



October 11, 2024

MEMORANDUM

TO: VRS Board of Trustees

FROM: Patricia S. Bishop
Director

RE: Agenda Materials for October 17^h Board Meeting

We are looking forward to the October 17th Board meeting beginning at 1:00 p.m. in the VRS Boardroom (Chesapeake conference room) located at 1111 East Main Street, Bank of America - Pavilion Building, 3rd floor. Enclosed are the agenda and meeting materials. Boxed lunches will be available beginning at 12:00 p.m.

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

Meeting	Date	Location
Benefits and Actuarial Committee	Wednesday, October 16 th , 1:00 p.m.	Bank of America Pavilion, 1111 E. Main St., 3 rd floor, Chesapeake Conference Room
Board of Trustees	Thursday, October 17 th , 1:00 p.m.	Bank of America Pavilion, 1111 E. Main St., 3 rd 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
- 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, 10/17/2024
1:00 - 3:30 PM ET**

I. Approve Minutes

9.19.24 Board Meeting Minutes - Page 4

II. Report of the Chief Investment Officer

Chief Investment Officer Report - October 2024 - Page 17

Performance Summary 8.31.24 - Page 25

Asset Allocation Report - August 2024 - Page 26

Daily Asset Allocation Report 10.8.24 - Page 27

New Investments and Terminations 10.17.24 - Page 28

DIME Quarterly Summary - QE September 2024 - Page 29

External Manager Referral Quarterly Summary - QE September 2024 - Page 33

III. Report of the Benefits and Actuarial Committee

- **RBA – Accept the Plan Actuary’s Valuations as of June 30, 2024, for the Five Statewide Retirement Plans Group, Life Insurance, Health Insurance Credit Plans for State & Teachers and the VA Sickness & Disability Program(includes self-funded Long-Term Care)**

RBA - Accept the Plan Actuary's Valuations as of June 30, 2024 - Page 34

GRS Actuarial Valuation Results as of 6.30.24 - Page 35

Valuation Highlights B&A Summary 10.14.24 Final - Page 69

IV. RBA – Approve Revised Board Governance Policy and Committee Charters (2nd Review)

- **RBA - Amend the Board of Trustees Governance Policy and Committee Charters**

RBA - Amend Governance Policy and committee charters - Page 74

Board Governance Policy Revisions 2024 - Page 76

Board Governance Policy Revisions 2024 Clean version - Page 96

Administration, Finance and Talent Management Committee Charter Final 2024 - Page 116

Audit and Compliance Committee Charter - Redline - Page 120

Audit and Compliance Committee Charter - Clean - Page 127

Benefits and Actuarial Committee Charter Final 2024 - Page 133

Defined Contribution Plans Advisory Committee Charter Clean revisions 2024 - Page 137

Investment Advisory Committee Charter Revised clean version 2024 - Page 142

Investment Policy Committee Charter Final 2024 - Page 146

V. Report of the Director

FY 2025 Agency Roadmap Update - September - Page 150

Director's Report - Page 152

Minutes

A regular meeting of the Virginia Retirement System Board of Trustees was held on September 19, 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 (*remotely under § 2.2-3708.3(B)(4)*)
Susan T. Gooden, Ph.D.
Jessica L. Hood
Lindsey K. Pantele

Investment Advisory Committee:

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

VRS Staff:

Patricia Bishop, Jennifer Schreck, Andrew Junkin, Advait Apte, Rory Badura, Kevin Bliss, Sara Denson, Parham Behrooz, Matt Bennett, Jessica Budd, Jeanne Chenault, Michael Cooper, David Cotter, Juanita Cribbs, Valerie Disanto, Pam Elam, Laurie Fennell, Laura Fields, Jay Gentry, Holly Glass, JT Grier, Krystal Groff, Mehtab Haleem, Dane Honrado, KC Howell, Robert Irving, Sandy Jack, LaShaunda King, Chung Ma, Curt Mattson, Scott Mootz, Walker Noland, Laura Pugliese, Paula Reid, Mark Rein, Jummai Sarki-Hurd, Dan Schlusser, Kristy Scott, Michael Scott, Viet Tran, Emily Trent, Leslie Weldon, Scott Weaver, Dan Whitlock and Steve Woodall.

Guests:

Lauren Albanese, Financial Investment News; Jamie Bitz, Joint Legislative Audit and Review Commission; Chris Doll, CEM Benchmarking; Joe Ebisa, WithIntelligence.com; Julian Gasparo and Patrick Spitz, Auditor of Public Accounts; and Elizabeth Myers, Office of the Attorney General.

The meeting convened at 1:03 p.m.

Opening Remarks

Mr. Andrews called the meeting to order and welcomed everyone to the September 19, 2024, meeting of the Virginia Retirement System Board of Trustees.

Approval of Minutes

Following a motion by Ms. Pantele, and a second by Mr. Disharoon, the VRS Board of Trustees unanimously approved the minutes from its June 20, 2024, meeting.

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, the Quarterly Diverse Investment Manager Engagement (DIME) report and the Quarterly External Investment Manager Referral report.

Mr. Andrews thanked Mr. Junkin for his report.

Report of the Investment Advisory Committee

Lawrence Kochard, Chair of the Investment Advisory Committee (IAC), began his report by noting the IAC met on August 14, 2024, and approved the minutes from its April 10, 2024 meeting. Mr. Kochard noted that the Committee reviewed proposed changes to the Investment Advisory Committee charter with David Cotter, Director of Legislative and Government Affairs, and recommends approval of the changes to the Investment Advisory Committee charter. The Committee received the Chief Investment Officer's (CIO) report that included an overview of market conditions, asset allocation, tracking error and total fund performance as of June 30, 2024. The Committee then received the Portfolio Solution Group program review. Lastly, the Committee reviewed risk management, leverage, collaborative efforts of Dynamic Strategies and Risk-Based Investments and objectives, investment criteria and diligence framework with the Exposure Management Portfolio.

Mr. Andrews thanked Mr. Kochard for his report.

Annual CEM Benchmarking Report on Administration

Chris Doll of CEM Benchmarking, Inc., provided the annual Pension Administration Benchmarking Report for FY 2023 to the Board. CEM measures cost, and service levels and provides an analysis of performance relative to peer agencies, as well as comparative data and insights from a broader group of CEM-participating plans. The presentation focused on VRS compared to a peer group of other U.S.-based retirement systems with similar membership size. Areas of service reviewed and measured included the call center, VRS website (including myVRS), one-on-one membership counseling and presentations, pension inceptions and member statements.

With a cost of \$81 per active member and annuitant, VRS' total pension administration cost per active member and annuitant is \$36 below the peer group average of \$117. Mr. Doll provided a summary of the trend in total pension administration costs from 2016 to 2023. He noted that VRS' total pension administration cost per active member and annuitant increased by 2.4% per annum. During the same period, the average cost of peers with eight consecutive years of data increased by 2.7% per annum.

Mr. Doll advised that VRS achieved a total service score of 81, which is slightly below the peer group median of 82. VRS' service score has increased from 75 to 81 between 2016 and 2023. Further, 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 with scores calculated by member journey.

Mr. Doll concluded by reiterating that VRS provides a relatively high level of service at a cost comparatively lower than its peers.

Mr. Andrews thanked Mr. Doll for his presentation and commended the VRS staff for achieving these exceptional results. Mr. Andrews noted that providing a high level of service at a lower cost when compared to U.S. peers is a testament to staff's commitment to exceptional service and continuous improvement.

Report of the Defined Contribution Plans Advisory Committee

The VRS Board of Trustees received the report of the Defined Contribution Plans Advisory Committee following its meeting on September 12, 2024, and placed it on file.

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 Eastern Virginia Medical School (EVMS)/Old Dominion University (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. Mr. Ness conducted outreach to other plans to learn about their experiences in providing a hybrid benefit including assets and participant usage, monitoring and recommendations. He also presented a monitoring program for consideration, which includes reviewing and tracking demographics, engagement, personalization, asset allocation, performance, qualitative benchmarking and fee benchmarking. VRS administration staff will be responsible for oversight and monitoring of Voya Retirement Advisors' investment advice and professional managed account program.

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.

Mr. Andrews thanked Dr. Gooden for her report.

Report of the Audit and Compliance Committee

The VRS Board of Trustees received the report of the Audit and Compliance Committee following its meeting on September 18, 2024, and placed it on file.

APPROVAL OF MINUTES

Senator Bell began his report by noting 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.

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 the 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.

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

RBA: FY 2025-2027 Long Range Plan

Request for Board Action 2024-09-20: 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.

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

RBA: Approve FY 2025 Annual Audit Plan

Request for Board Action 2024-09-21: The VRS Board of Trustees approves the proposed FY2025 Annual Audit 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 a motion by Senator Bell, with a second by Dr. Gooden, the VRS Board of Trustees approved the following action:

RBA: Internal Audit Director's Performance Review

Request for Board Action 2024-09-22: The VRS Board of Trustees approves a 7% performance bonus for the Audit Director.

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

RBA: Approve a Salary Adjustment for the Audit Director

Request for Board Action 2024-09-23: The VRS Board of Trustees approves a 3% salary adjustment for the Audit Director.

Mr. Andrews thanked Senator Bell for his report.

On behalf of the Board, Mr. Andrews thanked the Audit Director and the Internal Audit team for their professionalism and dedication to supporting the agency by providing thorough reviews that serve as an important resource for the Board and staff. The Board greatly appreciates their strategic focus and recommendations for continuous improvement.

Report of the Administration, Finance and Talent Management Committee

The VRS Board of Trustees received the report of the Administration, Finance, and Talent Management Committee following its meeting on September 18, 2024, and placed it on file.

APPROVAL OF MINUTES

Mr. Andrews began his report by noting 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.

BUDGET UPDATE

Jon Farmer, Budget and Performance 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.

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.

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.

Mr. Andrews then presented Requests for Board Action as related to the report.

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

Request for Board Action 2024-09-24: *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.*

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

RBA: Attainment of FY 2024 Agency Performance Outcomes (APOs) and Operational Measures

Request for Board Action 2024-09-25: *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.*

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

RBA: FY 2024 Performance Bonuses for Eligible Administrative and Investment Operations and Administration Employees

Request for Board Action 2024-09-26: *The VRS Board of Trustees approves performance lump-sum bonuses for eligible administrative employees and eligible Investment Department operations and administration employees.*

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

RBA: FY 2024 Incentive Pay for Investment Professionals

Request for Board Action 2024-09-27: *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.

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

RBA: FY 2024 Director's Performance Review

Request for Board Action 2024-09-28: *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.*

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

RBA: Approve Salary Adjustment for the Chief Investment Officer

Request for Board Action 2024-09-29: *The VRS Board of Trustees approves an 8% salary adjustment for the Chief Investment Officer (CIO).*

Mr. Andrews commended the Investments team for their continued success, which was reflected in the 9.9% return for FY 2024 and its outperformance of its long-term benchmarks, exceeding the 6.75% assumed rate of return and its custom benchmark for the 5-, 10-, 15- and 20-year periods. Mr. Andrews further thanked the Administration team for all of their accomplishments during FY 2024, including meeting its targets for the Agency Performance Outcomes (APOs) and operational measures (OMs), and for continuing to beat the agency's peers in its high service score and lower cost of service delivery.

Revised Board Governance Policy and Committee Charters (1st Review)

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 Board that upon a recommendation for approval the full Board is required to review the governance documents two times before taking action.

The matter will come before the Board again at the October 17, 2024 meeting.

Report of the Director

Ms. Bishop, Director, began her report with an update on the agency road map for FY 2024 and FY 2025, noting all projects are progressing as planned, as well as a review of New Coverage Elections.

Ms. Bishop presented an overview of Actuarial Measures and Key Indicators for fiscal year ending 2024. The overview included a comparison of the actual fund market value vs the expected for FY 2024; an update of the expected unrecognized asset gains/losses at year end; expected vs actual pension cash flows and the average increase in CPI year to date. Ms. Bishop also provided estimated impacts on plan funded status and contribution rates associated with 9.9% fund return from 2024.

Ms. Bishop announced The Government of Finance Officers Association of the United States and Canada (GFOA) honored VRS with a Certificate of Achievement for Excellence in Financial Reporting for the *Annual Comprehensive Financial Report (ACFR)* and the Award for Outstanding Achievement in Popular Annual Financial Reporting for the *Popular Annual Financial Report (PAFR)*.

Further, Ms. Bishop advised the Board of the VRS Counseling Center move to Reynolds Crossing on West Broad Street later in the year. The new location will offer ample and convenient free parking, proximity to public transportation and accessibility for those with disabilities.

Ms. Bishop provided updates on operational and ongoing activities including VRS outreach.

Mr. Andrews thanked Ms. Bishop for her report.

Other Business

Lastly, Mr. Andrews reviewed the following meeting schedule:

- Benefits and Actuarial Committee – October 16 at 1:00 p.m.
- Board of Trustees – October 17 at 1:00 p.m.

Adjournment

There being no further business and following a motion by Mr. Disharoon, with a second by Senator Bell, the VRS Board of Trustees agreed to adjourn the meeting at 2:25 p.m.

Chair

Secretary

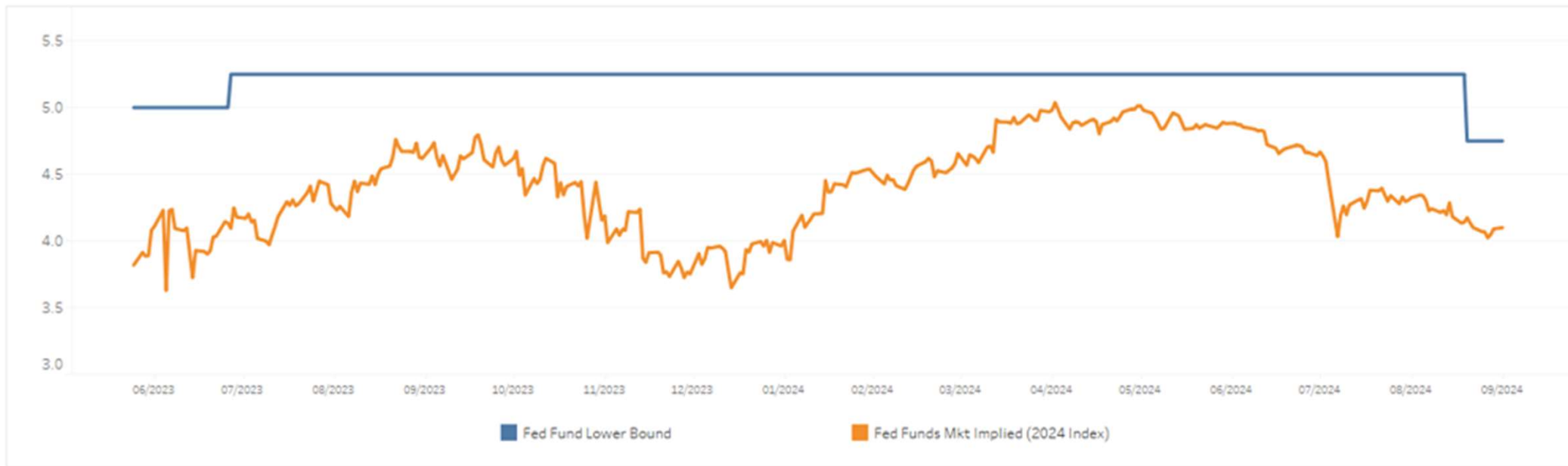


Chief Investment Officer Report

Market Review – October 2024
Andrew Junkin

Forward (implied) vs Fed Fund (target)

Effective Date
To 9/30/2024 12:00:00 AM



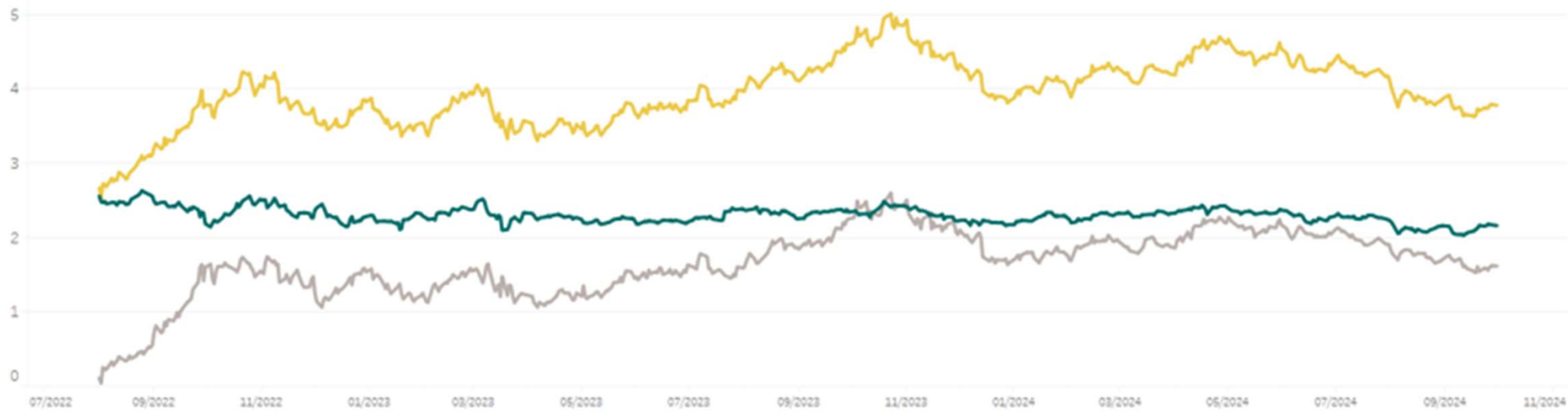
Data Source: Bloomberg

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

Rate Moves (10Y Nominal, Real & BEI)

Effective Date
To 9/30/2024 12:00:00 AM

■ 10 Year Break Even ■ 10 Year Nominal ■ 10 Year TIPS

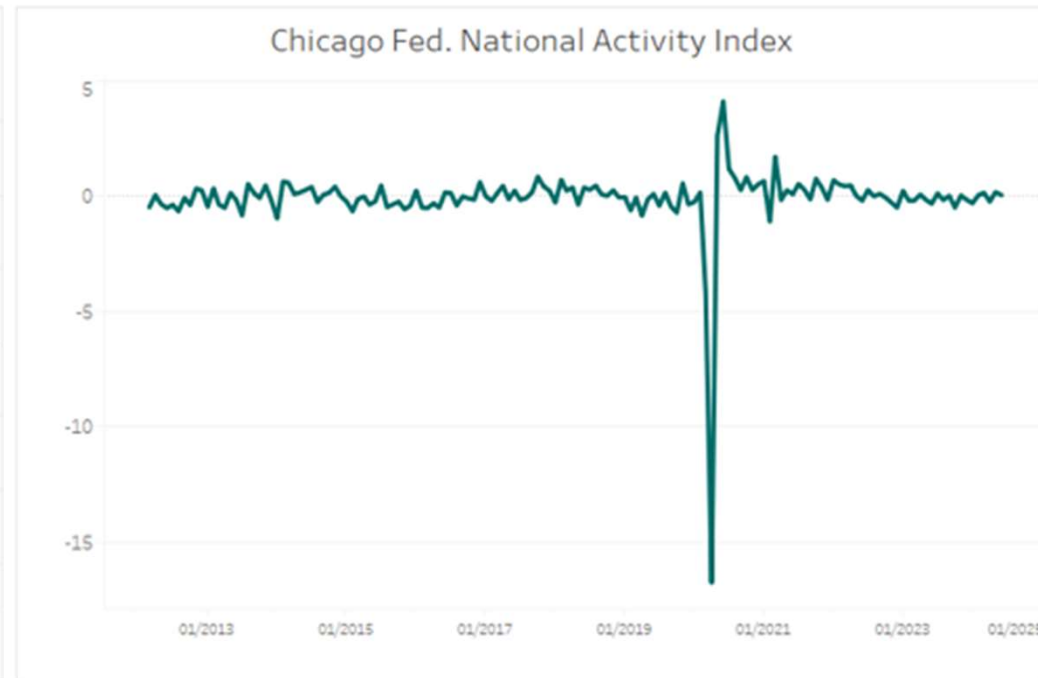
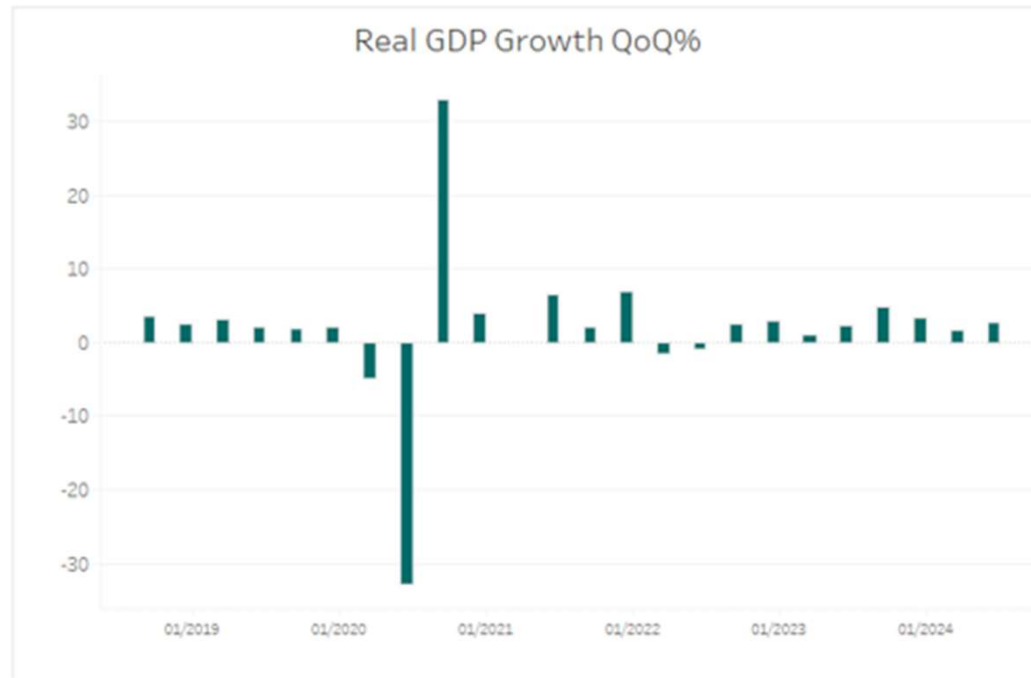


Data Source: Bloomberg

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

Economic Growth - Quarterly

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



Data Source: Bloomberg

Inflation & Employment

Effective Date
To 9/30/2024 12:00:00 A..

10 Year BE Headline CPI Core



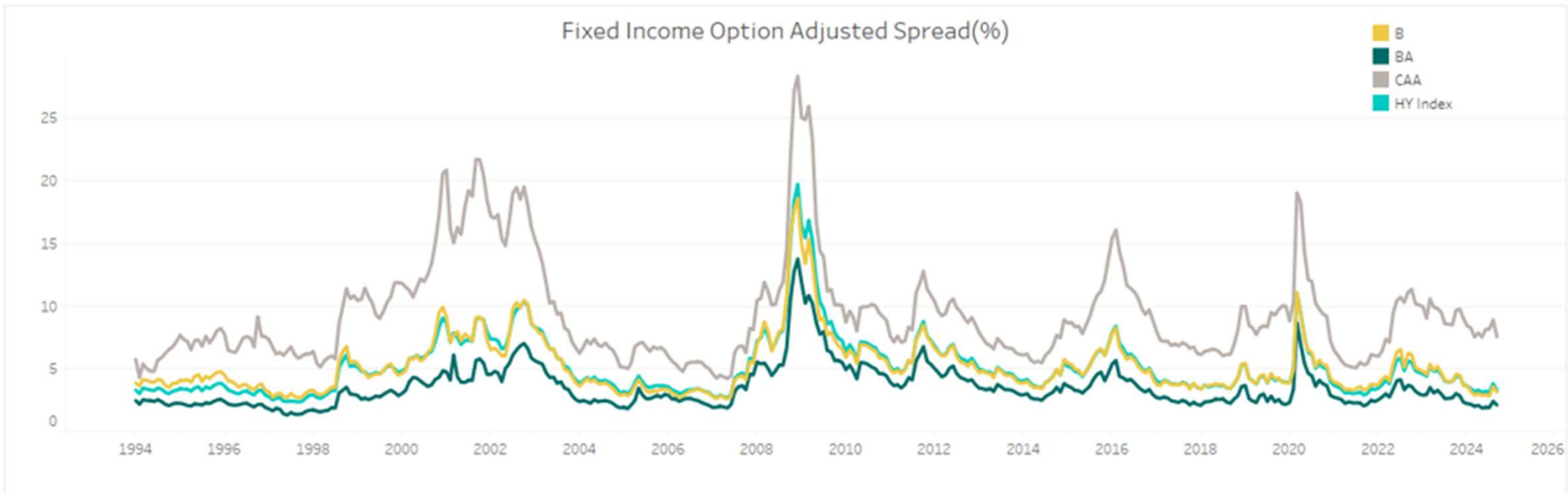
Job Growth/Loss Unemployment Rate



Data Source: Bloomberg

High Yield Bond Market

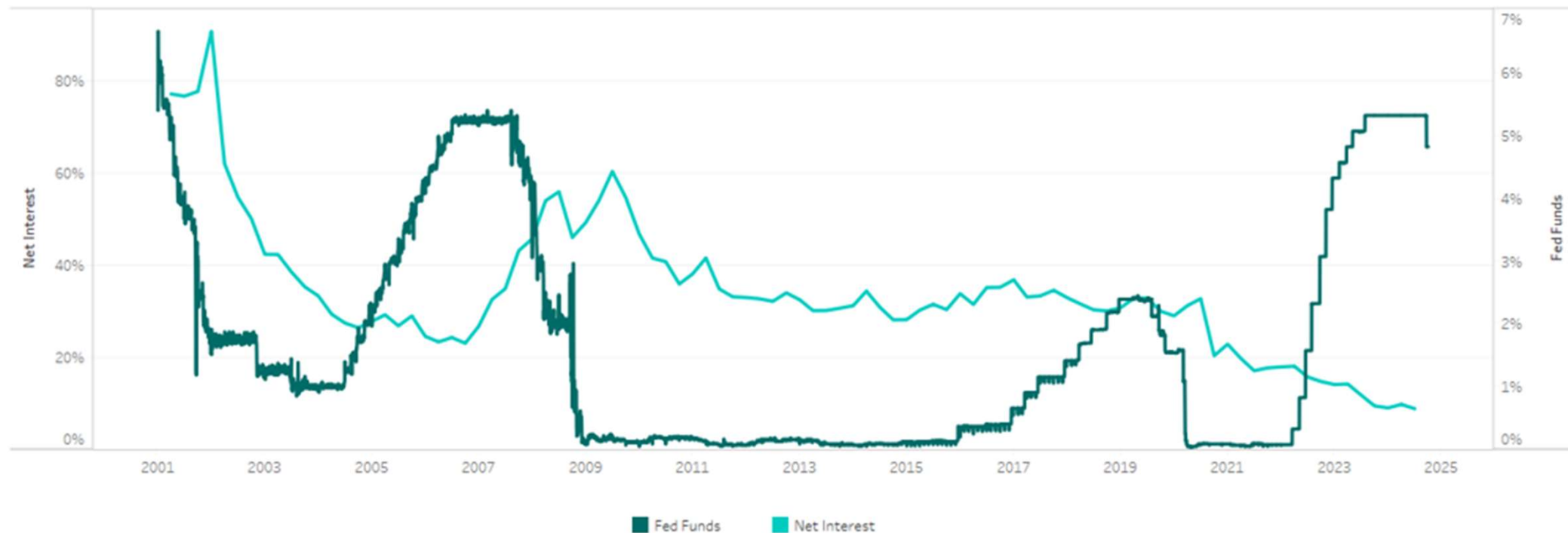
Effective Date
To 9/30/2024 12:00:00..



Data Source: Bloomberg

Corporate Net Interest as % of After Tax NIPA Profits

Effective Date
To 9/30/2024 12:00:00 AM

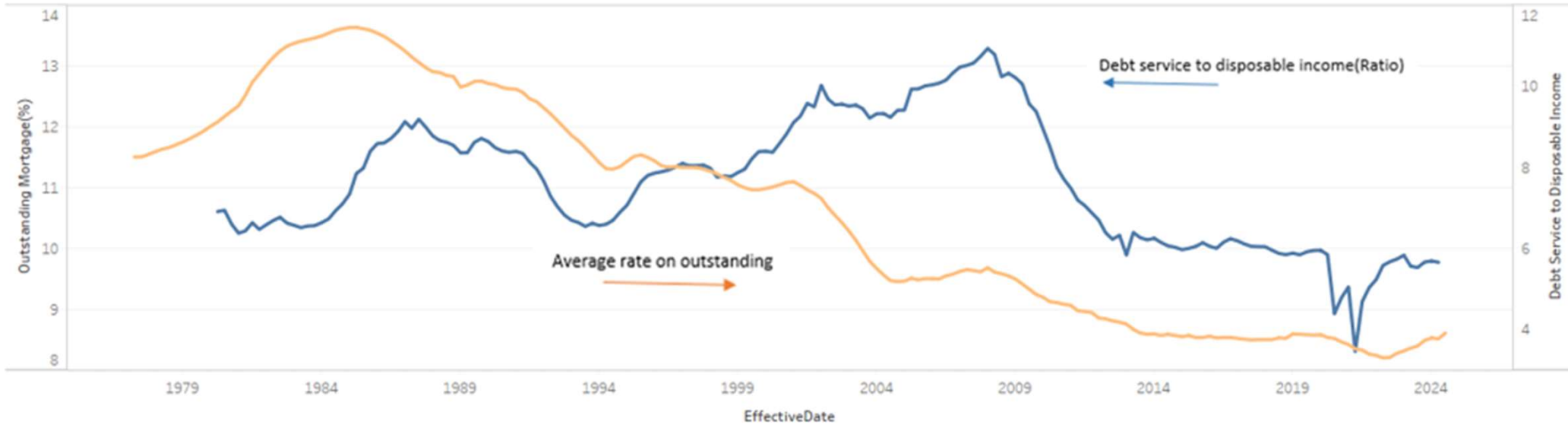


Data Source: Bloomberg

US Household Debt

EffectiveDate
To 9/30/2024 12:00:00 AM

US Household Debt



Data Source: Bloomberg

PERFORMANCE SUMMARY
Rolling Periods Ending
August 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)
Total Public Equity	8.9	12.1	6.4	24.8	5.5	2.5	4.6	16.5	38,612
<i>Benchmark</i>	9.0	12.0	5.6	23.2	7.1	2.8	5.3	15.5	
Total Private Equity	14.4	15.8	10.3	6.0	1.2	0.0	0.1	3.9	19,065
<i>Benchmark</i>	11.3	12.9	5.3	25.1	4.2	4.6	0.8	22.2	
Total Real Assets	8.2	6.1	6.1	-2.9	-0.3	0.1	0.2	-2.3	14,272
<i>Benchmark</i>	5.9	3.6	2.5	-4.9	-0.1	0.0	0.1	-3.7	
Total Credit Strategies	6.1	7.4	6.2	11.6	2.7	0.3	0.8	5.9	17,206
<i>Benchmark</i>	5.0	5.2	4.7	11.1	3.0	1.1	2.3	5.9	
Total Diversifying Strategies	n/a	5.5	3.4	7.8	-1.6	-0.1	-0.8	4.6	3,835
<i>Benchmark</i>	n/a	5.4	2.3	9.5	1.9	0.7	1.3	5.3	
Total Private Investment Partnerships	n/a	9.8	9.3	9.5	3.2	1.1	1.1	5.6	2,365
<i>Benchmark</i>	n/a	7.9	4.8	9.5	2.3	1.9	1.1	7.4	
Total Fixed Income	2.5	1.2	-1.4	8.4	5.1	1.6	3.9	3.9	17,375
<i>Benchmark</i>	1.7	0.2	-1.9	7.8	4.8	1.5	3.8	3.4	
Total Fund	7.8	9.2	5.8	11.9	3.0	1.1	2.2	7.3	115,406
<i>VRS Custom Benchmark</i>	6.9	7.9	4.0	14.3	4.3	2.1	2.9	9.7	

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

Effective January 2024, the Total Fund includes leverage.

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

Leverage Cost Measurement Information

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

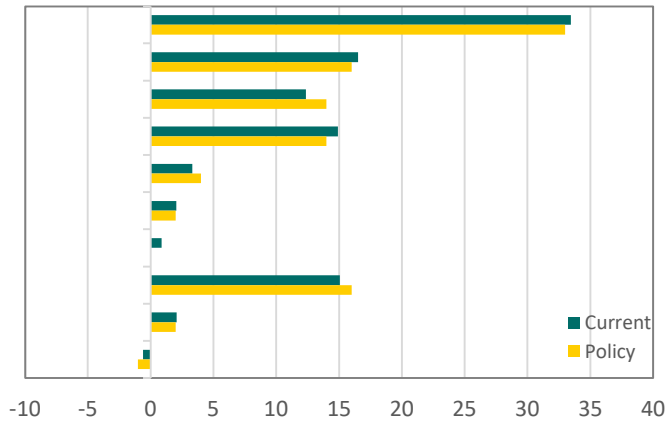
	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month	Fiscal YTD	Cal YTD	Market Value (\$MM)
Leverage	n/a	n/a	n/a	n/a	1.6	0.6	1.1	n/a	(704)
<i>Benchmark</i>	n/a	n/a	n/a	n/a	1.5	0.5	1.0	n/a	

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

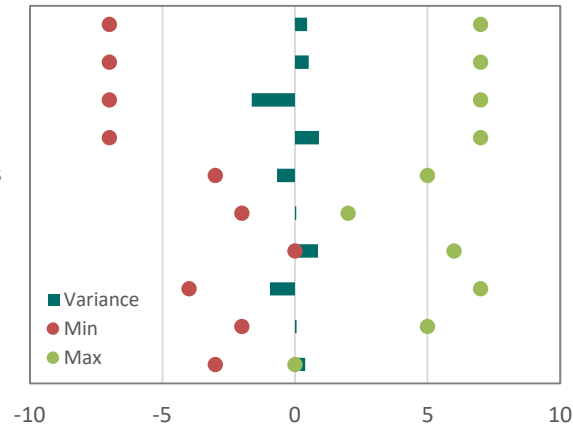
Asset Allocation Report

August 31, 2024

Absolute Weights (%)



Active Weights & Limits (%)



Tracking Error (%)	
5Yr Fund	2.3
5Yr Public	1.7

Asset Class	Billions (\$)	Weights (%)					
		Current	Policy	Variance	Min	Max	Internal
Public Equity	38.6	33.5	33.0	0.5	26	40	51
Private Equity	19.1	16.5	16.0	0.5	9	23	0
Real Assets	14.3	12.4	14.0	-1.6	7	21	0
Credit Strategies	17.2	14.9	14.0	0.9	7	21	0
Diversifying Strategies	3.8	3.3	4.0	-0.7	1	9	0
Private Investment Partnerships (PIP)	2.4	2.0	2.0	0.0	0	4	0
Exposure Management Portfolio (EMP)	1.0	0.9	0.0	0.9	0	6	0
Fixed Income	17.4	15.1	16.0	-0.9	12	23	95
Cash	2.4	2.1	2.0	0.1	0	7	0
Leverage	-0.7	-0.6	-1.0	0.4	-3	0	0
Total Fund (Net Market Value)	115.4	100.0	100.0	0.0	<i>n.a.</i>	<i>n.a.</i>	31
Total Fund (Gross Market Value)	116.1	100.6	101.0	-0.4	<i>n.a.</i>	<i>n.a.</i>	0

Exposures by Policy Groups

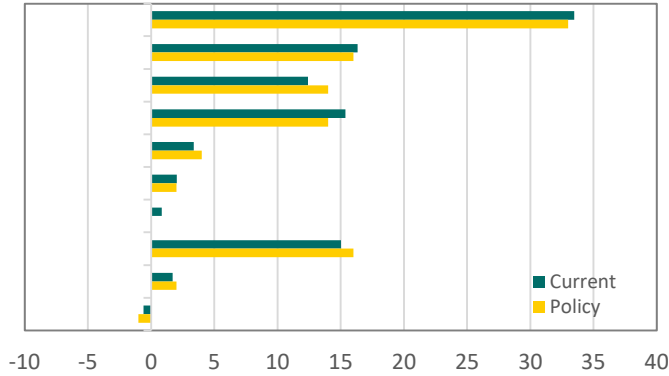
Public + Private Equity	57.7	50.0	49	1.0	39	59	<i>n.a.</i>
Fixed Income + Cash	19.8	17.1	18	-0.9	12	27	<i>n.a.</i>

- Total Fund includes the following amount held by the Treasurer of VA: \$ 58 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 06/30/2024.
- Differences in totals are due to rounding

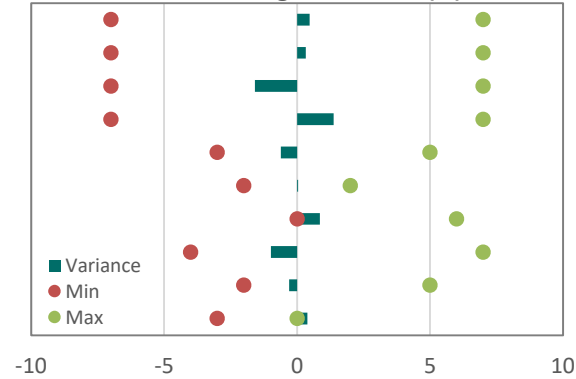
Daily Asset Allocation Report

October 8, 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	38.9	33.5	33	0.5	26	40	50
Private Equity	19.0	16.3	16	0.3	9	23	0
Real Assets	14.4	12.4	14	-1.6	7	21	0
Credit Strategies	17.8	15.4	14	1.4	7	21	0
Diversifying Strategies	3.9	3.4	4	-0.6	1	9	0
Private Investment Partnerships (PIP)	2.4	2.0	2	0.0	0	4	0
Exposure Management Portfolio (EMP)	1.0	0.9	0	0.9	0	6	0
Fixed Income	17.4	15.0	16	-1.0	12	23	95
Cash	2.0	1.7	2	-0.3	0	7	0
Leverage	-0.7	-0.6	-1	0.4	-3	0	0
Total Fund (Net Market Value)	116.1	100.0	100	0.0	<i>n.a.</i>	<i>n.a.</i>	31
Total Fund (Gross Market Value)	116.8	100.6	101	-0.4	<i>n.a.</i>	<i>n.a.</i>	0

Exposures by Policy Groups

Public + Private Equity	57.8	49.8	49	0.8	39	59	<i>n.a.</i>
Fixed Income + Cash	19.4	16.7	18	-1.3	12	27	<i>n.a.</i>

- Total Fund includes the following amount held by the Treasurer of VA: \$ 114 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

Program	Action	Effective Date	Commitment/ Current Value	Funding/ Defunding Period	Description
Credit Strategies	Hired	09/24/2024	\$500 Million	3 years	Apollo Libra – A closed-end, separately managed account focused on opportunistic credit.
Diversifying Strategies	Hired	09/20/2024	\$37.5 Million	Immediate	NISA Alpha Strategies – A multi-asset absolute return strategy.
Real Assets	Hired	09/26/2024	\$200 Million	3 years	AMLI Residential III- A joint venture with an experienced apartment operator focused on core, class A properties in select target markets in the U.S.

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

Investment Program	Activity	Manager Name	Description	VRS Action
Public Equity	On-Going Monitoring of Current VRS Manager	Ariel Global (minority and women-owned firm) ¹	Current VRS global equity manager.	Staff performed on-going due diligence and monitoring of current VRS manager during the quarter.
Public Equity	Manager Meeting	Axiom Investors (minority-owned firm) ²	Manager focused on global, international, emerging and U.S. small-cap strategy.	Staff had an update call with manager to discuss their company and strategy.
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	Communication with Fund Manager	A1A Investment Partners (women-owned firm) ¹	Manager focused on U.S. healthcare credit and equity fund.	Staff had communication with manager to review materials and received an update.
Credit Strategies	Manager Meeting	Clear Haven (minority-owned firm) ¹	Manager focused on asset-backed credit.	Staff had meeting with manager and discussed their firm and strategy.
Credit Strategies	Communication with Fund Manager	DSC Meridian (minority-owned firm) ¹	Manager focused on credit fund.	Staff had communication with manager to review materials and received an update.
Credit Strategies	Communication with Fund Manager	Three Line Capital (minority-owned firm) ¹	Manager focused on opportunistic credit.	Staff had communication with manager to review materials and received an update.
Credit Strategies	Communication with Fund Manager	VWH Capital Management (minority and women-owned firm) ¹	Manager focused on residential mortgages.	Staff had communication with manager to review materials and received an update.

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

Investment Program	Activity	Manager Name	Description	VRS Action
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) ¹	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) ¹	Current VRS real estate manager.	Staff performed on-going due diligence and monitoring of current VRS women-owned manager during the quarter.
Real Assets	On-Going Monitoring of Current VRS Manager	Capri EGM (minority-owned firm) ¹	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) ¹	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) ¹	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 September 30, 2024

Investment Program	Activity	Manager Name	Description	VRS Action
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	Virtual Manager Meeting	MURAL Real Estate Partners (minority and women-owned firm) ¹	Manager focused on mixed-use real estate development and neighborhood development in the U.S.	Staff had an introductory meeting with manager to discuss their current fundraise, market update, and firm background.
Real Assets	Manager Meeting	Sagehall Partners (minority-owned firm) ¹	Opportunistic real estate manager focused primarily on the Northeastern U.S.	Staff held an update meeting with manager to discuss current funds, market update, and firm updates.
Private Equity	Virtual Manager Meeting	Dynasty Equity (minority-owned firm) ¹	A buyout fund investing across the sports ecosystem.	Staff had a meeting with manager during the quarter.
Private Equity	Virtual Manager Meeting	Muller & Monroe (minority-owned firm) ¹	A fund of funds manager primarily focused on high performing, lower middle market, private equity managers.	Staff had a meeting with manager during the quarter.
Private Equity	Virtual Manager Meeting	New Majority Capital (minority-owned firm) ¹	A venture capital firm investing with business owners through acquisition.	Staff had a meeting with manager during the quarter.
Private Equity	Virtual Manager Meeting	RockCreek Group (minority and women-owned firm) ¹	A global multi-asset class investment firm.	Staff had a meeting with manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	Clearlake Capital Partners (minority-owned firm) ¹	Large market buyout fund targeting companies across various industry sectors.	Staff had communication with manager during the quarter.

October 17, 2024 Board Meeting

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

Investment Program	Activity	Manager Name	Description	VRS Action
Private Equity	On-Going Monitoring of Current VRS Manager	Asia Alternatives (minority and women-owned firm) ¹	A fund of funds manager focusing on alternative investments in Asia.	Staff had a meeting with manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	TSG Consumer Partners (women-owned firm) ²	Growth fund investing exclusively in middle market consumer-branded companies.	Staff had a meeting with manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	Veritas Capital (minority-owned firm) ²	Middle market buyout fund targeting primarily technology or technology-enabled solutions to government.	Staff had communication with manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	Vista Equity Partners (minority-owned firm) ¹	Large market buyout fund targeting enterprise software companies.	Staff had communication 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.

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 September 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.



**Accept the Plan Actuary's Valuations as of
June 30, 2024, for the Five Statewide Retirement Plans,
Group Life Insurance, and Health Insurance Credit Plans
for State and Teachers.**

Requested Action

The Virginia Retirement System Board of Trustees accepts the June 30, 2024, Actuarial Valuations conducted by the VRS plan actuary, Gabriel, Roeder, Smith & Company, for the Five Statewide Retirement Plans, Group Life Insurance, and the Health Insurance Credit Plans for both State and Teachers.

Description/Background

The VRS plan actuary conducts actuarial valuations annually as of the close of the fiscal year (June 30). The results of the valuations are used to establish employer contribution rates in odd-numbered years. The results in even-numbered years are shared with the Board of Trustees to inform the Board of any emerging trends or indications of the magnitude and direction of contribution rates.

Authority for Requested Action

Code of Virginia § 51.1-124.22(A)(3) authorizes the Board to employ an actuary as its technical advisor for the administration of the Retirement System.

The above action is approved.

A. Scott Andrews, Chair
VRS Board of Trustees

Date



June 30, 2024 Annual Actuarial Valuation Results

**Presenters: Becky Stouffer, ASA, MAAA, FCA,
Kurt Dosson, ASA, MAAA & Jim Anderson, FSA, EA, MAAA, FCA**



October 17, 2024

Agenda

- Big Picture – Pension & OPEB
- Highlights of 2024 Pension Valuations
- Highlights of 2024 OPEB Valuations
- Looking Ahead
- Appendix



A man in a dark suit and light blue shirt is pointing his right index finger towards the camera. The background is a blurred cityscape with digital overlays. On the right side, there are three circular icons: a group of three people, a money bag with a dollar sign, and a lightbulb with a magnifying glass. The text 'BIG PICTURE' is overlaid in large, white, bold letters with a blue glow effect.

BIG PICTURE

BIG PICTURE – PENSION/OPEB

Big Picture: October Meeting Content

Pension Valuations	Other Post-Employment Benefits (OPEB) Valuations
Virginia Retirement System <ul style="list-style-type: none"> • State Employees • Teachers 	Health Insurance Credit (HIC) <ul style="list-style-type: none"> • State Employees • Teachers
Virginia Law Officers (VaLORS)	Group Life Insurance
State Police Officers (SPORS)	Virginia Sickness and Disability Program
Judicial (JRS)	

November Meeting Content: Political Sub. Pension and OPEB; VLDP Results
 HIC – Constitutional Officers, Social Service Employees, Registrars;
 Line of Duty Act Fund



Big Picture: Actuarial Valuation Results

- June 30, 2024 Actuarial Valuations of VRS Pension and OPEB plans are informational
 - Measure funding progress as of June 30, 2024
 - Develop inputs for use in June 30, 2025 valuations

Odd year valuations determine contribution rates for 2 years



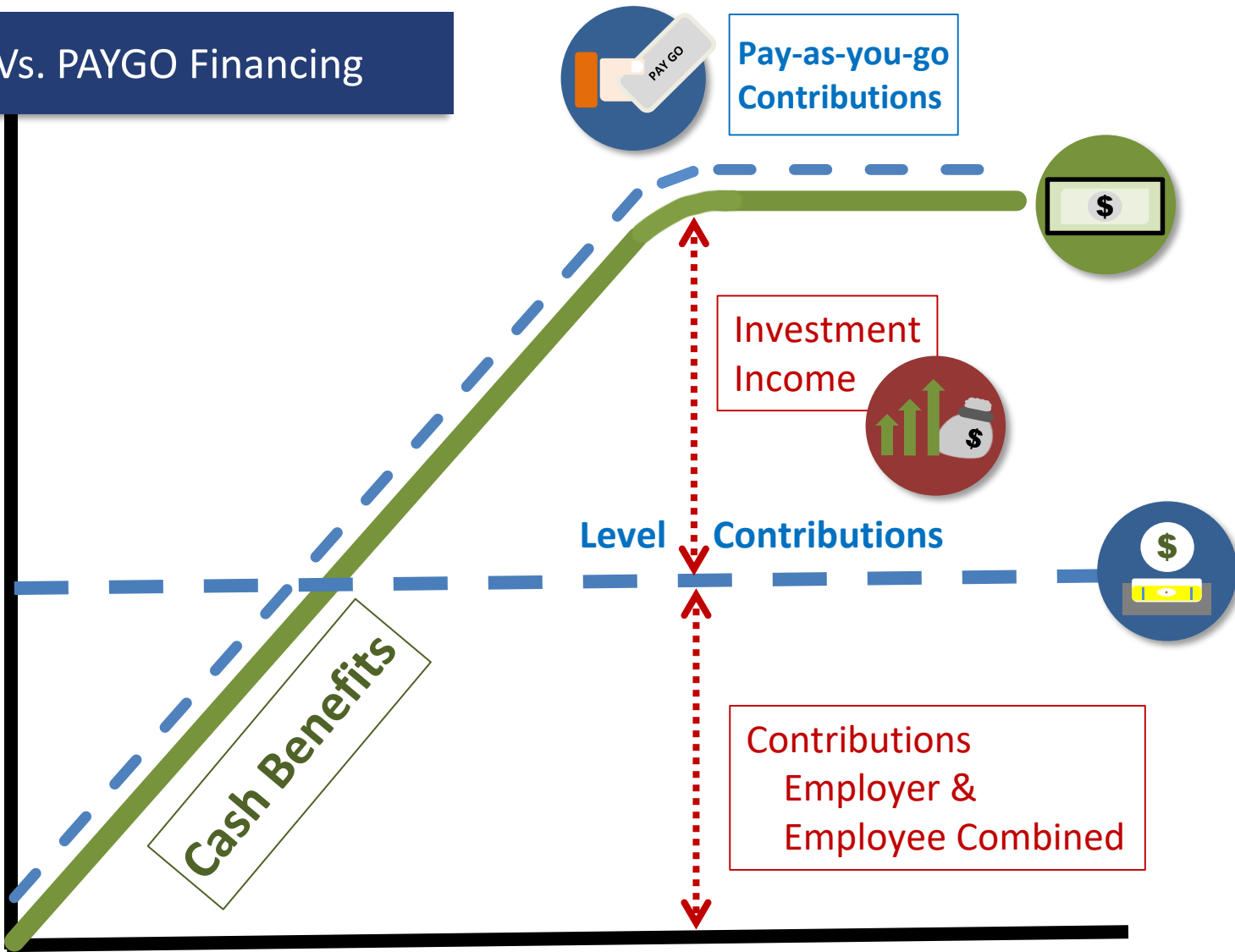
Big Picture: General Funding Objectives

- Intergenerational equity with respect to plan costs
- Stable or increasing ratio of assets to liabilities
- Stable pattern of contribution rates



Pre-funding Vs. PAYGO Financing

% of Active Employee Pays

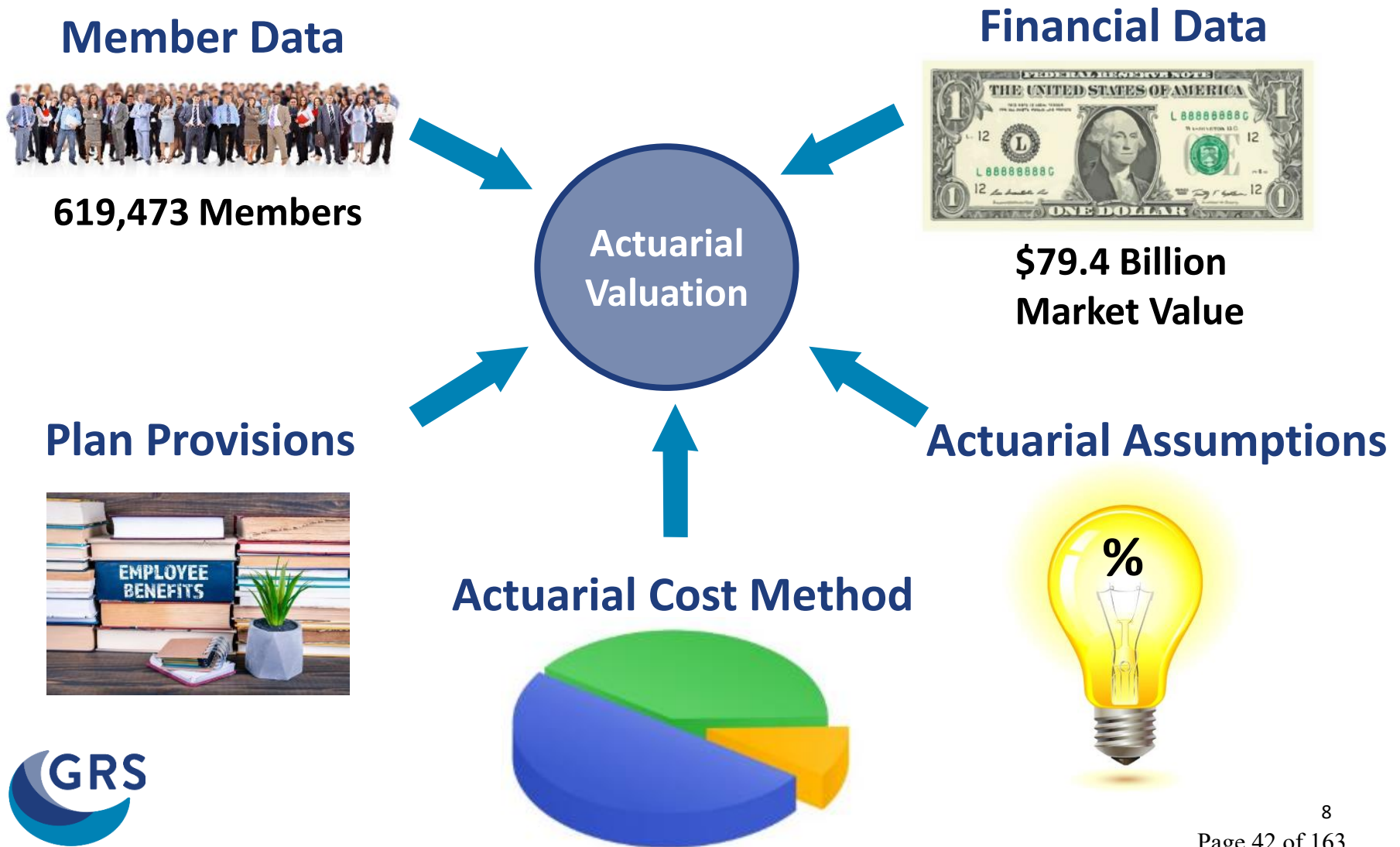



Start

50 Years of Time



Big Picture: Actuarial Valuation Process – (Statewide Pension Excluding Political Subdivisions)



The background of the slide features three spotlights at the top, each casting a beam of light onto a white podium on a stage. The stage and podium are set against a light blue background.

JUNE 30, 2024

VALUATION RESULTS HIGHLIGHTS



Active Participants at June 30, 2024

System	Plan 1	Plan 2	Hybrid	Total 2024	Total 2023	Percent Change
State	22,908	12,305	44,804	80,017	76,876	4.1%
Teachers	51,441	25,981	79,082	156,504	153,107	2.2%
SPORS	869	1,021	-	1,890	1,882	0.4%
VaLORS	1,557	5,750	-	7,307	7,478	-2.3%
JRS	119	37	315	471	458	2.8%



Actives: Changes in Average Salary

System	2023	2024	Percent Change	% Change Continuing ¹
State	\$ 70,880	\$ 74,725	5.4%	3.4%
Teachers	63,137	67,096	6.3%	3.8%
SPORS	89,591	93,376	4.2%	2.9%
VaLORS	53,238	55,804	4.8%	2.2%
JRS	192,994	202,466	4.9%	1.2%

¹Actual pay increase over expected pay for continuing actives

Note: Return to Work Payroll for 251 positions (198 Teachers) = \$16 million



Actuarial Value Assets: State Employees Pension in \$ Millions – 9.9%/8.6% MVA/AVA Return

	2024	2025	2026	2027	2028
Actual Investment Return	2,238				
Assumed Investment Return	1,551				
Gain/(Loss) to be Phased-in	686				
Phased-in Recognition					
-Current year	137	?	?	?	?
-1 st prior year	(13)	137	?	?	?
-2 nd prior year	(313)	(13)	137	?	?
-3 rd prior year	762	(313)	(13)	137	?
-4 th prior year	(181)	762	(313)	(13)	137
Total Recognized Gain/(Loss)	392	573	(189)	124	137

2025-2028: Expect \$645 million in deferred asset GAINS
Other VRS Plans had similar asset experience



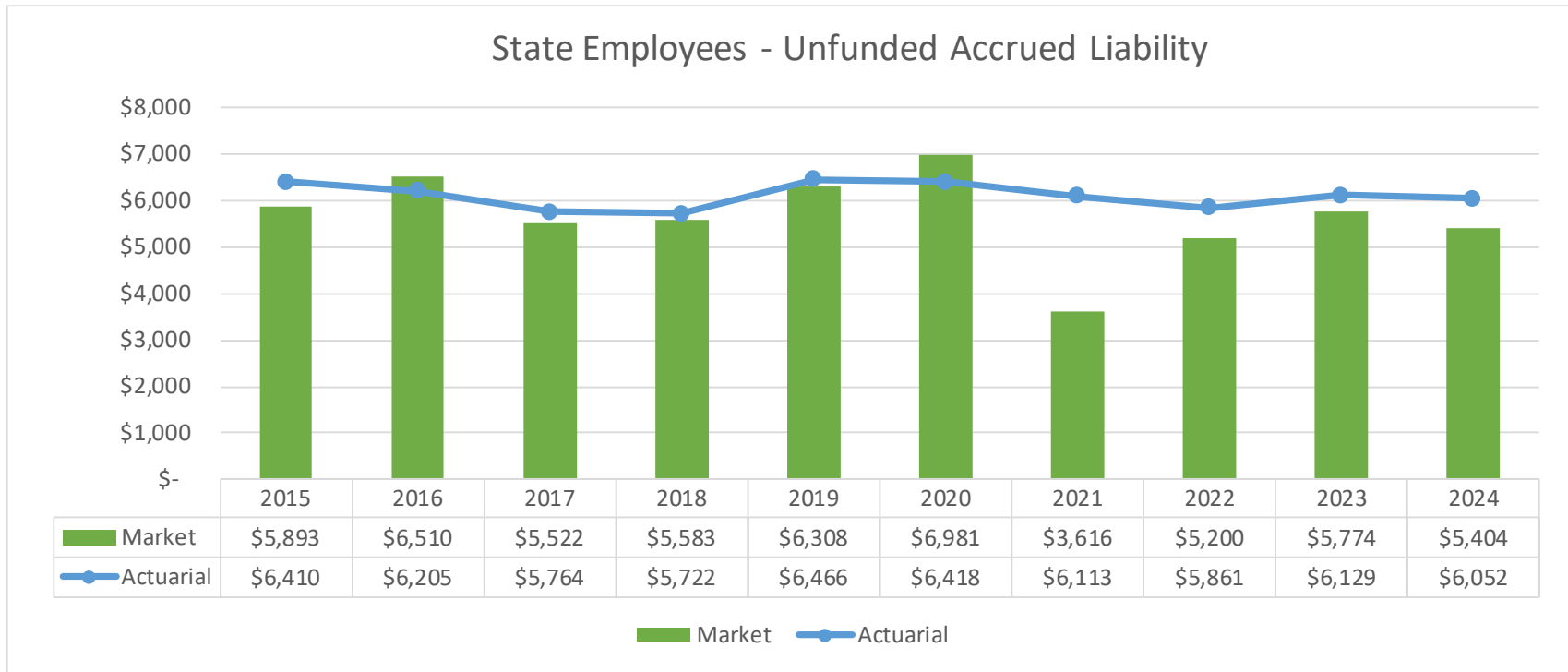
Why We Smooth Asset Returns

VRS Code Section 51.1-145:

- The total annual defined benefit employer contribution for each employer, expressed as a percentage of the annual membership payroll, shall be determined in a manner so as to remain relatively level from year to year.*



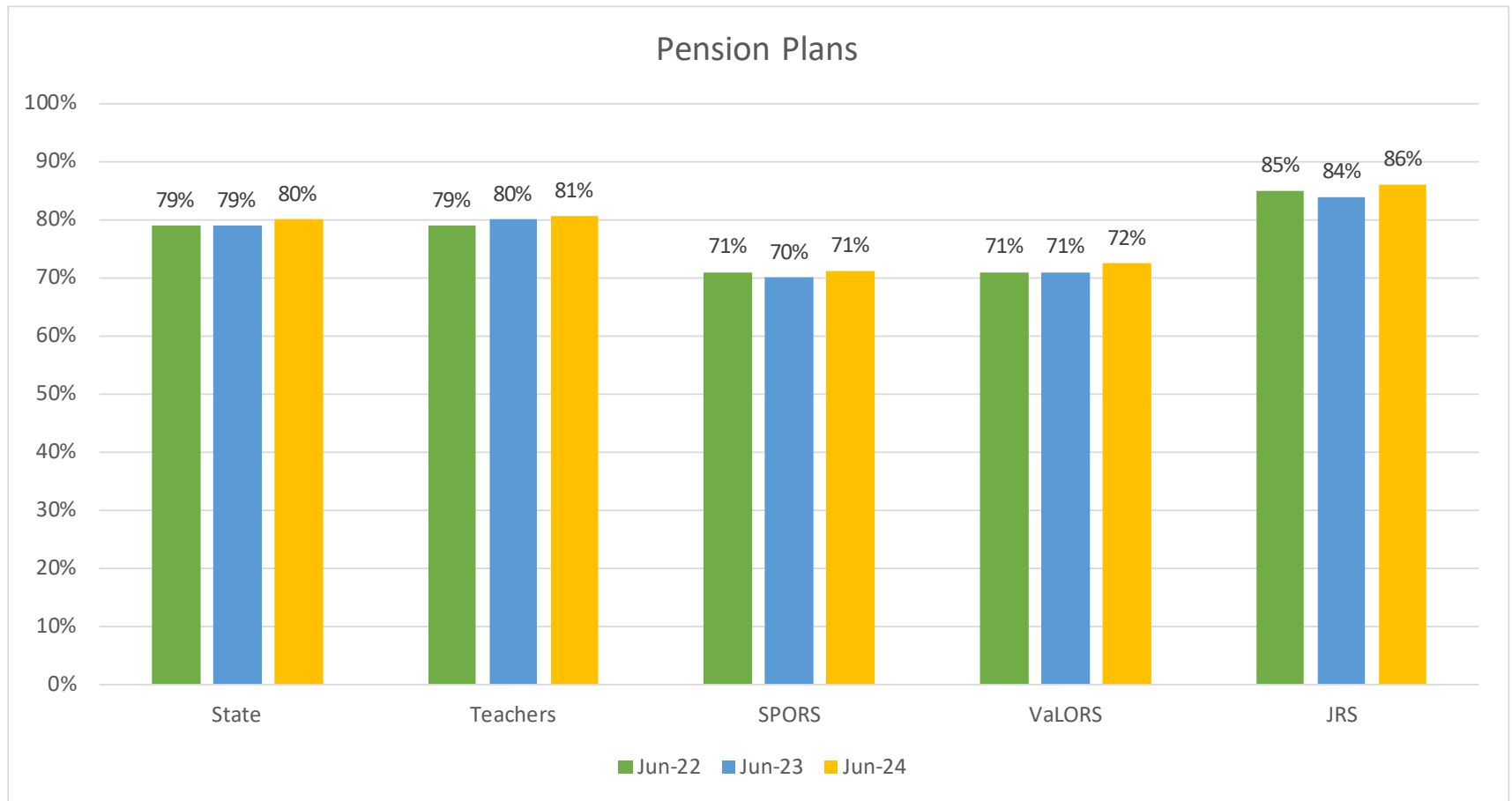
Why We Smooth Asset Returns



Unfunded liabilities will trend to Market Value basis over time
 - Other VRS Retirement Plans have similar patterns



Funded Status (AVA) – Pension Plans



Calculated Employer Contributions

- Will vary significantly for System, Plan, and Employer based on:

Benefit Features

Demographics

Funded Status



- Two Main Components:

Normal Cost – this represents the cost of the current year benefit earned by each active member

Amortization of Unfunded Liability – uses a systematic method (funding policy) to pay off the unfunded liability for each employer

Legislative Updates

- **HB 70/SB 458**- effective July 1, 2024, allows VRS members in any federally established branch of armed services¹ to purchase service credit for prior full-time active duty military service of at least 180 consecutive days

¹Prior law only included Army, Navy, Air Force, Marines, or Coast Guard



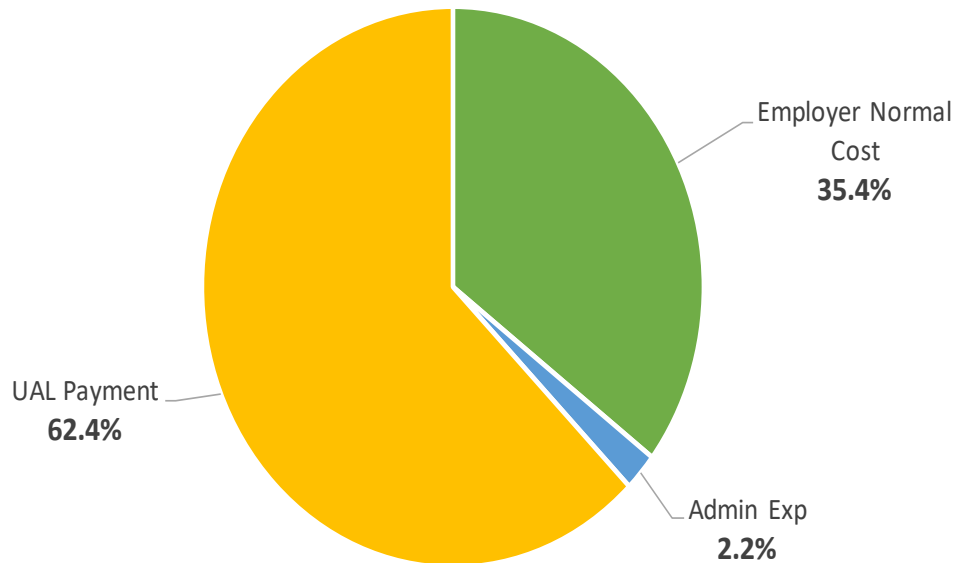
Legislative Updates

- **HB 1312 & 1401**- Adds VaLORS for DCR conservation officers & Dept of Military Affairs firefighters
 - For service earned on or after 7/1/2025
 - HB 1312 must pass again next session before becoming effective June 1, 2025



Calculated Defined Benefit Employer Pension Contributions – State Employees

State Employer Rate



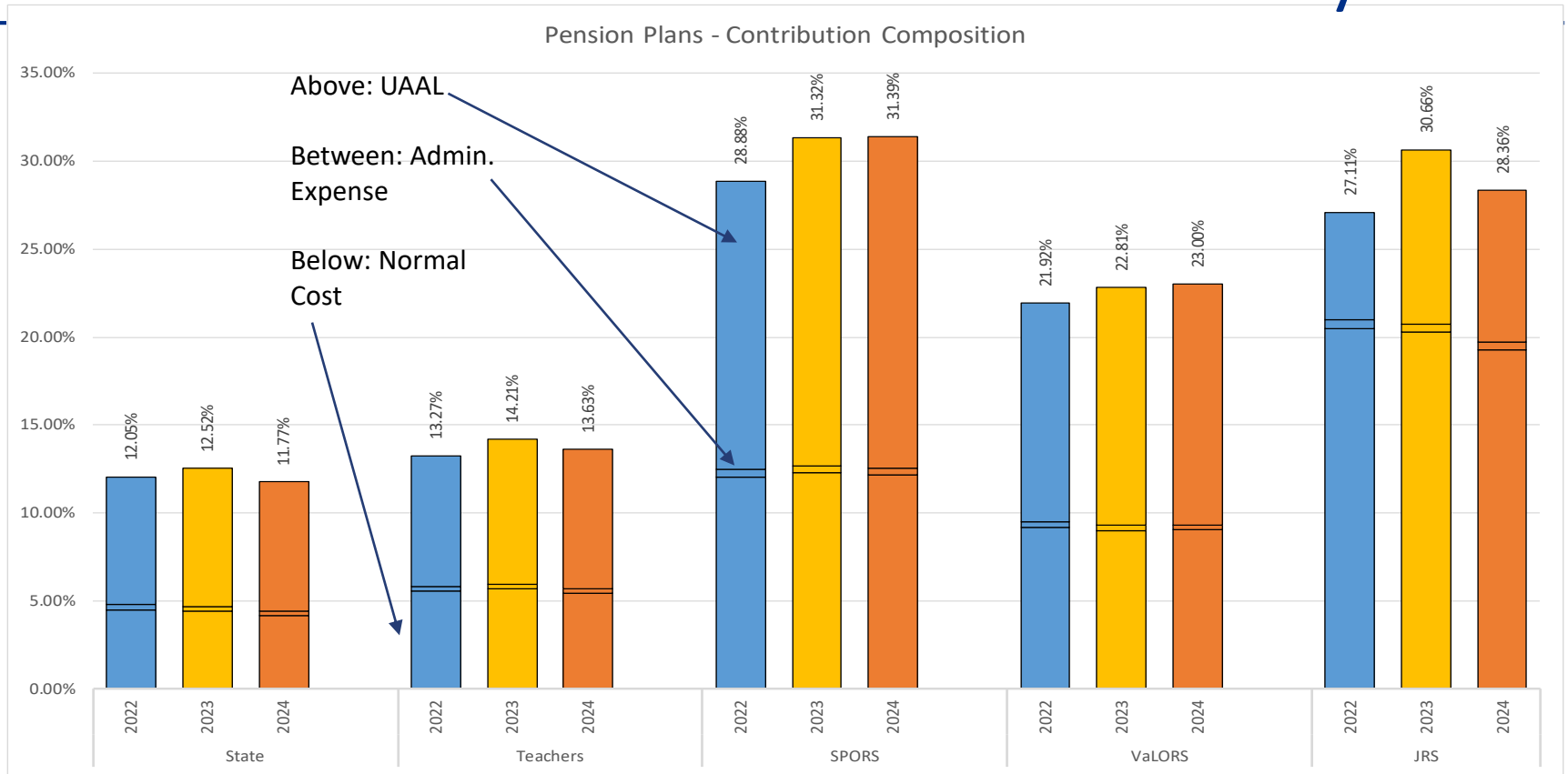
Normal Cost ultimately decreases to Plan 2/Hybrid level

Component	% of Pay
Employer NC	4.17%
Admin Exp	0.26%
UAL Payment	7.34%
Total	11.77%

UAL amortization payment = majority of the contribution for pension plans (other than JRS)



Actuarially Determined Employer Contribution Rates – Pension Plans Defined Benefit Only



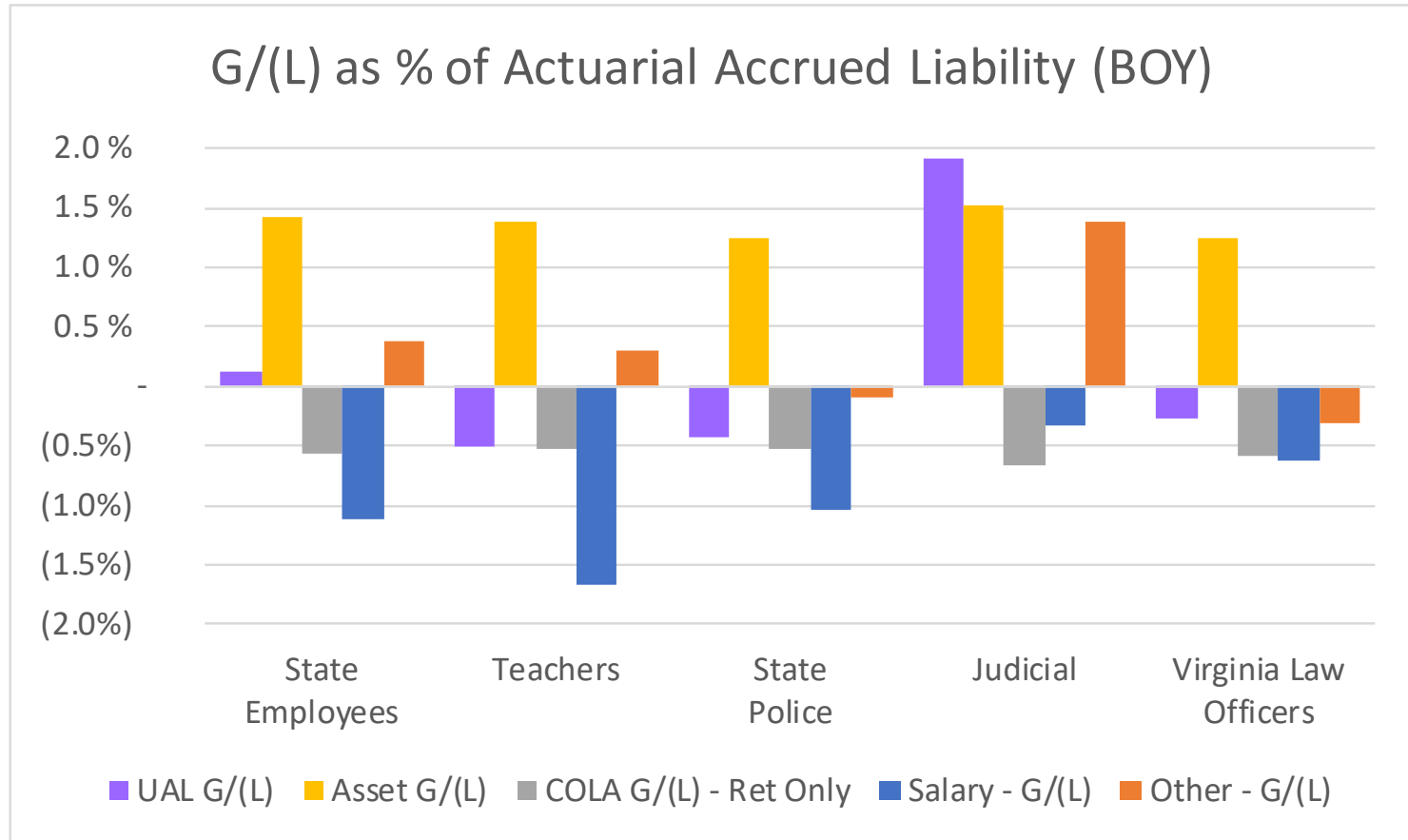
	State			Teachers			SPORS			VaLORS			JRS		
	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024
Normal Cost*	4.77%	4.65%	4.43%	5.82%	5.96%	5.71%	12.45%	12.64%	12.55%	9.49%	9.27%	9.33%	20.98%	20.74%	19.70%
Accrued Liability	7.28%	7.87%	7.34%	7.45%	8.25%	7.92%	16.43%	18.68%	18.84%	12.43%	13.54%	13.67%	6.13%	9.92%	8.66%
Total	12.05%	12.52%	11.77%	13.27%	14.21%	13.63%	28.88%	31.32%	31.39%	21.92%	22.81%	23.00%	27.11%	30.66%	28.36%



* Includes Administrative Expense

Additional contribution of 1.0%-3.5% of Hybrid payroll also required for Plans with Hybrid benefit tier

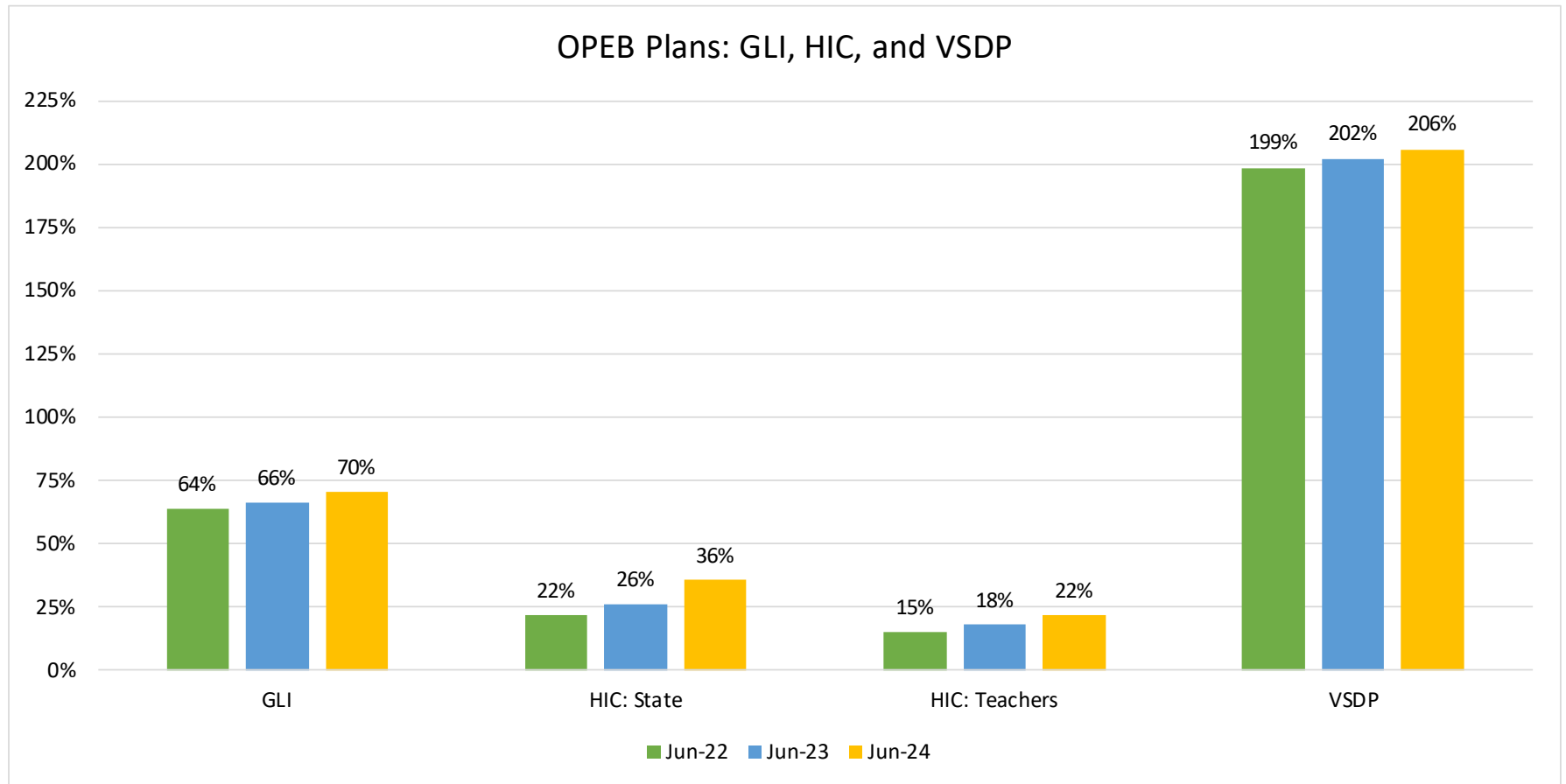
Pension Gain/Loss Commentary (%s)



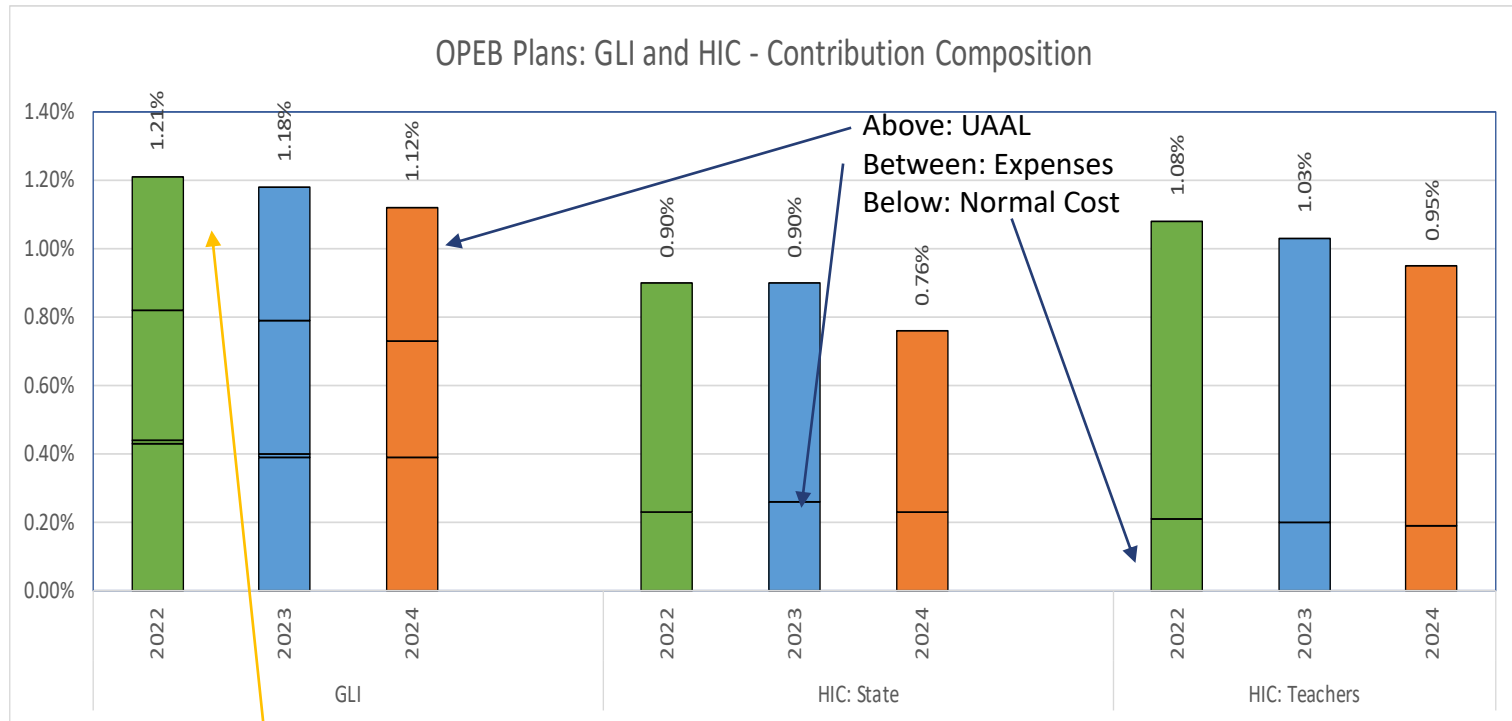
Actual COLA/Assumption: Plan 1 = 3.56%/2.5%
 Plan 2/Hybrid = 3.0%/2.25%



Funded Status (AVA) – OPEB Plans



Actuarially Determined Employer Contribution Rates – OPEB Plans



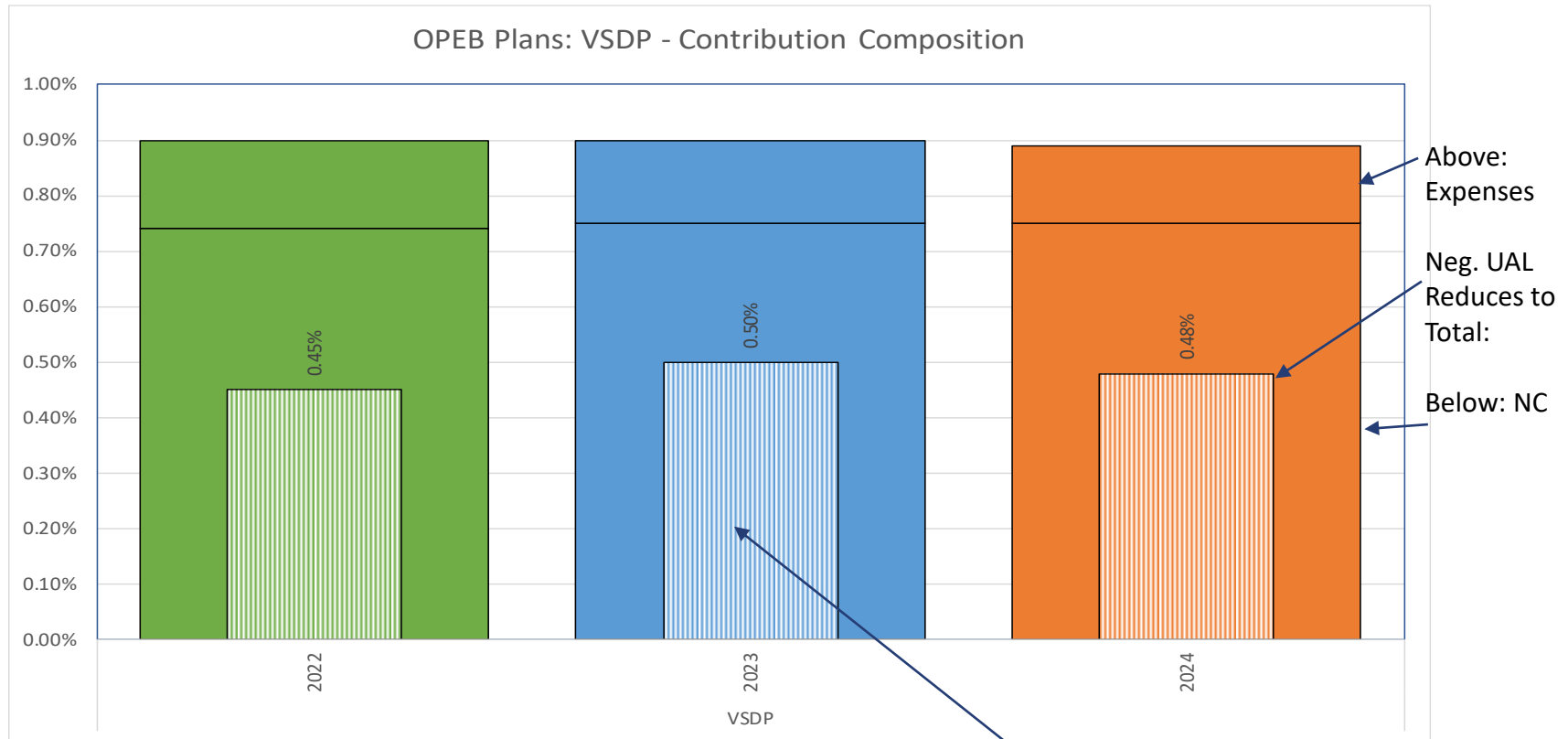
Note top 1/3 of GLI rate reflects active Life Insurance contribution

	GLI			HIC: State			HIC: Teachers		
	2022	2023	2024	2022	2023	2024	2022	2023	2024
Normal Cost*	0.44%	0.40%	0.39%	0.23%	0.26%	0.23%	0.21%	0.20%	0.19%
Accrued Liability^	0.77%	0.78%	0.73%	0.67%	0.64%	0.53%	0.87%	0.83%	0.76%
Total	1.21%	1.18%	1.12%	0.90%	0.90%	0.76%	1.08%	1.03%	0.95%



* Includes Administrative Expense
 ^ Includes Active GLI Adjustment

Actuarially Determined Employer Contribution Rates – OPEB Plans: VSDP



	VSDP		
	2022	2023	2024
Normal Cost*	0.90%	0.90%	0.89%
Accrued Liability	-0.45%	-0.40%	-0.41%
Total	0.45%	0.50%	0.48%

Interior Column: Total Contribution Rate
(UAL credit exists when lower than other components)



* Includes Administrative Expense

VRS Additional Funding Provisions – OPEB

- Additional \$55.1 million contributed from the General Fund to Trust during FY 2024

OPEB Group	Add'l Contrib. 2024	Funded Status Impact	Contrib. Rate Impact
HIC: State	\$52,800,000	4.8%	-0.04%
HIC: C. Off.	\$1,576,017	3.9%	-0.01%
HIC: S. Svcs.	\$723,983	4.9%	-0.01%
TOTAL	\$55,100,000		

Important to get additional funds into OPEB Plans when possible --
Additional \$93.8 million contributed in 2022-2023 for all HIC Groups



Pension Projections

State Employees and Teachers

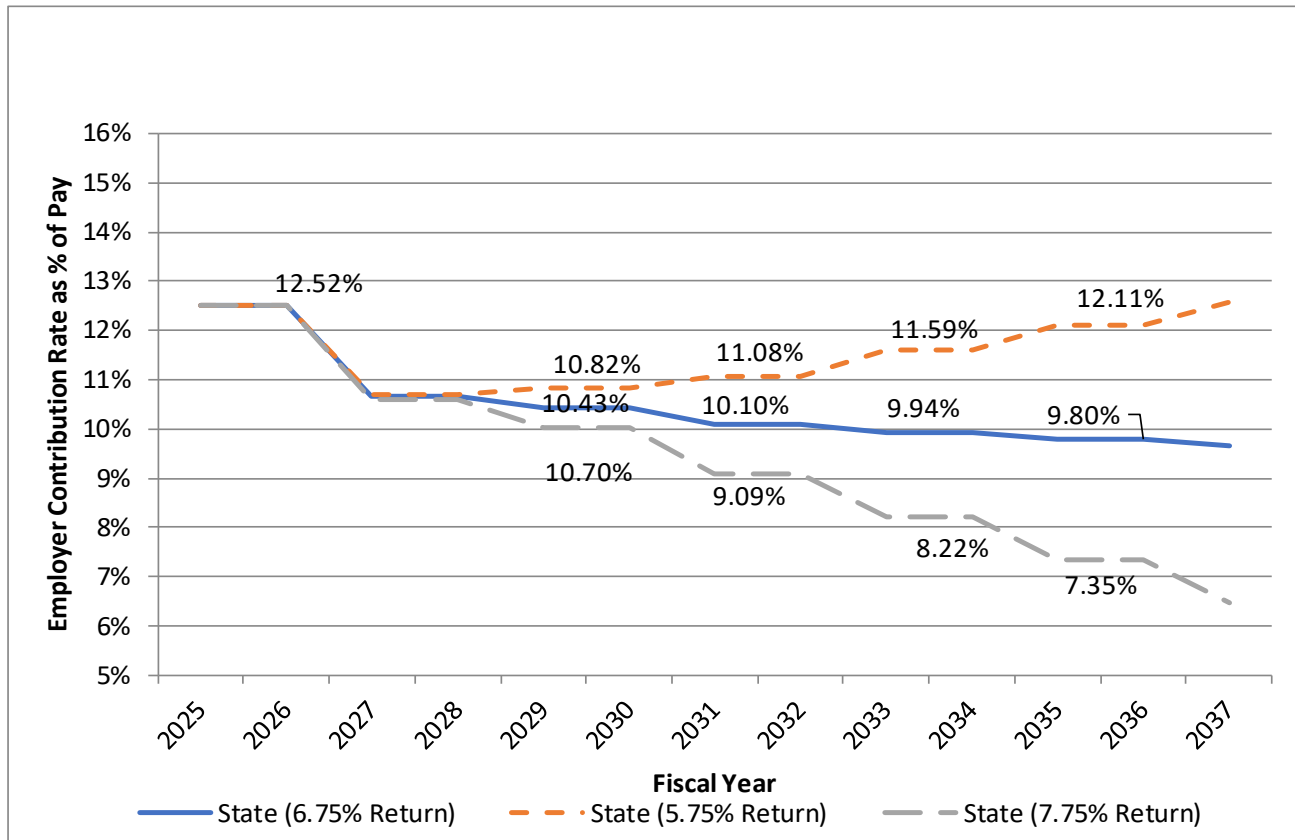
The following pages show projected pension contributions & funded status

- Liabilities are calculated at 6.75%
- Investment returns shown at assumed 6.75% rate and 5.75%/7.75% for sensitivity



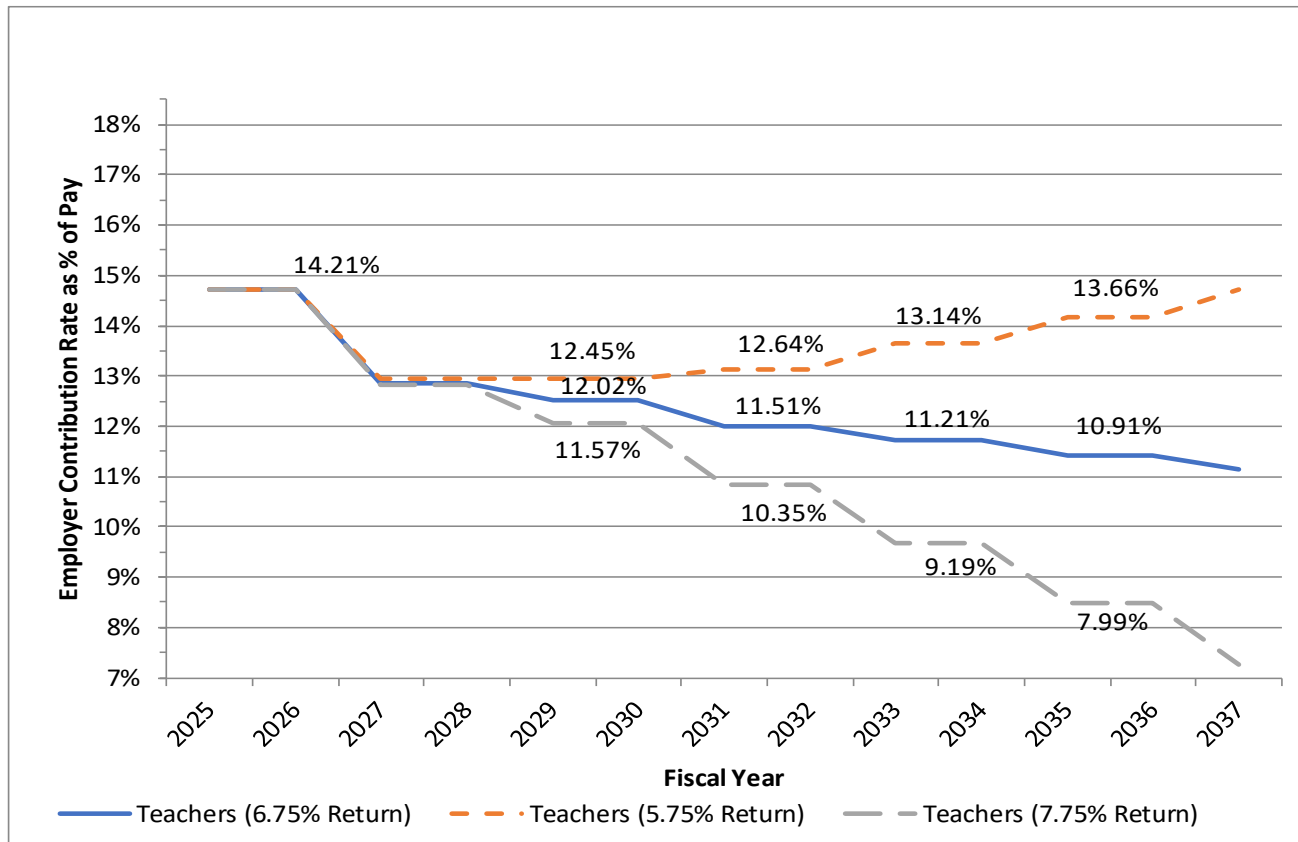
Projected Employer Contribution Rates (Fiscal Year) - Defined Benefit Only

State Employees



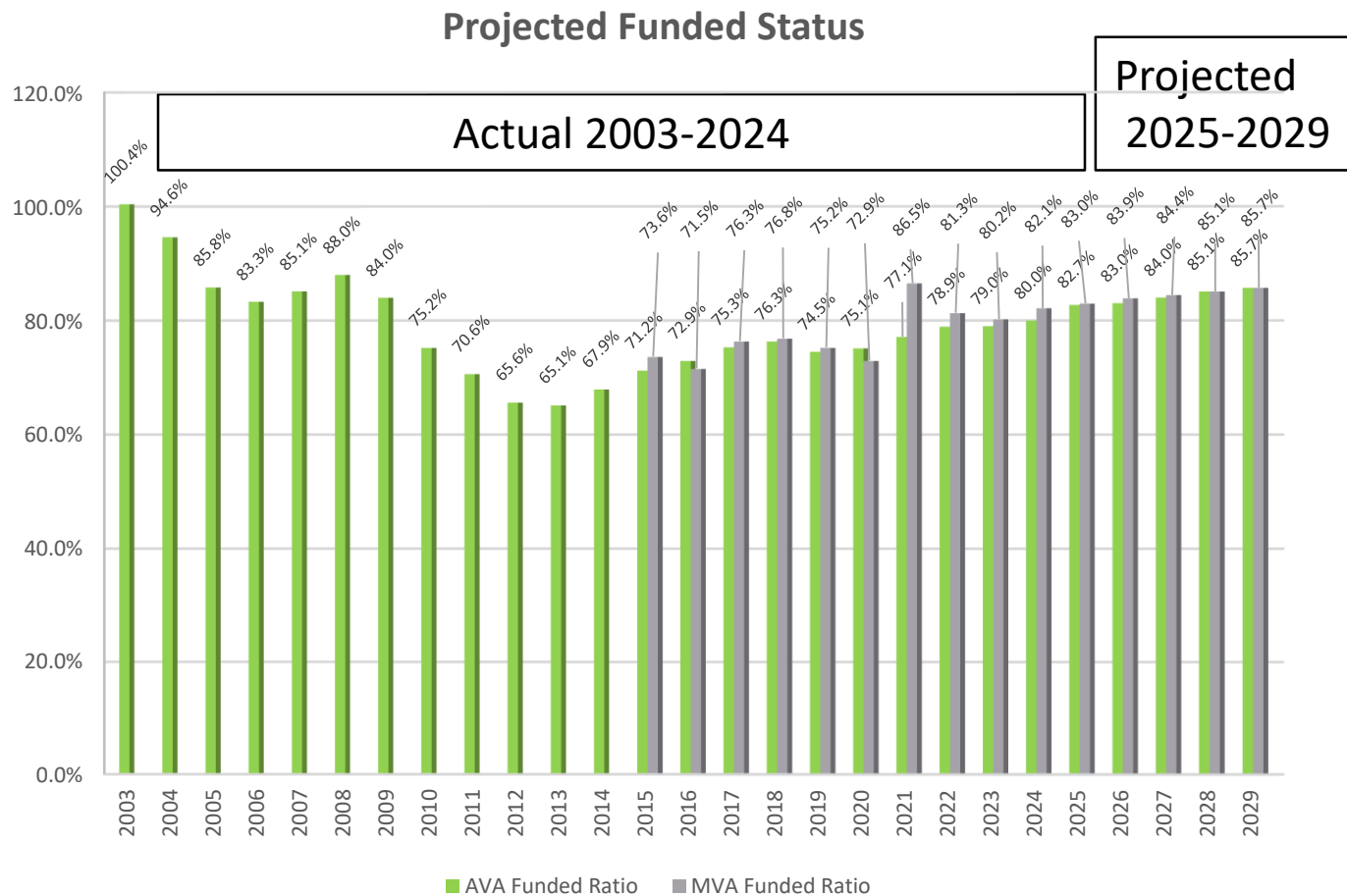
Projected Employer Contribution Rates (Fiscal Year) - Defined Benefit Only

Teachers



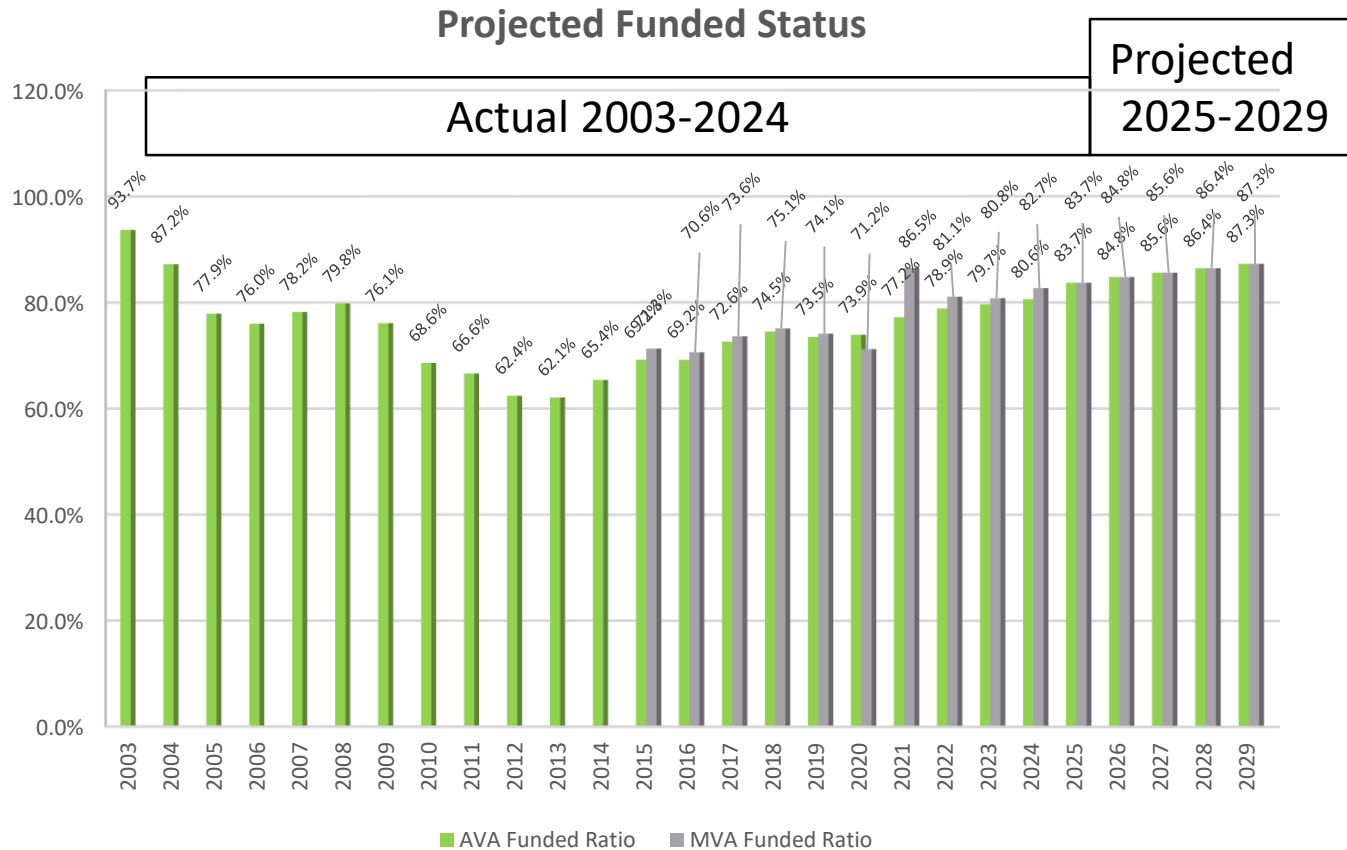
Projected Pension Funded Status

State Employees



Projected Pension Funded Status

Teachers



Conclusion

1. Increased Funded Status on Actuarial Asset Basis

- Higher than expected returns for 2024 valuations,
- Salary and COLA Losses

2. Contributions

- Pension & OPEB rates are mostly consistent with last year's valuation
- Generally, slightly lower rates than those currently being paid



THANK YOU

QUESTIONS

Disclaimers

- This presentation expresses the views of the authors and does not necessarily express the views of Gabriel, Roeder, Smith & Company.
- Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.



Disclaimers

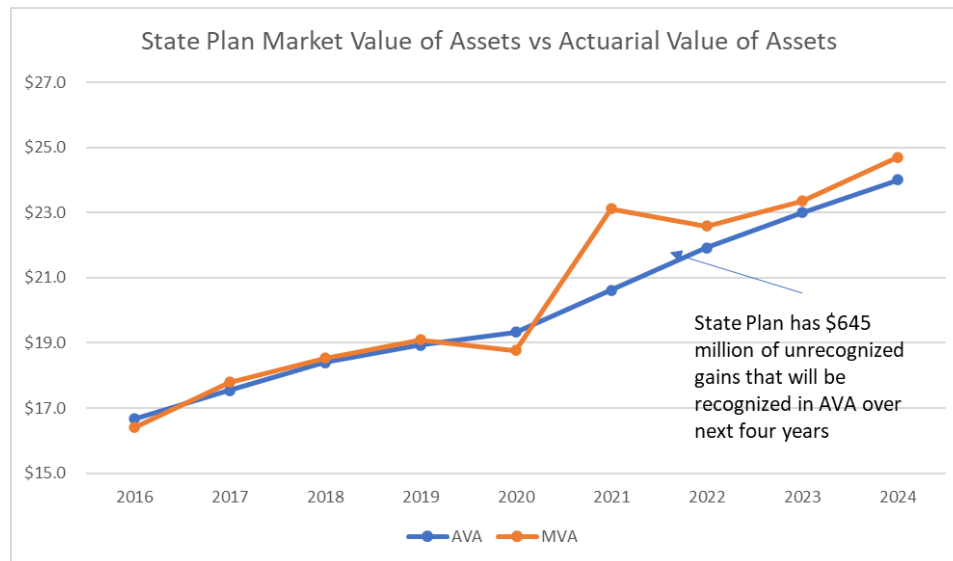
- This presentation is intended to be used in conjunction with the forthcoming actuarial valuation reports. This presentation should not be relied on for any purpose other than the purposes described in the valuation reports.
- This presentation shall not be construed to provide tax advice, legal advice, or investment advice.
- Jim Anderson, Becky Stouffer, and Kurt Dosson are independent of the plan sponsor, are Members of the American Academy of Actuaries (MAAA), and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.



Valuation Highlights – State-Wide Plans

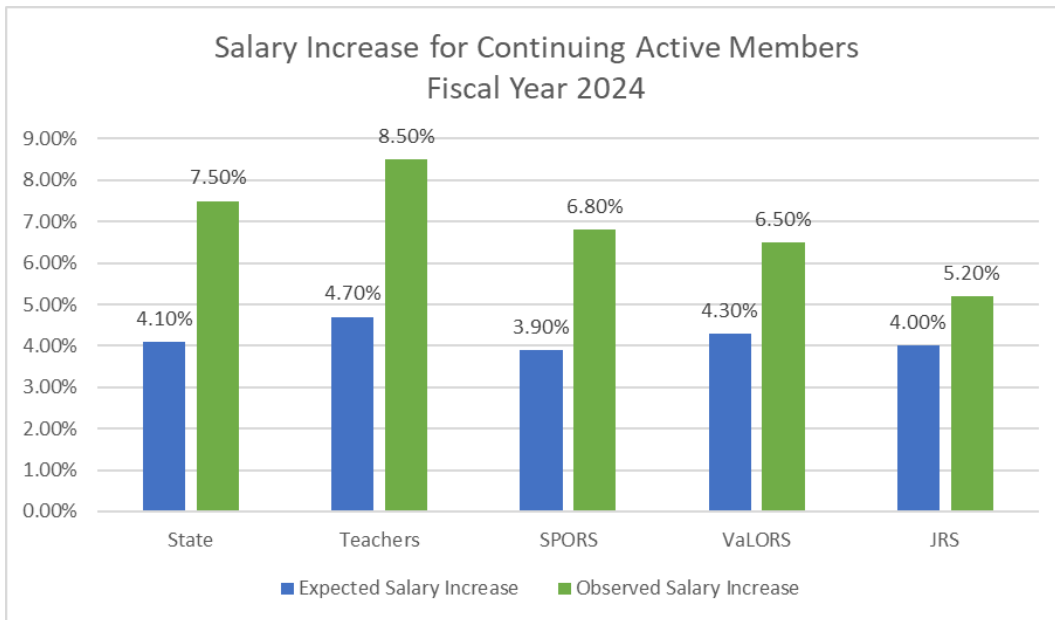
- Investment Returns Exceeded Assumed Rate of Return, 9.9% versus 6.75%
- Higher than expected Salary Increases and COLAs nearly offset Investment Gains
- Increases in Active members in State and Teacher Plans, decreases in Active members in VaLORS
- Progress made on reducing Unfunded Liabilities and improving Funded Status, but large balances still exist
- Quadrennial experience study will take place in spring of 2025. Assumptions will be updated for next rate-setting valuation.

Investment gains will help to moderate future contribution rates and improve Actuarial Value of Assets over next five years

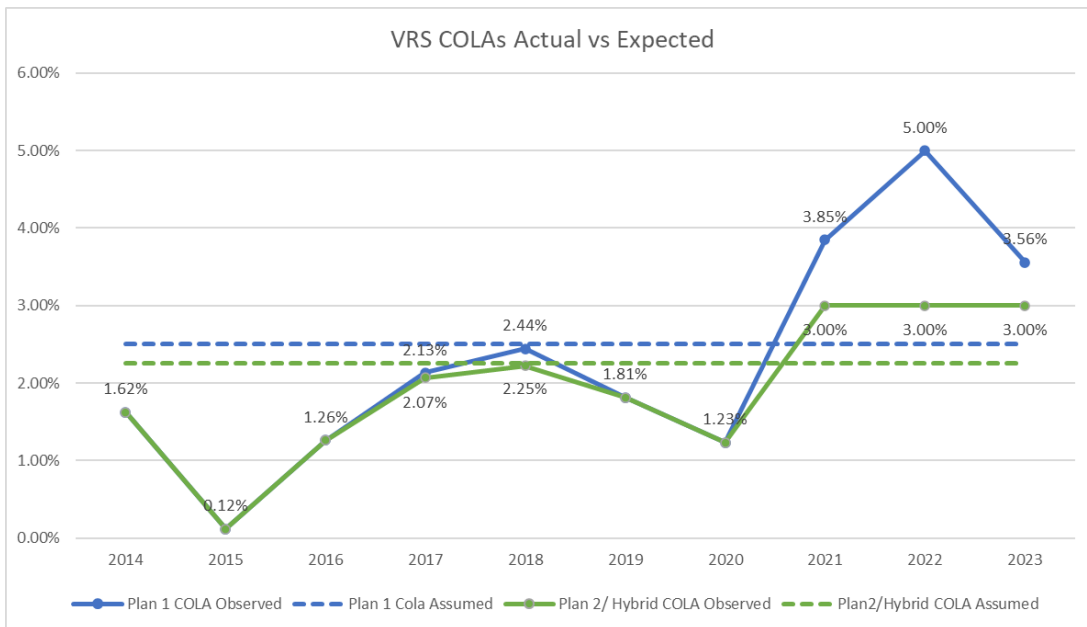


Investment Gains for Fiscal Year 2024 are nearly offset by salary Increases and COLA losses

- **Salary increases exceeded assumed increases in all plans**

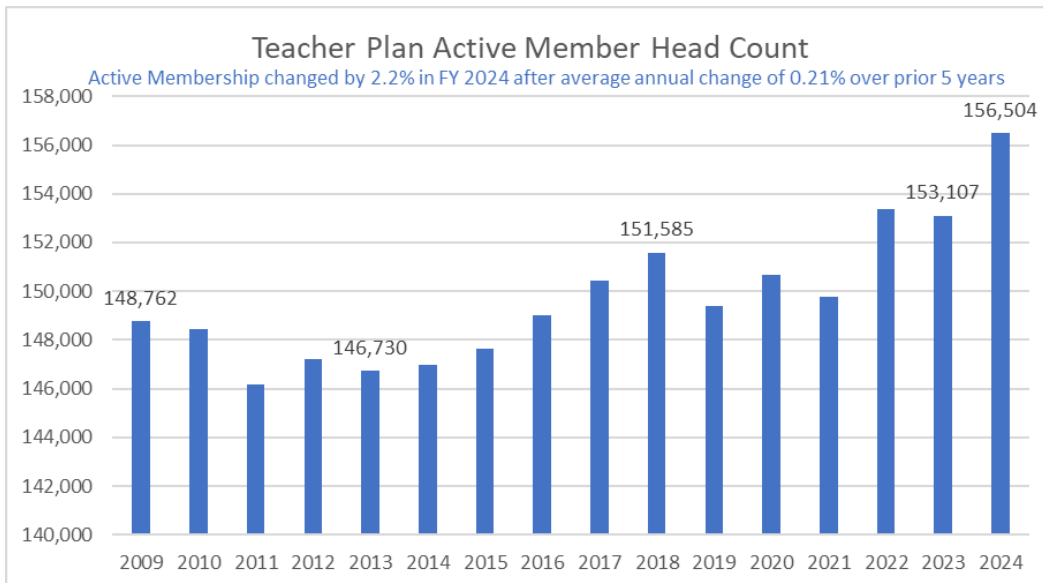
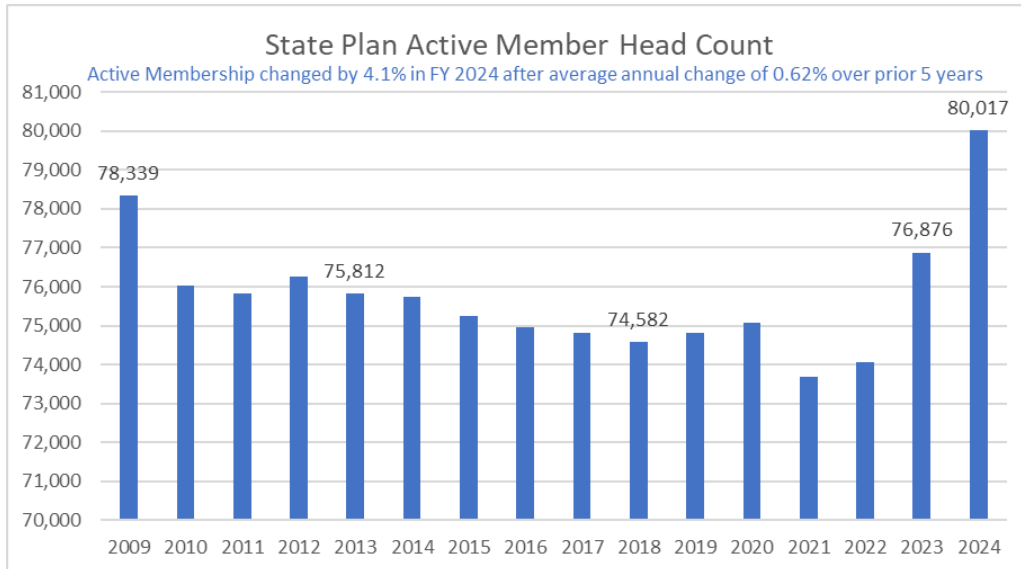


- **COLAs have exceeded the inflation assumption over last three years.**



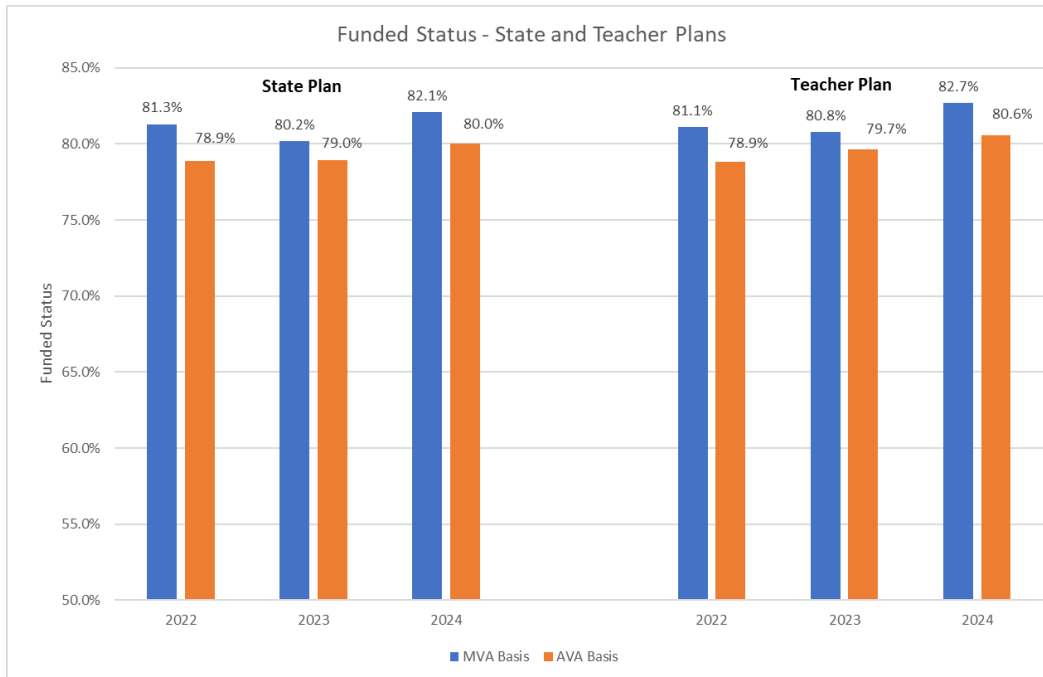
Membership

- Increases in active membership in all plans except VaLORS. Biggest increases in State and Teachers plans.
- State plan increases highlighted by increases in higher education along with new state agencies.
- Teacher population increases of approximately 3,400 consist of approximately one-third teachers and two-thirds administrative support.
- Decreases in VaLORS highlighted by reductions in Dept of Corrections (Augusta and Sussex closings along with reductions in active populations at several other Corrections facilities)

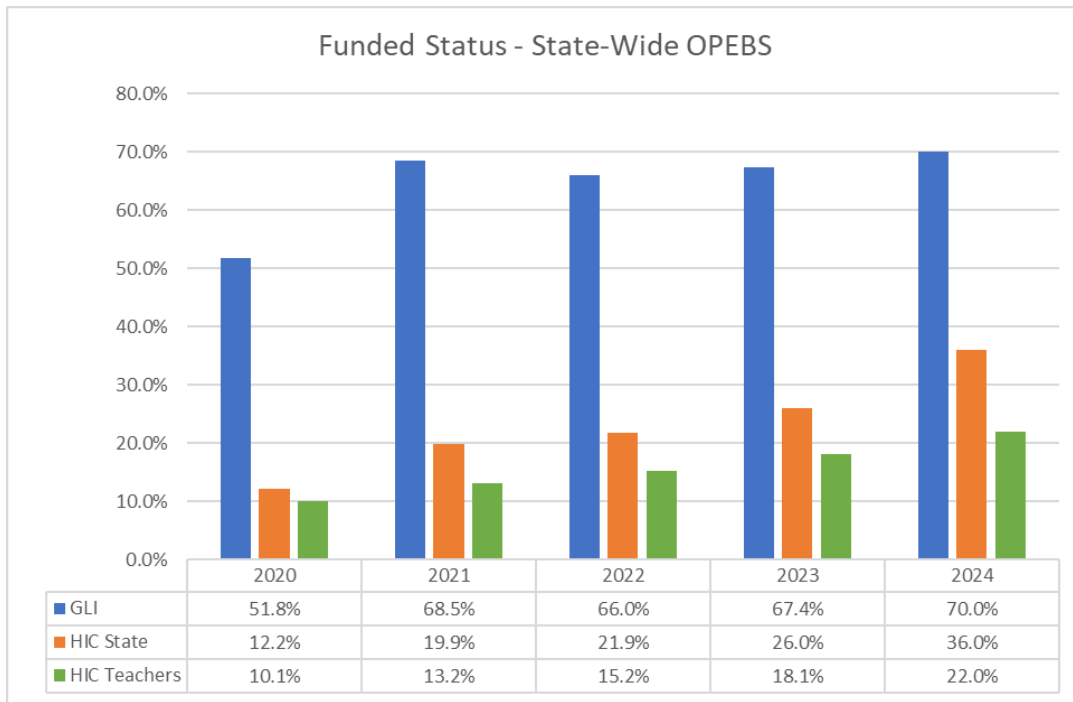


Unfunded Liabilities and Funded Status

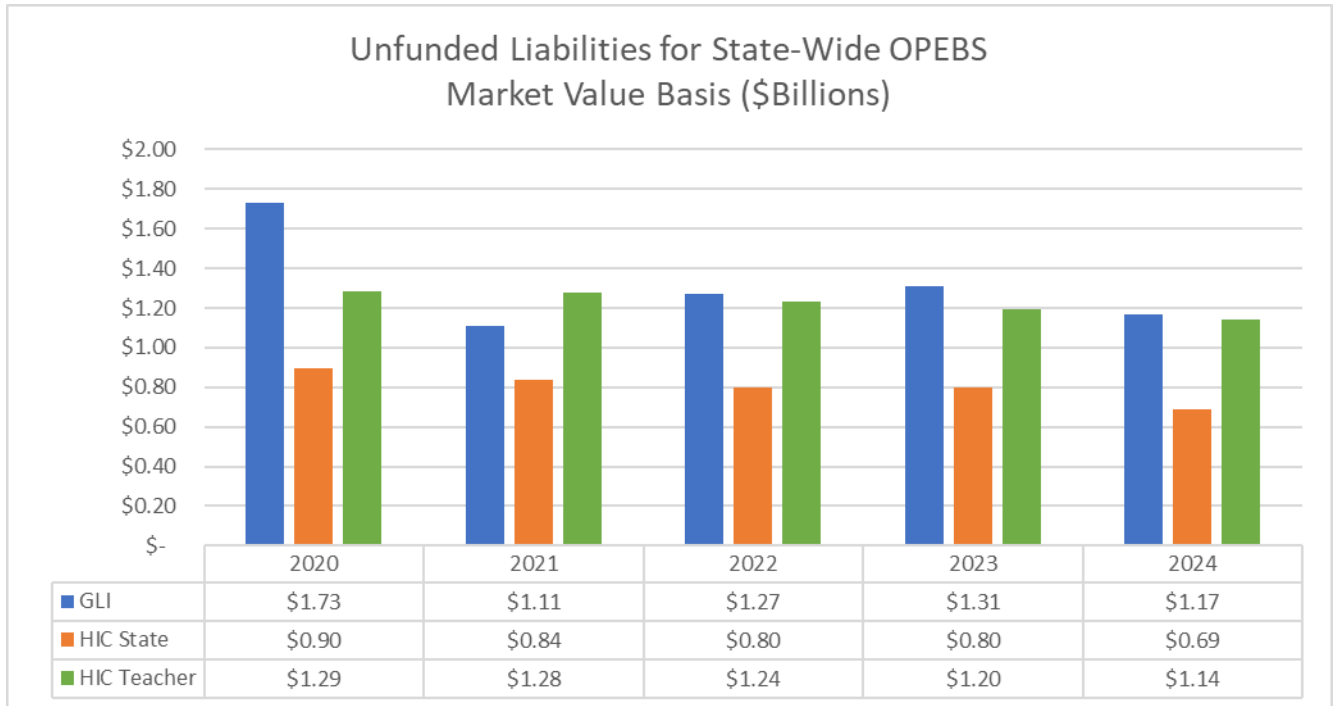
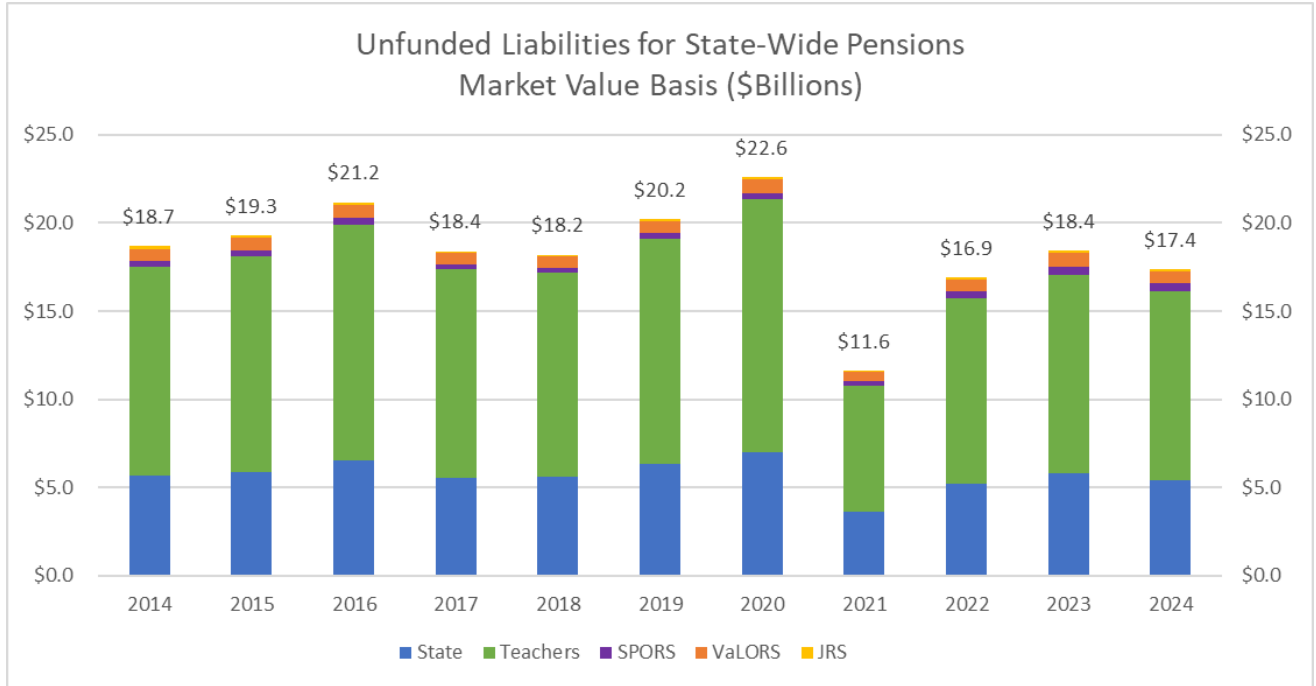
- Funded status continues to trend upwards for all plans. State and Teachers over last three years are highlighted below.



- OPEB plans, particularly the health insurance credit plans are still severely underfunded as compared to pensions.



- Significant unfunded liabilities still exist for both pensions and OPEBs.





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

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

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

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

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

Commented [JS3]: Standard 6.1

Commented [JS4]: Standard 8.1

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

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

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

Commented [JS6]: Standards 6.3

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

Commented [JS7]: Standards 8.1, 9.4

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

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

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

Commented [JS8]: Standard 6.3

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

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

Commented [JS9]: Standard 8.1

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

Commented [JS10]: Standard 8.2

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

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

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

Commented [JS13]: Standards 8.3, 8.4

Commented [JS14]: Moved to item #7 above

Commented [JS15]: Standard 7.2

Commented [JS16]: Standard 8.3

Commented [JS17]: Standards 7.1, 8.3, 12.2

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

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

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

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

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

COMPOSITION

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

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

OFFICERS

Chairperson

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

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

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

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

Vice-Chairperson

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

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

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

Secretary

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

The secretary has the following duties:

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

CONDUCT OF BUSINESS

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

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

Commented [JS22]: Added to acknowledge current practice.

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

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

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

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

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 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 2025
 September 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							
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							
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							
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		●														
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

October 17, 2024

Trish Bishop, VRS Director

New Employer Coverage

Coverage Elected	Details
Enhanced Hazardous Duty Coverage for Firefighters	Pulaski County, effective September 1, 2024
Enhanced Hazardous Duty Coverage for Firefighters and Emergency Medical Technicians	Bland County, effective August 1, 2024
Enhanced Hazardous Duty Coverage for Firefighters and Emergency Medical Technicians	Washington County, effective October 1, 2024

VRS is the **14th largest** public pension system in the **U.S.**



VRS serves **more than 829,000** members, retirees and beneficiaries

VRS is the **36th largest** public pension system in the **world**



Virginia Retired Teachers Association Fall Conference



VGEA Annual Meeting



Agenda

- VRS Overview
- Investments Overview
- Legislative Update
- Claim Your Accounts
- Member Benefits and Resources
- Retiree Benefits and Resources



VRS Annual Meeting

Save the Date!

Tuesday, December 17

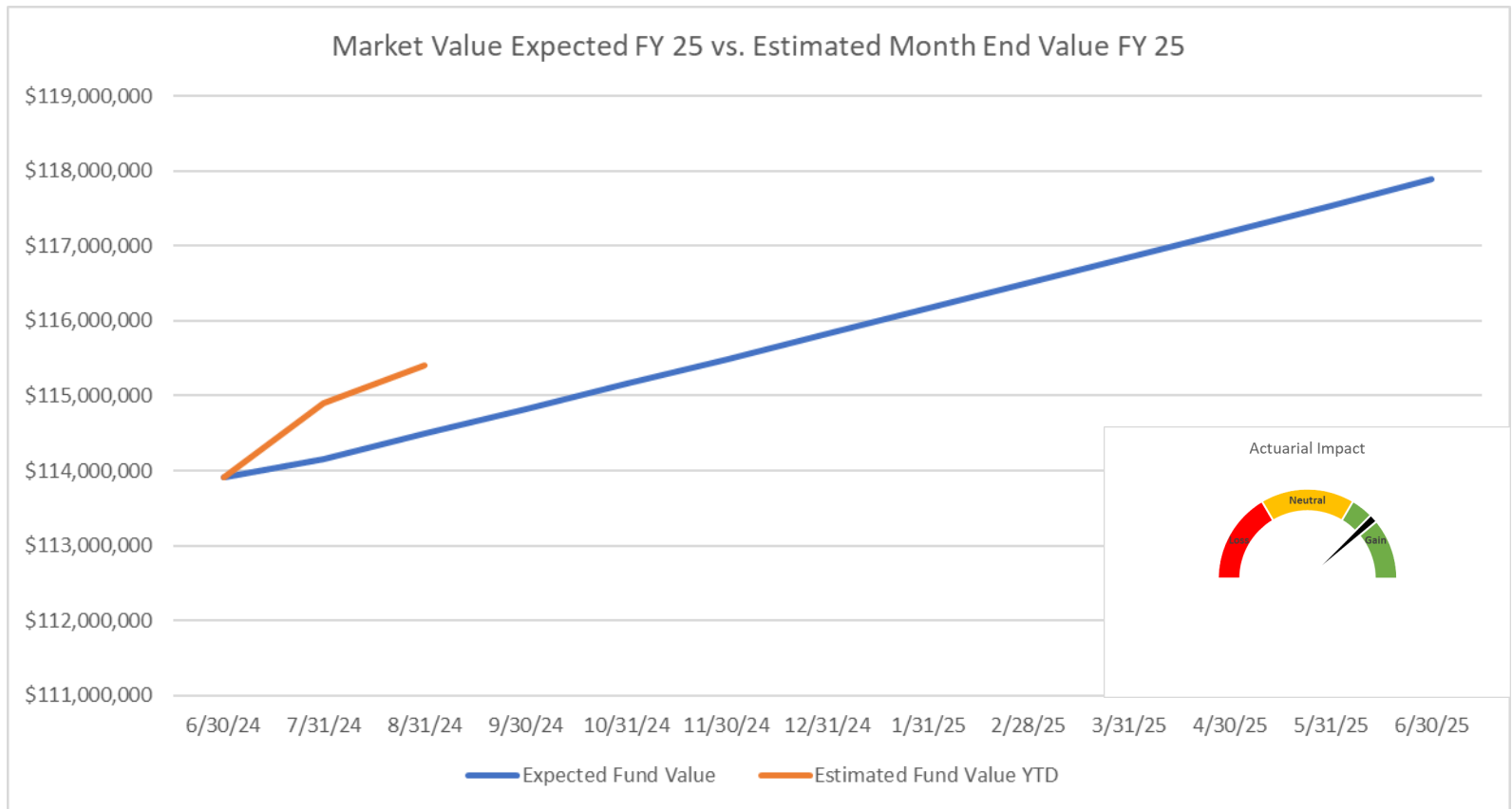
Plan to attend this celebration
of achievements and awards!

Watch for more details and a
meeting invitation to come.

Actuarial Measures Key Indicators



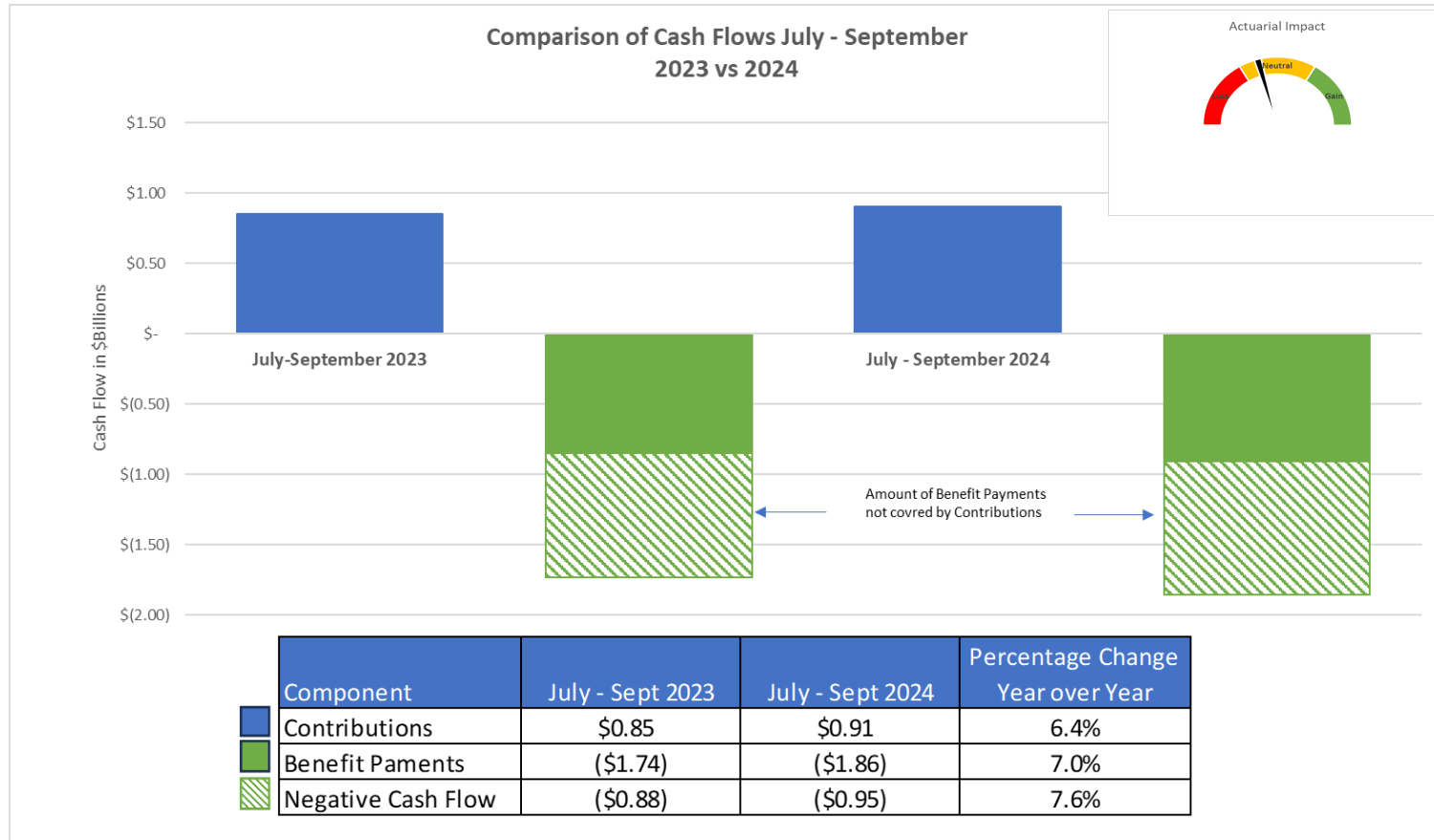
Fund Market Value Actual vs Expected – FY 2025



- Two months into FY 2025 the estimated fund value is trending higher than expected based on an assumed rate of return of 6.75%.

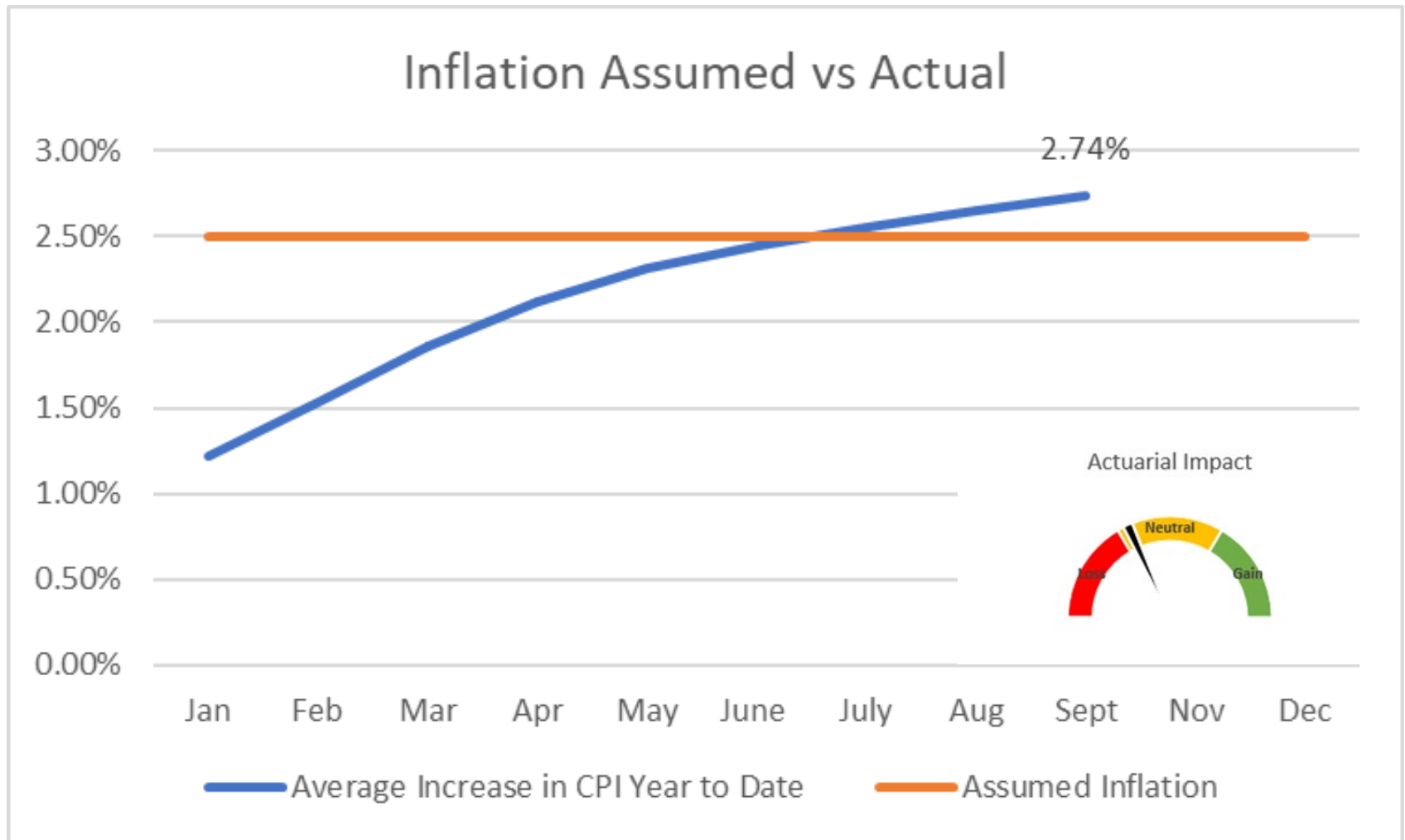
Pension Cash Flow – Expected vs Observed

July – September 2023 vs 2024



- Pension cash flow for first three months of fiscal year 2025 is slightly more negative than was observed in first three months of fiscal year 2024.
- Increase in benefit payments is outpacing increase in contributions.

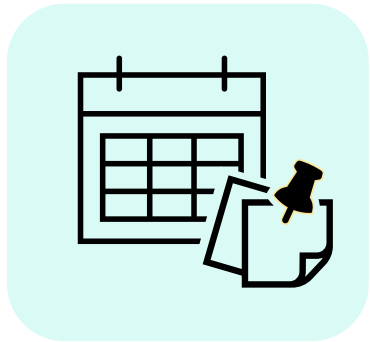
Inflation – Average Increase in CPI Year to Date





Board Preview of Meetings

Preview: November-December 2024



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

December

- ✦ 5 – Defined Contributions Plans Advisory Committee
- ✦ 9 – JLARC Meeting
- ✦ 12 – Audit and Compliance Committee
- ✦ 12 – Board of Trustees
- ✦ 17 – Agency Annual Meeting