
Minutes

An electronic meeting of the Administration and Personnel Committee of the VRS Board of Trustees was held on September 16, 2020 in accordance with § 2.2-3700 et seq. of the *Code of Virginia* and in accordance with guidance provided in Chapter 1289 of the 2020 Acts of Assembly, with the following members participating:

O'Kelly E. McWilliams, III, Chair
Wallace G. Harris, Ph.D.
Joseph W. Montgomery

Board members present:

Hon. J. Brandon Bell, II
Michael P. Disharoon
Susan T. Gooden, Ph.D.
Troilen G. Seward, Ed.S.

VRS Staff:

Trish Bishop, Ron Schmitz, Jennifer Schreck, Farley Beaton, Jeanne Chenault, Michael Cooper, 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.

Guests participating were:

Michael Oak and Maureen Reilly of McLagan, and Jamie Bitz, Joint Legislative Audit and Review Commission.

The meeting convened at 10:37 a.m.

Opening Remarks

Mr. McWilliams called the meeting to order and welcomed everyone to the September 16, 2020 meeting of the Administration and Personnel Committee.

Mr. McWilliams introduced the newest Board members, Dr. Susan Gooden and Mr. Michael Disharoon. Dr. Gooden is the Dean of VCU's L. Douglas Wilder School of Government and Public Affairs, and Mr. Disharoon is a Principal and Portfolio Manager at Palladium.

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 § 2.2-3700 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:

Mr. Bell: Here

Mr. Disharoon: Here
Dr. Gooden: Here
Mr. Harris: Here
Mr. Montgomery: Here
Ms. Seward: Here
Mr. McWilliams: Here

Public Comment

In accordance with Item 4-0.01 of Chapter 1289 of the 2020 Acts of Assembly, the Committee opened the floor for public comment. Mr. McWilliams noted that no members of the public registered to comment at the electronic meeting.

Approve Minutes

Upon a motion by Mr. Harris, with a second by Mr. Montgomery, the Committee approved the minutes of its June 10, 2020 meeting upon the following roll call vote:

Mr. Bell: Aye
Mr. Disharoon: Abstain
Dr. Gooden: Abstain
Mr. Harris: Aye
Mr. Montgomery: Aye
Ms. Seward: Abstain
Mr. McWilliams: Aye

Ms. Seward, Dr. Gooden and Mr. Disharoon elected to abstain as they were not present at the June 10, 2020 meeting.

Next, Mr. McWilliams provided an overview of the primary purpose for the A&P meeting every September, including a review of the agency's performance for the past fiscal year, bonuses and incentive compensation. Mr. McWilliams further noted that the pandemic created a period of uncertainty for everyone, including participating employers, and therefore he asked staff to provide various options for the Committee's consideration as it reviews performance results and compensation.

After some discussion, the Committee agreed that, in striking a balance, incentive compensation should be provided to staff in accordance with the current pay plans but directed staff to develop guidance for the October meeting regarding changes to the pay plans to expressly clarify that at the Board's discretion, incentive compensation will potentially be delayed, reduced, adjusted or cancelled during a period of extreme fiscal stress.

Review Attainment of FY 2020 APOs and Operating Measures

Next, Mr. Cooper provided the results of the FY 2020 Agency Performance Outcomes (APOs) and Operational Measures (OMs) to the Committee. He noted that the agency began with five APOs for the fiscal year; however, an additional APO was added in the spring to account for implementation of legislation impacting VRS. The goal for the year was to accomplish four of the six APOs and staff met that target. The two APOs not met were myVRS enhancement projects that were impacted by resource

constraints related to the new legislation implementation. Mr. Cooper noted that those projects are included in the FY 2021 APOs and are back on schedule.

Staff surpassed the goal of meeting or exceeding the performance target for thirteen of the sixteen Operational Measures, successfully completing fifteen. The only measure not accomplished related to disability retirement processing timeframes that were affected by the transition from RIMS to VNAV.

RBA: Approve attainment of FY 2020 APOs and Operational Measures and corresponding lump-sum bonus equal to 2.5% of salary for eligible administrative employees and Investment Department operations and administration employees.

Request for Board Action: The VRS Board of Trustees approves (i) the attainment of FY 2020 APOs and Operational Measures and (ii) 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. Montgomery, 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:

Mr. Bell: Aye
Mr. Disharoon: Aye
Dr. Gooden: Aye
Mr. Harris: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. McWilliams: Aye

Review Performance Bonuses for Eligible Administrative and Investment Operations and Administration Employees

Next, Mr. Cooper discussed the proposed lump-sum bonuses for eligible administrative employees and Investment Department operations and administration employees. Those eligible employees who receive an overall rating of “exceptional” will receive a 4% bonus and those who receive an overall rating of “exceeds” will receive a 2% bonus, based on their salary as of June 30, 2020.

RBA: Approve lump-sum performance bonuses for eligible administrative employees and Investment Department operations and administration employees.

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

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

Mr. Bell: Aye
Mr. Disharoon: Aye
Dr. Gooden: Aye
Mr. Harris: Aye
Mr. Montgomery: Aye

Ms. Seward: Aye

Mr. McWilliams: Aye

Approve First Amendment to the Defined Contribution Plan for Investment Personnel (DCPIP)

Next, Ms. Wilkinson discussed the proposed amendments to Defined Contribution Plan for Investment Personnel (DCPIP). She noted that the title was amended to the “Defined Contribution Incentive Plan for VRS Personnel” to reflect that it includes the VRS Director. Additional changes were made to clarify conformance with Internal Revenue Code provisions. Ms. Wilkinson advised the Committee that staff and outside counsel will conduct a more detailed review of the plan to incorporate additional changes and will present the restated plan at an upcoming Committee meeting.

RBA: Approve First Amendment to the Defined Contribution Plan for Investment Personnel (DCPIP) recommended by outside benefits counsel, effective January 1, 2020.

Request for Board Action: The VRS Board of Trustees approves the First Amendment to the DCPIP as recommended by outside benefits counsel, effective January 1, 2020.

Upon a motion by Mr. Montgomery, 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:

Mr. Bell: Aye

Mr. Disharoon: Aye

Dr. Gooden: Aye

Mr. Harris: Aye

Mr. Montgomery: Aye

Ms. Seward: Aye

Mr. McWilliams: Aye

Budget Variance Report (Year End Results)

Mr. Faison presented the year-end budget variance report to the Committee. He noted that VRS ended with a favorable variance of \$9,705,000 for FY 2020, which will be returned to the Trust.

Ms. Pelletier presented the FY 2021 budget to actual projections and explained that, although VRS is an independent agency, the current budget reflects reductions made considering the guidance provided to executive branch agencies by the Governor’s office in response to the COVID-19 pandemic.

Competitive Pay Analysis – Chief Investment Officer

Next, Michael Oak of McLagan presented the results of its Chief Investment Officer (CIO) Competitive Pay Analysis to the Committee. Mr. Oak advised that the analysis compared the salary and target total cash compensation levels of VRS’ CIO to the equivalent position at peer firms. The analysis found that the VRS CIO’s base salary fell below the targeted 75th percentile of other leading public funds, which is consistent with previous years’ findings. Mr. Oak noted that target total cash compensation approached the targeted 50th percentile of the 75/25 blended peer group.

Mr. McWilliams thanked Mr. Oak for his presentation.

Compensation and Benefits – CLOSED MEETING

Mr. Harris then moved, with a second by Mr. Montgomery, that the Administration and Personnel Committee of the Virginia Retirement System Board of Trustees convene a closed meeting under the Virginia Freedom of Information Act to discuss the compensation and benefits of specific employees pursuant to the personnel exemption at *Code of Virginia* § 2.2-3711(A)(1).

The closed meeting convened upon the following roll call vote:

Mr. Bell: Aye
Mr. Disharoon: Aye
Dr. Gooden: Aye
Mr. Harris: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. McWilliams: Aye

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

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

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

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

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

Mr. Bell: Aye
Mr. Disharoon: Aye
Mr. Harris: Aye
Mr. McWilliams: Aye

Dr. Gooden and Mr. Montgomery left the meeting prior to this vote. Ms. Seward was at the meeting but unable to vote due to technical difficulties.

Review 2020 Incentive Pay for Investment Professionals**RBA: Approve FY 2020 incentive payments for VRS investment professionals**

Request for Board Action: The VRS Board of Trustees approves payment of an incentive amount of approximately \$3,351,572 for FY 2020 to VRS investment professionals as authorized by the Investment Professionals' Pay Plan.

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

Mr. Bell: Aye
Mr. Disharoon: Aye
Mr. Harris: Aye
Mr. McWilliams: Aye

Director's Performance Review and CIO Employment Agreement

RBA: Approve performance bonus and supplemental payment to the VRS Director as authorized in the 2020 Appropriation Act

***Request for Board Action:** The VRS Board of Trustees approves a performance bonus for the VRS Director payable on October 16, 2020 and a supplemental payment made December 1, 2020 as authorized in the 2020 Appropriation Act.*

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

Mr. Bell: Aye
Mr. Disharoon: Aye
Mr. Harris: Aye
Mr. McWilliams: Aye

RBA: Approve Fourth Amendment to the CIO Employment Agreement

***Request for Board Action:** The VRS Board of Trustees approves the Fourth Amendment to the Chief Investment Officer's (CIO's) Employment Agreement.*

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

Mr. Bell: Aye
Mr. Disharoon: Aye
Mr. Harris: Aye
Mr. McWilliams: Aye

Adjournment

Lastly, Mr. McWilliams noted that the Board of Trustees will meet on September 22, 2020.

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

Mr. Bell: Aye
Mr. Disharoon: Aye
Mr. Harris: Aye
Mr. McWilliams: Aye

There being no further business, the meeting concluded at 1:03 p.m.



October 13, 2020

Chair

Date