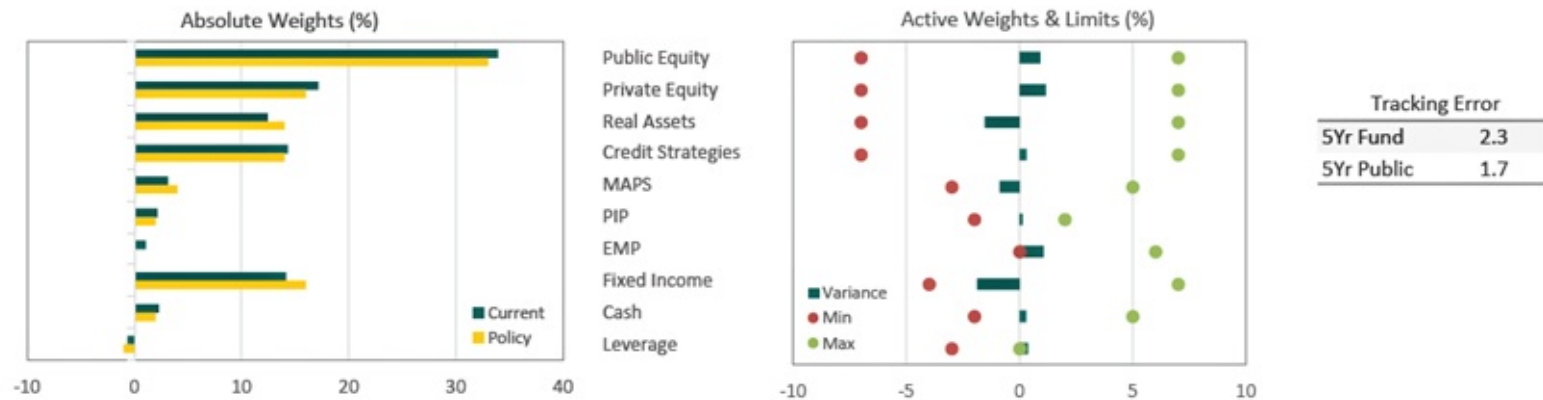
Data Source: Bloomberg

Higher Real Cost of Money



Data Source: Bloomberg

Asset Allocation - March 31, 2024



Asset Class	Billions (\$)	Weights (%)					
		Current	Policy	Variance	Min	Max	Internal
Public Equity	38.3	33.9	33.0	0.9	26	40	52
Private Equity	19.4	17.2	16.0	1.2	9	23	0
Real Assets	14.1	12.5	14.0	-1.5	7	21	0
Credit Strategies	16.2	14.3	14.0	0.3	7	21	0
Multi Asset Public Strategies (MAPS)	3.5	3.1	4.0	-0.9	1	9	0
Private Investment Partnership (PIP)	2.4	2.1	2.0	0.1	0	4	0
Exposure Management Portfolio (EMP)	1.2	1.1	0.0	1.1	0	6	0
Fixed Income	16.0	14.1	16.0	-1.9	12	23	95
Cash	2.6	2.3	2.0	0.3	0	7	0
Leverage	-0.7	-0.6	-1.0	0.4	-3	0	0
Total Fund (Net Market Value)	113.0	100.0	100.0	0.0	n.a.	n.a.	31
Total Fund (Gross Market Value)	113.7	100.6	101.0	-0.4	n.a.	n.a.	0

Exposures by Policy Groups							
Public + Private Equity	57.7	51.1	49	2.1	39	59	n.a.
Fixed Income + Cash	18.6	16.4	18	-1.6	12	27	n.a.

Total Fund includes the following amount held by the Treasurer of VA: \$452 million

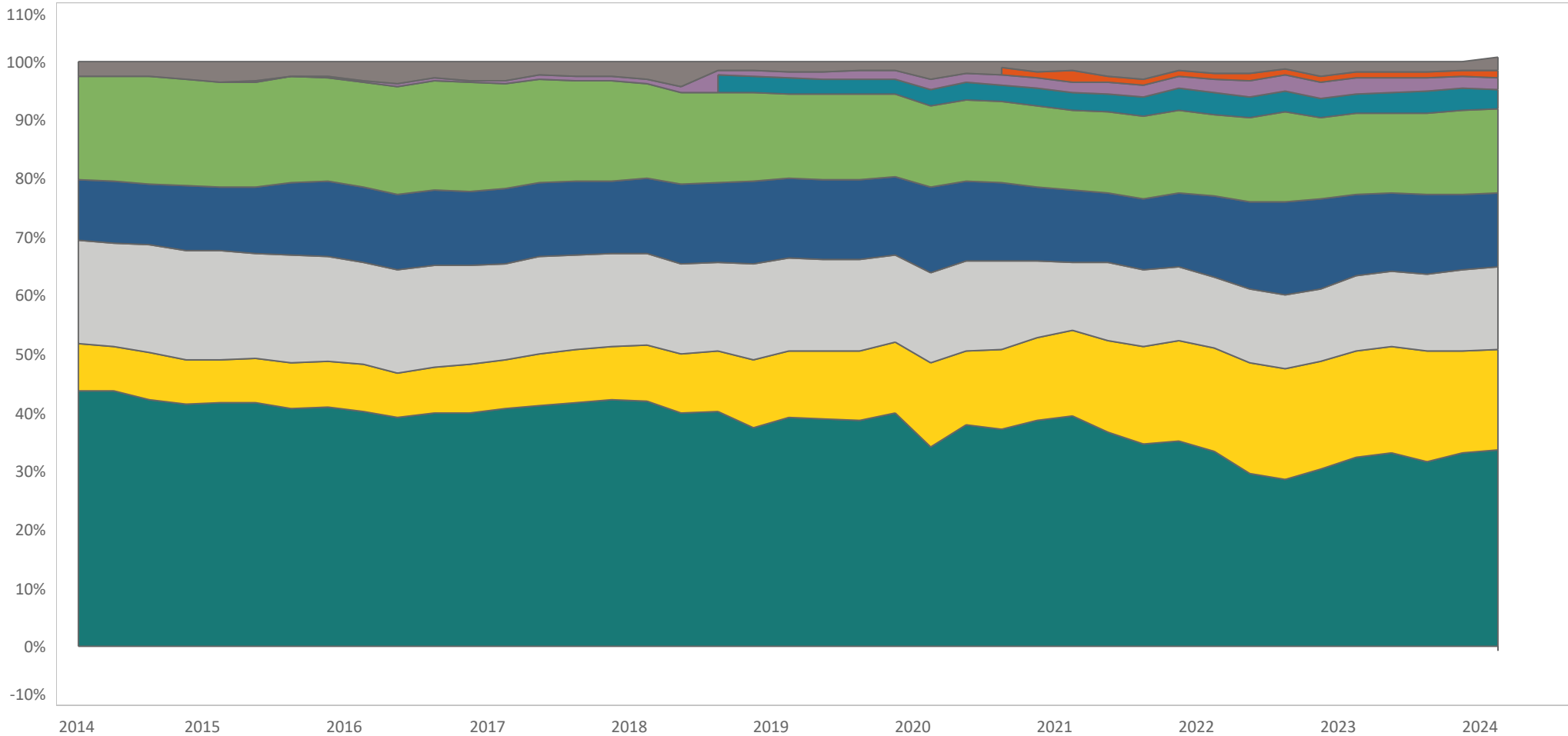
The values shown for each asset class on this report may reflect adjustments related to derivative positions in the Rebalance Account, pending transactions and certain accruals, in order to provide a more descriptive representation of the true economic exposure to each asset class (1 adjustments applied)

The VRS Defined Benefit Plan Investment Policy Statement established the total fund tracking error range as the allowable observed tracking error calculated quarterly using 5 years of history

Differences in totals are due to rounding

Asset Allocation Rolling 10-Year

- Public Equity
- Real Assets
- Private Investment Partnership
- Leverage
- Private Equity
- Credit Strategies
- Exposure Management Portfolio
- Fixed Income
- Multi-Asset Public Strategies
- Cash + Other



As of March 31, 2024

	<i>(Net of Fees)</i>						Fiscal YTD	Cal YTD	Market Value (\$MM)
	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month			
Total Public Equity	8.9	10.9	7.5	24.4	9.7	3.9	18.4	9.7	38,340
<i>Benchmark</i>	8.8	10.8	6.7	22.6	7.5	3.1	15.7	7.5	
Total Private Equity	14.8	16.6	14.3	7.7	2.7	2.8	4.7	2.7	19,407
<i>Benchmark</i>	10.8	13.1	6.2	22.7	11.8	5.4	14.6	11.8	
Total Real Assets	8.6	6.6	7.8	-3.3	-2.0	-1.8	-2.7	-2.0	14,099
<i>Benchmark</i>	6.5	4.3	4.6	-6.3	-3.1	-1.0	-5.0	-3.1	
Total Credit Strategies	6.1	7.5	6.8	12.3	2.7	2.0	9.1	2.7	16,181
<i>Benchmark</i>	5.0	5.3	4.3	11.5	1.9	1.0	9.1	1.9	
Total Multi-Asset Public Strategies	n/a	5.8	5.1	13.1	5.0	1.9	9.1	5.0	3,533
<i>Benchmark</i>	n/a	5.8	3.1	9.9	1.9	0.7	7.0	1.9	
Total Private Investment Partnerships	n/a	9.6	11.2	7.2	2.3	2.3	6.0	2.3	2,415
<i>Benchmark</i>	n/a	8.5	5.7	8.3	3.3	1.7	5.7	3.3	
Total Fixed Income	2.4	1.6	-1.7	2.9	-0.4	1.0	3.4	-0.4	15,972
<i>Benchmark</i>	1.6	0.6	-2.2	2.5	-0.5	1.0	3.2	-0.5	
Total Fund	7.9	9.1	7.1	11.5	3.9	2.2	8.7	3.9	113,044
<i>VRS Custom Benchmark</i>	6.9	7.6	4.6	12.8	4.2	2.1	9.1	4.2	

Effective July 2013, the VRS Custom Benchmark is a blend of the Asset Class Benchmarks at policy weights.

Effective January 2024, the Total Fund includes leverage.

The VRS Cash Account, the Treasurer Short-Term Investment Account, the VRS Rebalancing Account, transition activity and accounts with market values of less than \$1 million are included in the Total Fund's market value. Differences in market value totals are due to rounding.

Leverage Cost Measurement Information

(Information provided for purposes of monitoring the cost effectiveness of leverage implementation.)

							Fiscal YTD	Cal YTD	Market Value (\$MM)
	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month			
Leverage	n/a	n/a	n/a	n/a	n/a	0.5	n/a	n/a	(704)
<i>Benchmark</i>	n/a	n/a	n/a	n/a	1.5	0.5	n/a	1.5	

Effective January 2024, the Leverage Custom Benchmark is the Secured Overnight Financing Rate (SOFR) plus 50 basis points per annum.

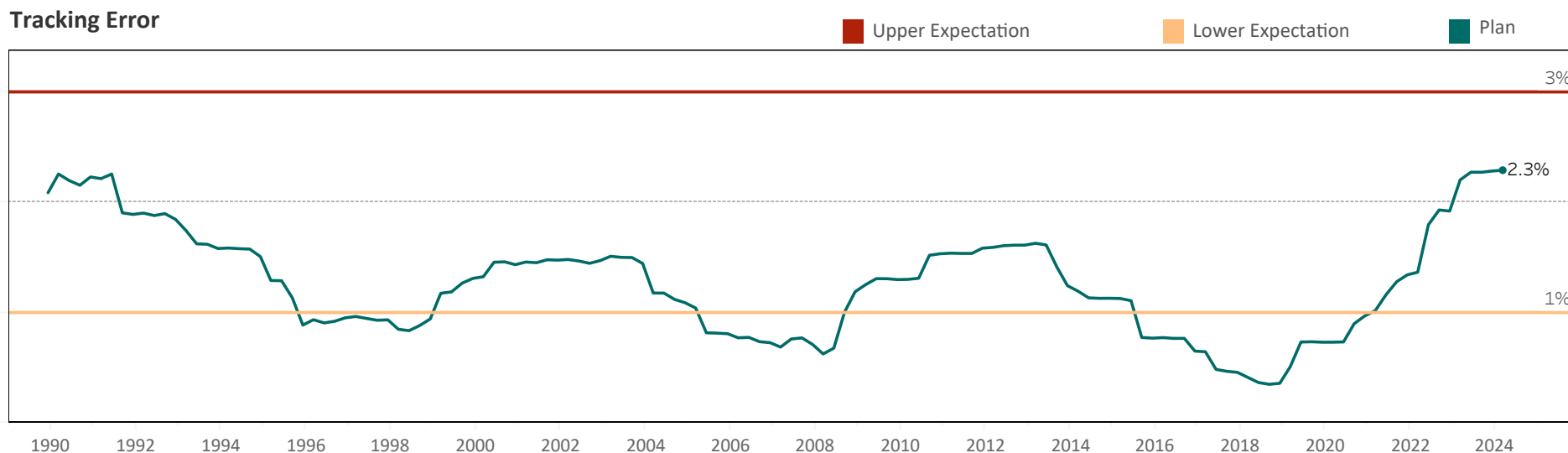
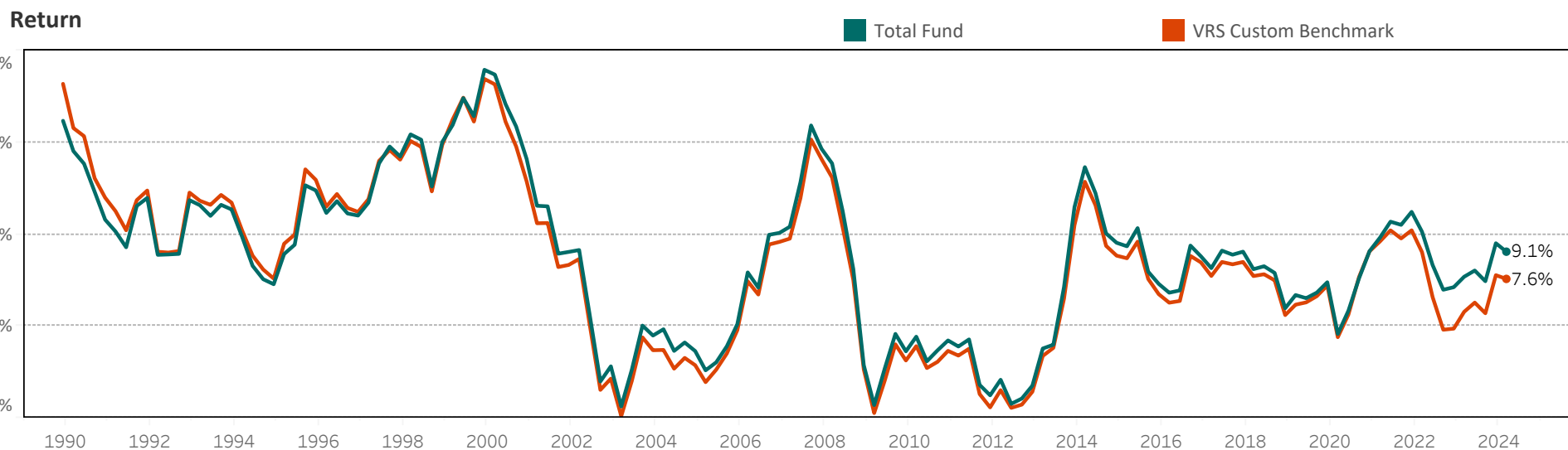
Fiscal Year-To-Date, ending March 31, 2024

	Portfolio		Policy		Attribution		
	Weight	Return	Weight	Return	Allocation	Selection	Total
TOTAL	100.0	8.7	100.0	9.2	0.2	-0.7	-0.4
Public Equity	32.3	18.4	33.7	15.7	-0.1	0.8	0.7
Private Equity	18.0	4.7	16.0	14.6	0.1	-1.9	-1.8
Real Assets	13.3	-2.7	14.0	-5.0	0.1	0.4	0.5
Credit Strategies	14.0	9.1	14.0	9.1	0.0	0.0	0.0
Multi-Asset Public Strategies	3.5	9.1	4.0	7.0	0.0	0.1	0.1
Private Investment Partnership	2.3	6.0	2.0	5.7	0.0	0.0	0.0
Exposure Management	1.0	30.1	0.0		0.2	0.0	0.2
Fixed Income	13.6	3.5	15.3	3.2	0.1	0.1	0.2
Cash	1.0	0.2	1.3	4.1	0.0	0.0	0.0
Other	1.2	0.6			-0.1	0.0	-0.1
Leverage	-0.2		-0.3		0.0	0.0	0.0

Differences in totals are due to rounding.

In return attribution, **allocation** refers to the value added by having different asset class weights in the portfolio than the asset class weights in the benchmark. **Selection** refers to the value added by holding individual securities or instruments within the asset class in different than benchmark weights.

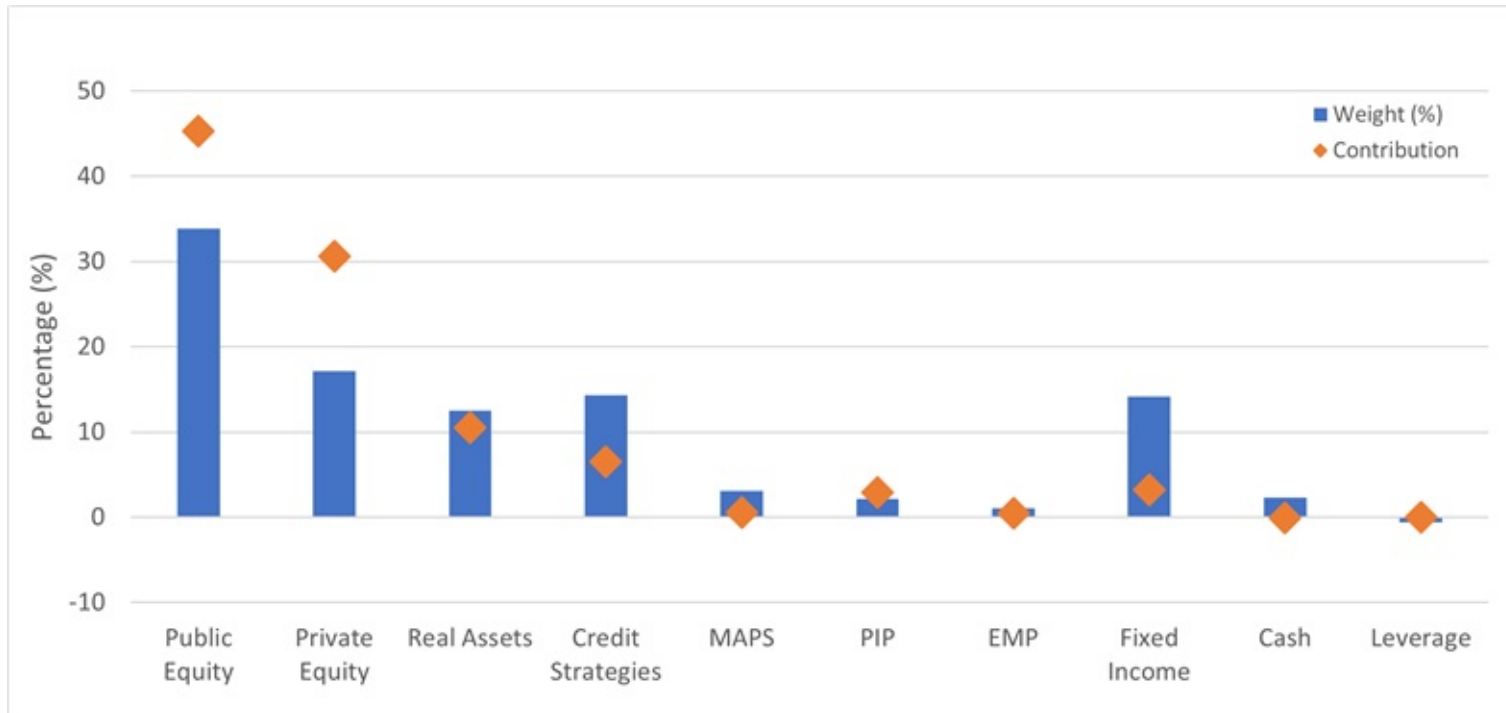
Total Fund Rolling 5-Year



As of March 31, 2024

The VRS Defined Benefit Plan Investment Policy Statement established the total fund tracking error range as the allowable observed tracking error calculated quarterly using 5 years of history.

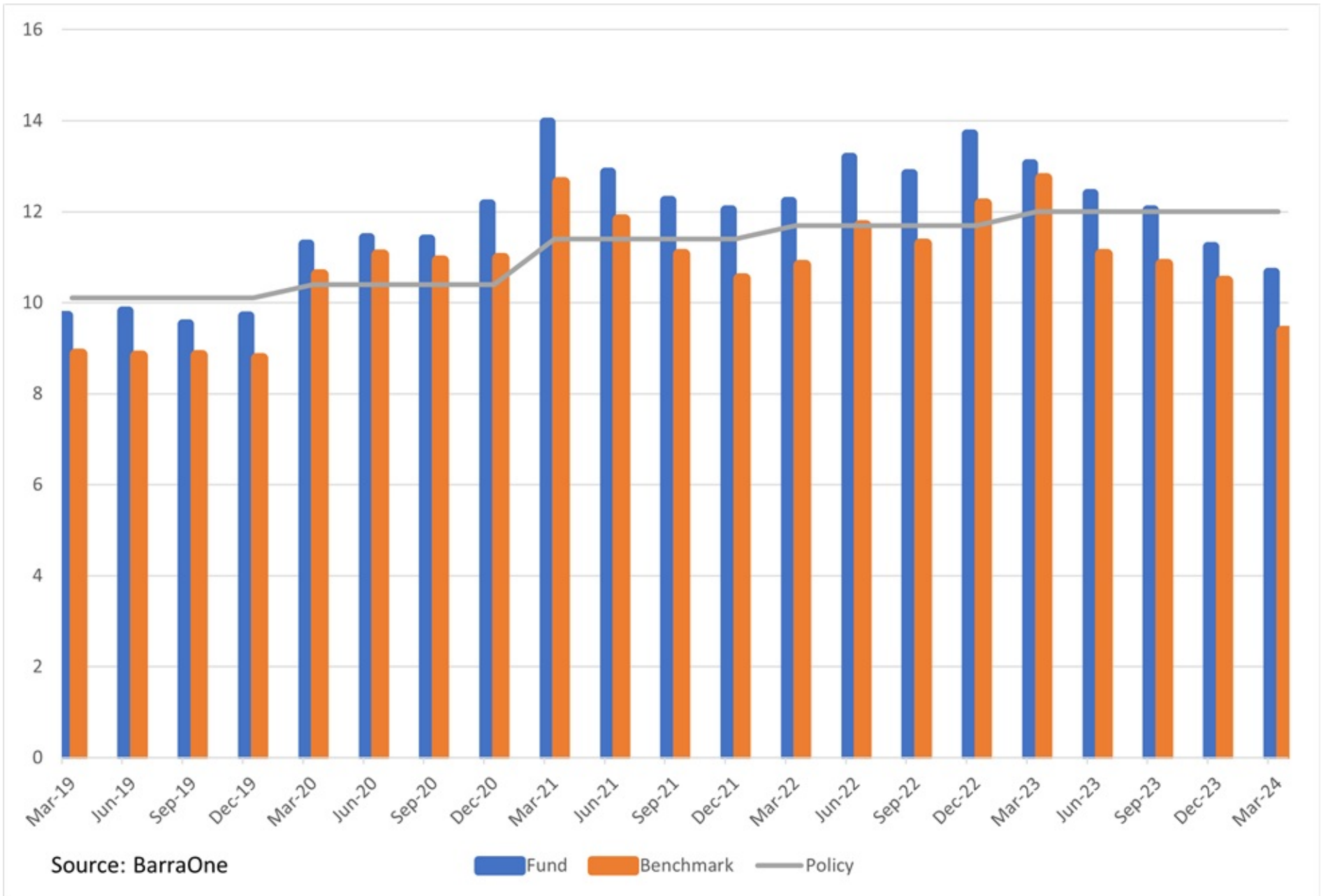
Projected Volatility and Risk Contribution - 3/31/24



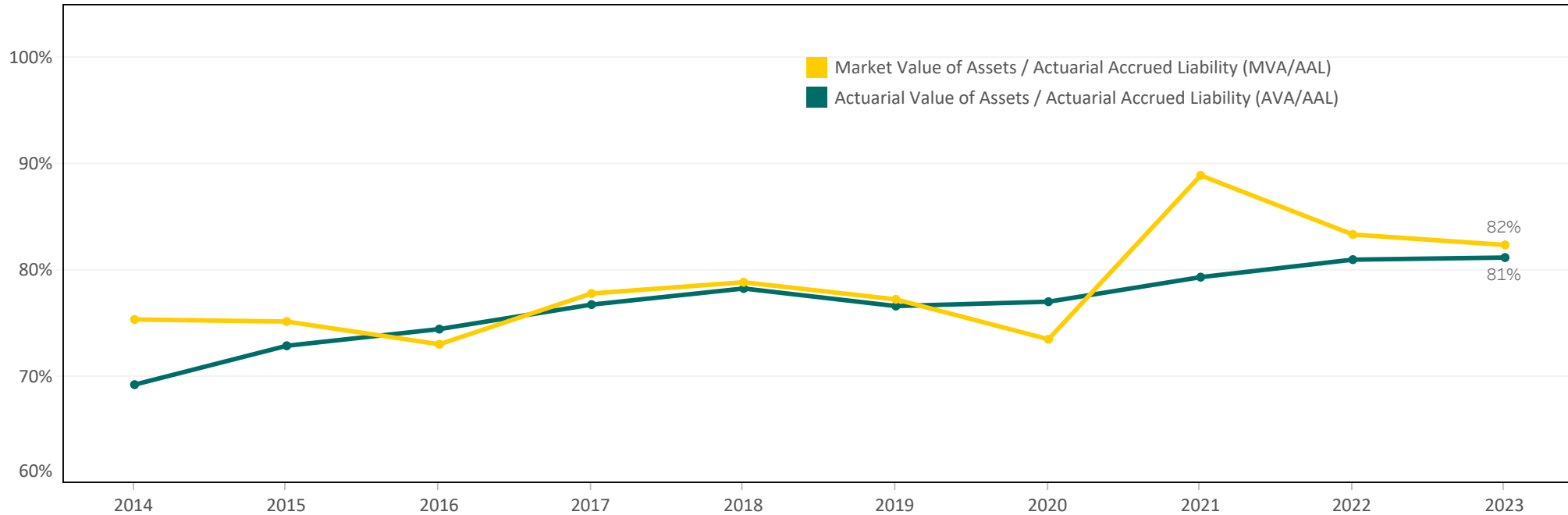
Asset Class	Market Value		Volatility (%)	
	Billions (\$)	Weight (%)	Contribution	Projected
Public Equity	38.3	33.9	45.3	15.0
Private Equity	19.4	17.2	30.6	21.0
Real Assets	14.1	12.5	10.5	11.1
Credit Strategies	16.2	14.3	6.6	6.1
Multi Asset Public Strategies (MAPS)	3.5	3.1	0.5	3.9
Private Investment Partnership (PIP)	2.4	2.1	2.9	15.5
Exposure Management Portfolio (EMP)	1.2	1.1	0.5	16.6
Fixed Income	16.0	14.2	3.2	6.8
Cash	2.6	2.3	-0.1	1.3
Leverage	-0.7	-0.6	0.0	0.0
Total Fund (Net Market Value)	113.0	100.0	100.0	10.7

Source: BNY Mellon, BarraOne

VRS Fund Projected Volatility - 3/31/24



Funded Status - Assets/Liabilities



As of end of fiscal year.

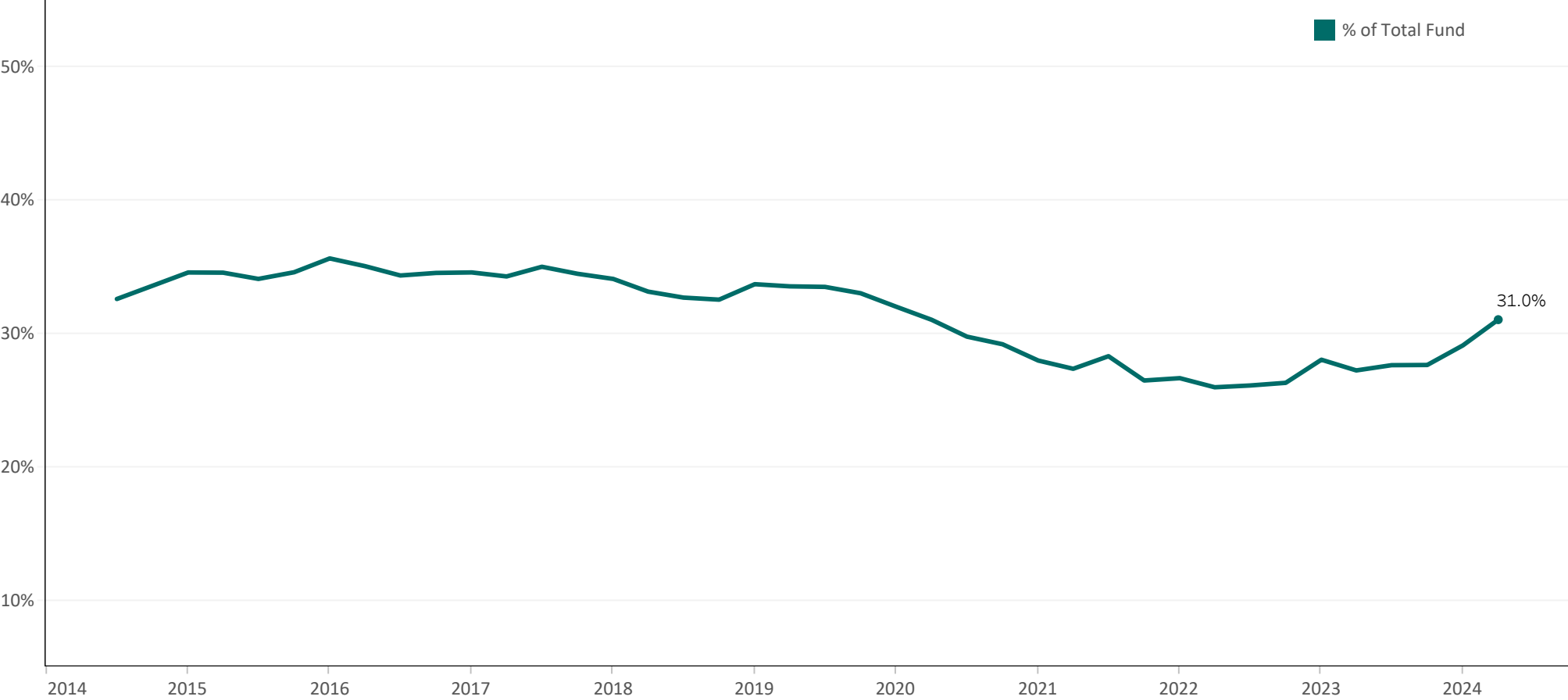
Market Value of Assets (MVA) - The value at which assets could be traded on the market.

Actuarial Value of Assets (AVA) - VRS generally uses a smoothed value of assets for actuarial value. The smoothed value phases-in investment gains and losses over a five year period to reduce volatility.

Actuarial Accrued Liability (AAL) - represents the portion of the Present Value of Future Projected Benefits attributable to service earned (or accrued) as of the valuation date.

Funded Status - The ratio of a plan's current assets to the actuarial accrued liability (AAL). In financial reporting of public pension plans, funded status is reported using the MVA and the liabilities as of the reporting date. When referring to funding of the plan, the funded status equals the actuarial value of assets divided by the actuarial accrued liability as of the valuation date.

Internally Managed Assets



As of March 31, 2024

PERFORMANCE SUMMARY
Rolling Periods Ending
April 30, 2024



TOTAL FUND PERFORMANCE
(Net of Fees)

	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month	Fiscal YTD	Cal YTD	Market Value (\$MM)
Total Public Equity	8.5	9.5	4.9	18.8	4.6	-3.4	14.4	6.0	36,468
<i>Benchmark</i>	8.4	9.4	4.0	17.0	3.4	-3.3	11.8	3.9	
Total Private Equity	14.7	16.6	13.7	7.4	2.7	-0.1	4.6	2.6	19,417
<i>Benchmark</i>	11.2	11.7	6.4	14.9	16.1	0.6	15.3	12.4	
Total Real Assets	8.5	6.6	7.4	-3.4	-1.8	-0.1	-2.7	-2.0	14,046
<i>Benchmark</i>	6.3	4.1	4.1	-6.2	-2.4	-0.3	-5.3	-3.3	
Total Credit Strategies	6.1	7.3	6.5	11.6	2.5	0.1	9.3	2.8	16,248
<i>Benchmark</i>	4.9	5.0	4.0	10.3	1.4	-0.1	8.9	1.8	
Total Diversifying Strategies	n/a	5.7	4.9	13.4	5.6	1.2	10.5	6.3	3,577
<i>Benchmark</i>	n/a	5.6	2.6	9.8	1.9	0.6	7.7	2.6	
Total Private Investment Partnerships	n/a	9.6	11.2	7.2	2.3	0.0	6.0	2.3	2,415
<i>Benchmark</i>	n/a	7.6	5.5	5.6	4.7	0.0	5.7	3.3	
Total Fixed Income	2.1	1.1	-2.8	-0.2	-2.6	-2.4	0.9	-2.8	16,264
<i>Benchmark</i>	1.3	0.1	-3.3	-0.6	-2.7	-2.4	0.7	-3.0	
Total Fund	7.7	8.5	5.8	9.2	2.0	-1.4	7.2	2.4	111,314
<i>VRS Custom Benchmark</i>	6.7	6.8	3.4	9.2	3.2	-1.4	7.6	2.7	

Effective July 2013, the VRS Custom Benchmark is a blend of the Asset Class Benchmarks at policy weights.

Effective January 2024, the Total Fund includes leverage.

The VRS Cash Account, the Treasurer Short-Term Investment Account, the VRS Rebalancing Account, transition activity and accounts with market values of less than \$1 million are included in the Total Fund's market value. Differences in market value totals are due to rounding.

Leverage Cost Measurement Information

(Information provided for purposes of monitoring the cost effectiveness of leverage implementation.)

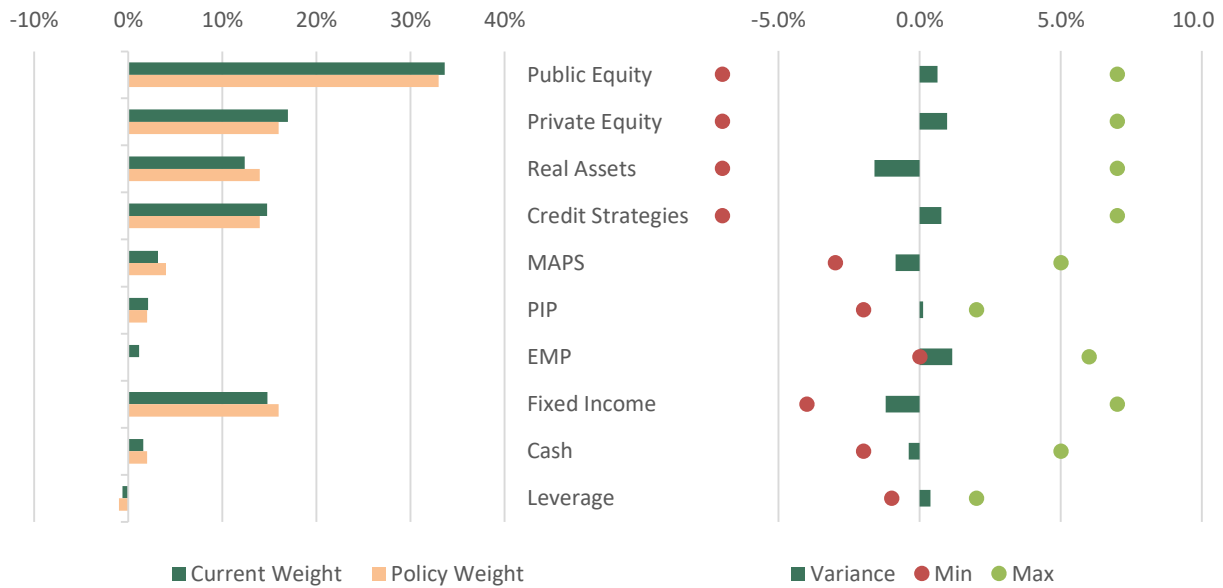
	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month	Fiscal YTD	Cal YTD	Market Value (\$MM)
Leverage	n/a	n/a	n/a	n/a	1.6	0.5	n/a	n/a	(704)
<i>Benchmark</i>	n/a	n/a	n/a	n/a	1.5	0.5	n/a	2.0	

Effective January 2024, the Leverage Custom Benchmark is the Secured Overnight Financing Rate (SOFR) plus 50 basis points per annum.

Daily Asset Allocation Report

June 12, 2024

For Internal Investment Purposes Only



	<u>Current \$Bil</u>	<u>Current Weight</u>	<u>Policy Weight</u>	<u>Variance</u>	<u>Allowable Range</u>		<u>Internal %</u>
Total Fund (Gross Market Value)	114.0	100.6%	101.0%	-0.4%			
Leverage	-0.7	-0.6%	-1.0%	0.4%	-3%	0%	
Total Fund (Net Market Value)	113.3	100.0%	100.0%	0.0%			31.3%

Public Equity	38.1	33.6%	33.0%	0.6%	26%	40%	51.1%
Private Equity	19.2	17.0%	16.0%	1.0%	9%	23%	
Real Assets	14.1	12.4%	14.0%	-1.6%	7%	21%	
Credit Strategies	16.7	14.8%	14.0%	0.8%	7%	21%	
Multi Asset Public Strategies (MAPS)	3.6	3.2%	4.0%	-0.8%	1%	9%	
Private Investment Partnership (PIP)	2.4	2.1%	2.0%	0.1%	0%	4%	
Exposure Management Portfolio (EMP)	1.3	1.2%	0.0%	1.2%	0%	6%	
Fixed Income	16.8	14.8%	16.0%	-1.2%	12%	23%	95.3%
Cash	1.8	1.6%	2.0%	-0.4%	0%	7%	

<u>High-Level Exposure</u>	<u>Current \$Bil</u>	<u>Current Weight</u>	<u>Policy Weight</u>	<u>Variance</u>	<u>Allowable Range</u>	
Total Equity	57.3	50.6%	49.0%	1.6%	39%	59%
Fixed Income + Cash	18.6	16.4%	18.0%	-1.6%	12%	27%

- Total Fund includes the following amount held by the Treasurer of VA: \$337 million
- The values shown for each asset class on this report may reflect adjustments related to derivative positions in the Rebalance Account, pending transactions and certain accruals, in order to provide a more descriptive representation of the true economic exposure to each asset class (0 adjustments applied)
- For the purposes of asset allocation reporting, Total Fund (Gross Market Value) represents the total value of assets invested and Total Fund (Net Market Value) represents the net value of assets invested (the total value of assets less the total value of asset allocation leverage).
- Total Fund and Total Public annualized tracking error is calculated using compounded quarterly returns as of 3/31/2024
- Differences in totals are due to rounding

<u>Tracking Error</u>	
3Yr-Total Fund:	2.68%
3Yr-Total Public:	1.70%
5Yr-Total Fund:	2.31%
5Yr-Total Public:	1.70%

Program	Action	Effective Date	Commitment/Current Value	Funding/Defunding Period	Description
Real Assets	Hired	05/23/2024	\$200 Million	5 years	Resource Capital Mining Separate Account – A separate account focused on global mining equity and debt investments.
Real Assets	Hired	06/04/2024	\$150 Million	4 years	Pretium Single Family Rental Fund VI – Closed-end commingled fund focused exclusively on newly built, Build to Rent single family homes throughout the U.S.
Real Assets	Hired	05/31/2024	\$225 Million	4 years	IPI Partners Fund III – Closed-end commingled fund investing in data centers globally.
Private Equity	Hired	05/10/2024	\$250 million	5 years	**Veritas Capital Fund IX – A US middle market fund investing in businesses providing products, software, and services, primarily technology or technology-enabled solutions to government and commercial customers worldwide.
Private Equity	Hired	04/24/2024	\$150 million	6 years	Monomoy Fund V – A US middle market fund investing in businesses that can be purchased at a good valuation, and concurrently are capable of material operational improvement, including cash generation.
Private Equity	Hired	05/21/2024	\$50 million	6 years	H.I.G. LBO VII – A US middle market fund investing in businesses involving transactional or corporate complexity.
Credit Strategies	Hired	05/14/2024	\$250 million	2 years	Castlelake Asset-Based Private Credit III – A commingled fund focused on asset-based investments in specialty finance, real assets, and aviation.

** The manager is considered DIME under the definition that considers industry best practices and defines an ownership threshold of greater than or equal to 33% and less than 51% of firm ownership or carry.

Report

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

WELCOME AND INTRODUCTION

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

APPROVAL OF MINUTES

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

ADMINISTRATION

Administration Reports & Communications

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

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

DC Plans Recordkeeper Transition Update

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

RBA for Plan Document Updates

Staff presented a Request for Board Action regarding the amended and restated plan documents, including: (i) Commonwealth of Virginia 457 Deferred Compensation Plan (COV Plan), (ii) Virginia Hybrid

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

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

Request for Board Action to Approve Plan Document Updates

INVESTMENTS

Performance Reports

Staff provided an overview of the March 31, 2024, performance reports to the DCPAC, including the unbundled DC plans investment options and the bundled TIAA investment menu in the Retirement Choice (RC) contract for ORPHE.

Callan 2024 DC Trends Survey

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

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

OTHER BUSINESS

Advice and Managed Accounts

A presentation covering investment advice and managed accounts, the difference between the two services, how both services differ from target date funds, the availability of such services in other states,

industry observations, and the adoption process should VRS allow investment advice and managed account services to be provided to defined contribution plans participants was provided by Andrew Ness with Sageview Consulting. A recommendation was made to allow investment advice and managed account services to be provided to defined contribution plans participants by the third-party record keeper beginning January 1, 2025. Staff will work with Mr. Ness and present a proposed implementation and monitoring plan to the DCPAC at its September meeting. VRS staff will also work with the third-party record keeper to execute contract language reflecting the provisions intended for the program, including but not limited to required outreach and re-enrollment.

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

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

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

DCPAC Appointments

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

Recommend RBA for Reappointment of DCPAC Members

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

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

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

Recommend RBA for Appointment of DCPAC Member

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

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

DISCUSSION OF NEW IDEAS

No new ideas were presented.

2024 MEETINGS

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

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

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

There was no other business to come before the Committee.

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

Susan T. Gooden, Chair
Defined Contribution Plans Advisory Committee

Approve Plan Document Updates.

Requested Action

The Virginia Retirement System Board of Trustees approves the amended and restated (i) Commonwealth of Virginia 457 Deferred Compensation Plan (COV Plan), (ii) Virginia Hybrid 457 Deferred Compensation Plan (Hybrid Plan), and (iii) Optional Retirement Plan of the Commonwealth of Virginia for Employees of Institutions of Higher Education, effective January 1, 2025.

Description/Background

The Setting Every Community Up for Retirement Enhancement Act of 2022 (SECURE Act 2.0) was included in the Comprehensive Appropriations Act of 2023, which was signed into law on December 29, 2022. VRS staff undertook a review of the existing Plan Document for the purpose of determining the need or advisability for amendments to the Plans in light of certain discretionary provisions under the SECURE Act 2.0. In addition, ahead of the transition to a new recordkeeper in 2025, VRS staff reviewed the Plans for other possible amendments that would be beneficial for its members. In connection with this project, staff engaged Ice Miller (outside benefits counsel) to review draft amendments to the Plan Document. The overriding goals of this project were to adopt discretionary provisions allowed under the SECURE Act 2.0 and otherwise that serve the interests of plan members.

The proposed amendments to the Plan Documents, effective January 1, 2025, include the following:

- Eliminates the first day of the month rule for initial elections and the exception to that rule for new hires (Hybrid Plan; COV Plan was amended in 2023 to eliminate the first day of the month rule).
- Amends the maximum amount of elective deferrals to the plan to reflect the current federal level (Both Plans).
- Allows additional elective age-based catch-up deferrals to the plan for participants ages 60 to 63 (COV Plan).
- Allows withdrawals for an unforeseeable emergencies (Hybrid Plan).
- Allows self-certification for an unforeseeable emergency withdrawal if (i) the withdrawal amount does not exceed \$2,500 and (ii) no other unforeseeable emergency withdrawal based on a self-certification has been taken in the previous 24 months (Both Plans).
- Eliminate the de minimis withdrawal option, i.e., the option to withdraw the full balance if the balance is under \$5,000 and there have been no contributions to the plan in the previous 24 months) (COV Plan).
- Allows for in-plan Roth conversions (COV Plan).

The proposed amendments also include an amendment to the Optional Plan of the Commonwealth of Virginia for Employees of Institutions of Higher Education to add a provision governing the mandatory cash-out of participant's accounts upon the participant's severance of employment if the balance of the participant's account does not exceed \$1,000. This provision is identical to provisions already contained in the other Plans' Documents.

Authority for Requested Action

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

The above action is approved.

A. Scott Andrews, Chairman
VRS Board of Trustees

Date

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

(As Amended and Restated Effective January 1, 2021)

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

1. As soon as administratively practicable on or after January 1, 2025, Section 5.01, addressing Elective Deferral Limits, is hereby amended to be and read as follows:

Section 5.01. Elective Deferral Limits.

(a) The maximum amount of Elective Deferrals to the Plan for any calendar year shall be limited to the lesser of (i) the applicable dollar amount as provided in Code Section 457(e)(15) or (ii) the Participant's Includible Compensation as provided in Code Section 457(b)(2). The applicable dollar amount is ~~\$22,500~~ \$23,000 for ~~2023~~ 2024, increased thereafter by the Cost-of-Living Adjustment.

(b) A Participant who attains age 50 or more by the end of the calendar year, and who is contributing up to the applicable dollar amount under paragraph (a), may make additional Elective Deferrals under Code Section 414(v) of up to \$7,500 for ~~2023~~ 2024, increased thereafter by the Cost-of-Living Adjustment. ~~The Administrator shall have the authority, in its sole discretion, if determined necessary to comply with applicable law, to suspend the right to make Elective Deferrals under this paragraph for 2024 or any subsequent calendar year. Any suspension under this subsection shall apply to any new or existing Salary Reduction Agreements in effect for such year or years.~~

~~(c) A Participant who attains age 60 but will not attain age 64 by the end of the calendar year, and who is contributing up to the applicable dollar amount under paragraph (a), may make additional Elective Deferrals under Code Section 414(v) of up to (i) \$10,000 or (ii) 150% of the dollar amount under paragraph (b), whichever is greater, increased thereafter by the Cost-of-Living Adjustment.~~

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

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

(2) The sum of:

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

(ii) An amount equal to (i) the aggregate limit referred to in Code Section 457(b)(2) for each prior calendar year beginning after December 31, 1978, and before January 1, 2002, during which the Participant was an Employee (determined without regard to paragraph (b)-~~or~~, (c), or (d)), minus (ii) the aggregate contributions to Pre-2002 Coordination Plans (as defined by Treasury regulations and as provided in Section 5.03(c)) for such years.

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

(e) The Administrator shall have the authority, in its sole discretion, if determined necessary to comply with applicable law, to suspend the right to make Elective Deferrals under this paragraph for 2024 or any subsequent calendar year. Any suspension under this subsection shall apply to any new or existing Salary Reduction Agreements in effect for such year or years.

2. As soon as administratively practicable on or after January 1, 2025, Section 5.03, addressing Coordination of Limits, is hereby amended to be and read as follows:

Section 5.03. Coordination of Limits.

(a) If the Participant is or has been a participant in one or more other eligible plans within the meaning of Code Section 457(b), including the Hybrid 457 Plan, then this Plan and all such other plans shall be considered as one plan for purposes of applying the foregoing limitations of this Article V. For this purpose, the Administrator shall take into account any other such eligible plan maintained by the Participating Employer for which the Administrator receives from the Participating Employer sufficient information concerning such plan, and shall also take into account any other such eligible plan for which the Administrator receives from the Participant sufficient information concerning his or her participation in such other plan.

(b) In applying Section 5.03, a year shall be taken into account only if:

(1) the Participant was eligible to participate in the Plan during all or a portion of the year; and

(2) Compensation deferred, if any, under the Plan during the year was subject to the applicable dollar amount described in Section 5.01(a) or any other plan ceiling required by Code Section 457(b).

(c) For purposes of Section 5.01~~(e)~~(d)(2)(ii) "contributions to Pre-2002 Coordination Plans" means any employer contribution, salary reduction or elective contribution under any other

eligible Code Section 457(b) plan, or a salary reduction or elective contribution under any Code Section 401(k) qualified cash or deferred arrangement, Code Section 402(h)(1)(B) simplified employee pension (SARSEP), Code Section 403(b) annuity contract, and Code Section 408(p) simple retirement account, or under any plan for which a deduction is allowed because of a contribution to an organization described in Code Section 501(c)(18), including plans, arrangements or accounts maintained by the Participating Employer or any employer for whom the Participant performed services. However, the contributions for any calendar year are only taken into account for purposes of Section 5.01~~(e)~~(d)(2)(ii) to the extent that the total of such contributions does not exceed the aggregate limit referred to in Code Section 457(b)(2) for that year.

(d) For 2002 and thereafter, any amounts contributed by the Participant to a tax-sheltered annuity pursuant to Code Section 403(b) or to a 401(k) plan pursuant to Code Section 402(e)(3) shall not reduce the maximum Elective Deferrals under Section 5.01.

(1) An individual is treated as not having deferred compensation under a plan for a prior taxable year to the extent excess deferrals under the plan are distributed, as described in Section 5.04. To the extent that the combined deferrals for pre-2002 years exceeded the maximum deferral limitations, the amount is treated as an excess deferral for those prior years.

(2) The Participant is responsible for ensuring coordination of these limits.

3. As soon as administratively practicable on or after January 1, 2025, Section 9.01, addressing Distribution Restrictions, is hereby amended to be and read as follows:

Section 9.01. Distribution Restrictions.

(a) Except as otherwise provided in this Section 9.01, a Participant or Beneficiary is not entitled to a distribution of his or her Vested Accounts under the Plan until the Participant has had a Break in Service following a Severance from Employment.

(b) Notwithstanding paragraph (a), a Participant who is an Employee may request a distribution of his or her Account on or after the January 1 of the calendar year in which the Participant attains age 70½, even if the Participant has not had a Severance from Employment.

(c) Notwithstanding paragraph (a), a Participant may request a distribution from his or her Rollover Contribution Account at any time.

~~(d) Notwithstanding paragraph (a), a Participant who is an Employee may request a distribution of his or her Account at any time if (i) his or her Account balance does not exceed the de minimis amounts under Code Section 457(e)(9)(A), (ii) no contributions have been made to the Participant's Account in the 24-month period preceding the date the distribution request, (iii) the Participant has not previously taken a withdrawal under this paragraph (d), and the distribution equals the Participant's entire Account balance.~~

(e)(d) A Participant or Beneficiary may submit a request for a distribution to the Administrator on the Applicable Form. The Participating Employer shall certify that the Participant has had a Severance from Employment, if applicable.

4. As soon as administratively practicable on or after January 1, 2025, Section 9.02, addressing Forms of Payment, is hereby amended to be and read as follows:

Section 9.02. Forms of Payment.

(a) Subject to Section 9.06, the terms of the Investment Funds, and any restrictions established by VRS, a Participant may elect to receive his or her Vested Account under any form of payment approved by the Administrator which may include a lump sum payment, annuity payment, periodic payment, or partial lump sum with remainder paid as a periodic payment or annuity payment.

(b) Notwithstanding paragraph (a), a distribution under Section 9.01(c) ~~or 9.01(d)~~ made prior to Severance from Employment shall only be made as a lump sum payment.

5. As soon as administratively practicable on or after January 1, 2025, Section 9.08, addressing Unforeseeable Financial Emergency Distributions, is hereby amended to be and read as follows:

Section 9.08. Unforeseeable Financial Emergency Distributions.

(a) A Participant who has not had a Severance from Employment may receive a distribution for an Unforeseeable Financial Emergency from his or her Account.

(b) Any distribution made because of the Participant's Unforeseeable Financial Emergency shall not exceed the amount reasonably necessary to relieve the Participant's need, including any anticipated taxes or penalties associated with such distribution.

(c) The Participant's distribution request shall specify the reason for the Unforeseeable Financial Emergency and specify the amount the Participant wishes to withdraw to meet the need caused by the Unforeseeable Financial Emergency.

(d) A distribution on account of Unforeseeable Financial Emergency shall not be made to the extent that such emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant's assets to the extent the liquidation of such assets would not itself cause severe financial hardship, or by cessation of Elective Deferrals under the Plan.

(e) The Administrator or its Agent shall determine based on uniform and nondiscriminatory standards whether an Unforeseeable Financial Emergency exists based on the facts and circumstances and in accordance with the claims procedures of the Plan.

(f) Notwithstanding paragraph (e), unless it has actual knowledge to the contrary, the Administrator or its Agent can rely on the Participant's written self-certification that the distribution is an Unforeseeable Financial Emergency that meets the requirements under paragraphs (b) and (d) if (i) the amount of the distribution does not exceed \$2,500 and (ii) the Participant has not previously received a self-certified distribution under this paragraph (f) within 24 months of the date of the distribution request.

(f)(g) The Administrator may charge a reasonable fee for processing Unforeseeable Financial Emergency distributions.

6. As soon as administratively practicable on or after January 1, 2025, a new Section 9.11, addressing In-Plan Roth Rollovers, is hereby added to be and read as follows:

Section 9.11. In-Plan Roth Rollovers.

(a) The following transfers are permitted under the Plan:

(1) Any amount held in a Pre-Tax Contribution Account is eligible for direct transfer to a Roth Contribution Account even if not otherwise distributable under Section 9.01.

(2) Any amount held in a subaccount of the Participant's Transfer Contribution Account holding pre-tax Transfer Contributions or after-tax Transfer Contributions is eligible for direct transfer to a subaccount of the Participant's Transfer Contribution Account holding Roth Transfer Contributions and earnings even if not otherwise distributable under Section 9.01.

(3) Any amount held in a subaccount of the Participant's Rollover Contribution Account holding pre-tax Rollover Contributions and earnings is eligible for direct transfer to a subaccount of the Participant's Rollover Contribution Account holding Roth Rollover Contributions and earnings.

Any such transfer shall be treated as a qualified rollover contribution (within the meaning of Code Section 408A(e)) to such Account.

(b) A Participant's election under this Section 4.10 shall be subject to the reasonable administrative procedures established by the Administrator, Code Section 402A(c)(4) and the regulations thereunder, and subsequent guidance from the Internal Revenue Service.

(c) The taxable portion of the Participant's Accounts transferred to a Roth Contribution Account or to a subaccount of the Participant's Roth Rollover Contribution Account holding Roth Rollover Contributions and earnings pursuant to this Section 9.11 shall be included in the Participant's gross income in the tax year in which the transfer occurs.

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

IN WITNESS WHEREOF, the undersigned has executed this amendment to the Plan this _____ day of _____, 2024.

**BOARD OF TRUSTEES OF THE
VIRGINIA RETIREMENT SYSTEM**

By: _____

Printed Name: _____

Title: _____

Date: _____

**SECOND AMENDMENT TO THE
VIRGINIA HYBRID 457 DEFERRED COMPENSATION PLAN**

(As Amended and Restated Effective January 1, 2021)

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

1. As soon as administratively practicable on or after January 1, 2025, Section 2.2, addressing Definitions, is hereby amended to be and read as follows:

Section 2.02. Definitions. When the initial letter of a word or phrase is capitalized herein the meaning of such word or phrase shall be as follows:

(a) "Account" means the aggregate of the following separate accounts maintained for each Participant reflecting his or her interest under the Plan as follows:

(1) "Pre-Tax Contribution Account" means the account maintained to reflect the Participant's interest under the Plan attributable to his or her Pre-Tax Contributions pursuant to Section 4.01.

(2) "Rollover Contribution Account" means the account maintained to reflect the Participant's interest under the Plan attributable to his or her Rollover Contributions pursuant to Section 4.03. There shall be the following separate subaccounts under the Rollover Contribution Account:

(i) A subaccount to reflect the Participant's interest under the Plan attributable to his or her Rollover Contributions from a Code Section 457(b) plan within the meaning of Section 4.03(a); and

(ii) A subaccount to reflect the Participant's interest under the Plan attributable to his or her Rollover Contributions from an eligible retirement plan within the meaning of Section 4.03(a) other than a Code Section 457(b) plan.

(3) "Transfer Contribution Account" means the account maintained to reflect the Participant's interest under the Plan attributable to his or her Transfer Contributions pursuant to Section 4.04. There shall be the following separate subaccounts under the Transfer Contribution Account:

(i) A subaccount to reflect the Participant's interest under the Plan attributable to his or her Transfer Contributions from an eligible retirement plan within the meaning of Section 4.04(a) that consists of after-tax employee contributions; and

(ii) A subaccount to reflect the Participant's interest under the Plan attributable to his or her Transfer Contributions from an eligible retirement plan within the meaning of Section 4.04(a) that consists of employer and/or employee contributions other than after-tax employee contributions.

(b) "Administrator" means VRS; provided, however, that to the extent that VRS has delegated any of its responsibilities as Administrator to any other person or persons, the term Administrator shall be deemed to refer to that person or persons. The VRS Director shall serve as the chief administrative officer of the Plan.

(c) "Agent" means a service provider selected by the Administrator, in its sole and absolute discretion, to provide services under the Plan.

(d) "Applicable Form" means the appropriate form as designated and furnished by the Administrator or the Agent to make any election or provide any notice required by the Plan. In those circumstances where a written election or consent is not required by the Plan or the Code, the Administrator and/or the Agent may prescribe an electronic or telephonic form in lieu of or in addition to a written form.

(e) "Automatic Escalation Arrangement" is an arrangement under which, in the absence of an affirmative election by a Covered Employee, the Participant's Elective Deferrals shall be increased by one-half of one percent every three years until the Participant's Elective Deferrals equal four percent of his or her Creditable Compensation, as described in Section 4.02.

(f) "Beneficiary" means any person, company, trustee or estate designated by the Participant on the Applicable Form to receive any benefits payable under the Plan in the event of the Participant's death. If the designated primary or contingent Beneficiary does not survive the Participant or there is no Beneficiary designated, the Participant's Beneficiary shall be determined in accordance with Va. Code Section 51.1-162, as follows: (i) the Participant's surviving Spouse, or if none; (ii) the Participant's children and descendants of deceased children, per stirpes, or if none; (iii) the Participant's parents equally if both living, or if none; (iv) the duly appointed executor or administrator of the Participant's estate, or if none; (v) the next of kin entitled to inherit under the laws of the Participant's domicile at the time of death. If a Beneficiary survives the Participant but dies before the entire Account has been distributed, then the unpaid balance of the Account shall be distributed to the Beneficiary's estate. Beneficiary also means an alternate payee within the meaning of Code Section 414(p)(8).

(g) "Board" means the Board of Trustees of the Virginia Retirement System.

(h) "Break in Service" means a period of at least one full calendar month from the end of the month in which the Participant has a Severance from Employment.

(i) "CARES Act" means the Coronavirus Aid, Relief, and Economic Security Act of 2020.

(j) "Code" means the Internal Revenue Code of 1986, as amended from time to time.

(k) "Commonwealth" means the Commonwealth of Virginia and an agency or instrumentality thereof.

(l) "Contributions" mean Pre-Tax Contributions, Rollover Contributions, and Transfer Contributions.

(m) "Coronavirus-Related Distribution" means a distribution made on or after April 9, 2020, but before December 31, 2020, or such later date as provided in legislation modifying or extending the CARES Act or regulatory guidance under the CARES Act, to a Qualified Individual in accordance with Section 9.05.

(n) "Cost-of-Living Adjustment" means the cost-of-living adjustment prescribed by the Secretary of the Treasury under Code Section 401(a)(17), 414(v), or 457(e)(15) for any applicable year.

(o) "Covered Employee" means an Employee who has elected to contribute to the Plan Elective Deferrals equal to less than 4% of his or her Creditable Compensation, and who is subject to an Automatic Escalation Arrangement pursuant Va. Code Section 51.1-169(C)(3).

(p) "Creditable Compensation" has the meaning set forth in Va. Code Section 51.1-124.3, as interpreted by VRS. Creditable Compensation generally means the Employee's annual salary, not including overtime pay, payment of a temporary nature, or payments for extra duties. Creditable Compensation shall not include any amounts paid after Severance from Employment except for regular pay that would have been paid to the Employee prior to a Severance from Employment if the Employee continued in employment with the Employer and that is otherwise Creditable Compensation.

(q) "Deferred Compensation Plan" means the Commonwealth of Virginia 457 Deferred Compensation Plan, as amended from time to time.

(r) "Effective Date" of the Plan means January 1, 2021.

(s) "Elective Deferral" means Pre-Tax Contributions.

(t) "Employee" means any common law employee employed by an Employer who:

(1) is first hired or rehired in a position covered for retirement purposes under Chapter 1 of Title 51.1 of the Va. Code (Section 51.1-124.1 et seq.) on or after January 1, 2014; or

(2) made an irrevocable election to participate in the Plan pursuant to Va. Code Section 51.1-169(A).

An Employee who was first hired in a position covered for retirement purposes under Chapter 1 of Title 51.1 of the Va. Code (Section 51.1-124.1 et seq.) prior to January 1, 2014, but who took a refund of his or her member contributions and interest or withdrew his or her full account under an optional retirement plan maintained under the same Chapter, will be treated as an Employee under paragraph (1) if otherwise applicable. An Employee does not include: (i) any person who

meets the definition of "emergency medical services personnel in Va. Code Section 32.1-111.1 or is employed as a firefighter, emergency medical technician, or law-enforcement officer as those terms are defined in Va. Code Section 15.2-1512.2, and whose Employer has adopted the resolutions described in Va. Code Section 51.1-153(B)(4) or Va. Code Section 51.1-155(A)(3); (ii) any employee who is a participant in or eligible to participate in, the retirement plans under Chapter 2 of Title 51.1 of the Va. Code (Section 51.1-200 et seq.), Chapter 2.1 of Title 51.1 of the Va. Code (Section 51.1-211 et seq.), and the optional retirement plans established under Va. Code Sections 51.1-126.1, 51.1-126.3, 51.1-126.4, and 51.1-126.7, or a person eligible to earn benefits under Va. Code Section 51.1-138; or (iii) any member of the retirement plan under Chapter 3 of Title 51.1 of the Va. Code (Section 51.1-300 et seq.) except members appointed to an original term on or after January 1, 2014. An Employee also does not include any person employed by a Political Subdivision who has elected to direct his or her voluntary hybrid contributions to a 403(b) plan established by his or her Employer; provided, however, that such a person may change his or her election on or before November 30 of each year, and become an Employee under the Plan effective January 1 of the following year as described in Va. Code Section 51.1-169(G)(3).

(u) "Employer" means an employer as defined under Va. Code Section 51.1-124.3 that is an eligible employer within the meaning of Code Section 457(e)(1)(A). The Commonwealth is considered a single Employer for purposes of the Plan.

(v) "HEART" means the Heroes Earnings Assistance and Relief Tax Act of 2008, as amended from time to time.

(w) "Includible Compensation" means all compensation received by an Employee from the Employer that is includible in his or her gross income for federal income tax purposes (computed without regard to Code Section 911) for that taxable year. Includible Compensation also includes any amounts excludable from taxable income because of an election under Code Sections 401(k), 403(b), 457(b), 125, and 132(f). Includible Compensation includes any compensation described in paragraphs (1), (2), or (3), provided the compensation is paid by the later of two and one-half months after the Employee's Severance from Employment or the end of the calendar year in which the Employee has a Severance from Employment:

(1) a payment that would have been paid to the Employee prior to a Severance from Employment if the Employee had continued in employment with the Employer and that is regular compensation for services during the Employee's regular working hours, compensation for services outside the Employee's regular working hours (such as overtime or shift differential), commissions, bonuses, or other similar payments;

(2) a payment for unused accrued bona fide sick leave, vacation or other leave, but only if the Employee would have been able to use the leave if employment had continued and the payment would have been included in the definition of Includible Compensation if paid prior to the Employee's Severance from Employment; and

(3) a payment received by an Employee pursuant to a nonqualified unfunded deferred compensation plan, but only if the payment would have been paid to the Employee at the same time if the Employee had continued in employment with the Employer and only to the extent that the payment is includible in the Employee's gross income.

Includible Compensation is determined without regard to any community property laws. Includible Compensation shall not exceed the limits under Code Section 401(a)(17), to the extent applicable, increased by the Cost-of-Living Adjustment.

(x) "Investment Funds" means the mutual funds, collective investment trust funds, insurance company separate accounts, annuity contracts, or other investment vehicles made available to Participants for the investment of their Accounts. The Administrator, in its sole and absolute discretion, shall select the Investment Funds and may add or delete Investment Funds.

(y) "Normal Retirement Age" means the age elected by the Participant on the Applicable Form that is (i) on or after the earlier of age 65 or the age at which the Participant can retire and receive an unreduced benefit from the Employer's pension plan and (ii) not later than age 70½.

(z) "Participant" means any Employee who is or may become eligible to receive a benefit of any type under the Plan. A Participant shall also mean, when appropriate to the context, a former Employee who is eligible to receive a benefit of any type under the Plan.

(aa) "Plan" means the Virginia Hybrid 457 Deferred Compensation Plan, as amended from time to time.

(bb) "Plan Year" means the calendar year.

(cc) "Political Subdivision" means a county, municipality, authority, school division or other political subdivision of the Commonwealth or an agency thereof.

(dd) "Pre-Tax Contributions" mean the contributions made to the Plan by the Employer at the election of a Participant pursuant to a Salary Reduction Agreement in accordance with Section 4.01.

(ee) "Qualified Individual" means a Participant:

(1) who is diagnosed with the virus SARS-CoV-2 or with coronavirus disease 2019 (COVID-19) by a test approved by the Centers for Disease Control and Prevention;

(2) whose Spouse or dependent (as defined in Code Section 152) is diagnosed with such virus or disease by such a test; or

(3) who experiences adverse financial consequences as a result of:

(i) the Participant, the Participant's Spouse, or a member of the Participant's household (a) being quarantined, (b) being furloughed or laid off or having work hours reduced due to such virus or disease, (c) being unable to work due to lack of child care due to such virus or disease, (v) having a reduction in pay (or self-employment income) due to such virus or disease, or (e) having a job offer rescinded or start date for a job delayed due to such virus or disease;

(ii) closing or reducing hours of a business owned or operated by the Participant, the Participant's Spouse, or a member of the Participant's household due to such virus or disease; or

(iii) other factors as determined by the Secretary of the Treasury (or the Secretary's delegate); or

(4) any other Participant who satisfies the definition of a Qualified Individual as provided in legislation modifying or extending the CARES Act or regulatory guidance under the CARES Act.

For purposes of this paragraph (ee), a member of the Participant's household means someone who shares the Participant's principal residence.

(ff) "Related Employer" means the Employer and any other entity which is under common control with the Employer under Code Section 414(b), (c) or (m). For this purpose, the Board shall determine which entities are Related Employers based on a reasonable, good faith standard and taking into account the special rules applicable under Notice 89-23, 1989-1 C.B. 654.

(gg) "Rollover Contributions" mean the contributions made to the Plan pursuant to Section 4.03.

(hh) "Salary Reduction Agreement" means an agreement entered into between an Employee and the Employer pursuant to Section 4.01. Such agreement shall not be effective with respect to Creditable Compensation made available prior to the effective date of such agreement and shall be binding on the parties and irrevocable with respect to Creditable Compensation earned while it is in effect.

(ii) "Section" means, when not preceded by the word Code, a section of the Plan.

(jj) "Severance from Employment" means the complete termination of the employment relationship between the Employee and the Employer.

(kk) "Spouse" means the person to whom the Participant is legally married under federal law.

(ll) "Transfer Contributions" mean the contributions made to the Plan pursuant to Section 4.04.

(mm) "Trust" means the Master Trust for the Deferred Compensation Plan of the Commonwealth of Virginia, which may incorporate one or more qualified trusts under Code Section 457(g), custodial accounts treated as qualified trusts under Code Section 401(f), and/or annuity contracts treated as qualified trusts under Code Section 401(f), established under the Plan to hold Plan assets.

(nn) "Trust Fund" means the assets of the Plan held pursuant to the terms of the Plan and the Trust.

(oo) "Trustee" means the trustee or any successor trustee designated and appointed by VRS and includes a custodian of a custodial account or an insurer of an annuity contract under Code Section 457(g)(3).

(pp) "Unforeseeable Financial Emergency" means a severe financial hardship of the Participant resulting from:

(1) an illness or accident of the Participant, the Participant's Spouse, the Participant's dependent (as defined in Code Section 152 without regard to Code Sections 152(b)(1), (b)(2), and (d)(1)(B)), or a Beneficiary of the Participant;

(2) loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by homeowner's insurance, e.g., as a result of a natural disaster);

(3) the need to pay funeral expenses of the Participant's Spouse, the Participant's dependent (as defined in Code Section 152 without regard to Code Sections 152(b)(1), (b)(2), and (d)(1)(B)), or a Beneficiary of the Participant; or

(4) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.

~~(pp)~~(qq) "USERRA" means the Uniformed Services Employment and Reemployment Rights Act of 1994, as amended from time to time.

~~(qq)~~(rr) "Va. Code" means the Code of Virginia, as amended from time to time.

~~(rr)~~(ss) "Vested" means the interest of the Participant or Beneficiary in his or her Accounts which is unconditional, legally enforceable, and nonforfeitable at all times.

~~(ss)~~(tt) "VRS" means the Virginia Retirement System.

2. As soon as administratively practicable on or after January 1, 2025, Section 4.01, addressing Elective Deferrals, is hereby amended to be and read as follows:

Section 4.01. Elective Deferrals.

(a) Subject to the limitations under Article V, an Employee who has satisfied the participation requirements under Section 3.01 may enter into a written Salary Reduction Agreement agreeing to contribute each pay period Pre-Tax Contributions to the Plan equal to a specified half or whole percentage of his or her Creditable Compensation up to a maximum of four percent.

(b) Elective Deferrals shall begin as soon as administratively practicable following the date specified in the Salary Reduction Agreement, or, if later or if no date is specified, as soon as administratively practicable after the Salary Reduction Agreement is filed with the Administrator. ~~Notwithstanding the preceding, the Salary Reduction Agreement shall become effective no earlier~~

~~than the first day of the calendar quarter following the month in which the Salary Reduction Agreement is executed and submitted to the Administrator.~~

(c) Elective Deferrals shall reduce the Creditable Compensation otherwise payable to a Participant and shall be paid in cash to the Trustee by the Employer each payroll period, on a basis consistent with its payroll practices, as soon as administratively feasible after being withheld from the Creditable Compensation of a Participant, but no later than 15 business days following the end of the month in which such amount is withheld from the Creditable Compensation of the Participant.

(d) A Participant may change his or her election to make Pre-Tax Contributions at any time by entering into new Salary Reduction Agreement. ~~If the Salary Reduction Agreement is filed by the 15th day of the month prior to the end of the calendar quarter, it shall become effective on the first day of the calendar quarter following the month in which the Salary Reduction Agreement is executed and submitted to the Administrator. If the Salary Reduction Agreement is filed thereafter, it shall become effective on the first day of the subsequent calendar quarter. Any such changes shall be effective as soon as administratively practicable following the date specified in the new Salary Reduction Agreement, or if later, as soon as administratively practicable after the Salary Reduction Agreement is filed with the Administrator.~~

(e) A Participant may terminate his or her election to make Elective Deferrals at any time by filing the Applicable Form with the Administrator, which shall be effective as soon as administratively practicable after the Applicable Form is filed with the Administrator.

(f) If a Participant's Elective Deferrals to the Plan cease during a Plan Year because they exceed the limits set forth in Article V, the Participant must either ensure that his or her Employer begins Elective Deferrals pursuant to the existing Salary Reduction Agreement the following Plan Year or enter into a new Salary Reduction Agreement for the following Plan Year in order to continue making Elective Deferrals under the Plan.

(g) An election to make Elective Deferrals shall not be valid with respect to any period during which the Participant is not an Employee. No election to make, change, or discontinue Elective Deferrals shall be given retroactive effect.

(h) The Administrator may establish additional nondiscriminatory rules and procedures governing the manner and timing of elections by Participants to make, change, or discontinue Elective Deferrals.

3. As soon as administratively practicable on or after January 1, 2025, Section 5.01, addressing Elective Deferral Limits, is hereby amended to be and read as follows:

Section 5.01. Elective Deferral Limits. The maximum amount of Elective Deferrals to the Plan for any calendar year shall be limited to the lesser of (i) the applicable dollar amount as provided in Code Section 457(e)(15) or (ii) the Participant's Includible Compensation as provided in Code Section 457(b)(2). The applicable dollar amount is ~~\$19,500~~ \$23,000 for ~~2021~~ 2024, increased thereafter by the Cost-of-Living Adjustment. However, in no event can the Elective Deferrals be more than the Participant's Creditable Compensation for the year.

4. As soon as administratively practicable on or after January 1, 2025, the Plan is hereby amended by adding a Section 9.08, addressing Unforeseeable Financial Emergency Distributions, and renumbering current Sections 9.08 and 9.09, to be and read as follows:

Section 9.08. Unforeseeable Financial Emergency Distributions.

(a) A Participant who has not had a Severance from Employment may receive a distribution for an Unforeseeable Financial Emergency from his or her Account.

(b) Any distribution made because of the Participant's Unforeseeable Financial Emergency shall not exceed the amount reasonably necessary to relieve the Participant's need, including any anticipated taxes or penalties associated with such distribution.

(c) The Participant's distribution request shall specify the reason for the Unforeseeable Financial Emergency and specify the amount the Participant wishes to withdraw to meet the need caused by the Unforeseeable Financial Emergency.

(d) A distribution on account of Unforeseeable Financial Emergency shall not be made to the extent that such emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant's assets to the extent the liquidation of such assets would not itself cause severe financial hardship, or by cessation of Elective Deferrals under the Plan.

(e) The Administrator or its Agent shall determine based on uniform and nondiscriminatory standards whether an Unforeseeable Financial Emergency exists based on the facts and circumstances and in accordance with the claims procedures of the Plan.

(f) Notwithstanding paragraph (e), unless it has actual knowledge to the contrary, the Administrator or its Agent can rely on the Participant's written self-certification that the distribution is an Unforeseeable Financial Emergency that meets the requirements under paragraphs (b) and (d) if (i) the amount of the distribution does not exceed \$2,500 and (ii) the Participant has not previously received a self-certified distribution under this paragraph (f) within 24 months of the date of the distribution request.

(g) The Administrator may charge a reasonable fee for processing Unforeseeable Financial Emergency distributions.

Section ~~9.08~~ 9.09. Transfer to Defined Benefit Governmental Plan.

(a) If a Participant is also a participant in a tax-qualified defined benefit governmental plan (as defined in Code Section 414(d)) that provides for the acceptance of plan-to-plan transfers with respect to the Participant, then the Participant may elect to have any portion of the Participant's Rollover Account transferred to the defined benefit governmental plan, subject to the terms of the Investment Fund. A Participant may not elect to have any portion of the Participant's Pre-Tax Contribution Account or Transfer Contribution Account transferred under this Section. A transfer under this Section may be made before the Participant has had a Severance from Employment.

(b) A transfer may be made under this Section only if the transfer is either for the purchase of permissive service credit (as defined in Code Section 415(n)(3)(A)) under the receiving defined benefit governmental plan or a repayment to which Code Section 415 does not apply by reason of Code Section 415(k)(3).

Section ~~9.09~~ 9.10. Transfers from the Plan.

The Plan shall transfer a Participant's Account to the Deferred Compensation Plan to correct an eligibility error under the following conditions: (i) the Participant whose amounts are being transferred will have a deferred amount immediately after the transfer at least equal to the deferred amount with respect to that Participant immediately before the transfer; and (ii) the transfer satisfies such other rules and policies established by the Administrator.

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

IN WITNESS WHEREOF, the undersigned has executed this amendment to the Plan this _____ day of _____, 2024.

BOARD OF TRUSTEES OF THE VIRGINIA RETIREMENT SYSTEM

By: _____

Printed Name: _____

Title: _____

Date: _____

**SECOND AMENDMENT TO THE
OPTIONAL RETIREMENT PLAN OF THE COMMONWEALTH OF VIRGINIA FOR
EMPLOYEES OF INSTITUTIONS OF HIGHER EDUCATION**

(As Amended and Restated Effective January 1, 2021)

The Board of Trustees of the Virginia Retirement System (“Board”) has the authority to amend the Optional Retirement Plan of the Commonwealth of Virginia for Employees of Institutions of Higher Education (“Plan”) in accordance with Section 51.1-600 *et seq.* of the Code of Virginia and Section 16.01 of the Plan. In accordance with such authority, the Board hereby amends the Plan, effective as of the dates stated herein, to add a provision governing the mandatory distribution of small balances.

1. As soon as administratively practicable on or after January 1, 2025, Section 9.02, addressing Forms of Payment, is hereby amended, and the Plan is hereby amended by adding a section 9.04, addressing Mandatory Cash-Out and renumbering current Sections 9.04, 9.05, and 9.06 to be and read as follows:

Section 9.02. Forms of Payment.

(a) Subject to Section ~~9.05~~ **9.06**, the terms of the Investment Funds, and any restrictions established by VRS, a Participant may elect to receive his or her Vested Account under any form of payment approved by the Administrator, which may include a lump sum payment, annuity payment, periodic payment, or partial lump sum with remainder paid as a periodic payment or annuity payment.

(b) Notwithstanding paragraph (a), a distribution under Section 9.01(b) made prior to Severance from Employment shall only be made as a lump sum payment.

Section 9.04. Mandatory Cash-Out. A lump sum payment of the Participant’s Account may be made at the Participant’s Severance from Employment without his or her consent, provided that the Account balance (not including the Rollover Contribution Account) does not exceed \$1,000, unless the Participant elects to have such distribution paid directly to an eligible retirement plan specified by the Participant in a direct rollover. Any lump sum payments made under this Section 9.04 shall be made in a uniform and nondiscriminatory manner.

Section ~~9.04~~ 9.05. Death Benefit. If a Participant dies before distribution of his or her entire Account, his or her Account shall be payable to his or her Beneficiary under the distribution options available under the Investment Funds, subject to Code Section 401(a)(9).

Section ~~9.05~~ 9.06. Required Minimum Distribution Rules.

(a) The provisions of this Section ~~9.05~~ **9.06** take precedence over any inconsistent provisions of the Plan. All distributions under this Plan shall be made in accordance with Code Section 401(a)(9) and the regulations promulgated thereunder, including the incidental death benefit rules under Code Section 401(a)(9)(G), and the changes under the Setting Every

Community Up for Retirement Enhancement Act of 2019, and any regulatory guidance issued thereunder, and shall comply with rules under this Section ~~9.05~~ 9.06.

(b) Distributions may only be made over one of the following periods (or a combination thereof):

- (1) The life of the Participant;
- (2) The life of the Participant and a designated individual Beneficiary;
- (3) A period certain not extending beyond the life expectancy of the Participant;

or

(4) A period certain not extending beyond the joint and last survivor life expectancy of the Participant and designated individual Beneficiary.

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

(d) The Administrator or its Agent shall calculate the amounts required to be distributed to a Participant under this Section and notify such Participant of such distributions prior to the date distributions must begin.

(e) Notwithstanding anything in this Section ~~9.05~~ 9.06 to the contrary, for 2020 or such longer period as provided in legislation modifying or extending the Coronavirus Aid, Relief, and Economic Security Act of 2020, the minimum distribution requirements will be satisfied for 2020 as provided in paragraph (1) or (2) below, as determined by the terms of the trust, custodial account, and/or annuity contract incorporated under the Trust and governing the Participant's or Beneficiary's required minimum distribution:

(1) Effective March 27, 2020, or as soon as administratively practicable thereafter, a Participant or Beneficiary who would have been required to receive a required minimum distribution in 2020 (or paid in 2021 for the 2020 calendar year for a Participant with a required beginning date of April 1, 2021) but for the enactment of Code Section 401(a)(9)(I) ("2020 RMDs") and who would have satisfied that requirement by receiving distributions that are

(i) equal to the 2020 RMDs, will not receive these distributions unless the Participant or Beneficiary chooses to receive the distributions; or

(ii) one or more payments (that include the 2020 RMDs) in a series of substantially equal periodic payments made at least annually and expected to last

for the life (or life expectancy) of the Participant, the joint lives (or joint life expectancies) of the Participant and the Beneficiary, or for a period of at least 10 years ("Extended 2020 RMDs"), will receive these distributions unless the Participant or Beneficiary chooses not to receive the distributions.

Participants and Beneficiaries described in paragraphs (i) and (ii) will be given the opportunity to elect to receive and/or stop receiving the distributions, as applicable, described in those paragraphs.

(2) Effective March 27, 2020, or as soon as administratively practicable thereafter, a Participant or Beneficiary who would have been required to receive a 2020 RMD, and who would have satisfied that requirement by receiving distributions that are (i) equal to the 2020 RMDs or (ii) Extended 2020 RMDs, will receive this distribution unless the Participant or Beneficiary chooses not to receive such distributions. Participants and Beneficiaries described in the preceding sentence will be given the opportunity to elect to stop receiving the distribution described in the preceding sentence.

(3) In addition, solely for purposes of applying the direct rollover provisions of Article XII, 2020 RMDs and Extended 2020 RMDs will be treated as eligible rollover distributions in 2020.

Section ~~9.06~~ 9.07. Additional Tax on Early Withdrawals.

(a) Generally, and except as described in paragraph (b), if a Participant receives any amount under the Plan, his or her tax for the taxable year in which such amount is received is increased by an amount equal to 10% of the portion of such amount which is includible in gross income. Such amount shall be included in gross income to the extent allocable to income on the Investment Fund and shall not be included in gross income to the extent allocable to the investment in the Investment Fund as provided in Code Section 72(e)(2)(b).

(b) The penalty described in paragraph (a) generally does not apply to any distribution (i) made on or after the date on which the Participant attains age 59½, (ii) made on or after the death of the Participant, (iii) attributable to the Participant becoming disabled within the meaning of Code Section 72(m)(7), (iv) which is part of a series of substantially equal periodic payments made (not less frequently than annually) for the life or life expectancy of the Participant or the joint lives (or joint life expectancies) of such Participant and his or her designated Beneficiary, (v) made to a Participant after Severance from Employment following the attainment of age 55, (vi) which is a qualified reservist distribution within the meaning of Code Section 72(t)(2)(G)(iii), or (vii) any other circumstance permitted by the Code or the Internal Revenue Service.

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

IN WITNESS WHEREOF, the undersigned has executed this amendment to the Plan this _____ day of _____, 2024.

**BOARD OF TRUSTEES OF THE
VIRGINIA RETIREMENT SYSTEM**

By: _____

Printed Name: _____

Title: _____

Date: _____



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

Requested Action

The Virginia Retirement System Board of Trustees accepts the recommendation of the Defined Contribution Plans Advisory Committee (DCPAC) to allow investment advice and managed account services to be provided to defined contribution plans participants by the third-party record keeper beginning January 1, 2025.

Description/Background

The VRS Investment Policy Statement for an Unbundled Defined Contribution Plan Structure provides that the Board is responsible for determining whether “individual investment advice will be provided and the terms on which it will be available to participants.”

On June 15, 2023, the Board of Trustees approved the selection of Voya to serve as VRS’ defined contribution plans third-party administrator after the completion of a thorough procurement process.

In addition to the services Voya will provide as VRS’ third-party record keeper for VRS’ defined contribution plans, Voya offers services providing investment advice and managed account services through Voya Retirement Advisors, LLC (VRA). VRA is a duly registered investment advisor under the Advisors Act and VRA and its delegates are investment fiduciaries with respect to advisory services.

The VRA services include providing personalized retirement forecasts, risk assessments, and instructions that include savings and specific fund recommendations to be implemented by the participant. There is no additional cost to the participant for these services.

In addition, VRA provides managed account services that allow a participant to delegate the management of their account to an investment professional. Managed account services offered by VRA are fee-based but are not commission-based. The accounts of participants who opt into managed account services are reviewed monthly and investment updates are made when needed based on market and economic conditions. The managed accounts services also provides participants with assistance related to other retirement planning topics, like incoming planning.

It will be administratively easier to begin to offer these services at the same time as VRS transitions to Voya as the third-party record keeper. VRS staff will work with Voya to identify appropriate metrics and establish an ongoing monitoring process to ensure that the advice product and managed accounts service continue to provide value to participants in the VRS defined contribution plans.

Authority for Requested Action

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

The above action is approved.

A. Scott Andrews, Chairman
VRS Board of Trustees

Date



Advice & Managed Accounts

Virginia Retirement System

SageView Advisory Group | 800.814.8742 | sageviewadvisory.com
SageView Advisory Group LLC is a Registered Investment Adviser. Advisory services are only offered to clients or prospective clients where SageView and its representatives are properly licensed or exempt from licensure. This document is solely for informational purposes. Past performance is no guarantee of future returns. Investing involves risk and possible loss of principal capital. No advice may be rendered by SageView unless a client service agreement is in place.

Advice & Managed Accounts – What is it?

Advice

- Voya Retirement Advisors, LLC (VRA) is the registered investment advisor
- Computer based model powered by Edelman Financial Engines
- Employee personal data provided will support:
 - Income forecast
 - Savings rate
 - Investment advice
- On-line with VRA advisor assistance available by phone; Series 6, 63, and 65; some CFP®
- VRA is a fiduciary for investment advice
- Point in time
- No user fee

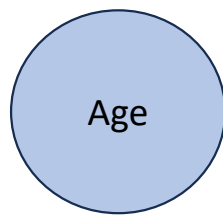
Managed Accounts

- All services from advice, and authority to manage investments going forward, including investment changes
- Monthly portfolio reviews with investment updates when needed
- Quarterly updates to participant to show progression toward retirement and personalization used
- Near retirees may value:
 - Income planning
 - Social Security guidance
- Asset fee for users
 - First \$100,000 = 0.40%
 - Next \$150,000 = 0.35%
 - Amounts over \$250,000 = 0.30%

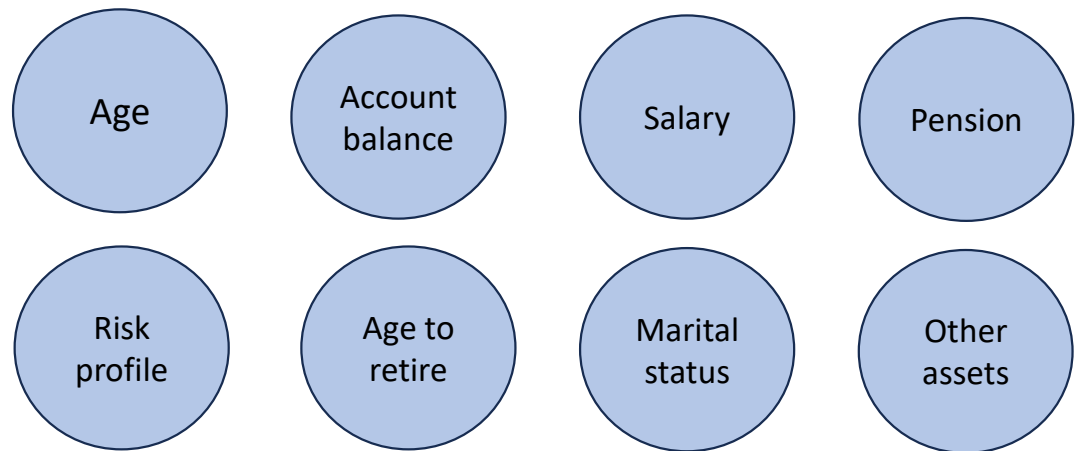
Advice & Managed Accounts – How does it differ from TDF?

Target date funds provide a portfolio based on the participant's retirement date, but managed accounts can consider additional personal data

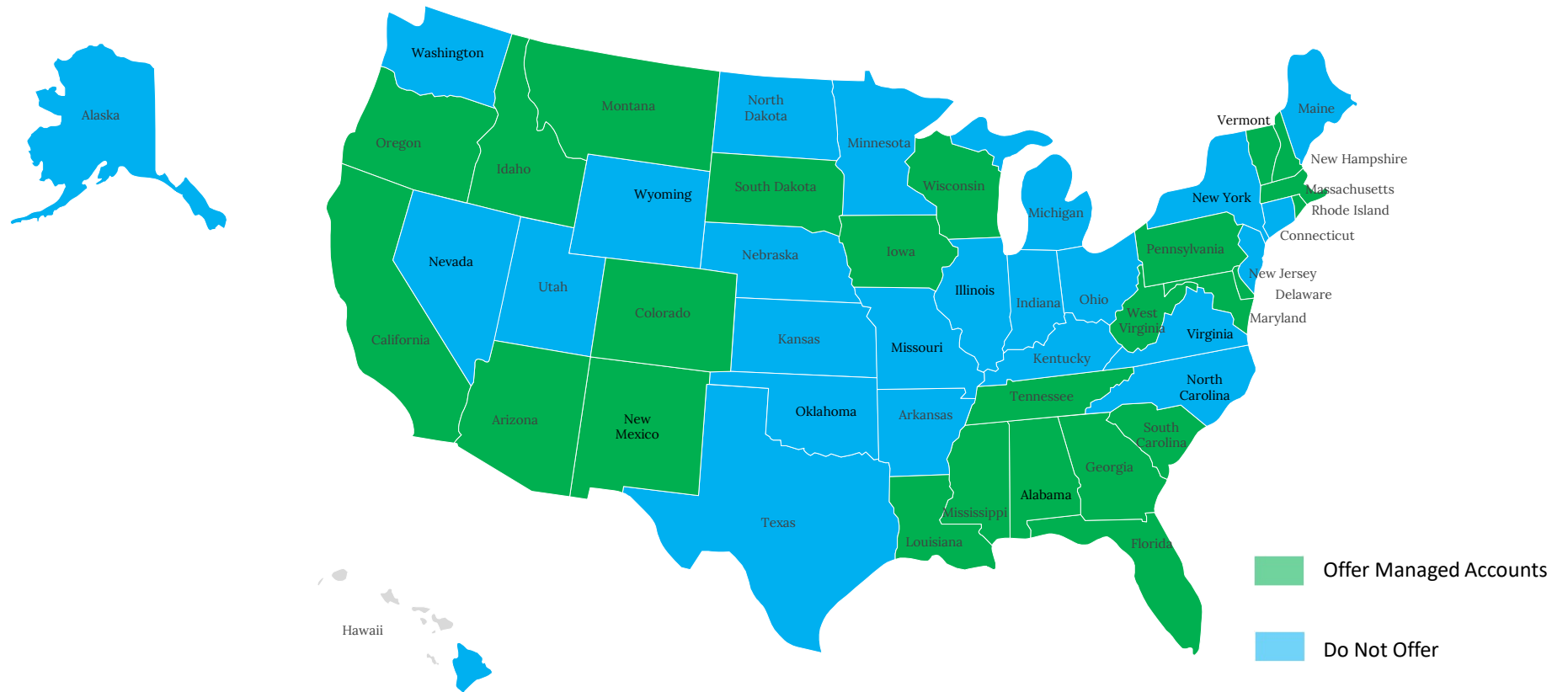
Target Date Funds



Managed Accounts



Advice & Managed Accounts – Do other State 457 Plans offer it?



May 2024: data is based on review of 457 plan websites

Advice & Managed Accounts – Industry Observations

Cautionary

- Requiring participants to actively select managed accounts is a broadly used model; use as a default could have unintended results
- Personalization from the participant is key to getting value from managed accounts
- 0.40% fee can be a lot of money

		Account Size		
		\$100,000	\$300,000	\$600,000
\$100,000	0.40%	\$400	\$400	\$400
\$150,000	0.35%		\$525	\$525
> \$250,000	0.30%		\$150	\$1,050
	Total Fee:	\$400	\$1,075	\$1,975
	%:	0.40%	0.36%	0.33%

- Worry that this will be pushed on participants
- Fiduciary concerns
- Requires additional and ongoing oversight
- Quarterly valued option (VRSIP) will not be used

Optimistic

- Participants like having the option if they want it
- More customization and personalization based on participant feedback
- This is not a commission sales product
- Develop guardrails with the provider; investment discretion is limited to assets within the plan, and prohibit moving assets to products outside of the plan
- Users get quarterly reminders of service and personalization traits
- Institutional pricing, and 0.40% is competitive (RFP, other plans)
- Reporting and monitoring is more in-depth than it used to be; i.e., Voya offers listening to calls
- Income planning and Social Security guidance may be valuable for decumulation phase

Advice & Managed Accounts – What is involved with adoption?

- Separate agreement but implementing with the larger Voya transition
 - No cross-selling from Voya; no marketing of other products
 - Protection and use of participant information
 - Data protection and no monetization of collected participant data and information
- Voya Retirement Advisors is fiduciary for advice provided, but VRS is responsible for decision to offer it and selecting Voya
- Ongoing monitoring
 - Receive regular reporting from Voya
 - Participation
 - Personalization
 - Portfolio construction
 - Performance
 - Monitor for participant complaints and overall product satisfaction
 - Fees
 - Re-enrollment can be used if concerned about participants forgetting about service

Advice & Managed Accounts – What is involved with adoption?

Implementation Milestones

DCPAC May 23:

RBA for services

Board of Trustees June 20, 2024

Next:

Contracting

Develop monitoring process, including service level agreements

Include new offering with transition communications

Updates: DCPAC Sept 12 and DCPAC Dec 5

Jan 2025 available with Voya implementation

Report

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

APPROVAL OF MINUTES

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

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

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

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

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

ADMINISTRATION, FINANCE AND TALENT MANAGEMENT COMMITTEE CHARTER REVIEW

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

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

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

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

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

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

REAPPOINTMENT OF INVESTMENT ADVISORY COMMITTEE (IAC) MEMBERS

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

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

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

FREEDOM OF INFORMATION ACT (FOIA) ELECTRONIC MEETING ATTENDANCE POLICY

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

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

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

EXTERNAL INVESTMENT MANAGER REFERRAL POLICY

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

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

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

BUDGET UPDATE

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

SUCCESSION MANAGEMENT UPDATE

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

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

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

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

Approve FY 2025 APOs and Operational Measures.

Requested Action

The VRS Board of Trustees approves the FY 2025 Agency Performance Outcomes and Agency Operational Measures.

Description/Background

Each year the VRS Board of Trustees approves Agency Performance Outcomes (APOs) and Operational Measures. The APOs are stretch goals for the Administrative staff. The Operational Measures are agency performance measures.

APOs (see attachment 1). The FY 2025 APOs have five stated outcomes summarized as follows:

1. **Customer Experience Enhancements: Call Management System (CMS) – Phase 2**
2. **Data Quality Enhancements – Phase 1**
3. **Identity Proofing Initiative – Phase 1**
4. **VNAV Enhancements**
5. **Human Resource Information System (HRIS) Implementation – Phase 2**

The objective is to attain four of the five APOs. Successful attainment of the APOs is the gainsharing portion of the performance management program of the Administrative Pay Plan for administrative staff. Under the gainsharing portion of the performance management program of the Investment Operations and Administration Pay Plan, investments operations staff are eligible for a bonus if their performance meets or 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. Both bonuses are normally paid as a lump sum equal to 2.5% of salary.

Operational Measures (see attachment 2). VRS also identifies key operational measures each year. These measures are coupled with the APOs as part of the gainsharing portion of the performance management program. The objective is to meet or exceed the target goal for at least 13 of the 16 measures. Again, the expectation is that all employees will work collaboratively and contribute to accomplishing key functions of the agency.

Satisfying the APO and operational measure targets is required to earn the gainsharing bonus.

Rationale for Requested Action

The APOs are stretch goals for VRS, and VRS identifies key operational measures as organizational performance expectations for the fiscal year that must be maintained while working to satisfy the APOs and maintaining key agency functions. Both the Administrative and Investment Operations and Administration Staff Pay Plans contain gainsharing language to reward teamwork, collaboration, and organizational results.

Although satisfaction of the APOs and Operational Measures is not an explicit condition for a gainsharing bonus to be paid to Investment Operations and Administration staff, the agency's practice is

that no gainsharing bonus is paid to Investment Operations and Administration staff in a year that Administrative staff is not eligible for a gainsharing bonus.

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



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2025

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 2 DEC Owner: Robert Irving <i>(Measure: 3 of 4 completed)</i>	Member, Retiree and Employer Education, Outreach and Partnership												
2	Data Quality Enhancements – Phase 1 DEC Owner: Michael Cooper <i>(Measure: 3 of 4 completed)</i>	Digital Transformation and Secure Service Delivery												
3	Identity Proofing Initiative - Phase 1 DEC Owner: Michael Cooper <i>(Measure: 3 of 4 completed)</i>	Digital Transformation and Secure Service Delivery												
4	VNAV Enhancements DEC Owner: Robert Irving, Mark Rein, Leslie Weldon <i>(Measure: 3 of 3 completed)</i>	Digital Transformation and Secure Service Delivery												
5	Human Resource Information System (HRIS) Implementation – Phase 2 DEC Owner: Paula Reid <i>(Measure: 4 of 5 completed)</i>	Organizational Strength, Culture and Engagement												



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2025

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 2	DEC Owner: Robert Irving	Strategic Goal: Member, Retiree and Employer Education, Outreach and Partnership
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#	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
1.1	Develop a project plan to support the continued and phased implementation of a new CMS.												
1.2	Document standard operating procedures for new system.												
1.3	Craft training materials and conduct employee training on the new system.												
1.4	Establish a project team to evaluate the implementation of secure email messaging.												



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2025

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

Data Quality Enhancements – Phase 1							DEC Owner: Michael Cooper		Strategic Goal: Digital Transformation and Secure Service Delivery				
#	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
2.1	Establish a data quality task force.												
2.2	Create a task force charter, including responsibilities and authority.												
2.3	Develop a work plan to identify key priorities, resources and timelines.												
2.4	Initiate the development of a data dictionary.												



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2025

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: 3 of 4 completed

Identity Proofing Initiative - Phase 1							DEC Owner: Michael Cooper		Strategic Goal: Digital Transformation and Secure Service Delivery				
#	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
3.1	Establish a project team to enhance agency identity standards and fraud mitigation strategies.												
3.2	Identify and document stakeholder business needs and industry best practices related to identity standards.												
3.3	Conduct evaluation of agency identity standards.												
3.4	Develop a project implementation plan and timeline for completion of a multi-phase initiative to enhance agency identity standards and fraud mitigation strategies.												



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2025

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: 3 of 3 completed

VNAV Enhancements							DEC Owner: Robert Irving, Mark Rein, Leslie Weldon		Strategic Goal: Digital Transformation and Secure Service Delivery				
#	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
4.1	Establish a formal vision statement for the next generation of VNAV.												
4.2	Develop a high-level project plan for completion of a multi-phase initiative.												
4.3	Initiate the identification of stakeholder business needs and technology requirements.												



AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2025

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

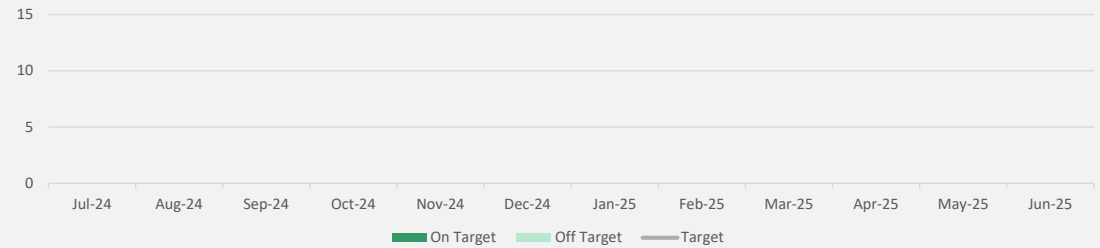
Human Resource Information System (HRIS) Implementation – Phase 2								DEC Owner: Paula Reid		Strategic Goal: Organizational Strength, Culture and Engagement			
#	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
5.1	Finalize the Operational Assessment, including a current state application assessment, best practices for HR service delivery, and future state recommendations.												
5.2	Develop final requirements documentation.												
5.3	Conduct the Informal Request for Proposal (IFRP) process.												
5.4	Begin contract negotiations with selected vendor.												
5.5	Initiate the implementation of the selected HRIS system.												

July-24

Current Status - All Operational Measures

YTD Status - All Operational Measures

■ On Target ■ Off Target



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	> 98.00%	-	-	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%	-	-	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	.50 business days	-	-	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%	-	-	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	98.00%	-	-	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%	-	-	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%	-	-	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%	-	-	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%	-	-	Monthly	
10	Planned IT System Availability	Percentage of time critical systems are available during periods of planned availability	Technology Infrastructure	99.50%	-	-	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	99.00%	-	-	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%	-	-	Quarterly	

Overall Measure: 13 of 16 meet or exceed target

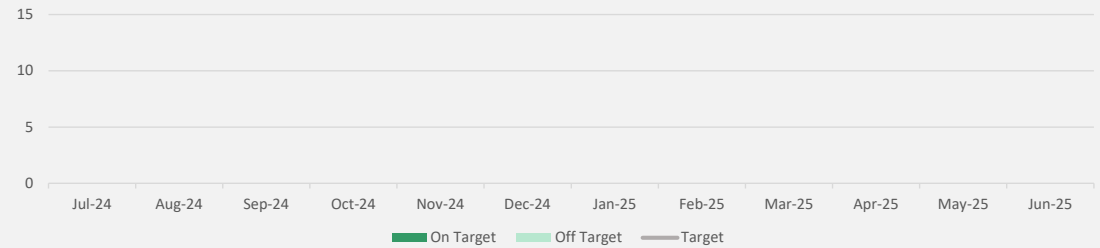
Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

July-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
13	Preventable Employee Turnover	Percentage of employees voluntarily separating VRS employment due to preventable experiences	Organizational Strength, Culture and Engagement	< 10.00%	-	-	Annual	
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 2024 CEM Peer Cost Average	-	-	Annual	Will not know FY 2024 CEM peer cost until spring 2025
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%	-	-	Annual	Measure reported on an annual basis
16	Employee Professional Development	Percentage of full-time VRS administration employees receiving at least 10 hours of professional development	Organizational Strength, Culture and Engagement	90.00%	-	-	Annual	Measure reported on an annual basis

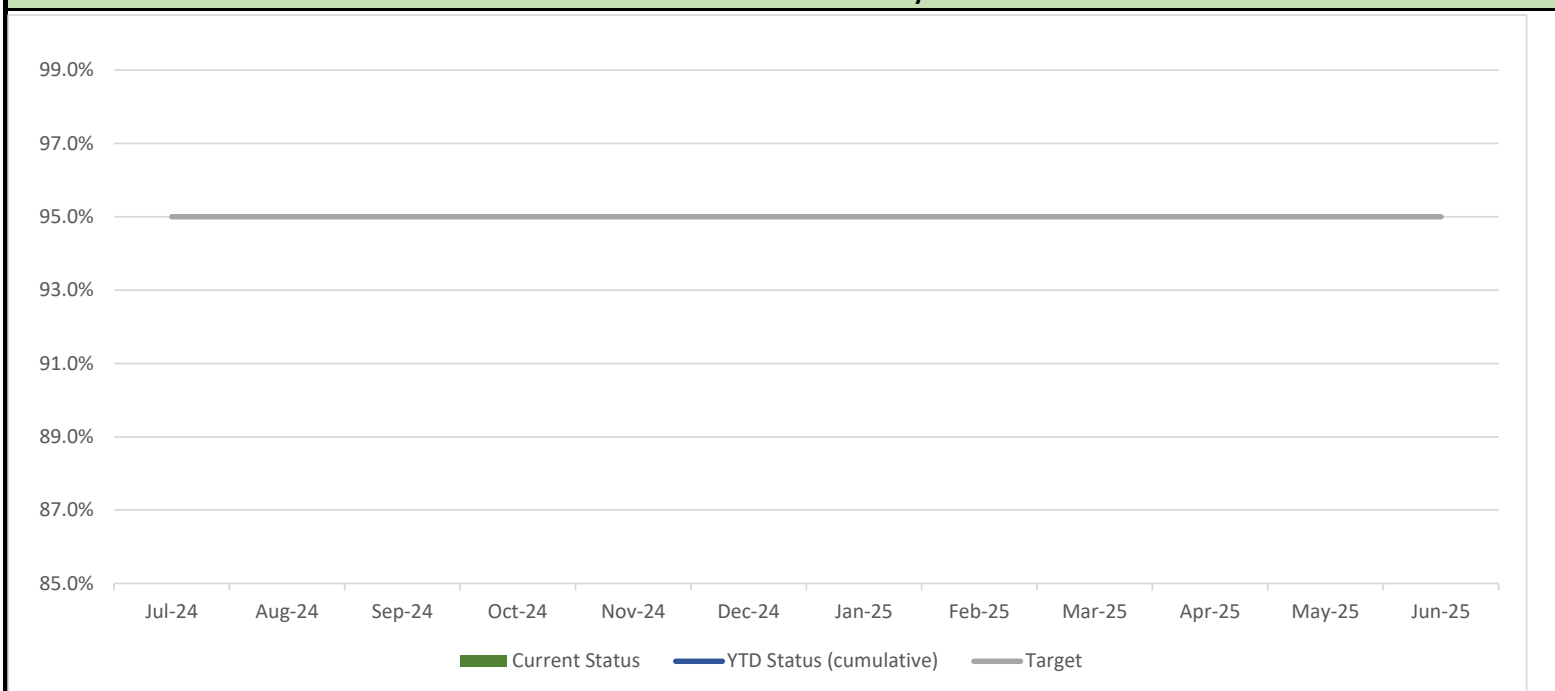
Overall Measure: 13 of 16 meet or exceed target

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: July-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)	> 98.00%	Baseline (Performance History)	99%
Target Rationale: Maintain recent performance		Baseline Rationale: 3 year average = 99%	
Current Reporting Month Status	-	YTD Status (Cumulative; used at year-end to determine whether target has been met)	-
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Ongoing system enhancements	Identify alternative processes to work around disruptions, and cross-train staff for backup as needed	
2	Potential technology issues related to interdependency with Cardinal and other 3rd party systems	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.

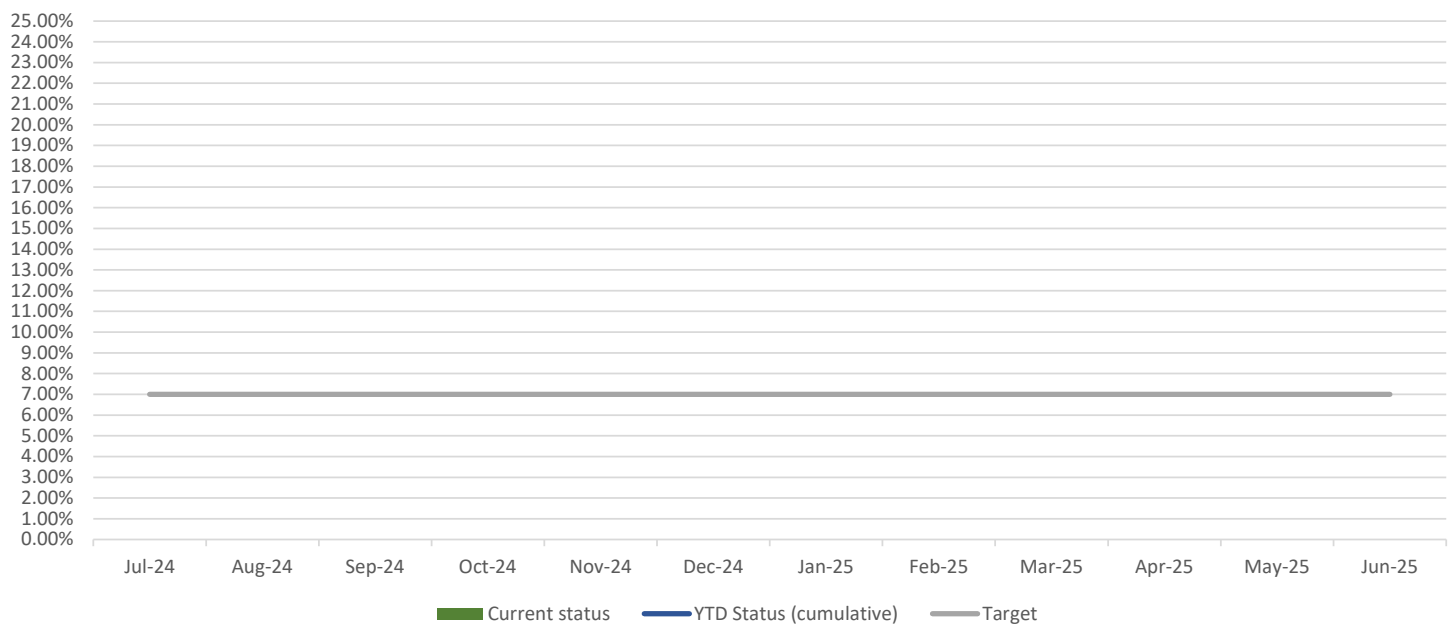
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

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)	10.30%
Target Rationale: To account for anticipated high call volume due to system changes.		Baseline Rationale: 3 year average = 10.3%	
Current Reporting Month Status	-	YTD Status (Cumulative; used at year-end to determine whether target has been met)	-
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	Ongoing system enhancements	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

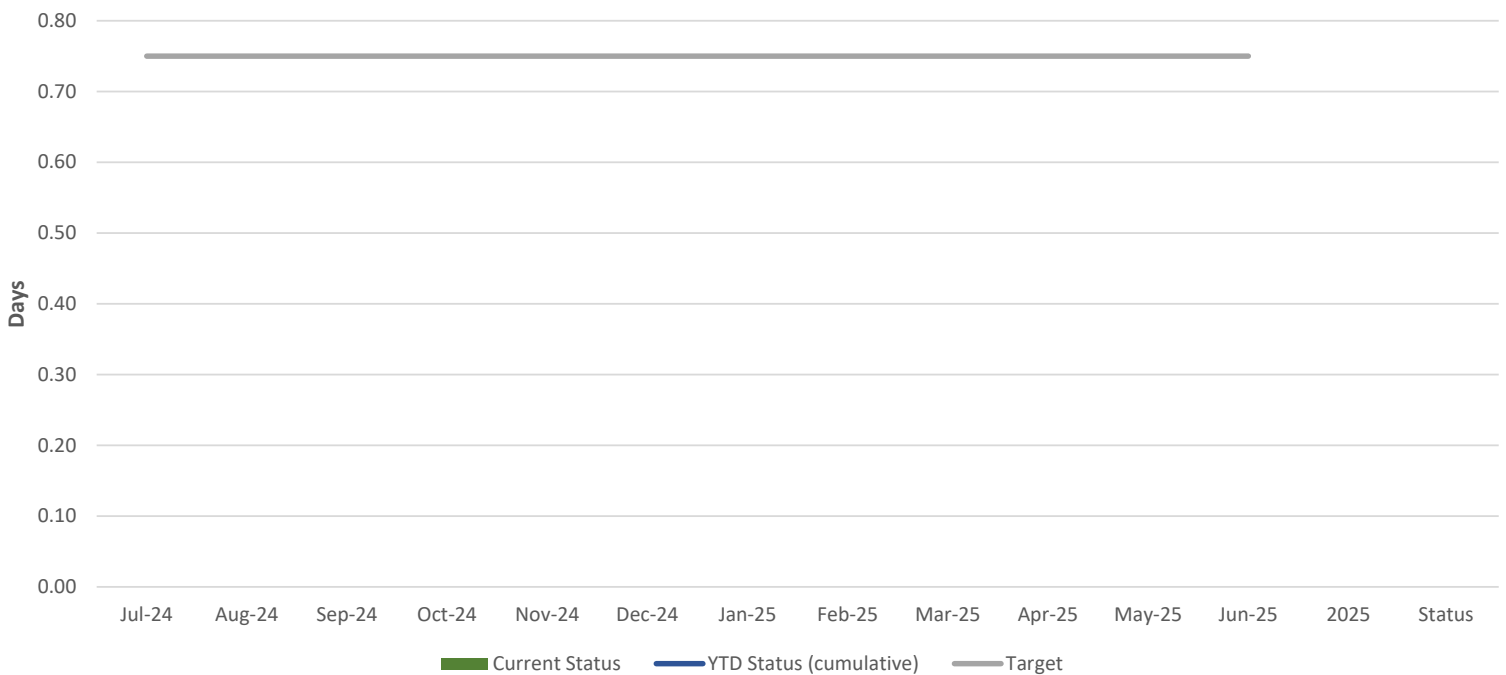


VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

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

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.		
Data Source	Customer Counseling Center Performance Report	Reporting Frequency	Monthly
Target (Performance Goal)	.50 business days	Baseline (Performance History)	.39 business days
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 3 year average = .39 days</i>	
Current Reporting Month Status	-	YTD Status (Cumulative; used at year-end to determine whether target has been met)	-
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Transition may occur in FY 2025 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 system enhancements	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.

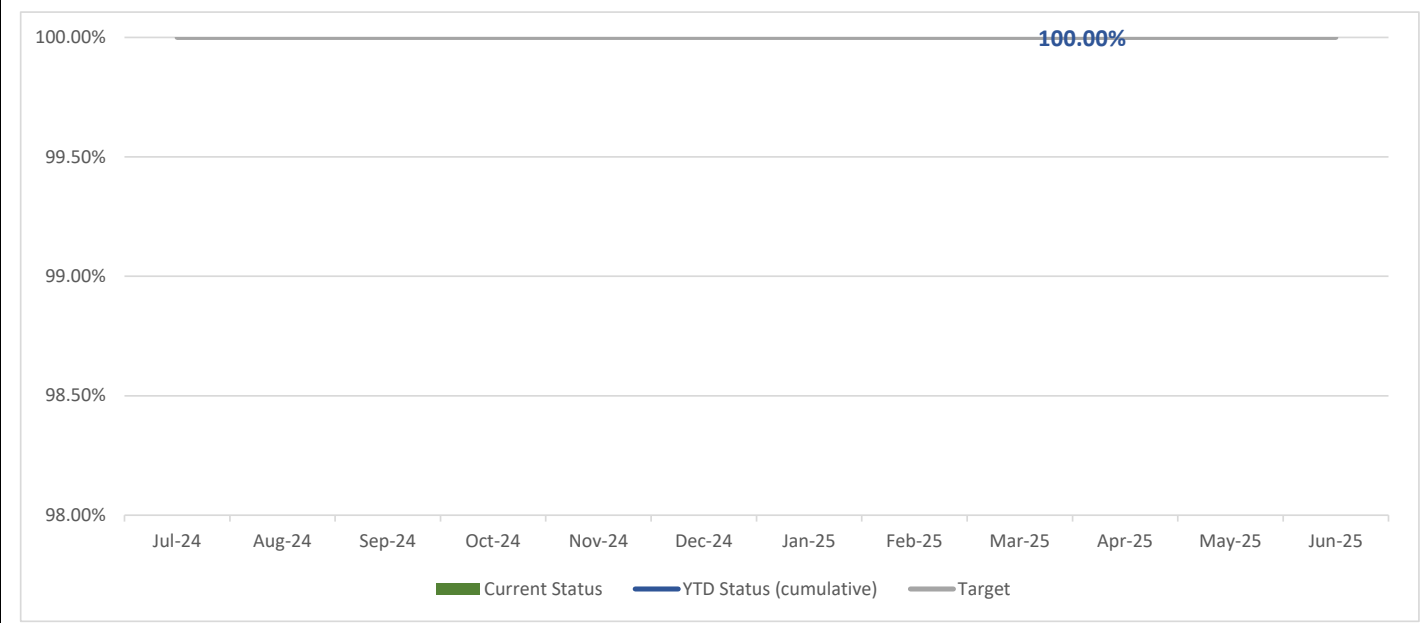
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

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: 3 year average = 100%</i>	
Current Reporting Month Status	-	YTD Status (Cumulative; used at year-end to determine whether target has been met)	-
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 system enhancements	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.

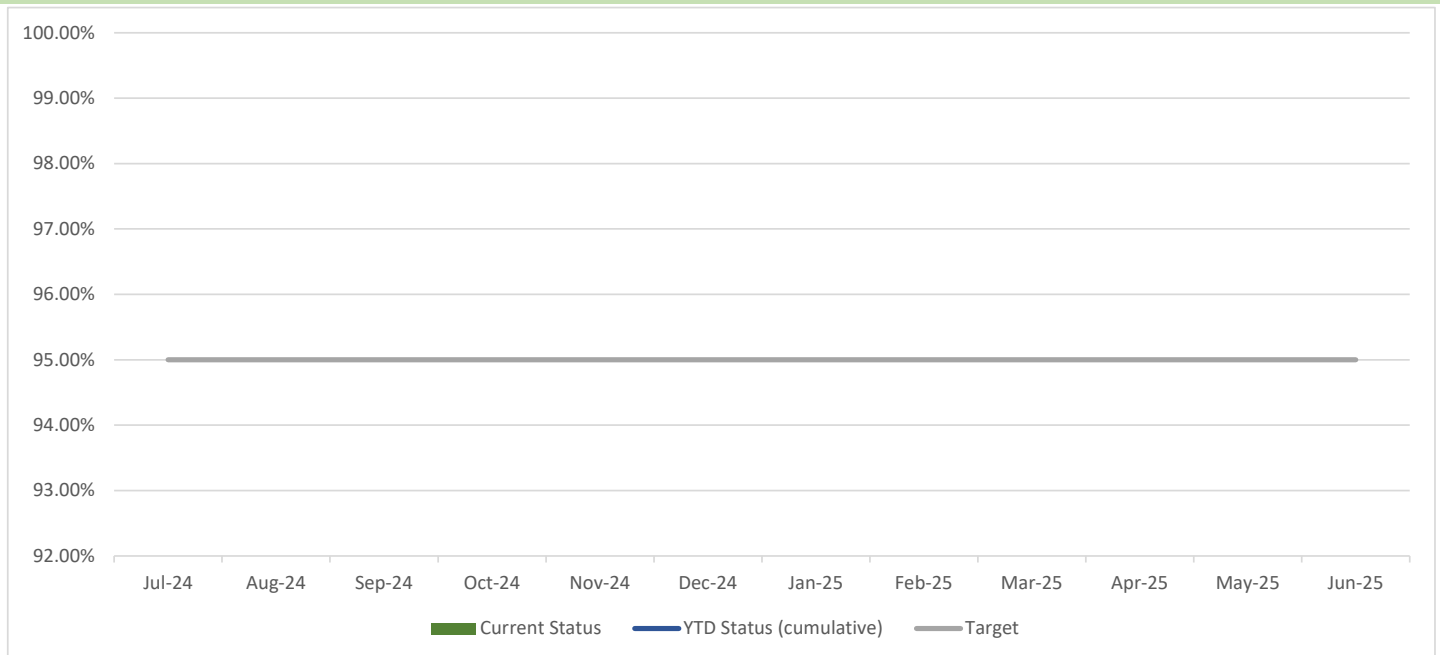
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

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)	98.00%	Baseline (Performance History)	99.00%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 3 year average = 99%</i>	
Current Reporting Month Status	-	YTD Status (Cumulative; used at year-end to determine whether target has been met)	-
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 system enhancements	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.

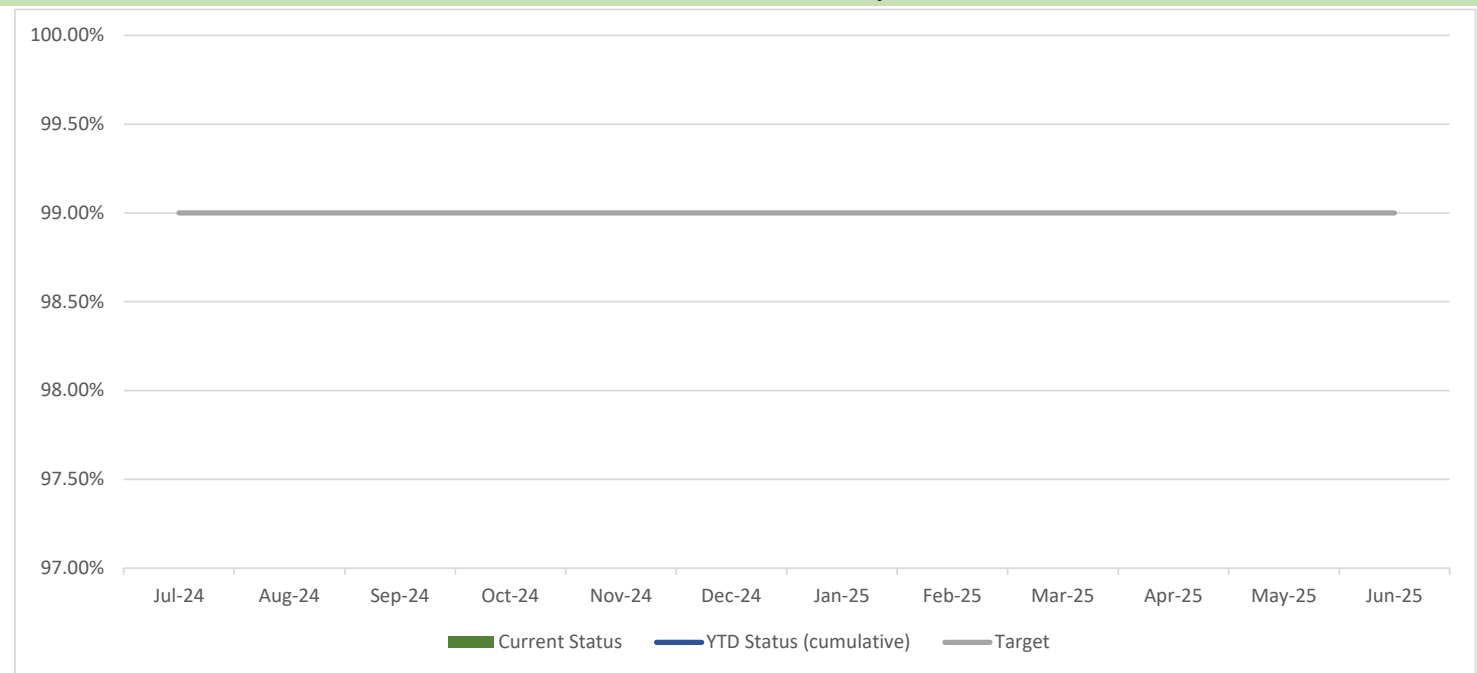
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

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: 3 year average = 99%</i>	
Current Reporting Month Status	-	YTD Status (Cumulative; used at year-end to determine whether target has been met)	-
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 system enhancements	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.

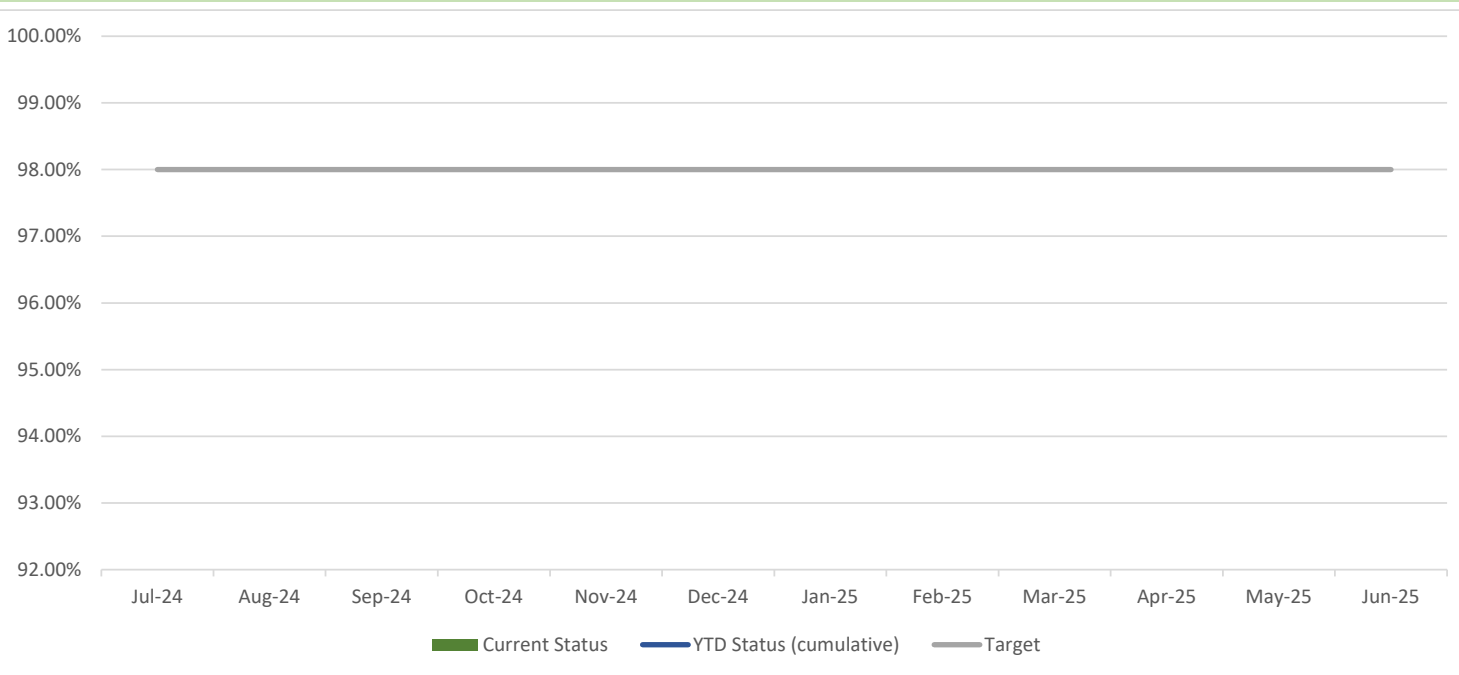
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

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 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)	98.95%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 3 year average = 98.95%</i>	
Current Reporting Month Status	-	YTD Status (Cumulative; used at year-end to determine whether target has been met)	-
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 system enhancements	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.

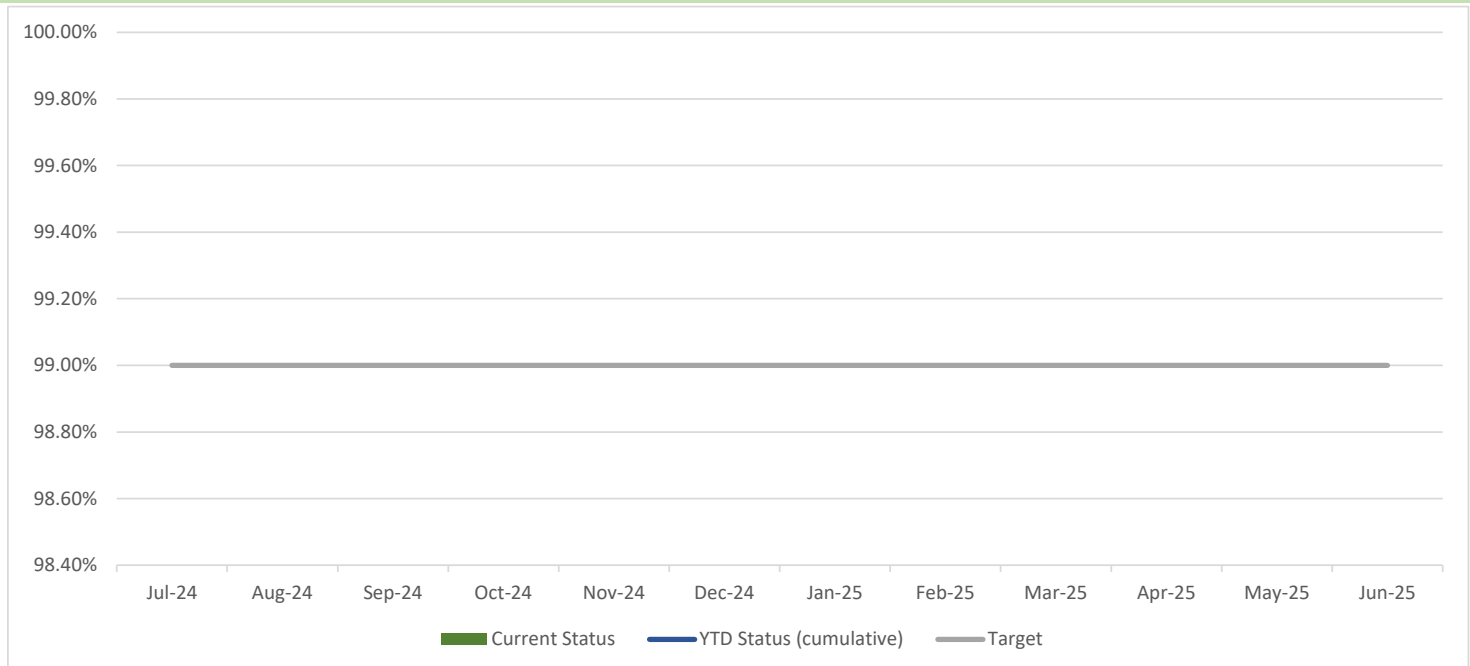
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

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 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: 3 year average = 99%</i>	
Current Reporting Month Status	-	YTD Status (Cumulative; used at year-end to determine whether target has been met)	-
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 system enhancements	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.

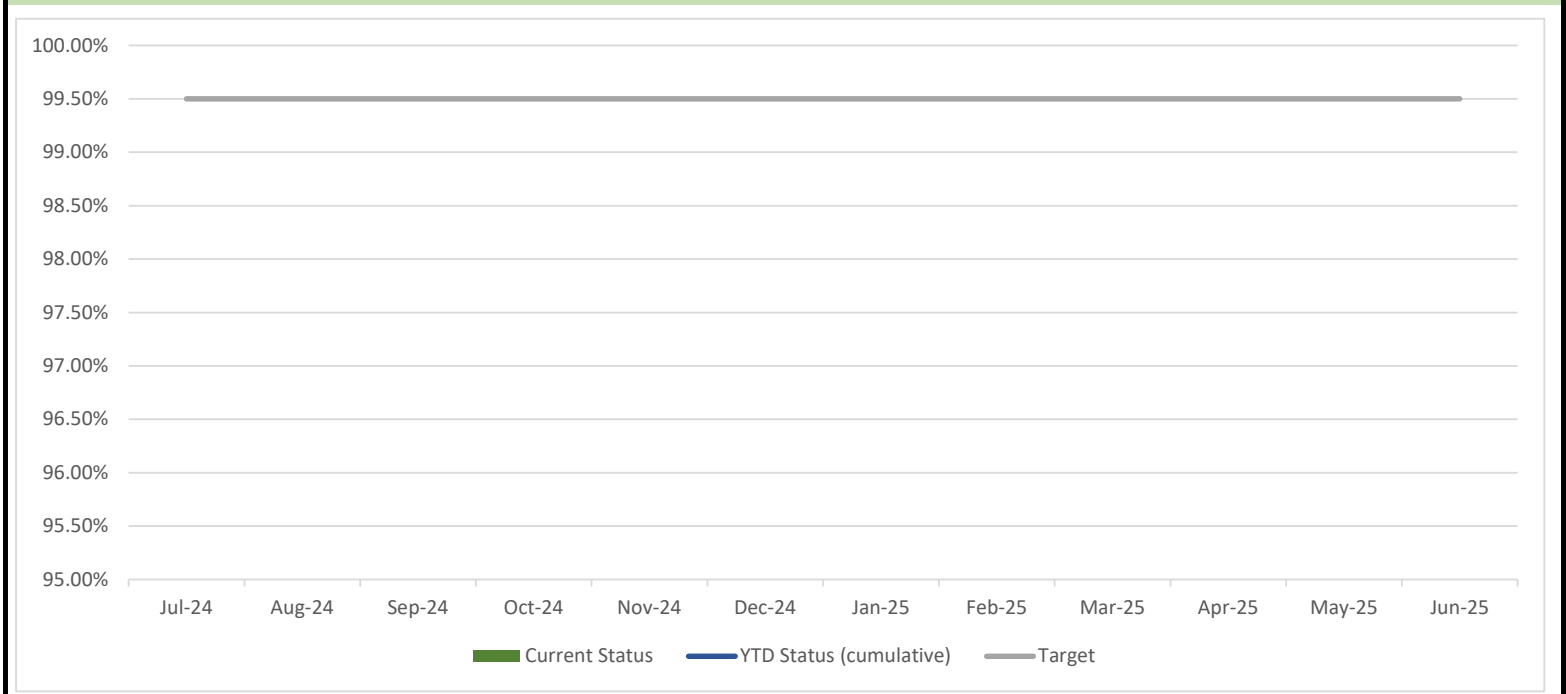
Overall Measure: 13 of 16 meet or exceed target

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)	100.00%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 3 year average = 100%</i>	
Current Reporting Month Status	-	YTD Status (Cumulative; used at year-end to determine whether target has been met)	-

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 system enhancements	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)	99.96%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 3 year average = 99.96%</i>	
Current Reporting Month Status	-	YTD Status (Cumulative; used at year-end to determine whether target has been met)	-
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 system enhancements	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	
YTD Performance History			

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

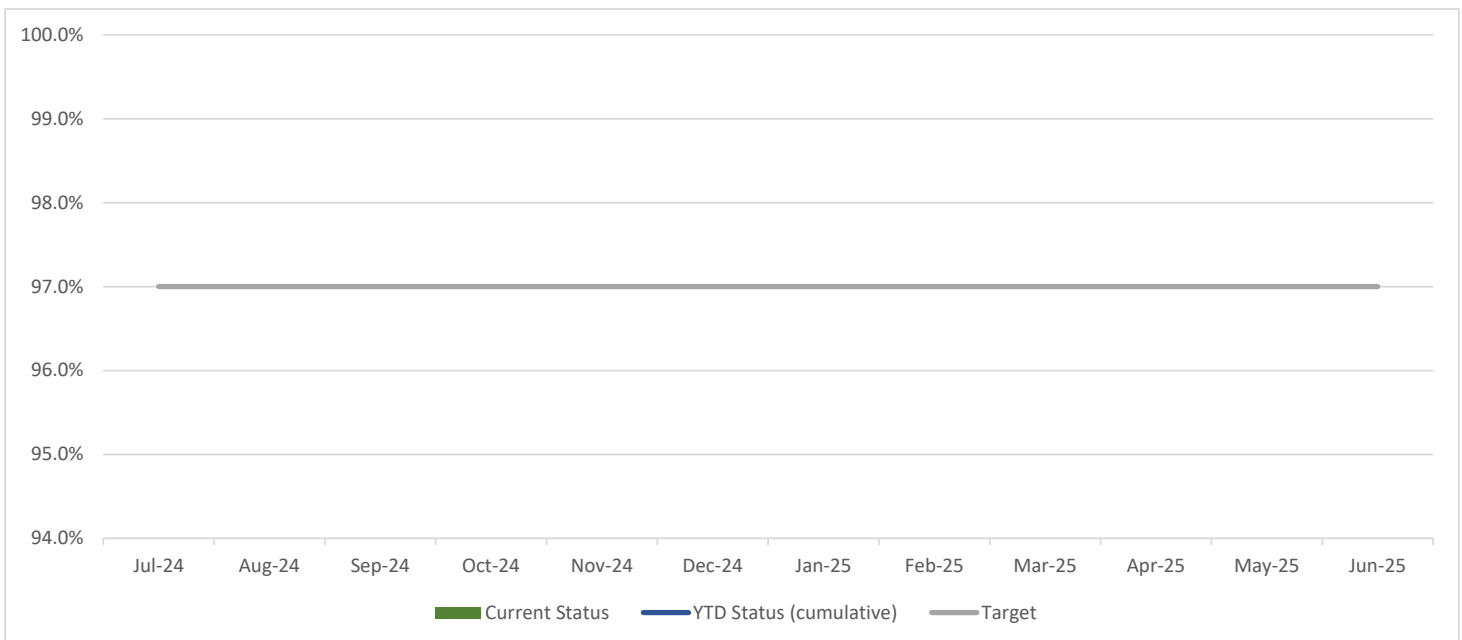
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.

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 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)	99.00%	Baseline (Performance History)	100.00%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 3 year average = 100.00%</i>	
Current Reporting Month Status	-	YTD Status (Cumulative; used at year-end to determine whether target has been met)	-
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	Ongoing system enhancements	Proactively communicate with employers to identify potential impacts and assist as appropriate with the submission process	
3	Potential technology issues related to interdependency with Cardinal and other 3rd party systems	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



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

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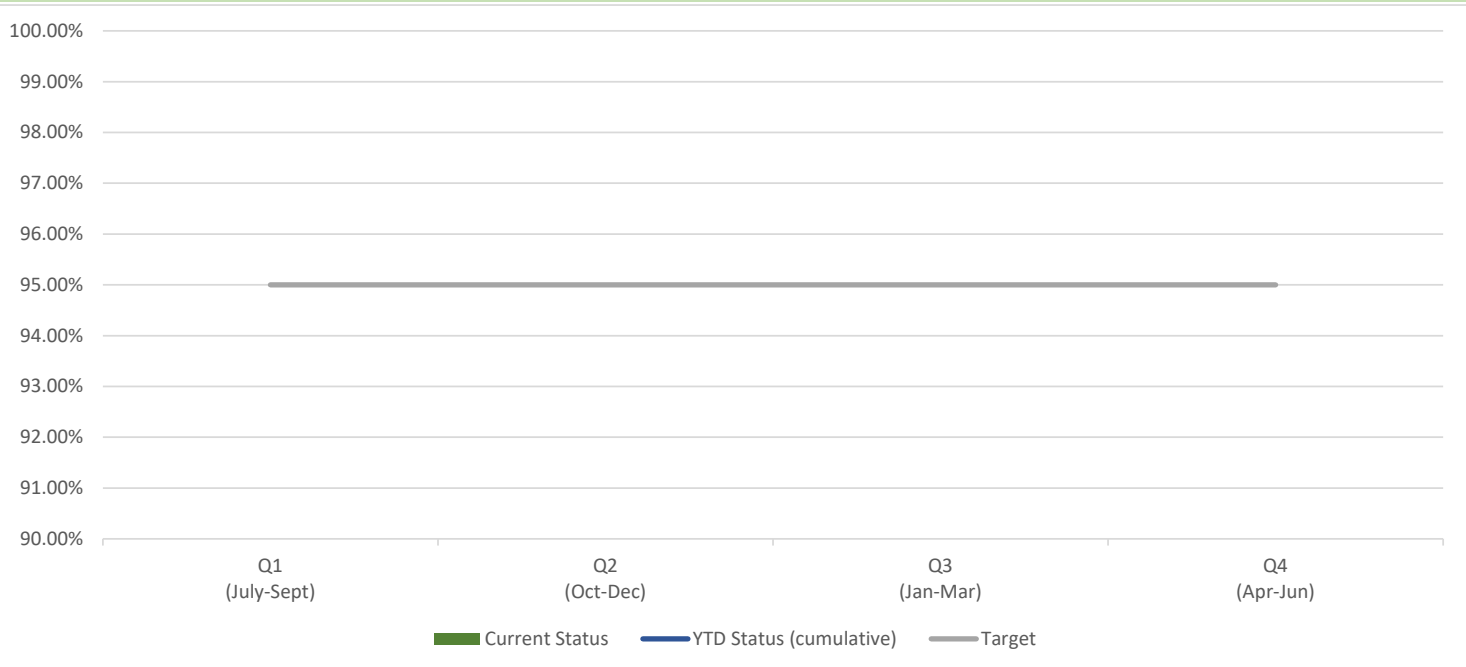
Overall Measure: 13 of 16 meet or exceed target

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	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)	100.00%
<i>Target Rationale: Maintain recent performance and account for ongoing system and process changes impacting implementation.</i>		<i>Baseline Rationale: 3 year average = 100%</i>	
Current Reporting Month Status	-	YTD Status (Cumulative; used at year-end to determine whether target has been met)	-

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)	Communicate with DEC and Audit regarding possible adjustment of target date to accommodate timeline of when resources will be available

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	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)	5.45%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: FY 2023 results</i>	
Current Reporting Month Status	-	YTD Status (Cumulative; used at year-end to determine whether target has been met)	-
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	Internal and external factors impacting employee morale	Continue direct outreach to employees, provide EAP resources and implement employee engagement activities	
YTD Performance History			
[Reported as an annual measure]			

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	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 2025. At that time the FY 2024 annual agency cost will be compared to the to the FY 2024 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 2024 CEM Peer Cost Average	Baseline (Performance History)	N/A
<i>Target Rationale: Measuring VRS annual administrative cost for FY 2024 against the most current peer data as provided by CEM Benchmarking, Inc.</i>		<i>Baseline Rationale: N/A</i>	
Current Reporting Month Status	-	YTD Status (Used at year-end to determine whether target has been met)	-
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Significant unanticipated costs to administer pension plans due to external influences	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 2024 CEM cost not known until late into FY 2025 (limiting agency ability to react if missing target)	Proactively calculate and monitor agency administrative cost in anticipation of receiving the FY 2024 CEM cost; adjust agency spending if out of line with recent CEM peer cost averages	
YTD Performance History			
<p>[Average Pension Administration Cost for VRS' Peer Group, as provided by CEM Benchmarking, will be known in spring 2024]</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>			

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 2025 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	-	YTD Status (Cumulative; used at year-end to determine whether target has been met)	-
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 system enhancements	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 10 hours of professional development		
Calculation Methodology	The number of eligible full-time VRS administration employees who have completed at least 10 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, 2024 who are not on short- or long-term disability or FMLA during FY 2025. 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)	90.00%	Baseline (Performance History)	98.00%
<i>Target Rationale: Maintain recent performance and increased total # of hours</i>		<i>Baseline Rationale: 3 year average = 98%</i>	
Current Status	-	YTD Status (Cumulative; used at year-end to determine whether target has been met)	-
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Limited staff flexibility to obtain professional development due to significant staff time dedicated to new software solution implementations and other system enhancements.	Encourage staff to plan for professional development opportunities before and/or after periods of time dedicated to software solution implementations 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: *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.



Reappointment of DCPAC Members.

Requested 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.

Rationale for Requested Action

Mr. Deo, Ms. Madden, and Mr. Harris currently serve on the DCPAC and are willing to be reappointed for another two-year term. Mr. Deo is the Executive Director of the Federal Retirement Thrift Investment Board. Ms. Madden is a Senior Vice President and the Human Resources Director of Davenport & Company. Mr. Harris is the Deputy County Administrator for Finance and Administration at Chesterfield County.

Authority for Requested Action

Code of Virginia § 51.1-124.26 authorizes the Board to appoint such other advisory committees as it deems necessary. Each member appointment requires a two-thirds vote of the Board, and advisory committee members serve at the pleasure of the Board.

The above action is approved.

A. Scott Andrews, Chair
VRS Board of Trustees

Date

Ravindra Deo Ravindra Deo serves as the Executive Director of the largest defined contribution plan in the world. Ravindra joined the FRTIB in 2015 as the Chief Investment Officer. During his time at FRTIB, he also served as acting COO from June 2016 to February 2017, and acting Executive Director from May 2017 to August 2017. Ravindra started his career in 1986 and worked in the asset management industry for 29 years prior to joining the FRTIB. He has worked in a variety of roles including as an overlay asset allocator focused on risk reduction, as part of a team that worked on the creation of the first ETFs, as a team leader focused on lifestyle funds, and as an investment advisory consultant to some of the largest institutional investors in the world. He has been the lead on investment and manager research teams and has conducted extensive manager research on both alternative and traditional asset classes. Ravindra has a Bachelor of Technology from the Indian Institute of Technology, Delhi and an MBA from the University of California, Berkeley

Brenda Madden Brenda Madden is a Human Resources Executive with over 30 years of Human Resources experience with various Richmond-based companies. She is certified as a Senior Professional in Human Resources (SPHR, SHRM-SCP). She has been in her current role for 13 years as Director of Human Resources with Davenport & Company, an employee-owned, regional Investment Brokerage firm with over 450 employees, primarily in Virginia and North Carolina. She is responsible for providing strategic guidance and leadership for all aspects of Human Resources.

Matt Harris, Deputy County Administrator for Finance and Administration

Matt Harris was appointed Deputy County Administrator for Finance and Administration in March 2018. He supervises and coordinates the operations of the County Administrator's Office and the Office of Constituent and Media Services to help ensure integrated support and interaction with the County Administrator, Board of Supervisors, employees and residents of the County. Mr. Harris also provides strategic direction and supervision to major county functions such as Intergovernmental Relations (the liaison function with state and Federal officials), the Learning and Performance Center, Sports, Visitation and Entertainment and Finance (Accounting, Budget and Management, Purchasing, Real Estate Assessment). He also helps coordinate special events and serves as liaison with the Registrar, Commissioner of the Revenue and Treasurer. In addition, Mr. Harris serves on the Board of Directors for the Riverside Regional Jail, the finance committee for the Greater Richmond Convention Center Authority, the Board of Directors for the VML-VACo OPEB Trust, the Board of Directors for the Chesterfield County SRP Trust, the Board of Directors for the Chesterfield County Schools SRP Trust, the Board of Directors for VRS Deferred Compensation Advisory Board, and is a member of the VACo Finance Steering Committee.

Prior to being appointed Deputy, Mr. Harris served as the county's Budget and Management Director where he led the department and served as a key advisor to the County Administrator and the Board of Supervisors.

Mr. Harris received a Bachelor's degree in Economics from Virginia Tech and a Master's degree from the University of North Carolina – Chapel Hill. He lives in Midlothian with his wife, Meghan, and five children.

Appointment of DCPAC members.

Requested Action

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

Rationale for Requested Action

Ms. Jonas is currently the Principal of Kate Jonas Group LLC, which was established in 2023. She is a results-focused Executive with demonstrable success at Scale asset managers and a capital raiser with a strategic enterprise mindset, solutions orientation, and client centric philosophy. She has a career sales total over \$65 billion and has experience building and leading teams across multiple channels, as well as possessing private and public vehicle and asset class fluency (fixed income, equity, real estate, and multi-asset.)

Prior to establishing Kate Jonas Group LLC, Ms. Jonas was the Senior Managing Director, Head of Global Consultant Relations for Nuveen where, amidst the accelerated integration of Nuveen and TIAA, she restructured a siloed multi-affiliate product driven Consultant Relations team into a client-centric accountability driven model and quadrupled assets under management raised and quintupled revenue raise. Ms. Jonas has also held positions at Blackrock, AQR Capital Management, Insight Investment, and Morgan Stanley. Ms. Jonas has also served on the Defined Contribution Institutional Investment Association Executive Committee.

Ms. Jonas earned an undergraduate degree in Government and American Studies from Smith College and an MBA from the Wharton School.

Ms. Barnes is currently the Chief Financial Officer for Prince George County Public Schools. She has previously served in similar capacities for Williamsburg-James City County Public Schools, Hopewell Public Schools, and Surry Public Schools. Ms. Barnes has more than 16 years of experience in overseeing and managing the financial needs of public school systems in Virginia and has been awarded the Meritorious Budget Award from the Virginia Association of School Business Officials (VASBO) on multiple occasions. Ms. Barnes is skilled in the areas of government procurement, management, corporate finance, managerial finance, and strategic planning.

Ms. Barnes is a Certified Administrator of School Finance and Operations and a Certified Government Financial Manager. Ms. Barnes has also earned the Virginia Finance Officers Certificate and the Virginia Association of School Business Officers Certificate. Ms. Barnes currently serves on the Management Team and served as the Technology Chair for VASBO.

Ms. Barnes earned an associate degree in Applied Science – Accounting from Tidewater Community College, an undergraduate degree in Music from Virginia Commonwealth University, and an MBA from the College of William and Mary.

Both Ms. Jonas and Ms. Barnes are highly qualified and willing to be appointed to the DCPAC, and it is the Board's pleasure to appoint them to the Committee.

Authority for Requested Action

Code of Virginia § 51.1-124.26 authorizes the Board to appoint such other advisory committees as it deems necessary. Each member appointment requires a two-thirds vote of the Board, and advisory committee members serve at the pleasure of the Board.

The above action is approved.

A. Scott Andrews, Chair
VRS Board of Trustees

Date

KATE JONAS
kate@katejonasgroup.com

Results focused Executive with demonstrable success at Scale asset managers. Capital raiser with a strategic enterprise mindset, solutions orientation, and client centric philosophy. Career sales total over \$65 billion. Experience building and leading teams across multiple channels. Private and public vehicle and asset class fluency– FI, Equity, Real Estate, and Multi–asset.

Kate Jonas Group LLC– Advisory Firm 2023 – Present
Principal

Strategy, Distribution, Governance

- Current clients– PE/Venture/Health Sciences Investment Manager, Distribution Tech Fintech Start-up

NUVEEN, A TIAA COMPANY \$1.1 trillion AUM 2017 – 2023

Senior Managing Director, Head of Global Consultant Relations

Recruited to build a world class Institutional Consultant Relations effort amidst the accelerated integration of Nuveen and TIAA

- Restructured a siloed multi (13) Affiliate product driven Consultant Relations team into a client (consultant) centric accountability driven model. Quadrupled AUM raised and 5x revenue raised, shifted to greater Alternatives product distribution. 2023 results; Raised \$3.9 billion AUM/\$18 million in Revenue.
- Identified Global, National, and Regional Consultants, established business plans targeting asset class research and rating goals, brand building with opinion leader executives and optimizing field consultant interactions. Successfully raised Nuveen’s profile with 17 leading Firms and achieved greater reach and ratings (~ 5 per annum per firm) within each target Firm.
- Global Distribution leadership Executive voicing the CR perspective for setting operating processes: product development, focus product identification, go-to-market, pricing, CRM design, RFP process overhaul, management, and external reporting processes.

BLACKROCK \$9.4 trillion AUM 2008 – 2016

Senior Managing Director, Head of Global Consultant Relations 2001 – 2007

Tapped to build and lead the Firm and Industry’s first targeted Defined Contribution Consultant Relations sales channel.

- Opened doors to DC decision makers (practice leaders, researchers and field consultants) at leading consulting firms to drive sales of BlackRock’s DC products (LifePath). Averaged 175 meetings annually.
- 66% of all DC’s \$20 billion(~13b) per annum sales were consultant intermediated.

Global Client Group – Co-head U.S. & Canada Institutional Sales/Team Leader Southeast (post BGI merger)

- Direct sales and client service to East Coast DB/DC/EF/TH plans (lead RM for \$30 billion), player coach /25 reports.
- Consultative sales for over 600 BlackRock strategies ranging from beta to alpha across equities, FI and alternatives (hedge funds, hedge fund of funds, real estate, private equity).
- Built southeast U.S book. winning five new clients and increasing assets (\$2 to 5 billion per annum).

Financial Institutions Group Sales: Co-head

New business development and client service (20 plus clients/\$10 billion plus AUM) for a broad insurance industry client base. (\$120 billion AUM). Player/Coach 15 reports. Highest ranked on Firm client service surveys.

- Raised \$5 billion in new business, quadrupled BlackRock’s Bank Owned Life Insurance business. Consultative sales and client management resulting in customizing investment mandates, benchmarks and guidelines to reflect clients by risk/return/regulatory/accounting objectives.

AQR CAPITAL MANAGEMENT \$120 Billion AUM 2007 – 2008

Recruited to four-person sales effort; recruited back to BlackRock in ensuing quant equity crisis.

- Led Team East sales group selling quantitative hedge fund and long-only strategies to pension plans, foundations and endowments east of the Mississippi including all of Canada. Achieved a 90% cold call hit rate, obtaining meetings, despite adverse economic environment. Closed \$100 million risk parity mandate.
- Optimized client retention through intense client service to existing client base during quantitative equity crisis

JP MORGAN INVESTMENT MANAGEMENT \$2.2 trillion AUM

Vice President, Client Portfolio Manager (CPM)

CPM responsible for \$4 billion in assets across 28 diversified/global balanced account relationships including JPM Diversified Mutual Fund, defined benefit and defined contribution accounts.

- Instrumental in bringing in \$1.4 billion of new business and retaining \$500 million of business at risk due to poor investment performance.

INSIGHT INVESTMENT (operating as MBIA Asset Management)

Developed and implemented MBIA Asset Management institutional go-to-market plan.

- Targeted/cold called public funds and consultants to introduce MBIA Asset Management. Achieved consideration for three new business searches despite a sub 3 year track record.
- Established MBIA Asset Management awareness through investor relations efforts including conference sponsorships, speeches and articles in industry publications.

MORGAN STANLEY ASSET MANAGEMENT

Principal, Emerging Markets Business Manager

Product manager for a 25-person investment management team; \$7.5 billion in dedicated emerging market funds.

- Implemented strategies to increase sales, competitively position product and strengthen existing client relationships for a broad range of emerging market investment vehicles (Equity, Debt, Pooled, Separate, Open/Closed-end Funds).
- Conducted over 100 client and finals meetings to corporate pension plans, public funds, universities and foundations throughout the U.S. resulting in \$750 million in new business and no lost business in turbulent market environment.
- Senior decision-maker responsible for all client-related activities: sales and client retention strategies, administration, legal and compliance. Negotiated investment contracts, established guidelines, proposed fee schedules, supervised all transactions.
- Created and managed a client communications program including portfolio reviews, marketing materials; serving as key consultant contact; planning and presenting at annual client conference.

MORGAN STANLEY & CO

Principal, International Research

Product manager for MORGAN STANLEY CAPITAL INTERNATIONAL; family of international equity research products. Joined at start-up; helped build a 40-person worldwide organization.

- Grew revenue tenfold; extended and solidified worldwide market leadership position for non-U.S. stock market indices.
- Headed worldwide direct sales force in New York, London, Hong Kong, and Tokyo, with personal responsibility for 10 key accounts. Responsible for sales force hiring, training, performance reviews and compensation.

BOARD SERVICE:

Behind the Book – Advisory Board Member, Corporate Development Committee, Board Member, 2019 – Present
Chair, Development Committee, Executive Director Search Committee

Nuveen Philanthropic Steering Committee – Oversight for Nuveen Charitable Giving Programs, 2020 – 2023
including setting allocation (~550 million per annum) and policy guidelines for the 8 regional giving committees.

Nuveen New York Charitable Giving Committee Co-Chair – Responsible for allocating ~\$65 million per annum, to employee nominated charities in the NY Metro region, established and implemented the committee governance and selection processes. 2019 – 2023

Defined Contribution Institutional Investment Association (DCIIA) Executive Committee, Co-chair Retirement Income Committee – 2016 – 2017 2015 – 2017

Robert Toigo Foundation Chair Audit Committee 2011 – 2016

Education: **THE WHARTON SCHOOL, MBA:** Strategic Planning and Accounting
SMITH COLLEGE, BA: Government and American Studies, Dean's List

Certifications: Series 3, 7, 24, and 63

KATE JONAS
kate@katejonasgroup.com

MONIQUE G. BARNES, MBA, CGFM, SFO

OBJECTIVE

To secure a position utilizing the amalgamation of acquired experience, training and education in financial management, technology, and leadership to maximize the economic utility of each dollar for the benefit of educating children.

EXPERIENCE

PRINCE GEORGE COUNTY PUBLIC SCHOOLS

Prince George, VA

2018-

Chief Financial Officer

- Preparation of Budget Submission to ASBO for Meritorious Budget Award- 3 consecutive years awarded for division
- Plan, direct & coordinate general accounting activities for the School Division; serve as liaison between the School Board and the County's Central Accounting Office
- Prepare, administer, and present division's annual budgets to include Operating, Food Service, Textbook Funds, as well as Capital Improvements Program
- Project present and future year compensation and benefit costs and coordinate projections with budget
- Monitor and track expenditures to provide historical information and to make expenditure projections
- Prepare monthly cash flow projections to include revenue and expenditures
- Conduct budget training sessions for staff
- Prepare the Annual School Report and other various federal, state, and local financial reports as required
- Supervise all division payroll activities
- Establish and monitor sound financial and business-related practices and policies
- Plan, direct, & coordinate the Federal Impact Aid accounting & application procedures
- Manage grant functions and approve reimbursement requests in state grant system (OMEGA)
- Coordination and management of annual audit
- Oversee school activity funds practices and coordinate annual audit
- Provide financial information for all budget stakeholders
- Supervise procurement activities
- Manage employee benefits, including administration and evaluation of healthcare benefits
- Provide pertinent, accurate statistical information to Superintendent

WILLIAMSBURG-JAMES CITY COUNTY PUBLIC SCHOOLS

Williamsburg, VA

2017- 2018

Chief Financial Officer

- ASBO Meritorious Budget Award
- Provided leadership for budget, finance, and business affairs for the District
- Ensured funding of programs that support the Strategic Plan
- Collaborated with Senior Directors and make recommendations to the Superintendent regarding the financial status of the District while ensuring compliance with state and federal regulations
- Developed the school operating and CIP budgets including forecasting
- Reviewed revenue & expense accounts, as well as developed long & short-range objectives for the business

affairs and finances of the district.

- Prepared relevant presentations for Superintendent, School Board, County Board of Supervisors, & City Council
- Supervised the overall program for budget and accounting
- Reviewed & presented enrollment data and reports to ensure accuracy in estimated future student enrollment
- Evaluated accounting procedures, systems, and controls
- Ensured compliance with applicable laws and regulations, & recommended improvements
- Served as chairperson and led Capital Improvement Development Committee
- Prepared capital improvement recommendations for the Superintendent and School Board
- Planned & conducted needs assessments for improvement of district business operations
- Ensured compliance with accounting, disbursement, & grant reporting requirements
- Coordinated cash management with County Treasurer and Directors of Finance of respective jurisdictions.
- Prepared financial reports
- Reviewed financial status during the year & made recommendations regarding expenditures
- Consulted with the Superintendent, School Board members and other staff as questions arose relating to the school division's business operations

HOPEWELL CITY PUBLIC SCHOOLS

Hopewell, VA

2013-2017

Director of Finance

- Managed conversion of new accounting system
- Revised Finance department operations for efficiency and cost-benefit
- Prepare, administer, and present division's annual budgets to include Operating, Food Service, Capital, and Textbook Funds, as well as Capital Improvements Program
- Prepare semi-monthly cash flow projections to include revenue and expenditures
- Conduct budget training sessions for staff
- Supervise all division payroll activities
- Establish and monitor sound financial and business-related practices and policies
- Prepare Financial reports as required by local, state, and federal agencies
- Coordination and management of annual audit
- Oversee school activity funds practices and coordinate annual audit
- Assist with grant applications and administration, as well as Medicaid reimbursement
- Direct collection of Impact Aid applications
- Provide financial information for all budget stakeholders, including School Board and City Council
- Supervise procurement activities
- Manage employee benefits, including administration and evaluation of healthcare benefits
- Provide financial reports to School Board and City Council
- Provide pertinent, accurate statistical information to Superintendent
- Position includes responsibilities of School Board Clerk

SURRY COUNTY PUBLIC SCHOOLS

Surry, VA

2008- 2013

Director of Finance

- Overcame shortcomings of accounting software
 - Established Employee online access to payroll information
 - Electronic payroll disbursements to all employees
 - Maximized the SCPS website utilization for employees and administration
- Designed and updated Finance website
- Recommended purchase of and maintenance of hardware and software related to financial functions
- Planning and coordination of financial management and administration, to include Human Resources
- Administered the annual operating budget, payroll, A/P, procurement, general ledger, fixed assets
- Financial reporting to the Department of Education and Surry County School Board
- Federal Grant Reimbursement Submissions

PARAGON SYSTEMS, INC

Virginia Beach, VA

2000 - 2008 *Corporate Controller*

- Designed and monitored accounting policies and procedures for three offices in the US and one in the UK
- Improved efficiency through document management in devising a workflow process with imaging programs
- Implemented and oversaw conversion of new time-tracking program integration with the accounting system/software
- Decreased error margin of invoices and increased A/R collections by 30% with development of time and process tracking procedures
- Supervised, hired, and trained administrative and accounting employees as well as administered technical resources and members of the sales staff
- Managed Human Resource Department functions
- Assessed contracts and reviewed sales proposals
- Performed month-end, fiscal year-end account reconciliations, closings, and journal entries; weekly cash flow projections and sales reports; financial statement compilation and interpretation; monthly, quarterly, and annual budgets with variances; external financial reporting; job costing analysis with recommendations; inventory and asset management; accounting for payroll, commissions, employee benefit packages; managed A/R, A/P, G/L

CHARLES F. FARQUHAR, M.D.

Virginia Beach, VA

1992 - 2000 *Practice Manager*

- Doubled net income through cost-cutting procedures, developing a system for the waiting room and eliminating unnecessary costs
- Designed, installed, maintained and trained personnel on medical management software saving the practice 10% of gross receipts, annually
- Systemized and enforced office operating and accounting procedures ensuring a cohesive office environment
- Analyzed HMO, as well as fee-for-service, insurance company monetary activities and contractual policies; provided monthly and quarterly statistics
- Maintained A/R, A/P, and General Ledger, monthly and annual Financial Statement compilation and interpretation with reconciliation of accounts, payroll, and employee benefits package management
- Directed all human resource operations

EDUCATION

THE COLLEGE OF WILLIAM & MARY

Williamsburg, VA

Master of Business Administration 2008

- Accounting Concentration

TIDEWATER COMMUNITY COLLEGE

Portsmouth, VA

Associate in Applied Science -Accounting 1995

- Magna Cum Laude
- Fulfilled Requirements for CPA Eligibility

VIRGINIA COMMONWEALTH UNIVERSITY

Richmond, VA

Bachelor of Music 1990

- Scholarship – Applied Voice

CERTIFICATIONS & CERTIFICATES

- **CERTIFIED ADMINISTRATOR OF SCHOOL FINANCE AND OPERATIONS**
Association of School Business Officials, International (ASBO) - September 2015
- **CERTIFIED GOVERNMENT FINANCIAL MANAGER**
Association of Government Accountants (AGA) - January 2012
- **VIRGINIA ASSOCIATION OF SCHOOL BUSINESS OFFICERS CERTIFICATE**
VASBO/University of Virginia - Certified October 2014
- **VIRGINIA FINANCE OFFICERS CERTIFICATE**
Virginia Finance Officers Association/Radford University - Certified October 2011

MEMBERSHIPS/AFFILIATIONS

- Virginia Association of School Business Officials (VASBO)
 - Management Team
 - Welcome Committee Chair
 - Former Technology Chair
- Virginia Government Finance Officers' Association (VGFOA)
- Association of Government Accountants (AGA)
- American Institute of Certified Public Accountants (AICPA)
- Southeastern Association of School Business Officials (SASBO)
- Association of School Business Officials, International (ASBO)



Reappointment of IAC Member

Requested Action

The Board reappoints W. Bryan Lewis to the Investment Advisory Committee for a two-year term ending March 31, 2026.

Rationale for Requested Action

Bryan Lewis currently serves on the Investment Advisory Committee (IAC) and is willing to be reappointed for another two-year term. Mr. Lewis is Vice President & Chief Investment Officer for the United States Steel Corporation.

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



Bryan Lewis

Vice President & Chief Investment Officer

Bryan Lewis joined U. S. Steel in August 2019 as vice president and chief investment officer. He has executive responsibility for the company's global investments for both the defined contribution and defined benefit plans, as well as other related programs.

Mr. Lewis arrived at U. S. Steel from the Pennsylvania State Employees' Retirement System (SERS), where he served as chief investment officer and managed a \$30 billion pension fund for the prior three years. Prior to that, he served as the executive director of the \$20 billion Illinois State Universities Retirement System.

Mr. Lewis is a member of the board of directors for Essential Utilities, as well as several non-profit and community organizations. In addition, Mr. Lewis was a fellow of the inaugural class of the Finance Leaders Fellowship and is a member of the Aspen Global Leadership Network.

A native of Rocky Mount, N.C., Mr. Lewis earned a bachelor's degree in economics from the University of Maryland at College Park, and completed a master's degree in business administration at the University of Miami in Coral Gables, Fla.

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Adopt a revised “FOIA Electronic Meeting Attendance Policy.”**Requested Action**

The Board adopts a revised “FOIA Electronic Meeting Attendance Policy.”

Description/Background

At its 2024 session, the General Assembly adopted amendments to FOIA, effective July 1, 2024, that change the methods by which public bodies can meet virtually where no members are physically present. *Code of Virginia* § 2.2-3708.2 and .3 are the sections within the Virginia Freedom of Information Act (FOIA) that govern meetings held through electronic communication means.

Subsection B of § 2.2-3708.3 governs electronic participation by a member of a public body from a remote location in the event:

1. The member has a temporary or permanent disability or other medical condition that prevents the member's physical attendance;
 - a. For purposes of determining whether a quorum is physically assembled, a member of the public body who is a person with a disability as defined in § 51.5-40.1 and participates remotely counts towards the quorum as if they were physically present;
2. A medical condition of a member's family requires the member to provide care that prevents the member's physical attendance or the member is a caregiver providing care for a person with a disability that prevents the member from physically attending;
 - a. For purposes of determining whether a quorum is physically assembled, a member of the public body who is a caregiver for a person with a disability and participates remotely counts towards the quorum as if they were physically present;

Subsection C of § 2.2-3708.3 sets out certain specific conditions under which a public body may hold an all-virtual meeting. Effective July 1, 2024, if visual communication is voluntarily disconnected or fails, or if audio communication fails, the member shall be considered absent for purposes of a quorum. In addition, a public body is now limited to holding the greater of two or 50% of their meetings per calendar year in an all-remote format.

Subsection D requires that public bodies adopt a remote meeting policy at least annually regarding all-virtual meetings that shall be applied strictly and uniformly, without exception, to the entire membership and without regard to the identity of the member requesting remote participation or the matters that will be considered or voted on at the meeting. It further requires that the policy shall not prohibit or restrict any individual member who is participating in an all-virtual meeting or using remote participation from voting on matters before the public body.

The Board adopted a remote meeting policy at its May 4, 2015 meeting to comply with FOIA in this regard and, at its June 8, 2017, November 14, 2018, September 21, 2021, and September 22, 2022 meetings, approved revisions related to statutory changes. However, the amendments to § 2.2-3708.3

by the General Assembly effective July 1, 2024 require further amendment to the policy, and Board action is needed to approve revisions to the policy to conform it to the amended statute.

Redline and clean versions of the revised policy are attached to this RBA.

Authority for Requested Action

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

Code of Virginia § 2.2-3708.3 requires a public body to adopt a written policy in order to be able to allow individuals to meet remotely or the public body to hold an all-virtual meeting as provided under FOIA.

The above action is approved and will be effective July 1, 2024.

A. Scott Andrews, Chair
VRS Board of Trustees

Date

Introduction

Section 2.2-3708.3 of the *Code of Virginia* (the Virginia Freedom of Information Act, or FOIA) requires VRS to develop a remote participation policy prior to allowing remote electronic participation under subsection B or subsection C. The policy must be applied uniformly to all members and all requests. Effective July 1, 2024, § 2.2-3708.3-(D) of the *Code of Virginia* requires that this policy must be adopted at least annually by recorded vote.

Policy

It is the policy of Virginia Retirement System Board of Trustees that individual Board members or members of a Committee of the Board may participate in meetings of the Board or Committee by electronic means as permitted by § 2.2-3708.3 of the *Code of Virginia*. The Board of Trustees as well as standing, advisory, and ad hoc committees of the Board, may also elect to hold an all-virtual public meeting without a quorum physically assembled, as permitted by § 2.2-3708.3(C) of the *Code of Virginia*. This policy shall apply to the entire membership and without regard to the identity of the member requesting remote participation or the matters that will be considered or voted on at the meeting.

Effective September 1, 2022, the following definitions in the *Code of Virginia* apply:

- "All-virtual public meeting" means a public meeting (i) conducted by a public body, other than those excepted pursuant to subsection C of § 2.2-3708.3, using electronic communication means, (ii) during which all members of the public body who participate do so remotely rather than being assembled in one physical location, and (iii) to which public access is provided through electronic communication means.
- "Remote participation" means participation by an individual member of a public body by electronic communication means in a public meeting where a quorum of the public body is otherwise physically assembled.

In accordance with state law, this policy does not prohibit or restrict any individual member of the public body who is participating in an all-virtual public meeting or who is using remote participation from voting on matters before the public body.

Remote Participation by Individual Members

Individual members may participate remotely for the following reasons under § 2.2-3708.3 B¹:

1. A temporary or permanent disability or medical condition that prevents the member's physical attendance, under § 2.2-3708.3(B)(1) of the *Code of Virginia*. For purposes of determining

¹ Note: As of September 1, 2022, former § 2.2-3708.2(D) of the *Code of Virginia*, allowing an individual to participate remotely for any reason with public notice at least three working days in advance of the meeting, has been removed. Accordingly, the *Code of Virginia* also no longer requires a public body to provide FOIA public comment forms for electronic meetings or an annual electronic meeting report to the FOIA Council.

whether a quorum is physically assembled, an individual member of a public body who is a person with a disability as defined in § 51.5-40.1 of the Code of Virginia and uses remote participation counts toward the quorum as if the individual was physically present.

In advance of the meeting, the member shall notify the VRS FOIA Officer and the chair of the public body that the member is unable to attend the meeting due to a temporary or permanent disability or medical condition that prevents his or her physical presence.

2. A family member's medical condition that requires the member to provide care that prevents the member's physical attendance, or the member is a caregiver who must provide care for a person with a disability at the time the public meeting is being held thereby preventing the member's physical attendance, under § 2.2-3708.3(B)(2) of the Code of Virginia. For purposes of determining whether a quorum is physically assembled, an individual member of a public body who is a caregiver for a person with a disability and uses remote participation counts toward the quorum as if the individual was physically present.

In advance of the meeting, the member shall notify the VRS FOIA Officer and the chair of the public body that the member is unable to attend the meeting due to a family member's medical condition that requires the member to provide care that prevents his or her physical presence.

3. The member's principal residence is more than 60 miles from the meeting location identified in the required notice for such meeting, under § 2.2-3708.3(B)(3) of the Code of Virginia.

In advance of the meeting, the member shall notify the VRS FOIA Officer and the chair of the public body that the member is unable to attend the meeting due to the member's residence being more than 60 miles from the meeting location.

4. A personal matter, under § 2.2-3708.3(B)(4) of the Code of Virginia.
 - a. In advance of the meeting, the member shall notify the VRS FOIA Officer and the chair of the public body that the member is unable to attend the meeting due to a personal matter. The member must identify with specificity the nature of the personal matter.
 - b. When such individual participation is due to a personal matter, such participation is limited by law to two meetings of the public body or 25% of the meetings held rounded up to the next whole number, whichever is greater, per member each calendar year. Participation limits are counted separately for the VRS Board of Trustees and each Committee of the Board.

Whenever an individual member wishes to participate from a remote location (other than the all-virtual option or state of emergency exemption), the law requires a quorum of the Board or Committee to be physically assembled at the primary or central meeting location, and there must be arrangements for the voice of the remote participant to be heard by all persons at the primary or central meeting location. The minutes shall record the specific nature of the personal matter, the fact of the disability or other condition, the fact of the family member's medical condition, or the fact of the distance from the member's principal residence, and the remote location from which the absent member participated.

The specific requirements and limitations on electronic participation described in this policy apply only to the members of the public body holding a public meeting. Procedural requirements for remote participation that apply to members of the public body do not apply to the general public or other meeting attendees, including employees (unless such employee is a named member of the public body), guest

FOIA Electronic Meeting Attendance Policy Adopted May 4, 2015
Revised June 8, 2017;⁵ November 14, 2018;⁵ September 21, 2021;⁵
September 22, 2022; July 1, 2024

presenters, attendees from other public or private organizations, or members of other, non-VRS public bodies.

Automatic Approval of Remote Participation:

VRS' FOIA Officer is responsible for tracking and approving individual remote participation for all VRS-related public bodies. Individual participation from a remote location shall be approved unless such participation would violate this policy or the provisions of the Virginia Freedom of Information Act. If a member's participation from a remote location is challenged, then the Board or Committee shall vote on whether to allow such participation. If a member's participation from a remote location is disapproved because such participation would violate this policy, such disapproval shall be recorded in the minutes with specificity. The member may then monitor the meeting, but may not participate in actions of the Board or Committee.

All-Virtual Public Meetings of the Entire Public Body

There are two exceptions to the requirement that a quorum be physically assembled at the primary or central meeting location, described in § 2.2-3708.2 and § 2.2-3708.3(C) [of the Code of Virginia](#).

Under § 2.2-3708.2 [of the Code of Virginia](#), a public body may meet remotely without a quorum assembled when the Governor has declared a state of emergency in accordance with *Code of Virginia* § 44-146.17 or the locality in which the public body is located has declared a local state of emergency pursuant to § 44-146.21, provided that (i) the catastrophic nature of the declared emergency makes it impracticable or unsafe to assemble a quorum in a single location and (ii) the purpose of the meeting is to provide for the continuity of operations of the public body or the discharge of its purposes, duties, and responsibilities. The public body must follow the requirements established in §2.2-3708.2 [of the Code of Virginia](#) regarding access, notice and minutes.

Under § 2.2-3708.3(C) [of the Code of Virginia](#), certain public bodies, including VRS, may hold an all-virtual public meeting with no members of the public body participating in person. The public body may not convene an all-virtual meeting more than two times per calendar year or ~~50~~50% of the meetings held per calendar year, rounded up to the next whole number, whichever is greater, or consecutively with another all-virtual public meeting. When the public body chooses to meet remotely:

- the public must have access to the meeting and be able to hear and, when possible, see the members participating;
- **if visual communication is voluntarily disconnected or fails, or if audio communication fails, the member shall be considered absent for purposes of a quorum;**
- a phone number or other live contact information must be provided to the public to alert the public body if the audio or video transmission of the meeting fails. The public body must take a recess until access is restored if the audio or video transmission fails for the public;
- all materials must be made available to the public electronically at the same time that materials are provided to the public body;
- no more than two members of the public body may be together in one remote location unless that location is open to the public to physically access it;
- transmission of the meeting must resume after a closed session is held, before the public body certifies the closed meeting under § 2.2-3712 of the *Code of Virginia*; and
- minutes must be taken as required under § 2.2-3707 of the *Code of Virginia* and include that the

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Revised June 8, 2017;⁵ November 14, 2018;⁵ September 21, 2021;⁵
September 22, 2022; July 1, 2024

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meeting was held by electronic communication as well as the type of electronic communication used. If a member's participation was disapproved under this subsection of the *Code of Virginia*, that shall also be included in the minutes with specificity.

Approval of Requests for All-Virtual Public Meetings

The Board Secretary or designee is responsible for processing requests for all-virtual meetings for all VRS-related public bodies. Requests for all-virtual meetings shall be considered by the Board Secretary or designee and the Chair of the Board of Trustees or relevant Committee Chair and approved in appropriate circumstances unless such participation would violate this policy or the provisions of the Virginia Freedom of Information Act.

If a request is disapproved because participation would violate this policy, the Board or Committee must reschedule a regular meeting with appropriate notice.

Individual member use of remote meeting participation for a specific public body under § 2.2-3708.3(B) of [the Code of Virginia](#) does not affect requirements for all-virtual remote meetings of the public body under § 2.2-3708.3(C) [of the Code of Virginia](#).

Introduction

Section 2.2-3708.3 of the *Code of Virginia* (the Virginia Freedom of Information Act, or FOIA) requires VRS to develop a remote participation policy prior to allowing remote electronic participation under subsection B or subsection C. The policy must be applied uniformly to all members and all requests. Effective July 1, 2024, § 2.2-3708.3(D) of the *Code of Virginia* requires that this policy must be adopted at least annually by recorded vote.

Policy

It is the policy of Virginia Retirement System Board of Trustees that individual Board members or members of a Committee of the Board may participate in meetings of the Board or Committee by electronic means as permitted by § 2.2-3708.3 of the *Code of Virginia*. The Board of Trustees as well as standing, advisory, and ad hoc committees of the Board, may also elect to hold an all-virtual public meeting without a quorum physically assembled, as permitted by § 2.2-3708.3(C) of the *Code of Virginia*. This policy shall apply to the entire membership and without regard to the identity of the member requesting remote participation or the matters that will be considered or voted on at the meeting.

Effective September 1, 2022, the following definitions in the *Code of Virginia* apply:

- "All-virtual public meeting" means a public meeting (i) conducted by a public body, other than those excepted pursuant to subsection C of § 2.2-3708.3, using electronic communication means, (ii) during which all members of the public body who participate do so remotely rather than being assembled in one physical location, and (iii) to which public access is provided through electronic communication means.
- "Remote participation" means participation by an individual member of a public body by electronic communication means in a public meeting where a quorum of the public body is otherwise physically assembled.

In accordance with state law, this policy does not prohibit or restrict any individual member of the public body who is participating in an all-virtual public meeting or who is using remote participation from voting on matters before the public body.

Remote Participation by Individual Members

Individual members may participate remotely for the following reasons under § 2.2-3708.3 B¹:

1. A temporary or permanent disability or medical condition that prevents the member's physical attendance, under § 2.2-3708.3(B)(1) of the *Code of Virginia*. For purposes of determining

¹ Note: As of September 1, 2022, former § 2.2-3708.2(D) of the *Code of Virginia*, allowing an individual to participate remotely for any reason with public notice at least three working days in advance of the meeting, has been removed. Accordingly, the *Code of Virginia* also no longer requires a public body to provide FOIA public comment forms for electronic meetings or an annual electronic meeting report to the FOIA Council.

whether a quorum is physically assembled, an individual member of a public body who is a person with a disability as defined in § 51.5-40.1 of the *Code of Virginia* and uses remote participation counts toward the quorum as if the individual was physically present.

In advance of the meeting, the member shall notify the VRS FOIA Officer and the chair of the public body that the member is unable to attend the meeting due to a temporary or permanent disability or medical condition that prevents his or her physical presence.

2. A family member's medical condition that requires the member to provide care that prevents the member's physical attendance, or the member is a caregiver who must provide care for a person with a disability at the time the public meeting is being held thereby preventing the member's physical attendance, under § 2.2-3708.3(B)(2) of the *Code of Virginia*. For purposes of determining whether a quorum is physically assembled, an individual member of a public body who is a caregiver for a person with a disability and uses remote participation counts toward the quorum as if the individual was physically present.

In advance of the meeting, the member shall notify the VRS FOIA Officer and the chair of the public body that the member is unable to attend the meeting due to a family member's medical condition that requires the member to provide care that prevents his or her physical presence.

3. The member's principal residence is more than 60 miles from the meeting location identified in the required notice for such meeting, under § 2.2-3708.3(B)(3) of the *Code of Virginia*.

In advance of the meeting, the member shall notify the VRS FOIA Officer and the chair of the public body that the member is unable to attend the meeting due to the member's residence being more than 60 miles from the meeting location.

4. A personal matter, under § 2.2-3708.3(B)(4) of the *Code of Virginia*.
 - a. In advance of the meeting, the member shall notify the VRS FOIA Officer and the chair of the public body that the member is unable to attend the meeting due to a personal matter. The member must identify with specificity the nature of the personal matter.
 - b. When such individual participation is due to a personal matter, such participation is limited by law to two meetings of the public body or 25% of the meetings held rounded up to the next whole number, whichever is greater, per member each calendar year. Participation limits are counted separately for the VRS Board of Trustees and each Committee of the Board.

Whenever an individual member wishes to participate from a remote location (other than the all-virtual option or state of emergency exemption), the law requires a quorum of the Board or Committee to be physically assembled at the primary or central meeting location, and there must be arrangements for the voice of the remote participant to be heard by all persons at the primary or central meeting location. The minutes shall record the specific nature of the personal matter, the fact of the disability or other condition, the fact of the family member's medical condition, or the fact of the distance from the member's principal residence, and the remote location from which the absent member participated.

The specific requirements and limitations on electronic participation described in this policy apply only to the members of the public body holding a public meeting. Procedural requirements for remote participation that apply to members of the public body do not apply to the general public or other meeting attendees, including employees (unless such employee is a named member of the public body), guest

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presenters, attendees from other public or private organizations, or members of other, non-VRS public bodies.

Automatic Approval of Remote Participation:

VRS' FOIA Officer is responsible for tracking and approving individual remote participation for all VRS-related public bodies. Individual participation from a remote location shall be approved unless such participation would violate this policy or the provisions of the Virginia Freedom of Information Act. If a member's participation from a remote location is challenged, then the Board or Committee shall vote on whether to allow such participation. If a member's participation from a remote location is disapproved because such participation would violate this policy, such disapproval shall be recorded in the minutes with specificity. The member may then monitor the meeting, but may not participate in actions of the Board or Committee.

All-Virtual Public Meetings of the Entire Public Body

There are two exceptions to the requirement that a quorum be physically assembled at the primary or central meeting location, described in § 2.2-3708.2 and § 2.2-3708.3(C) of the *Code of Virginia*.

Under § 2.2-3708.2 of the *Code of Virginia*, a public body may meet remotely without a quorum assembled when the Governor has declared a state of emergency in accordance with *Code of Virginia* § 44-146.17 or the locality in which the public body is located has declared a local state of emergency pursuant to § 44-146.21, provided that (i) the catastrophic nature of the declared emergency makes it impracticable or unsafe to assemble a quorum in a single location and (ii) the purpose of the meeting is to provide for the continuity of operations of the public body or the discharge of its purposes, duties, and responsibilities. The public body must follow the requirements established in §2.2-3708.2 of the *Code of Virginia* regarding access, notice and minutes.

Under § 2.2-3708.3(C) of the *Code of Virginia*, certain public bodies, including VRS, may hold an all-virtual public meeting with no members of the public body participating in person. The public body may not convene an all-virtual meeting more than two times per calendar year or 50% of the meetings held per calendar year, rounded up to the next whole number, whichever is greater, or consecutively with another all-virtual public meeting. When the public body chooses to meet remotely:

- the public must have access to the meeting and be able to hear and, when possible, see the members participating;
- if visual communication is voluntarily disconnected or fails, or if audio communication fails, the member shall be considered absent for purposes of a quorum;
- a phone number or other live contact information must be provided to the public to alert the public body if the audio or video transmission of the meeting fails. The public body must take a recess until access is restored if the audio or video transmission fails for the public;
- all materials must be made available to the public electronically at the same time that materials are provided to the public body;
- no more than two members of the public body may be together in one remote location unless that location is open to the public to physically access it;
- transmission of the meeting must resume after a closed session is held, before the public body certifies the closed meeting under § 2.2-3712 of the *Code of Virginia*; and
- minutes must be taken as required under § 2.2-3707 of the *Code of Virginia* and include that the

FOIA Electronic Meeting Attendance Policy Adopted May 4, 2015
Revised June 8, 2017; November 14, 2018; September 21, 2021;
September 22, 2022; July 1, 2024

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meeting was held by electronic communication as well as the type of electronic communication used. If a member's participation was disapproved under this subsection of the *Code of Virginia*, that shall also be included in the minutes with specificity.

Approval of Requests for All-Virtual Public Meetings

The Board Secretary or designee is responsible for processing requests for all-virtual meetings for all VRS-related public bodies. Requests for all-virtual meetings shall be considered by the Board Secretary or designee and the Chair of the Board of Trustees or relevant Committee Chair and approved in appropriate circumstances unless such participation would violate this policy or the provisions of the Virginia Freedom of Information Act.

If a request is disapproved because participation would violate this policy, the Board or Committee must reschedule a regular meeting with appropriate notice.

Individual member use of remote meeting participation for a specific public body under § 2.2-3708.3(B) of the *Code of Virginia* does not affect requirements for all-virtual remote meetings of the public body under § 2.2-3708.3(C) of the *Code of Virginia*.

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

Requested Action

The Virginia Retirement System Board of Trustees approves amendments to the Investment Department Policy on External Investment Manager Referrals.

Description/Background

The Investment Department Policy on External Investment Manager Referrals (Policy) was approved by the Board on November 17, 2011, and became effective on January 1, 2012, and requires that staff of the Investment Department report any communications received from elected statewide officials and Cabinet level Secretaries referring external investment managers for consideration by VRS. Under the Policy, the Director contacts the referring party to notify them of the contents of the Policy and the Chief Investment Officer (CIO) or their designee provides a quarterly report to the Board of all such communications received.

Rationale for Requested Action

Amendments to the Policy are being made 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 numerous amendments to clarify the reporting process and update the language used throughout the Policy.

The Administration, Finance and Talent Management Committee reviewed the revised Policy and recommends its approval to the entire Board.

Authority for Requested Action

Section 51.1-124.22(A)(8) authorizes the Board to promulgate regulations and procedures and make determinations necessary to carry out the provisions of Title 51.1 of the *Code of Virginia*. Section 51.1-124.30 authorizes the Board to invest funds solely in the interest of the beneficiaries thereof.

The above action is approved.

A. Scott Andrews, Chairman
VRS Board of Trustees

Date

**VRS INVESTMENT DEPARTMENT
POLICY ON EXTERNAL INVESTMENT MANAGER REFERRALS**

Effective January 1, 2012

Updated ~~Nov 2015~~ June 2024 **

I. PURPOSE

It is the intent of the VRS Investment Department (~~“Department”~~) to maintain transparency in the hiring process for all external investment managers and to display a high level of ethical conduct. The Investment Department will disclose all relevant information to the VRS Board of Trustees related to any outside communications or influence from statewide elected officials serving the Commonwealth of Virginia and political subdivisions thereof (hereafter referred to as “elected officials”), ~~including political subdivisions thereof~~ or Virginia Cabinet level Secretaries, ~~or Deputy/Assistant Secretaries and state agency heads,~~ (hereinafter referred to as “appointed officials”) regarding the selection of external investment managers. In furtherance of this intent, this Policy is established to provide transparency to all parties involved in referrals of external investment managers ~~that implicate this Policy.~~

II. DOCUMENTATION AND REPORTING OF COMMUNICATIONS FROM VIRGINIA APPOINTED OR ELECTED OFFICIALS

Generally, any communication from an an ~~Virginia statewide~~ elected official or ~~Cabinet level Secretary, or Deputy/Assistant Secretary or agency head~~ appointed official, in any form, ~~relating to referring for consideration an the selection of~~ external investment managers, shall be reported as follows:

A. As soon as practical following the initial communication, a member of the Board of Trustees, an the Investment Department staff member, the VRS Director or a member of the Director’ss Executive Committee should notify the Chief Investment Officer (CIO) and the Chief Administrative Officer (CAO) or their designees and provide the approximate time and substance of the communication. If possible, the communication should be forwarded to the CIO and the CAO, or their designees, if it is in a media that allows for forwarding (~~i.e.e.g.~~, email, letter, voicemail).

B. As soon as practical after being notified of such communication, the CIO and CAO, or their designees, will notify in writing the VRS Board Chair~~man~~ and the VRS Director.

C. The VRS Director will provide written notification, substantially similar to the notification attached hereto as Attachment A, to the person making the referral regarding the existence of this pPolicy and the reports to be generated pursuant to this Ppolicy.

D. ~~The~~ CIO or CAO, or ~~theirhis~~ designees, will provide a report to the Board at least quarterly of all reported contacts by ~~Virginia statewide~~ elected officials or ~~Cabinet level Secretaries, Deputy/Assistant Secretaries and agency heads~~ related to the selection of appointed officials referring for consideration external investment managers.

D.E. ~~Should a potential external investment manager contact VRS and assert that he or she is they are being referred by an elected official, agency head, Cabinet level Secretary or Deputy/Assistant Secretary or appointed official, the VRS Director will contact the named referring~~

party to confirm if such referral is being given. Once confirmed, the above procedure will be followed.

** Previous date was November 2015.

Attachment A
VRS External Investment Manager Referral Policy
June 2024 January 1, 2012

Date

Address

~~Address~~

Dear:

This is to confirm receipt of your recent referral of _____ as an external investment manager that the Virginia Retirement System may wish to consider. I wanted to make you aware that, pursuant to our Board's policy, we must notify the VYRS Board Chair of any such referrals from ~~Virginia statewide~~ elected officials or ~~Cabinet level Secretaries, and Deputy/Assistant Secretaries or agency heads~~ appointed officials. This information is also reported to the full VYRS Board of Trustees on a quarterly basis. VYRS' External Investment Manager Referral Policy Policy on External Manager Referrals, a copy of which is enclosed, requires all VYRS Investment Department staff and selected VRS staff to report any referrals of external investment managers from ~~Virginia statewide~~ elected officials or ~~Cabinet level Secretaries and Deputy/Assistant Secretaries~~ appointed officials.

Thank you, and please do not hesitate to contact me if you have any questions concerning this policy.

Enclosure (1)

VRS Investment Department
Quarterly External Manager Referral Report
Activity for Quarter Ending _____

Investment Program	Type of Contract	Name of Manager Referred	Official Making Recommendation	VRS Action

VRS INVESTMENT DEPARTMENT
POLICY ON EXTERNAL INVESTMENT MANAGER REFERRALS

Effective January 1, 2012

Updated June 2024 **

I. PURPOSE

It is the intent of the VRS Investment Department to maintain transparency in the hiring process for all external investment managers and to display a high level of ethical conduct. The Investment Department will disclose all relevant information to the VRS Board of Trustees related to any outside communications or influence from elected officials serving the Commonwealth of Virginia and political subdivisions thereof (hereafter referred to as “elected officials”) or Virginia Cabinet level Secretaries, Deputy/Assistant Secretaries and state agency heads (hereinafter referred to as “appointed officials”) regarding the selection of external investment managers. In furtherance of this intent, this Policy is established to provide transparency to all parties involved in referrals of external investment managers.

II. DOCUMENTATION AND REPORTING OF COMMUNICATIONS FROM VIRGINIA APPOINTED OR ELECTED OFFICIALS

Generally, any communication from an elected official or appointed official, in any form, referring for consideration an external investment manager, shall be reported as follows:

- A. As soon as practical following the initial communication, a member of the Board of Trustees, an Investment Department staff member, the VRS Director or a member of the Director’s Executive Committee should notify the Chief Investment Officer (CIO) and the Chief Administrative Officer (CAO) or their designees and provide the approximate time and substance of the communication. If possible, the communication should be forwarded to the CIO and the CAO, or their designees, if it is in a media that allows for forwarding (e.g., email, letter, voicemail).
- B. As soon as practical after being notified of such communication, the CIO and CAO, or their designees, will notify in writing the VRS Board Chair and the VRS Director.
- C. The VRS Director will provide written notification, substantially similar to the notification attached hereto as Attachment A, to the person making the referral regarding the existence of this Policy and the reports to be generated pursuant to this Policy.
- D. The CIO or CAO, or their designees, will provide a report to the Board at least quarterly of all reported contacts by elected officials or appointed officials referring for consideration external investment managers.
- E. Should a potential external investment manager contact VRS and assert that they are being referred by an elected official or appointed official, the VRS Director will contact the named referring party to confirm if such referral is being given. Once confirmed, the above procedure will be followed.

** Previous date was November 2015.

Attachment A
VRS External Investment Manager Referral Policy
June 2024

Date

Address

Dear:

This is to confirm receipt of your recent referral of _____ as an external investment manager that the Virginia Retirement System may wish to consider. I wanted to make you aware that, pursuant to our Board's policy, we must notify the VRS Board Chair of any such referrals from elected officials or appointed officials. This information is also reported to the full VRS Board of Trustees on a quarterly basis. VRS' Policy on External Manager Referrals, a copy of which is enclosed, requires all VRS Investment Department staff and selected VRS staff to report any referrals of external investment managers from elected officials or appointed officials.

Thank you, and please do not hesitate to contact me if you have any questions concerning this policy.

Enclosure (1)

VRS Investment Department
Quarterly External Manager Referral Report
Activity for Quarter Ending _____

Investment Program	Type of Contract	Name of Manager Referred	Official Making Recommendation	VRS Action

Report

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

APPROVAL OF MINUTES

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

ELECTION OF COMMITTEE VICE CHAIR

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

B&A COMMITTEE CHARTER REVIEW

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

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

INFORMATION ITEMS

Update on Optional Form Study

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

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

Pension Dashboard

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

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

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

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

2024 B&A Committee Meeting Schedule:

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

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

John M. Bennett, Chair
Benefits and Actuarial Committee

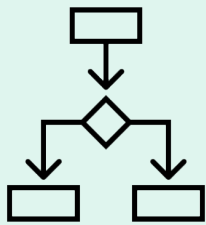
Optional Form Factors



Agenda

- Background
- Why Are Factors Changing?
- Principles Used in Development of New Factors
- Plan Impacts
- Member Impacts
- Next Steps





- VRS members have the ability to elect an optional form of payment when retiring under VRS-administered pension plans.
- Optional Forms of payment include:
 - Joint and Survivor Benefit (J&S)
 - Partial Lump Sum (PLOP)
 - Advanced Pension Option or Leveling Benefit (APO)
- Historically, approximately 30% of VRS retirees choose an alternative form of payment rather than the basic benefit.

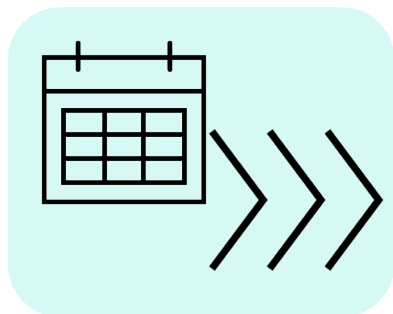
Virginia Code contains language noting that actuarial equivalent tables should be used to determine optional forms of payment.

- Does not specify or require that the assumptions used to develop actuarial equivalent tables be on the same basis as those used for computing contribution rates.
- Does not specify the frequency of review.

VA Code Section 51.1-124.3 defines actuarial equivalent to mean a benefit of equal value when computed upon the basis of actuarial tables adopted by the Board.

Actuarial Equivalent tables are applied for purposes of determining :

- Optional forms under *VA Code Section 51.1-165* (optional forms)
- Determining the cost of service purchased by members under *VA Code Section 51.1-142.2* (purchase of service (PPS)).



- Optional form factors were last updated in 2001.
 - Based on static mortality table (no mortality improvement)
 - Use 8.0% discount rate and 3.5% inflation assumption.
 - Generally, pension plan sponsors do not change factors frequently.
 - Requires outreach, communication, and system updates
 - Not required to match funding assumptions, only expected to be based on reasonable actuarial equivalent.

Why Are Factors Changing?

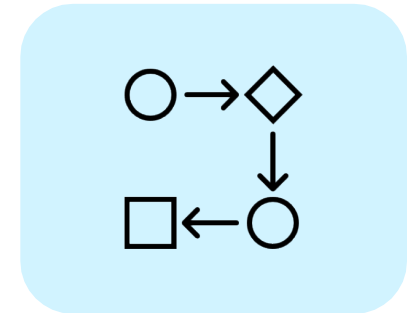
Optional Form Basis - Current			
Optional Form Factor Basis	Discount Rate	Inflation Assumption	Mortality Table
2001 - Current	8.00%	3.50%	GAM83

Valuation Assumptions				
Plan Year	Discount Rate	Inflation Assumption	Mortality Table	Comments
2001	8.00%	3.00%	94GAM	Change to 94GAM table along with small changes to real rate of return had very little change from factor basis
2005	7.50%	2.50%	94GAM	
2009	7.50%	2.50%	94GAM	
2013	7.00%	2.50%	RP2000	Changes to VRS systems were restricted during this time due to system upgrades
2017	7.00%	2.50%	RP2014	
2021	6.75%	2.50%	PUB2010	Began planning for change to tables

- From 2001 to 2012 only minor differences between the valuation assumptions and the optional form basis, no need for immediate change.
- From 2013 – 2018 VRS was in the middle of major system upgrade which did not allow for additional changes to occur.
- In late 2018 Society of Actuaries published new mortality table based on public sector plan experience. VRS planned to explore implementing this change during 2021 experience study.
- New mortality table and lower discount rate warranted moving forward with update of optional form factors.

Principles Driving New Optional Form Basis

- **Minimize complexity of administration and impacts to VRS systems.**
 - Create set of factors that can be used across benefit tiers and across all plans.
- **Align assumptions used for optional form factors with basis used for funding valuations.**
 - Reflect improvements in mortality.
 - Use plan discount rate of 6.75%.
 - Use Plan 2/Hybrid assumed cost-of-living increase.
- **Align future reviews with quadrennial experience studies.**



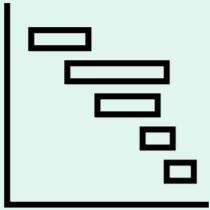


- While basis of optional form factors does not have to exactly align with valuation assumptions, current factors are not aligned with current funding assumptions.
- Current optional form factors are creating small actuarial gains to the plan.
 - Benefits being paid under an optional form are less than they would be if they were based on current funding assumptions.
- Future impacts will be more cost-neutral to the plan.

- The majority of retirees elect the Basic benefit which is not impacted by the optional form factors.
- Impacts to members who elect an optional form will be positive (higher benefit using the new factors compared to the current factors)
 - Impacts will vary based on age at retirement and optional form elected.



- **Joint and Survivor factors** provide increased monthly benefit of approximately 7-13% relative to the current factors.
- **Partial Lump Sum** - Increased PLOP factors serve to decrease the benefit reduction stemming from payment of the PLOP, meaning that monthly benefits will increase for this optional form by approximately 1.5-6.0%.
- **Advanced Pension** - Increased APO Factors will serve to increase the member benefit being paid both pre- and post-leveling age with changes ranging from 3-12%.



- New optional form factors would go into effect with retirements after December 31, 2024. The new factors would impact:
 - Joint & Survivor Benefits
 - Partial Lump-Sum (PLOP)
 - Advanced Pension Option (APO)
- Work with IT to update tables in VRS systems.
- Work with processing team to validate changes.
- Communicate with members beginning of third quarter of upcoming change.
- Optional form factors will be reviewed as part of quadrennial experience study beginning in spring of 2029.

Report

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

APPROVAL OF MINUTES

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

ELECTION OF COMMITTEE VICE CHAIR

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

STATUS UPDATE ON THE 2023 EMPLOYER ASSURANCES REVIEW

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

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

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

AUDIT REPORTS

The committee received two audit reports.

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

ANNUAL REPORT ON CODE OF ETHICS

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

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

AUDIT PLAN PROGRESS AS OF DECEMBER 31, 2023

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

IMPLEMENTATION OF THE 2024 GLOBAL INTERNAL AUDIT STANDARDS

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

QUARTERLY REPORTS ON FRAUD, WASTE AND ABUSE HOTLINE CASES

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

MISCELLANEOUS UPDATES

The committee received the following miscellaneous updates:

Internal Audit's Review of Cost of Living Adjustments

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

Management's Quarterly Travel Expenses and Per Diem Reports

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

Next Committee Meeting Date

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

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

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



VRS Project Portfolio FISCAL YEAR 2024

May 30, 2024

Status Indicator

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

Agency Performance Objectives (APOs)	Strategic Alignment	Status	2023						2024						
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
			Customer Experience Enhancements: Call Management System (CMS) - Phase 1	Member, Retiree and Employer Education, Outreach and Partnership	●										
Customer Experience Enhancements: Voice of the Customer (VoC) Program – Phase 1	Member, Retiree and Employer Education, Outreach and Partnership	●													
Records Management Program – Phase 2 Implementation	Digital Transformation and Secure Service Delivery	●													
Hybrid Plan – Contribution Separation Legislation Implementation Phase 2	Superior Governance and Long-Term Financial Health	●													
Human Resource Information System (HRIS) Implementation – Phase 1	Organization Strength Culture and Engagement	●													
IT Initiatives ¹		Status	2023						2024						
Onboard and Operationalize Security MSP	Digital Transformation and Secure Service Delivery	▲													
Implement Secure and Remote Support Solution	Technology Infrastructure	●													
Research and Replace Secure File Transfer System	Technology Infrastructure	●													
Migrate from Cisco to Teams Voice	Technology Infrastructure	▲													
Implement Enterprise Identity and Access Management Solution	Digital Transformation and Secure Service Delivery	▲													
Other Projects ²		Status	2023						2024						
Continue Agency Project Portfolio Process Enhancements	Superior Governance and Long-Term Financial Health	★													
Conduct Transition Activities to New DC/Hybrid Record Keeping Service Business Partner	Superior Governance and Long-Term Financial Health	●													
Lease Space Renewal	Superior Governance and Long-Term Financial Health	●													
Update VRS Optional Form Factors and Review Early Retirement Reduction Factors	Superior Governance and Long-Term Financial Health	●													
Legislation		Status	2023						2024						
HB2314 HIC Increase for State Retirees		●													
HB1789 HIC Increase for Constitutional Officers and Employees		●													
SB1403 Income Tax Subtraction; Professional Firefighter Pension		★													
SB1449 JRS		★													
HB1452 Add OAG Medical Fraud Investigators to LODA		★													
SB1411 RTW Law Enforcement Report		★													
HB1630/SB1289/SB1479 RTW Report		★													
Secure 2.0		●													
Operational/Ongoing Activities		Status	2023						2024						
COLA 2023		★													
FYE 2023		★													
EDGE		●													
Retirement Wave 2023		★													
Teacher Contracts		★													
MBPs		★													
Annual Code of Ethics Training		★													
Annual Security Awareness Training		★													
FOIA Training		★													
ACFR		★													
PAFR		★													
LODA Annual Report		★													
GASB 67		★													
GASB 68		★													
GASB 74		★													
GASB 75		●													
Actuarial Valuations		★													
myVRS Annual Updates		★													
Update Contribution Rates in VNAV		●													
1099/W2		★													

Operational/Ongoing Activities	Status	2023						2024						
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
Annual Roadmap Review	●													
FYE 2024	●													
Retirement Wave 2024	●													
Commonwealth Bond Disclosure	N/S													
ORPHE Surcharge Billing for FY 2024	●													
Data Fixes	●													
ALM Backlog Prioritization	●													
Employer VNAV Security Review	N/S													
VRS Fund Sensitivity and Stress Testing Report for GA	N/S													
Legislation FY 2024	★													

¹Initiatives led directly by Technology Services.

²Other initiatives are led by other business units and supported by Technology Services.

Yellow Status Items

Item	Due Date	Comments
Onboard and Operationalize Security MSP	3/31/2024	Delays in the acquisition process will require additional time to complete the initiative.
Migrate from Cisco to Teams Voice	4/31/2024	Delays in the acquisition process will require additional time to complete the initiative.
Implement Enterprise Identity and Access Management Solution	6/30/2024	Delays in the acquisition process will require additional time to complete the initiative.

Red Status Items

Item	Due Date	Comments
N/A		

Realignments/Adjustments

Item	Due Date	Comments
N/A		

Director's Report

June 20, 2024

Trish Bishop, VRS Director



New Employer Coverage

Coverage Elected	Details
Health Insurance Credit	Franklin County, Effective May 1, 2024
Enhanced Hazardous Duty Benefit 1.85% Multiplier	Smyth County, Effective July 1, 2024

The Communicator Awards

Academy of Interactive & Visual Arts (AIVA)



DCP
Digital Content Platform

Virginia Retirement System
Contribution Increase Campaign
The Communicator Awards
Online Advertising & Marketing – Email Marketing

Award
The Virginia Retirement System, an educational state agency created to facilitate, advise, administer and offer financial products and services to Virginia's public employees and their families, is pleased to announce the winners of the 30th Annual Communicator Awards. The awards recognize the best in online advertising and marketing for email marketing. The award is presented to the agency that has demonstrated exceptional creativity and innovation in its marketing efforts. The award is presented to the agency that has demonstrated exceptional creativity and innovation in its marketing efforts. The award is presented to the agency that has demonstrated exceptional creativity and innovation in its marketing efforts.

AWARD OF EXCELLENCE
Contribution Increase Campaign



Don't Miss Out on the Match
Quarterly Deadline Approaching!



Maximize Your Retirement Saving!



DCP

Start Stop Continue

AWARD OF DISTINCTION
Start, Stop, Continue Campaign



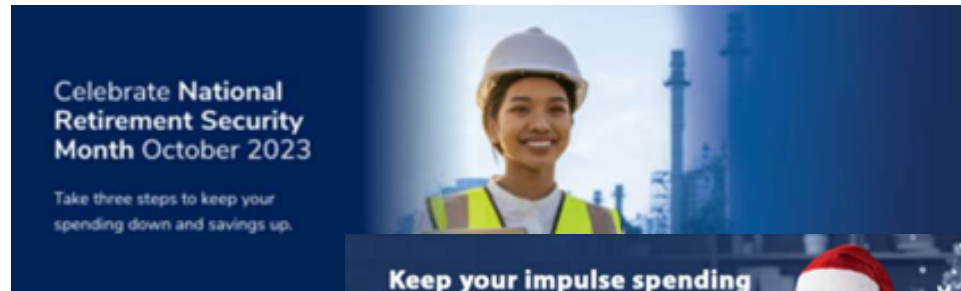
Gold Stevie® Award

The American Business Awards®



Marketing Campaign of the Year Government/Institutional/Recruitment

Start, Stop, Continue Retirement Planning Campaign



At the Commonwealth of Virginia Campaign (CVC) awards banquet in April, VRS received the Bronze Level Award and ranked **#4 among the top 10 agencies with \$53,000+ in donations** raised in 2023!

Congratulations and thanks to VRS' CVC Committee members for all their work!



#4!



Monday, July 1, 2024, 10 a.m.
House Committee Room C (Room 206)
General Assembly Building
201 N. 9th St., Richmond, Virginia



JLARC
JOINT LEGISLATIVE AUDIT & REVIEW COMMISSION

jlarc.virginia.gov/calendar.asp

Meetings are usually streamed live and often are also available to view after the meeting via JLARC's YouTube channel.



July

- Board of Trustees meeting scheduled but may be canceled.

August

- No Board of Trustees meeting scheduled.

September

- Presentation by CEM Benchmarking on Administration.
- Review FY 2024 Agency Performance Outcomes and Operation Measures.
- Review Performance of Administration and Investments for FY 2024.

Deficit Provision Acknowledgment Form

(Appendix A of DPB's New Year Start-up instructions)

Section A (for all agencies)

Agency Acknowledgement

I have received, read, and understand your instructions regarding indebtedness of state agencies as they relate to the requirements of § 4-3.01 of the current Appropriation Act.

Agency Name _____ Agency Code _____

Other agencies in the Act (if any) for which your agency is responsible: _____

Agency/Cabinet Head Name _____

Agency/Cabinet Head Signature _____

(Personal signature is required above and cannot be delegated)

Date _____

Section B (if applicable to your agency)

Supervisory Board *(see §2.2-2100 of the Code of Virginia for what constitutes a "supervisory board")*

I have provided each member of the supervisory board of this agency with a copy of the notice in this memorandum and I will provide the same material to those appointed to the board in the future.

(Personal Signature of Agency Head)

Date: _____

E-mail to:

Digitally sign or scan the signed original; Save as a PDF, and Email to budget@dpb.virginia.gov.

NOTE: Provide your agency name and agency number as well as the phrase "Deficit Provision Acknowledgment Form" in the subject line of the email.