
Minutes

An electronic meeting of the Virginia Retirement System Board of Trustees was held on June 10, 2021 in accordance with § 2.2-3708.2(A)(3) of the *Code of Virginia* and in accordance with guidance provided in Item 4-0.01 of Chapter 552 of the 2021 Special Session I Acts of Assembly, with the following members participating:

Board members:

O’Kelly E. McWilliams, III, Chair
Joseph W. Montgomery, Vice Chair
Hon. J. Brandon Bell, II
John M. Bennett
Michael P. Disharoon
William A. Garrett
Susan T. Gooden, Ph.D.
W. Brett Hayes
Troilen G. Seward, Ed.S.

VRS Staff:

Patricia Bishop, Ron Schmitz, Jennifer Schreck, John Alouf, Advait Apt, Rory Badura, Erica Billingslea, Caroline Cardwell, Jeanne Chenault, Michael Cooper, Perry Corsello, Harriet Covey, Juanita Cribbs, Sara Denson, Valerie Disanto, Jonathan Farmer, Laurie Fennell, Brian Goodman, JT Grier, Dane Honrado, KC Howell, Robert Irving, Wendy Jenkins, Ross Kasarda, Kristina Koutrakos, LaShaunda King, Matt Lacy, Chung Ma, Curt Mattson, Steve McClelland, Walker Noland, Greg Oliff, Angela Payne, Steve Peterson, Laura Pugliese, Paula Reid, Mark Rein, Jummai Sarki-Hurd, Dan Schlussler, Michael Scott, Jillian Sherman, Lawrence Tentor, Leslie Weldon, Dan Whitlock and Cindy Wilkinson.

Guests:

Adam Rosatelli, Senate Finance and Appropriations Committee; Brian Deveney, Justin Ferrell and Zach Borgerding, Auditor of Public Accounts; Latosha Johnson, Department of Planning and Budget; Jamie Bitz and Kimberly Sarte, Joint Legislative Audit and Review Commission; Bea Snidow, Virginia Education Association; Rachel Furash, Goldman Sachs; Lauren Albanese, Financial Investment News; Adam Rees, Pageant Media; and Steff Chavez, Mandate Wire.

The meeting convened at 1:00 p.m.

Opening Remarks

O’Kelly E. McWilliams, III, called the meeting to order and welcomed everyone to the June 10, 2021 meeting of the Virginia Retirement System Board of Trustees.

Mr. McWilliams introduced John M. Bennett, the newest member of the Board of Trustees. He noted that Mr. Bennett joins the Board after retiring from his position as Vice President for Finance at VCU, and that he previously served as Secretary of Finance for the Commonwealth.

Mr. McWilliams noted that given the current circumstances related to COVID-19, the Board 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 Item 4-0.01 of Chapter 552 of the 2021 Special Session I Acts of Assembly as they relate to conducting business during the pandemic.

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

Mr. Bell: Here
Mr. Bennett: Here
Mr. Disharoon: Here
Mr. Garrett: Here
Dr. Gooden: Here
Mr. Hayes: Here
Mr. Montgomery: Here
Ms. Seward: Here
Mr. McWilliams: Here

Public Comment

In accordance with Item 4-0.01 of Chapter 552 of the 2021 Special Session I Acts of Assembly, the Board of Trustees 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 Mr. Montgomery's motion, with a second by Ms. Seward, the VRS Board of Trustees approved the minutes of the April 20, 2021 meeting upon the following roll call vote:

Mr. Bell: Aye
Mr. Bennett: Aye
Mr. Disharoon: Aye
Mr. Garrett: Aye
Dr. Gooden: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. McWilliams: Aye

Committee Assignments

Next, Mr. McWilliams advised that, in accordance with the Governance Policy, the Board of Trustees must review and approve committee assignments when a new member joins the Board. To summarize, Mr. Hayes will fill the vacancy on Administration and Personnel Committee left by Mr. Harris, Chief Garrett, formerly Benefits and Actuarial Committee, will replace Mr. Harris as Chair of the Benefits and Actuarial Committee, and Mr. Bennett will join the Benefits and Actuarial Committee. A copy of the proposed committee assignments was provided in the Board materials. Mr. Montgomery then moved,

with a second by Ms. Seward, that the Board approve the proposed committee assignments. The motion was approved upon the following roll call vote:

Mr. Bell: Aye
Mr. Bennett: Aye
Mr. Disharoon: Aye
Mr. Garrett: Aye
Dr. Gooden: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. McWilliams: Aye

Report of the Chief Investment Officer

Ron Schmitz, Chief Investment Officer, began his report with a market overview and discussed asset allocation, total fund portfolio performance and tracking error, concluding that risk measures are all within Board-approved levels. Mr. Schmitz thanked the Investment Department staff for their hard work in navigating a difficult year due to the pandemic.

Next, Mr. Schmitz explained that each year, following a review of market conditions and progress in moving to the new policy portfolio, the Chief Investment Officer (CIO) suggests target exposures to the Board for the upcoming year. The Board was presented with the recommended changes to the Strategic Asset Allocation and Allowable Ranges that reflect current market conditions and allow for more efficient management of asset allocation.

Request for Board Action 2021-06-09: The VRS Board of Trustees approves the recommended changes to update the Defined Benefit Plan Strategic Asset Allocation and Allowable Ranges to reflect the new Board target asset mix, effective July 1, 2021.

Upon a motion by Mr. Montgomery, with a second by Mr. Disharoon, the VRS Board of Trustees approved the action upon the following roll call vote:

Mr. Bell: Aye
Mr. Bennett: Aye
Mr. Disharoon: Aye
Mr. Garrett: Aye
Dr. Gooden: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. McWilliams: Aye

Mr. McWilliams thanked Mr. Schmitz for his report.

Report of the Audit and Compliance Committee

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

APPROVAL OF MINUTES

Mr. Montgomery began his report by noting the Committee approved the minutes of its March 16, 2021 meeting.

UPDATE ON THE 2020 EMPLOYER ASSURANCES REVIEW

The Auditor of Public Accounts (APA) reported the Employer Assurances Review, covering GASB Statements No. 68 and 75, was progressing as planned and they should conclude their work over the Pension and Other Post-Employment Benefit (OPEB) plans and issue the related opinions by the end of July.

ENTRANCE WITH THE APA FOR THE VRS 2021 ANNUAL REPORT AUDIT

The Committee held its annual entrance conference with the APA to review the approach and scope of the examination of VRS' Annual Report for the Fiscal Year Ending June 30, 2021.

AUDIT REPORTS

The Committee received three audit reports.

- The review of the *Private Equity Program* concluded that adequate due diligence and monitoring activities are in place and align with the Investment Policy Statement. There were no formal recommendations as a result of this review.
- The review of *Optional Retirement Plan for Higher Education* determined adequate monitoring activities and compliance responsibilities are in place, plan distributions and financial activities are accurate, and system interfaces are operating appropriately. There were no formal recommendations as a result of this review.
- The review of the *Internal Equity Management Program* determined program activities are properly recorded and align with the Investment Policy Statement. Other related processes reviewed were operating as intended. There were no formal recommendations as a result of this review.

QUARTERLY REVIEW ON MODERNIZATION PROGRAM – PHASE 4

Management presented its quarterly status report on the Modernization Program – Phase 4, discussing the current software status of the remaining member portal functionality, the implementation plan and related roll-out and business soft launch activities.

Internal Audit presented its quarterly review results and indicated agreement with management's representations regarding the Modernization Program – Phase 4 overall schedule, budget and scope. Internal Audit acknowledged and supports management's efforts and cautious approach through implementation and afterwards. Internal Audit noted, as of the meeting date, VRS' risk-averse approach tentatively indicates full release of all features to members in the Fall of 2021.

QUARTERLY REPORT ON FRAUD, WASTE AND ABUSE HOTLINE CASES

There were no Fraud, Waste and Abuse Hotline complaints reported to Internal Audit via the Office of the State Inspector General during the period of February 1, 2021 through April 30, 2021.

MISCELLANEOUS UPDATES

The Audit Director provided the Committee with the following updates:

Management's Quarterly Travel Expense and Per Diem Report

The Committee received management's quarterly travel expense and per diem report.

FY 2022 Annual Audit Plan Assessment and Validation

Preparation of the proposed Fiscal Year 2022 annual audit plan is underway and will be presented to the Committee and the Board of Trustees for their review and approval at their September meetings.

Next Committee Meeting Date

The Committee's next meeting is scheduled for September 13, 2021 at 1:30 p.m.

Mr. McWilliams thanked Mr. Montgomery for his report.

Report of the Administration and Personnel Committee

The Board received the report of the Administration and Personnel Committee and placed it on file.

APPROVAL OF MINUTES

Mr. McWilliams began his report by noting the Committee approved the minutes of its April 19, 2021 meeting.

APPROVE FY 2022 AGENCY PERFORMANCE OUTCOMES (APO) AND OPERATIONAL MEASURES

Michael Cooper reviewed the APOs and Operational Measures for FY 2022. Staff is proposing four APOs for FY 2022, which are considered stretch goals for the agency. The APOs include the following:

1. Cloud Migration
2. Records Management Program – Phase 1 Implementation
3. ERM Implementation
4. Cardinal HCM Implementation

In addition, staff is proposing sixteen Operational Measures for FY 2022. The sixteen Operational Measures establish metrics related to the agency's day to day operations.

To be eligible for the annual gainsharing bonus, staff must accomplish three of the four APOs and thirteen of the sixteen Operational Measures.

Request for Board Action 2021-06-10: The VRS Board of Trustees approves the FY 2022 Agency Performance Outcomes (APOs) and Agency Operational Measures.

Upon a motion by Mr. Montgomery, with a second by Ms. Seward, the VRS Board of Trustees approved the action upon the following roll call vote:

Mr. Bell: Aye
Mr. Bennett: Aye
Mr. Disharoon: Aye
Mr. Garrett: Aye
Dr. Gooden: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. McWilliams: Aye

BUDGET UPDATE

Barry Faison, Chief Financial Officer, provided an update on the agency's budget performance year-to-date. Mr. Faison explained that fiscal year-end projections continue to indicate a balance of approximately \$9.9 million, similar to what was presented at the April meeting, which will be returned to the Fund as a result of planned reductions in spending due to impacts of the pandemic during FY 2021. Mr. Faison indicated that additional details on expenditures through May will be presented at the Board meeting.

OTHER BUSINESS – RETURN TO THE OFFICE PLANNING

Trish Bishop, VRS Director, updated the Committee on the agency's return to the office planning. Ms. Bishop noted that the transition for returning to the office will begin after Labor Day. The agency completed a staff survey and is in the process of completing its focus groups with staff to gather input on the return to the office, which will be considered as part of the planning process. Ms. Bishop also explained that with the updated guidance provided by the Centers for Disease Control and Prevention (CDC) and the Governor's Chief of Staff, VRS is soliciting a limited number of volunteers interested in returning to the office this summer. The Committee further discussed recruitment, retention and in-person collaboration as part of the return to the office planning. Ms. Bishop thanked the Committee members for their input and indicated that it would be considered as part of the planning process.

Report of the Benefits and Actuarial Committee

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

APPROVAL OF MINUTES

Mr. Garrett began his report by noting the Committee approved the minutes of its April 19, 2021 meeting.

PURCHASE OF PRIOR SERVICE NORMAL COST RATES

Rory Badura, VRS Senior Staff Actuary, presented the proposed normal cost rates for the purchase of prior service for Plan 1, Plan 2 and Hybrid Plan members. Mr. Badura explained that members are

eligible to purchase prior service at any point while employed as an active VRS member; however, there is a two-year period of time to purchase most types of service at approximate normal cost rates before the cost changes to an actuarial equivalent cost. The approximate normal cost rates are updated every four years following the Board's acceptance of the new assumptions associated with the quadrennial experience study. The actuarial equivalent cost rates are developed by the Plan Actuary based on the new assumptions and demographic data from the prior year valuations.

The following are the proposed normal cost rates for current active members across each of the plans and their respective member groups:

- Plan 1: 12.54% for regular VRS members, 21.64% for Hazardous Duty employees, and 35.03% for judges.
- Plan 2: 10.89% for regular VRS members, 19.97% for Hazardous Duty employees, and 33.13% for judges.
- Hybrid Plan: 6.68% for regular VRS members and 18.12% for judges.
- Alternate Hazardous Duty: 9.20% for certain hazardous duty employees whose employers have not adopted all enhanced benefits for their hazardous duty employees.

Request for Board Action 2021-06-11: *The Board determines, after considering the recommendations of the Plan Actuary, that effective July 1, 2021, the rates for Plan 1 members to purchase prior service shall be 12.54% for regular VRS members, 21.64% for hazardous duty employees, and 35.03% for judges; that the rates for Plan 2 members to purchase prior service shall be 10.89% for regular VRS members, 19.97% for hazardous duty employees, and 33.13% for judges; that the rates for Hybrid Plan members to purchase prior service shall be 6.68% for regular VRS member and 18.12% for judges, and an alternative rate of 9.20% for certain affected hazardous duty employees whose employers have not adopted all the enhanced benefits for their hazardous duty employees.*

Upon a motion by Mr. Garrett, with a second by Mr. Montgomery, the VRS Board of Trustees approved the action upon the following roll call vote:

Mr. Bell: Aye
Mr. Bennett: Aye
Mr. Disharoon: Aye
Mr. Garrett: Aye
Dr. Gooden: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. McWilliams: Aye

INFORMATION ITEM

B&A Committee Meeting Schedule

- September (TBD) Stress Test and Sensitivity Analysis Report
- October 13, 2021 at 10:00 a.m.

- November 15, 2021 at 1:00 p.m.

Mr. McWilliams thanked Mr. Garrett for his report.

Operational Update Series: Enhancing the Customer Experience with Online Retirement

Ms. Bishop introduced Deardrian Carver, Jeanne Chenault, and Karen Solarte who presented an update on projects designed to enhance the customer experience and streamline processes and delivery. The most prominent project, Online Retirement, is the culmination of a multi-year effort to deliver a customer-focused, business-driven, and technology-enabled experience for VRS members. Staff identified key objectives of the project, including:

- Providing comprehensive online retirement counseling.
- Assisting members in making informed retirement decisions.
- Maintaining a high level of account security.
- Providing learning-support tools, such as videos and reminders.
- Enabling efficient business processes with technology.
- Ensuring accuracy and consistency of data.

Ms. Chenault discussed the multi-department, collaborative team that focused on contact center and employer training, as well as employer outreach and communications to prepare for the changes with Online Retirement. Staff developed newsletters, handbooks and a new Online Retirement webpage on the employer website that contains resources to acclimate employers to the Online Retirement feature in myVRS.

Ms. Carver presented the Board a step-by-step demonstration of the new Online Retirement application process and discussed innovative features, such as the Retirement Benefit Projector that creates a tailored experience for VRS members. Next, Ms. Solarte reviewed the enhanced security measures implemented by the Information Technology department to protect customer access and accounts with the rollout of Online Retirement. Staff will execute a walk-run approach, providing access to certain employers initially, while simultaneously collecting data for quality monitoring and analyzing metrics throughout the application process in order to apply any necessary changes and enhance the user's experience. She also discussed the additional myVRS functions, such as payment destination maintenance and beneficiary management, that will be available to members and retirees this summer.

The Board expressed appreciation to the team for their hard work and dedication in making Online Retirement available to VRS members in the future.

Commending Resolution of Service for Wallace G. Harris

The Board reviewed and was asked to affirm the following resolution:

WHEREAS, Wallace G. "Bo" Harris, Ph.D. was first appointed to serve on the Virginia Retirement System Board of Trustees in September 2012 and was subsequently reappointed for a second term in March 2016, serving with distinction; and

WHEREAS, Dr. Harris served as a Member of the Administration and Personnel Committee, the Investment Policy Committee, and the Strategic Projects Committee, and contributed to these discussions by virtue of his broad knowledge of the system and best practices; and

WHEREAS, Dr. Harris served as a Member, followed by Vice Chair, and then Chair of the Benefits and Actuarial Committee, where his extensive knowledge of the administration of retirement system plans and benefits, along with a comprehensive understanding of actuarial principles, assisted him in successfully leading Committee discussions and contributed immeasurably to the Committee deliberations; and

WHEREAS, Dr. Harris consistently demonstrated his professional and personal commitment to the interests of members, retirees, and beneficiaries, first serving as Deputy Director, and then Acting Director of the System, followed by his steadfast participation as a Member of the VRS Board of Trustees;

NOW, THEREFORE BE IT RESOLVED, that on June 10, 2021, we, the members of the Board of Trustees of the Virginia Retirement System, hereby acknowledge Dr. Harris's loyal, faithful, and long-standing service to the Board of Trustees, the Virginia Retirement System, its members, retirees, and the Commonwealth of Virginia, and are grateful for his exceptional contributions, stewardship, and commitment as a member of the Board of Trustees.

The VRS Board of Trustees affirmed the resolution with the following roll call:

Mr. Bell: Aye
Mr. Bennett: Aye
Mr. Disharoon: Aye
Mr. Garrett: Aye
Dr. Gooden: Aye
Mr. Hayes: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. McWilliams: Aye

Strategic Plan Update

Ms. Bishop presented an update on the agency's Strategic Plan to the Board. She noted that staff developed the plan in collaboration with the Investment Department and facilitators with VCU Performance Management Group. The plan contains two new elements: a Diversity, Equity, and Inclusion (DEI) Statement and Equity Emphasis on each goal in the plan. This reflects the agency's desire to be intentional about DEI efforts and to be consistent with the executive branch's "One VRS" initiative.

The plan contains five goals with an emphasis on fostering organizational strength to achieve long-term financial health of the Plans and improved outcomes for VRS members, retirees, and employers through partnership and engagement. Staff will leverage technology to enhance efficiency and effectiveness as well as the overall customer experience. Ms. Bishop advised that following feedback from the Board, staff will present a finalized draft at the September Administration and Personnel Committee meeting.

Report of the Director

Next, Ms. Bishop reviewed the New Coverage Elections and provided an update on the VRS Agency Roadmap for FY 2021. She advised that all projects are progressing as planned or have been completed, with the exception of the financial system upgrade. Staff continues to monitor these projects and will provide updates as they become available.

Custodial and Signature Authorization Resolutions

At Ms. Bishop's request, Mr. Cooper presented the Resolution for Master Custodial Services and the Resolution for Payment of Retirement System Funds in the State Treasury and Signing Official Documents. The documents set out the Board's intentions regarding authority to sign documents. Mr. Cooper noted the only change to the resolution is updating the Chief Technology Officer's name.

Upon a motion by Mr. McWilliams, with a second by Mr. Montgomery, the VRS Board of Trustees approved the changes to the Custodial and Signature Authorization Resolutions form upon the following roll call vote*:

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

**Mr. Garrett was not present for this vote.*

Budget Update

Mr. Cooper provided an update on the agency's budget performance through May 31, 2021. The remaining balance of \$9.9 million that was reported to the Board in April has been reduced to \$9.3 million due to salaries and benefits for recent hires, as well as additional purchases funded from the FY 2021 budget. Mr. Cooper noted that VRS operations are generally funded by the Trust and any remaining balances are returned to the Trust, with the exception of appropriated funds related to the Virginia Volunteer Firefighters' & Rescue Squad Workers' Service Award Program (VOLSAP).

DPB Deficit Provision Acknowledgement Form

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

Update on Return to the Office Planning

Next, Ms. Bishop provided the Board with an update regarding the plan to return staff to the building. She advised that since the beginning of the pandemic, VRS has followed the guidance provided by the Governor's Office and the Centers for Disease Control and Prevention (CDC). The building was closed in March 2020 and since that time, only select staff have returned to the office to process mail, imaging, and carry out other critical business operations. Staff and third-party administrators have utilized virtual platforms to continue to provide exceptional customer service to VRS members and retirees. Staff will remain remote until September 7th; however, employees can return on a voluntary basis with approval from management.

Ms. Bishop reported positive feedback following an employee survey regarding the remote work experience during the pandemic. 90% of employees indicated an overall positive experience, adequate and effective communication from VRS leadership, and sustained or improved productivity output. The Human Resources department held focus groups to discuss staff concerns about returning to the office, such as group spaces and social distancing, and found that most prefer to remain remote or incorporate a hybrid work schedule.

To prepare for the return to the office, VRS leadership will work closely with management staff to evaluate employee preferences and consider impacts related to recruitment and retention. Using CDC recommendations, staff will develop guidance for the September return, as well as review technology tools designed to support synchronous hybrid work collaboration.

Ms. Bishop concluded her report by noting that VRS received a 2021 Communicator Award of Distinction for marketing effectiveness from the Academy of Interactive and Visual Arts (AIVA) for its virtual response to the COVID-19 pandemic.

Next, the Board was presented with the "Why I Serve" video, in celebration of Virginia Public Service Week.

Mr. McWilliams thanked Ms. Bishop for her report.

Other Business

Mr. McWilliams noted the July meeting has been cancelled and the next Board meeting will be held on September 21, 2021 at 1:00 p.m. The Defined Contribution Plans Advisory Committee (DCPAC) will meet on June 24th and the Investment Advisory Committee (IAC) will meet on August 17th.

Adjournment

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

Mr. Bell: Aye
Mr. Bennett: Aye
Mr. Disharoon: Aye
Mr. Garrett: Aye
Dr. Gooden: Aye

Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. McWilliams: Aye

There being no further business, the meeting concluded at 3:14 p.m.



Chair

Patricia
Bishop

Digitally signed by
Patricia Bishop
Date: 2021.09.22
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Secretary

Report

In accordance with Item 4-0.01 of Chapter 552 of the 2021 Special Session I Acts of Assembly of the *Code of Virginia* as it relates to conducting business during the COVID-19 pandemic, the Audit and Compliance Committee convened electronically on June 3, 2021 and discussed the following:

APPROVAL OF MINUTES

The Committee approved the minutes of its March 16, 2021 meeting.

UPDATE ON THE 2020 EMPLOYER ASSURANCES REVIEW

The Auditor of Public Accounts (APA) reported the Employer Assurances Review, covering GASB Statements No. 68 and 75, was progressing as planned and they should conclude their work over the Pension and Other Post-Employment Benefit (OPEB) plans and issue the related opinions by the end of July.

ENTRANCE WITH THE APA FOR THE VRS 2021 ANNUAL REPORT AUDIT

The Committee held its annual entrance conference with the APA to review the approach and scope of the examination of VRS' Annual Report for the Fiscal Year Ending June 30, 2021.

AUDIT REPORTS

The Committee received three audit reports.

- The review of the *Private Equity Program* concluded adequate due diligence and monitoring activities are in place and align with the Investment Policy Statement. There were no formal recommendations as a result of this review.
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QUARTERLY REVIEW ON MODERNIZATION PROGRAM – PHASE 4

Management presented its quarterly status report on the Modernization Program - Phase 4, discussing the current software status of the remaining member portal functionality, the implementation plan and related roll-out and business soft launch activities.

Internal Audit presented its quarterly review results and indicated agreement with management's representations regarding the Modernization Program – Phase 4 overall schedule, budget and scope. Internal Audit acknowledged and support management's efforts and cautious approach through

implementation and afterwards. Internal Audit noted, as of the meeting date, VRS' risk averse approach tentatively indicates full release of all features to members in the Fall 2021.

QUARTERLY REPORT ON FRAUD, WASTE AND ABUSE HOTLINE CASES

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MISCELLANEOUS UPDATES

The Audit Director provided the Committee with the following updates:

Management's Quarterly Travel Expense and Per Diem Report

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FY2022 Annual Audit Plan Assessment and Validation

Preparation of the proposed Fiscal Year 2022 annual audit plan is underway and will be presented to the Committee and the Board of Trustees for their review and approval at their September meetings.

Next Committee Meeting Date

The Committee's next meeting is scheduled for September 13, 2021 at 1:30 p.m.

Respectfully submitted to the Board of Trustees on June 10, 2021.


Joseph W. Montgomery, Chair
Audit and Compliance Committee

Report

Pursuant to § 2.2-3700 et seq. of the *Code of Virginia* and Chapter 552 of the 2021 Special Session I Acts of Assembly, the Administration and Personnel Committee convened electronically on June 2, 2021 at 10:00 a.m. and took up the following matters:

APPROVAL OF MINUTES

The Committee approved the minutes of its April 19, 2021 meeting.

APPROVE FY 2022 AGENCY PERFORMANCE OUTCOMES (APO) AND OPERATIONAL MEASURES

Michael Cooper reviewed the APOs and operational measures for FY 2022. Staff is proposing four APOs for FY 2022, which are considered stretch goals for the agency. The APOs include the following:

1. Cloud Migration
2. Records Management Program – Phase 1 Implementation
3. ERM Implementation
4. Cardinal HCM Implementation

In addition, staff is proposing sixteen operational measures for FY 2022. The sixteen operational measures establish metrics related to the agency's day to day operations.

To be eligible for the annual gainsharing bonus, staff must accomplish three of four APOs and thirteen of the sixteen operational measures.

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

Request for Board Action: *The VRS Board of Trustees approves the FY 2022 Agency Performance Outcomes (APOs) and Agency Operational Measures.*

BUDGET UPDATE

Barry Faison provided an update on the agency's budget performance year-to-date. Mr. Faison explained that fiscal year-end projections continue to indicate a balance of approximately \$9.9 million, similar to what was presented at the April meeting, which will be returned to the Fund as a result of planned reductions in spending due to impacts of the pandemic during FY 2021. Mr. Faison indicated that additional details on expenditures through May will be presented at the Board meeting.

OTHER BUSINESS – RETURN TO THE OFFICE PLANNING

Trish Bishop updated the Committee on the agency's return to the office planning. Ms. Bishop noted that the transition for returning to the office will begin after Labor Day. The agency completed a staff survey and is in the process of completing its focus groups with staff to gather input on the return to the office, which will be considered as part of the planning process. Ms. Bishop also explained that with the updated guidance provided by the Centers for Disease Control and Prevention (CDC) and the Governor's Chief of Staff, VRS is soliciting a limited number of volunteers interested in returning to the office this

summer. The Committee further discussed recruitment, retention and in-person collaboration as part of the return to the office planning. Ms. Bishop thanked the Committee members for their input and indicated that it would be considered as part of the planning process.

Submitted to the Board of Trustees on June 10, 2021.



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

Report

Pursuant to § 2.2-3700 et seq. of the *Code of Virginia* and Chapter 552 of the 2021 Special Session I Acts of Assembly, the Benefits and Actuarial Committee convened electronically on June 9, 2021 at 1:00 p.m. and took up the following matters:

APPROVAL OF MINUTES

The Committee approved the minutes of its April 19, 2021 meeting.

PURCHASE OF PRIOR SERVICE NORMAL COST RATES

Rory Badura presented the proposed normal cost rates for the purchase of prior service for Plan 1, Plan 2, and Hybrid Plan members. Mr. Badura explained that members are eligible to purchase prior service at any point while employed as an active VRS member, however, there is a two-year period of time to purchase most types of service at approximate normal cost rates before the cost changes to an actuarial equivalent cost. The approximate normal cost rates are updated every four years following the Board's acceptance of the new assumptions associated with the quadrennial experience study. The actuarial equivalent cost rates are developed by the Plan Actuary based on the new assumptions and demographic data from the prior year valuations.

The following are the proposed normal cost rates for current active members across each of the plans and their respective member groups:

- Plan 1: 12.54% for regular VRS members, 21.64% for Hazardous Duty employees, and 35.03% for judges.
- Plan 2: 10.89% for regular VRS members, 19.97% for Hazardous Duty employees, and 33.13% for judges.
- Hybrid Plan: 6.68% for regular VRS members and 18.12% for judges.
- Alternate Hazardous Duty: 9.20% for certain hazardous duty employees whose employers have not adopted all enhanced benefits for their hazardous duty employees.

Following some discussion, the Committee recommended approval of the following action to the full Board of Trustees:

Request for Board Action: The Board determines, after considering the recommendations of the Plan Actuary, that effective July 1, 2021, the rates for Plan 1 members to purchase prior service shall be 12.54% for regular VRS members, 21.64% for hazardous duty employees, and 35.03% for judges; that the rates for Plan 2 members to purchase prior service shall be 10.89% for regular VRS members, 19.97% for hazardous duty employees, and 33.13% for judges; that the rates for Hybrid Plan members to purchase prior service shall be 6.68% for regular VRS member and 18.12% for judges, and an alternative rate of 9.20% for certain affected hazardous duty employees whose employers have not adopted all the enhanced benefits for their hazardous duty employees.



INFORMATION ITEM

B&A Committee Meeting Schedule

- September (TBD) Stress Test and Sensitivity Analysis Report
- October 13, 2021 at 10:00 a.m.
- November 15, 2021 at 1:00 p.m.

Submitted to the Board of Trustees on June 10, 2021.

A handwritten signature in black ink, appearing to read 'William A. Garrett', followed by the date '6.11.21'.

William A. Garrett, Vice Chair
Benefits and Actuarial Committee