



September 13, 2024

**MEMORANDUM**

**TO:** VRS Board of Trustees

**FROM:** Patricia S. Bishop  
Director

**RE:** Agenda Materials for September 19<sup>h</sup> Board Meeting

We are looking forward to the September 19<sup>th</sup> 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, 3<sup>rd</sup> floor. Enclosed are the agenda and meeting materials. Boxed lunches will be available beginning at 12:00 p.m.

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

<b>Meeting</b>	<b>Date</b>	<b>Location</b>
Audit and Compliance Committee	Wednesday, September 18 <sup>th</sup> , 10:30 a.m.	Bank of America Pavilion, 1111 E. Main St., 3 <sup>rd</sup> floor, Chesapeake Conference Room
Administration, Finance and Talent Management Committee	Wednesday, September 18 <sup>th</sup> , 1:00 p.m.	Bank of America Pavilion, 1111 E. Main St., 3 <sup>rd</sup> floor, Chesapeake Conference Room
Board of Trustees	Thursday, September 19 <sup>th</sup> , 1:00 p.m.	Bank of America Pavilion, 1111 E. Main St., 3 <sup>rd</sup> floor, Chesapeake 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, 9/19/2024**  
**1:00 - 3:30 PM ET**

**I. Approve Minutes**

*6.20.24 Board Meeting Minutes - Page 5*

**II. Report of the Investment Advisory Committee**

**III. Report of the Chief Investment Officer**

*Chief Investment Officer Report - September 2024 - Page 18*

*Chief Investment Officer Quarterly Report - QE June 2024 - Page 26*

*Performance Summary - 7.31.24 - Page 35*

*Daily Asset Allocation Report - 9.11.24 - Page 36*

*New Investments and Terminations 9.19.24 - Page 37*

*DIME Quarterly Summary - QE June 2024 - Page 38*

*External Manager Referral Quarterly Summary - QE June 2024 - Page 44*

**IV. Annual CEM Benchmarking Report on Administration**

*CEM Pension Administration Benchmark Report 2023 - VRS - Page 45*

**V. Report of the Defined Contribution Plans Advisory Committee**

*Report of the Defined Contribution Plans Advisory Committee - Page 65*

**VI. Report of the Audit and Compliance Committee**

*Report of the Audit and Compliance Committee - Page 68*

• **RBA - Approve FY 2025-27 Long Range Plan**

*RBA Approve FY2025-FY2027 Long Range Audit Plan - Page 72*

*Proposed FY 2025-2027 Long-Range Plan - Page 73*

• **RBA - Approve FY 2025 Audit Plan**

*RBA Approve FY2025 Annual Plan - Page 79*

*Proposed FY 2025 Annual Plan - Page 80*

• **RBA - FY 2024 Internal Audit Director's Performance Review**

*RBA Audit Directors Performance Review - Page 82*

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

*RBA - Approve a Salary Adjustment for the Audit Director - Page 83*

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

*Report of the Administration Finance and Talent Management Committee - Page 84*

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

*RBA - Reappoint - Appoint IAC Members - Page 87*

*Bio for Theodore Economou - Page 88*

*Bio for Palmer Garson - Page 91*

*Bio for Larry Kochard - Page 92*

• **RBA - Attainment of FY 2024 Agency Performance Outcomes (APOs) and Operational Measures**

*RBA - Attainment of FY2024 APOs and Operational Measures - Page 94*

*FY24 APO and OM Memorandum - Page 96*

*FY24 APO Status Report - June - Page 97*

*FY24 Operational Measures June Update - Page 103*

- **RBA - FY 2024 Performance Bonuses for Eligible Administrative and Investment Operations and Administrative Employees**

*RBA - Performance Bonuses for Eligible Administrative and Investment Operations and Administration Employees - Page 121*

- **RBA - FY 2024 Incentive Pay for Investment Professionals**

*RBA - Approve Investment Incentive Pay FY2024 - Page 122*

*FY24 Incentive Compensation Information for the Board - Page 124*

*FY24 Incentive Compensation Memorandum - Signed - Page 125*

- **RBA - FY 2024 Director's Performance Review**

*RBA - Director Performance Review - Page 126*

*FY24 Director's Report - Page 128*

- **RBA Chief Investment Officer Salary Increase**

*RBA - CIO Salary Increase - Page 144*

**VIII. RBA - Approve Revised Board Governance Policy and Committee Charters (1st Review)**

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

*RBA - Amend Governance Policy and committee charters - Page 145*

*Board Governance Policy Revisions 2024 - Page 147*

*Board Governance Policy Revisions 2024 Clean version - Page 167*

*Administration, Finance and Talent Management Committee Charter Final 2024 - Page 187*

*Audit and Compliance Committee Charter - Clean - Page 191*

*Audit and Compliance Committee Charter - Redline - Page 197*

*Benefits and Actuarial Committee Charter Final 2024 - Page 204*

*Defined Contribution Plans Advisory Committee Charter Clean revisions 2024 - Page 208*

*Investment Advisory Committee Charter Revised clean version 2024 - Page 213*

*Investment Policy Committee Charter Final 2024 - Page 217*

**IX. Report of the Director**

*FY 24 Agency Roadmap Update - June - Page 221*

*FY 2025 Agency Roadmap Update - August - Page 223*

*Director's Report.pdf - Page 225*

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## Minutes

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

Board members:

A. Scott Andrews, Chair

Michael P. Disharoon, Vice-Chair

Hon. J. Brandon Bell, II

John M. Bennett

Lawrence A. Bernert, III

Susan T. Gooden, Ph.D. (*attended remotely from Stamford, CT under § 2.2-3708.3(B)(4)*)

Jessica L. Hood

VRS Staff:

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

Guests:

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

The meeting convened at 12:59 p.m.

### Opening Remarks

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

### Approval of Minutes

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

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

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

#### APPROVAL OF MINUTES

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

#### INVESTMENT POLICY COMMITTEE CHARTER REVIEW

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

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

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

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

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

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

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

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

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

Mr. Andrews concluded the report.

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

**RBA: Affirm Benchmarks and Performance Hurdles**

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

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

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

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

**Report of the Chief Investment Officer**

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

Mr. Andrews thanked Mr. Junkin for his report.

**Report of the Defined Contribution Plans Advisory Committee**

The Board received the report of the Defined Contribution Plans Advisory Committee (DCPAC) and placed it on file.

APPROVAL OF MINUTES

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

ADMINISTRATION

Administration Reports & Communications

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

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

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

#### DC Plans Recordkeeper Transition Update

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

#### RBA for Plan Document Updates

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

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

### INVESTMENTS

#### Performance Reports

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

#### Callan 2024 DC Trends Survey

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



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

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

#### OTHER BUSINESS

##### Advice and Managed Accounts

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

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

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

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

##### DCPAC Appointments

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

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

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

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

#### DISCUSSION OF NEW IDEAS

No new ideas were presented.

#### 2024 MEETINGS

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

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

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

There was no other business to come before the Committee.

Mr. Andrews thanked Dr. Gooden for her report.

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

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

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

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

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

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

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

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

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

APPROVAL OF MINUTES

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

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

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

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

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

ADMINISTRATION, FINANCE AND TALENT MANAGEMENT COMMITTEE CHARTER REVIEW

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

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

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

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

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REAPPOINTMENT OF INVESTMENT ADVISORY COMMITTEE (IAC) MEMBERS

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

FREEDOM OF INFORMATION ACT (FOIA) ELECTRONIC MEETING ATTENDANCE POLICY

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

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

EXTERNAL INVESTMENT MANAGER REFERRAL POLICY

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

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

BUDGET UPDATE

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

SUCCESSION MANAGEMENT UPDATE

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

Mr. Andrews concluded the report.

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

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

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

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

**RBA: Reappointment of DCPAC Members**

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

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

**RBA: Appointment of DCPAC Members**

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

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

**RBA: Appointment of IAC Member**

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

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

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

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

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

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

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

**Report of the Benefits and Actuarial Committee**

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

APPROVAL OF MINUTES

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

#### ELECTION OF COMMITTEE VICE CHAIR

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

#### B&A COMMITTEE CHARTER REVIEW

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

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

#### INFORMATION ITEMS

##### Update on Optional Form Study

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

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

##### Pension Dashboard

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

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

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

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

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

2024 B&A Committee Meeting Schedule:

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

Mr. Andrews thanked Mr. Bennett for the report.

**Report of the Audit and Compliance Committee**

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

APPROVAL OF MINUTES

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

ELECTION OF COMMITTEE VICE CHAIR

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

STATUS UPDATE ON THE 2023 EMPLOYER ASSURANCES REVIEW

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

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

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

AUDIT REPORTS

The committee received two audit reports.

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

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

#### ANNUAL REPORT ON CODE OF ETHICS

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

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

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

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

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

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

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

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

#### MISCELLANEOUS UPDATES

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

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

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

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

#### Next Committee Meeting Date



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

Mr. Andrews thanked Senator Bell for the report.

### **Report of the Director**

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

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

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

### DPB Deficit Provision Acknowledgement Form

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

Mr. Andrews thanked Ms. Bishop for her report.

### **Adjournment**

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

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Chair

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Secretary



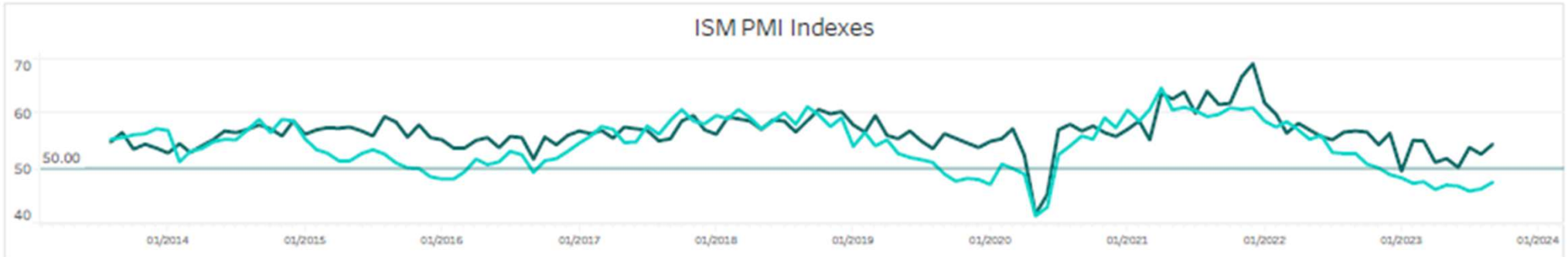
# Chief Investment Officer Report

Market Review – September 2024  
Andrew Junkin

# Business Activity

■ Manufacturing ■ Services

EffectiveDate  
To 8/31/2023 12:00:00 AM



Data Source: Bloomberg

# Inflation & Employment

Effective Date  
To 8/8/2024 12:00:00 AM

10 Year BE    Headline CPI    Core



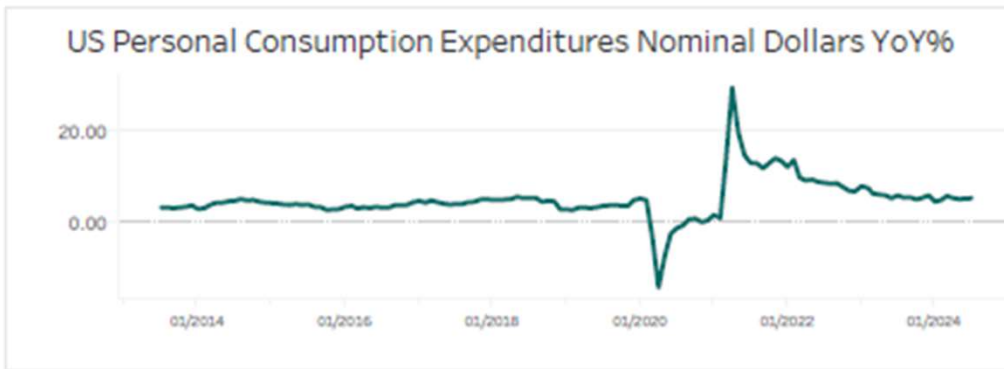
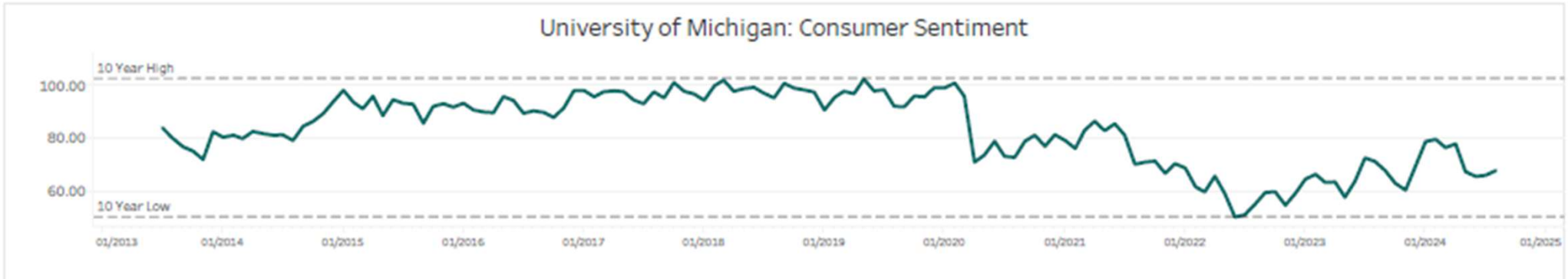
Job Growth/Loss    Unemployment Rate



Data Source: Bloomberg

# Consumer Activity

Effective Date  
To 8/31/2024 12:00:00 AM

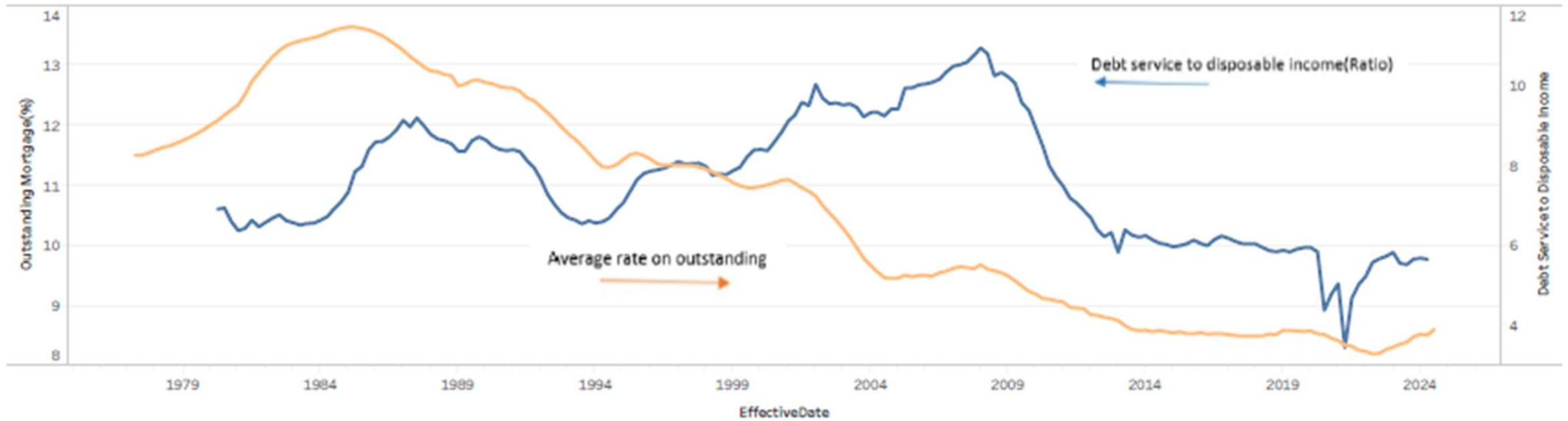


Data Source: Bloomberg

# US Household Debt

EffectiveDate  
To 6/30/2024 12:00:00 AM

## US Household Debt

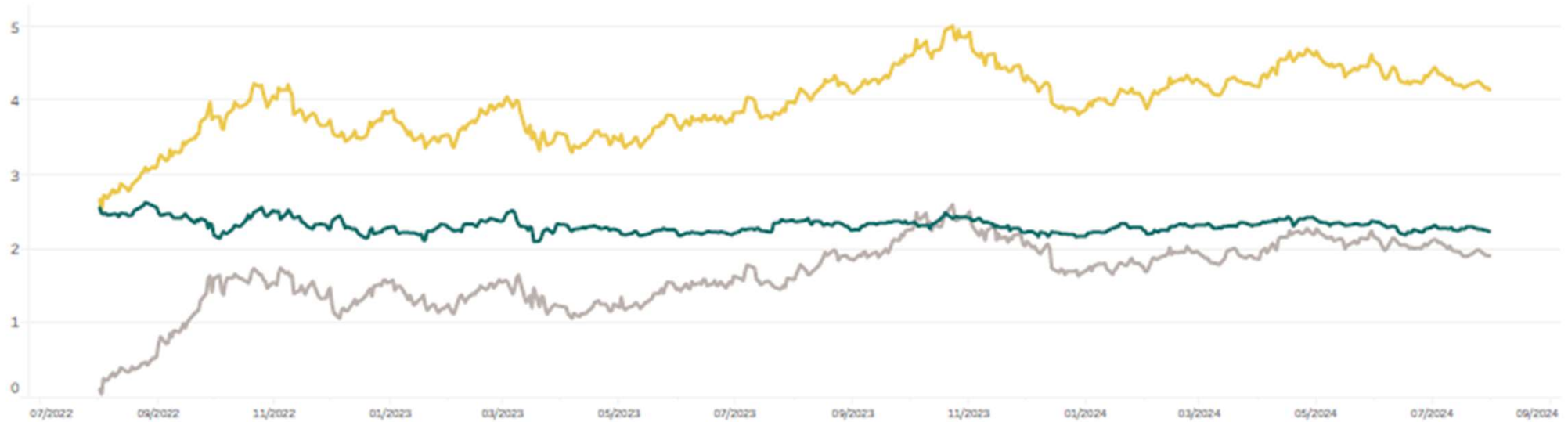


Data Source: Bloomberg

# Rate Moves (10Y Nominal, Real & BEI)

Effective Date  
To 7/31/2024 12:00:00 AM

10 Year Break Even    10 Year Nominal    10 Year TIPS

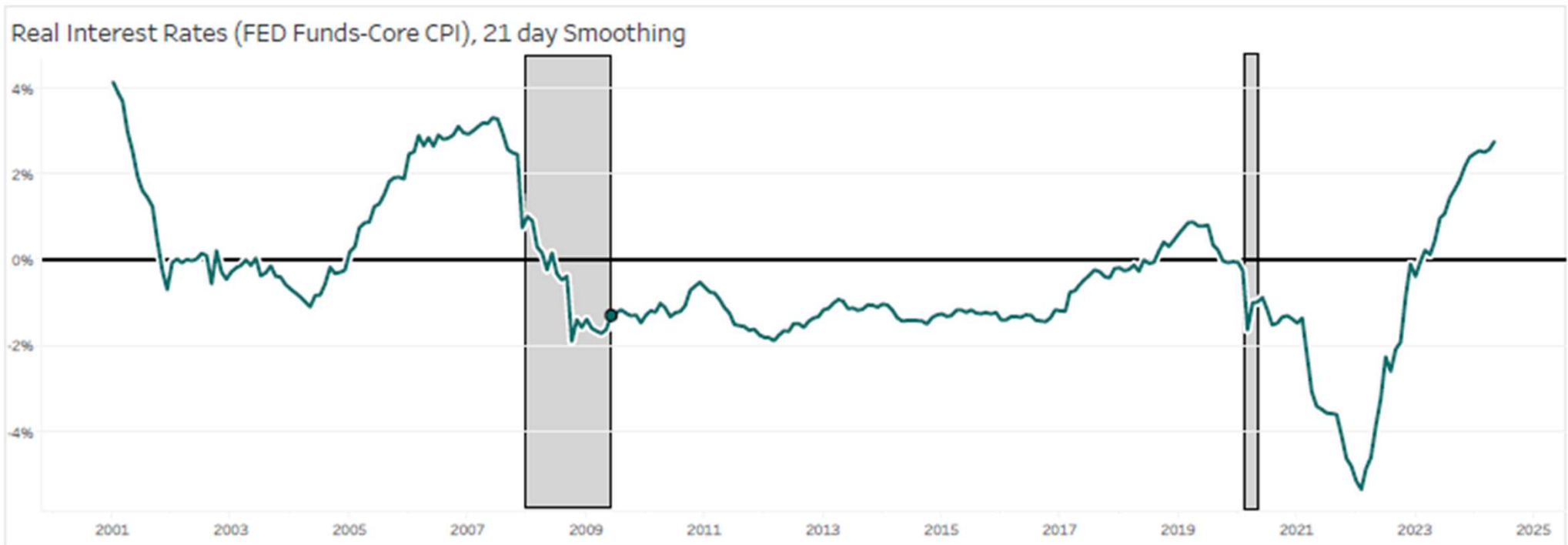


Data Source: Bloomberg

\*\* Implied curve replaced with Dec 2024 Index which started in June 2023.

# Higher Real Cost of Money

Effective Date  
To 6/28/2024 12:00:00 AM



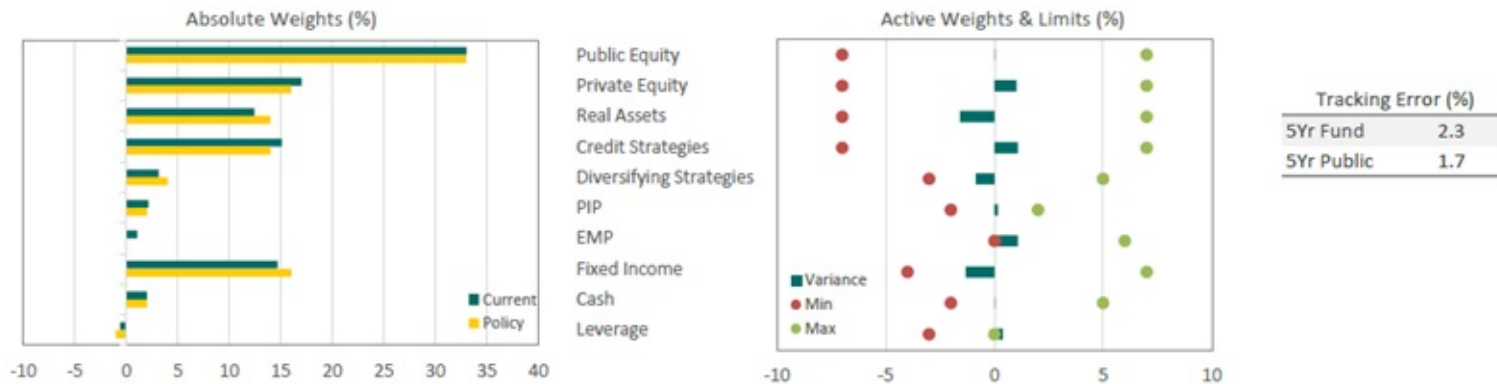
Data Source: Bloomberg



# Fed - World Interest Rate Probability



# Asset Allocation - June 30, 2024



Asset Class	Billions (\$)	Weights (%)					
		Current	Policy	Variance	Min	Max	Internal
Public Equity	37.6	33.0	33.0	0.0	26	40	51
Private Equity	19.4	17.0	16.0	1.0	9	23	0
Real Assets	14.1	12.4	14.0	-1.6	7	21	0
Credit Strategies	17.2	15.1	14.0	1.1	7	21	0
Diversifying Strategies	3.6	3.2	4.0	-0.8	1	9	0
Private Investment Partnerships (PIP)	2.5	2.2	2.0	0.2	0	4	0
Exposure Management Portfolio (EMP)	1.2	1.1	0.0	1.1	0	6	0
Fixed Income	16.7	14.7	16.0	-1.3	12	23	95
Cash	2.3	2.0	2.0	0.0	0	7	0
Leverage	-0.7	-0.6	-1.0	0.4	-3	0	0
<b>Total Fund (Net Market Value)</b>	<b>113.9</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>	n.a.	n.a.	<b>31</b>
Total Fund (Gross Market Value)	114.6	100.6	101.0	-0.4	n.a.	n.a.	0
<b>Exposures by Policy Groups</b>							
Public + Private Equity	57.0	50.0	49	1.0	39	59	n.a.
Fixed Income + Cash	19.0	16.7	18	-1.3	12	27	n.a.

Total Fund includes the following amount held by the Treasurer of VA: \$482 million

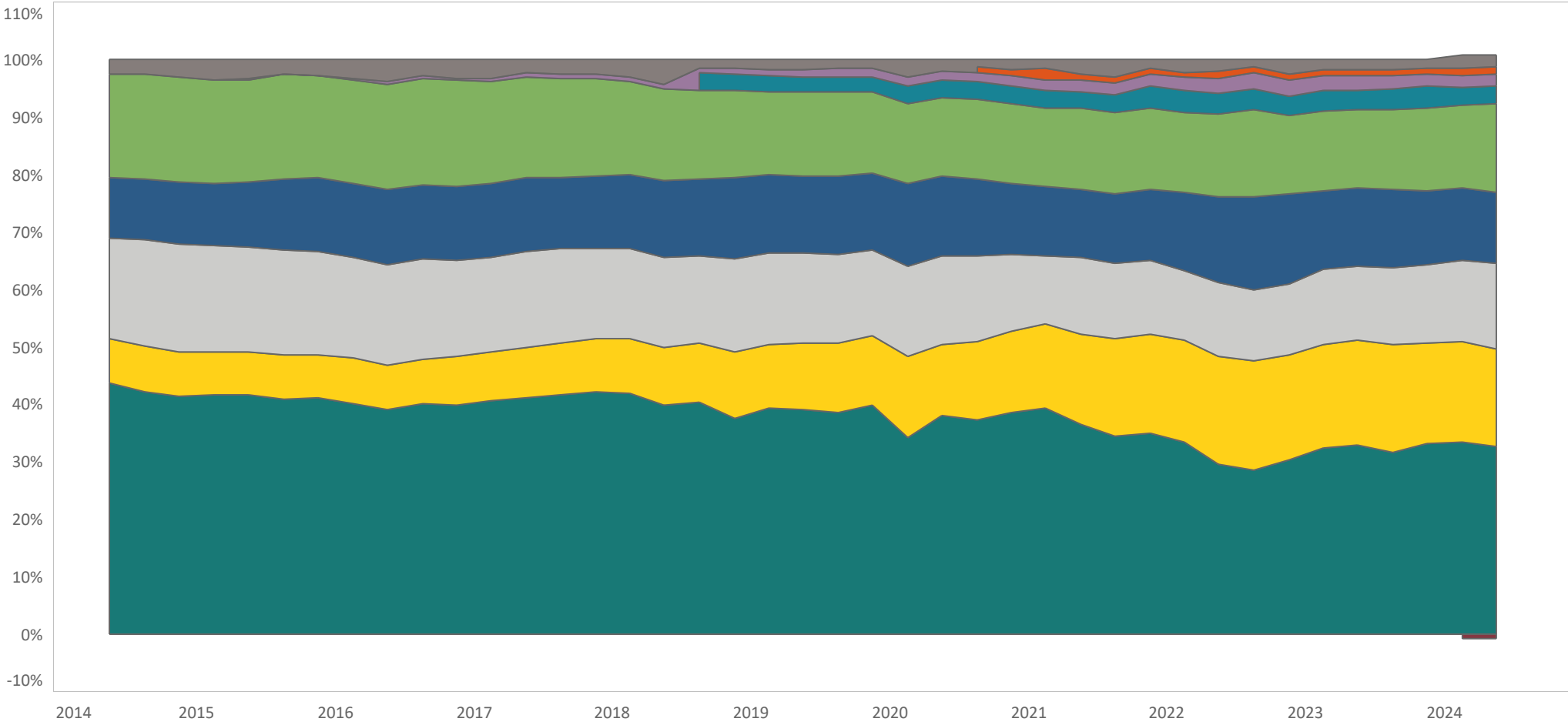
The values shown for each asset class on this report may reflect adjustments related to derivative positions in the Rebalance Account, pending transactions and certain accruals, in order to provide a more descriptive representation of the true economic exposure to each asset class (0 adjustments applied)

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 as of 6/30/2024.

Differences in totals are due to rounding

# Asset Allocation Rolling 10-Year

- Public Equity
- Real Assets
- Private Investment Partnerships
- Leverage
- Private Equity
- Credit Strategies
- Exposure Management Portfolio
- Fixed Income
- Diversifying Strategies
- Cash + Other



As of June 30, 2024

# Performance - June 30, 2024

	<i>(Net of Fees)</i>						Fiscal YTD	Cal YTD	Market Value (\$MM)
	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month			
<b>Total Public Equity</b>	8.5	10.6	5.8	20.1	1.5	0.8	20.1	11.3	37,625
<i>Benchmark</i>	8.5	10.6	4.9	18.0	2.0	1.7	18.0	9.7	
<b>Total Private Equity</b>	14.3	15.8	10.2	5.8	1.1	1.1	5.8	3.8	19,362
<i>Benchmark</i>	11.5	12.3	7.1	24.3	8.5	3.4	24.3	21.2	
<b>Total Real Assets</b>	8.2	6.1	6.2	-3.2	-0.5	-0.5	-3.2	-2.5	14,149
<i>Benchmark</i>	6.1	3.8	3.4	-5.8	-0.8	-0.2	-5.8	-3.8	
<b>Total Credit Strategies</b>	6.1	7.3	6.2	11.7	2.3	1.8	11.7	5.1	17,178
<i>Benchmark</i>	4.8	5.0	4.2	10.8	1.6	0.7	10.8	3.5	
<b>Total Diversifying Strategies</b>	n/a	5.6	4.0	9.7	0.5	-0.8	9.7	5.5	3,589
<i>Benchmark</i>	n/a	5.4	2.5	9.1	1.9	0.6	9.1	3.9	
<b>Total Private Investment Partnerships</b>	n/a	9.6	8.9	8.2	2.1	2.1	8.2	4.4	2,459
<i>Benchmark</i>	n/a	7.6	5.5	8.7	2.8	1.2	8.7	6.2	
<b>Total Fixed Income</b>	2.2	1.1	-2.3	3.8	0.4	1.1	3.8	0.0	16,727
<i>Benchmark</i>	1.5	0.0	-2.8	3.3	0.1	0.9	3.3	-0.4	
<b>Total Fund</b>	7.6	8.7	5.5	9.9	1.0	0.8	9.9	5.0	113,916
<i>VRS Custom Benchmark</i>	6.8	7.2	3.9	11.6	2.3	1.3	11.6	6.6	

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			
<b>Leverage</b>	n/a	n/a	n/a	n/a	1.5	0.5	n/a	n/a	(703)
<i>Benchmark</i>	n/a	n/a	n/a	n/a	1.5	0.5	n/a	n/a	

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

# Performance Attribution

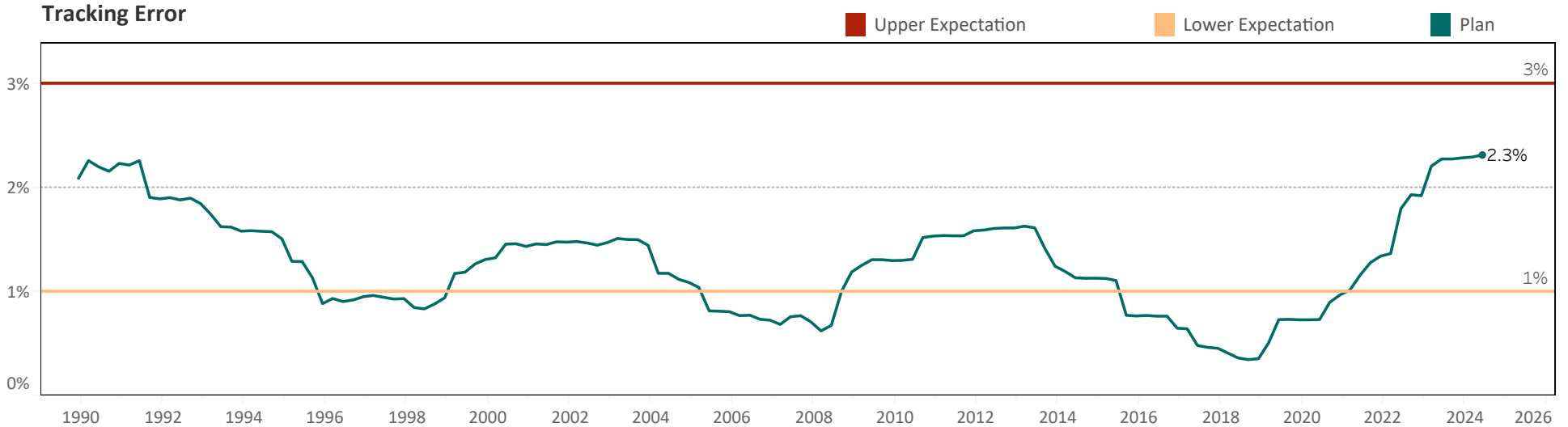
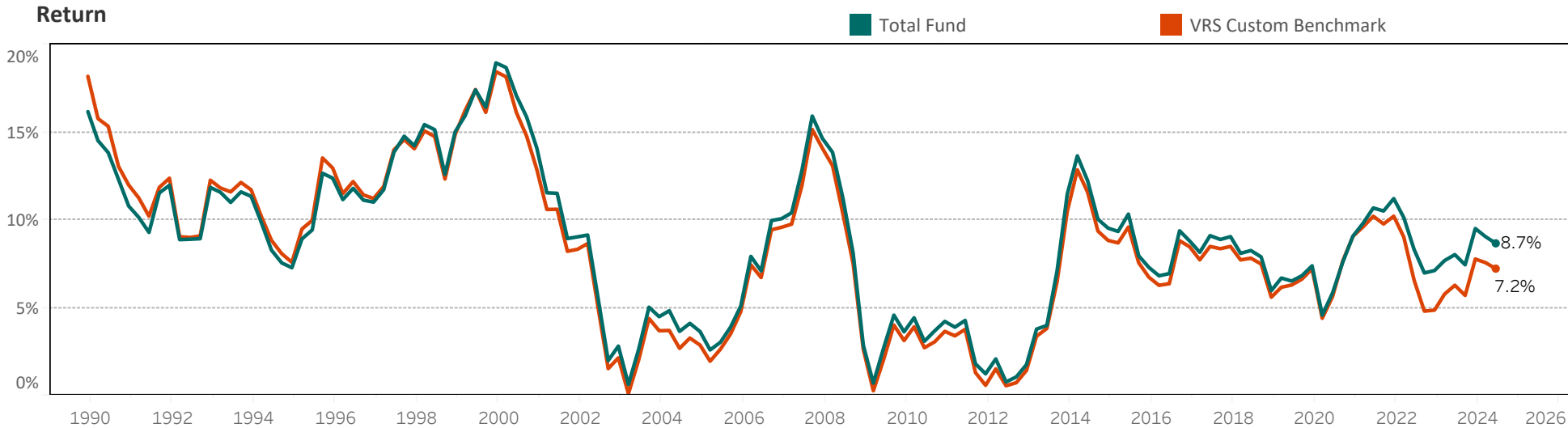
Fiscal Year-To-Date, ending June 30, 2024

	Portfolio		Policy		Attribution		
	Weight	Return	Weight	Return	Allocation	Selection	Total
TOTAL	100.0	9.9	100.0	11.7	0.3	-2.1	-1.8
Public Equity	32.5	20.1	33.5	18.0	-0.1	0.6	0.5
Private Equity	17.8	5.8	16.0	24.3	0.1	-3.3	-3.1
Real Assets	13.1	-3.2	14.0	-5.8	0.2	0.4	0.6
Credit Strategies	14.2	11.7	14.0	10.8	0.0	0.1	0.1
Diversifying Strategies	3.4	9.6	4.0	9.1	0.0	0.0	0.0
Private Investment Partnerships	2.3	8.2	2.0	8.7	0.0	0.0	0.0
Exposure Management Portfolio	1.1	32.0	0.0		0.2	0.0	0.2
Fixed Income	13.9	3.9	15.5	3.3	0.1	0.1	0.2
Cash	1.0	0.1	1.5	5.4	0.1	-0.1	0.0
Other	1.2	-2.8			-0.2	0.0	-0.2
Leverage	-0.3		-0.5		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.

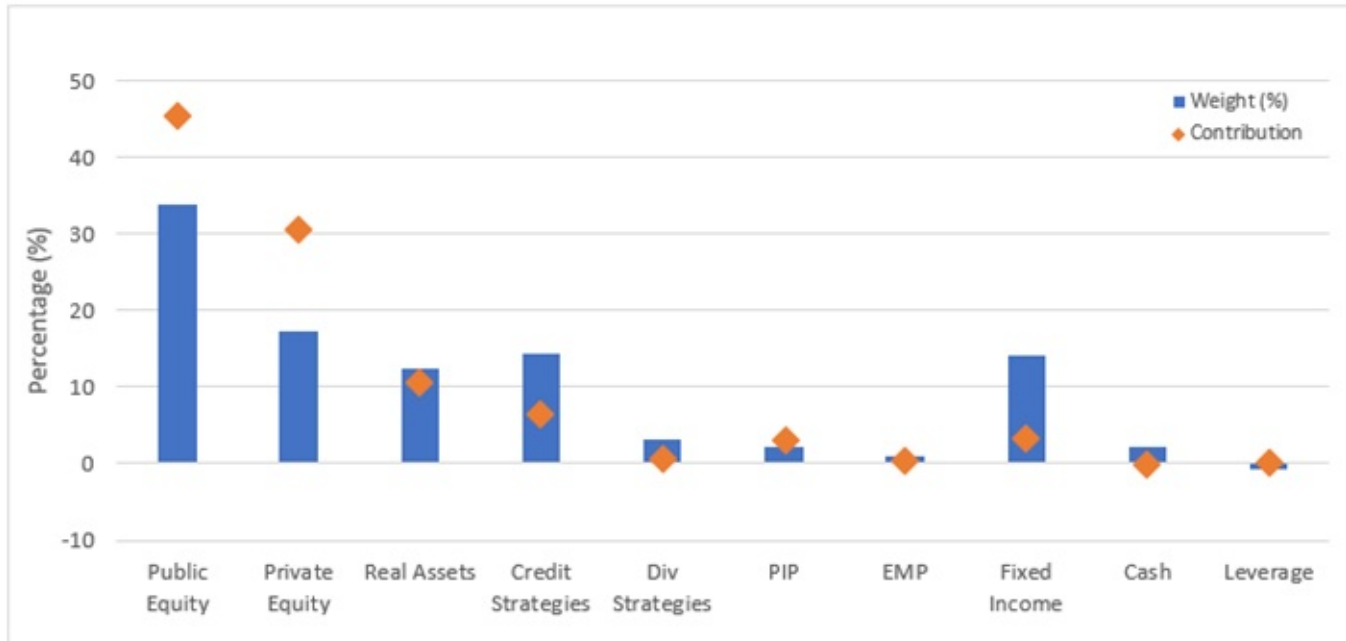
# Total Fund Rolling 5-Year



As of June 30, 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.

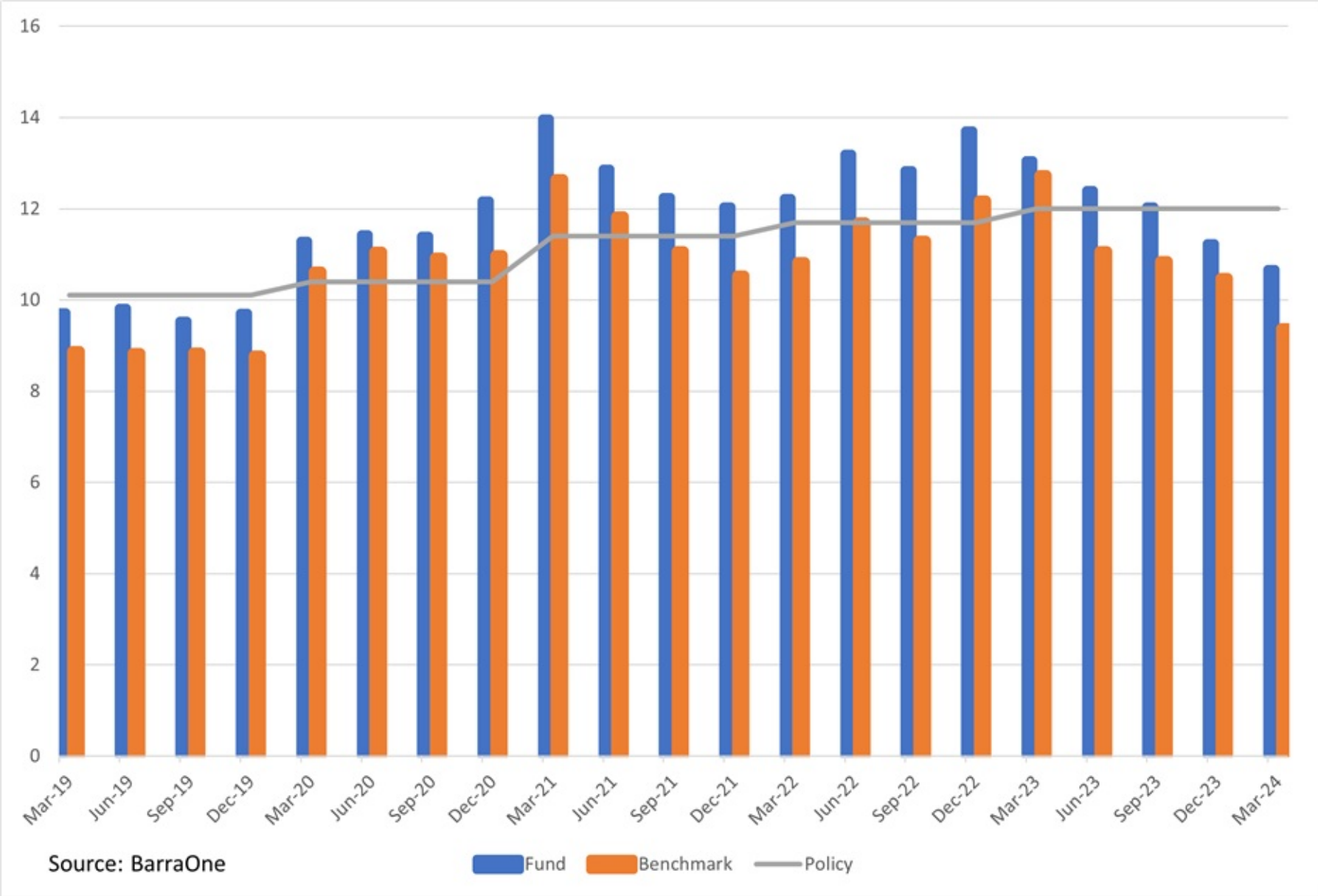
# Projected Volatility and Risk Contribution - Mar 31, 2024



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
Diversifying Strategies	3.5	3.1	0.5	3.9
Private Investment Partnerships (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
<b>Total Fund (Net Market Value)</b>	<b>113.0</b>	<b>100.0</b>	<b>100.0</b>	<b>10.7</b>

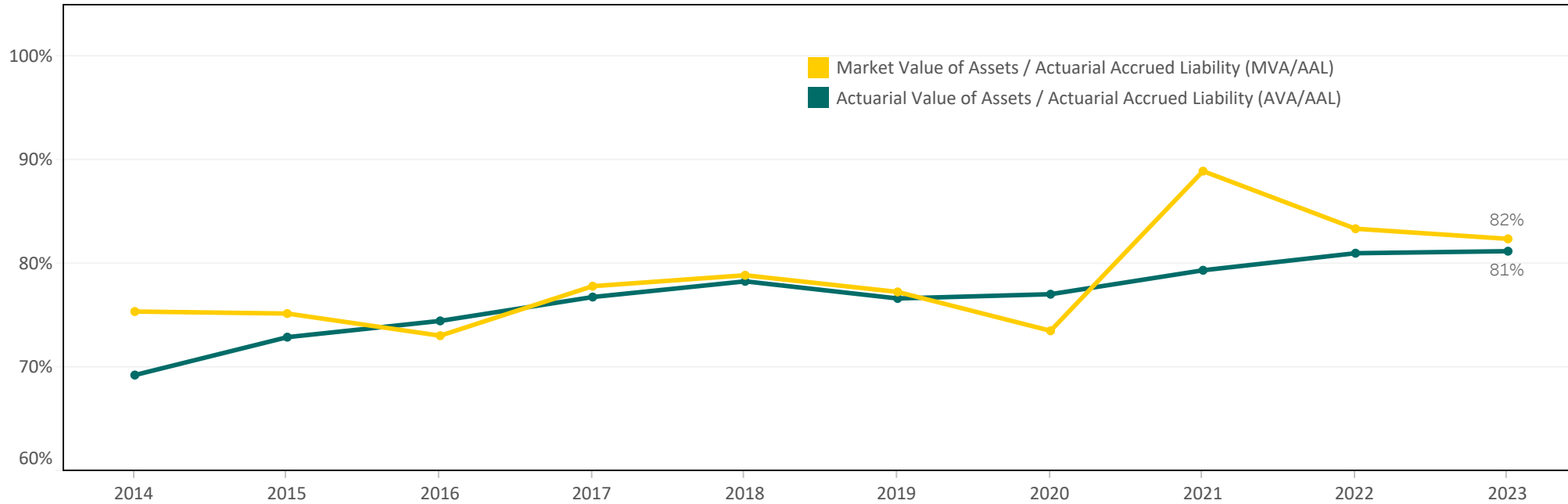
Source: BNY Mellon, BarraOne

# VRS Fund Projected Volatility - Mar 31, 2024





# Funded Status - Assets/Liabilities



As of end of fiscal year.

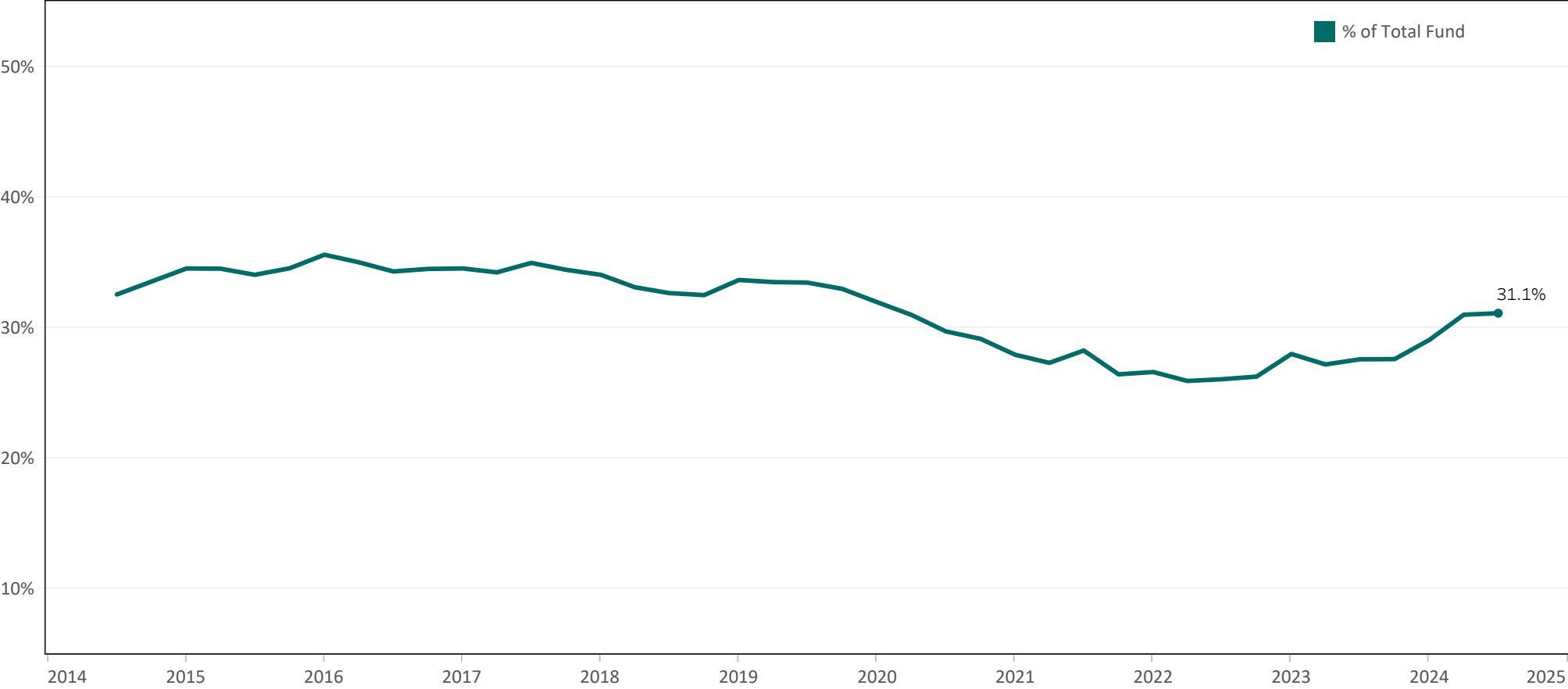
Market Value of Assets (MVA) - The value at which assets could be traded on the market.

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 June 30, 2024

**PERFORMANCE SUMMARY**

**Rolling Periods Ending**

**July 31, 2024**



**TOTAL FUND PERFORMANCE**

*(Net of Fees)*

	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month	Fiscal YTD	Cal YTD	Market Value (\$MM)
<b>Total Public Equity</b>	<b>8.9</b>	<b>11.0</b>	<b>6.2</b>	<b>19.2</b>	<b>7.2</b>	<b>2.1</b>	<b>2.1</b>	<b>13.7</b>	<b>38,433</b>
<i>Benchmark</i>	8.9	11.0	5.6	16.5	8.2	2.5	2.5	12.4	
<b>Total Private Equity</b>	<b>14.4</b>	<b>15.8</b>	<b>10.2</b>	<b>5.8</b>	<b>1.3</b>	<b>0.1</b>	<b>0.1</b>	<b>3.9</b>	<b>19,134</b>
<i>Benchmark</i>	11.0	10.8	4.3	18.1	3.8	-3.7	-3.7	16.8	
<b>Total Real Assets</b>	<b>8.2</b>	<b>6.1</b>	<b>6.1</b>	<b>-3.2</b>	<b>-0.4</b>	<b>0.1</b>	<b>0.1</b>	<b>-2.4</b>	<b>14,216</b>
<i>Benchmark</i>	6.0	3.7	2.9	-5.3	-0.4	0.1	0.1	-3.7	
<b>Total Credit Strategies</b>	<b>6.2</b>	<b>7.3</b>	<b>6.3</b>	<b>11.6</b>	<b>2.8</b>	<b>0.5</b>	<b>0.5</b>	<b>5.7</b>	<b>17,234</b>
<i>Benchmark</i>	5.0	5.0	4.5	10.6	2.9	1.2	1.2	4.7	
<b>Total Diversifying Strategies</b>	<b>n/a</b>	<b>5.2</b>	<b>3.8</b>	<b>7.9</b>	<b>-1.5</b>	<b>-0.7</b>	<b>-0.7</b>	<b>4.7</b>	<b>3,788</b>
<i>Benchmark</i>	n/a	5.4	2.4	8.2	1.9	0.6	0.6	4.6	
<b>Total Private Investment Partnerships</b>	<b>n/a</b>	<b>9.6</b>	<b>8.9</b>	<b>8.2</b>	<b>2.1</b>	<b>0.0</b>	<b>0.0</b>	<b>4.4</b>	<b>2,437</b>
<i>Benchmark</i>	n/a	7.0	4.5	7.1	2.0	-0.8	-0.8	5.4	
<b>Total Fixed Income</b>	<b>2.5</b>	<b>1.4</b>	<b>-1.9</b>	<b>6.0</b>	<b>5.1</b>	<b>2.2</b>	<b>2.2</b>	<b>2.2</b>	<b>17,097</b>
<i>Benchmark</i>	1.7	0.4	-2.4	5.6	5.0	2.3	2.3	1.9	
<b>Total Fund</b>	<b>7.8</b>	<b>8.9</b>	<b>5.7</b>	<b>9.9</b>	<b>3.7</b>	<b>1.2</b>	<b>1.2</b>	<b>6.2</b>	<b>114,989</b>
<i>VRS Custom Benchmark</i>	6.9	7.2	3.7	10.6	4.6	0.8	0.8	7.4	

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.)*

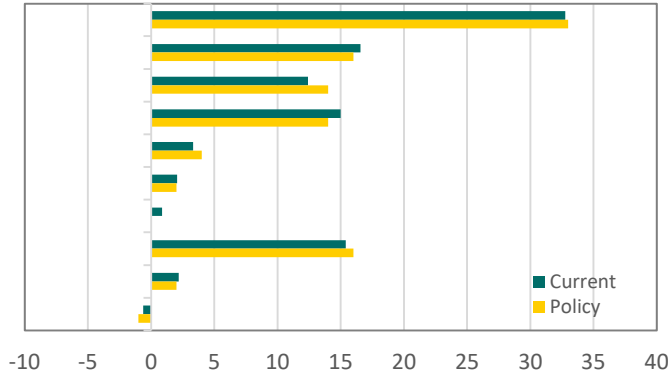
	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month	Fiscal YTD	Cal YTD	Market Value (\$MM)
<b>Leverage</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>1.5</b>	<b>0.5</b>	<b>0.5</b>	<b>n/a</b>	<b>(704)</b>
<i>Benchmark</i>	n/a	n/a	n/a	n/a	1.5	0.5	0.5	n/a	

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

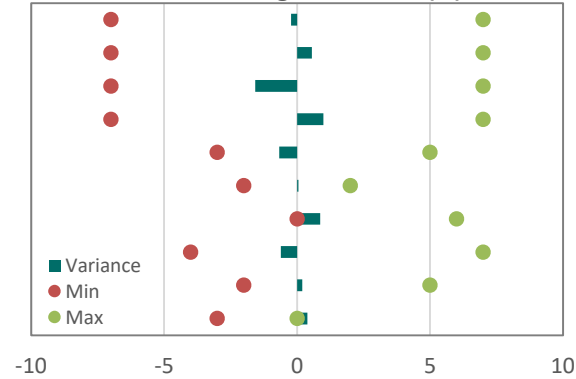
# Daily Asset Allocation Report

## September 11, 2024

Absolute Weights (%)



Active Weights & Limits (%)



Tracking Error %

5Yr Fund	2.3
5Yr Public	1.7

Weights (%)

Asset Class	Billions (\$)	Current	Policy	Variance	Min	Max	Internal
Public Equity	37.6	32.8	33	-0.2	26	40	51
Private Equity	19.0	16.6	16	0.6	9	23	0
Real Assets	14.3	12.4	14	-1.6	7	21	0
Credit Strategies	17.2	15.0	14	1.0	7	21	0
Diversifying Strategies	3.8	3.3	4	-0.7	1	9	0
Private Investment Partnerships (PIP)	2.4	2.1	2	0.1	0	4	0
Exposure Management Portfolio (EMP)	1.0	0.9	0	0.9	0	6	0
Fixed Income	17.7	15.4	16	-0.6	12	23	95
Cash	2.5	2.2	2	0.2	0	7	0
Leverage	-0.7	-0.6	-1	0.4	-3	0	0
<b>Total Fund (Net Market Value)</b>	<b>114.8</b>	<b>100.0</b>	<b>100</b>	<b>0.0</b>	<i>n.a.</i>	<i>n.a.</i>	<b>31</b>
Total Fund (Gross Market Value)	115.5	100.6	101	-0.4	<i>n.a.</i>	<i>n.a.</i>	0

**Exposures by Policy Groups**

Public + Private Equity	56.7	49.3	49	0.3	39	59	<i>n.a.</i>
Fixed Income + Cash	20.2	17.6	18	-0.4	12	27	<i>n.a.</i>

- Total Fund includes the following amount held by the Treasurer of VA: \$ 205 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 )
- 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 as/of 6/30/2024
- Differences in totals are due to rounding

**VRS Investment Department**  
 Recap of New Investments/Terminations  
 Time Period: 06/20/2024 – 09/19/2024



Program	Action	Effective Date	Commitment/ Current Value	Funding/ Defunding Period	Description
Real Assets	Hired	06/14/2024	\$45 Million	Immediate	<b>Affinius US Eagle Real Estate Fund</b> – An open-end fund investing in diversified, enhanced core real estate in the United States.
Real Assets	Hired	07/31/2024	\$150 Million	5 years	<b>Carlyle Realty Fund X</b> – A closed-end fund investing in diversified, opportunistic real estate in the United States.
Real Assets	Hired	08/19/2024	\$200 Million	1 year	<b>MV Real Estate SMA I</b> – A closed-end, separately managed account focused on core real estate in select global gateway cities.
Private Equity	Hired	07/11/2024	\$200 Million	5 years	<b>EnCap Energy Capital Fund XII</b> - A US focused upstream oil and gas fund.
Private Equity	Hired	06/24/2024	\$250 Million	6 years	<b>Olympus Growth VIII</b> - A US middle market buyout fund investing in fundamentally sound businesses with potential for significant growth or operational improvement.
Private Equity	Hired	07/25/2024	\$750 Million	5 years	<b>GCM Grosvenor VRS VI</b> - A separate account for investing in primarily smaller market buyout and growth equity funds in the US and Europe.
Private Equity	Hired	07/02/2024	\$250 Million	6 years	<b>Thoma Bravo XVI</b> - A mega buyout fund with a sole focus on the software industry.
Private Equity	Hired	09/10/2024	\$300 Million	6 years	<b>Trident X</b> - A large buyout fund with a focus on the global financial services industry.
Diversifying Strategies	Hired	07/15/2024	\$200 Million	Immediate	<b>PineBridge Global Dynamic Asset Allocation</b> - A multi-asset absolute return portfolio.
Total Fund	Terminated	07/25/2024	\$1.8 Billion Notional	Immediate	<b>Systematica</b> – Developed market currency strategy.

VRS Investment Department  
DIME Quarterly Report  
Activity for Quarter Ending June 30, 2024

<b>Investment Program</b>	<b>Activity</b>	<b>Manager Name</b>	<b>Description</b>	<b>VRS Action</b>
Public Equity	On-Going Monitoring of Current VRS Manager	Ariel Global (minority and women-owned firm) <sup>1</sup>	Current VRS global equity manager.	Staff performed on-going due diligence and monitoring of this current VRS manager during the quarter.
Public Equity	Manager Meeting	Discerene Group (minority-owned firm) <sup>1</sup>	Manager focused on global long-only and long-short strategies.	Staff had an update call with manager to discuss performance and strategy.
Public Equity	Virtual Manager Meeting	Proem Asset Management (minority-owned firm) <sup>1</sup>	Manager focused on concentrated TMT long-short strategy.	Staff held an introductory meeting with manager to discuss background, company, and strategy.
Public Equity	Virtual Manager Meeting	Patient Capital Management (women-owned firm) <sup>1</sup>	Manager focused on U.S. large-cap strategy.	Staff held an introductory meeting with manager to discuss changes within the company and performance.
Public Equity	Virtual Manager Meeting	Impactive Capital (minority and women-owned firm) <sup>1</sup>	Manager focused on U.S. small and mid-cap strategy taking an activist approach as needed.	Staff had an update call with manager to discuss performance and strategy.
Public Equity	Virtual Manager Meeting	Nicholas Investment Partners (women-owned firm) <sup>2</sup>	Manager focused on U.S. small-cap growth strategy.	Staff held an introductory meeting with manager to discuss background and company.
Public Equity	Virtual Manager Meeting	Nipun Capital (minority and women-owned firm) <sup>1</sup>	Manager focused on emerging market strategies.	Staff had an update call with manager to discuss performance and strategy.
Public Equity	Virtual Manager Meeting	GQG Partners (minority-owned firm) <sup>1</sup>	Manager focused on global, international, and emerging markets strategies.	Staff had an update call with manager to discuss performance and strategy.

VRS Investment Department  
DIME Quarterly Report  
Activity for Quarter Ending June 30, 2024

<b>Investment Program</b>	<b>Activity</b>	<b>Manager Name</b>	<b>Description</b>	<b>VRS Action</b>
Public Equity and Credit Strategies	Periodic Update Communication with Consultant	N/A	Aon Hewitt Investment Consulting is the consultant used by these two investment programs.	Staff had periodic communication to review the DIME monitoring activity done on behalf of VRS as well as industry trends.
Credit Strategies	Virtual Manager Meeting	Altimer (women-owned firm) <sup>1</sup>	Manager focused on investing in lower-middle market private credit and structured equity.	Staff had a meeting with manager, reviewed materials, and received an update.
Credit Strategies	Virtual Manager Meeting	MC Credit Partners (minority-owned firm) <sup>1</sup>	Manager focused on investing in core-middle market direct lending.	Staff had a meeting with manager, reviewed materials, and received an update.
Credit Strategies	Virtual Manager Meeting	Vista Equity Partners (minority-owned firm) <sup>1</sup>	Manager focused on investing in middle market direct lending to software.	Staff had a meeting with manager, reviewed materials, and received an update.
Credit Strategies	Virtual Manager Meeting	Caro Investors (women-owned firm) <sup>1</sup>	Manager focused on private credit.	Staff had a meeting with manager, reviewed materials, and received an update.
Credit Strategies and Diversifying Strategies	Periodic Communication with Fund-of-Funds Manager	N/A	Aksia is the consultant used by these two investment programs.	Staff had periodic communication to review DIME and other emerging managers along with other opportunities more broadly.
Fixed Income	On-Going Monitoring of Current VRS Manager	Payden & Rygel (women-owned firm) <sup>1</sup>	Current VRS emerging market debt manager.	Staff had various interactions with current VRS women-owned manager during the quarter.
Real Assets	On-Going Monitoring of Current VRS Manager	Artemis Real Estate Partners (women-owned firm) <sup>1</sup>	Current VRS real estate manager.	Staff performed on-going due diligence and monitoring of current VRS women-owned manager during the quarter.

VRS Investment Department  
DIME Quarterly Report  
Activity for Quarter Ending June 30, 2024

<b>Investment Program</b>	<b>Activity</b>	<b>Manager Name</b>	<b>Description</b>	<b>VRS Action</b>
Real Assets	On-Going Monitoring of Current VRS Manager	Capri EGM (minority-owned firm) <sup>1</sup>	Current VRS real estate manager.	Staff performed on-going due diligence and monitoring of current VRS minority-owned manager during the quarter.
Real Assets	On-Going Monitoring of Current VRS Manager	Grain Management (minority-owned firm) <sup>1</sup>	Current VRS infrastructure manager.	Staff performed on-going due diligence and monitoring of current VRS minority-owned manager during the quarter.
Real Assets	On-Going Monitoring of Current VRS Manager	Pantheon Ventures	Current VRS infrastructure and natural resource fund-of-funds manager.	Staff had periodic communication with manager to discuss potential DIME firms in their market.
Real Assets	On-Going Monitoring of Current VRS Manager	Pritzker Realty Group (women-owned firm) <sup>1</sup>	Current VRS real estate manager.	Staff performed on-going due diligence and monitoring of current VRS women-owned manager during the quarter.
Real Assets	Periodic Update Communication with Consultant	N/A	The Townsend Group is the consultant used by Real Assets.	Staff had periodic communication to review DIME monitoring activity done on behalf of VRS as well as real estate and infrastructure industry trends.
Real Assets	Manager Communication	Debt Reserve Capital (minority-owned firm) <sup>1</sup>	Manager focused on originating commercial real estate loans throughout the U.S.	Staff had various interactions with manager during the quarter.
Real Assets	Virtual Manager Meeting	Noble Investment Group (minority-owned firm) <sup>1</sup>	Manager focused on mid-scale hotel investing throughout the United States.	Staff held an update meeting with manager to discuss current funds, market update, and firm updates.



VRS Investment Department  
DIME Quarterly Report  
Activity for Quarter Ending June 30, 2024

<b>Investment Program</b>	<b>Activity</b>	<b>Manager Name</b>	<b>Description</b>	<b>VRS Action</b>
Real Assets	Manager Meeting	S2 Capital (minority-owned firm) <sup>1</sup>	Real estate manager focused on value-add multifamily properties.	Staff met with manager to discuss strategy, updates to current fundraise initiative, and market update.
Real Assets	Virtual Manager Meeting	JLC Infrastructure (minority-owned firm) <sup>1</sup>	Manager focused on investing in infrastructure opportunities throughout the United States.	Staff held an introductory meeting with manager to discuss current fundraise, market update, and firm background.
Real Assets	Virtual Manager Meeting	UpShot Capital Advisors (minority-owned firm) <sup>1</sup>	Value-add real estate manager focused primarily on healthcare related properties.	Staff held an update meeting with manager to discuss team, strategy, fund focus, and fundraise updates.
Real Assets	Virtual Manager Meeting	Kingston Infrastructure Partners (minority-owned firm) <sup>1</sup>	Manager focused on investing in infrastructure opportunities throughout the United States and Europe.	Staff held an introductory meeting with manager to discuss current fundraise, market update, and firm background.
Private Equity	Manager Meeting	The Artemis Fund (women-owned firm) <sup>1</sup>	Venture capital firm investing in fintech, commerce, and care building companies.	Staff had a meeting with manager during the quarter.
Private Equity	Manager Meeting	Vistria Group (minority-owned firm) <sup>2</sup>	Middle market buyout manager targeting education, healthcare, and financial services companies.	Staff had a meeting with this manager during the quarter.
Private Equity	Virtual Manager Meeting	Grafine Partners (women-owned firm) <sup>1</sup>	Asset management firm partnering with veteran industry management teams to collectively build profitable and scalable businesses across selected industry verticals.	Staff had a call with manager during the quarter.

VRS Investment Department  
DIME Quarterly Report  
Activity for Quarter Ending June 30, 2024

<b>Investment Program</b>	<b>Activity</b>	<b>Manager Name</b>	<b>Description</b>	<b>VRS Action</b>
Private Equity	Virtual Manager Meeting	Graham Allen Partners (minority-owned firm) <sup>1</sup>	Lower middle market firm investing in business services, healthcare, and enterprise technology sectors.	Staff had a call with manager during the quarter.
Private Equity	Virtual Manager Meeting	K1 Investment Management (minority-owned firm) <sup>1</sup>	Firm investing in enterprise software companies.	Staff had a call with manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	Clearlake Capital Partners (minority-owned firm) <sup>1</sup>	Large market buyout fund targeting companies across various industry sectors.	Staff had a meeting with manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	ICV Capital Partners (minority-owned firm) <sup>1</sup>	Private equity fund investing in market leaders in stable to growing niches in smaller middle market companies with a value theme at the purchase.	Staff had a meeting with manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	MBK Partners (minority-owned firm) <sup>1</sup>	A North Asia private equity firm.	Staff had a call with manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	SIRIS Capital (minority-owned firm) <sup>1</sup>	Middle market buyout firm making control investments in data/telecommunications, technology, and technology-enabled business service companies in North America.	Staff had a call with manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	Sycamore Partners (minority-owned firm) <sup>1</sup>	Middle market buyout fund targeting consumer and retail companies.	Staff had a call with manager during the quarter.

VRS Investment Department  
DIME Quarterly Report  
Activity for Quarter Ending June 30, 2024

Investment Program	Activity	Manager Name	Description	VRS Action
Private Equity	On-Going Monitoring of Current VRS Manager	TSG Consumer Partners (women-owned firm) <sup>2</sup>	Growth fund investing exclusively in middle market consumer-branded companies.	Staff had a call with manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	Veritas Capital (minority-owned firm) <sup>2</sup>	Middle market buyout fund targeting primarily technology or technology-enabled solutions to government.	Staff had a meeting with manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	Vista Equity Partners (minority-owned firm) <sup>1</sup>	Large market buyout fund targeting enterprise software companies.	Staff had a meeting with manager during the quarter.
Private Equity	Periodic Update Communication with Consultant	N/A	Grosvenor Capital Management Customized Fund Investment Group is the consultant used by Private Equity.	Staff had periodic communication to review the DIME monitoring activity done on behalf of VRS as well as industry trends.
Total Fund	On-Going Monitoring of Current VRS Manager	Systematica Investments (women-owned firm) <sup>1</sup>	A multi-asset class manager.	Staff performed on-going due diligence and monitoring of current VRS manager during the quarter.

Index:

1 – The manager is considered Diverse Investment Management Engagement (DIME) under the Commonwealth of Virginia definition, which defines ownership threshold of 51% or more.

2 – 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.

VRS Investment Department  
Quarterly External Investment Manager Referral Report  
Activity for Quarter Ending June 30, 2024

Investment Program	Type of Contact	Investment Manager Name	Official Making Referral	VRS Action
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No activity to report this quarter.



# Virginia Retirement System

# CEM Pension Administration Benchmark Report - 2023

September 19, 2024

## Key takeaways:

### Cost

- Your total pension administration cost of \$81 per active member and annuitant was \$36 below the peer average of \$117.
- Between 2016 and 2023 your total pension administration cost per active member and annuitant increased by 2.4% per annum. During the same period, the average cost of your peers with 8 consecutive years of data increased by 2.7% per annum.

### Service

- The CEM service model was updated to capture the change in digital adoption and transformation in the pension industry over the last eight years. It also takes a more member-centric view: scores are calculated by member journey.
- Your total service score was 81. This was slightly below the peer median of 82.
- Your service score has increased from 75 to 81 between 2016 and 2023.

Insights are based on the 68 global pension systems that participate in the benchmarking service.

## Systems

### United States

Arizona SRS  
 CalPERS  
 CalSTRS  
 Colorado PERA  
 Delaware PERS  
 Florida RS  
 Idaho PERS  
 Illinois MRF  
 Indiana PRS  
 Iowa PERS  
 Kansas PERS  
 LACERA  
 Michigan ORS  
 Minnesota State RS  
 Nevada PERS  
 New Mexico PERA  
 NYC TRS  
 NYCERS  
 NYSLRS  
 Ohio PERS  
 Oregon PERS

Pennsylvania PSERS  
 PSRS PEERS of Missouri  
 South Dakota RS  
 STRS Ohio  
 TRS Illinois  
 TRS of Louisiana  
 TRS of Texas  
 Utah RS  
 Virginia RS  
 Washington State DRS

### Australia

ESS Super

### Denmark

ATP

### Canada

Alberta Pension Services  
 Alberta Teachers  
 BC Pension Corporation  
 Canadian Forces PP  
 Federal Public Service PP  
 LAPP of Alberta  
 Municipal Pension Plan of BC  
 Ontario Pension Board  
 Ontario Teachers  
 OPTrust  
 RCMP

### The Netherlands

ABP  
 Metaal en Techniek  
 PFZW

### United Kingdom <sup>1</sup>

Armed Forces Pension Scheme  
 BSA NHS Pensions  
 BT Pension Scheme  
 Greater Manchester PF  
 Hampshire Pension Services  
 Kent Pension Fund  
 Local Pensions Partnership  
 Lothian PF  
 Merseyside PF  
 Pension Protection Fund  
 Principal Civil Service  
 Railpen  
 Royal Mail Pensions  
 Scottish Public Pensions Agency  
 South Yorkshire Pensions Authority  
 Surrey County Council  
 Teachers' Pensions  
 Tyne & Wear PF  
 Universities Superannuation  
 West Midlands Metro  
 West Yorkshire PF

1. Systems in the UK complete a different benchmarking survey. Their data is not included in this report.

**This report compares your pension administration costs and member service to a custom peer group.**

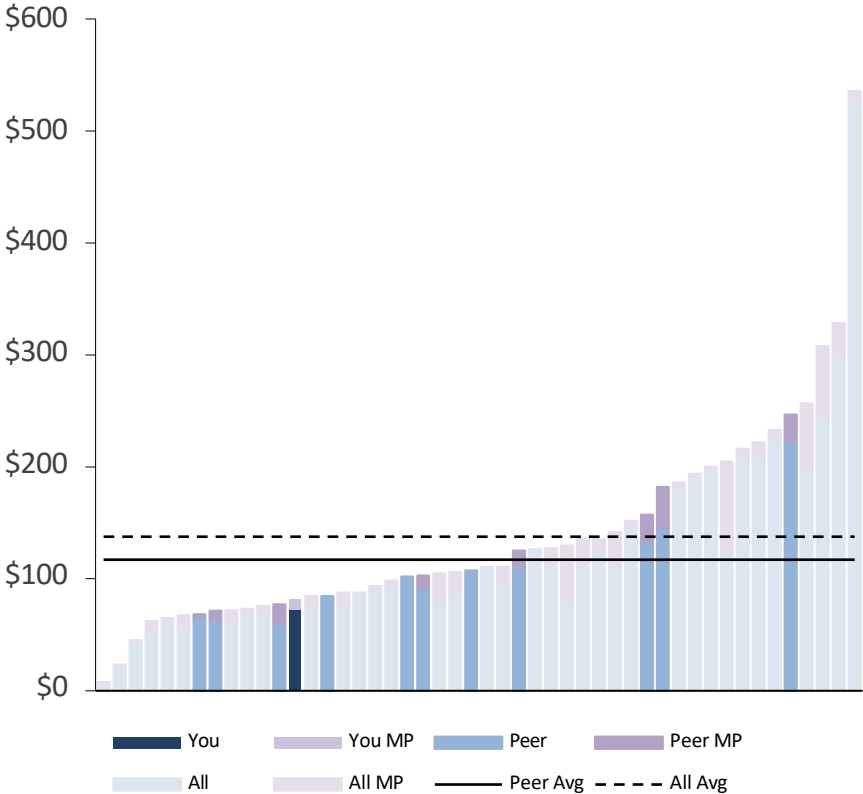
<b>Custom Peer Group for Virginia RS</b>				
#	System	Number of members (in 000s)		
		Active Members	Annuitants	Total <sup>1</sup>
1	NYSLRS	514	515	1,029
2	CalSTRS	459	329	788
3	<b>Virginia RS</b>	<b>354</b>	<b>240</b>	<b>594</b>
4	Washington state DRS	352	226	578
5	Ohio PERS	298	221	518
6	Pennsylvania PSERS	258	249	507
7	Michigan ORS	165	287	452
8	Indiana PRS	250	174	424
9	Arizona SRS	215	171	386
10	Colorado PERA	240	135	374
11	STRS Ohio	215	159	374
12	Oregon PERS	184	165	349
	Median	254	223	479
	Average	292	239	531

1. Inactive members are not considered when selecting peers because they are excluded when determining cost per member. They are excluded because they are less costly to administer than active members or annuitants.



**Your total pension administration cost of \$81 per active member and annuitant was \$36 below the peer average of \$117.**

**Pension Administration Cost Per Active Member and Annuitant <sup>1</sup>**



Category	\$000s	\$ per Active Member and Annuitant	
	You	You	Peer Avg
Business-As-Usual Costs	42,844	72	105
Major Project Costs <sup>1</sup>	5,499	9	12
<b>Total Pension Administration</b>	<b>48,343</b>	<b>81</b>	<b>117</b>

We include costs that are directly related to pension administration (e.g., staff costs or an third-party costs) plus attributions of governance, financial control, IT, building and utilities, HR, support services and other costs.

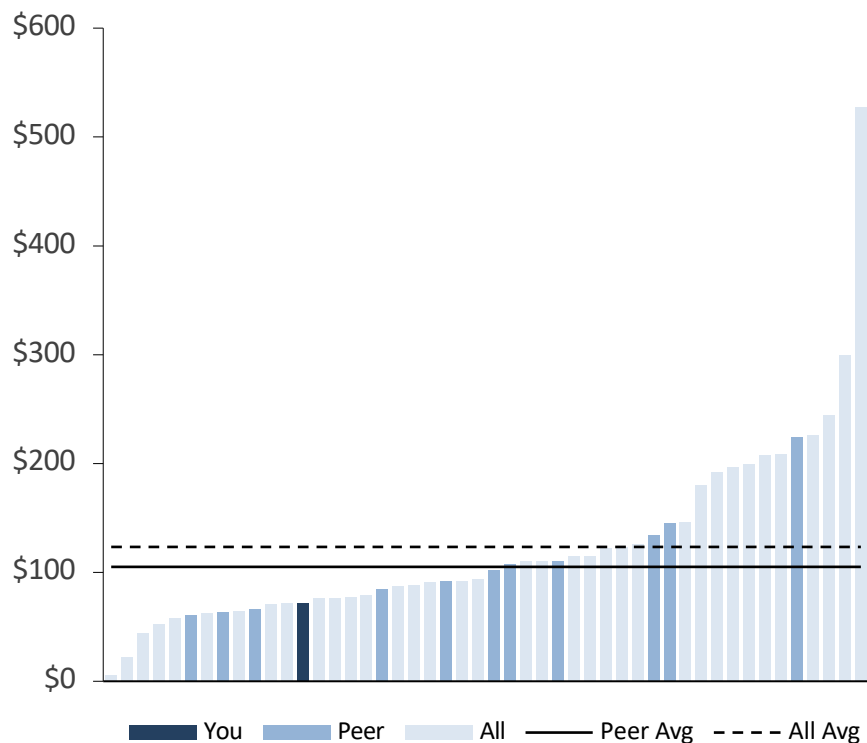
The costs associated with investment operations and investment management are specifically excluded.

Your total pension administration cost \$48.3 million also excludes the fully-attributed cost of administering healthcare, and optional and third-party administered benefits of \$14.8 million.

1. Major project costs are denoted by the lighter shading on the bars. These one-off costs correspond to administration projects only.

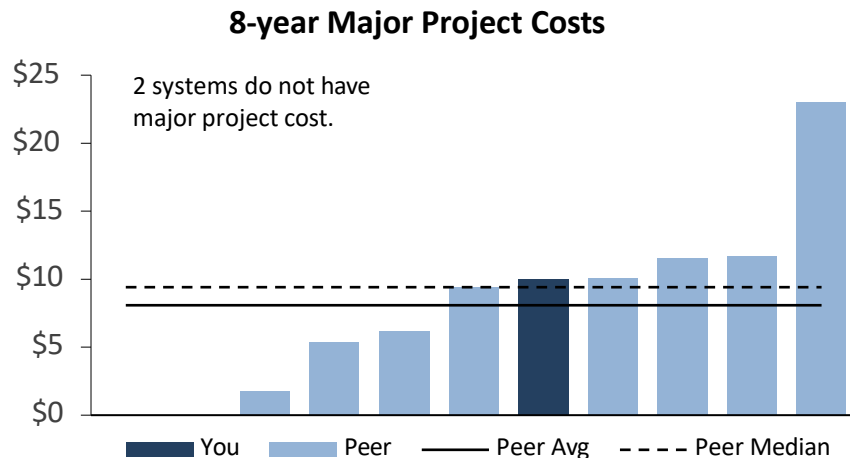
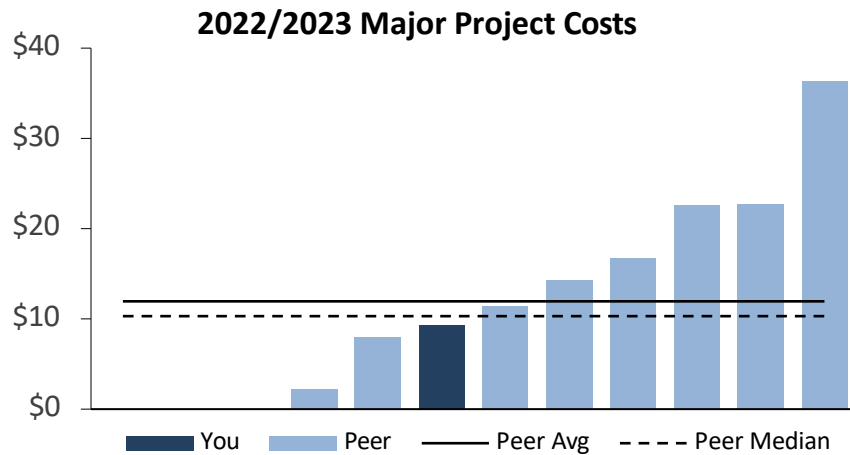
**Your Business-As-Usual (BAU) costs of \$72 per active member and annuitant was \$33 below the peer average of \$105.**

**Business-As-Usual Costs Per Active Member and Annuitant**



Category	\$000s	\$ per Active Member and Annuitant	
	You	You	Peer Avg
<u>Front office</u>			
Member Transactions	3,984	7	15
Member Communication	8,343	14	18
Collections & Data Maintenance	2,787	5	8
<u>Governance and support</u>			
Governance and Financial Control	2,854	5	7
Information Technology	19,564	33	35
Building	1,802	3	5
HR	426	1	3
Actuarial	729	1	2
Legal	1,419	2	4
Audit	936	2	2
Pay-as-you-go Benefits	0	0	1
Other Support Services	0	0	6
<b>Total Pension Administration</b>	<b>42,844</b>	<b>72</b>	<b>105</b>

# Your Major Project costs of \$9 per active member and annuitant was \$3 below the peer average of \$12.



1. These costs are averaged over as many years as possible based on the system participation record, with a maximum of 8 years. Systems that have submitted less than 8 years of data are excluded.

Category	Major Project Cost \$000s		\$ per Active Member and Annuitant	
	You	Peer Avg	You	Peer Avg
Single year 2022/2023	5,499	12	9	12
Multi-year average <sup>1</sup>	5,947	8	10	8

What is included in major project costs:

- One-off costs that were not capitalized.
- Current year amortization on capitalized costs.
- Excluding attributed costs for healthcare, and optional and third-party administered benefits, if applicable.

Project costs reported this year by you:

- 2023 Data Center Project

## Reasons why your total cost per member was \$36 below the peer average:

Reason	You	Peer Avg	Impact \$ per active member and annuitant
1 Fewer front office FTE per 10,000 members	2.1 FTE	3.4 FTE	-\$18
2 Lower third party costs per member in the front office	\$4	\$6	-\$2
3 Higher costs per FTE			
Salaries and Benefits <sup>1</sup>	\$119,901	\$120,588	
Building and Utilities	\$9,165	\$9,091	
HR	\$2,167	\$4,989	
IT Desktop, Networks, Telecom	<u>\$33,466</u>	<u>\$17,860</u>	
Total	\$164,699	\$152,528	\$7
4 Lower support costs per member <sup>2</sup>			
Governance and Financial Control	\$6	\$9	
Major Projects	\$10	\$14	
IT Strategy, Database, Applications	\$17	\$26	
IT Security	\$6	\$3	
Actuarial, Legal, Audit, Other	<u>\$6</u>	<u>\$16</u>	
Total	\$46	\$68	-\$22
<b>Total</b>			<b>-\$36*</b>

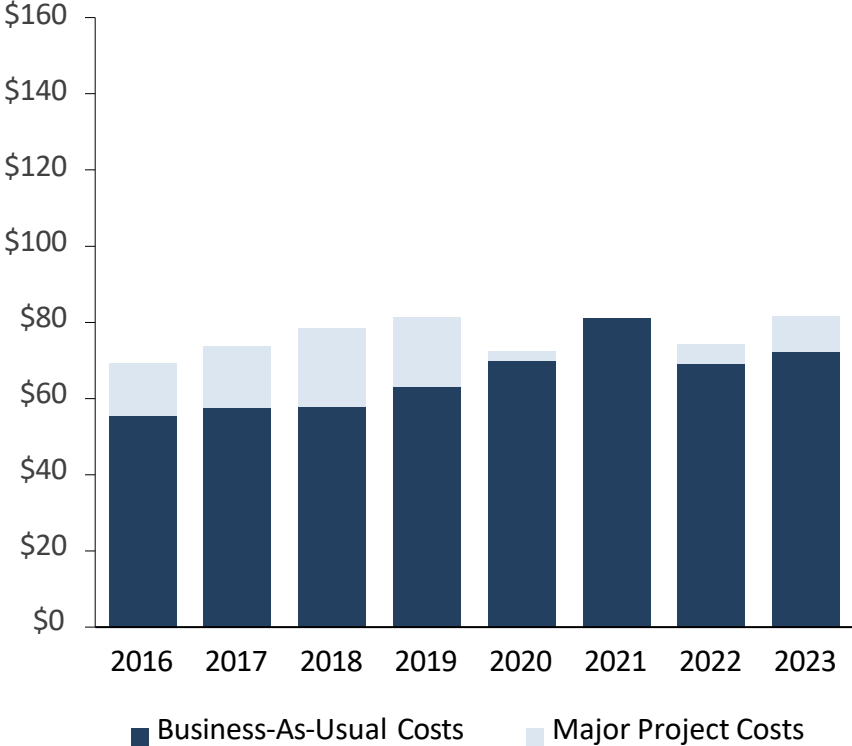
1. 26% of your total salaries and benefits relates to benefits. This compares to a peer average of 32%.

2. To avoid double counting, governance and support costs are adjusted for differences in cost per FTE.

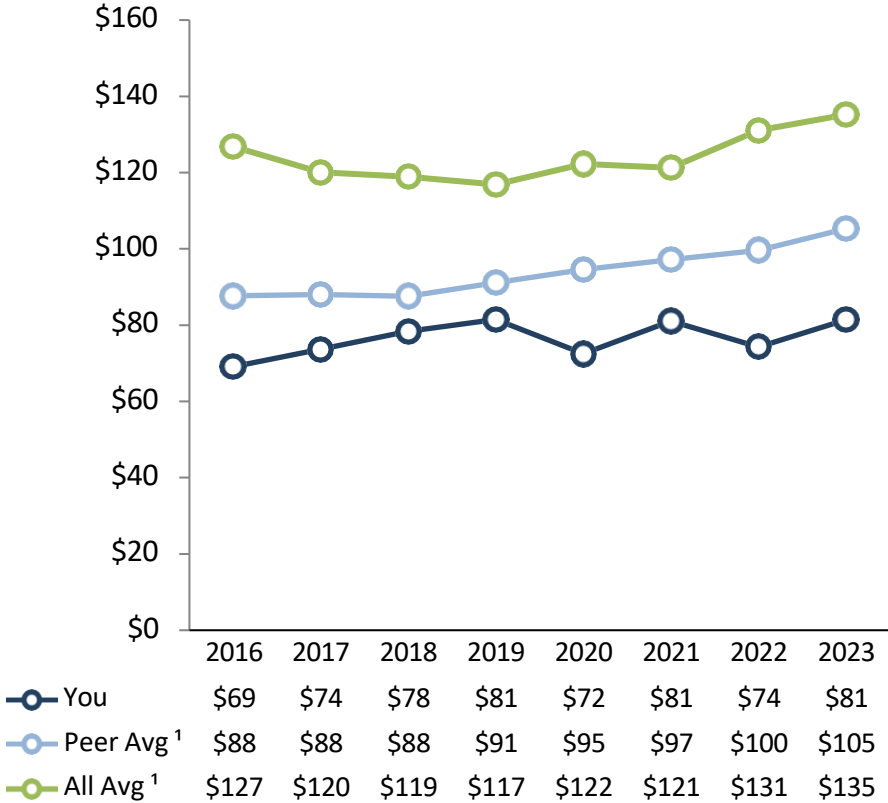
\* The total does not add up due to rounding differences.

**Between 2016 and 2023 your total pension administration cost per active member and annuitant increased by 2.4% per annum.**

**Your Pension Administration Cost Per Active Member and Annuitant Trend**



**Pension Administration Cost Per Active and Annuitant Trend**



During the same period, the average cost of your peers with 8 consecutive years of data increased by 2.7% per annum.

1. Trend analysis is based on systems that have provided 8 consecutive years of data (11 of your 12 peers and 34 of the 48 systems in the universe).

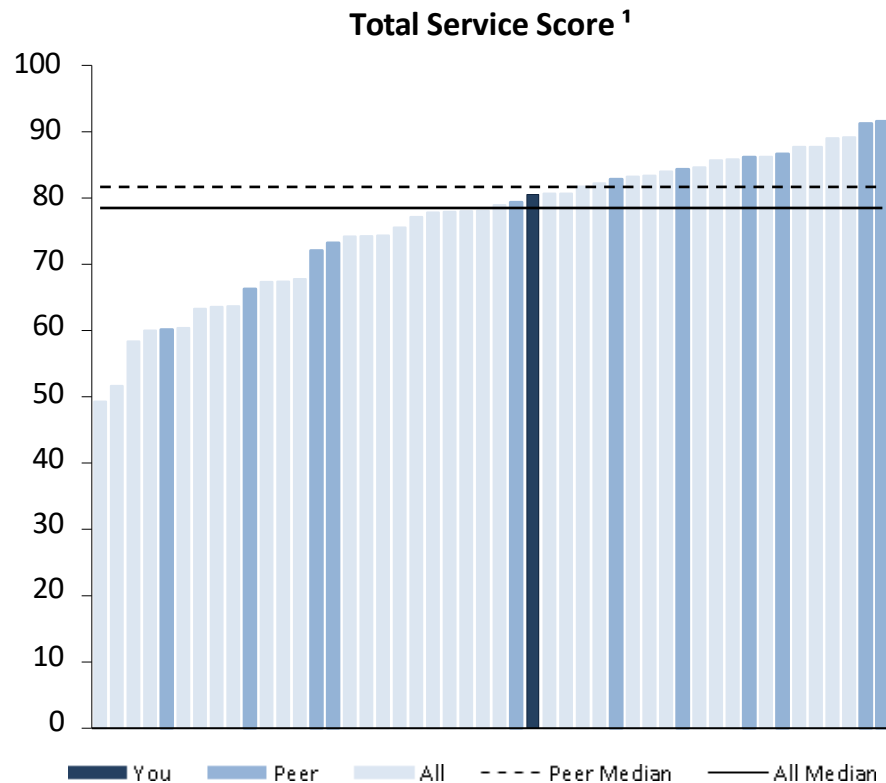
## CEM's service score methodology was updated to reflect global pension administration trends.

- It has been eight years since the service methodology was last updated.
- The pandemic has accelerated digital adoption and transformation.
- Digital-first is now considered the highest service level by most members for transactions.

### Key changes:

- The service score takes a more member-centric view of service: member journeys.
- Service metrics were added for digital member services and targeted campaigns.
- The service weights for digital activities were increased.
- Service metrics that are less relevant today, or minor and non-differentiating, were removed from the service model.
- The threshold to score maximum points for each service metric were updated based on what the new norm is in the pension industry. For example, a call wait time of 120 seconds gets a perfect score now versus 60 seconds in 2021, because more systems are allowing for longer wait times in favor of higher first contact resolutions.
- Please note that historic scores have been restated to reflect changes in methodology, and will differ from previous reports.

## Your total service score was 81. This was slightly below the peer median of 82.



Looking at cost in isolation is unhelpful. Context is required, as is a means to measure value for money. CEM believes the right measure is member service, or the service score.

Service is defined from a member's perspective. Higher service means more channels, faster turnaround times, more availability, more choice, better content and higher quality.

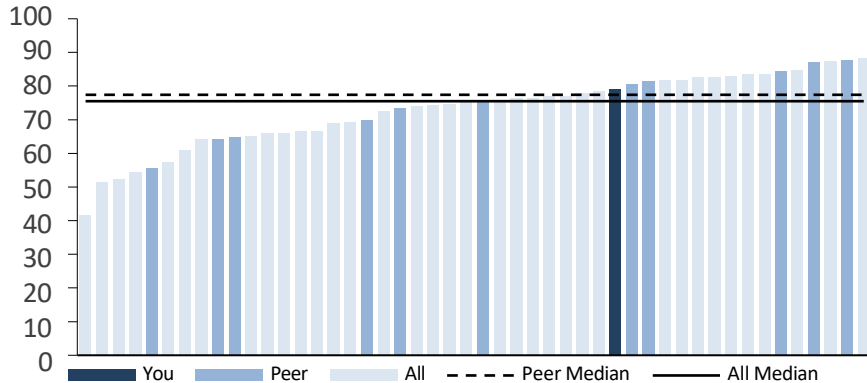
Higher service is not necessarily cost-effective. For example, the ability to answer the telephone 24 hours a day is higher service, but not cost effective.

Your total service score is the weighted average of the service scores for each of the four member journeys below.

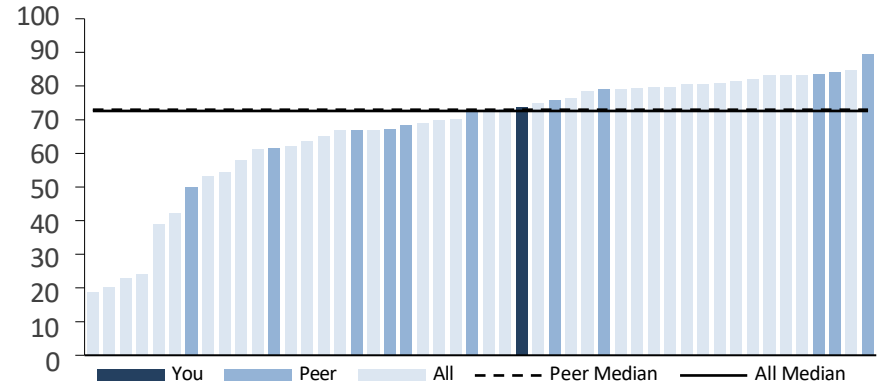
Service Scores by Journey			
Journey	Weight	You	Peer Median
Active member experience	30%	79	77
Inactive member experience	5%	74	73
Retiring experience	35%	81	82
Annuitant experience	30%	82	87
<b>Total service score</b>	<b>100%</b>	<b>81</b>	<b>82</b>

# Service score by member journey and activity

### Active Member Experience Service Score



### Inactive Member Experience Service Score



Activity	Weight	You	Peer Median
Targeted campaigns	7.5%	43	49
Purchases and Transfers-in	10.0%	60	60
Member statements	12.5%	75	75
---	---	---	---
---	---	---	---
Personal information	5.0%	70	95
Salary and service credit information	5.0%	100	75
Secure website accessibility	30.0%	100	94
Contact center: accessibility	7.5%	46	42
Contact center: capability	5.0%	85	87
Contact center: call quality	5.0%	87	89
1-on-1 counseling	5.0%	100	96
Member presentations	2.5%	100	100
Feedback	5.0%	50	63
<b>Active member experience service score</b>	<b>100.0%</b>	<b>79</b>	<b>77</b>

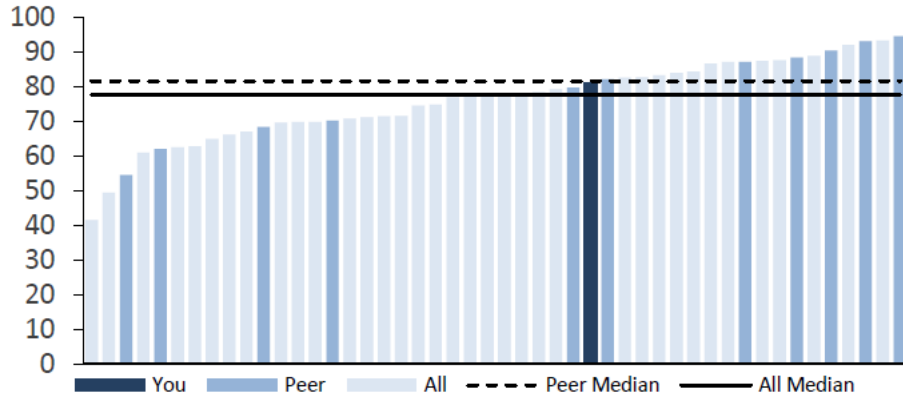
Activity	Weight	You	Peer Median
Targeted campaigns	10.0%	0	30
---	---	---	---
---	---	---	---
Tracking inactive members	10.0%	50	83
Transfers-out	5.0%	100	97
Personal information	7.5%	70	95
Salary and service credit information	5.0%	100	75
Secure website accessibility	40.0%	97	90
Contact center: accessibility	7.5%	46	42
Contact center: capability	5.0%	85	87
Contact center: call quality	5.0%	87	89
---	---	---	---
---	---	---	---
Feedback	5.0%	50	50
<b>Inactive member experience service score</b>	<b>100.0%</b>	<b>74</b>	<b>73</b>



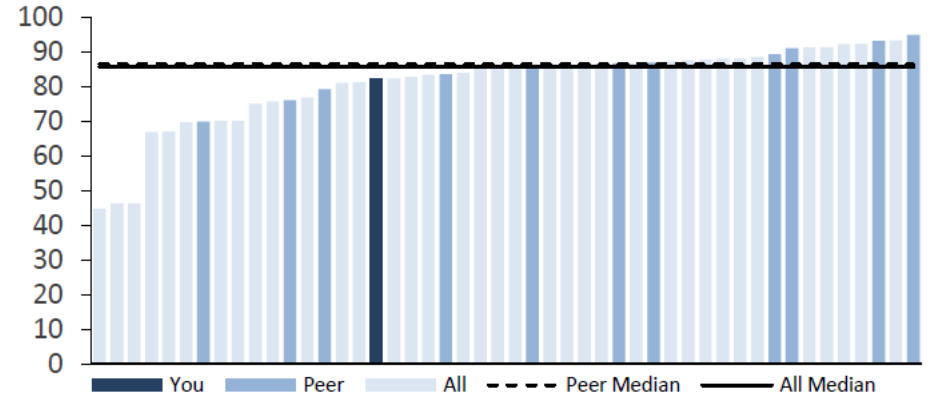
# Service score by member journey and activity

(continued)

### Retiring Experience Service Score



### Annuitant Experience Service Score



Activity	Weight	You	Peer Median
Targeted campaigns	7.5%	10	78
Pension estimates: self-service	7.5%	94	83
Pension estimates: assisted service	2.5%	86	88
Retirement applications	7.5%	100	80
Pension inceptions	10.0%	92	90
Disability inceptions	5.0%	80	80
---	---	---	---
Personal information	2.5%	70	95
Salary and service credit information	2.5%	100	75
Secure website accessibility	20.0%	100	100
Contact center: accessibility	7.5%	46	42
Contact center: capability	5.0%	85	87
Contact center: call quality	5.0%	87	89
1-on-1 counseling	7.5%	100	96
Member presentations	5.0%	100	100
Feedback	5.0%	35	65
<b>Retiring experience service score</b>	<b>100.0%</b>	<b>81</b>	<b>82</b>

Activity	Weight	You	Peer Median
Targeted campaigns	10.0%	61	57
---	---	---	---
---	---	---	---
---	---	---	---
---	---	---	---
---	---	---	---
Pension payments	30.0%	98	98
Personal information	5.0%	70	95
---	---	---	---
Secure website accessibility	32.5%	86	100
Contact center: accessibility	7.5%	46	42
Contact center: capability	5.0%	85	87
Contact center: call quality	5.0%	87	89
---	---	---	---
---	---	---	---
Feedback	5.0%	65	68
<b>Annuitant experience service score</b>	<b>100.0%</b>	<b>82</b>	<b>87</b>

# Key outliers influencing your total member service score relative to peers

## Higher than peers

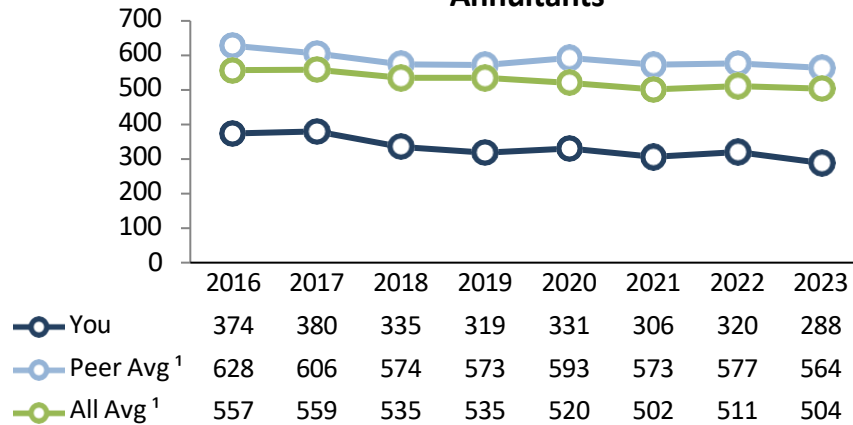
- You score well for your online retirement applications. 97.2% of your applications are completed without the requirement for the member to upload or mail in signed documents (Peers: 42.2%).
- Your members have access to their complete history of salary and service online (Peers: 50.0%).
- You score well for refunds/transfers-out by providing members the ability to apply online (Peers: 83.3%) and you process transfer-outs within 3.0 days (Peers: 52.6 days).
- 100% of your pensions are accepted without a cashflow interruption greater than 1 month (Peers: 87.2%).
- You have implemented a telephone survey program (Peers: 83.3%).

## Lower than peers

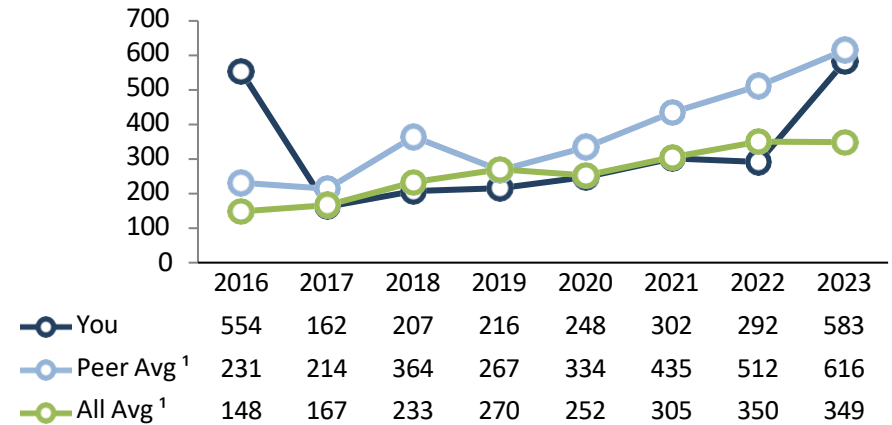
- 66.7% of your peers have the functionality for members to upload documents and 75.0% of your peers maintain a history of recent correspondence on their secure member portal.
- You ran less targeted campaigns last year than your peers. For example, 58.3% sent targeted campaigns to active members and 66.7% to inactive members approaching retirement.
- You do not survey your membership on their secure website experience (Peers: 41.7%), their retirement experience (Peers: 66.7%) or 1on1 counseling (Peers: 75.0%).

# The nature of member calls has changed in the last 8 years.

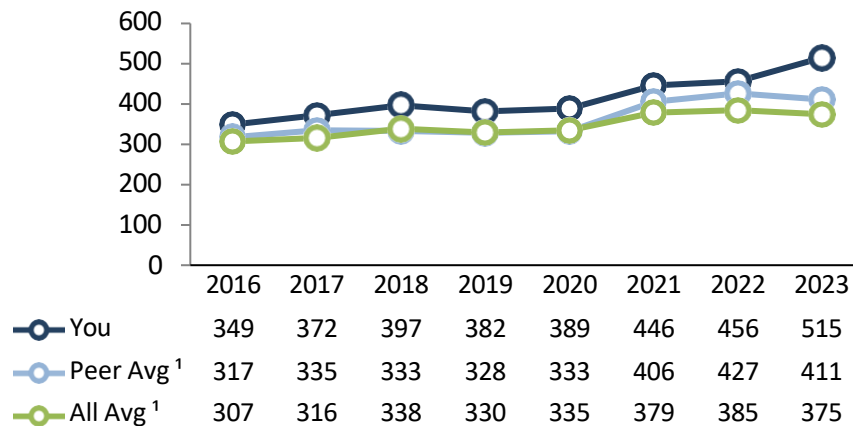
### Incoming Calls per 1,000 Active Members and Annuitants



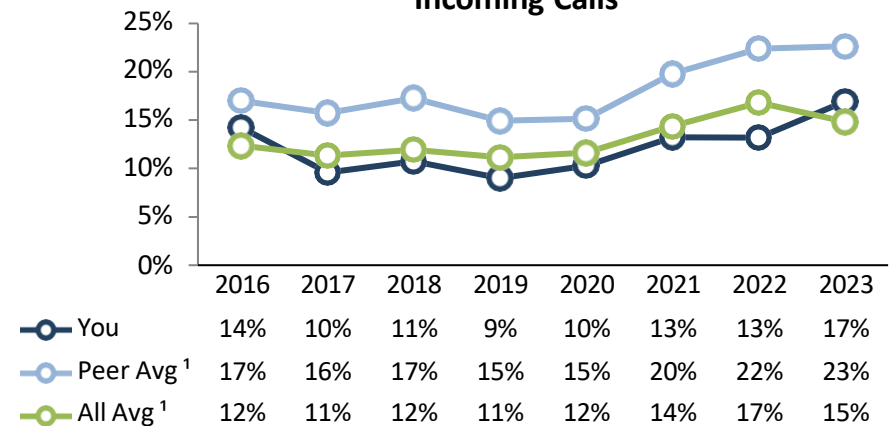
### Call Wait Time, in Seconds



### Time on Call, in Seconds

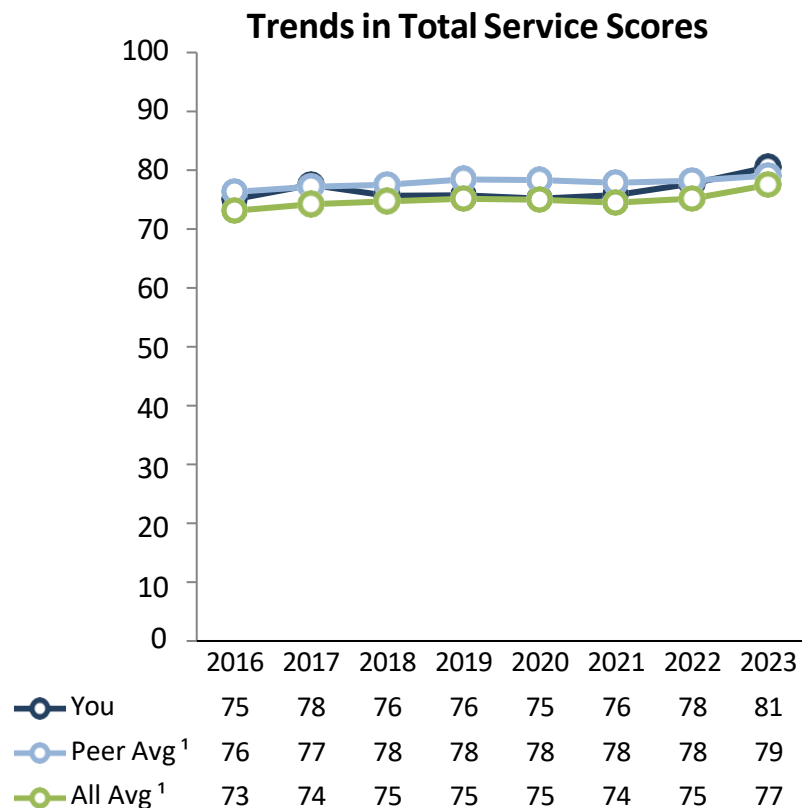


### Undesired Call Outcomes as a Percent of Incoming Calls



1. Trend analysis is based on systems that have provided 8 consecutive years of data (11 of your 12 peers and 34 of the 48 systems in the universe).

## Your service score has increased from 75 to 81 between 2016 and 2023.



### Changes that had a positive impact compared to last year

- 1on1 counselling continues to improve post Covid (2023: 5,128 vs 2022: 3,740).
- Member presentations have returned to in-person with 220 presentations offered "in the field" compared to 23 in 2022 and 0 in 2021.
- You sent surveys to all member groups in 2023.
- You have implemented a telephone survey program.

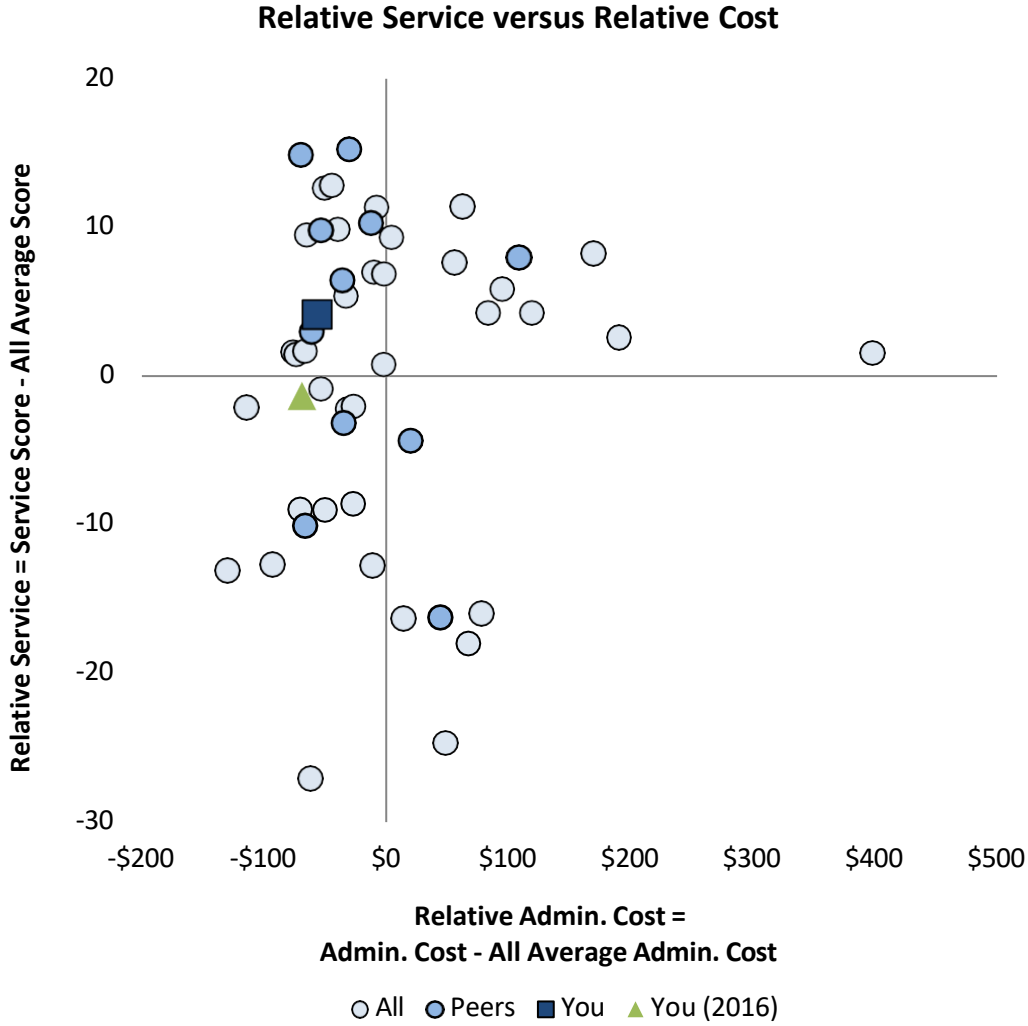
### Changes that had a negative impact compared to last year

- My VRS accounts were locked as a result of inactivity and required members to contact your call center to have their accounts unlocked. Call wait times increased to 523 secs from 292 secs and undesired call outcomes increased to 20% from 13%. (Note: service score was not impacted).

1. Trend analysis is based on systems that have provided 8 consecutive years of data (11 of your 12 peers and 34 of the 48 systems in the universe).

2. Historic scores have been restated to reflect changes in methodology. Your historic service scores will differ from previous reports.

# The relationship between service and pension administration cost in the CEM universe:



## Key takeaways:

### Cost

- Your total pension administration cost of \$81 per active member and annuitant was \$36 below the peer average of \$117.
- Between 2016 and 2023 your total pension administration cost per active member and annuitant increased by 2.4% per annum. During the same period, the average cost of your peers with 8 consecutive years of data increased by 2.7% per annum.

### Service

- The CEM service model was updated to capture the change in digital adoption and transformation in the pension industry over the last eight years. It also takes a more member-centric view: scores are calculated by member journey.
- Your total service score was 81. This was slightly below the peer median of 82.
- Your service score has increased from 75 to 81 between 2016 and 2023.

# Thank you



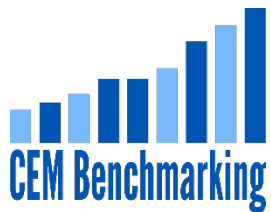
**Christopher Doll**

**Director, Client Coverage**

–

ChrisD@cembenchmarking.com

CEMbenchmarking.com







## Report

The Defined Contribution Plans Advisory Committee (DCPAC) convened on September 12, 2024, at 1:00 p.m. and took up the following matters:

### **WELCOME AND INTRODUCTION**

Dr. Gooden welcomed two new members of the DCPAC, Kate Jonas and Monique Barnes. Kate Jonas is the founder and Principal of Kate Jonas Group LLC. Monique Barnes is the Director of Budget for Henrico County Schools. Ms. Jonas was not able to attend the meeting due to a long-standing commitment that could not be changed.

Committee members, Board members, agency officials, representatives from stakeholder groups, and other members of the public joining in person and through electronic means were welcomed to the DCPAC.

### **APPROVAL OF MINUTES**

The Committee approved the minutes of its May 23, 2024, meeting.

### **INVESTMENTS**

#### **Annual Investment Review**

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

#### **Defined Contribution Plans Advisory Committee Charter Review**

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

The Committee recommends approval of the revisions to the Defined Contribution Plans Advisory Committee Charter.

## **ADMINISTRATION**

### Administration Reports & Communications

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

Staff advised the Committee that total assets across all plans have increased 3% from the previous quarter. Hybrid Retirement Plan assets and accounts continue to increase as new members are added to the hybrid plan, which is now the primary plan. Staff spoke of the EVMS/ODU Merger, which was completed July 11, 2024, and the COV 457 SDBA de-commingling, where \$4.7M in Roth assets at Charles Schwab transferred to 180 new Roth SDBA accounts with MissionSquare. Further, staff provided updates on plan assets and accounts and hybrid voluntary contribution elections. ORPHE participation rates for DCP showed an increase in DCP elections and a decrease in TIAA elections. Staff also provided TIAA updates, which included an amendment to the record-keeping agreement and a targeted beneficiary campaign, as well upcoming DC Plans events.

### DC Plans Recordkeeper Transition Update

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

## **OTHER BUSINESS**

### Advice and Managed Accounts

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

## **DISCUSSION OF NEW IDEAS**

Mr. Winter raised for discussion the Hybrid Retirement Plan as it pertains to voluntary participation rates and active election rates. He inquired as to the proper measure of comparison and whether there

is an appropriate target or benchmark. Mr. Winter believes such information would be helpful to know if the hybrid plan is meeting its design goals. Staff mentioned that comparing voluntary contributions in other state hybrid plans is challenging, because plan designs vary considerably across different plans, notably with respect to employer matching contributions and automatic features. However, staff also noted that VRS has worked with its record keeper to develop award-winning campaigns to encourage savings. In addition, VRS has offered suggestions in formal legislative reports as well as at presentations to legislative and executive branch policy makers regarding various options that exist to improve outcomes for hybrid plan members, such as automatic enrollment, accelerating auto escalation, and increased employer defined contribution plan percentages. Staff further note that JLARC will be looking at the Hybrid Retirement Plan and voluntary contributions later this year.

### **2024 MEETINGS**

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

Additionally, the ORPHE Annual Employer Update is scheduled for September 25, 2024, 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 September 19, 2024.

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Susan T. Gooden, Chair  
Defined Contribution Plans Advisory Committee

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## Report

The Audit and Compliance Committee (committee) met on September 18, 2024. Senator 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 June 11, 2024, meeting.

### **EXIT ON THE 2023 EMPLOYER ASSURANCES REVIEW AND UPDATE ON THE 2024 ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR) AUDIT**

The Auditor of Public Accounts (APA) reported the 2023 Employer Assurances Review, covering GASB Statements No. 68 and 75, has concluded. The APA has issued their related opinions for the pension and other post-employment benefit plans.

The APA also reported the 2024 VRS ACFR Audit is progressing as planned and is on schedule to be finished in advance of December 15, 2024.

### **AUDIT REPORTS**

The committee received one audit report.

- The review of *Investment Balances, Performance Reporting and Investment Manager Compensation* determined investment balances, performance reporting and investment manager compensation are accurately reported and complete. There were no formal recommendations resulting from this review.

### **INTERNAL AUDIT ASSURANCE REVIEWS**

The committee received the results for the following reviews completed by the Internal Audit Department:

#### **Agency Performance Outcomes and Operational Measures**

The Internal Audit Director discussed Internal Audit's review of management's representations regarding the agency performance outcomes and operational measures for the fiscal year ended June 30, 2024, noting nothing came to Internal Audit's attention that indicated the outcomes and measures were not appropriately represented for the fiscal year.

#### **VRS' Investment Incentive Compensation**

The Internal Audit Director noted Internal Audit completed its review of the Investment department's proposed incentive compensation amounts and determined they were accurately calculated in accordance with the authorized pay plan and related eligibility requirements were met.

### **AUDIT AND COMPLIANCE COMMITTEE CHARTER REVIEW**

The Internal Audit Director reviewed proposed revisions to the Audit and Compliance Committee charter to align the charter language with changes to the *Global Internal Audit Standards*, provide clarity to some sections and reflect associated changes made across all board governance documents since the last review.

The committee recommends approval of the changes to the Audit and Compliance Committee charter.

#### **INTERNAL AUDIT DEPARTMENT CHARTER REVIEW**

The Internal Audit Director reviewed proposed changes to the Internal Audit Department charter. As with the Audit and Compliance Committee charter, the revisions were suggested to align the charter with the *Global Internal Audit Standards*, provide clarity to some sections and address other changes resulting from the review of related VRS governance documents.

In accordance with its charter, the committee approved the changes to the Internal Audit Department charter.

#### **INTERNAL AUDIT DEPARTMENT'S ANNUAL PROGRESS REPORTS FOR FISCAL YEAR 2024**

The committee received the following updates:

##### **Internal Audit Department's Annual Report**

The Internal Audit Director provided the committee with a summary of Internal Audit's accomplishments over the past year. She recognized the contributions of the internal audit team, highlighting their internal and external service during the year. The Internal Audit Director explicitly confirmed the department and its staff are organizationally independent of the activities they examine.

##### **Annual Report on the Audit Recommendation Follow-Up System (ARFUS)**

The annual ARFUS report as of June 30, 2024, was presented. The Internal Audit Director noted ARFUS contained 14 recommendations, seven were represented as implemented, two of which were issued by the APA. Six recommendations were released, two with comment, leaving eight outstanding as of June 30, 2024.

##### **Annual Plan and Long-Range Plan Progress**

The Internal Audit Director discussed the fiscal year 2024 annual plan results as of June 30, 2024, along with the status of the long-range plan for the four years ending June 30, 2024.

#### **PROPOSED FY 2025 – FY 2027 LONG RANGE PLAN**

The Committee received the proposed long-range plan for fiscal years 2025-2027. The Internal Audit Director discussed the risk assessment and long-range development processes.

The Committee recommended approval of the following action to the full board:

***Request for Board Action:*** *The VRS Board of Trustees approves the proposed FY 2025 – FY 2027 Long-Range Plan.*

### **PROPOSED FY 2025 ANNUAL PLAN**

The Internal Audit Director presented the proposed annual plan for fiscal year 2025, noting it was derived directly from the approved long-range plan. The Committee recommended approval of the following action to the full board:

***Request for Board Action:*** *The VRS Board of Trustees approves the proposed FY2025 Annual Plan.*

### **QUARTERLY REPORT ON FRAUD, WASTE AND ABUSE HOTLINE CASES**

The Internal Audit Director shared the results of the investigation into two Fraud, Waste and Abuse Hotline complaints reported to Internal Audit during the period of May 1, 2024, through July 31, 2024, noting both cases were closed.

### **MISCELLANEOUS UPDATES**

The committee received the following miscellaneous updates:

#### **Management's Quarterly Travel Expense and Per Diem Report**

The committee received Management's Quarterly Travel Expense and Per Diem report.

#### **Committee Meeting Schedule for Calendar Year 2025**

The committee received a schedule of Audit and Compliance Committee meeting dates for 2025.

#### **Next Committee Meeting Date**

The final 2024 committee meeting is scheduled for Thursday, December 12, 2024, at 10 a.m.

### **NEW STANDARDS: CHIEF AUDIT EXECUTIVE POSITION QUALIFICATIONS AND COMPETENCIES**

The Internal Audit Director provided the committee an overview of position qualifications and competencies for a chief audit executive in conformance with the requirements of the new *Global Internal Audit Standards*. In addition, the committee received a timeline of related upcoming committee activities and responsibilities.

### **AUDIT DIRECTOR'S PERFORMANCE EVALUATION (CLOSED SESSION)**

The committee went into closed session to review the Internal Audit Director's performance for the fiscal year ended June 30, 2024.

Upon returning to open meeting, the committee voted to recommend approval of the following actions to the full board:

***Request for Board Action:*** *The VRS Board of Trustees approves a 7% performance bonus for the audit director.*

***Request for Board Action:*** *The VRS Board of Trustees approves a 3% salary increase for the audit director.*

Respectfully submitted to the Board of Trustees on September 19, 2024.

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

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**Approve FY 2025-FY2027 Long-Range Audit Plan.**

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**Requested Action**

The VRS Board of Trustees approves the proposed FY2025-2027 Long-Range Audit Plan.

**Description/Background**

The Audit Director has developed a comprehensive risk assessment process to identify and prioritize the work of the Internal Audit Department in line with organizational and operational risk priorities of the Board of Trustees and VRS management. The process is applied against a universe of potential audit projects and results in the creation of a long-range three-year audit plan, from which the annual audit plan is derived.

When developing the long-range audit plan, consideration is given to the impact of mandatory audit activities, such as the review of VRS' sensitive systems required by the Virginia IT Agency (VITA), on the available resources and the ability of those resources to cover both the risk-based and mandatory items. Due to the relative level of risk as well as the available resources, not all items within the potential audit universe should be or will be subject to audit during the long-range audit plan.

**Rationale for Requested Action**

The proposed long-range audit plan is brought forward once every three years for Board consideration and approval, ensuring the work of the Internal Audit Department remains in alignment with organizational and operational risk priorities.

**Authority for Requested Action**

Section V.C.6 of the VRS Board of Trustees' Governance Policy delegates the responsibility of developing a comprehensive long-range audit plan to the Audit Director and providing that plan to the Audit and Compliance Committee and the Board of Trustees for review and approval.

The above action is approved.

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A. Scott Andrews, Chair  
VRS Board of Trustees

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Date





# Proposed FY 2025 – FY 2027 Internal Audit Long-Range Plan

September 18, 2024

# FY 2025 – FY 2027 Long-Range Plan Proposed

- 1 Risk Based Projects
- 2 Sensitive Systems
- 3 Standards Mandated
- 4 Board Mandated

Carry-Over from Prior Long-Range Plan <sup>1</sup>	Risk Priority	2025	2026	2027
Investment Balances, Performance Reporting and Investment Manager Compensation	Low	<input type="checkbox"/>		
Purchase of Prior Service	High	<input type="checkbox"/>		

Operations <sup>1</sup>	Risk Priority	2025	2026	2027
Contract Administration and Third-Party Risk Management (Administration and Investments)	High			<input type="checkbox"/>
Procurement (Administration and Investments)	High		<input type="checkbox"/>	

Legend:  Planned Year for Performance

# FY 2025 – FY 2027 Long-Range Plan Proposed

- 1 Risk Based Projects
- 2 Sensitive Systems
- 3 Standards Mandated
- 4 Board Mandated

Benefits <sup>1</sup>	Risk Priority	2025	2026	2027
Deferred Compensation and Cash Match Programs	High		<input type="checkbox"/>	
Disability Retirements	Low			<input type="checkbox"/>
Group Life Insurance and Death Processing	Medium	<input type="checkbox"/>		
Health Insurance Credit and Premium Benefits	Medium	<input type="checkbox"/>		
Long-Term Care Program	Low		<input type="checkbox"/>	
Managed Disabilities Programs (VSDP and VLDP)	Medium			<input type="checkbox"/>
Refunds	Medium			<input type="checkbox"/>
Retiree Disbursements	High	<input type="checkbox"/>		
Service Retirements	Medium		<input type="checkbox"/>	

Legend:  Planned Year for Performance

# FY 2025 – FY 2027 Long-Range Plan Proposed

- <sup>1</sup> Risk Based Projects
- <sup>2</sup> Sensitive Systems
- <sup>3</sup> Standards Mandated
- <sup>4</sup> Board Mandated

Investments <sup>1</sup>	Risk Priority	2025	2026	2027
Fixed Income	Low			<input type="checkbox"/>
Internal Equity Management	Medium			<input type="checkbox"/>
Investment Compliance and Legal and Regulatory Oversight	Medium		<input type="checkbox"/>	
Leverage Program	High	<input type="checkbox"/>		
Private Equity	Medium		<input type="checkbox"/>	
Real Assets	Medium	<input type="checkbox"/>		

Legend:  Planned Year for Performance

# FY 2025 – FY 2027 Long-Range Plan Proposed

- 1 Risk Based Projects
- 2 Sensitive Systems
- 3 Standards Mandated
- 4 Board Mandated

Information Technology <sup>2</sup>	Risk Priority	2025	2026	2027
Access Management	High			<input type="checkbox"/>
Backup and Recovery	High		<input type="checkbox"/>	
File Management	High			<input type="checkbox"/>
Investment Decision Systems	High			<input type="checkbox"/>
IT Governance	High		<input type="checkbox"/>	
myVRS	High		<input type="checkbox"/>	
Networking and Computing	High	<input type="checkbox"/>		
VNAV and ECM	High	<input type="checkbox"/>		

Legend:  Planned Year for Performance

# FY 2025 – 2027 Long-Range Plan Proposed

- 1 Risk Based Projects
- 2 Sensitive Systems
- 3 Standards Mandated
- 4 Board Mandated

Other Assurance Reporting	2025	2026	2027
Audit Recommendation Follow-Up System (Quarterly and Annual Review) <sup>3</sup>			
Fraud, Waste and Abuse Reporting <sup>4</sup>			
Quality Assurance Improvement Program <sup>3</sup>			
Quality Assurance Review <sup>3</sup>			
Review of Incentive Compensation <sup>4</sup>			
Review of Agency Performance Outcomes and Operational Measures <sup>4</sup>			
Verification of Cost-of-Living Adjustments <sup>4</sup>			

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**Approve FY 2025 Annual Audit Plan.**

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**Requested Action**

The VRS Board of Trustees approves the proposed FY 2025 Annual Audit Plan.

**Description/Background**

The Audit Director has developed a comprehensive risk assessment process to identify and prioritize the work of the Internal Audit Department in line with organizational and operational risk priorities of the Board of Trustees and VRS management. The process is applied against a universe of potential audit projects within the limitations created by the available audit resources and results in the creation of a Long-Range three-year audit plan.

Annually the Audit Director looks to the guidance provided by the Long-Range plan and develops the Annual Audit plan. FY 2025 is the first year in the Long-Range plan, as a result it directly reflects the composition of projects proposed by the Long-Range plan.

**Rationale for Requested Action**

The proposed Annual Audit Plan, derived from the approved Long-Range plan, is brought forward annually for Board consideration and approval, ensuring the work of the Internal Audit Department remains in alignment with organizational and operational risk priorities.

**Authority for Requested Action**

Section V.C.6 of the VRS Board of Trustees' Governance Policy delegates the responsibility of developing a comprehensive annual audit plan to the Audit Director and providing that plan to the Audit and Compliance Committee and the Board of Trustees for review and approval.

The above action is approved.

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A. Scott Andrews, Chair  
VRS Board of Trustees

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Date



# Proposed FY 2025 Internal Audit Annual Plan

September 18, 2024



# FY 2025 Annual Plan

## Proposed

- <sup>1</sup> Risk Based Projects
- <sup>2</sup> Sensitive Systems
- <sup>3</sup> Standards Mandated
- <sup>4</sup> Board Mandated

### Benefits <sup>1</sup>

Group Life Insurance and Death Processing	Med
Health Insurance Credit and Premium Benefits	Med
Retiree Disbursements	High

### Investments <sup>1</sup>

Leverage Program	High
Real Assets	Med

### Information Technology <sup>2</sup>

Networking and Computing	High
VNAV and ECM	High

### Carry-Over from Prior Long-Range Plan <sup>1</sup>

Investment Balances, Performance Reporting and Investment Manager Compensation	Low
Purchase of Prior Service	High

### Other Assurance Reporting

Audit Recommendation Follow-Up System (Quarterly and Annual Review) <sup>3</sup>
Fraud, Waste and Abuse Reporting <sup>4</sup>
Quality Assurance Improvement Program <sup>3</sup>
Quality Assurance Review <sup>3</sup>
Review of Incentive Compensation <sup>4</sup>
Review of Agency Performance Outcomes and Operational Measures <sup>4</sup>
Verification of Cost-of-Living Adjustments <sup>4</sup>

Derived from FY 2025 – FY 2027 Long-Range Plan

**Audit Director's Performance Review.**

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**Requested Action**

The VRS Board of Trustees approves a 7% performance bonus for the Audit Director.

**Description/Background**

The Audit and Compliance Committee reviewed and evaluated the performance of the Audit Director. Based on this review and evaluation, the Committee recommends that the Board approve a 7% performance bonus for the Audit Director payable October 16, 2024.

**Rationale for Requested Action**

The Audit and Compliance Committee recommends that the Board approve a 7% performance bonus for the Audit Director, payable October 16, 2024, based on the Committee's review and evaluation of the Audit Director's performance during FY 2024. The Audit and Compliance Committee Charter in paragraph 14 of the duties and responsibilities section states "Review and make recommendations to the Board regarding the performance of the Audit Director." Section IV. H.(8) of the Board Governance Policy provides that the Board may review, monitor and oversee the performance of the Audit Director. Also, the Executive Pay Plan contemplates granting a performance bonus to the Audit Director.

**Authority for Requested Action**

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

The above action is approved.

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A. Scott Andrews, Chair  
VRS Board of Trustees

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Date

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**Approve a salary adjustment for the Audit Director.**

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**Requested Action**

The VRS Board of Trustees approves a 3% salary adjustment for the Audit Director.

**Description/Background**

In accordance with the Executive Pay Plan, the base salary of the Audit Director is determined by the Board of Trustees. In addition, the Executive Pay Plan permits adjustments to the base salary of the Audit Director based on market study findings. The Audit and Compliance Committee recently reviewed and evaluated market study data for the Audit Director.

**Rationale for Requested Action**

The Audit and Compliance Committee recommends that the Board approve a 3% salary adjustment for the Audit Director effective October 10, 2024, based on the Committee's review of market comparison data for similar positions. Paragraph 14 of the Duties and Responsibilities section of the Audit and Compliance Committee Charter authorizes the Committee to "[r]eview and make recommendations to the Board regarding the performance of the Audit Director." Section IV.H.8 of the Board Governance Policy provides that the Board may review, monitor, and oversee the performance of the Audit Director. Also, the Executive Pay Plan contemplates making adjustments to the Audit Director's salary as deemed necessary.

**Authority for Requested Action**

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

The above action is approved.

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A. Scott Andrews, Chair  
VRS Board of Trustees

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Date

## Report

The Administration, Finance and Talent Management Committee met on September 18, 2024, and discussed the following:

### **APPROVAL OF MINUTES**

The Committee approved the minutes of its June 11, 2024, meeting.

### **REVIEW REVISED BOARD GOVERNANCE POLICY AND COMMITTEE CHARTERS**

Sandy Jack, Director of Policy, Planning and Compliance, reviewed the proposed changes to the Board Governance Policy and Committee charters. Ms. Jack explained the rationale for the revisions, noting that the documents were last reviewed comprehensively in 2017. Ms. Jack further advised the Committee that upon a recommendation for approval by the Committee, the full Board is required to review the governance documents two times before taking action.

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 Board's Governance Policy and to the charters for each of the Board's standing committees and advisory committees.*

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

Andrew Junkin, Chief Investment Officer, informed the committee of three IAC members due for reappointment. Mr. Junkin indicated that Theodore Economou, Palmer Garson and Larry Kochard have been active and engaged participants of the IAC, and each are willing to continue their service on the IAC.

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

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

### **BUDGET UPDATE**

Jon Farmer, Budget and Reporting Manager, presented the FY 2024 year-end budget results, explaining that VRS finished with an unexpended appropriation of \$9.73 million, which will be returned to the Fund. Mr. Farmer next provided an update on the agency's FY 2025 budget, noting that expenses to date are in line with budgeted amounts.

### **PAY PLANS OVERVIEW**

Paula Reid, Director of Human Resources, and Curt Mattson, Chief Administrative Officer, reviewed the agency's three pay plans: Administrative Pay Plan, Investment Professionals' Pay Plan and the

Investment Operations and Administrative Pay Plan. Ms. Reid and Mr. Mattson explained the purpose and key components for each of the three plans.

**REVIEW ATTAINMENT OF FY2024 AGENCY PERFORMANCE OUTCOMES (APOS) AND OPERATIONAL MEASURES**

Michael Cooper, Chief Operating Officer, reviewed the results of the FY 2024 agency performance outcomes (APOs) and operational measures. Mr. Cooper noted that the agency had five APOs for the fiscal year, with a target of completing at least four. Staff met this goal by successfully completing all five APOs. In addition, there were sixteen operational measures for the year, of which thirteen had to be met to meet the target for the year. Staff successfully met its target for fourteen of the sixteen operational measures. The only measures not met for the year were the call abandonment rate and preventable employee turnover. Mr. Cooper advised the Committee that a new call management solution is being implemented that will provide new tools to help address the call abandonment rate. Regarding the preventable employee turnover measure, Mr. Cooper explained that this was isolated to a few small areas of the agency that are being addressed, and HR is leading an employee engagement survey initiative for the entire organization, all aimed at reducing preventable employee turnover. After some discussion by the Committee, staff advised that it will consider changes to the metrics and presentation of the call abandonment rate and preventable employee turnover.

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

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

**REVIEW PERFORMANCE BONUSES FOR ELIGIBLE ADMINISTRATIVE AND INVESTMENT OPERATIONS AND ADMINISTRATION EMPLOYEES**

Ms. Reid presented a request for board action to approve the performance bonuses for eligible administrative and investment operations and administration employees. Eligible employees who earn an “exceptional” rating on their performance evaluation qualify for a 4% bonus. Employees who earn an “exceeds” rating on their performance evaluation are eligible for a 2% bonus. The bonus amount is based on their salary as of June 30, 2024.

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

***Request for Board Action:*** *The VRS Board of Trustees approves performance lump-sum bonuses for eligible administrative employees and eligible Investment Department operations and administration employees.*

**INFORMATIONAL ITEM (INTERNAL AUDIT DIRECTOR’S PERFORMANCE REVIEW)**

Mr. Andrews informed the Committee that the Audit and Compliance (A&C) Committee reviewed the Internal Audit Director’s performance at its September 18, 2024, meeting. Each year, the A&C

Committee reviews the Internal Audit Director's performance and makes a recommendation for a performance bonus to the Board of Trustees. A copy of the request for board action to provide a performance bonus in the amount of 7% was shared with the Committee for informational purposes. A copy of the request for board action to provide a 3% salary increase to the Audit Director was also shared with the Committee for informational purposes.

**COMPENSATION AND BENEFITS (CLOSED SESSION)**

The Committee went into closed session to discuss benefits and compensation related to specific individuals.

Upon returning to open meeting, the Committee recommends approval of the following actions to the full Board:

***Request for Board Action:*** *The VRS Board of Trustees approves payment of an incentive amount of approximately \$10,510,344.60 for FY 2024 to VRS investment professionals as authorized by the Investment Professionals' Pay Plan.*

Internal Audit reviewed the proposed investment incentive compensation for the fiscal year that ended June 30, 2024, and found that the aggregate amount was accurately computed in accordance with the Investment Professionals' Pay Plan.

***Request for Board Action:*** *The VRS Board of Trustees approves a 5% performance bonus for the VRS Director payable on October 16, 2024, and supplemental payment of \$95,000 made on November 29, 2024, as authorized in the 2024 Appropriation Act.*

***Request for Board Action:*** *The VRS Board of Trustees approves an 8% salary adjustment for the Chief Investment Officer (CIO).*

Submitted to the Board of Trustees on September 19, 2024.

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



**Reappoint IAC members**

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**Requested Action**

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

**Rationale for Requested Action**

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

**Authority for Requested Action**

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

The above action is approved.

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A. Scott Andrews, Chair  
VRS Board of Trustees

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Date

# THEODORE ECONOMOU, CFA

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## Board Member and Advisor

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

## EXECUTIVE POSITIONS

**TESSERIS GROUP LLC (Geneva, Switzerland) 2023 – Present**  
**Managing Partner**

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

## BOARD MANDATES

**METHAK INVESTMENT HOLDING (Jeddah, Saudi Arabia) 2022 – Present**  
**Member of the Board of Directors & Investment Committee (non-executive)**

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

**EUROBANK PRIVATE BANK LUXEMBOURG SA (Luxembourg) 2022 – Present**  
**Member of the Board of Directors (non-executive)**

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

**HEREDITAS sp. z o.o. (Łódź, Poland) 2023 – Present**  
**Chairman of the Board**

Family office active in Poland.

## ADVISORY MANDATES

**VIRGINIA RETIREMENT SYSTEM (Virginia, USA) 2013 – Present**  
**External Advisor, Member of the “Investment Advisory Committee”**

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

**BAE SYSTEMS PENSION SCHEMES (London, UK) 2019 – Present**  
**External Advisor to the Trustees**

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

**INVESTMENT & PENSIONS EUROPE (London, United Kingdom) 2022 – Present**  
**Member of the Annual Awards Judging Panel**

Global, Infrastructure, and Real Asset Awards

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

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



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

## **PAST BOARD POSITIONS**

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

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

## **PAST EXECUTIVE POSITIONS**

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

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

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

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

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

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

**ITT CORPORATION (New York, USA) 1993 – 2009**  
**Assistant Treasurer, Corporate Finance 2002 – 2009**  
Restructured pension fund investment portfolio to lower risk and increase performance.

- Led restructuring of \$5 billion U.S. defined benefit pension investments portfolio to implement economic liability hedge (2003), and increase private assets to 20%
- ITT Pension Fund realized top decile performance among US large pension funds, winning several awards, including *Institutional Investor's* 2005 Corporate Plan Sponsor of the Year Award.

**Director, Investor Relations 1996 – 2002**

- Built strong investor base and loyalty starting with IPO on the NYSE in 1995, and during period of extensive mergers & acquisitions activity (\$4bn in divestitures and \$2bn in acquisitions of public and private companies).
- Recognized among “Best Investor Relations Officers” in USA (2001 Barron’s survey)

**Manager, Corporate Development 1993 – 1995**

- Analysis, planning, negotiation, and execution of acquisitions in the automotive equipment industry.

**ACCENTURE (Geneva and Zurich, Switzerland) 1987 – 1991**  
**Senior Consultant, Financial Services Group**  
Designed and implemented financial risk management systems for multinational financial corporations, exchanges, and banks.

## **EDUCATION**

**ACADÉMIE DES ADMINISTRATEURS, Switzerland 2021**  
“Fundamentals of Board Governance” Certificate

**CFA INSTITUTE, Charlottesville, Virginia, U.S.A 1999**  
**Chartered Financial Analyst**

**NORTHWESTERN UNIVERSITY, Evanston, Illinois, U.S.A. 1993**  
**Master of Management, J.L. Kellogg Graduate School of Management**  
Recipient of Alexander S. Onassis Scholarship

**EPFL – ÉCOLE POLYTECHNIQUE FÉDÉRALE DE LAUSANNE, Switzerland 1987**  
**M.Sc, Mechanical Engineering**  
Majors in thermodynamics and machine-tool design

## **LANGUAGES (FLUENT)**

- French, English, German, Greek

PALMER P. GARSON, MANAGING DIRECTOR

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

## LAWRENCE E. KOCHARD

### SUMMARY

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

### CAREER SUMMARY

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

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

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

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

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

### CURRENT BOARD EXPERIENCE

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

## **PAST BOARD EXPERIENCE**

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

## **EDUCATION**

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

## **HONORS**

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

## **PUBLICATIONS**

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

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

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

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



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

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### Requested Action

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

### Description/Background

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

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

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

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

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

### Rationale for Requested Action

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

**Authority for Requested Action**

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

The above action is approved.

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A. Scott Andrews, Chair  
VRS Board of Trustees


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Date



**Date:** September 9, 2024

**To:** Trish Bishop, Director

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

**Subject:** Review of FY2024 Agency Performance Outcomes and Operational Measures

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

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

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





# AGENCY PERFORMANCE OUTCOMES STATUS REPORT

## FISCAL YEAR 2024

### Summary

**APO Status Indicator**

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

*Overall Measure: 4 of 5 completed*

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



## AGENCY PERFORMANCE OUTCOMES STATUS REPORT

### FISCAL YEAR 2024

#### APO 1

**APO Status Indicator**

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

*APO 1 Measure: 3 of 4 completed*

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

**Strategic Goal:**

**Member, Retiree and Employer Education, Outreach and Partnership**

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



## AGENCY PERFORMANCE OUTCOMES STATUS REPORT

### FISCAL YEAR 2024

#### APO 2

**APO Status Indicator**

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

*APO 2 Measure: 3 of 4 completed*

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

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

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



## AGENCY PERFORMANCE OUTCOMES STATUS REPORT

### FISCAL YEAR 2024

#### APO 3

**APO Status Indicator**

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

*APO 3 Measure: 4 of 5 completed*

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



## AGENCY PERFORMANCE OUTCOMES STATUS REPORT

### FISCAL YEAR 2024

#### APO 4

**APO Status Indicator**

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

*APO 4 Measure: 4 of 4 completed*

Hybrid Plan – Contribution Separation Legislation Implementation Phase 2

**Strategic Goal:**  
Superior Governance and Long-Term Financial Health

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



## AGENCY PERFORMANCE OUTCOMES STATUS REPORT

### FISCAL YEAR 2024

#### APO 5

**APO Status Indicator**

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

*APO 5 Measure: 4 of 5 completed*

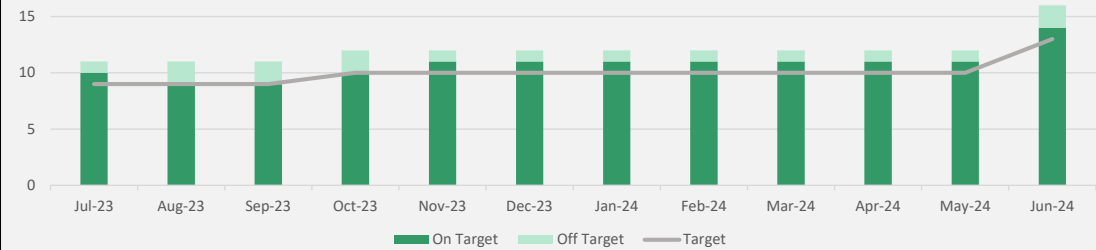
Human Resource Information System (HRIS) Implementation – Phase 1										Strategic Goal: Organizational Strength, Culture and Engagement			
#	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
5.1	Establish an HRIS project team.	N/S	N/S	★	★	★	★	★	★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

Current Status - All Operational Measures



■ On Target ■ Off Target

YTD Status - All Operational Measures



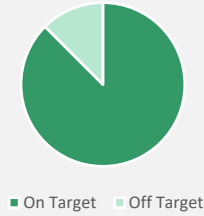
OM #	Operational Measure (OM)	Description	Strategic Goal	Target (Goal)	Current Status	YTD Status	Reporting Frequency	Comments
1	Timeliness of Monthly Financial Account Reconciliations	Percentage of monthly financial control reconciliations completed by last business day of the following month	Superior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

Overall Measure: 13 of 16 meet or exceed target

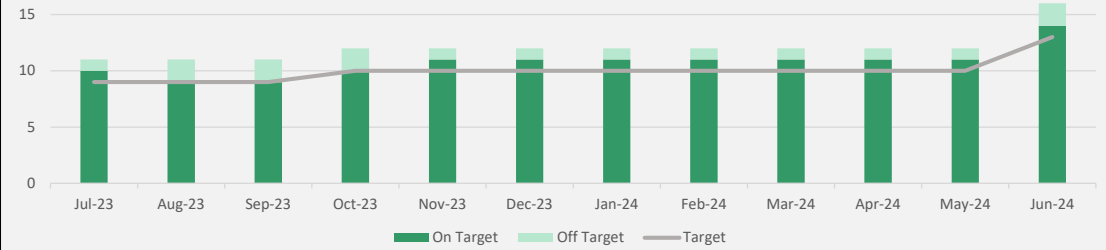
Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

June-24

Current Status - All Operational Measures



YTD Status - All Operational Measures



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

Overall Measure: 13 of 16 meet or exceed target

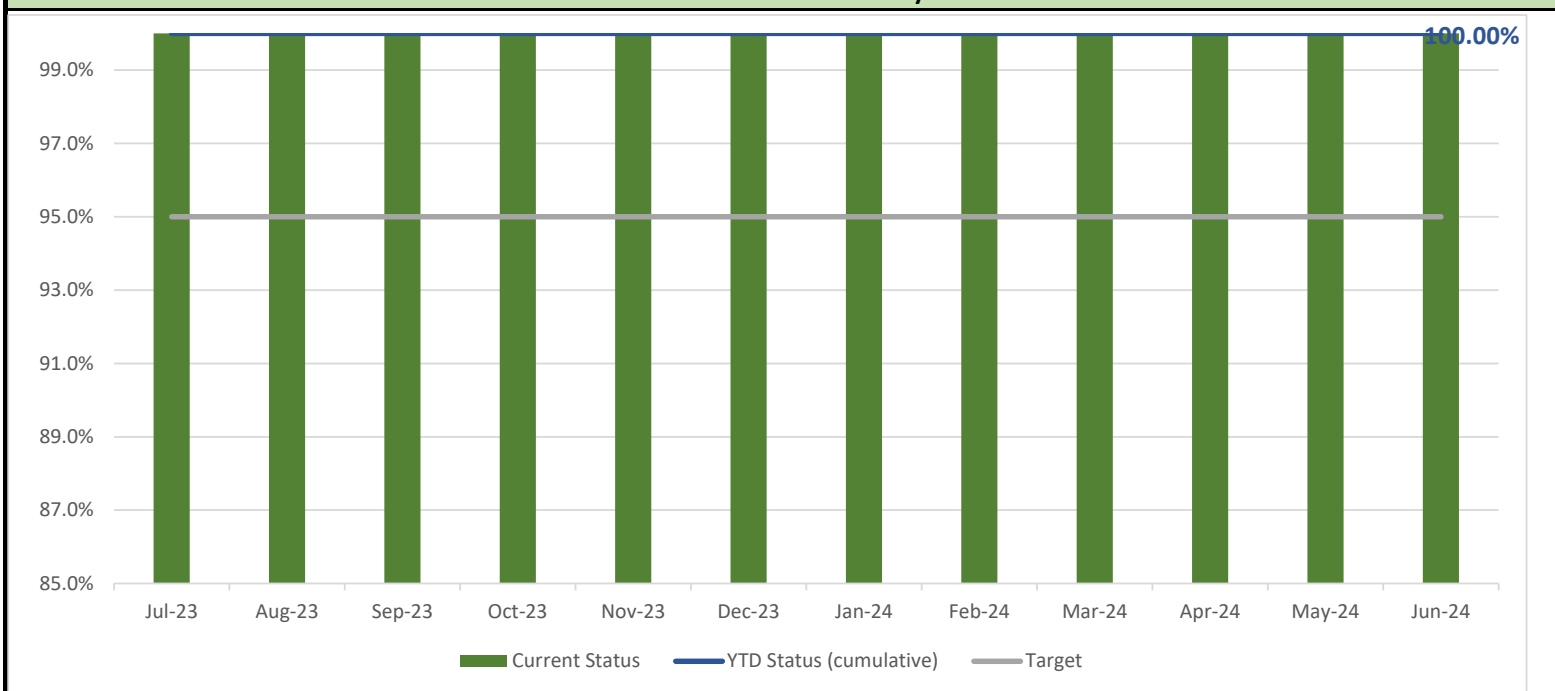
Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.



Reporting Period: June-24

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

**YTD Performance History**



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

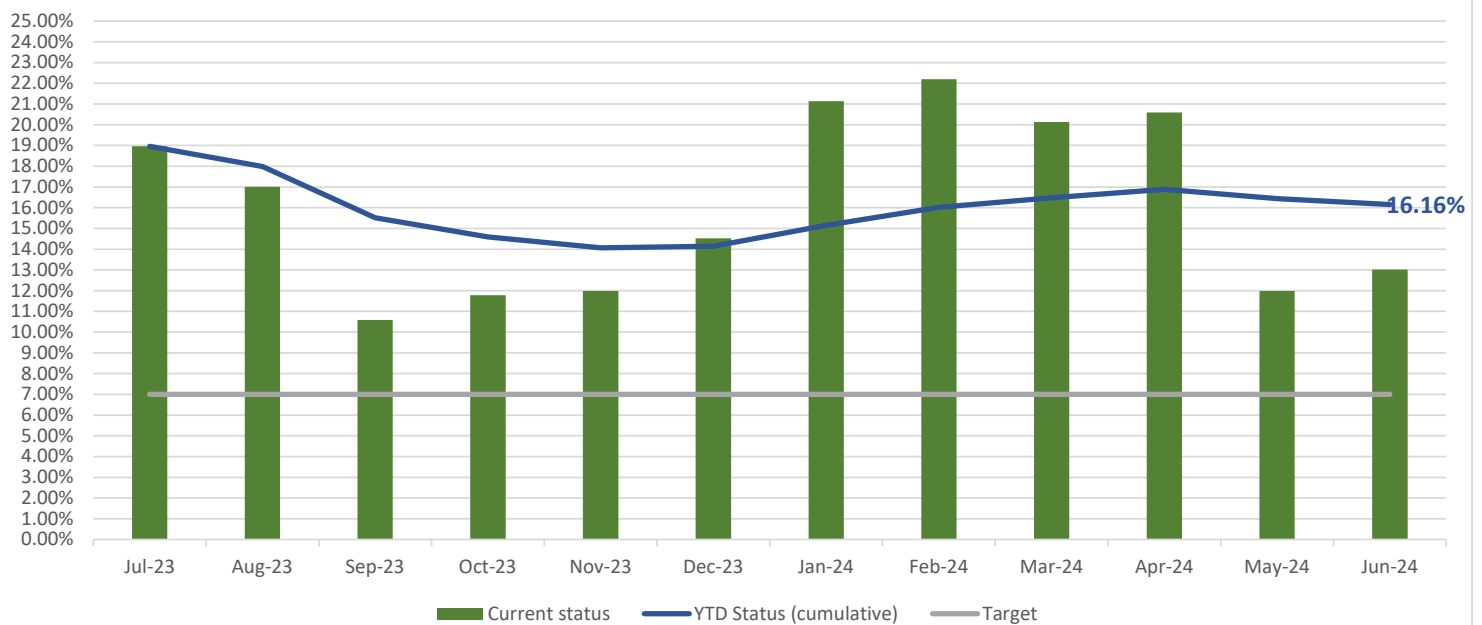
**VRS Vision:** To be the trusted leader in the delivery of benefits and services to those we serve.

Overall Measure: 13 of 16 meet or exceed target

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

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

### YTD Performance History



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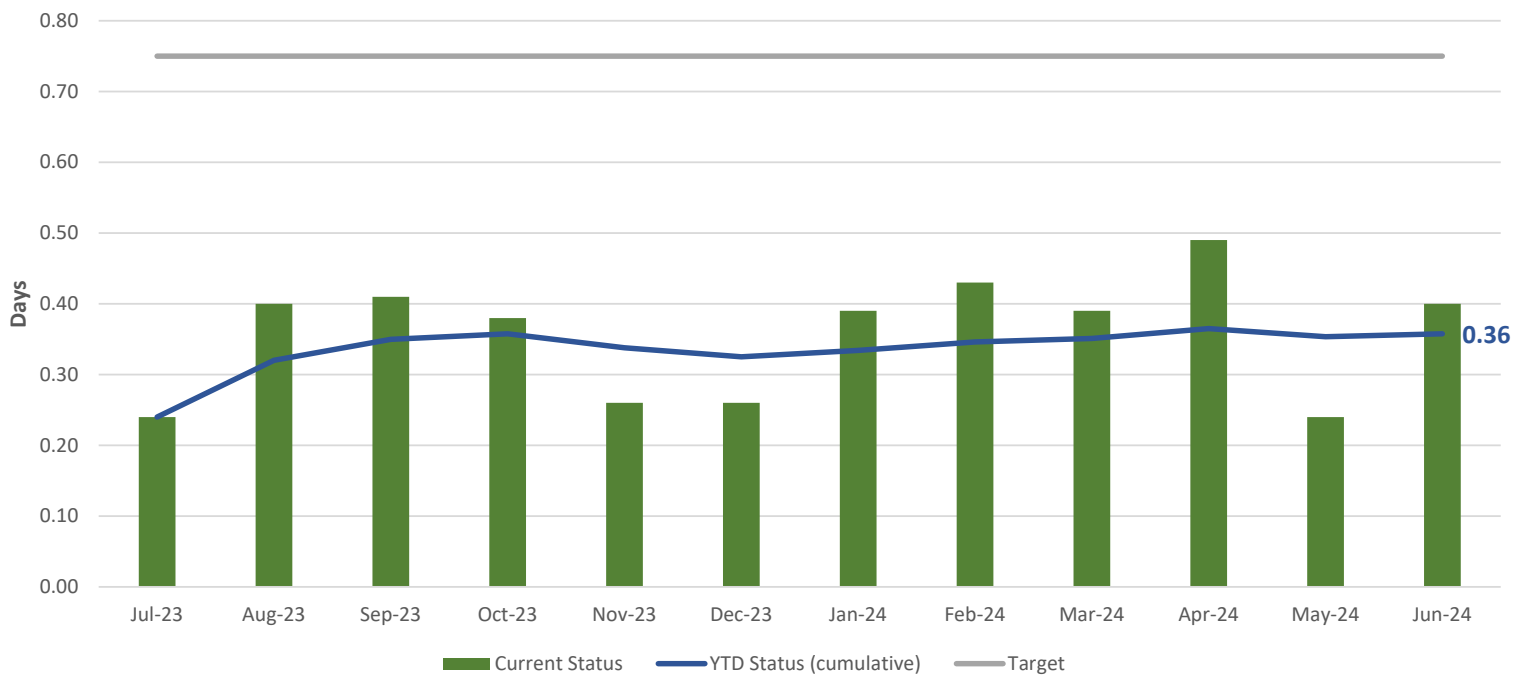
**VRS Vision:** To be the trusted leader in the delivery of benefits and services to those we serve.

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.

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

**YTD Performance History**



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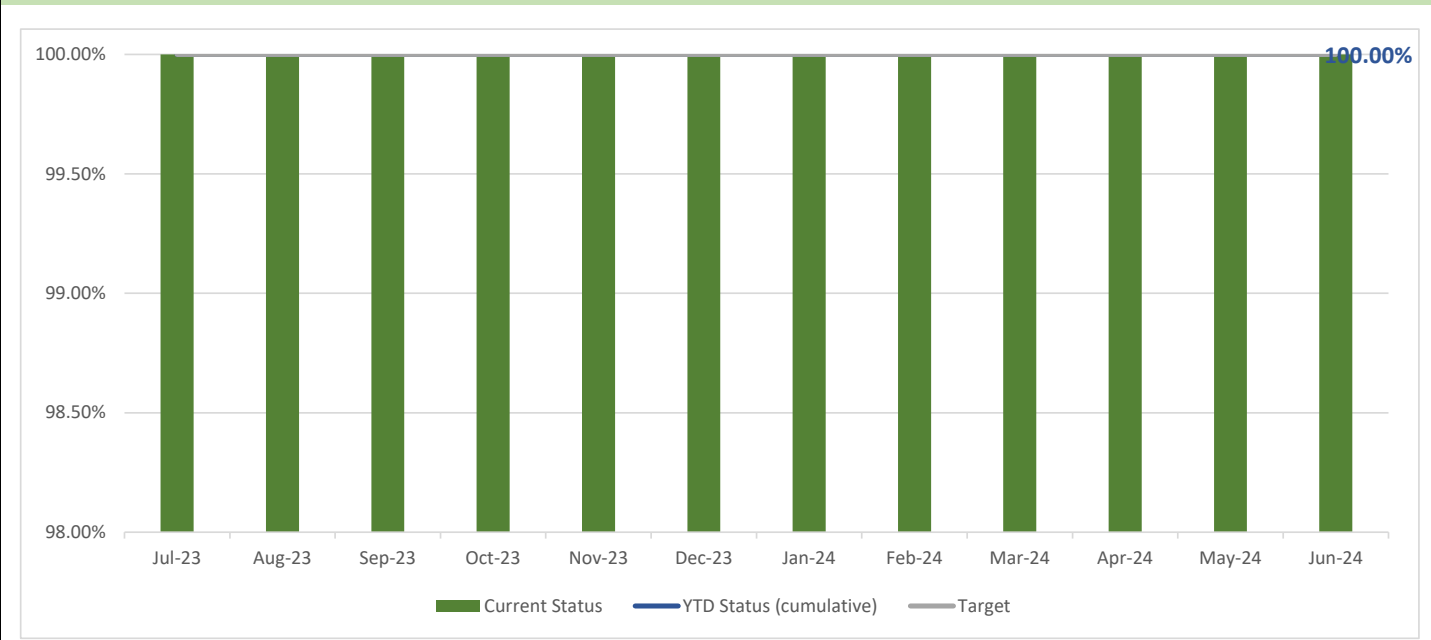
**VRS Vision:** To be the trusted leader in the delivery of benefits and services to those we serve.

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.

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

**YTD Performance History**



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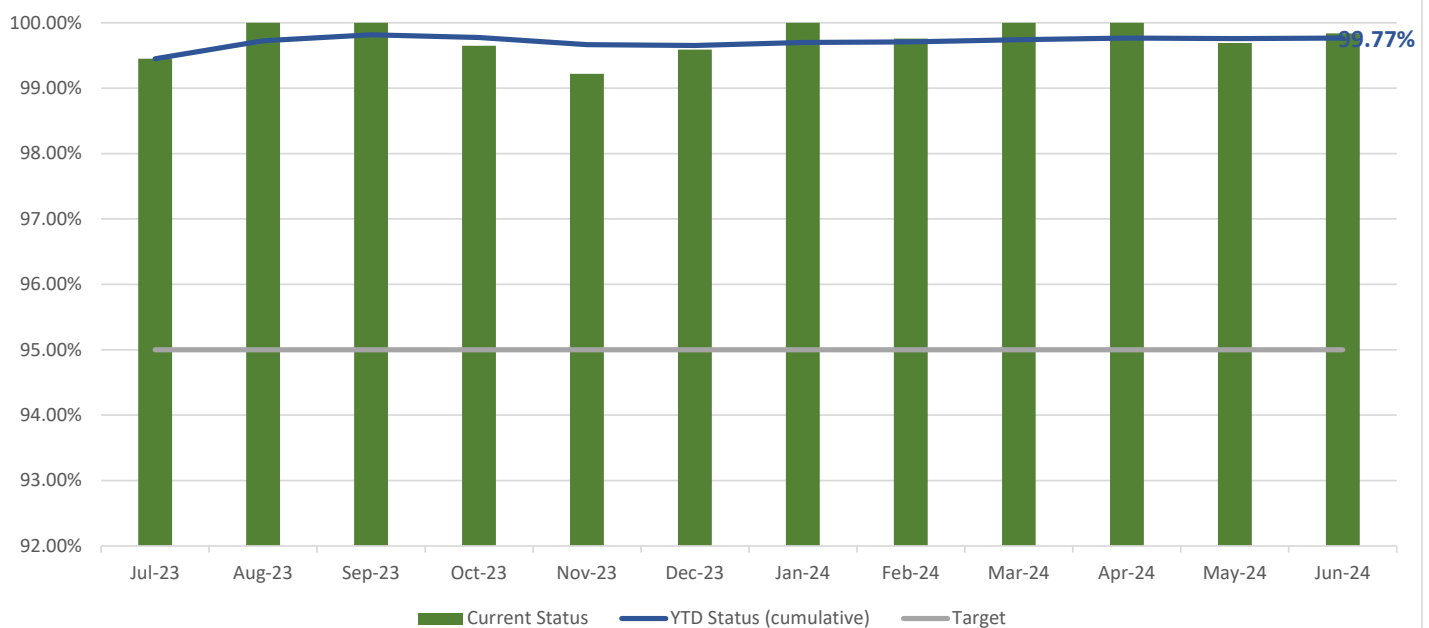
Overall Measure: 13 of 16 meet or exceed target

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

<b>Operational Measure</b>	Timeliness of Service Retirements Processed		
<b>Strategic Goal</b>	Superior Governance and Long-Term Financial Health		
<b>Description</b>	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		
<b>Calculation Methodology</b>	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.		
<b>Data Source</b>	Service Retirement Performance Report	<b>Reporting Frequency</b>	Monthly
<b>Target (Performance Goal)</b>	95.00%	<b>Baseline (Performance History)</b>	98.38%
<i>Target Rationale: Accounts for system conversion and ongoing pandemic</i>		<i>Baseline Rationale: 5 year average = 98.38%</i>	
<b>Current Reporting Month Status</b>	<b>99.84%</b>	<b>YTD Status</b> (Cumulative; used at year-end to determine whether target has been met)	99.77%

Potential Constraints to Meeting Target		Mitigation Strategies	
1	Ongoing implementation of myVRS enhancements, which will significantly change current processes	Provide ample opportunity for advanced training; augment staffing as needed to ensure adequate resources during transition	
2	Ongoing transition to hybrid work environment impacts processes and agency resources, including technology outages that limit ability to process retirements	Enact business continuity plan for technology outages	
3	Sensitivity of data that requires strong controls and several levels of approvals; risk of staff absences or unavailability	Cross-train existing staff and ensure redundancy-of staff authorized to approve retirements	

### YTD Performance History



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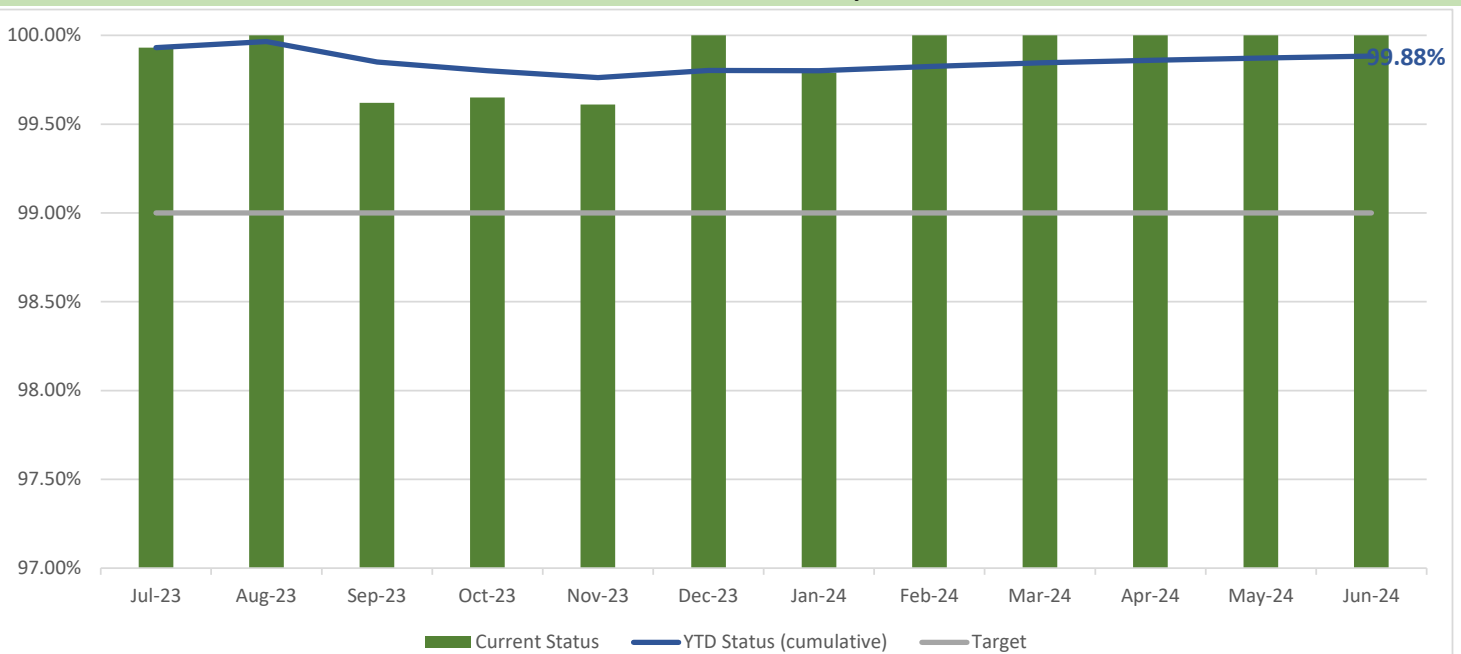
**VRS Vision:** To be the trusted leader in the delivery of benefits and services to those we serve.

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.

<b>Operational Measure</b>	Accuracy of Service Retirements Processed		
<b>Strategic Goal</b>	Superior Governance and Long-Term Financial Health		
<b>Description</b>	Percentage of service retirements processed for which the corresponding benefit payment correctly reflects the member's service record		
<b>Calculation Methodology</b>	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.		
<b>Data Source</b>	Service Retirement Performance Report	<b>Reporting Frequency</b>	Monthly
<b>Target</b> (Performance Goal)	99.00%	<b>Baseline</b> (Performance History)	99.00%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 99%</i>	
<b>Current Reporting Month Status</b>	<b>100.00%</b>	<b>YTD Status</b> (Cumulative; used at year-end to determine whether target has been met)	99.88%
<b>Potential Constraints to Meeting Target</b>		<b>Mitigation Strategies</b>	
1	Ongoing implementation of myVRS enhancements, which will significantly change current processes	Provide ample opportunity for advanced training; augment staffing as needed to ensure adequate resources during transition	
2	Ongoing transition to hybrid work environment impacts processes and agency resources, including technology outages that limit ability to process retirements	Enact business continuity plan for technology outages	
3	Sensitivity of data that requires strong controls and several levels of approvals; risk of staff absences or unavailability	Cross-train existing staff and ensure redundancy of staff authorized to approve retirements	

**YTD Performance History**



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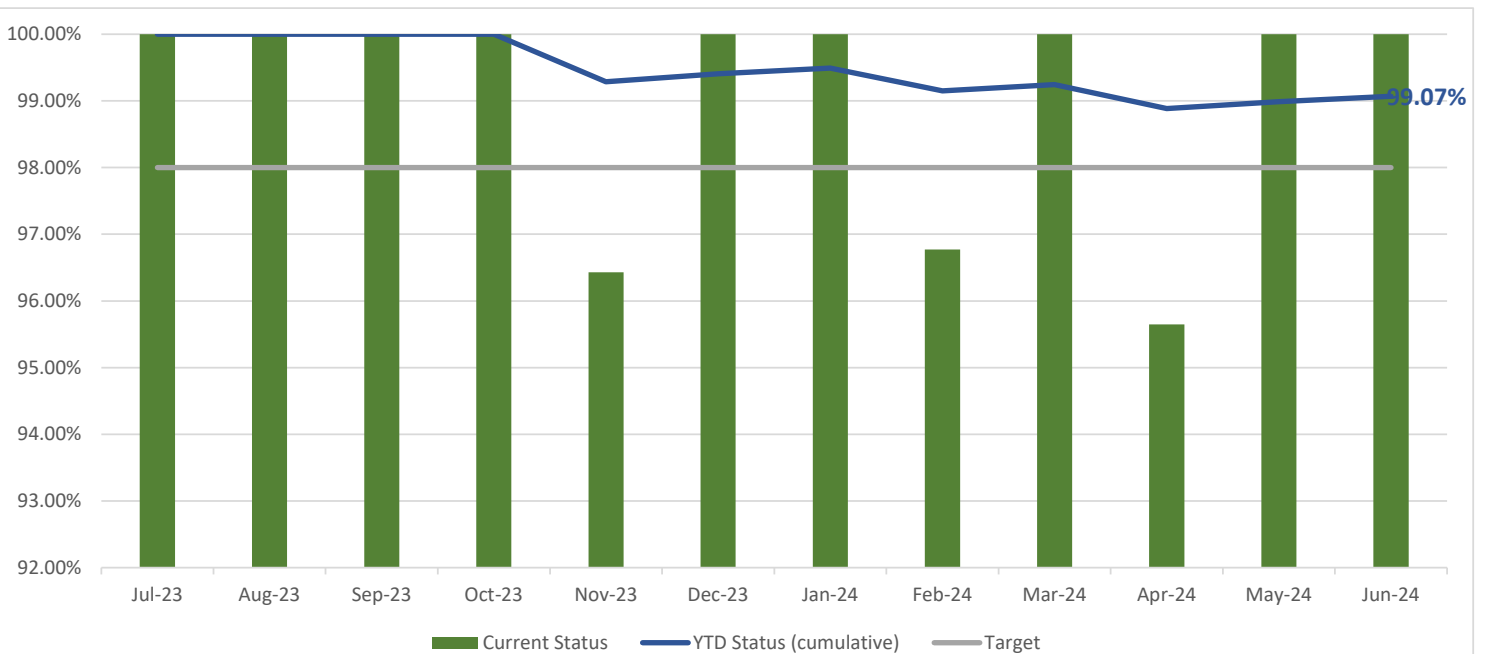
**VRS Vision:** To be the trusted leader in the delivery of benefits and services to those we serve.

Overall Measure: 13 of 16 meet or exceed target

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

<b>Operational Measure</b>	Timeliness of Disability Retirements Processed		
<b>Strategic Goal</b>	Superior Governance and Long-Term Financial Health		
<b>Description</b>	Percentage of disability retirements processed within 30 days of VRS receiving notification of approval by the Medical Review Board		
<b>Calculation Methodology</b>	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.		
<b>Data Source</b>	Disability Retirement Performance Report	<b>Reporting Frequency</b>	Monthly
<b>Target</b> (Performance Goal)	98.00%	<b>Baseline</b> (Performance History)	97.96%
<b>Target Rationale:</b> To account for potential processing delays due to system conversion in FY 2021 and ongoing pandemic impacts		<b>Baseline Rationale:</b> 5 year average = 97.96%	
<b>Current Reporting Month Status</b>	<b>100.00%</b>	<b>YTD Status</b> (Cumulative; used at year-end to determine whether target has been met)	99.07%
<b>Potential Constraints to Meeting Target</b>		<b>Mitigation Strategies</b>	
1	Ongoing implementation of myVRS enhancements, which will significantly change current processes	Provide ample opportunity for advanced training; augment staffing as needed to ensure adequate resources during transition	
2	Ongoing transition to hybrid work environment impacts processes and agency resources, including technology outages that limit ability to process retirements	Enact business continuity plan for technology outages	
3	Sensitivity of data that requires strong controls and several levels of approvals; risk of staff absences or unavailability	Cross-train existing staff and ensure redundancy of staff authorized to approve retirements	

**YTD Performance History**



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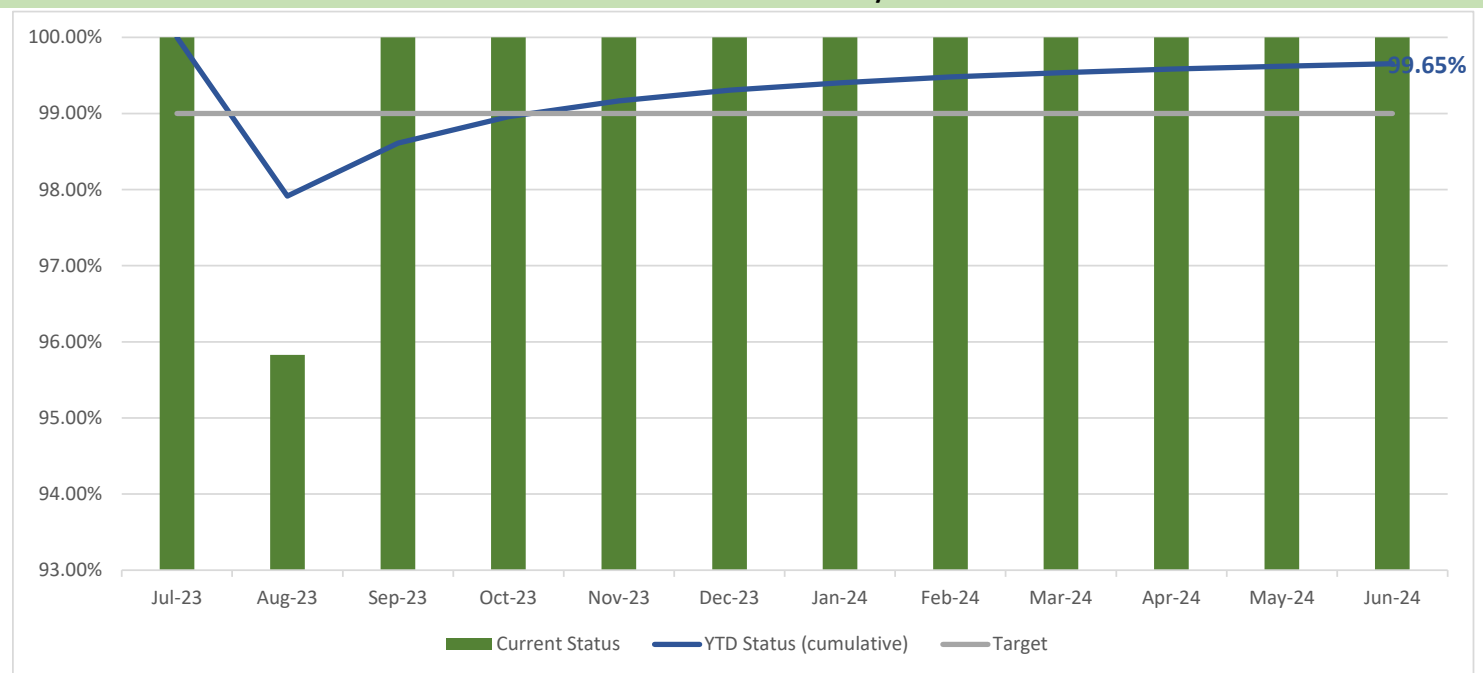
Overall Measure: 13 of 16 meet or exceed target

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

<b>Operational Measure</b>	Accuracy of Disability Retirements Processed		
<b>Strategic Goal</b>	Superior Governance and Long-Term Financial Health		
<b>Description</b>	Percentage of disability retirements processed for which the corresponding benefit paid correctly reflects the member's service record		
<b>Calculation Methodology</b>	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.		
<b>Data Source</b>	Disability Retirement Performance Report	<b>Reporting Frequency</b>	Monthly
<b>Target</b> (Performance Goal)	99.00%	<b>Baseline</b> (Performance History)	99.00%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 99%</i>	
<b>Current Reporting Month Status</b>	<b>100.00%</b>	<b>YTD Status</b> (Cumulative; used at year-end to determine whether target has been met)	99.65%

Potential Constraints to Meeting Target		Mitigation Strategies
1	Ongoing implementation of myVRS enhancements, which will significantly change current processes	Provide ample opportunity for advanced training; augment staffing as needed to ensure adequate resources during transition
2	Ongoing transition to hybrid work environment impacts processes and agency resources, including technology outages that limit ability to process retirements	Enact business continuity plan for technology outages
3	Sensitivity of data that requires strong controls and several levels of approvals; risk of staff absences or unavailability	Cross-train existing staff and ensure redundancy of staff authorized to approve retirements

**YTD Performance History**



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Overall Measure: 13 of 16 meet or exceed target

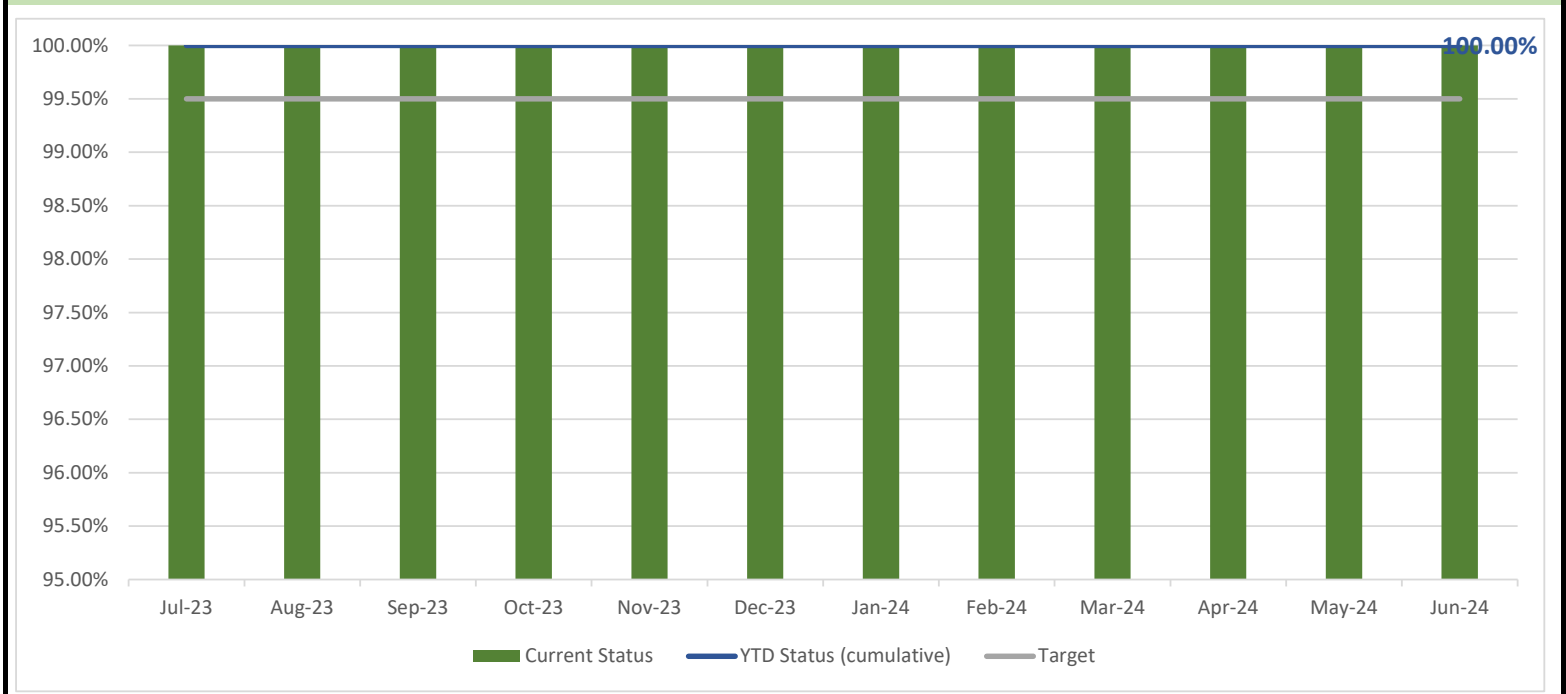
Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.



<b>Operational Measure</b>	Timeliness of Workflow Documentation Imaging		
<b>Strategic Goal</b>	Digital Transformation and Secure Service Delivery		
<b>Description</b>	Percentage of workflow documents imaged within one business day of receipt		
<b>Calculation Methodology</b>	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.		
<b>Data Source</b>	Technology Services SLEs Performance Report	<b>Reporting Frequency</b>	Monthly
<b>Target</b> (Performance Goal)	99.50%	<b>Baseline</b> (Performance History)	99.90%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 99.9%</i>	
<b>Current Reporting Month Status</b>	<b>100.00%</b>	<b>YTD Status</b> (Cumulative; used at year-end to determine whether target has been met)	100.00%

Potential Constraints to Meeting Target		Mitigation Strategies
1	Dependence upon current Imaging unit staffing level to ensure expedient and accurate processing within the prescribed turnaround time	Prescribe duties that merit the continuance of the current Imaging unit staffing level (with respect to the ongoing transition to online retirements that should reduce paper form intake levels)
2	Ongoing transition to hybrid work environment impacts processes and agency resources, including technology outages that limit system availability	Enact business continuity plan for technology outages
3	Staffing constraints; specific skill set required limits feasibility for untrained staff to produce results with same efficiency and effectiveness	Establish a routine cross-training program to ensure well-trained staff are available at all times

### YTD Performance History



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

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

<b>Operational Measure</b>	Planned IT System Availability																																																						
<b>Strategic Goal</b>	Technology Infrastructure																																																						
<b>Description</b>	Percentage of time critical systems are available during periods of planned availability																																																						
<b>Calculation Methodology</b>	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.																																																						
<b>Data Source</b>	Technology Services SLEs Performance Report	<b>Reporting Frequency</b>	Monthly																																																				
<b>Target</b> (Performance Goal)	99.50%	<b>Baseline</b> (Performance History)	99.90%																																																				
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 99.9%</i>																																																					
<b>Current Reporting Month Status</b>	<b>100.00%</b>	<b>YTD Status</b> (Cumulative; used at year-end to determine whether target has been met)	99.97%																																																				
<b>Potential Constraints to Meeting Target</b>		<b>Mitigation Strategies</b>																																																					
1	Failure on the part of third party business partners to provide dependent services	Implement back-up plans (ex: different phone line)																																																					
2	Ongoing transition to hybrid work environment impacts processes and agency resources, including technology outages that limit system availability	Enact business continuity plan for technology outages																																																					
3	Timing of a potential system failure that limits staff resources available to respond immediately	Strategically plan staffing availability to address potential system failures in the most effective manner																																																					
<b>YTD Performance History</b>																																																							
<table border="1"> <caption>YTD Performance History Data</caption> <thead> <tr> <th>Month</th> <th>Current Status (%)</th> <th>YTD Status (cumulative) (%)</th> <th>Target (%)</th> </tr> </thead> <tbody> <tr><td>Jul-23</td><td>100.00</td><td>100.00</td><td>99.50</td></tr> <tr><td>Aug-23</td><td>99.90</td><td>99.95</td><td>99.50</td></tr> <tr><td>Sep-23</td><td>100.00</td><td>99.98</td><td>99.50</td></tr> <tr><td>Oct-23</td><td>100.00</td><td>99.99</td><td>99.50</td></tr> <tr><td>Nov-23</td><td>100.00</td><td>99.99</td><td>99.50</td></tr> <tr><td>Dec-23</td><td>100.00</td><td>99.99</td><td>99.50</td></tr> <tr><td>Jan-24</td><td>99.80</td><td>99.97</td><td>99.50</td></tr> <tr><td>Feb-24</td><td>100.00</td><td>99.97</td><td>99.50</td></tr> <tr><td>Mar-24</td><td>100.00</td><td>99.97</td><td>99.50</td></tr> <tr><td>Apr-24</td><td>100.00</td><td>99.97</td><td>99.50</td></tr> <tr><td>May-24</td><td>100.00</td><td>99.97</td><td>99.50</td></tr> <tr><td>Jun-24</td><td>100.00</td><td>99.97</td><td>99.50</td></tr> </tbody> </table>				Month	Current Status (%)	YTD Status (cumulative) (%)	Target (%)	Jul-23	100.00	100.00	99.50	Aug-23	99.90	99.95	99.50	Sep-23	100.00	99.98	99.50	Oct-23	100.00	99.99	99.50	Nov-23	100.00	99.99	99.50	Dec-23	100.00	99.99	99.50	Jan-24	99.80	99.97	99.50	Feb-24	100.00	99.97	99.50	Mar-24	100.00	99.97	99.50	Apr-24	100.00	99.97	99.50	May-24	100.00	99.97	99.50	Jun-24	100.00	99.97	99.50
Month	Current Status (%)	YTD Status (cumulative) (%)	Target (%)																																																				
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Sep-23	100.00	99.98	99.50																																																				
Oct-23	100.00	99.99	99.50																																																				
Nov-23	100.00	99.99	99.50																																																				
Dec-23	100.00	99.99	99.50																																																				
Jan-24	99.80	99.97	99.50																																																				
Feb-24	100.00	99.97	99.50																																																				
Mar-24	100.00	99.97	99.50																																																				
Apr-24	100.00	99.97	99.50																																																				
May-24	100.00	99.97	99.50																																																				
Jun-24	100.00	99.97	99.50																																																				

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

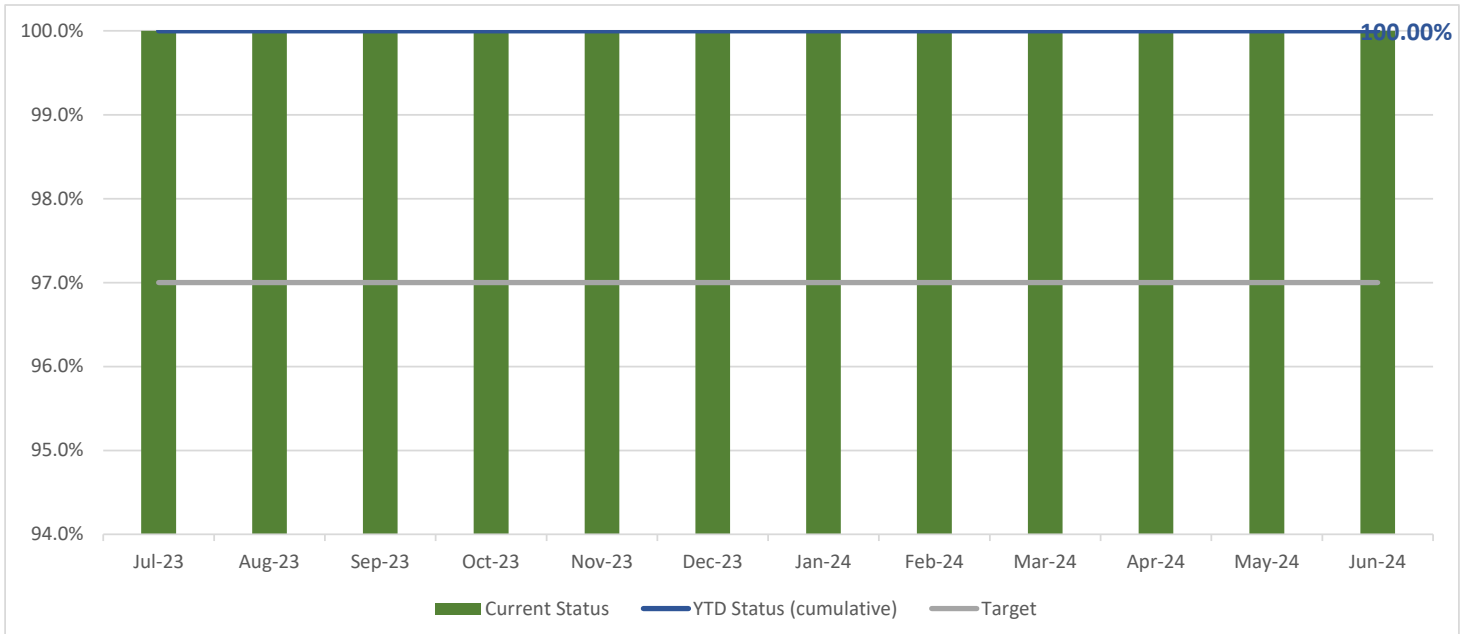
**VRS Vision:** To be the trusted leader in the delivery of benefits and services to those we serve.

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.

<b>Operational Measure</b>	Timeliness of Employer Contribution Confirmations		
<b>Strategic Goal</b>	Superior Governance and Long-Term Financial Health		
<b>Description</b>	Percentage of Employer Contribution Confirmation (CC) snapshots completed in VNAV by the end of the month in which they are due		
<b>Calculation Methodology</b>	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.		
<b>Data Source</b>	Employer Reporting Contribution Confirmation and Payment Status Report	<b>Reporting Frequency</b>	Monthly
<b>Target</b> (Performance Goal)	97.00%	<b>Baseline</b> (Performance History)	98.80%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 98.80%</i>	
<b>Current Reporting Month Status</b>	<b>100.00%</b>	<b>YTD Status</b> (Cumulative; used at year-end to determine whether target has been met)	100.00%
<b>Potential Constraints to Meeting Target</b>		<b>Mitigation Strategies</b>	
1	Dependence on over 1,000 employers to submit their confirmations on time every month	Proactively communicate with employers with a focus on those with a history of delinquent submissions to mediate potential causes for delay	
2	Impact of ongoing transition to hybrid work environment on resources at the employer level that prevent their timely submission of CC snapshots	Proactively communicate with employers to identify potential impacts and assist as appropriate with the submission process	
3	Ongoing Cardinal transition for state employers may delay timely submission due to additional responsibilities during Cardinal transition	Provide notice to state employers of potential for delay due to Cardinal implementation and advise that they prepare to ensure timely report submission	

**YTD Performance History**



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

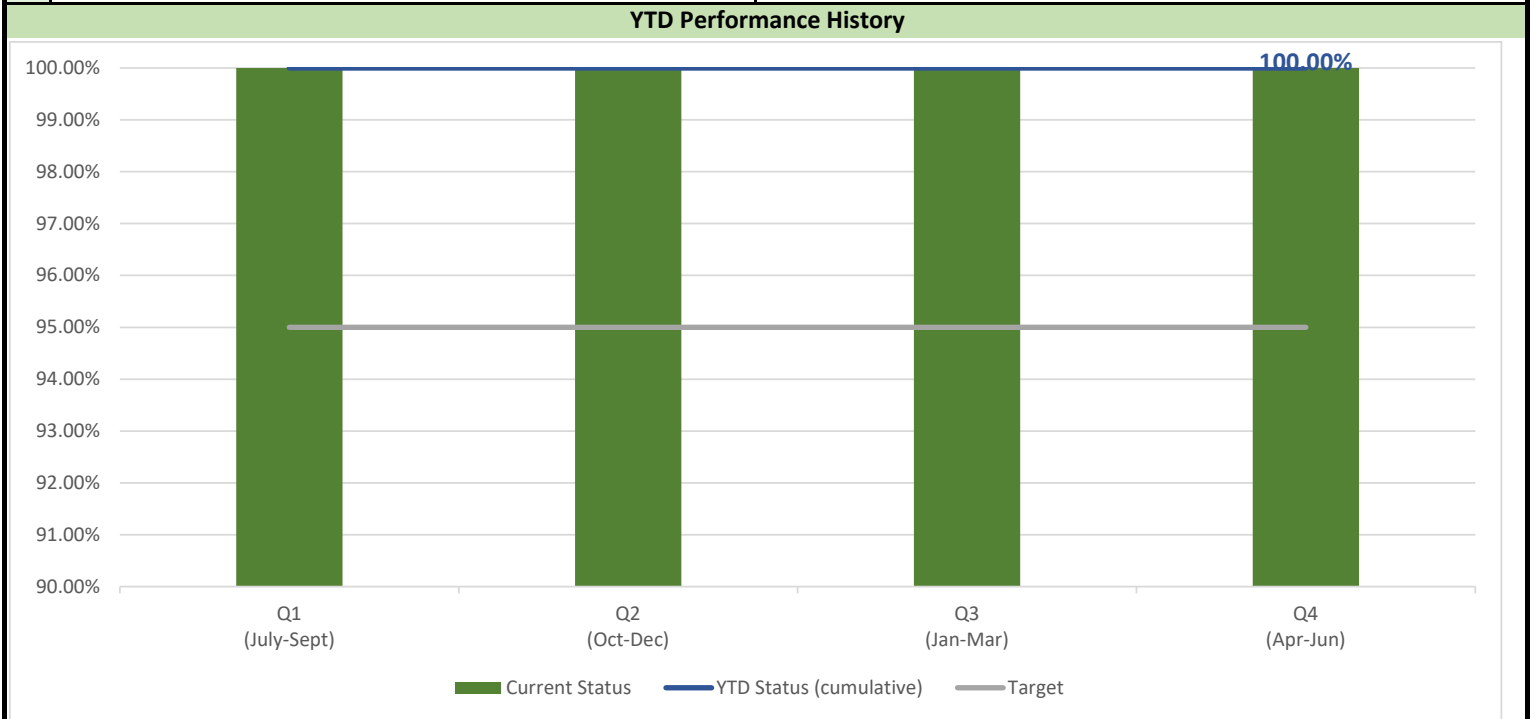
**VRS Vision:** To be the trusted leader in the delivery of benefits and services to those we serve.

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.

<b>Operational Measure</b>	Implementation of Corrective Action to Audit Recommendations		
<b>Strategic Goal</b>	Superior Governance and Long-Term Financial Health		
<b>Description</b>	Percentage of audit recommendations for which VRS management represents that corrective action has been implemented by the approved target date		
<b>Calculation Methodology</b>	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).		
<b>Data Source</b>	ARFUS	<b>Reporting Frequency</b>	Quarterly
<b>Target</b> (Performance Goal)	> 95.00%	<b>Baseline</b> (Performance History)	97.00%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 97.00%</i>	
<b>Current Reporting Month Status</b>	<b>100.00%</b>	<b>YTD Status</b> (Cumulative; used at year-end to determine whether target has been met)	100.00%

Potential Constraints to Meeting Target		Mitigation Strategies
1	High cost to implement necessary corrective action	Work within existing agency allocations and, if necessary, also with state budgetary processes to obtain resources needed to effectuate corrective action
2	Limited staff resources to effectively implement necessary corrective action	Adjust allocation of staffing resources to enable corrective action implementation
3	External factors that delay ability to take necessary corrective action (ex: legislative mandates that redirect agency resources, ongoing pandemic)	Communicate with DEC and Audit regarding possible adjustment of target date to accommodate timeline of when resources will be available



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**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.

<b>Operational Measure</b>	Preventable Employee Turnover		
<b>Strategic Goal</b>	Organizational Strength, Culture and Engagement		
<b>Description</b>	Percentage of employees voluntarily separating VRS employment due to preventable experiences		
<b>Calculation Methodology</b>	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.		
<b>Data Source</b>	Human Resources Department Exit Interview Survey Results	<b>Reporting Frequency</b>	Annual
<b>Target</b> (Performance Goal)	< 10.00%	<b>Baseline</b> (Performance History)	6.67%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: FY 2022 results</i>	
<b>Current Reporting Month Status</b>	<b>27.27%</b>	<b>YTD Status</b> (Cumulative; used at year-end to determine whether target has been met)	27.27%
<b>Potential Constraints to Meeting Target</b>		<b>Mitigation Strategies</b>	
1	Unrealistic employee expectations regarding VRS work environment and responsibilities	Provide clear position descriptions and responsibilities upon hire; outline organization culture and expectations on a regular basis; ensure open communication between employees, managers and supervisors	
2	Reorganization due to myVRS enhancements may alter current work responsibilities for some employees	Provide clear and open communication throughout the implementation process; Offer sufficient training opportunities for employees tasked with new responsibilities	
3	Ongoing transition to hybrid work environment impacts employee morale	Continue direct outreach to employees, provide EAP resources and implement employee engagement activities	
<b>YTD Performance History</b>			
[Reported as an annual measure]			

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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.

<b>Operational Measure</b>	Cost to Administer Defined Benefit Plans		
<b>Strategic Goal</b>	Superior Governance and Long-Term Financial Health		
<b>Description</b>	Annual pension administration cost for defined benefit plans, as compared to peer group median reported by CEM Benchmarking, Inc.		
<b>Calculation Methodology</b>	VRS pension administration cost per active member and annuitant for defined benefit plans as compared to that of its peer group, as calculated by CEM Benchmarking, Inc. The average peer cost calculated by CEM is available on delay and will not be known until spring 2024. At that time the FY 2023 annual agency cost will be compared to the to the FY 2022 CEM peer cost to determine whether VRS's cost is lower than the peer average.		
<b>Data Source</b>	CEM Benchmarking, Inc.	<b>Reporting Frequency</b>	Annual
<b>Target</b> (Performance Goal)	Lower than the FY 2023 CEM Peer Cost Average	<b>Baseline</b> (Performance History)	N/A
<i>Target Rationale: Measuring VRS annual administrative cost for FY 2023 against the most current peer data as provided by CEM Benchmarking, Inc.</i>		<i>Baseline Rationale: N/A</i>	
<b>Current Reporting Month Status</b>	\$81	<b>YTD Status</b> (Used at year-end to determine whether target has been met)	\$81
<b>Potential Constraints to Meeting Target</b>		<b>Mitigation Strategies</b>	
1	Significant unanticipated costs to administer pension plans due to external influences, including the ongoing pandemic and transition to a return to the office	Work within existing agency allocations and prioritize spending plans to ensure administrative expenditures remain reasonable	
2	Dependent upon expenditure patterns for the CEM Peer group for administrative cost average	Maintain communications with CEM peers to stay informed on any spending abnormalities that may skew CEM-calculated peer costing	
3	FY 2023 CEM cost not known until late into FY 2024 (limiting agency ability to react if missing target)	Proactively calculate and monitor agency administrative cost in anticipation of receiving the FY 2023 CEM cost; adjust agency spending if out of line with recent CEM peer cost averages	
<b>YTD Performance History</b>			
<p>[Average Pension Administration Cost for VRS' Peer Group, as provided by CEM Benchmarking, will be known in spring 2024]</p>			
<b>VRS Mission:</b> <i>VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.</i>			
<b>VRS Vision:</b> <i>To be the trusted leader in the delivery of benefits and services to those we serve.</i>			

<b>Operational Measure</b>	Systems Security Awareness		
<b>Strategic Goal</b>	Digital Transformation and Secure Service Delivery		
<b>Description</b>	Percentage of eligible staff who have completed security training in compliance with the agency's and Commonwealth's security policies		
<b>Calculation Methodology</b>	Percentage of eligible staff who have completed the agency's annual security training, VRS User IT Security Policy Training ("security training"), divided by the total eligible agency staff. Employees who join the agency during FY 2022 are required to complete security training within 30 days after their start date. All staff are required to complete the training during the annual training window. The training provides information on such critical security practices as protecting sensitive data, utilizing effective passphrases, reviewing acceptable technology use policies, being on alert for phishing and other malpractices, and more. <b>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).</b>		
<b>Data Source</b>	Technology Services SLEs Performance Report	<b>Reporting Frequency</b>	Annual
<b>Target (Performance Goal)</b>	100.00%	<b>Baseline (Performance History)</b>	100.00%
<i>Target Rationale: Maintain high security awareness</i>		<i>Baseline Rationale: All VRS staff completed security training in FY 2023</i>	
<b>Current Status</b>	<b>100.00%</b>	<b>YTD Status</b> (Cumulative; used at year-end to determine whether target has been met)	100.00%
<b>Potential Constraints to Meeting Target</b>		<b>Mitigation Strategies</b>	
1	Unavailability of the Virginia Learning Center (VLC, a non-VRS application) for training	Provide sufficient time for staff to obtain training within prescribed timeline to allow for possible VLC system unavailability	
2	Ongoing transition to hybrid work environment impacts processes and agency resources, including technology outages that limit system availability	Enact business continuity plan for technology outages	
3	New training requirements as set-forth by the Commonwealth Security Policy that require changes to the prepared security training	Proactively coordinate with different units within VRS to ensure sufficient time and resources to make necessary changes to the prepared training	
<b>YTD Performance History</b>			
[Reported as an annual measure]			

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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.

<b>Operational Measure</b>	Employee Professional Development		
<b>Strategic Goal</b>	Organizational Strength, Culture and Engagement		
<b>Description</b>	Percentage of full-time VRS administration employees receiving at least 8 hours of professional development		
<b>Calculation Methodology</b>	The number of eligible full-time VRS administration employees who have completed at least 8 hours of professional development, divided by the total number of eligible full-time administration employees. Eligible employees are full-time administration staff hired after July 1, 2023 who are not on short- or long-term disability or FMLA during FY 2024. Qualifying professional development includes courses designated in the Virginia Learning Center (VLC), as well as conferences, webinars, college or trade school classes, and any other professional development as approved by the Human Resources Director. Number of hours received is tracked on a cumulative basis and reported quarterly.		
<b>Data Source</b>	Human Resources Performance Report	<b>Reporting Frequency</b>	Annual
<b>Target</b> (Performance Goal)	85.00%	<b>Baseline</b> (Performance History)	91.30%
<i>Target Rationale: Maintain recent performance and increased total # of hours</i>		<i>Baseline Rationale: 5 year average = 91.32%</i>	
<b>Current Status</b>	<b>94.00%</b>	<b>YTD Status</b> (Cumulative; used at year-end to determine whether target has been met)	<b>94.00%</b>
<b>Potential Constraints to Meeting Target</b>		<b>Mitigation Strategies</b>	
1	Limited staff flexibility to obtain professional development due to significant staff time dedicated to HCI data center and other system enhancements.	Encourage staff to plan for professional development opportunities before and/or after periods of time dedicated to HCI data center and other system enhancements.	
2	Dependence on IT system availability/accessibility for trainings and/or time tracking	Advise staff to plan to be proactive about obtaining professional development and reporting their hours earned as they go	
3	Limited progressive course availability on relevant subject matter area	Ongoing communication between managers and staff to expand and identify new learning opportunities	
<b>YTD Performance History</b>			
[Reported as an annual measure]			
<b>VRS Mission:</b> <i>VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.</i>			
<b>VRS Vision:</b> <i>To be the trusted leader in the delivery of benefits and services to those we serve.</i>			





**Performance bonuses for eligible administrative employees and Investment Department operations and administration employees.**

---

**Requested Action**

The VRS Board of Trustees approves performance lump-sum bonuses for eligible administrative employees and eligible Investment Department operations and administration employees.

**Description/Background**

The Board approved the current Administrative Pay Plan and the current Investment Operations and Administration Staff Pay Plan on April 18, 2024, and the plans became effective on June 10, 2024. Each of the plans state:

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

**Cost:** The approximate total cost for the FY 2024 performance bonus payments to eligible employees is \$669,902.42 to be paid from the FY 2025 budget.

**Rationale for Requested Action**

Bonus payments recognize and reward the positive contributions of individual performance that enable VRS to achieve and exceed its goals and objectives.

**Authority for Requested Action**

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

The above action is approved.

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A. Scott Andrews, Chair  
VRS Board of Trustees

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Date

**Approve FY 2024 incentive payments for VRS investment professionals.****Requested Action**

The VRS Board of Trustees approves payment of an incentive amount of approximately \$10,510,344.60 for FY 2024 to VRS investment professionals as authorized by the Investment Professionals' Pay Plan.

**Description/Background**

The VRS Board of Trustees approved the applicable Investment Professionals' Pay Plan (the "Plan") on April 18, 2024, and the Plan became effective on June 10, 2024. Overall, this pay plan is designed to:

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

Importantly, this pay plan remains anchored on two broad and long-standing philosophical principles:

1. VRS should pay base salaries consistent with the 75<sup>th</sup> percentile of a peer group of other leading public funds.
2. VRS should provide incentive compensation opportunities such that, in combination with base salary, total compensation levels approximate the median (50<sup>th</sup> percentile) of a blended group weighted 75% to the total compensation levels of leading peer group public funds and 25% to the total compensation levels of a broad range of private sector firms that employ investment professionals.

The VRS Board of Trustees, through the Administration, Finance and Talent Management Committee ("AFT"), administers the Plan. As Plan Administrator, the Board retains full and complete discretion:

- To increase or decrease target incentives for any or all Plan participants.
- To modify, amend or rescind any aspect of the Plan at any time for any or all Plan participants.

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

The Plan also provides for advance review by the Plan Administrator of incentive awards:

**Board Review**

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

Internal Audit notified Human Resources in a September 12, 2024 memorandum, a copy of which is attached to this RBA, that the aggregate amount and the proposed payment amounts for each individual are accurately computed and in accordance with the Plan.

**Rationale for Requested Action**

The aggregate recommended incentive award amount for the Board of Trustees to approve is approximately \$10,510,344.60 for 56 investment professionals eligible to participate in the pay plan during FY 2024.

**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.

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A. Scott Andrews, Chair  
VRS Board of Trustees

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Date

### Fiscal Year 2024 Incentive Compensation Summary

<b>Target Incentive Levels</b>	
<b>VRS Position</b>	<b>Target Incentive</b>
Chief Investment Officer	70%
Managing Director	65%
Program Director	60%
Director	50%
Senior Portfolio Manager	50%
Portfolio Manager	40%
Senior Investment Officer	30%
Investment Officer	30%
Senior Investment Analyst	20%
Investment Analyst	10%

<b>Multipliers</b>		
	<b>3 Year</b>	<b>5 Year</b>
Total Fund	2.00	2.00
Public Equity	2.00	0.23
Fixed Income	1.84	2.00
Credit Strategies	2.00	2.00
Real Assets	2.00	2.00
Private Equity	1.55	1.97
Internal Equity Management	2.00	2.00
Average of All Asset Class Multipliers	1.90	1.70
Average of Public Market Assets	1.95	1.41
Average of Private Market Assets	1.85	1.99
Defined Contribution Plans	1.47	2.00

The Qualitative Multiplier is determined by the CIO and can range from 0.0 to 2.0.  
The Total Fund One-Year Return Adjustment was 3.13%.


<b>Aggregate Incentives</b>	
<b>Total Fund</b>	\$3,511,755.64
<b>Specific Fund</b>	\$3,858,708.20
<b>Average Specific Fund</b>	\$1,549,294.86
<b>Qualitative</b>	\$1,271,596.49
<b>Preliminary Total</b>	\$10,191,355.19
<b>1 Year Absolute Return Adjustment</b>	\$318,989.41
<b>Total</b>	\$10,510,344.60



**Date:** September 12, 2024

**To:** Paula Reid, Director of Human Resources

**CC:** Trish Bishop, Director  
Andrew Junkin, Chief Investment Officer

**From:** Jennifer Schreck, Internal Audit Director   
Joshua Fox, Principal Auditor

**Subject:** **Review of FY2024 Investment Incentive Compensation**

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Internal Audit has reviewed the proposed Investment Incentive Compensation for the fiscal year ended June 30, 2024. As presented, the Investment Incentive Compensation amount, in aggregate, is **\$10,510,344.60**, where a qualitative multiplier of **1.0** is used for the Chief Investment Officer.

We confirmed all Investment Professionals met the eligibility requirements as outlined in the Investment Professionals' Pay Plan. Further, we found the aggregate amount and the proposed individual payment amounts were accurately computed in accordance with the Investment Professionals' Pay Plan effective **June 10, 2024**.

Please share this information with the Administration, Finance and Talent Management Committee as well as the Board of Trustees, as you deem appropriate.

**VRS Director's performance review.**

---

**Requested Action**

The VRS Board of Trustees approves a performance bonus for the VRS Director payable on October 16, 2024, and a supplemental payment made November 29, 2024, as authorized in the 2024 Appropriation Act.

**Description/Background**

A performance bonus may be paid to the VRS Director pursuant to § 4-6.01(c)(2)(b)(1) of the 2024 Appropriation Act:

The appointing or governing authority may grant performance bonuses of 0-5 percent for positions whose salaries are listed in §§ 1-1 through 1-9, and 4-6.01 b, c, and d of this act, based on an annual assessment of performance, in accordance with policies and procedures established by such appointing or governing authority. Such performance bonuses shall be over and above the salaries listed in this act and shall not become part of the base rate of pay.

A 5% performance bonus is payable October 16, 2024.

The Board may supplement the salary of the Director pursuant to § 4-6.01(c)(8) of the 2024 Appropriation Act:

Notwithstanding any provision of this Act, the Board of Trustees of the Virginia Retirement System may supplement the salary of its Director. The Board should be guided by criteria, which provide a reasonable limit on the total additional income of the Director. The criteria should include, without limitation, a consideration of the salaries paid to similar officials in comparable public pension plans. The Board shall report such criteria and potential supplement level to the Chairmen of the Senate Finance and Appropriations and House Appropriations Committees at least 60 days prior to the effectuation of the compensation action. The Board shall report approved supplements to the Department of Human Resource Management for retention in its records.

A supplement of \$95,000 will be paid on November 29, 2024, with an amount up to the applicable Internal Revenue Code § 415(c) limits paid to the Defined Contribution Incentive Plan for VRS Personnel as an employer contribution, and the remainder paid in taxable compensation to the Director.

**Rationale for Requested Action**

This RBA, which recommends a performance bonus and the award of supplemental compensation for the VRS Director, considers the salaries paid to similar officials in comparable public pension plans, which in 2023 was an average salary of \$310,500. Total average compensation in 2022 (most recent data available) for comparable Directors without CIO responsibilities was \$357,000. The combined salary, performance bonus and supplemental compensation for the VRS Director is intended to make her total compensation comparable to the salary of other similarly situated officials in comparable public pension plans. The statutory base salary for the VRS Director is \$232,273.

The current limitation for 401(a) contributions under Internal Revenue Code § 415(c)(1)(A) is \$69,000 so no more than this amount (taking into account any other 401(a) contributions) may be paid into the DCPIP.

Additionally, the timing of the payment of the supplement complies with the 2024 Appropriation Act. The supplement will be paid on November 29, 2024, which allows more than 60 days' notice to the Chairmen of the Senate Finance and Appropriations and House Appropriations Committees.

**Authority for Requested Action**

Section 4-6.01(c)(2)(b)(1) and (c)(8) of the 2024 Appropriation Act.

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

The above action is approved.

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A. Scott Andrews, Chair  
VRS Board of Trustees

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Date

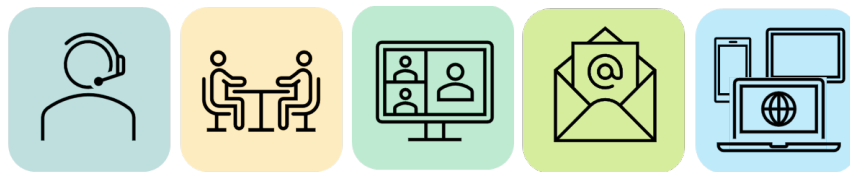


# CUSTOMER EXPERIENCE JOURNEY

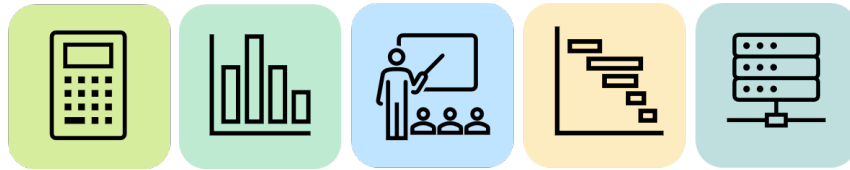


Fiscal Year 2024 Report  
Trish Bishop, Director





## CUSTOMER EXPERIENCE JOURNEY



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# EXECUTIVE SUMMARY

## From the Desk of Trish Bishop

I appreciate the opportunity to present VRS' benefit administration highlights for fiscal year 2024. Our team is committed to providing sound financial stewardship and superior customer service to the commonwealth's public servants. In this report, you'll find department highlights tied to our operational measures and strategic plan.

This year, we focused on the customer experience, enhancing security and leveraging technology to improve outcomes for our members. Ensuring an excellent journey experience for our customers reflects VRS' vision and values, and our work toward this goal demonstrates the sincere dedication of our staff.

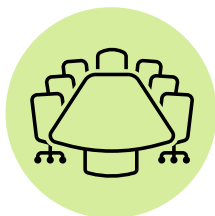
## EXECUTIVE OUTREACH



- Executive staff met with 18 stakeholder groups to provide education and build awareness of VRS resources and services. Stakeholders included the Joint Legislative Audit and Review Commission, Virginia Retired Teachers Association, Virginia Government Finance Officers Association, Virginia Governmental Employees Association, Virginia Municipal League, Virginia Association of Counties, Virginia Association of School Superintendents and the Virginia Association of School Business Officials.



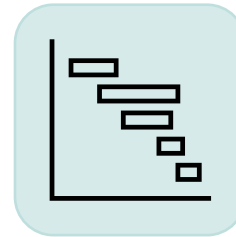
- Worked with the Public Relations department to film a series of Benefit Tip videos from the director, providing members with timely guidance on making the most of their VRS membership and resources available to them. The videos were published in quarterly issues of *Member News* and shared on VRS social media, totaling more than 3,000 views and impressions.



- Having a seat at the table among industry professionals positions VRS as a leader and enables us to exchange ideas with colleagues. VRS Director Patricia Bishop served in the following capacities this year:
  - President of the National Association of State Retirement Administrators.
  - Resolutions Chair of the National Council on Teacher Retirement.

# AGENCY OPERATIONS

- Met 15 of 16 operational targets, which measure overall effectiveness in delivering services to members.
- Accomplished all five agency performance outcomes (APOs).
- The team expanded to include three new business units:



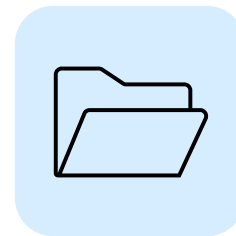
## Risk and Fraud Management

Monitor and create security measures to minimize risk and prevent fraud



## Data Office

Create a solution to analyze, enhance and visualize VRS data with a focus on quality and timely access to actionable information



## Records Management

Manage the inventory, storage and disposal of agency records

- Analyzed budget items in each of VRS' cost centers to more accurately track expenses, create more accurate forecasts and improve budget flexibility by providing greater insights into savings.
- Completed data dashboards that improved access to information and reduced or eliminated manual processes previously required to create this information.
- Created a cross-disciplinary fraud prevention advisory committee composed of agency staff to identify and communicate security-related topics that may affect the customer experience.
- Completed records inventories with all departments and business units resulting in a comprehensive view of agency records and a path forward for managing record retention.

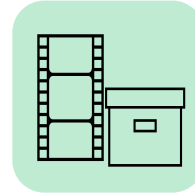
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# AGENCY OPERATIONS

## BY THE NUMBERS



11 departmental records inventories created, encompassing 382 record types and locations in all formats (physical and electronic)



Evaluated 4,861 rolls of microfilm and 200,000 sheets of microfiche, totaling 45 million microform images

Identified 235 rolls of microfilm and over 2,000 sheets of microfiche as candidates for imaging



25 new data projects identified for agency

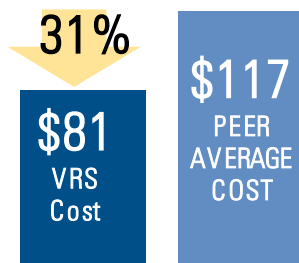
## 2023 PEER BENCHMARKING ANALYSIS



VRS maintains its position in the most coveted quadrant of CEM's cost-effective services chart, where we deliver high service at a low cost in comparison to our peers. We anticipate customer experience initiatives like the new telephony system, stakeholder surveys and adding additional resources to the Customer Contact Center will positively impact the next peer review for FY 2024.

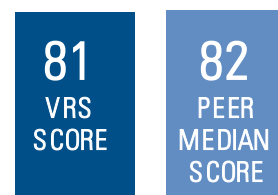
### Pension Administration Cost Per Member

31% below the peer average cost



### Total Service Score

In line with the peer median service score



# POLICY

- Managed VRS-related legislation during the General Assembly session by tracking bills, leading staff communications related to legislation, attending committee meetings and responding to requests for information. Led the implementation efforts for several pieces of legislation.
- Registered to passively participate in eight new foreign litigation cases and received approximately \$150,000 from two settlements during the fiscal year. The agency is passively participating in 19 other foreign security cases.
- Participated in the Emergency Response Toxic Exposure Work Group and the Mass Violence Fund Work Group. In addition, the General Assembly has directed VRS to study the impact the Hybrid Retirement Plan has had on judicial appointments. The review will include an analysis of the structure of other states' retirement benefits for judges and options for modifying the current benefit structure for judges.
- Created a dashboard to provide VRS board members and other key stakeholders with a summary of VRS Trust Fund health and status indicators. The dashboard, updated monthly, consolidates historical measures, provides easy access to trend information and provides a regular update of economic and cash flow measures.

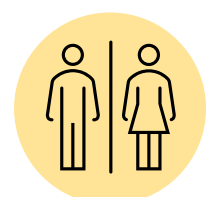
## BY THE NUMBERS



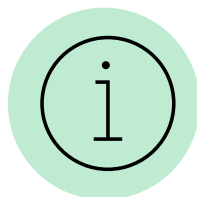
**19** fiscal impact statements submitted



**198** contracts approved



**293** Approved Domestic Relations Order submissions reviewed



**99** Freedom of Information Act Requests processed



**147** responses to correspondence

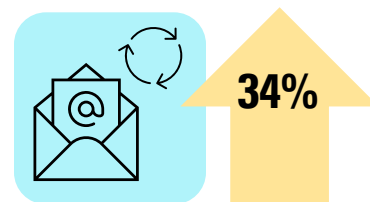
# CUSTOMER RELATIONS

- Launched a large-scale project to enhance the customer experience by replacing the call center telephony system with advanced call routing and response features, coming online this fall.
- Provided proactive outreach to VRS-participating employers to familiarize them with VRS' many educational resources available to members.
  - Onboarded three large employers joining VRS, tailoring benefits counseling to ensure a smooth transition for them and their employees.
  - Resumed a robust benefit fair schedule to reach members as employers continue to ramp up in-office work schedules.
  - Grew one-on-one member counseling appointments by offering flexible options and online booking; approximately half of members now choose virtual appointments, while in-person appointments remain strong.
- Expanded in-person field appointments from five to six regions, with a strong focus on serving the western division.
- Continued building employer knowledge of VRS benefits and technical systems through virtual training, webinars and e-courses in the VRS Training Academy.
  - Added practice exercises and interactive activities to boost employer engagement.
  - Accommodated learning styles and employer schedules by offering training in multimedia formats.
- Partnered with Public Relations to promote the myVRS Financial Wellness platform, which included creating and tracking a quarterly email campaign, newsletter articles and promotions in each issue of DHRM's Financial Wellness and Resources newsletter.

## BY THE NUMBERS



195,383 calls answered



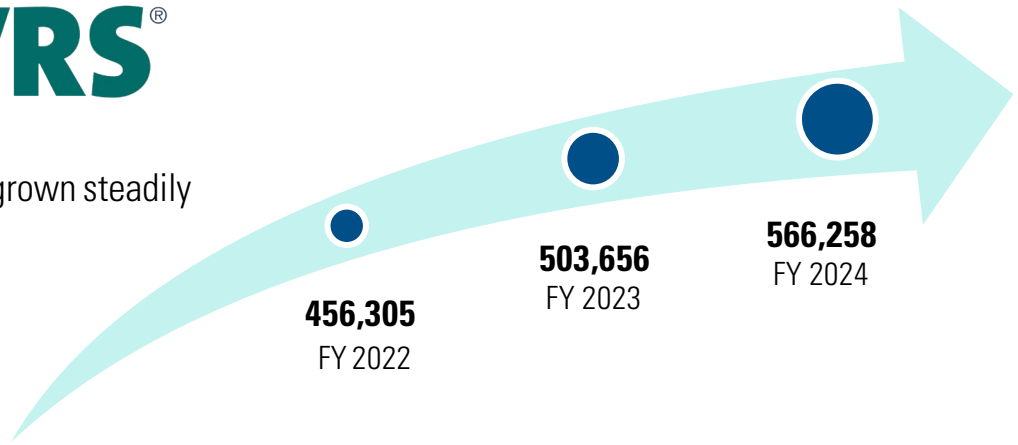
10,828 email responses

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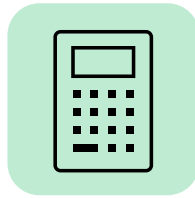
# CUSTOMER RELATIONS



registrations have grown steadily over time:



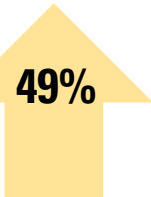
**228,865**  
Retirement Plans created



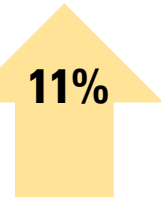
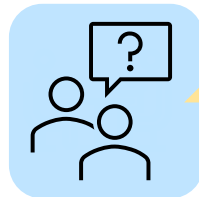
**619,150**  
Benefit Estimates created



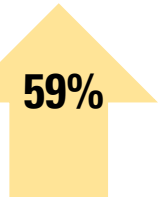
**27,000**  
views of a myVRS Financial Wellness video cross-promoted with DHRM



**46,958** members served through in-person and virtual presentations, conferences and benefit fairs



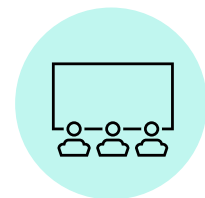
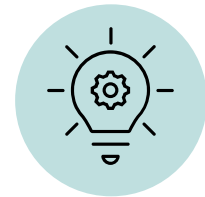
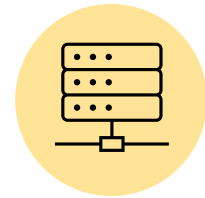
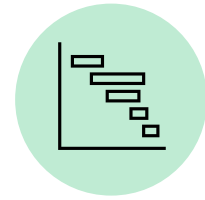
**6,219** members counseled through virtual and in-person sessions



**16** employer e-courses delivered with **1,051** completions

# INFORMATION TECHNOLOGY

- Completed several critical, time-sensitive legislative initiatives, including separating hybrid plan rates, line of duty act updates and health insurance credit enhancements.
- Prioritized data quality and security. After standing up a private cloud environment last year, VRS is moving toward automation products to reduce redundant tasks, better use staff hours and improve consistency in support of business functions. Our goal is to have scalable and distributed technology solutions that avoid disruptions and expand business capabilities.
- Completed several initiatives that led to increased availability and disaster recovery features for VRS databases, enhanced application monitoring capabilities and consolidated servers to reduce complexity and optimize performance.
- Continued to build robust security capabilities to protect VRS systems and devices with lower maintenance costs. VRS enhanced physical security with proactive monitoring and threat detection across all locations.
- Offered training and development opportunities for staff and improved documentation related to business continuity, risk management and security reviews.
- Piloted AI tools and use cases while also implementing a robust governance model for cloud platforms.



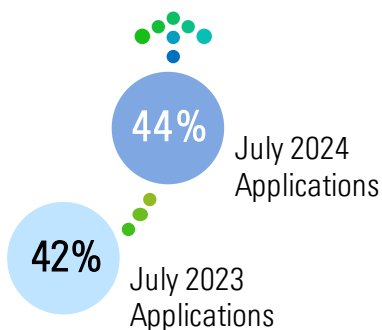


# CUSTOMER PROGRAMS

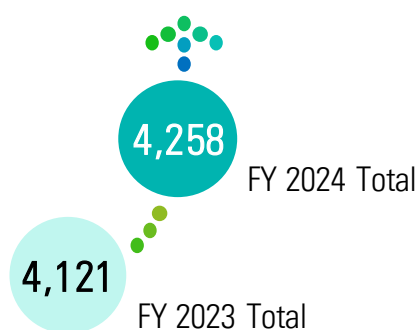
- Ensured thousands of retirement applications processed accurately without interruption to the retiring member's income stream.
  - Monitored a growing volume of online retirement applications.
  - Approved paper retirement applications that often require careful analysis and follow-up tasks to ensure retiring members complete the process successfully.
- Supported VRS members at vulnerable times by facilitating short-term and long-term income replacement through the Virginia Sickness and Disability Program and the Virginia Local Disability Program.
- Extended compassionate support and empathetic service to family members of VRS retirees and members who have lost their loved ones and need assistance with death benefits and life insurance.

## BY THE NUMBERS

July retirement applications submitted online:



Online retirement applications continue to increase:



**99.9%** of service retirement applications processed timely with **99.69%** accuracy

(Continued)

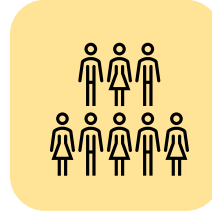
# CUSTOMER PROGRAMS



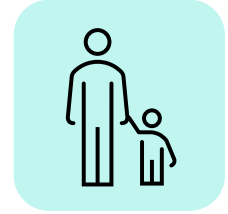
**7,717** group life insurance claims processed



**280** optional group life insurance claims processed



**71,000** optional group life insurance member/retiree participants



**47,000** spouses and dependents in optional group life insurance



Virginia Sickness and Disability Program

**6,395** short-term disability claims

**1,014** long-term disability claims



Virginia Local Disability Program

**1,646** short-term disability claims

**156** long-term disability claims

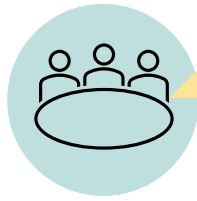
# PUBLIC RELATIONS

- Provided outreach to 629 new benefit administrators at participating employers, offering technical assistance and information on VRS programs and services.
- Administered VRS' critical shortage program, which included 166 teachers, 52 bus drivers and 43 retired school security officers.
- Managed employer outreach and communications for the Hybrid Retirement Plan Rate Separation project, reaching all employers through a series of site visits, information and help sessions, and email communications.
- Launched and tracked email campaigns for members and employers including a "We're More Than Just Retirement" campaign to raise awareness of VRS benefits.
- Supported executive team with external presentations, talking points, Member Tips videos, news releases and media relations.
- Managed content for VRS' publications, including handbooks and guides, the *Annual Comprehensive Financial Report*, *Member News*, *Retiree News*, *Employer Update* and articles for external partner publications like the Virginia Education Association.
- Added YouTube as a social media channel to broaden outreach to our audiences and to curate our expanding library of member/retiree profiles, educational shorts and investment content.
- Provided communication strategies and support for other business unit projects, including the DCP record keeper transition, 2024 legislation implementation, VOLSAP, LODA, investment education, agency annual report and sensitive issues.
- Completed over 627 Web Request jobs with 95% timely completion.
- Integrated Siteimprove (provided by VITA) on 16 VRS websites, resulting in improved tracking and reporting of marketing analytics, quality assurance, accessibility and search engine optimization.
- Increased the website accessibility score by 4% over the previous year with a new average score of 89%. VRS' accessibility score continues to surpass the government industry standard.
- Completed website migrations to Terminalfour at a 50% cost savings and increased security compared to the previous web hosting provider.
- Improved the process for members and retirees to schedule counseling appointments online by replacing the current booking software and redesigning several aspects of the Education pages on the VRS website.

(Continued)

# PUBLIC RELATIONS

## BY THE NUMBERS:



**178**

FY  
2023

**208** employer roundtables held and site visits with **2,871** participants



**10** actuarial studies completed for employers



**19** new coverages processed for employers and **8** new employers onboarded, including the city of Richmond



**7** promotional videos produced



Newsletter open rates **exceed the 40%** industry average



**1.1 million** visits to varetire.org, and **3.4 million** to the myVRS homepage

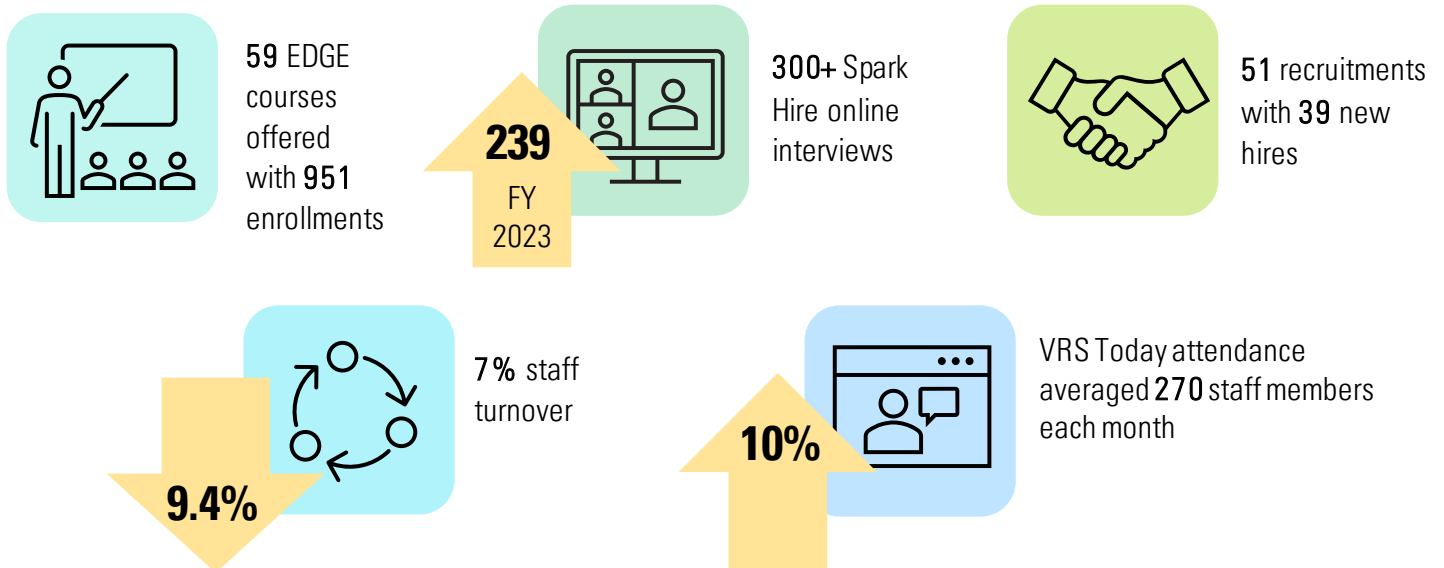


**700,000** DCP website pageviews

# HUMAN RESOURCES

- Received more than 9,000 applications for 51 open positions. Strategies for recruitment included a partnership with the customer relations department to target veterans for a virtual job fair and hiring a recruiting coordinator for the customer contact center.
- Created a statement of work to fulfill the first phase of implementing a human resource information system, which is an agency APO. Worked extensively with consultants, liaisons, key stakeholders and technology project managers to lay the groundwork for selecting a vendor for the next phase.
- Completed the second year of EDGE, VRS' in-house professional development program to grow the skillset of our workforce. Staff submitted the first group of certification applications, and the human resources team completed development of a level II certification.
- Held four training sessions for managers and implemented a "First Friday Series" that coaches managers on connecting with their teams.
- Led by the newly hired employee engagement and DEI coordinator, staff participated in eight events for employees celebrating Public Service Week, Diwali, Black History Month among others.
- Continued to develop career ladders within business units and began succession management discussions with executive leadership.
- Partnered with business units to communicate internal events, initiatives and change management efforts to employees through VRS Today presentations, the Newscenter (intranet) and new digital signs.
- VRS was 4<sup>th</sup> out of the top 10 state agencies in giving to the Commonwealth of Virginia Campaign, with a total contribution of \$55,000.

## BY THE NUMBERS



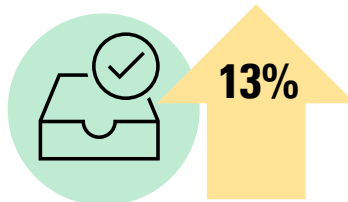
# DEFINED CONTRIBUTION PLANS

- After awarding the defined contribution plans record keeper contract to Voya Financial in July 2023, VRS staff has been working closely with Voya staff to establish and finalize requirements for various components of the transition, including plan provisions, data transfer and security, web design, and participant and employer communications. The transition is on track for January 2025, as planned.
- Collaborated with an external consultant to evaluate additional services available through Voya. Among these services is Professional Account Management (PAM), available to participants for an additional fee, and an online investment advice program, available at no additional cost. These services offer participants advice related to income planning in retirement, an added benefit to VRS members, especially those nearing or in retirement.
- Evaluated opportunities created by the federal SECURE 2.0 Act to add additional flexibility to VRS plan provisions. Examples include increasing the frequency that members can change voluntary contributions, self-certifying eligibility for unforeseen emergency withdrawals in certain circumstances and converting pretax assets to Roth.
- VRS Defined Contribution Plans Administrator Kelly Hiers served as president of the National Association of Government Defined Contribution Administrators (NAGDCA).

## BY THE NUMBERS



70% of hybrid plan members making voluntary contributions



60,155 active voluntary contribution elections



9,556 participants set up regular contribution increases



1,053 education events with 32,257 attendees



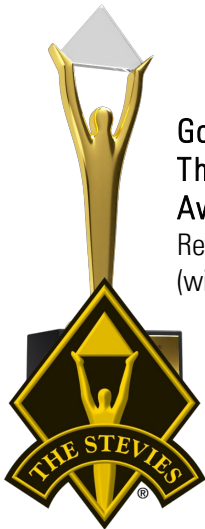
7,279 one-on-one meetings



60,397 participant calls answered

# AWARDS AND RECOGNITION

VRS received the following awards during fiscal year 2024:



**Gold Stevie® Award, The American Business Awards®:** "Start, Stop, Continue" Retirement Planning Campaign (with MissionSquare Retirement)



**Communicator Award of Excellence (Email Marketing), Academy of Interactive & Visual Arts (AIVA):** Contribution Increase Campaign (with MissionSquare Retirement)

**Communicator Award of Distinction (Marketing Effectiveness), Academy of Interactive & Visual Arts (AIVA):** "Start, Stop, Continue" Retirement Planning Campaign (with MissionSquare Retirement)



**Public Pension Standards Award for Funding and Administration, Public Pension Coordinating Council (PPCC):** The 21st award for VRS

**Certificate of Achievement for Excellence in Financial Reporting, Government Finance Officers Association (GFOA):**

VRS Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023; the 42nd consecutive award for VRS



**Award for Outstanding Achievement in Financial Reporting, Government Finance Officers Association (GFOA):** VRS Popular Annual Financial Report for the fiscal year ended June 30, 2023; the eighth consecutive award for VRS



**Bronze Level Award, Commonwealth of Virginia Campaign (CVC):** VRS ranked 4th among the top 10 agencies with \$53,000+ raised in donations to the 2023 CVC Campaign



**Certificate of Transparency, National Conference on Public Employee Retirement Systems (NCPERS):** Fostering an "atmosphere of openness" between public pension systems and the general population



**Honorable Mention, P&I Excellence & Innovation Awards, Pensions & Investments:** Hybrid Retirement Plan Auto-Escalation Campaign



**Approve a salary adjustment for the  
Chief Investment Officer.**

---

**Requested Action**

The VRS Board of Trustees approves an 8% salary adjustment for the Chief Investment Officer (CIO).

**Description/Background**

Va. Code § 51.1-124.24 provides that the Board of Trustees shall employ a CIO to direct, manage, and administer the investment department. The CIO is employed under a special contract with the Board which sets out the CIO's compensation. The Executive Pay Plan provides that the CIO's base salary shall be set forth in such contract with the Board. Section 3.01 of the CIO's contract sets out the CIO's base salary and provides further that the Board may approve changes to the base salary. The Administration, Finance and Talent Management Committee recently reviewed and evaluated market study data for the CIO.

**Rationale for Requested Action**

The Administration, Finance and Talent Management Committee recommends that the Board approve an 8% salary adjustment for the CIO effective October 10, 2024, based on the Committee's review of market comparison data for similar positions. Paragraph 9 of the Duties and Responsibilities section of the Administration, Finance and Talent Management Committee Charter authorizes the Committee to "[r]eview and make recommendations to the Board regarding the performance of" the CIO. Section IV.H.8 of the Board Governance Policy provides that the Board may review, monitor, and oversee the performance of the CIO.

**Authority for Requested Action**

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

The above action is approved.

---

A. Scott Andrews, Chair  
VRS Board of Trustees

---

Date





## Amend the Board of Trustees Governance Policy and Committee Charters

---

### Requested Action

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

### Description/Background

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

The amended documents are as follows:

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

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

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

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

### Authority for Requested Action

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

The above action is approved.

---

A. Scott Andrews, Chair  
VRS Board of Trustees

---

Date

**BOARD OF TRUSTEES GOVERNANCE POLICY**

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## BOARD OF TRUSTEES GOVERNANCE POLICY

### ***I. PURPOSE***

This Governance Policy is established to:

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

### ***II. AUTHORITY***

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

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

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

### ***III. PRINCIPLES***

#### **A. COMMITMENT:**

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

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

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

#### **B. GOVERNING STYLE:**

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

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

#### **IV. STRUCTURE AND FUNCTION OF THE BOARD**

##### **A. COMPOSITION**

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

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

B. STANDARD OF CARE

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

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

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

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

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

C. CHAIRPERSON



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

The chairperson has the following duties:

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

D. VICE-CHAIRPERSON

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

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

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

E. SECRETARY

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

The Secretary to the Board has the following duties:

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

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

F. MEETINGS/ATTENDANCE

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

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

G. PROCEDURAL STANDARDS

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

H. RESPONSIBILITIES AND DUTIES OF THE BOARD

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

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

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

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

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

#### ***V. CONNECTION OF THE BOARD TO VRS OPERATIONS***

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

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

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

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

A. DIRECTOR

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

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

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

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

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

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

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

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

B. CHIEF INVESTMENT OFFICER

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

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

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

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

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

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

C. AUDIT DIRECTOR

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

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

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

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



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

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

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

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

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

## ***VI. COMMITTEES***

### ***A. ADVISORY COMMITTEES***

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

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

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

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

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

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

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

The Board has established the following advisory committees:

**1. INVESTMENT ADVISORY COMMITTEE**

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

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

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

**2. DEFINED CONTRIBUTION PLANS ADVISORY COMMITTEE**

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

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

B. STANDING COMMITTEES

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

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

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

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

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

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

The Board has established the following standing committees:

**1. ADMINISTRATION, FINANCE, AND TALENT MANAGEMENT COMMITTEE**

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

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

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

## **2. AUDIT AND COMPLIANCE COMMITTEE**

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

## **3. BENEFITS AND ACTUARIAL COMMITTEE**

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

## **4. INVESTMENT POLICY COMMITTEE**

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

## **C. SPECIAL COMMITTEES**

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

## ***VII. RELATIONSHIP WITH THE PUBLIC***

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

A. PRINCIPLES

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

B. COMMUNICATION WITH THE MEDIA

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

***VIII. OPINIONS OF THE ATTORNEY GENERAL***

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

***IX. AMENDMENT OF GOVERNANCE POLICY***

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

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

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

**X. VALIDITY OF GOVERNANCE POLICY**

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

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

## BOARD OF TRUSTEES GOVERNANCE POLICY

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## **BOARD OF TRUSTEES GOVERNANCE POLICY**

### ***I. PURPOSE***

This Governance Policy is established to:

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

### ***II. AUTHORITY***

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

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

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

### ***III. PRINCIPLES***

#### **A. COMMITMENT:**

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

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

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

#### **B. GOVERNING STYLE:**

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

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

#### ***IV. STRUCTURE AND FUNCTION OF THE BOARD***

##### ***A. COMPOSITION***

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

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

B. STANDARD OF CARE

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

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

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

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

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

C. CHAIRPERSON

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

The chairperson has the following duties:

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

D. VICE-CHAIRPERSON

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

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

E. SECRETARY

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

The Secretary to the Board has the following duties:

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

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

F. MEETINGS/ATTENDANCE

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

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

G. PROCEDURAL STANDARDS

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

H. RESPONSIBILITIES AND DUTIES OF THE BOARD

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

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

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

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

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

#### ***V. CONNECTION OF THE BOARD TO VRS OPERATIONS***

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

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

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

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

A. DIRECTOR

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

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

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

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



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

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

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

**B. CHIEF INVESTMENT OFFICER**

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

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

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

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

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

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

C. AUDIT DIRECTOR

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

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

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

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

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

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

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

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

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

## ***VI. COMMITTEES***

### ***A. ADVISORY COMMITTEES***

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

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

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

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

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

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

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

The Board has established the following advisory committees:

#### **1. INVESTMENT ADVISORY COMMITTEE**

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

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

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

#### **2. DEFINED CONTRIBUTION PLANS ADVISORY COMMITTEE**

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

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

B. STANDING COMMITTEES

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

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

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

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

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

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

The Board has established the following standing committees:

**1. ADMINISTRATION, FINANCE, AND TALENT MANAGEMENT COMMITTEE**

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

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

## **2. AUDIT AND COMPLIANCE COMMITTEE**

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

## **3. BENEFITS AND ACTUARIAL COMMITTEE**

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

## **4. INVESTMENT POLICY COMMITTEE**

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

## **C. SPECIAL COMMITTEES**

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

## ***VII. RELATIONSHIP WITH THE PUBLIC***

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



A. PRINCIPLES

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

B. COMMUNICATION WITH THE MEDIA

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

***VIII. OPINIONS OF THE ATTORNEY GENERAL***

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

***IX. AMENDMENT OF GOVERNANCE POLICY***

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

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

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

**X. *VALIDITY OF GOVERNANCE POLICY***

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

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

## **COMMITTEE CHARTER FOR THE ADMINISTRATION, FINANCE AND TALENT MANAGEMENT COMMITTEE**

### PURPOSE

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

### AUTHORITY

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

### DUTIES AND RESPONSIBILITIES

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

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

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

#### COMPOSITION

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

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

## OFFICERS

### *Chairperson*

The chairperson has the following duties:

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

### *Vice-Chairperson*

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

### *Secretary*

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

The secretary has the following duties:

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

## CONDUCT OF BUSINESS

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

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

#### CHANGES IN THE CHARTER

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

## **COMMITTEE CHARTER**

### **AUDIT AND COMPLIANCE COMMITTEE**

#### PURPOSE

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

#### AUTHORITY

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

#### DUTIES AND RESPONSIBILITIES

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

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

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



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

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

#### COMPOSITION

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

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

#### OFFICERS

##### *Chairperson*

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

The chairperson has the following duties:

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

##### *Vice-Chairperson*

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

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

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

#### *Secretary*

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

The secretary has the following duties:

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

#### CONDUCT OF BUSINESS

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

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

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

#### CHANGES IN THE CHARTER

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

## COMMITTEE CHARTER

### AUDIT AND COMPLIANCE COMMITTEE

#### PURPOSE

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

#### AUTHORITY

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

#### DUTIES AND RESPONSIBILITIES

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

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

**Commented [JS1]:** Changes are proposed to meet the following needs:

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

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

**Commented [JS3]:** Standard 6.1

**Commented [JS4]:** Standard 8.1

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

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

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

**Commented [JS6]:** Standards 6.3

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

**Commented [JS7]:** Standards 8.1, 9.4

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

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

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

**Commented [JS8]:** Standard 6.3

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

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

**Commented [JS9]:** Standard 8.1

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

**Commented [JS10]:** Standard 8.2

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

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

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

**Commented [JS13]:** Standards 8.3, 8.4

**Commented [JS14]:** Moved to item #7 above

**Commented [JS15]:** Standard 7.2

**Commented [JS16]:** Standard 8.3

**Commented [JS17]:** Standards 7.1, 8.3, 12.2

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

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

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

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

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



COMPOSITION

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

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

OFFICERS

*Chairperson*

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

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

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

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

*Vice-Chairperson*

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

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

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

### Secretary

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

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

The secretary has the following duties:

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

**Commented [JS22]:** Added to acknowledge current practice.

### CONDUCT OF BUSINESS

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

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

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

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

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

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

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

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

#### CHANGES IN THE CHARTER

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

## **COMMITTEE CHARTER FOR THE BENEFITS AND ACTUARIAL COMMITTEE**

### PURPOSE

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

### AUTHORITY

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

### DUTIES AND RESPONSIBILITIES

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

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

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

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

#### COMPOSITION

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

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

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

#### OFFICERS

##### *Chairperson*

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

The chairperson has the following duties:

1. Facilitating the operation of the Committee meetings;

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

#### *Vice-Chairperson*

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

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

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

#### *Secretary*

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

The secretary has the following duties:

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

#### CONDUCT OF BUSINESS

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

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

#### CHANGES IN THE CHARTER

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

## **COMMITTEE CHARTER FOR THE DEFINED CONTRIBUTION PLANS ADVISORY COMMITTEE**

### PURPOSE

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

### AUTHORITY

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

### DUTIES AND RESPONSIBILITIES

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

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



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

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

#### COMPOSITION

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

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

#### OFFICERS

##### *Chairperson*

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

The chairperson has the following duties:

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

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

#### *Vice-Chairperson*

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

#### *Secretary*

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

The secretary has the following duties:

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

#### CONDUCT OF BUSINESS

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

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

#### CHANGES IN THE CHARTER

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

## **COMMITTEE CHARTER FOR THE INVESTMENT ADVISORY COMMITTEE (IAC)**

### **PURPOSE**

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

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

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

### **AUTHORITY**

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

### **DUTIES AND RESPONSIBILITIES**

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

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

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

## **COMPOSITION**

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

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

## **OFFICERS**

### *Chairperson*

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

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

The IAC chairperson has the following duties:

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

#### *Vice-Chairperson*

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

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

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

#### *Secretary*

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

The secretary has the following duties:

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

## **CONDUCT OF BUSINESS**

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

## **CHANGES IN CHARTER**

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



## **COMMITTEE CHARTER FOR THE INVESTMENT POLICY COMMITTEE**

### PURPOSE

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

### AUTHORITY

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

### DUTIES AND RESPONSIBILITIES

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

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

## COMPOSITION

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

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

## OFFICERS

### *Chairperson*

The chairperson has the following duties:

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

### *Vice-Chairperson*

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

### *Secretary*

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

The secretary has the following duties:

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

#### CONDUCT OF BUSINESS

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

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

#### CHANGES IN THE CHARTER

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



## VRS Project Portfolio FISCAL YEAR 2024 June 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	●														
<b>IT Initiatives<sup>1</sup></b>			<b>2023</b>						<b>2024</b>							
		Status	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun		
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	N/S														
Migrate from Cisco to Teams Voice	Technology Infrastructure	●														
Implement Enterprise Identity and Access Management Solution	Digital Transformation and Secure Service Delivery	●														
<b>Other Projects<sup>2</sup></b>			<b>2023</b>						<b>2024</b>							
		Status	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun		
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	●														
<b>Legislation</b>			<b>2023</b>						<b>2024</b>							
		Status	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun		
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		●														
<b>Operational/Ongoing Activities</b>			<b>2023</b>						<b>2024</b>							
		Status	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun		
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	★													
VRS Fund Sensitivity and Stress Testing Report for GA	N/S													
Legislation FY 2024	★													

<sup>1</sup>Initiatives led directly by Technology Services.

<sup>2</sup>Other initiatives are led by other business units and supported by Technology Services.

### Yellow Status Items

Item	Due Date	Comments
N/A		

### Red Status Items

Item	Due Date	Comments
N/A		

### Realignments/Adjustments

Item	Due Date	Comments
N/A		



## VRS Project Portfolio FISCAL YEAR 2025 August 2024 Status Report

### 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	2024						2025							
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun		
Customer Experience Enhancements: Call Management System (CMS) - Phase 2	Member, Retiree and Employer Education, Outreach and Partnership	●														
Data Quality Enhancements - Phase 1	Member, Retiree and Employer Education, Outreach and Partnership	●														
Identity Proofing Initiative - Phase 1	Digital Transformation and Secure Service Delivery	●														
VNAV Enhancements	Superior Governance and Long-Term Financial Health	●														
Human Resource Information System (HRIS) Implementation – Phase 2	Organization Strength Culture and Engagement	●														
Agency Initiatives		Status	2024						2025							
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun		
Network upgrade - BofA and Pavilion	Technology Infrastructure	N/S														
Implement Secure and Remote Support Solution (Remote Access and Privileged Access Management)	Technology Infrastructure	●														
Database Automation	Technology Infrastructure	●														
New Visitor Badging System	Technology Infrastructure	●														
Windows 11 upgrade	Technology Infrastructure	●														
Conduct data backup solution proof of concept and initiate implementation	Digital Transformation and Secure Service Delivery	●														
Conduct Transition Activities to New DC/Hybrid Record Keeping Service Business Partner	Superior Governance and Long-Term Financial Health	●														
Lease Space Transition	Superior Governance and Long-Term Financial Health	●														
Initiate ECM Solution Implementation	Digital Transformation and Secure Service Delivery	●														
Update VRS Optional Form Factors and Review Early Retirement Reduction Factors	Superior Governance and Long-Term Financial Health	●														
Legislation		Status	2024						2025							
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun		
HB 70/SB 458 VRS Bills		★														
HB 321/SB 649 LODA Death Benefit		★														
HB 1312 VaLORS for DCR Conservation Officers		N/S														
HB 1401 VaLORS for Dept of Military Affairs firefighters		N/S														
HB 1433 LODA Eligible Dependent		★														
Operational/Ongoing Activities		Status	2024						2025							
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun		
COLA 2024		●														
FYE 2024		●														
EDGE		●														
Retirement Wave 2024		●														
Teacher Contracts		●														
MBPs		●														
Annual Code of Ethics Training		N/S														
Annual Security Awareness Training		N/S														
FOIA Training		N/S														
ACFR		●														
PAFR		●														
LODA Annual Report		●														
GASB 67		N/S														
GASB 68		N/S														
GASB 74		●														
GASB 75		N/S														
Actuarial Valuations		●														
myVRS Annual Updates		N/S														
Update Contribution Rates in VNAV		N/S														
1099/W2		N/S														

Operational/Ongoing Activities	Status	2024						2025						
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
Annual Roadmap Review	N/S													
FYE 2025	N/S													
Retirement Wave 2025	N/S													
Commonwealth Bond Disclosure	N/S													
ORPHE Surcharge Billing for FY 2024	N/S													
Data Fixes	●													
ALM Backlog Prioritization	●													
Employer VNAV Security Review	N/S													
VRS Fund Sensitivity and Stress Testing Report for GA	N/S													
Legislation FY 2025	N/S													

**Yellow Status Items**

Item	Due Date	Comments
N/A		

**Red Status Items**

Item	Due Date	Comments
N/A		

**Realignments/Adjustments**

Item	Due Date	Comments
N/A		





# Director's Report

September 19, 2024

Trish Bishop, VRS Director

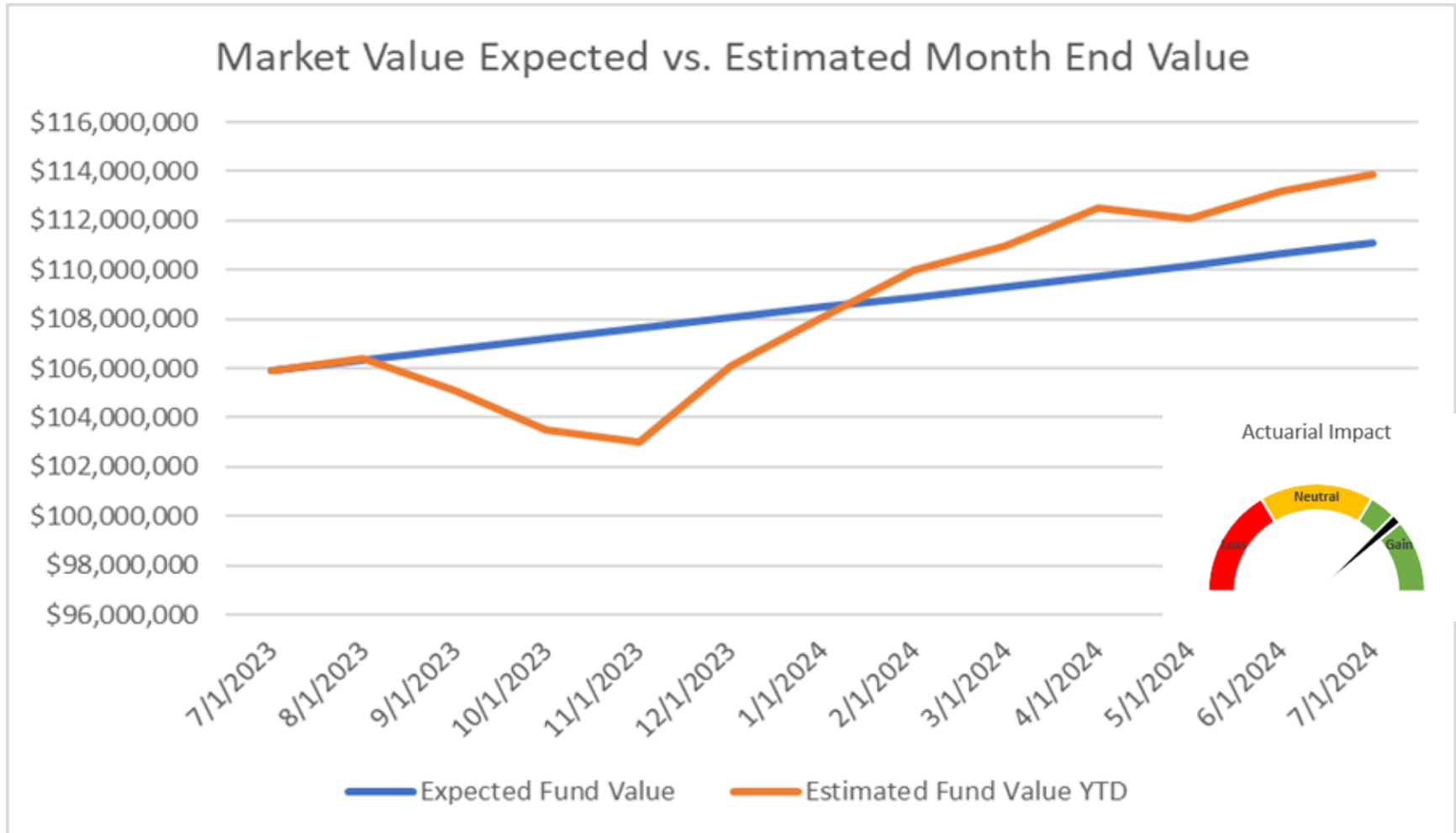
# New Employer Coverage

Coverage Elected	Details
<b>New State Agency</b>	<ul style="list-style-type: none"> <li>▪ <b>Department of Workforce Development and Advancement</b>, effective July 1, 2023</li> <li>▪ <b>Commission on Electric Utility Regulation</b>, effective June 1, 2024</li> <li>▪ <b>Lawrenceville Correctional Center</b> (Brunswick County), effective July 1, 2024</li> <li>▪ <b>Joint Commission on Technology and Science</b>, effective July 1, 2024</li> </ul>
<b>New VRS Employer</b>	<ul style="list-style-type: none"> <li>▪ <b>Henrico Sports and Entertainment Authority</b> (Henrico County), effective July 1, 2024</li> </ul>
<b>Enhanced Hazardous Duty 1.85% Multiplier</b>	<ul style="list-style-type: none"> <li>▪ <b>Town of Strasburg</b> (Shenandoah County), effective July 1, 2024</li> <li>▪ <b>King and Queen County</b>, effective July 1, 2024</li> </ul>
<b>Group Life Insurance Program</b>	<ul style="list-style-type: none"> <li>▪ <b>Town of Tappahannock</b> (Essex County), effective July 1, 2024</li> <li>▪ <b>Peanut Soil and Water Conservation District</b> (Isle of Wight County), effective July 1, 2024</li> </ul>

# Actuarial Measures Key Indicators

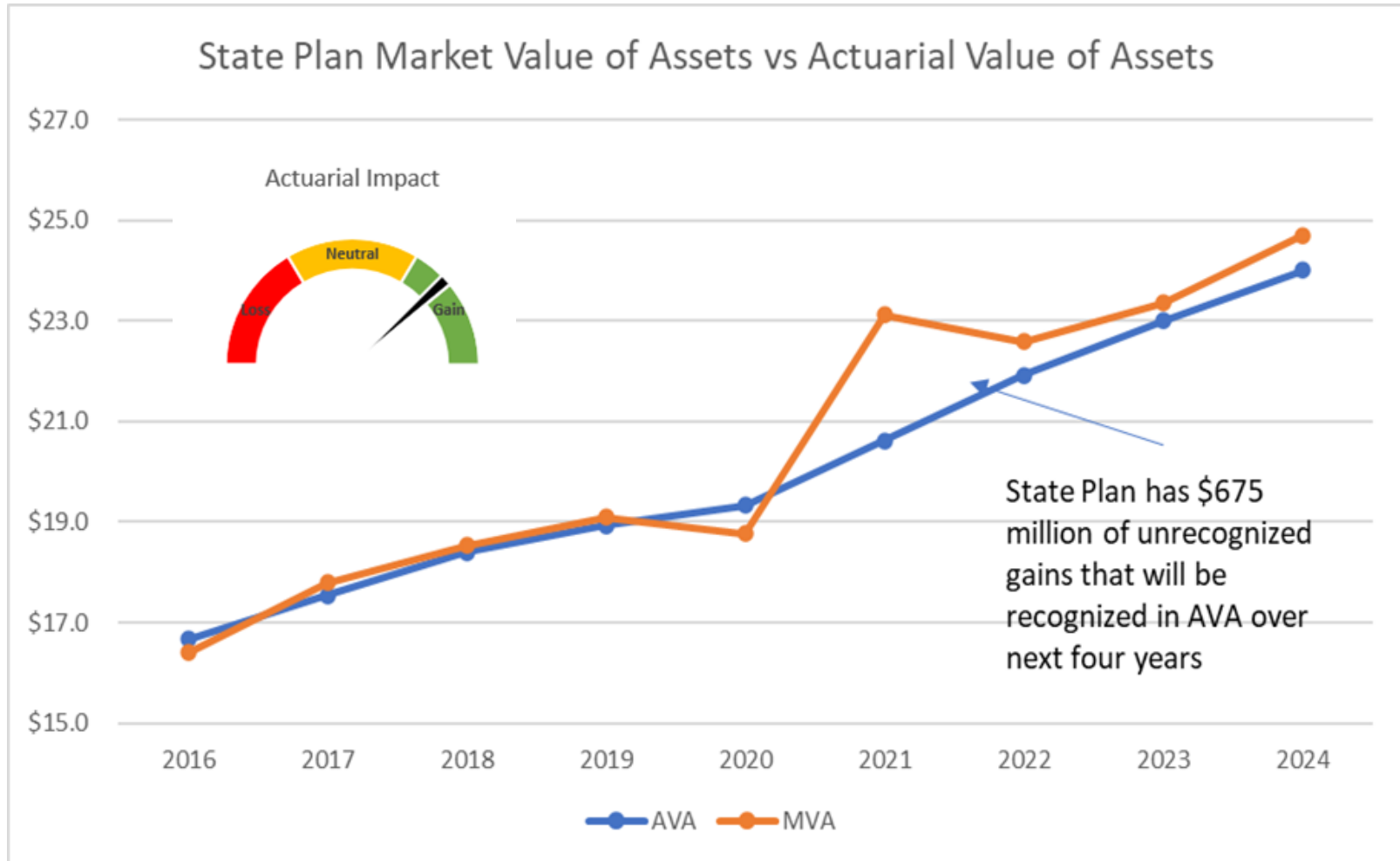


# Fund Market Value Actual vs Expected – FY 2024

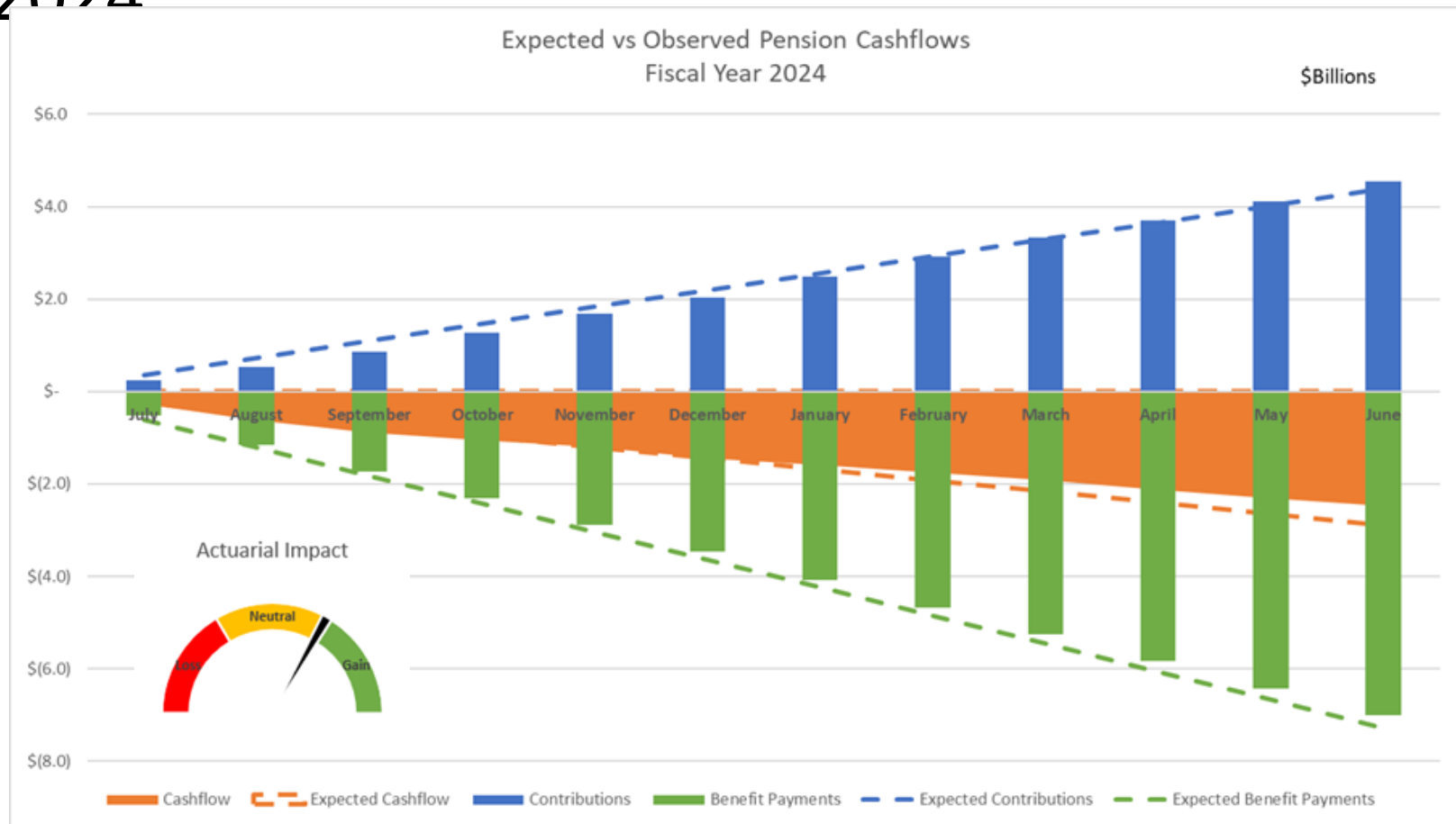


- The FY 2024 fund return of 9.9% exceeded the expected rate of return of 6.75%
- Note: Two months into FY 2025 the estimated fund value is trending higher than expected based on an assumed rate of return of 6.75%.

# Unrecognized Asset Gains/Losses

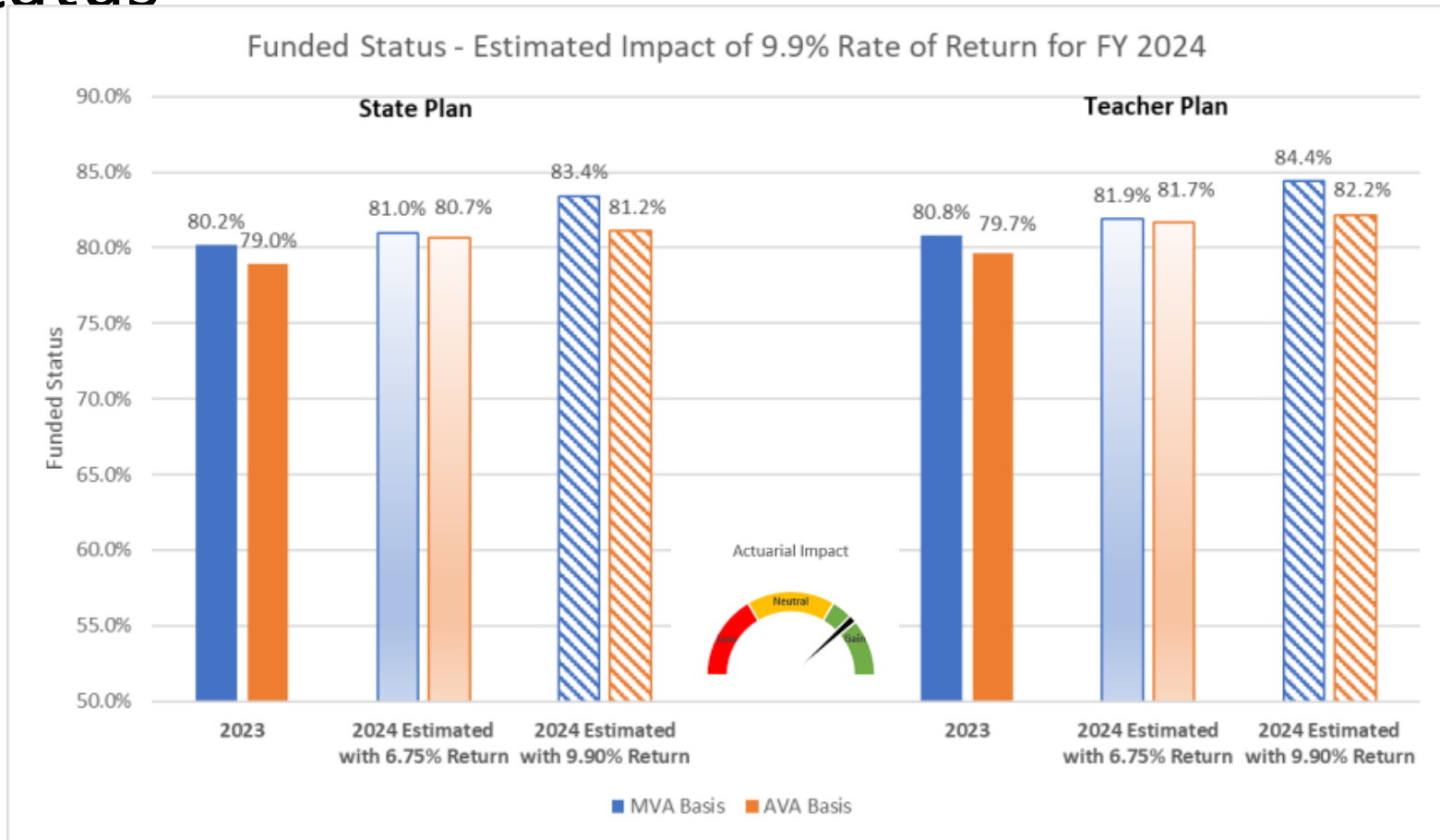


# Pension Cash Flow – Expected vs Observed FY 2024



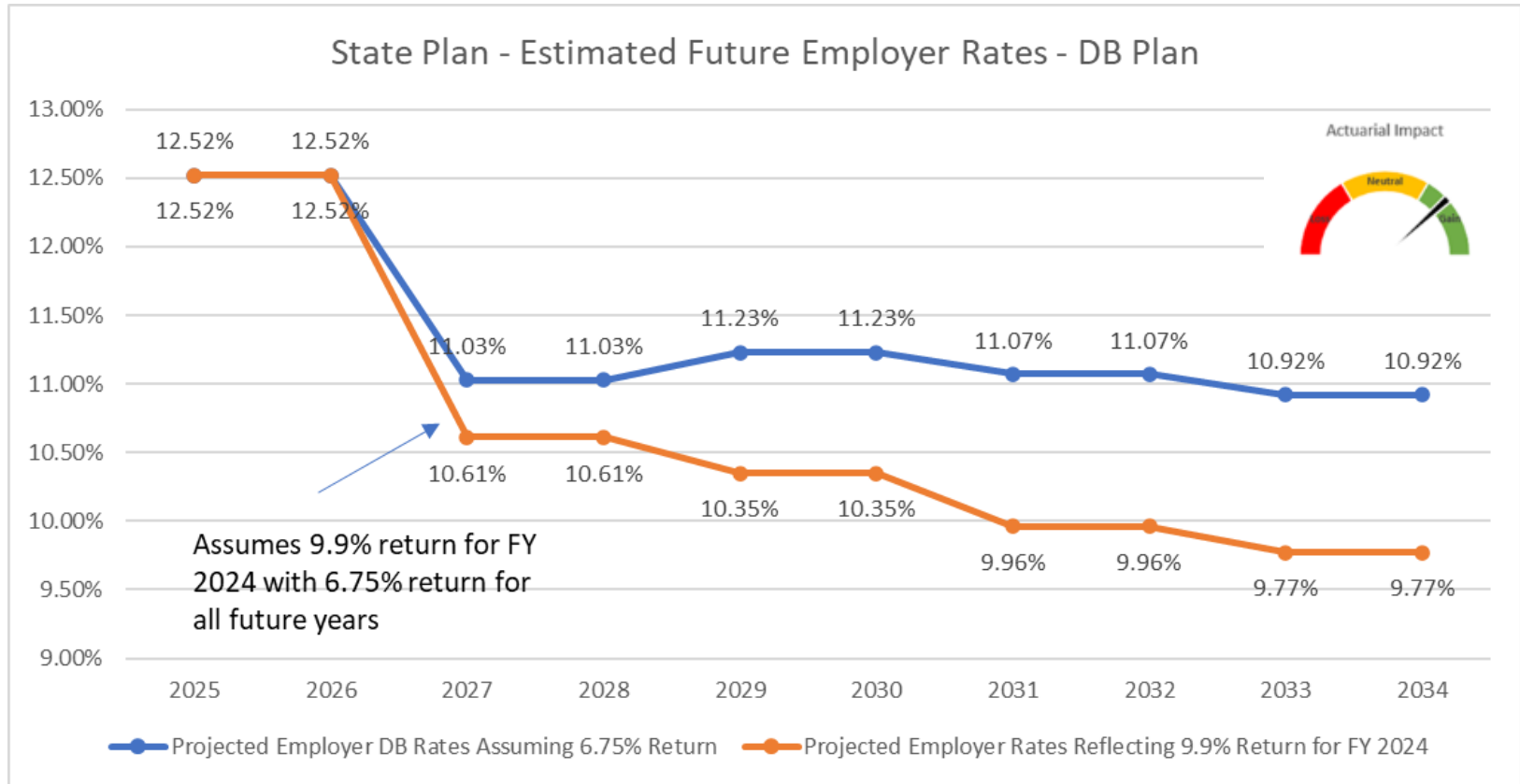
- Pension cash flow for FY 2024 culminated in negative cash flow of approximately \$2.5 billion before investment income.
- This was slightly less than the expected negative cash flow of \$2.9 billion that was assumed at the beginning of the year based on prior year projections.
- Differences were mainly due to benefit payments being less than expected.

# Impact of 9.9% Fund Return on Funded Status



Funded status estimates for 2024 do not reflect updates to liabilities that will occur during 2024 actuarial valuation. Funded status estimates are subject to change following the update of liabilities in the actuarial valuation.

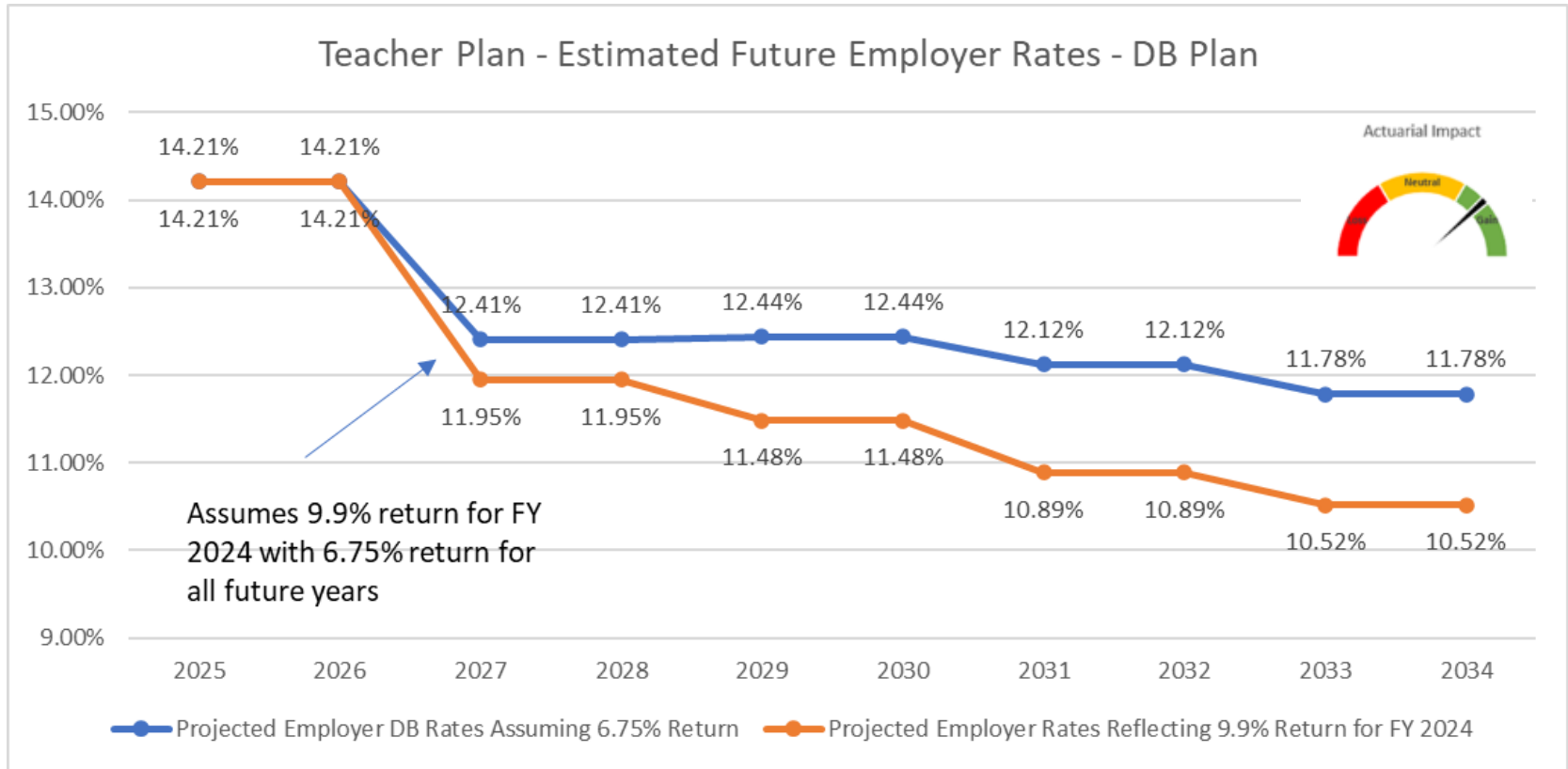
# Impact of 9.9% Return on Employer Contribution Rates



Employer contribution estimates for 2024 do not reflect the updates to liabilities that will occur during 2024 actuarial valuation. Employer contribution rate estimates are subject to change following update of liabilities in the actuarial valuation.

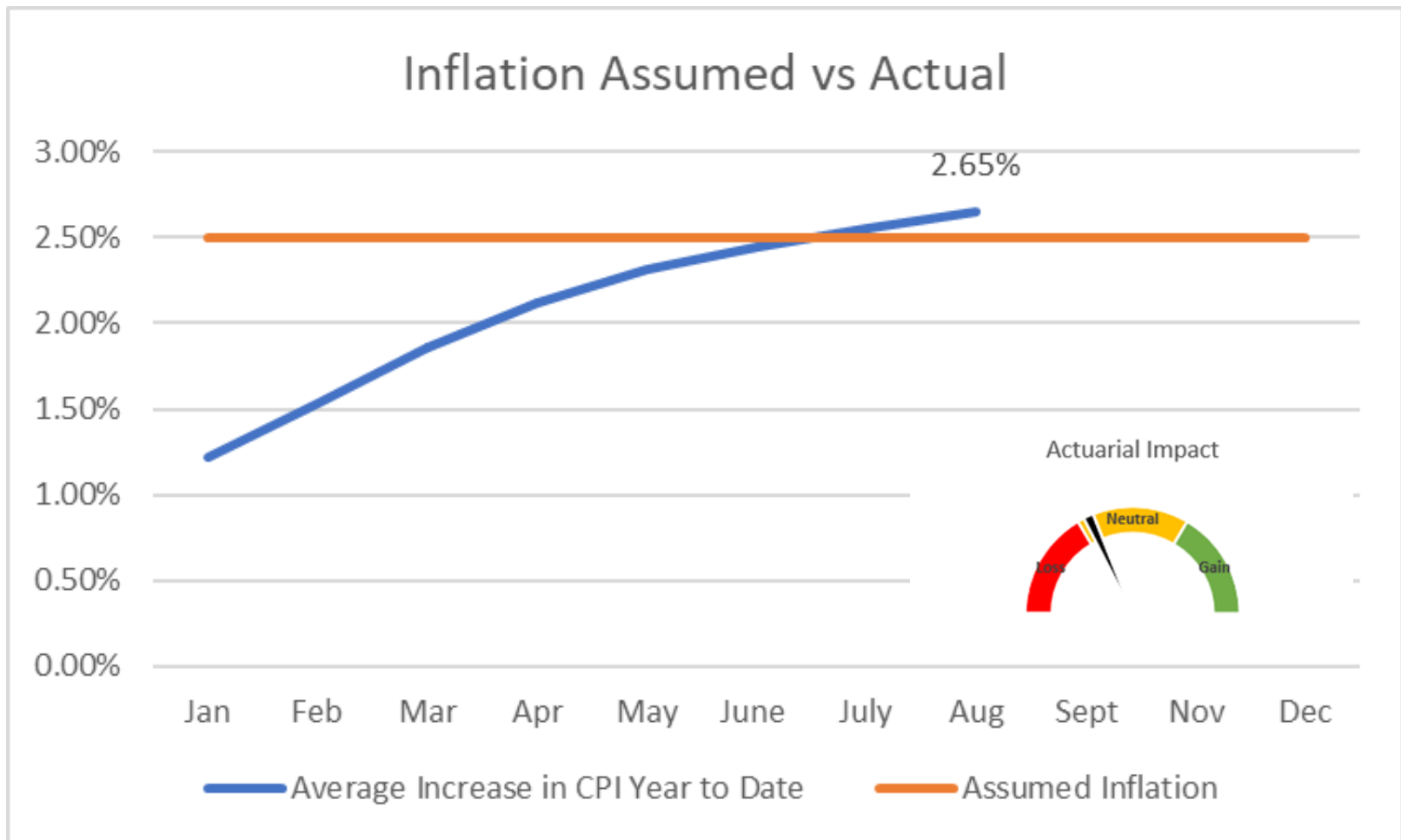


# Impact of 9.9% Return on Employer Contribution Rates



Employer contribution estimates for 2024 do not reflect updates to liabilities that will occur during 2024 valuation. Employer contribution rate estimates are subject to change following update of liabilities.

# Inflation – Average Increase in CPI Year to Date

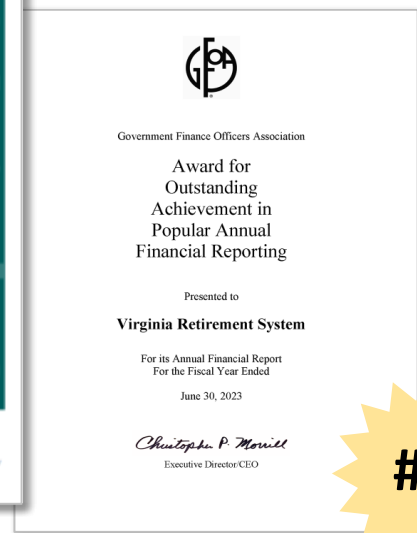
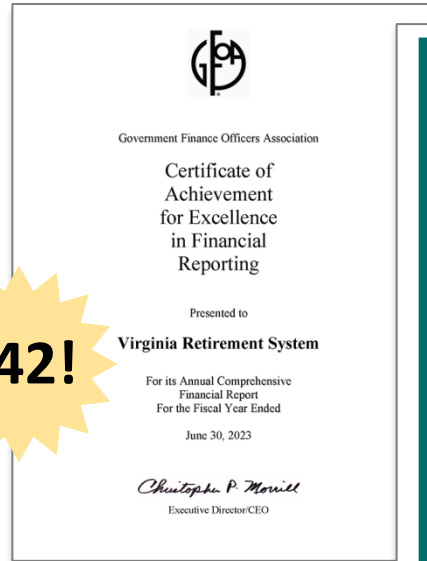


# GFOA Awards for FY23 ACFR and PAFR

The Government Finance Officers Association of the United States and Canada (GFOA) has honored VRS with the following awards:

- Certificate of Achievement for Excellence in Financial Reporting for the *Annual Comprehensive Financial Report (ACFR)*
- Award for Outstanding Achievement in Popular Annual Financial Reporting for the *Popular Annual Financial Report (PAFR)*

**#42!**



**#8!**

# Counseling Center Move



The VRS Counseling Center will move to Reynolds Crossing on West Broad Street near I-64 later this year.

The new location offers:

- Ample and convenient free parking
- Proximity to public transportation
- Accessibility for those with disabilities

Watch for more details to come!

# External Investment Manager Referral Policy

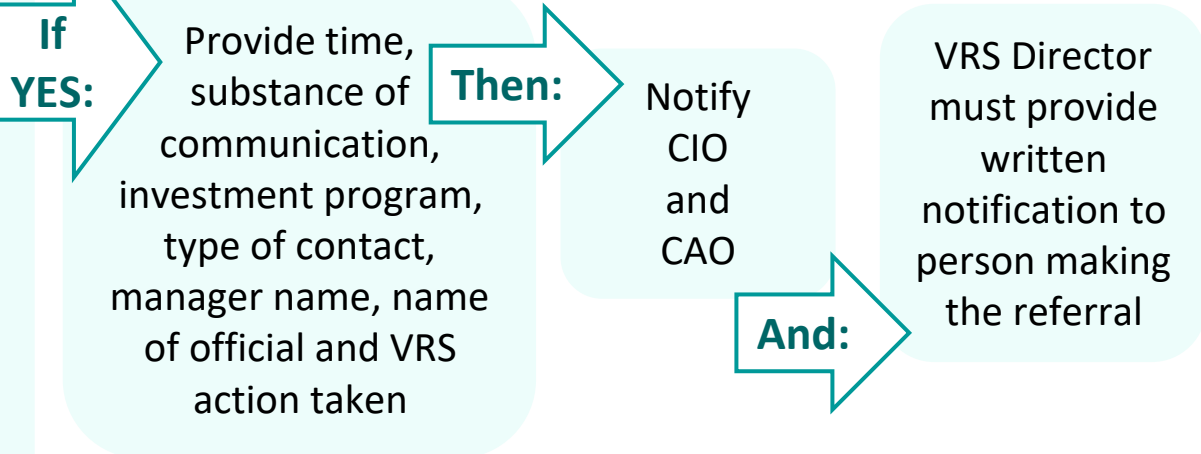
- Investments Compliance will send quarterly emails requesting responses.

Any outside communication or influence from:

- State or local elected officials, cabinet or assistant/deputy secretaries, or state agency heads regarding selection of external investment managers

or

- An external investment manager asserting that they have been referred by such an official?



# VRS Outreach



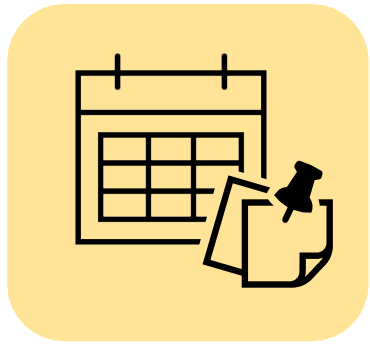
Rockbridge Retired Teachers  
August 19, Lexington





# Board Preview of Fall Meetings

# Preview: Fall 2024



## October

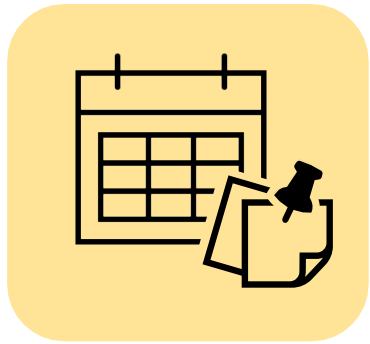
- ✦ 16 – Benefits and Actuarial Committee
- ✦ 17 – Board of Trustees
- Accept GRS’ 2024 Actuarial Valuations for the Five Statewide Retirement Plans, Group Life Insurance, Virginia Sickness and Disability Program and Health Insurance Credit Plans for State and Teachers

## November

- ✦ 6 – Investment Advisory Committee
- ✦ 14 – Benefits and Actuarial Committee
- ✦ 14 – Board of Trustees
- Accept GRS’ 2024 Actuarial Valuations for Political Subdivision Retirement Plans, Virginia Local Disability Program, Local Health Insurance Credit Plans and Line of Duty Act



# Preview: Fall 2024



## December

- ✦ 5 – Defined Contributions Plans Advisory Committee
- ✦ 9 – JLARC Meeting
- ✦ 12 – Audit and Compliance Committee
- ✦ 12 – Board of Trustees
- Agency Annual Meeting (Date to Be Announced)