
Minutes

An electronic meeting, held in accordance with § 2.2-3708.2(A)(3) of the *Code of Virginia* and Chapter 1283 of the 2020 Acts of Assembly, the Defined Contribution Plans Advisory Committee (DCPAC) of the VRS Board of Trustees convened electronically on June 4, 2020, with the following members present:

Committee Members:

Brett Hayes, Chair
The Honorable J. Brandon Bell, II
Shannon Irvin
Rick Larson
Brenda Madden
Kathy Seay
David Winter

Members of the Board of Trustees:

O'Kelly McWilliams, III
William Leighty

VRS staff members participating:

Trish Bishop, Dorothy Camp, Steve Cerreto, Jeanne Chenault, Michael Cooper, Valerie Disanto, Josh Fox, Kelly Hiers, KC Howell, Robert Irving, Ciara Lawson, Rebecca Nicholas, Teresa Nguyen, Caitlin Pelletier, Laura Pugliese, Joseph Roman, Karen Solarte, Kristy Scott, Michael Scott, Jillian Sherman, Jennifer Schreck, Ashley Spradley, Peter Thompson, Bridgette Watkins, Rachel Webb and Cindy Wilkinson.

Also participating were Michael Jay, House Appropriations Committee; Adam Rosatelli, Virginia Senate Finance & Appropriations Committee; Ronan Burke, Capital Group; Denise Fortune, Voya; and Brad Couture, Wellington

The meeting convened at 10:32 a.m.

Ms. Sherman served as facilitator and walked participants through the logistics of an electronic meeting.

Mr. Hayes then called the meeting to order.

Mr. Hayes welcomed Committee members, Board members, VRS staff, representatives from other stakeholder groups and members of the public. Mr. Hayes also welcomed and introduced two new Committee members, Brenda Madden, Director of Human Resources with Davenport & Company, LLC, and Kathy Seay, Deputy County Administrator for Hanover County, to the DCPAC.

Mr. Hayes noted that given the current circumstances related to COVID-19, the DCPAC was unable to meet in person. However, utilizing electronic means, the DCPAC could hold this meeting in accordance with §2.2-3708.2(A)(3) of the *Code of Virginia* and Chapter 1283 of the 2020 Acts of Assembly as it relates to conducting business during the pandemic.

Mr. Hayes took a roll call of each DCPAC member for attendance purposes:

Senator Bell – Present
Mr. Deo – Absent
Ms. Irvin – Present
Mr. Larson – Present
Ms. Madden – Present
Ms. Seay – Present
Mr. Winter – Present
Mr. Hayes – Present

There was no public comment.

APPROVAL OF MINUTES

Upon a motion by Mr. Winter, with a second by Mr. Bell, the minutes of the November 7, 2019 meeting were approved.

Mr. Hayes asked each Committee member to vote on the motion:

Senator Bell – Aye
Ms. Irvin – Aye
Mr. Larson – Aye
Ms. Madden – Aye
Ms. Seay – Aye
Mr. Winter – Aye
Mr. Hayes – Aye

DC PLANS INVESTMENTS UPDATE

Laura Pugliese, Portfolio Manager, Defined Contribution Plans, provided an overview of the April 30, 2020, performance reports.

Ms. Pugliese informed the DCPAC of participant trading activity in the unbundled DC plans in response to the increased market volatility from COVID-19, noting that activity was consistent with other plan sponsors. She also noted the unprecedented economic stimulus and monetary policy response to COVID 19 seemed to stem the recent increased market volatility.

Ms. Pugliese shared with the Committee a benchmark change effective January 2020 for the Money Market Fund from the Bloomberg Barclay's U.S. 3 Month Treasury Bill Index to the FTSE 3 Month Treasury Bill Index on the unbundled DC Plans. She noted the change was to ensure the same benchmark is used across the bundled TIAA ORPHE and unbundled DC Plans platforms and that index returns between the two benchmarks were immaterial. She informed the Committee the VRS Investment Department no longer monitors the deselected TIAA proprietary funds in the TIAA GRA and RA contracts. Ms. Pugliese also shared that Fidelity was deselected as an ORPHE provider as of February

2020. As such, both Fidelity and deselected TIAA proprietary funds would no longer be included in performance reports and total assets reported out by the VRS Investment department.

Ms. Pugliese provided an overview of the performance on the unbundled DC Plans platform as of April 30, 2020. She highlighted the change in the Money Market Fund benchmark index and the near- and long-term historical performance of various market indices across asset classes.

Ms. Pugliese provided an update on the investment changes in the TIAA ORPHE noting the goal of providing the same low cost, passively-managed BlackRock fund options on the bundled TIAA ORPHE platform that are available in the unbundled DC Plans, where possible. She reminded the Committee that TIAA currently does not have the ability to use white label names and reviewed with the Committee the white label BlackRock fund names in the DCP (ICMA-RC) investment lineup that correspond to the formal BlackRock fund names in the TIAA investment lineup. She noted the need to use different BlackRock fund share classes in some instances due to constraints on the TIAA investment platform.

Ms. Pugliese provided an overview of total market values across the TIAA ORPHE proprietary investment fund options as of December 31, 2019, including the new TIAA RC contract and legacy GRA and RA contracts. She informed the Committee that assets in the RC contract represented about 10% of total TIAA propriety assets while assets in the GRA and RA legacy contracts represented roughly 90% of total proprietary assets across all TIAA contracts. She also noted the difference in asset figures reported out to the DCPAC going forward as it relates to investment assets monitored by the VRS Investment Department versus total plan assets reported by the DC Plans Administration Department.

Ms. Pugliese shared with the Committee the TIAA ORPHE performance report as of April 30, 2020, which reflects the new investment menu effective January 2020 and is based solely on investments offered in the TIAA RC contract.

Due to the remote meeting format, Ms. Pugliese noted that the 2020 Callan Defined Contribution Trends Survey was included in the appendix.

ADMINISTRATIVE REPORTS AND COMMUNICATIONS UPDATE

Kelly Hiers, DC Plans Administrator, provided an update on the VRS Defined Contribution Plans for the first quarter ending March 31, 2020. Ms. Hiers shared the total assets under management across all DC plans, as well as an overview of unique participant counts for the unbundled plans and recent plan adoptions.

DC Plans and Hybrid Plan Update

Ms. Hiers shared with the Committee recent plan adoptions and the COV 457 Plan annual outreach initiative to employers. She noted the goal of the outreach initiative and efforts to communicate to local employers the role of the supplemental retirement plan, available resources and points of contact.

Ms. Hiers also informed the Committee of other initiatives, including the new online withdrawal feature in Account Access for eligible plan participants and market volatility educational resources available on the DC Plans websites for participants. She shared the benefits and security features available to

participants with online distributions, including faster processing times, confirmations and status updates, and a higher level of security. Ms. Hiers informed the Committee that educational resources related to volatile markets were refreshed and updated in response to COVID-19, including a recorded webinar, brochures and individual account reviews conducted by ICMA-RC field representatives.

Ms. Hiers provided an update on total assets and accounts in the COV 457 and Virginia Cash Match plans through March 31, 2020, as well as an overview of cash flow from the COV 457 and Virginia Cash Match plans. Ms. Hiers provided a review of total assets and accounts in the Hybrid Retirement Plan for the first quarter of 2020. She also presented an overview of the cash flow from the defined contribution component of the Hybrid Retirement Plan, including contributions, withdrawals and net cash flow. Ms. Hiers updated the Committee on the Hybrid 457 voluntary participation and contribution election rates for the first quarter of 2020, noting a voluntary participation rate of 87.1% as of March 31, 2020. She also shared that a large portion of hybrid plan members with a 1% voluntary contribution election on file as of March 16, 2020, were auto-escalated in 2017 and 2020. Ms. Hiers noted that auto-escalation occurs every three years, with the first auto-escalation in 2017.

Ms. Bishop shared the Virginia legislature has considered acceleration of the auto-escalation frequency based on analyses of the costs and impact to employers, members and the Commonwealth, but no action has been taken at this time. The Committee inquired if the desired goal was for auto-escalation to be more aggressive in terms of its frequency of occurrence or voluntary contribution amount. Ms. Bishop informed the Committee of discussions with key decision-makers that explained best practices such as automatic voluntary contribution enrollment, which is intended to help improve outcomes for members, but noted the resource constraints among employers as it relates to matching contributions as well as competing legislative priorities as factors that make changes to the auto-escalation frequency or amount more difficult at this time.

Ms. Hiers provided an overview of Auto Escalation 2020 statistics, highlighting that 93% of eligible members were auto-escalated by 0.5% on January 1, 2020, with only 1% of hybrid plan members choosing to opt-out of auto-escalation. She noted that as of April 1, 2020, 92% of the 79,751 hybrid plan members auto-escalated by 0.5% on January 1, 2020, remained at their auto-escalated voluntary contribution percentage.

Ms. Hiers shared that VRS was the recipient of the 2020 Communicator Award of Distinction for the Auto Escalation Campaign.

Ms. Hiers provided an overview of the 2019 ICMA-RC Annual Service Review Meeting held electronically on April 30 and May 11, 2020. She shared with the Committee that all 2019 performance standards were met and highlighted several topics, including participant contact, adoptions and conversions, participant education, technology and future initiatives.

Ms. Hiers informed the DCPAC of VRS DC Plans' participation with the Public Retirement Research Lab (PRRL), a collaboration between the National Association of Government Defined Contribution Administrators (NAGDCA) and the Employee Benefit Research Institute (EBRI) to create a national database for public sector defined contribution plan information.

ORPHE Update

Ms. Hiers provided an overview by provider of total ORPHE assets, participants and average balances for the first quarter of 2020. She also gave an update on ORPHE provider selections and provider initiatives for the first quarter of 2020.

Ms. Hiers shared a timeline overview of changes to the ORPHE over the past six years, concluding with the recent ORPHE 2020 initiative.

Mr. Hayes thanked Ms. Hiers for her presentation.

OTHER BUSINESS

Legislative Update

Cindy Wilkinson, VRS Policy and Planning Director, provided an overview of key provisions of recently enacted federal legislation such as the SECURE Act and CARES Act, and their impact on VRS members, employers and retirees, and efforts underway to implement the various provisions. Ms. Wilkinson also provided an overview of the VRS-related bills approved during the 2020 legislative session of the General Assembly. She shared the approved 2020 budget changes and amendments with an impact to VRS. Ms. Wilkinson also informed the Committee of VRS-related bills that failed, were carried over or amended.

Mr. Hayes thanked Ms. Wilkinson for her presentation.

Ms. Seay exited the meeting prior to the next order of business.

DCPAC Appointment

Trish Bishop, VRS Director, informed the Committee of the request for reappointment of Ravindra Deo to a two-year term, ending June 20, 2022. His current term expires June 20, 2020.

Upon a motion by Ms. Irvin, with a second by Mr. Larson, the Committee unanimously concurs in the request for reappointment of Mr. Deo and moved to present the request to the Administration and Personnel Committee.

Mr. Hayes asked for each Committee member to vote on the motion:

Senator Bell – Aye
Ms. Irvin – Aye
Mr. Larson – Aye
Ms. Madden – Aye
Mr. Winter – Aye
Mr. Hayes – Aye

RBA: REAPPOINTMENT OF DCPAC MEMBER

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

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.*

UPCOMING DEFINED CONTRIBUTION PLANS ADVISORY COMMITTEE MEETINGS

Mr. Hayes confirmed the DCPAC meeting dates for 2020 following the polling of the Committee.

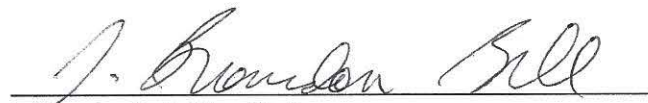
The next meeting of the DCPAC will take place August 27, 2020, from 1:00 p.m. to 4:00 p.m., with the remaining meeting on November 17th from 1:00 p.m. to 4:00 p.m. Also, for those Committee members who are interested, the ORPHE Annual Employer Update is scheduled for September 24th, as required by the DCPAC Charter, but is not a meeting of the Committee.

ADJOURNMENT

Mr. Bell made a motion to adjourn the meeting. Ms. Madden seconded the motion. Mr. Hayes asked for each Committee member to vote on the motion:

Senator Bell – Aye
Ms. Irvin – Aye
Mr. Larson – Aye
Ms. Madden – Aye
Mr. Winter – Aye
Mr. Hayes – Aye

There being no further business, Mr. Hayes adjourned the meeting at 12:01 p.m.



J. Brandon Bell, Vice Chair
Defined Contribution Plans Advisory Committee