

Minutes

An electronic meeting of the Administration and Personnel Committee of the VRS Board of Trustees was held on June 10, 2020 in accordance with § 2.2-3708.2(A)(3) of the *Code of Virginia* and in accordance with guidance provided in § 4-0.01 of Chapters 1283 and 1289 of the 2020 Acts of Assembly, with the following members participating:

O'Kelly E. McWilliams, III, VRS Chair
Diana F. Cantor, Vice Chair
Wallace G. Harris, Ph.D.
Joseph W. Montgomery

Board members present:

William A. Garrett
William Leighty

Also present:

Trish Bishop, Ron Schmitz, Jennifer Schreck, Jeanne Chenault, Michael Cooper, Harriet Covey, Juanita Cribbs, Valerie Disanto, Barry Faison, Brian Goodman, Robert Irving, LaShaunda King, Ryan LaRochelle, Curt Mattson, Angela Payne, Cat Pelletier, Matt Priestas, Paula Reid, Jillian Sherman, and Cindy Wilkinson of the VRS Staff; and Adam Rosatelli, Senate Finance and Appropriations Committee; John Meier, Verus; and Kimberly Sarte, Joint Legislative Audit and Review Commission.

The meeting convened at 10:10 a.m.

Opening Remarks

Mr. McWilliams called the meeting to order and welcomed everyone to the June 10, 2020 meeting of the Administration and Personnel Committee.

Mr. McWilliams noted that given the current circumstances related to COVID-19, the Committee is unable to meet in person and, therefore, is using electronic means to hold the meeting. The meeting is being held in accordance with § 2.2-3708(A)(3) of the *Code of Virginia* and guidance provided in the Appropriation Act as it relates to conducting business during the pandemic.

Next, Mr. McWilliams took attendance with the following roll call of each of the members:

Ms. Cantor: Here
Mr. Montgomery: Here
Mr. Harris: Here
Mr. Garrett: Here
Mr. Leighty: Here
Mr. McWilliams: Here

Mr. McWilliams welcomed the new Human Resources Director, Paula Reid, to VRS. Paula joins VRS from Henrico County, where she worked in Human Resources for over 20 years, most recently serving as Director. Paula received her Master of Education degree from the College of William and Mary and holds the Society for Human Resource Management Certified Professional (SHRM-CP) and Professional in Human Resources (PHR) designations.

Public Comment

In accordance with § 4-0.01(g) of Chapters 1283 and 1289 of the 2020 Acts of Assembly, Mr. McWilliams opened the floor for public comment. Mr. McWilliams noted that no members of the public requested to comment at the electronic meeting.

Approval of Minutes

Upon a motion by Mr. McWilliams, with a second by Ms. Cantor, the Committee approved the minutes of its February 13, 2020 meeting upon the following roll call vote:

Ms. Cantor: Aye
Mr. Montgomery: Aye
Mr. Harris: Aye
Mr. Garrett: Aye
Mr. Leighty: Aye
Mr. McWilliams: Aye

Verus – Benchmark and Performance Hurdle Analysis

Mr. Schmitz advised that the Board requests periodic reviews of VRS performance objectives, benchmarks and excess return hurdles that are assigned by asset class and the total fund. These reviews are used to monitor performance and in calculations regarding the Incentive Compensation Program. The Board requested Verus perform an independent review and present its findings and recommendations.

Mr. John Meier with Verus presented an analysis of current benchmarks and Verus' findings, and recommended changes based on careful analysis of the risks and opportunities of the underlying markets, and a study of the practices of peer funds, within the universe of public funds. He reviewed a summary of performance hurdles and discussed the rationale behind the recommended changes in weightings specific to each asset class.

RBA: Approve Changes to Benchmarks and Excess Return Objectives, Effective July 1, 2020

Request for Board Action: *The Board of Trustees approves the recommended changes to the benchmarks and excess return objectives, effective July 1, 2020.*

Upon a motion by Mr. McWilliams, with a second by Mr. Harris, the Committee recommended approval of the action to the full Board of Trustees upon the following roll call vote:

Ms. Cantor: Aye

Mr. Montgomery: Aye
Mr. Harris: Aye
Mr. Garrett: Aye
Mr. Leighty: Aye
Mr. McWilliams: Aye

Discussion and Consideration of FY 2021 Agency Performance Outcomes (APOs) and Operational Measures (OMs)

Mr. Cooper presented the proposed Agency Performance Outcomes (APOs) and Operational Measures (OMs) for FY 2021 to the Committee.

Mr. Cooper noted that two of the four proposed APOs are a carryover from the current year and relate to myVRS enhancements which will be continued into FY 2021 due to a shift in resources in order to comply with recent legislation enacted by the General Assembly. The third APO is the continuation of the Enterprise Risk Management Initiative Implementation and the fourth concerns the implementation of the Cardinal Payroll system.

Mr. Cooper discussed the sixteen proposed Operational Measures, which represent the target rates for day-to-day business operations for FY 2021. He noted that staff continues to evaluate new measures for implementation in future years and will be piloting a few during the next year.

Staff will need to successfully complete three of the four proposed APOs and thirteen of the sixteen proposed Operational Measures in order to qualify for the gainsharing bonus.

RBA: Approve FY 2021 APOs and Operational Measures

Request for Board Action: *The VRS Board of Trustees approves the FY 2021 Agency Performance Outcomes and Agency Operational Measures.*

Upon a motion by Mr. McWilliams, with a second by Mr. Harris, the Committee recommended approval of the action to the full Board of Trustees upon the following roll call vote:

Ms. Cantor: Aye
Mr. Montgomery: Aye
Mr. Harris: Aye
Mr. Garrett: Aye
Mr. Leighty: Aye
Mr. McWilliams: Aye

Reappointment of Investment Advisory Committee Members

Mr. Schmitz discussed the expiring terms of Investment Advisory Committee members Theodore Economou and Deborah Allen Hewitt, and the recommendation to reappoint each for an additional two-year term.

RBA: Reappointment of IAC Members

Request for Board Action: *The Board reappoints to the Investment Advisory Committee: Theodore Economou for a two-year term ending September 13, 2022; and Deborah Allen Hewitt, Ph.D., for a two-year term ending October 16, 2022.*

Upon a motion by Mr. McWilliams, with a second by Mr. Leighty, the Committee recommended approval of the action to the full Board of Trustees upon the following roll call vote:

Ms. Cantor: Aye
Mr. Harris: Aye
Mr. Montgomery: Aye
Mr. Garrett: Aye
Mr. Leighty: Aye
Mr. McWilliams: Aye

Reappointment of Defined Contribution Plans Advisory Committee (DCPAC) Member

Ms. Bishop discussed the expiring term of Defined Contribution Plans Advisory Committee member Ravindra Deo and the recommendation to reappoint him for a two-year term.

RBA: Reappointment of DCPAC Member

Request for Board Action: *The Board reappoints Ravindra Deo to the Defined Contribution Plans Advisory Committee (DCPAC) for a two-year term ending June 20, 2022.*

Upon a motion by Mr. McWilliams, with a second by Mr. Leighty, the Committee recommended approval of the action to the full Board of Trustees upon the following roll call vote:

Ms. Cantor: Aye
Mr. Harris: Aye
Mr. Montgomery: Aye
Mr. Garrett: Aye
Mr. Leighty: Aye
Mr. McWilliams: Aye

Budget Update

Mr. Faison reviewed the year-to-date budget report with the Committee. Mr. Faison noted that due to the fiscal impacts of the COVID-19 pandemic the Governor's office requested that all executive branch agencies develop plans to reduce discretionary spending and institute a hiring freeze. Although not an executive branch agency, VRS is following this guidance where appropriate and prudent. Accordingly, Mr. Faison noted that the FY20 budget projections incorporate approximately \$623,000 in expected discretionary spending reductions as a result of the COVID-19 pandemic and subsequent information received from the Governor's office. These are in addition to the reduction in personnel spending

associated with a freeze in hiring for vacant positions. Mr. Faison also noted that VRS will end the year with a positive balance, which will ultimately be returned to the Trust.

Other Business

Ms. Bishop provided a status update to the Committee on the agency's plan to return to the office. Ms. Bishop noted that the health, safety and welfare of the staff, members, retirees and employers are paramount in the planning process and VRS leadership has developed a draft plan, which is currently under review. With a few limited exceptions, staff will continue in telework status through Labor Day. Flexibility will be critical as VRS navigates through the return to the office process.

Adjournment

Upon a motion by Mr. Montgomery, with a second by Mr. Leighty, the Committee agreed to adjourn the meeting upon the following roll call vote:

Ms. Cantor: Aye
Mr. Harris: Aye
Mr. Montgomery: Aye
Mr. Garrett: Aye
Mr. Leighty: Aye
Mr. McWilliams: Aye

There being no further business, the meeting concluded at 11:26 am.

9/16/20

Date



O'Kelly E. McWilliams, III, VRS Chair
Administration and Personnel Committee