



**Administration and Personnel Committee (A&P) Meeting**

**Via GoToWebinar**

**Wednesday, 6/10/2020**

**10:00 AM - 11:30 PM ET**

**I. Public Comment**

**II. Approve Minutes**

**A. February 13, 2020**

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**III. Verus - Benchmark and Performance Hurdle Analysis**

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**A. RBA - Approve Benchmarks and Excess Return Objectives**

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**IV. Discussion and Consideration of FY2021 Agency Performance Outcomes (APOs) and Operational Measures (OMs)**

*Proposed FY21 APOs - Page 24*

*Proposed FY21 Operational Measures - Page 29*

**A. RBA – Review and Approve New FY 2021 Agency Performance Outcomes and Operational Measures**

*RBA - Approve FY2021 APOs\_Operating Measures - Page 47*

**V. RBA – Reappointment of Investment Advisory Committee Members**

*RBA - Reappoint IAC Members - Page 49*

*Bio for Theodore Economou - Page 50*

*Bio for Deborah Allen-Hewitt - Page 53*

**VI. RBA – Reappointment of Defined Contribution Plans Advisory Committee Member**

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*Bio for Ravindra Deo - Page 55*

**VII. Budget Update**

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**VIII. Other Business**

**A. Update on Return to the Office Planning**

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## Minutes

A regular meeting of the Administration and Personnel Committee of the VRS Board of Trustees was held on February 13, 2020 in Richmond, Virginia with the following members present:

Mitchell L. Nason, VRS Chair  
Diana F. Cantor, Vice Chair  
Wallace G. Harris, Ph.D.  
Joseph W. Montgomery

Board members present:  
William H. Leighty  
O’Kelly E. McWilliams, III

Also present:

Trish Bishop, Ron Schmitz, Jennifer Schreck, Farley Beaton, Jeanne Chenault, Michael Cooper, Juanita Cribbs, Barry Faison, Robert Irving, LaShaunda King, Curt Mattson, Angela Payne, Cat Pelletier, Matt Priestas, Cindy Wilkinson of the VRS Staff; and Jamie Bitz of the Joint Legislative Audit and Review Commission.

The meeting convened at 10:35 a.m.

### Approval of Minutes

Upon a motion by Mr. Montgomery, with a second by Ms. Cantor, the minutes of the November 20, 2019 meeting were approved.

### Tuition Reimbursement and Tenure Agreement

Mr. Schmitz presented a request for authorization to execute a tenure agreement with and reimburse tuition payments for certain investment professional staff. VRS adheres to the Education and Development for Investment Professionals Policy which outlines the process for requesting, approving and reimbursing allowable expenses for training, tuition reimbursement and attainment of professional designations. The Policy supports the retention of current investment professionals and attraction of new talent.

The Policy authorizes the VRS Chief Investment Officer (CIO) to approve tuition reimbursement for investment professionals unless the estimated costs exceed \$100,000. If the estimated tuition costs exceed \$100,000 the VRS Board of Trustees must review and approve the request.

Upon a motion by Mr. Harris, with a second by Mr. McWilliams, the Committee recommends approval of the following action to the full Board:

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**RBA: Authorize Tuition Reimbursement and Tenure Agreement**

***Request for Board Action:*** The VRS Board of Trustees authorizes the Chief Investment Officer to execute a tenure agreement with and reimburse tuition payments for certain investment professional staff.

**Review and Approve New FY 2020 Agency Performance Outcome (APO) #6**

Ms. Bishop and Mr. Cooper presented a new proposed Agency Performance Outcome (APO) #6, Implement FY 2020 Legislation. A significant amount of legislation impacting VRS is expected to be approved during the 2020 General Assembly session, and likely to require implementation by July 1, 2020. The resources necessary for legislation implementation will likely affect other key initiatives, including those outlined in the previously approved FY 2020 APOs.

Staff is meeting to evaluate schedules for current agency projects and to develop a plan for process, system and communication changes necessary to satisfy the anticipated minimum requirements of the VRS-related approved legislation.

Upon a motion by Mr. McWilliams, with a second by Mr. Harris, the Committee recommends approval for the following action to the full Board:

***Request for Board Action:*** The Board approves new FY 2020 APO #6, Implement FY 2020 Legislation.

**Reappointment of IAC Member**

Mr. Schmitz presented the recommendation to reappoint W. Bryan Lewis to the Investment Advisory Committee (IAC) for a two-year term ending March 31, 2022.

Upon a motion by Ms. Cantor, with a second by Mr. Montgomery, the Committee recommends approval of the following action to the full Board:

**RBA: Reappointment of IAC Member**

***Request for Board Action:*** The Board reappoints W. Bryan Lewis to the Investment Advisory Committee for a two-year term ending March 31, 2022.

**Appointment of DCPAC Member**

Ms. Bishop presented the recommendation to appoint Kathleen T. Seay to the Defined Contribution Plans Committee (DCPAC). Ms. Seay would fill the unexpired term of Allan Carmody, which ends June 20, 2020, and, given the short duration of the unexpired term, the recommendation includes the subsequent reappointment of Ms. Seay to a full term that will end June 20, 2022.

Upon a motion by Mr. Montgomery, with a second by Mr. Leighty, the Committee recommends approval of the following action to the full Board:

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**RBA: Appointment of DCPAC Member**

***Request for Board Action:*** *The Board appoints Kathleen T. Seay to fill the unexpired term of Allan Carmody, which ends June 20, 2020, and reappoints Ms. Seay for a two-year term ending June 20, 2022.*

**Budget Update**

Mr. Faison provided a budget update for FY 2020 to the Committee. Mr. Faison noted that due to market and other conditions, actual incentive compensation was less than budgeted for investment professionals. Therefore, staff is requesting approval to reallocate the remaining funds to other key agency projects. The total amount to be reallocated is \$3,082,000.

Upon a motion by Mr. McWilliams, with a second by Mr. Leighty, the Committee recommends approval of the reallocation of unused incentive compensation funds for other key agency projects.

**Adjournment**

There being no further business, Mr. Nason adjourned the meeting at 11:13 a.m.

\_\_\_\_\_  
Date

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

\* Mr. McWilliams was appointed as VRS Chair after the date of the meeting.



# **PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS**



JUNE 2020

Benchmark and Performance Hurdle Analysis

**Virginia Retirement System**

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# Benchmarks

# Introduction to benchmarks

## CFA Institute – Some of the characteristics of a good benchmark

- Unambiguous
- Investable
- Measurable
- Appropriate
- Specified in advance
- Reflective of current investment opinions

*Source: Exposure Draft of GIPS® Guidance Statement on Benchmarks*



# VRS benchmarks

Program	Current Benchmarks	Recommended Benchmarks
Fixed Income	Fixed Policy-weighted Blend of Bloomberg Barclays U.S. Aggregate Index [90%], Bloomberg Barclays U.S. High Yield Ba-B 2% Issuer Cap Index [5%] and JP Morgan EMBI Global Core Index [5%]	Fixed Policy-weighted Blend of Bloomberg Barclays U.S. Aggregate Index [90%], Bloomberg Barclays U.S. High Yield Ba-B 2% Issuer Cap Index [5%] and JP Morgan EMBI Global Core Index [5%]
Credit Strategies	Fixed Policy-weighted Blend of Bloomberg Barclays U.S. High Yield Ba-B 2% Issuer Cap Index [30%], Bloomberg Barclays U.S. Aggregate Index [10%] and S&P Performing Loan Index [60%]	Fixed Policy-weighted Blend of Bloomberg Barclays U.S. High Yield Ba-B 2% Issuer Cap Index [30%], Bloomberg Barclays U.S. Aggregate Index [10%] and S&P Performing Loan Index [60%]
Public Equity	MSCI All Country World Investable Market Index net of VRS taxes	MSCI All Country World Investable Market Index net of VRS taxes
Internal Equity	Asset-weighted Blend of the MSCI U.S. Standard Index, MSCI U.S. Small Cap Index, MSCI USA Minimum Volatility Index, MSCI World ex-U.S. Index, MSCI World ex-U.S. Minimum Volatility Index, MSCI Emerging Markets Index and EPRA/NAREIT U.S. Index net of VRS taxes	Asset-weighted Blend of the MSCI U.S. Standard Index, MSCI U.S. Small Cap Index, MSCI USA Minimum Volatility Index, MSCI World ex-U.S. Index, MSCI World ex-U.S. Minimum Volatility Index, MSCI Emerging Markets Index and EPRA/NAREIT U.S. Index net of VRS taxes
Private Equity	MSCI All Country World Investable Market Index net of VRS taxes (lagged by 3 months) + 250 bps per annum	MSCI All Country World Investable Market Index net of VRS taxes (lagged by 3 months)
Real Assets	Asset-weighted Blend of the Total Real Estate benchmark (NCREIF ODCE Index (net, lagged by 3 months) [85%] and FTSE EPRA/NAREIT Developed REIT Index [15%]) and the Other Real Assets benchmark CPI-U Index + 400 bps per annum lagged by 3 months	Asset-weighted Blend of the Total Real Estate benchmark (NCREIF ODCE Index (net, lagged by 3 months) [85%], FTSE EPRA/NAREIT Developed REIT Index [15%]) and the Other Real Assets benchmark CPI-U Index + 400 bps per annum lagged by 3 months
Private Investment Partnership	40% Private Equity (MSCI All Country World Investable Market Index (net of VRS taxes lagged by 3 months) + 250 bps per annum) 30% Real Estate (NCREIF ODCE Index (net, lagged by 3 months)) 10% Other Real Assets (CPI-U Index + 400 bps per annum lagged by 3 months) 10% Credit Strategies Rate Sensitive (Bloomberg Barclays U.S. High Yield Ba-B 2% Issuer Cap Index) 10% Credit Strategies Non-Rate Sensitive (S&P Performing Loan Index)	33% Private Equity (MSCI All Country World Investable Market Index net of VRS taxes lagged by 3 months) 25% Real Estate (NCREIF ODCE Index, net, lagged by 3 months) 8% Other Real Assets (CPI-U Index + 400 bps per annum lagged by 3 months) 17% Credit Strategies Rate Sensitive (Bloomberg Barclays U.S. High Yield Ba-B 2% Issuer Cap Index) 17% Credit Strategies Non-Rate Sensitive (S&P Performing Loan Index)
Dynamic Strategies	60% MSCI All Country World Investable Market Index net of VRS taxes 20% Bloomberg Barclays U.S. Aggregate Index 10% Bloomberg Barclays U.S. High Yield Ba-B 2% Issuer Cap Index 10% JP Morgan EMBI Global Core Index	60% MSCI All Country World Investable Market Index net of VRS taxes 20% Bloomberg Barclays U.S. Aggregate Index 10% Bloomberg Barclays U.S. High Yield Ba-B 2% Issuer Cap Index 10% JP Morgan EMBI Global Core Index
Risk Based Investments	80% Diversifiers Benchmark (Bloomberg Barclays 3- month U.S. Treasury Bellwether + 250 bps per annum) 20% S&P Risk Parity 12% Volatility	80% Diversifiers Benchmark (Bloomberg Barclays 3- month U.S. Treasury Bellwether + 250 bps per annum) 20% S&P Risk Parity 12% Volatility

# Discussion of changes

## Private Equity

- Aspirational, non-investable – (global equity index + 250 bp)
  - Approach typically used by institutional investors
- Any outperformance relative to Public Equity is beneficial to the fund
- If not invested in Private Equity, monies would likely be invested in Public Equity

## PIP

- Changed weightings to reflect new asset allocation weights
  - Implementation delayed until 7/1/2021 due to illiquid nature

## Investigated changing other aspirational, non-investable benchmarks but did not change

- Other Real Assets – (CPI + 400 bps)
- RBI Diversifiers – (Cash + 250 bps)
  - Approach typically used by institutional investors
  - Risk and return, reflective of strategy characteristics were not improved, or approach not used by other institutional investors

# Performance hurdles

# Summary of performance hurdles (1X)

Program	Current Hurdle (bps)	Recommended Hurdle (bps)	Rationale for Change
Fixed Income	20	25	Consistently achieving 2X. Universe of active management consistently adds value. Encourage slightly more risk taking and value added. High yield and EMD added to mandate and opportunity set.
Credit Strategies	50	75	Restructuring of strategy expected to increase tracking error and therefore higher value added.
Public Equity	30	30	No change
Internal Equity	20	25	Higher expected tracking error and higher value added than when current 1X was developed as VRS has expanded into higher tracking error, strategies, primarily low volatility strategies. Expect higher IR due to global nature of portfolio
Private Equity	75	200	Removal of + 250 bps from benchmark. 2X is the same, 400 bps over the global equity index
Real Assets	75	75	No change
Private Investment Partnership	75	120	Weighted sum of new benchmark and new 1X's
Dynamic Strategies	30	25	Still early in the life of the strategy. Use the same 1X as internal public strategies. Diversification benefits from strategy not captured in performance hurdles
Risk Based Investments	30	25	Still early in the life of the strategies. Use the same 1X as internal public strategies. Diversification benefits from strategy not captured in performance hurdles
Total Fund	30	45	Adjustment for private equity benchmark change, expected universe top quartile ranking performance, greater asset class alpha expectations and increasing allocations to higher alpha asset classes

# VRS results – Private Equity

PRIVATE EQUITY 5 YEAR ROLLING ANALYSIS

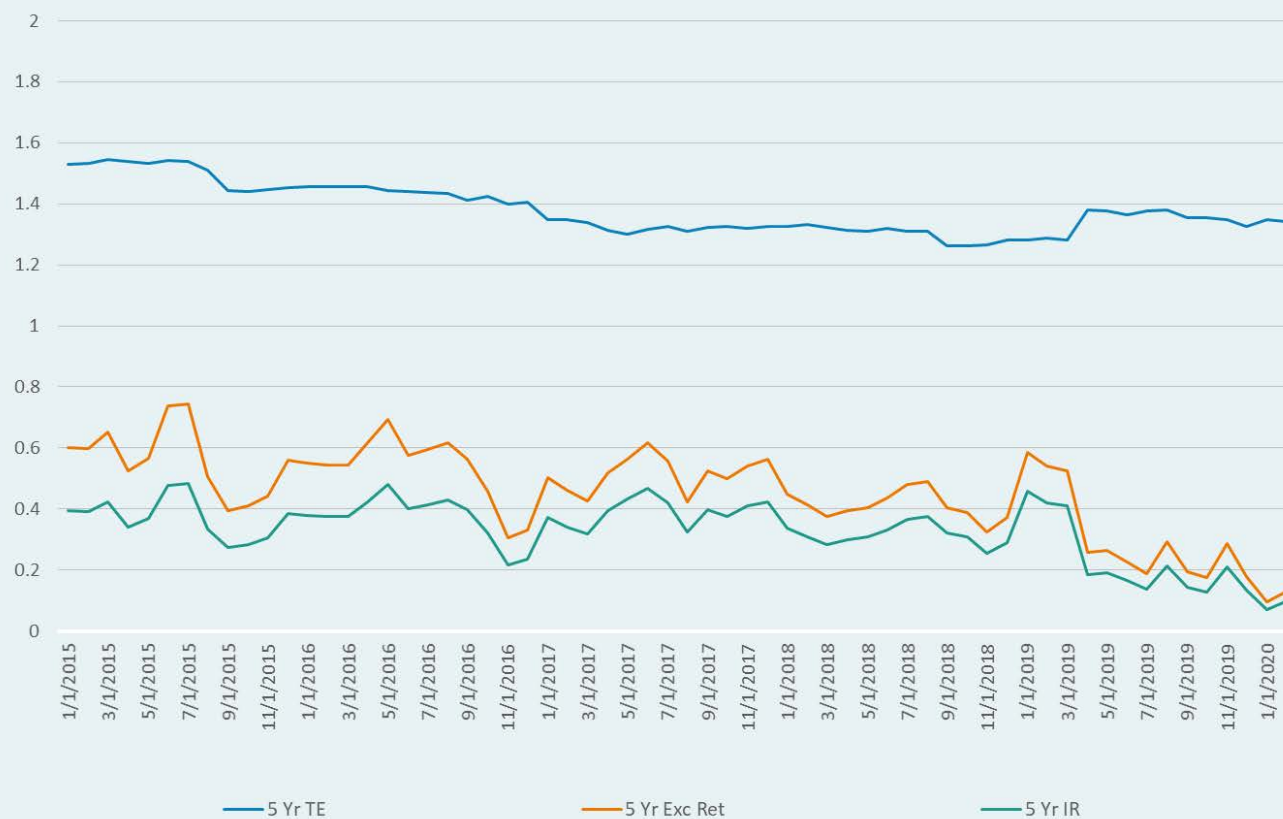


Any point of +2.5% line above zero is beneficial to VRS and would smooth out the incentive compensation

Source: VRS, BNY-Mellon

# VRS results – Total Fund

TOTAL FUND 5 YEAR ROLLING ANALYSIS



Historical tracking error within a fairly narrow range and expected to increase some as new target allocation is implemented

Source: VRS, BNY-Mellon

# Public fund universe – total fund value added

## InvMetrics Public DB Net Universe ending 12/31/2019

	3 Year	5 Year	8 Year	10 Year
Universe				
5th Pctl.	1.36	0.77	1.14	0.95
25th Pctl.	0.38	0.20	0.28	0.24
Median	-0.09	-0.18	-0.03	-0.05
75th Pctl.	-0.45	-0.48	-0.43	-0.43
95th Pctl.	-1.26	-1.16	-1.14	-1.41
Observations	211	203	180	153

## InvMetrics Public DB Net Universe ending 12/31/2018

	8 Year
Universe	
5th Pctl.	0.90
25th Pctl.	0.32
Median	-0.07
75th Pctl.	-0.43
95th Pctl.	-1.47
Observations	211

Aspirational benchmarks of +200 to +500 bps are normally used in policy performance benchmarks

Removing the aspirational contribution from every funds' policy return would likely shift the universe's value added by a similar amount that it does for VRS, 25 – 30 bps

1X of 45 bps estimated to be above adjusted median but below adjusted top quartile.

2X of 90 bps estimated to be above adjusted top quartile, and approximately adjusted top decile

# VRS results – Fixed Income

FIXED INCOME 5 YEAR ROLLING ANALYSIS



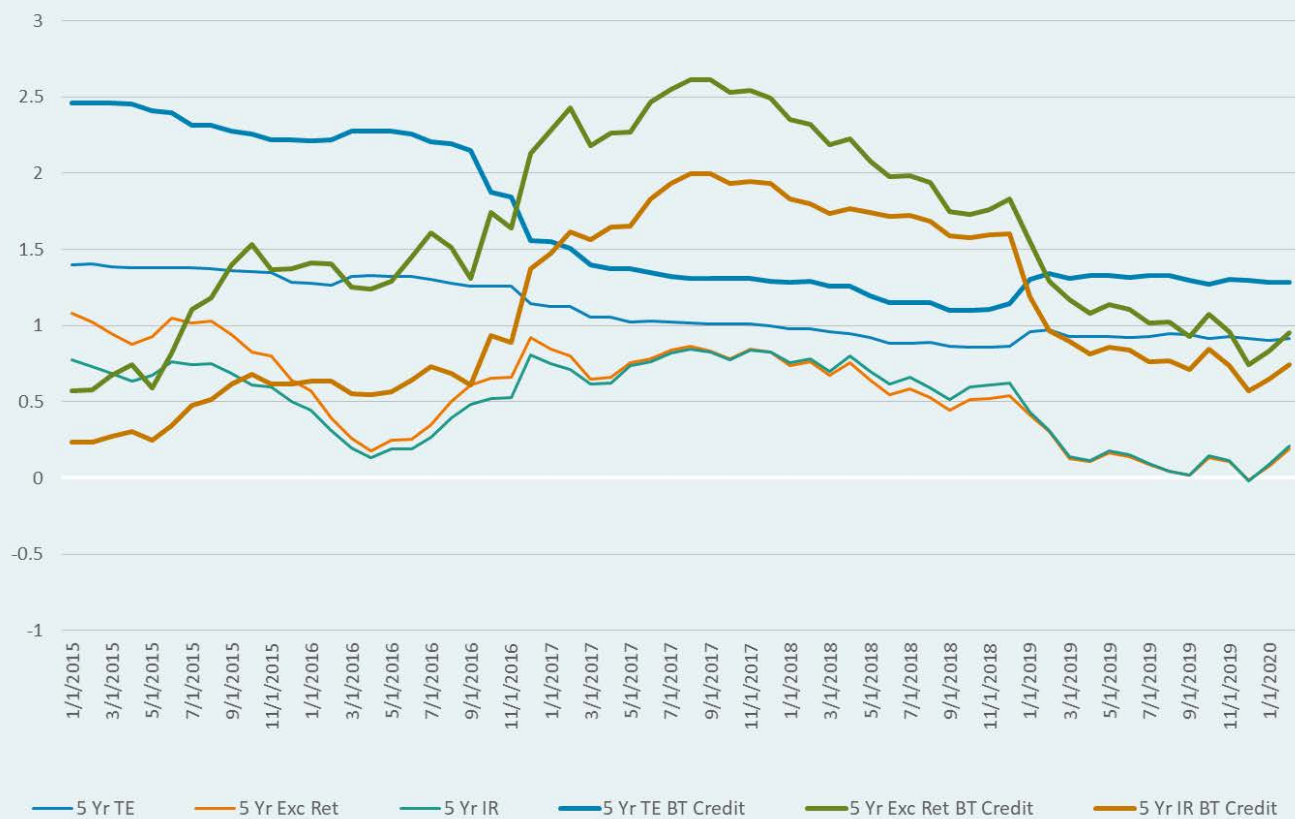
Excellent results. New hurdles encourage a bit more risk taking within the current capabilities and strategies

Source: VRS, BNY-Mellon



# VRS results – Credit Strategies

CREDIT 5 YEAR ROLLING ANALYSIS

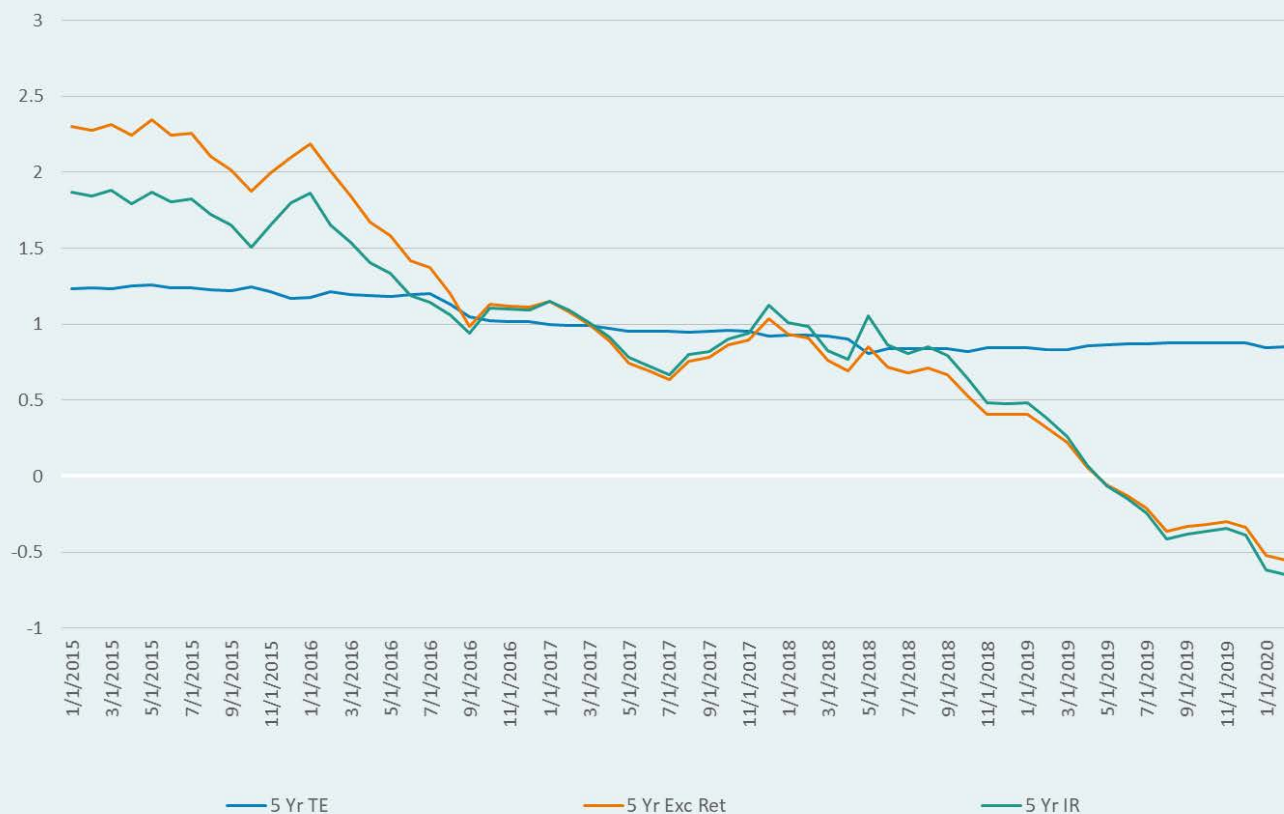


Backtest of proposed strategy demonstrates greater tracking error than program's historical risk

Source: VRS, BNY-Mellon

# VRS results – Internal Equity

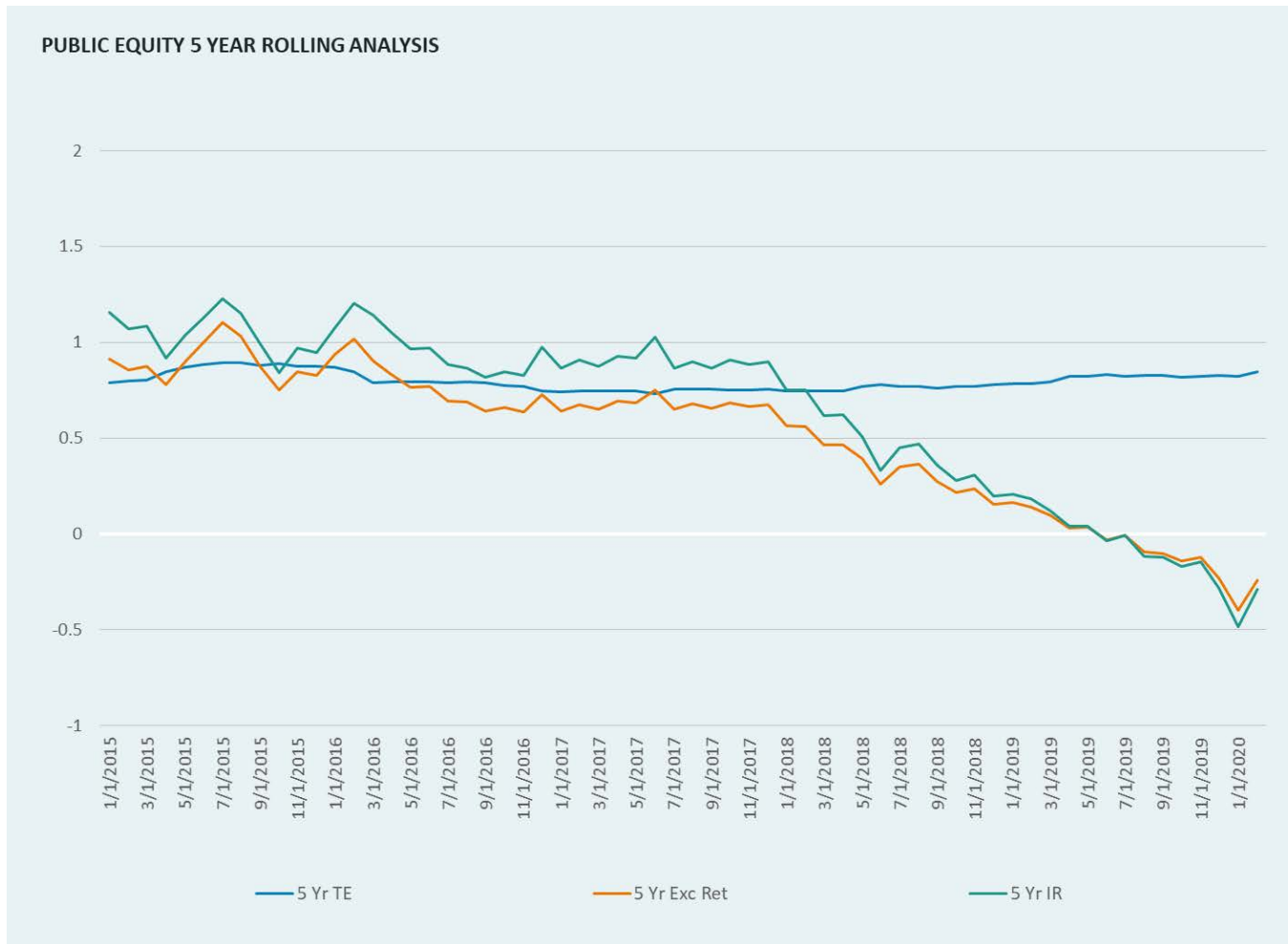
INTERNAL EQUITY 5 YEAR ROLLING ANALYSIS



Current 1X developed at a slightly lower tracking error expectation and lower, U.S. equity based, information ratio

Source: VRS, BNY-Mellon

# VRS results – Public Equity



Source: VRS, BNY-Mellon

# Summary

Program	Recommended Benchmarks	Recommended Hurdles (bps)
Fixed Income	Fixed Policy-weighted Blend of Bloomberg Barclays U.S. Aggregate Index [90%], Bloomberg Barclays U.S. High Yield Ba-B 2% Issuer Cap Index [5%] and JP Morgan EMBI Global Core Index [5%]	25
Credit Strategies	Fixed Policy-weighted Blend of Bloomberg Barclays U.S. High Yield Ba-B 2% Issuer Cap Index [30%], Bloomberg Barclays U.S. Aggregate Index [10%] and S&P Performing Loan Index [60%]	75
Public Equity	MSCI All Country World Investable Market Index net of VRS taxes	30
Internal Equity	Asset-weighted Blend of the MSCI U.S. Standard Index, MSCI U.S. Small Cap Index, MSCI USA Minimum Volatility Index, MSCI World ex-U.S. Index, MSCI World ex-U.S. Minimum Volatility Index, MSCI Emerging Markets Index and EPRA/NAREIT U.S. Index net of VRS taxes	25
Private Equity	MSCI All Country World Investable Market Index net of VRS taxes (lagged by 3 months)	200
Real Assets	Asset-weighted Blend of the Total Real Estate benchmark (NCREIF ODCE Index (net, lagged by 3 months) [85%], FTSE EPRA/NAREIT Developed REIT Index [15%]) and the Other Real Assets benchmark CPI-U Index + 400 bps per annum lagged by 3 months	75
Private Investment Partnership	33% Private Equity (MSCI All Country World Investable Market Index net of VRS taxes lagged by 3 months) 25% Real Estate (NCREIF ODCE Index, net, lagged by 3 months) 8% Other Real Assets (CPI-U Index + 400 bps per annum lagged by 3 months) 17% Credit Strategies Rate Sensitive (Bloomberg Barclays U.S. High Yield Ba-B 2% Issuer Cap Index) 17% Credit Strategies Non-Rate Sensitive (S&P Performing Loan Index)	120
Dynamic Strategies	60% MSCI All Country World Investable Market Index net of VRS taxes 20% Bloomberg Barclays U.S. Aggregate Index 10% Bloomberg Barclays U.S. High Yield Ba-B 2% Issuer Cap Index 10% JP Morgan EMBI Global Core Index	25
Risk Based Investments	80% Diversifiers Benchmark (Bloomberg Barclays 3-month U.S. Treasury Bellwether + 250 bps per annum) 20% S&P Risk Parity 12% Volatility	25
Total Fund	Fixed Policy-weighted Blend of individual program benchmarks	45

**Approve changes to benchmarks and excess return objectives, effective July 1, 2020.**

**Requested Action**

The VRS Board of Trustees approves the recommended changes to the benchmarks and excess return objectives, effective July 1, 2020.

**Description/Background**

**Benchmarks and Excess Return Objectives.** The VRS Board of Trustees uses benchmarks to monitor performance results and uses excess return objectives in calculations associated with the Investment Professionals' Pay Plan. At the June 19, 2015 meeting, the Board approved the program benchmarks and excess return objectives as recommended by Aon Hewitt. Since that time, the Board has approved various changes to asset class benchmarks; however, the adopted excess return objectives remained in effect. As directed by the Board, staff engaged Verus, the consulting firm that recently performed the asset liability study for the Board, to review the appropriateness of the benchmarks and the excess return objectives for the individual asset class programs and the total fund.

After careful analysis, Verus recommends the following benchmarks and excess return objectives.

**Benchmarks: Recommended Changes**

<b>Program</b>	
<b>Private Equity</b>	
Current Benchmark	MSCI All Country World Investable Market Index net of VRS taxes (lagged by 3 months) + 250 bps per annum
<b>Recommended Benchmark</b>	<b>MSCI All Country World Investable Market Index net of VRS taxes (lagged by 3 months)</b>
<b>Private Investment Partnerships</b>	
Current Benchmark	40% Private Equity (MSCI All Country World Investable Market Index (net of VRS taxes lagged by 3 months) + 250 bps per annum) 30% Real Estate (NCREIF ODCE Index, net, lagged by 3 months) 10% Other Real Assets (CPI-U Index + 400 bps per annum lagged by 3 months) 10% Credit Strategies Rate Sensitive (Bloomberg Barclays U.S. High Yield Ba-B 2% Issuer Cap Index) 10% Credit Strategies Non-Rate Sensitive (S&P Performing Loan Index)
<b>Recommended Benchmark</b>	<b>33% Private Equity (MSCI All Country World Investable Market Index net of VRS taxes lagged by 3 months)</b> <b>25% Real Estate (NCREIF ODCE Index, net, lagged by 3 months)</b> <b>8% Other Real Assets (CPI-U Index + 400 bps per annum lagged by 3 months)</b> <b>17% Credit Strategies Rate Sensitive (Bloomberg Barclays U.S. High Yield Ba-B 2% Issuer Cap Index)</b> <b>17% Credit Strategies Non-Rate Sensitive (S&amp;P Performing Loan Index)</b>

**Notes:**

The recommended benchmark for Private Equity will be effective as of July 1, 2020.

The recommended benchmark for Private Investment Partnerships will be effective as of July 1, 2021, due to the illiquid nature of the program.

Benchmarks: No Recommended Changes

Program	Benchmark
<b>Fixed Income</b>	Fixed Policy-weighted Blend of Bloomberg Barclays U.S. Aggregate Index [90%], Bloomberg Barclays U.S. High Yield Ba-B 2% Issuer Cap Index [5%] and JP Morgan EMBI Global Core Index [5%]
<b>Credit Strategies</b>	Fixed Policy-weighted Blend of Bloomberg Barclays U.S. High Yield Ba-B 2% Issuer Cap Index [30%], Bloomberg Barclays U.S. Aggregate Index [10%] and S&P Performing Loan Index [60%]
<b>Public Equity</b>	MSCI All Country World Investable Market Index net of VRS taxes
<b>Internal Equity</b>	Asset-weighted Blend of the MSCI U.S. Standard Index, MSCI U.S. Small Cap Index, MSCI USA Minimum Volatility Index, MSCI World ex-U.S. Index, MSCI World ex-U.S. Minimum Volatility Index, MSCI Emerging Markets Index and EPRA/NAREIT U.S. Index net of VRS taxes
<b>Real Assets</b>	Asset-weighted Blend of the Total Real Estate benchmark (NCREIF ODCE Index (net, lagged by 3 months) [85%] and FTSE EPRA/NAREIT Developed REIT Index [15%]) and the Other Real Assets benchmark CPI-U Index + 400 bps per annum lagged by 3 months
<b>Dynamic Strategies</b>	60% MSCI All Country World Investable Market Index net of VRS taxes 20% Bloomberg Barclays U.S. Aggregate Index 10% Bloomberg Barclays U.S. High Yield Ba-B 2% Issuer Cap Index 10% JP Morgan EMBI Global Core Index
<b>Risk-Based Investments</b>	80% Diversifiers Benchmark (Bloomberg Barclays 3- month U.S. Treasury Bellwether + 250 bps per annum) 20% S&P Risk Parity 12% Volatility

Excess Return Objectives: Recommended Changes

Program	Excess Return Objective (basis points)	
	Current	Recommended
Fixed Income	20	25
Credit Strategies	50	75
Internal Equity	20	25
Private Equity	75	200
Private Investment Partnerships	75	120
Dynamic Strategies	30	25
Risk-Based Investments	30	25
Total Fund	30	45

## Notes:

For the implementation of the incentive compensation calculation for those programs where the excess return objective changed, the calculation will be a blend of the current excess return objective (to be used until June 30, 2020) and the recommended excess return objective (to be used from July 1, 2020 onward).

Excess Return Objectives: No Recommended Changes

Program	Excess Return Objective (basis points)	
	Current	Recommended
Public Equity	30	30
Real Assets	75	75

**Rationale for Requested Action**

The benchmarks reflect the characteristics of a good benchmark per the CFA Institute: unambiguous, investable, measurable, appropriate, specified in advance, and reflective of current investment opinions. The excess return objectives reflect the strategies and current capabilities of staff within each program as well as for the total fund. The measures are based on careful analysis of the risks and opportunities of the underlying markets and an analysis of the practices of peer funds, within the universe of public funds.

**Authority for Requested Action**

The Board is authorized to approve this recommendation pursuant to the provisions of *Code of Virginia* §§ 51.1-124.22 and -124.30.

The above action is approved on June 11, 2020 with an effective date of July 1, 2020.

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O'Kelly E. McWilliams, III, Chair  
VRS Board of Trustees

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Date



# AGENCY PERFORMANCE OUTCOMES STATUS REPORT

## FISCAL YEAR 2021

### Summary

#### APO Status Indicator

- Proceeding as planned
- Off plan, mitigation in place
- Off plan, mitigation needed
- Completed
- N/S** Not started

Overall Measure: 3 of 4 completed

APO #	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
1	Implement New myVRS Functionality - Online Retirement Processing (Measure: 4 of 6 completed)												
2	Implement New myVRS Functionality - Payment, Health Insurance Maintenance (Measure: 4 of 6 completed)												
3	ERM Implementation (Measure: 3 of 3 completed)												
4	Cardinal HCM Implementation - The Plan (Track 1), Agency (Track 2) and Retiree (Track 3) (Measure: 4 of 5 completed)												

Note: APO project schedules are tracked through the Roadmap process. APO outcomes are reported to the Board of Trustees at the conclusion of the fiscal year.





# **AGENCY PERFORMANCE OUTCOMES STATUS REPORT** **FISCAL YEAR 2021** **APO 1**

## **APO Status Indicator**

- Proceeding as planned
- Off plan, mitigation in place
- Off plan, mitigation needed
- Completed
- N/S** Not started

*APO 1 Measure: 4 of 6 completed*

APO #	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
<b>1 Implement New myVRS Functionality - Online Retirement Processing</b>													
1.1	Complete staff and employer readiness activities, including staff training, for Member Portal (Online Retirement)												
1.2	Member Portal (Online Retirement) software is tested and ready for deployment												
1.3	Security enhancements necessary for go-live for Member Portal (Online Retirement) are complete												
1.4	Security penetration testing for Member Portal (Online Retirement) is complete												
1.5	Complete phased ramp-up of online retirement processing functionality												
1.6	Initiate and conduct quality monitoring for online retirement processing												



## AGENCY PERFORMANCE OUTCOMES STATUS REPORT

### FISCAL YEAR 2021

#### APO 2

#### APO Status Indicator

- Proceeding as planned
- ▲ Off plan, mitigation in place
- ◆ Off plan, mitigation needed
- ★ Completed
- N/S** Not started

*APO 2 Measure: 4 of 6 completed*

APO #	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
<b>2 Implement New myVRS Functionality - Payment, Health Insurance Maintenance</b>													
2.1	Complete staff and employer readiness activities, including staff training, for Payment/Health Insurance Maintenance												
2.2	Payment/Health Insurance Maintenance software is tested and ready for deployment												
2.3	Security enhancements necessary for go-live for Payment/Health Insurance Maintenance are complete												
2.4	Security penetration testing for Payment/Health Insurance Maintenance is complete												
2.5	Complete phased ramp-up of Payment/Health Insurance Maintenance functionality												
2.6	Initiate and conduct quality monitoring for Payment/Health Insurance Maintenance functionality												



# AGENCY PERFORMANCE OUTCOMES STATUS REPORT

## FISCAL YEAR 2021

### APO 3

#### APO Status Indicator

- Proceeding as planned
- Off plan, mitigation in place
- Off plan, mitigation needed
- Completed
- Not started

APO 3 Measure: 3 of 3 completed

APO #	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
3	ERM Implementation												
3.1	Complete risk assessment process to validate and prioritize risks identified in the risk portfolio												
3.2	Develop final risk response plan based on the outcomes of the risk assessment process												
3.3	Initiate the development of the initial risk response plan												



## AGENCY PERFORMANCE OUTCOMES STATUS REPORT

### FISCAL YEAR 2021

#### APO 4

#### APO Status Indicator

- Proceeding as planned
- ▲ Off plan, mitigation in place
- ◆ Off plan, mitigation needed
- ★ Completed
- N/S** Not started

*APO 4 Measure: 4 of 5 completed*

APO #	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
<b>4 Cardinal HCM Implementation - The Plan (Track 1), Agency (Track 2) and Retiree (Track 3)</b>													
4.1	Update myVRS documentation related to information exchanges to and from the state central payroll system (CIPPS) and personnel management system (PMIS) to reflect process changes resulting from the implementation of the new Cardinal HCM system. (Track 1)												
4.2	Successfully test interfaces to and from the new Cardinal HCM system to myVRS, and monitor VRS third party vendors' completion of testing of interfaces to and from the Cardinal HCM system, in accordance with the testing schedule provided by DOA. (Track 1)												
4.3	Create or update, as appropriate, VRS policies and procedures, workflows, interface documentation and VRS signature authority to reflect process changes in the new Cardinal HCM system (Track 1, 2 and 3)												
4.4	Communicate with VRS staff concerning the transition to the new Cardinal HCM system and ensure education is provided to staff with roles in the system (Track 1, 2 and 3)												
4.5	Implement the new Cardinal HCM system and provide required reconciliation between the Cardinal HCM system and Kronos, as required. (Track 2)												

# FISCAL YEAR 2021 OPERATIONAL MEASURES STATUS REPORT

July-20

## Current Status - All Operational Measures

## YTD Status - All Operational Measures

■ On Target ■ Off Target

■ On Target ■ Off Target — Target

OM #	Operational Measure (OM)	Description	Strategic Goal	Target (Goal)	Current Status	YTD Status	Reporting Frequency	Comments
1	Timeliness of Monthly Financial Account Reconciliations	Percentage of monthly financial control reconciliations completed by last business day of the following month	Strong Financial Viability	> 95.00%	-	-	Monthly	
2	Average Abandoned Call Rate	Percentage of calls to the Customer Counseling Center (CCC) that result in hang-ups while in the queue	Continuous Improvement of Effective and Efficient Operations	< 7.00%	-	-	Monthly	
3	Timeliness of Response to Messages Received by the Customer Counseling Center (CCC)	Average response time to emails received by the CCC	Continuous Improvement of Effective and Efficient Operations	1.00 business days	-	-	Monthly	
4	Timeliness of Monthly Retirement Disbursements	Percentage of monthly retirement disbursements processed no later than the first business day of the month	Continuous Improvement of Effective and Efficient Operations	100.00%	-	-	Monthly	
5	Timeliness of Service Retirements Processed	Percentage of service retirements processed so that retiring members are set up to receive retirement benefits on the first retirement payment date for which they are eligible	Continuous Improvement of Effective and Efficient Operations	95.00%	-	-	Monthly	
6	Accuracy of Service Retirements Processed	Percentage of service retirements processed for which the corresponding benefit payment correctly reflects the member's service record	Continuous Improvement of Effective and Efficient Operations	99.00%	-	-	Monthly	
7	Timeliness of Disability Retirements Processed	Percentage of disability retirements processed within 30 days of VRS receiving notification of approval by the Medical Review Board	Continuous Improvement of Effective and Efficient Operations	98.00%	-	-	Monthly	
8	Accuracy of Disability Retirements Processed	Percentage of disability retirements processed for which the corresponding benefit paid correctly reflects the member's service record	Continuous Improvement of Effective and Efficient Operations	99.00%	-	-	Monthly	
9	Timeliness of Workflow Documentation Imaging	Percentage of workflow documents imaged within one business day of receipt	Continuous Improvement of Effective and Efficient Operations	99.50%	-	-	Monthly	
10	Planned IT System Availability	Percentage of time critical systems are available during periods of planned availability	Superior Technological Tools that Enable Efficient Delivery of Service	99.50%	-	-	Monthly	
11	Timeliness of Employer Contribution Confirmations	Percentage of Employer Contribution Confirmation (CC) snapshots completed in VNAV by the end of the month in which they are due	Superior Technological Tools that Enable Efficient Delivery of Service	97.00%	-	-	Monthly	
12	Implementation of Corrective Action to Audit Recommendations	Percentage of audit recommendations for which VRS management represents that corrective action has been implemented by the approved target date	Continuous Improvement of Effective and Efficient Operations	> 95.00%	-	-	Quarterly	

Overall Measure: 13 of 16 meet or exceed target

Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

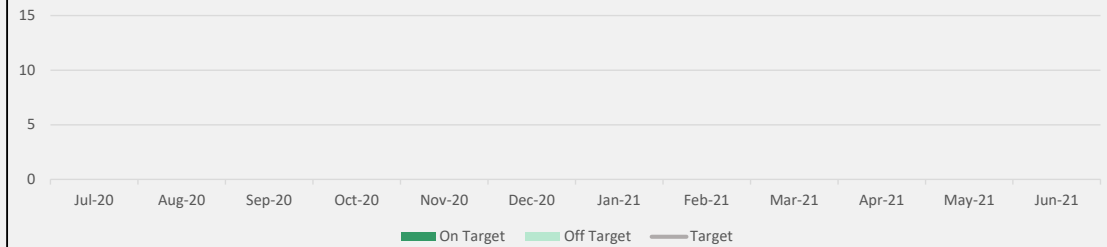
# FISCAL YEAR 2021 OPERATIONAL MEASURES STATUS REPORT

July-20

## Current Status - All Operational Measures

■ On Target ■ Off Target

## YTD Status - All Operational Measures



OM #	Operational Measure (OM)	Description	Strategic Goal	Target (Goal)	Current Status	YTD Status	Reporting Frequency	Comments
13	Preventable Employee Turnover	Percentage of employees voluntarily separating VRS employment due to preventable experiences	Exceptional Organizational Culture and Work Environment	< 10.00%	-	-	Annual	
14	Cost to Administer Defined Benefit Plans	Annual pension administration cost for defined benefit plans, as compared to peer group median reported by CEM Benchmarking, Inc.	Strong Financial Viability	FY 2020 CEM Peer Cost Average	-	-	Annual	Will not know FY 2020 CEM peer cost until spring 2021
15	Systems Security Awareness	Percentage of eligible staff who have completed security training in compliance with the agency's and Commonwealth's security policies	Continuous Improvement of Effective and Efficient Operations	100.00%	-	-	Annual	Measure reported on an annual basis
16	Employee Professional Development	Percentage of full-time VRS administration employees receiving at least 8 hours of professional development	Highly Skilled and Trained Staff	85.00%	-	-	Annual	Measure reported on an annual basis

Overall Measure: 13 of 16 meet or exceed target

Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

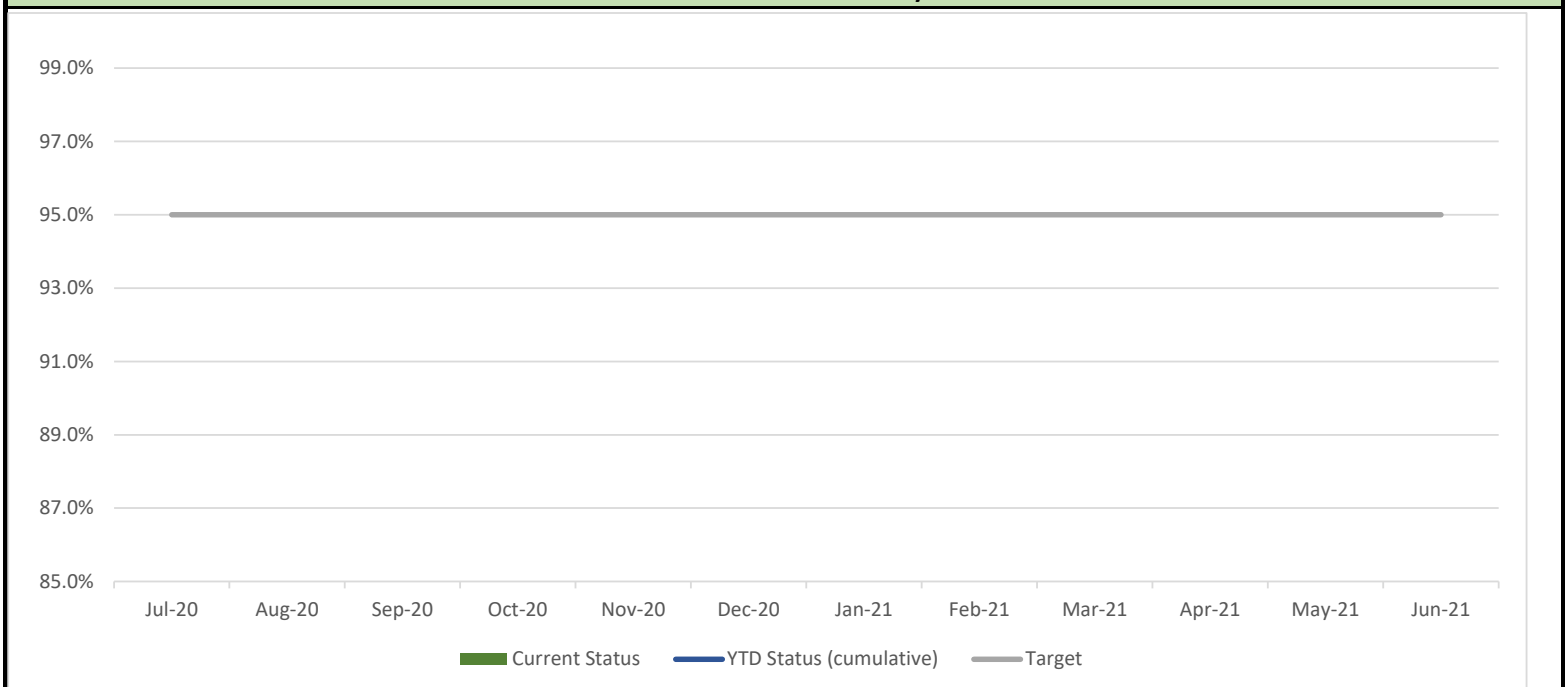


# Fiscal Year 2021 Operational Measures

Reporting Period: July-20

<b>Operational Measure</b>	Timeliness of Monthly Financial Account Reconciliations		
<b>Strategic Goal</b>	Strong Financial Viability		
<b>Description</b>	Percentage of monthly financial control reconciliations completed by last business day of the following month		
<b>Calculation Methodology</b>	The number of financial account reconciliations completed by the last business day of the month, divided by the total accounts requiring reconciliation each month.		
<b>Data Source</b>	Finance Control Performance Report	<b>Reporting Frequency</b>	Monthly
<b>Target</b> (Performance Goal)	> 95.00%	<b>Baseline</b> (Performance History)	99%
<b>Target Rationale:</b> Accounts for potential impacts due to ongoing pandemic and system changes		<b>Baseline Rationale:</b> 5 year average = 99%	
<b>Current Reporting Month Status</b>	0.00%	<b>YTD Status</b> (Cumulative; used at year-end to determine whether target has been met)	0.00%
<b>Potential Constraints to Meeting Target</b>		<b>Mitigation Strategies</b>	
1	Ongoing pandemic impacts processes and agency resources	Identify alternative processes to work around disruptions, and cross-train staff for backup as needed	
2	Ongoing pandemic impacts processes and agency resources, including technology outages that limit system availability	Enact business continuity plan for technology outages	
3	Unanticipated external/internal requests for new programs that expand the overall number of reconciliations	Streamline process for approving and implementing new programs to expedite roll-out and ensure accurate reconciliation reporting	

## YTD Performance History

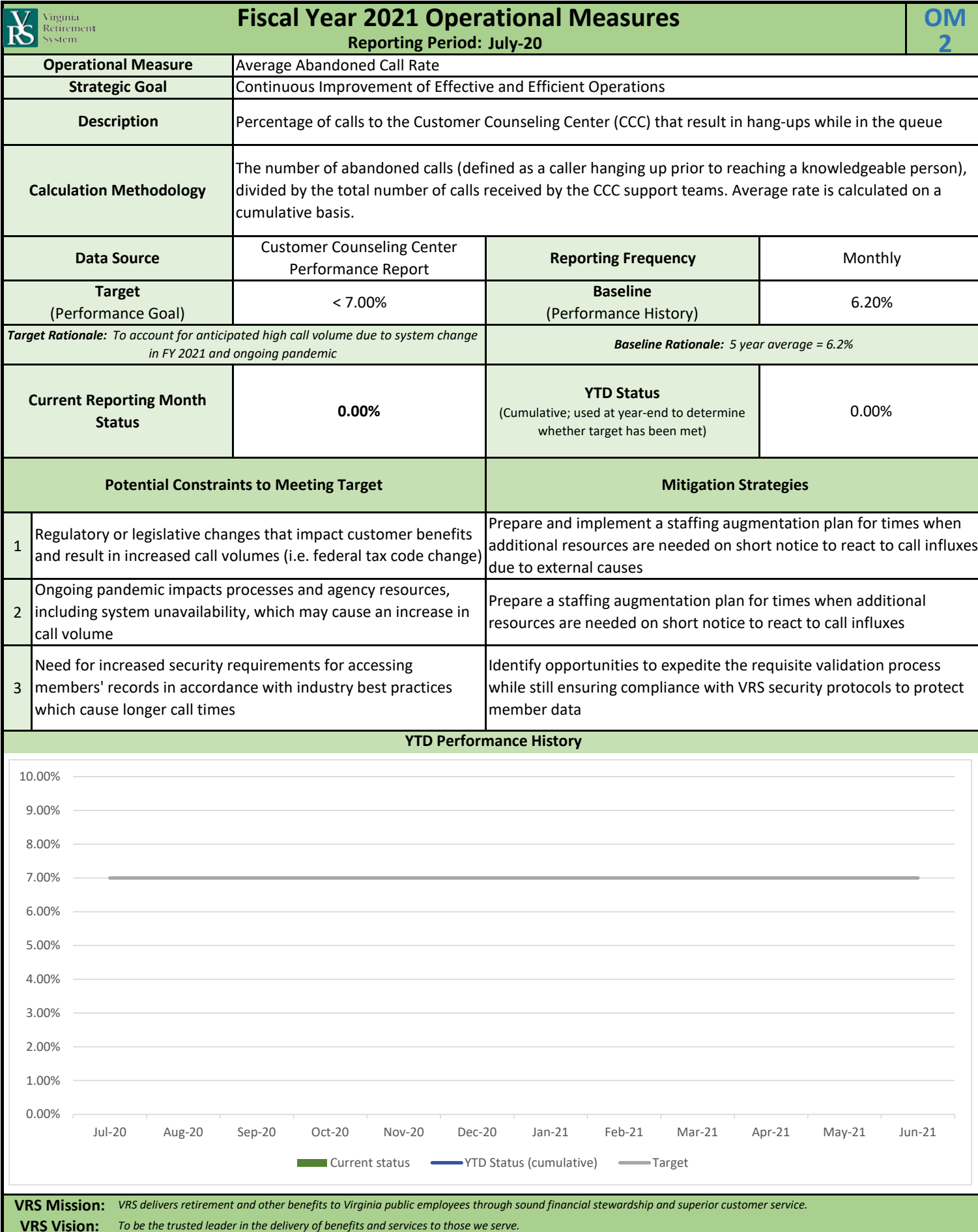


**VRS Mission:** VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

**VRS Vision:** To be the trusted leader in the delivery of benefits and services to those we serve.

Overall Measure: 13 of 16 meet or exceed target


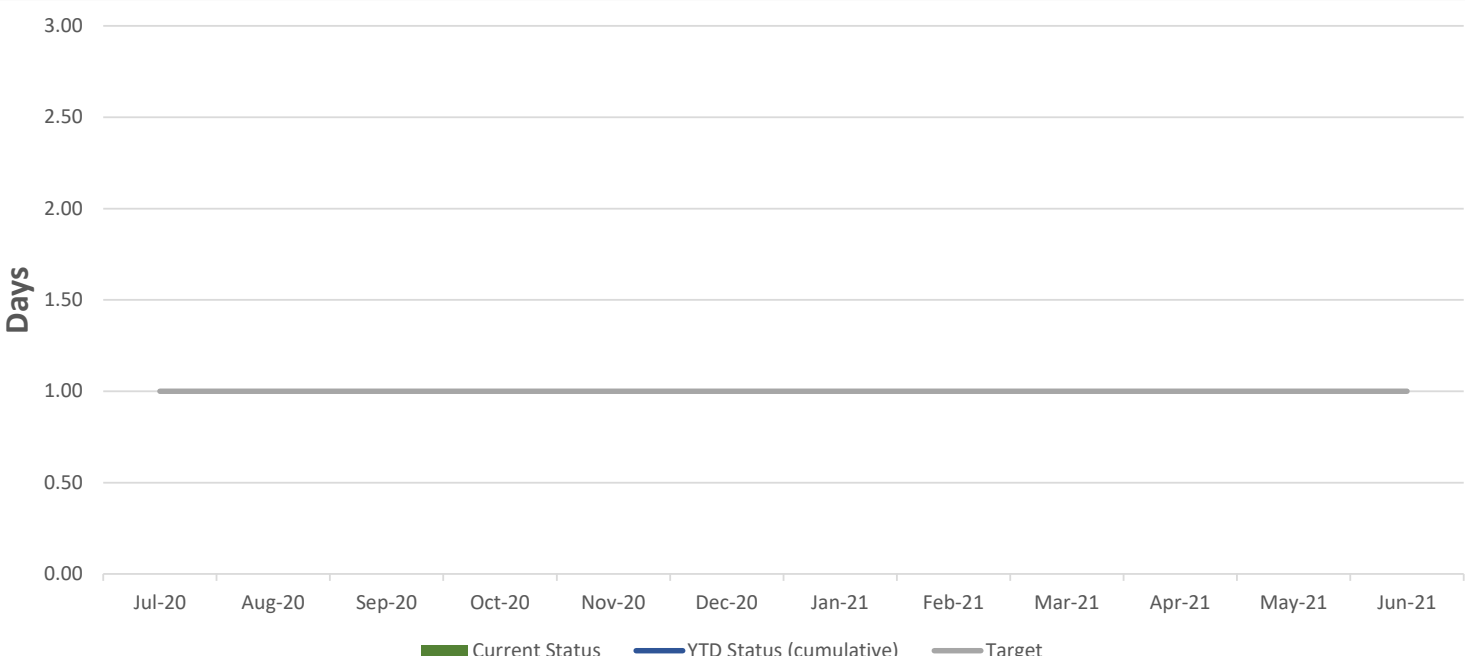
Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.



Overall Measure: 13 of 16 meet or exceed target

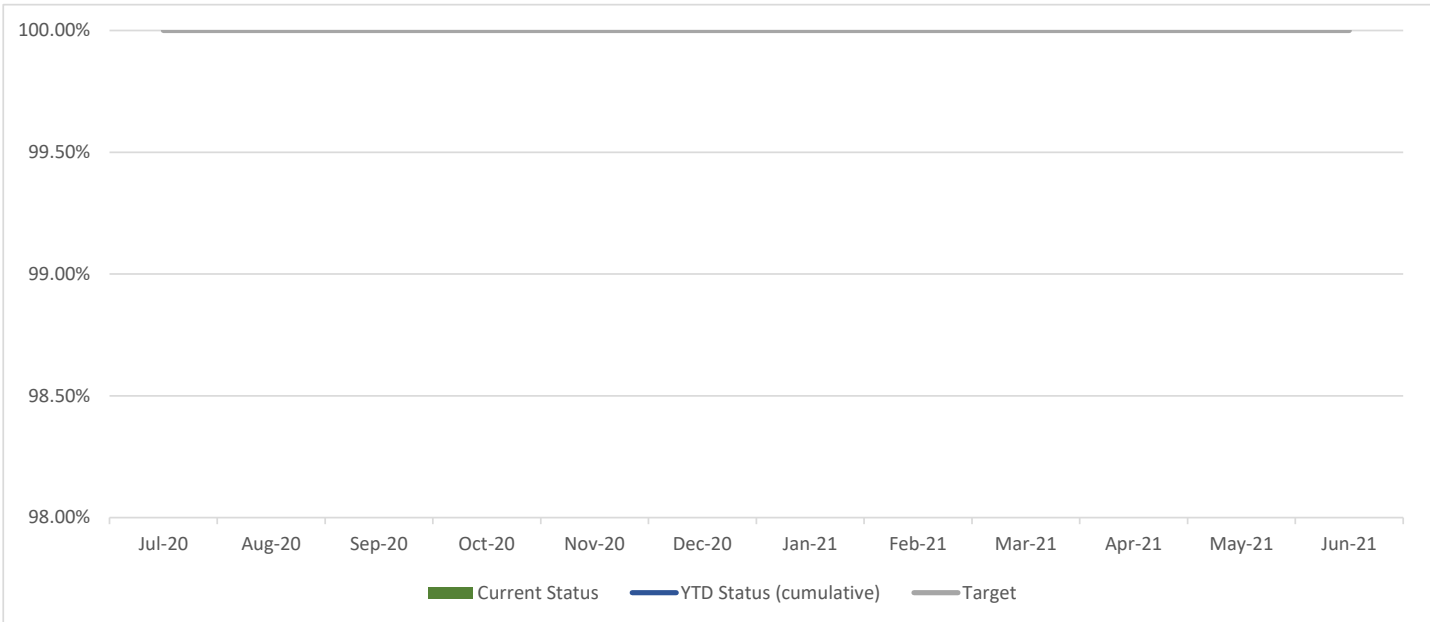
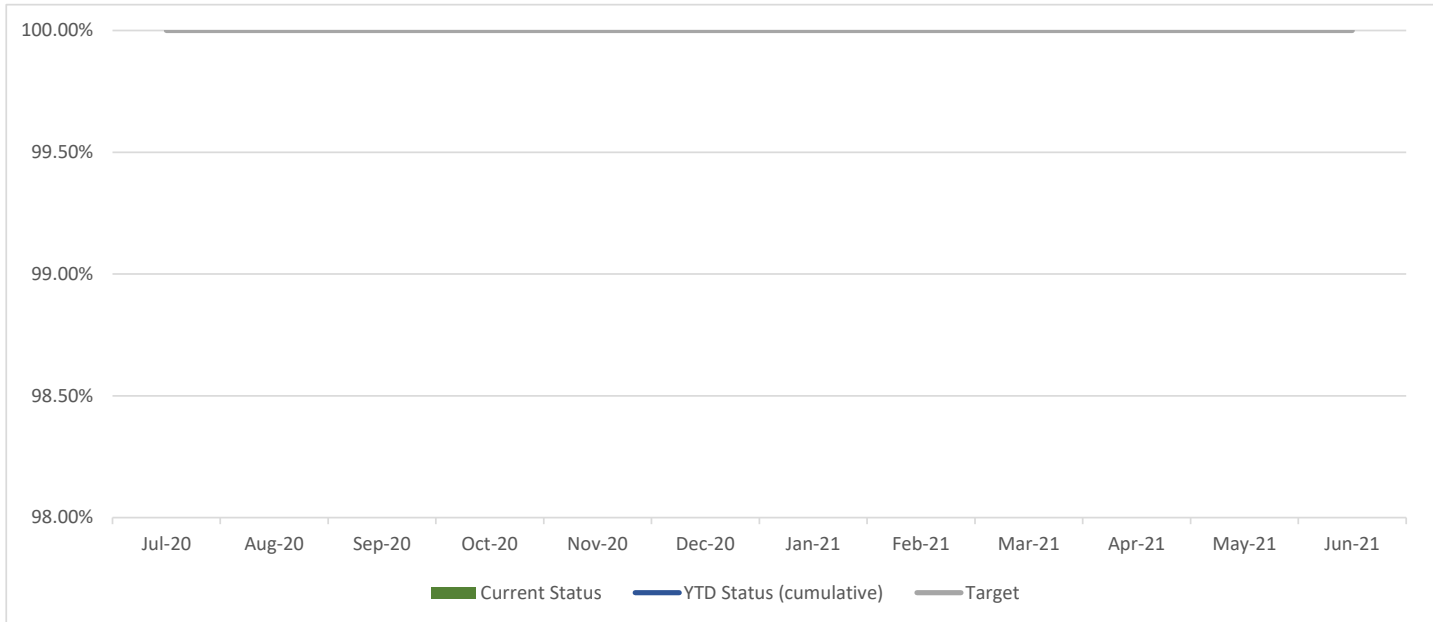
Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.



		<b>Fiscal Year 2021 Operational Measures</b>			<b>OM 3</b>
Reporting Period: July-20					
Operational Measure		Timeliness of Response to Messages Received by the Customer Counseling Center (CCC)			
Strategic Goal		Continuous Improvement of Effective and Efficient Operations			
Description		Average response time to emails received by the CCC			
Calculation Methodology		The number of messages responded to within two business days, divided by the total number of messages responded to by the CCC. Note: In FY 2021, the CCC is expected to transition its electronic communications from the current traditional email platform to secure messaging conducted through myVRS.			
Data Source		Customer Counseling Center Performance Report	Reporting Frequency		Monthly
Target (Performance Goal)		1.00 business days	Baseline (Performance History)		1.30 business days
Target Rationale: Maintain recent performance			Baseline Rationale: 5 year average = 1.3 days		
Current Reporting Month Status		0.00	YTD Status (Cumulative; used at year-end to determine whether target has been met)		0.00
Potential Constraints to Meeting Target			Mitigation Strategies		
1	Transition may occur in FY 2021 from traditional emails to secure messaging through the MyVRS portal		Proactively train CCC staff on the process changes that will occur when secure messaging is implemented		
2	Ongoing pandemic impacts processes and agency resources, including system outages that disable email/secure messaging capabilities		Prepare a staff augmentation plan for times when additional resources are needed to address email backlogs resulting from system outages		
3	Historically high rate of turnover of CCC staff		Continue recruitment and retention measures to attract and retain CCC staff		
YTD Performance History					
					
VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.					
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.					


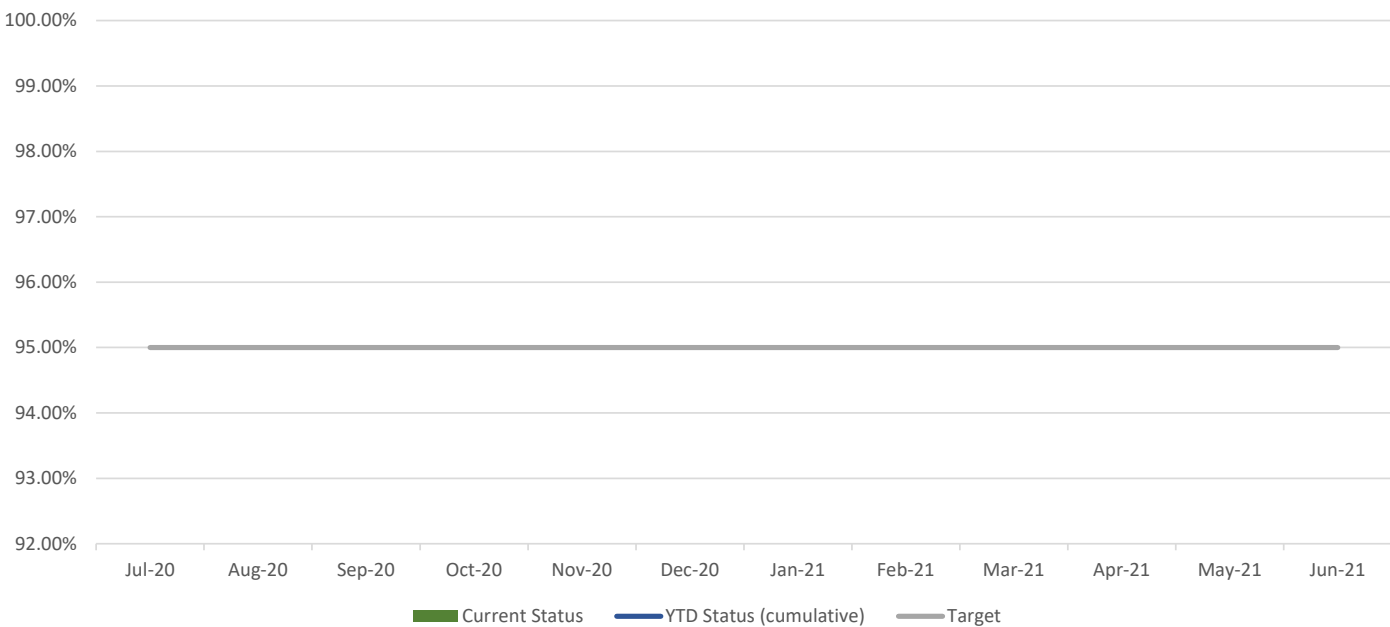
Overall Measure: 13 of 16 meet or exceed target

Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

		<b>Fiscal Year 2021 Operational Measures</b>		<b>OM 4</b>	
<b>Reporting Period: July-20</b>					
<b>Operational Measure</b>		Timeliness of Monthly Retirement Disbursements			
<b>Strategic Goal</b>		Continuous Improvement of Effective and Efficient Operations			
<b>Description</b>		Percentage of monthly retirement disbursements processed no later than the first business day of the month			
<b>Calculation Methodology</b>		The number of monthly retirement disbursements processed so that the payment date is no later than the first business day of the month, divided by the total number of monthly retirement disbursements that require processing each month. "Processed" is defined as funds having been disbursed to retirees; "disbursed" is defined as the funds having been paid out of the VRS account. This process requires VRS to submit documentation to external partners (Virginia Department of Treasury, banking partner) in sufficient time to meet the first business day of the month requirement.			
<b>Data Source</b>		Benefit Disbursements Performance Report	<b>Reporting Frequency</b>		Monthly
<b>Target</b> (Performance Goal)		100.00%	<b>Baseline</b> (Performance History)		100.00%
<i>Target Rationale: Maintain recent performance</i>			<i>Baseline Rationale: 5 year average = 100%</i>		
<b>Current Reporting Month Status</b>		<b>0.00%</b>	<b>YTD Status</b> (Cumulative; used at year-end to determine whether target has been met)		<b>0.00%</b>
<b>Potential Constraints to Meeting Target</b>			<b>Mitigation Strategies</b>		
1	Dependence upon external parties who are integral to the process (i.e., Virginia Department of Treasury and banking partner)		Develop contingency plan in concert with external parties to ensure open lines of communication and alternate processes in the event of a potential delay		
2	Ongoing pandemic impacts processes and agency resources, including technology outages that limit ability to process and/or transmit fund documentation to external stakeholders		Enact business continuity plan for technology outages		
3	Sensitivity of data that requires strong controls and several levels of approvals; risk of staff absences or unavailability		Cross-train existing staff and ensure redundancy of staff authorized to approve retirements		
<b>YTD Performance History</b>					
					
<b>VRS Mission:</b> VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.					
<b>VRS Vision:</b> To be the trusted leader in the delivery of benefits and services to those we serve.					


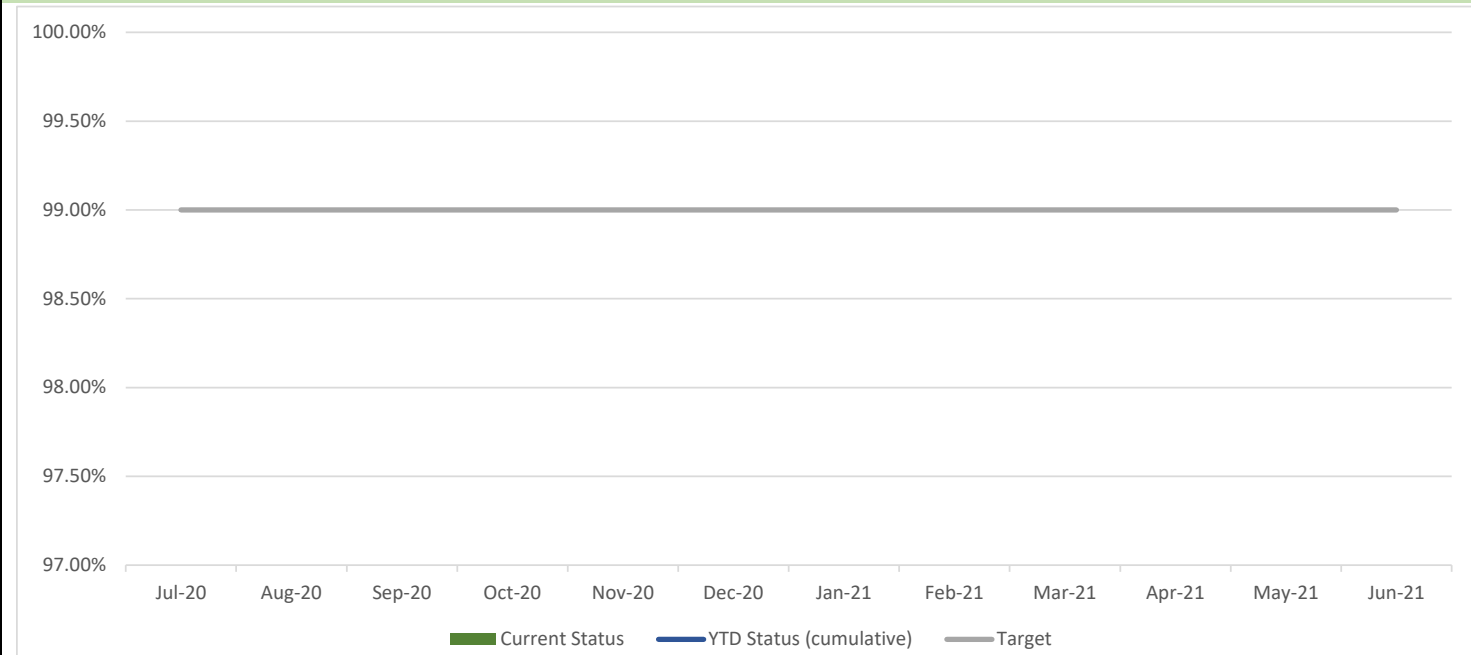
Overall Measure: 13 of 16 meet or exceed target

Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

		<b>Fiscal Year 2021 Operational Measures</b>		<b>OM 5</b>	
<b>Reporting Period: July-20</b>					
<b>Operational Measure</b>		Timeliness of Service Retirements Processed			
<b>Strategic Goal</b>		Continuous Improvement of Effective and Efficient Operations			
<b>Description</b>		Percentage of service retirements processed so that retiring members are set up to receive retirement benefits on the first retirement payment date for which they are eligible			
<b>Calculation Methodology</b>		The number of service retirement payments processed by the first payment date on which the member is eligible to receive retirement benefits, divided by the total number of initial payments made for the same time period. The "first payment date on which the member is eligible to receive retirement benefits" is based on the date by which VRS receives a member's retirement application that is determined by VRS to be complete, accurate, and ready for payment processing. "Processed" is defined as funds having been paid to retirees; "disbursed" is defined as the funds having been paid out of the VRS account.			
<b>Data Source</b>		Service Retirement Performance Report	<b>Reporting Frequency</b>		Monthly
<b>Target</b> (Performance Goal)		95.00%	<b>Baseline</b> (Performance History)		97.90%
<b>Target Rationale:</b> Accounts for system conversion and ongoing pandemic			<b>Baseline Rationale:</b> 5 year average = 97.90%		
<b>Current Reporting Month Status</b>		0.00%	<b>YTD Status</b> (Cumulative; used at year-end to determine whether target has been met)		0.00%
<b>Potential Constraints to Meeting Target</b>			<b>Mitigation Strategies</b>		
1	Ongoing implementation of myVRS enhancements, which will significantly change current processes		Provide ample opportunity for advanced training; augment staffing as needed to ensure adequate resources during transition		
2	Ongoing pandemic impacts processes and agency resources, including technology outages that limit ability to process retirements		Enact business continuity plan for technology outages		
3	Sensitivity of data that requires strong controls and several levels of approvals; risk of staff absences or unavailability		Cross-train existing staff and ensure redundancy-of staff authorized to approve retirements		
<b>YTD Performance History</b>					
					
<b>VRS Mission:</b> VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.					
<b>VRS Vision:</b> To be the trusted leader in the delivery of benefits and services to those we serve.					

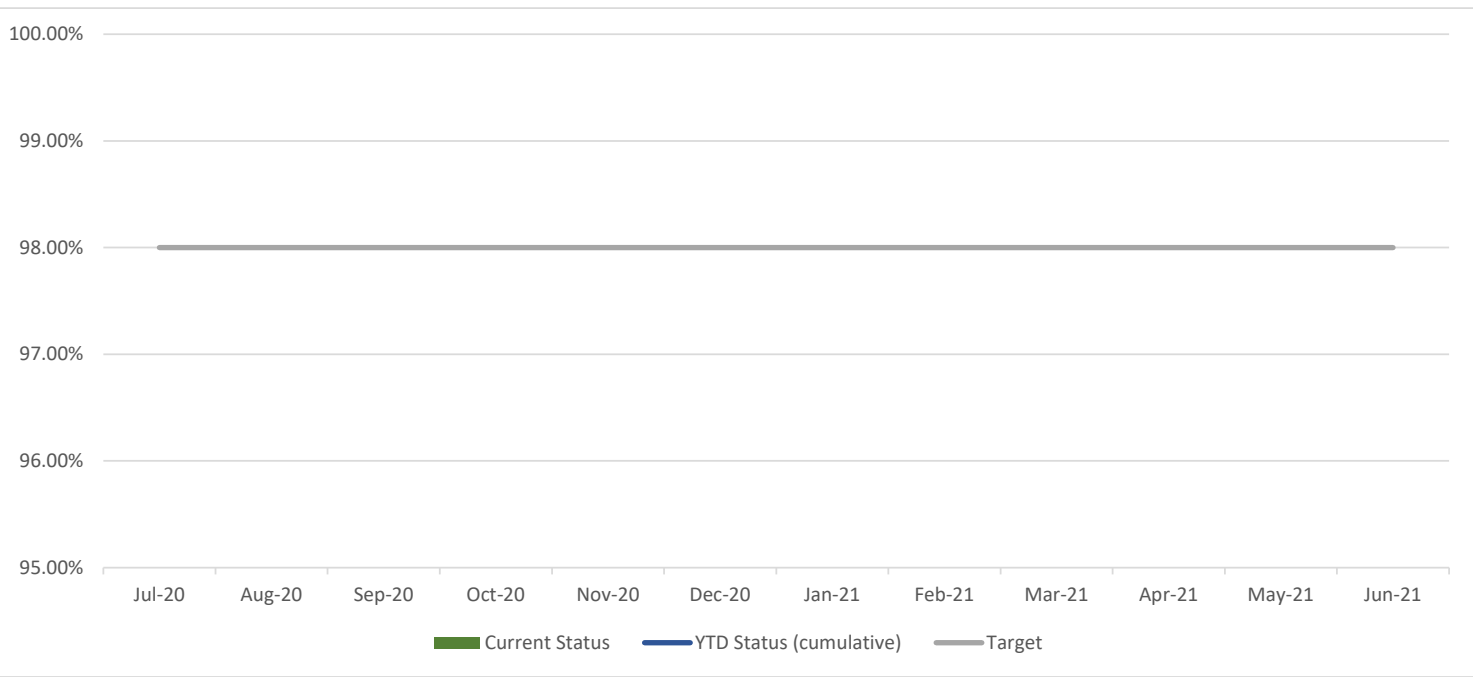
Overall Measure: 13 of 16 meet or exceed target

Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

 Virginia Retirement System		Fiscal Year 2021 Operational Measures				OM 6	
		Reporting Period: July-20					
Operational Measure		Accuracy of Service Retirements Processed					
Strategic Goal		Continuous Improvement of Effective and Efficient Operations					
Description		Percentage of service retirements processed for which the corresponding benefit payment correctly reflects the member's service record					
Calculation Methodology		The number of service retirement applications processed and corresponding benefit paid accurately, divided by the total number of initial service retirement benefits processed and paid. An accurate benefit payment is defined as the benefit amount correctly reflecting the member's service record. "Processed" is defined as funds having been paid to retirees; "paid" is defined as the funds having been paid out of the VRS account.					
Data Source		Service Retirement Performance Report		Reporting Frequency		Monthly	
Target (Performance Goal)		99.00%		Baseline (Performance History)		99.00%	
Target Rationale: Maintain recent performance				Baseline Rationale: 5 year average = 99%			
Current Reporting Month Status		0.00%		YTD Status (Cumulative; used at year-end to determine whether target has been met)		0.00%	
Potential Constraints to Meeting Target				Mitigation Strategies			
1	Ongoing implementation of myVRS enhancements, which will significantly change current processes			Provide ample opportunity for advanced training; augment staffing as needed to ensure adequate resources during transition			
2	Ongoing pandemic impacts processes and agency resources, including technology outages that limit ability to process retirements			Enact business continuity plan for technology outages			
3	Sensitivity of data that requires strong controls and several levels of approvals; risk of staff absences or unavailability			Cross-train existing staff and ensure redundancy of staff authorized to approve retirements			
YTD Performance History							
							
VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.							
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.							


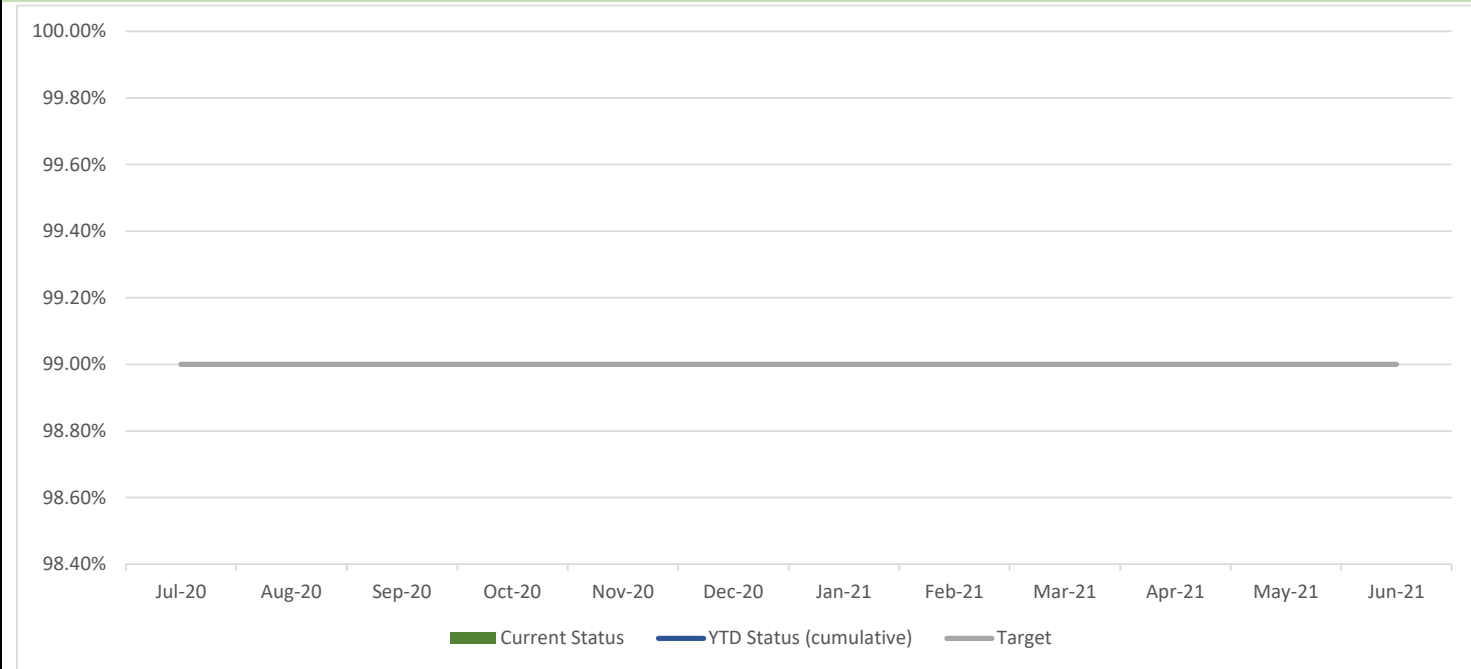
Overall Measure: 13 of 16 meet or exceed target

Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

Fiscal Year 2021 Operational Measures			OM 7
Reporting Period: July-20			
Operational Measure		Timeliness of Disability Retirements Processed	
Strategic Goal		Continuous Improvement of Effective and Efficient Operations	
Description		Percentage of disability retirements processed within 30 days of VRS receiving notification of approval by the Medical Review Board	
Calculation Methodology		The number of disability retirements processed within 30 days after VRS receives notice of approval of the application by the Medical Review Board. "Processed" is defined as funds having been paid to retirees; "paid" is defined as the funds having been paid out of the VRS account.	
Data Source		Disability Retirement Performance Report	Reporting Frequency Monthly
Target (Performance Goal)		98.00%	Baseline (Performance History) 98.80%
Target Rationale: To account for potential processing delays due to system conversion in FY 2021 and ongoing pandemic impacts		Baseline Rationale: 5 year average = 98.80%	
Current Reporting Month Status		0.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met) 0.00%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Ongoing implementation of myVRS enhancements, which will significantly change current processes	Provide ample opportunity for advanced training; augment staffing as needed to ensure adequate resources during transition	
2	Ongoing pandemic impacts processes and agency resources, including technology outages that limit ability to process retirements	Enact business continuity plan for technology outages	
3	Sensitivity of data that requires strong controls and several levels of approvals; risk of staff absences or unavailability	Cross-train existing staff and ensure redundancy of staff authorized to approve retirements	
YTD Performance History			
			
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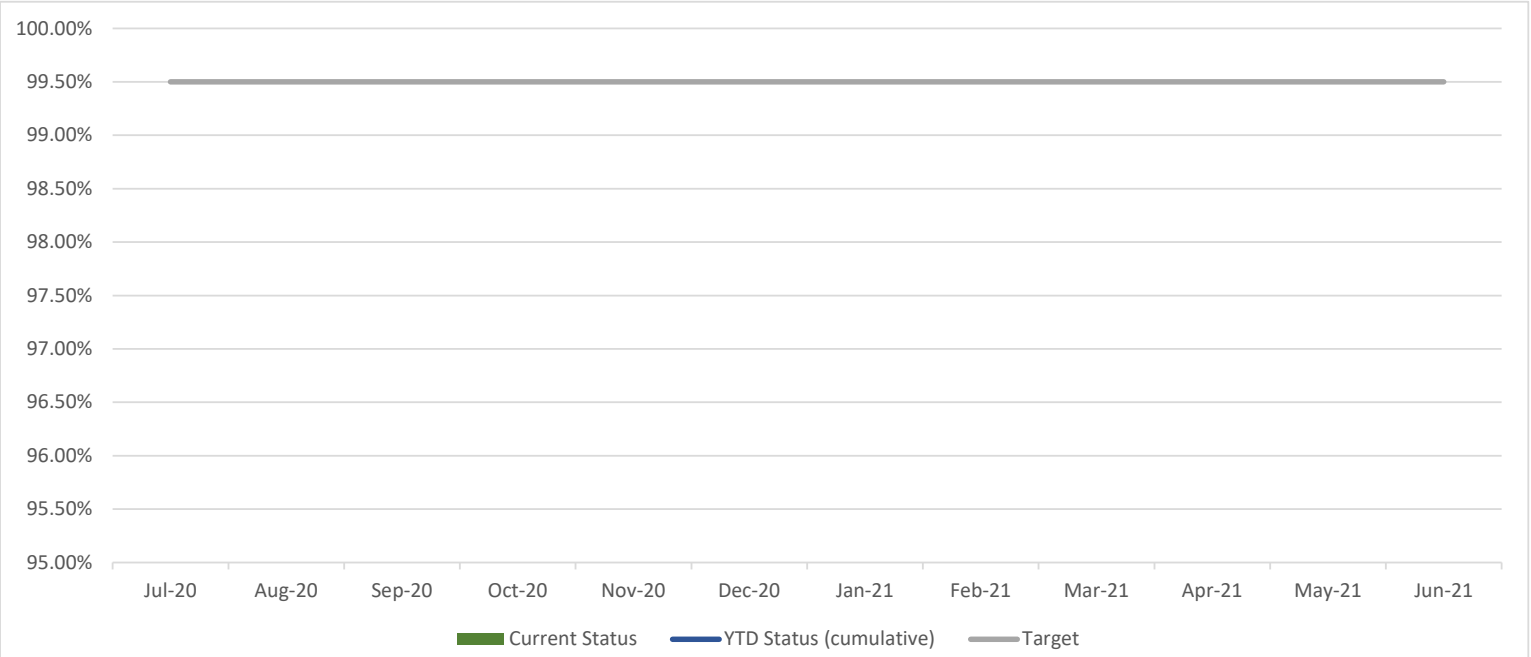
Overall Measure: 13 of 16 meet or exceed target

Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

		<b>Fiscal Year 2021 Operational Measures</b>				<b>OM 8</b>	
		<b>Reporting Period: July-20</b>					
<b>Operational Measure</b>		Accuracy of Disability Retirements Processed					
<b>Strategic Goal</b>		Continuous Improvement of Effective and Efficient Operations					
<b>Description</b>		Percentage of disability retirements processed for which the corresponding benefit paid correctly reflects the member's service record					
<b>Calculation Methodology</b>		The number of disability retirement applications processed and corresponding benefit paid accurately, divided by the total number of initial disability retirement benefits processed and paid. An accurate benefit payment is defined as the benefit amount correctly reflecting the member's service record. "Processed" is defined as funds having been paid to retirees; "paid" is defined as the funds having been paid out of the VRS account.					
<b>Data Source</b>		Disability Retirement Performance Report		<b>Reporting Frequency</b>		Monthly	
<b>Target</b> (Performance Goal)		99.00%		<b>Baseline</b> (Performance History)		99.00%	
<i>Target Rationale: Maintain recent performance</i>				<i>Baseline Rationale: 5 year average = 99%</i>			
<b>Current Reporting Month Status</b>		0.00%		<b>YTD Status</b> (Cumulative; used at year-end to determine whether target has been met)		0.00%	
<b>Potential Constraints to Meeting Target</b>				<b>Mitigation Strategies</b>			
1	Ongoing implementation of myVRS enhancements, which will significantly change current processes			Provide ample opportunity for advanced training; augment staffing as needed to ensure adequate resources during transition			
2	Ongoing pandemic impacts processes and agency resources, including technology outages that limit ability to process retirements			Enact business continuity plan for technology outages			
3	Sensitivity of data that requires strong controls and several levels of approvals; risk of staff absences or unavailability			Cross-train existing staff and ensure redundancy of staff authorized to approve retirements			
<b>YTD Performance History</b>							
							
<b>VRS Mission:</b> VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.							
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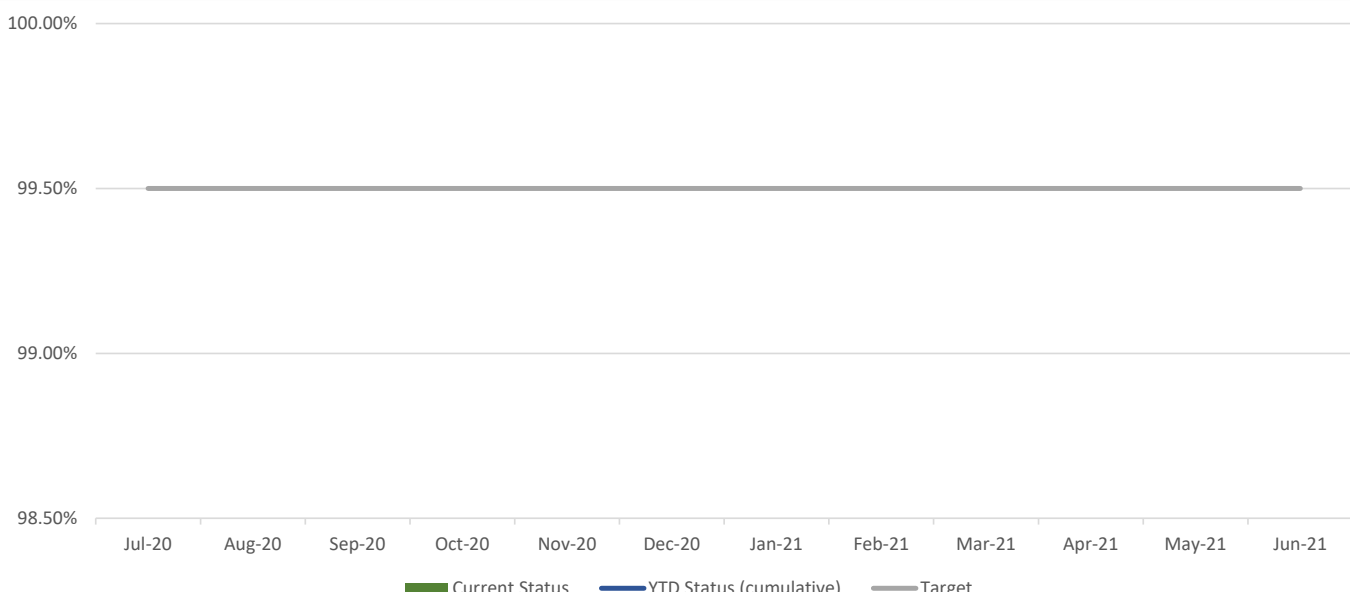
Overall Measure: 13 of 16 meet or exceed target

Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

Virginia Retirement System			Fiscal Year 2021 Operational Measures		OM 9
			Reporting Period: July-20		
Operational Measure		Timeliness of Workflow Documentation Imaging			
Strategic Goal		Continuous Improvement of Effective and Efficient Operations			
Description		Percentage of workflow documents imaged within one business day of receipt			
Calculation Methodology		The number of documents imaged within one business day of receipt by the Imaging business unit, divided by the number of documents received by the Imaging unit within the same timeframe. Currently, an average of 20,000 documents are imaged per month.			
Data Source		Technology Services SLEs Performance Report	Reporting Frequency		Monthly
Target (Performance Goal)		99.50%	Baseline (Performance History)		99.90%
Target Rationale: Maintain recent performance			Baseline Rationale: 5 year average = 99.9%		
Current Reporting Month Status		0.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)		0.00%
Potential Constraints to Meeting Target			Mitigation Strategies		
1	Dependence upon current Imaging unit staffing level to ensure expedient and accurate processing within the prescribed turnaround time		Prescribe duties that merit the continuance of the current Imaging unit staffing level (with respect to the anticipated transition in FY 2021 to online retirements that should reduce paper form intake levels)		
2	Ongoing pandemic impacts processes and agency resources, including technology outages that limit system availability		Enact business continuity plan for technology outages		
3	Staffing constraints; specific skill set required limits feasibility for untrained staff to produce results with same efficiency and effectiveness		Establish a routine cross-training program to ensure well-trained staff are available at all times		
YTD Performance History					
					
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VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.					

Overall Measure: 13 of 16 meet or exceed target

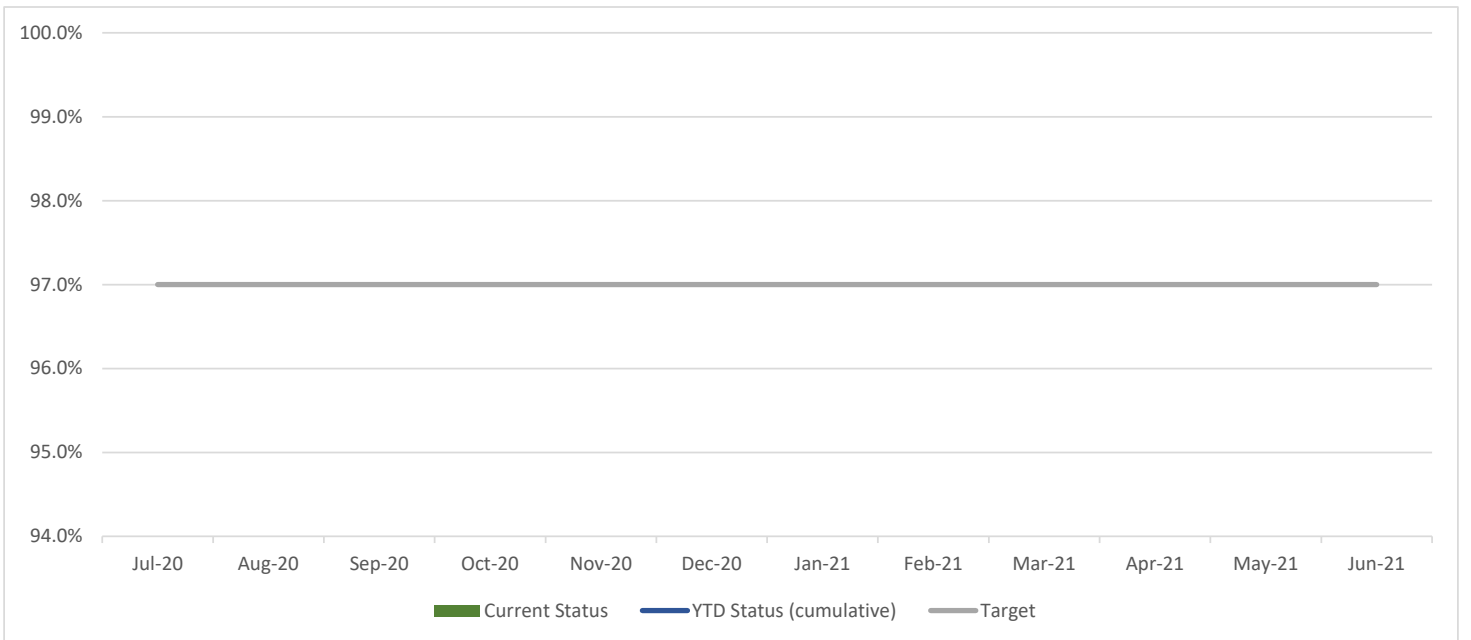
Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

VRS Virginia Retirement System		Fiscal Year 2021 Operational Measures		OM 10	
Reporting Period: July-20					
Operational Measure		Planned IT System Availability			
Strategic Goal		Superior Technological Tools that Enable Efficient Delivery of Service			
Description		Percentage of time critical systems are available during periods of planned availability			
Calculation Methodology		Percentage of time during which critical business systems are available for use by VRS staff and customers, divided by the total time for which it was planned that said systems would be available. Critical business systems include: VNAV, telephone, email, internet, MyVRS, Imaging, Investments, MUNIS, Customer Counseling Center Cisco phone system, and remote access. Note: business systems deemed "critical" may change periodically depending on business needs or system changes (ex: RIMS was decommissioned in spring 2019 and is no longer considered a critical business system as of that time). Periods of availability are pre-determined based on business needs and requirements regarding routine system testing, maintenance and upgrades. "Availability" is defined as being able to be used by the majority of persons for whom it is intended and for the majority of purposes for the system's intended use.			
Data Source		Technology Services SLEs Performance Report	Reporting Frequency		Monthly
Target (Performance Goal)		99.50%	Baseline (Performance History)		99.90%
Target Rationale: Maintain recent performance			Baseline Rationale: 5 year average = 99.9%		
Current Reporting Month Status		0.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)		0.00%
Potential Constraints to Meeting Target			Mitigation Strategies		
1	Failure on the part of third party business partners to provide dependent services		Implement back-up plans (ex: different phone line)		
2	Ongoing pandemic impacts processes and agency resources, including technology outages that limit system availability		Enact business continuity plan for technology outages		
3	Timing of a potential system failure that limits staff resources available to respond immediately		Strategically plan staffing availability to address potential system failures in the most effective manner		
YTD Performance History					
					
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VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.					

Overall Measure: 13 of 16 meet or exceed target

Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.



VRS Virginia Retirement System		Fiscal Year 2021 Operational Measures		OM 11
		Reporting Period: July-20		
Operational Measure		Timeliness of Employer Contribution Confirmations		
Strategic Goal		Superior Technological Tools that Enable Efficient Delivery of Service		
Description		Percentage of Employer Contribution Confirmation (CC) snapshots completed in VNAV by the end of the month in which they are due		
Calculation Methodology		The number of employer CC snapshots received by the end of the month in which they are due, divided by the total number of employer CC snapshots required for the same time period. VRS works with employers to ensure that monthly CC snapshots are posted in a timely fashion. There are over 1,000 employers reporting to VRS for which CC snapshots are required on a monthly basis.		
Data Source		Employer Reporting Contribution Confirmation and Payment Status Report	Reporting Frequency	Monthly
Target (Performance Goal)		97.00%	Baseline (Performance History)	97.60%
Target Rationale: Maintain recent performance		Baseline Rationale: 5 year average = 97.60%		
Current Reporting Month Status		0.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	0.00%
Potential Constraints to Meeting Target			Mitigation Strategies	
1	Dependence on over 1,000 employers to submit their confirmations on time every month		Proactively communicate with employers with a focus on those with a history of delinquent submissions to mediate potential causes for delay	
2	Impact of ongoing pandemic on resources at the employer level that prevent their timely submission of CC snapshots		Proactively communicate with employers to identify potential impacts and assist as appropriate with the submission process	
3	Cardinal implementation for state employers may delay timely submission due to additional responsibilities during Cardinal transition		Provide notice to state employers of potential for delay due to Cardinal implementation and advise that they prepare to ensure timely report submission	
YTD Performance History				
				
VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.				
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.				

Overall Measure: 13 of 16 meet or exceed target

Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.



## Fiscal Year 2021 Operational Measures

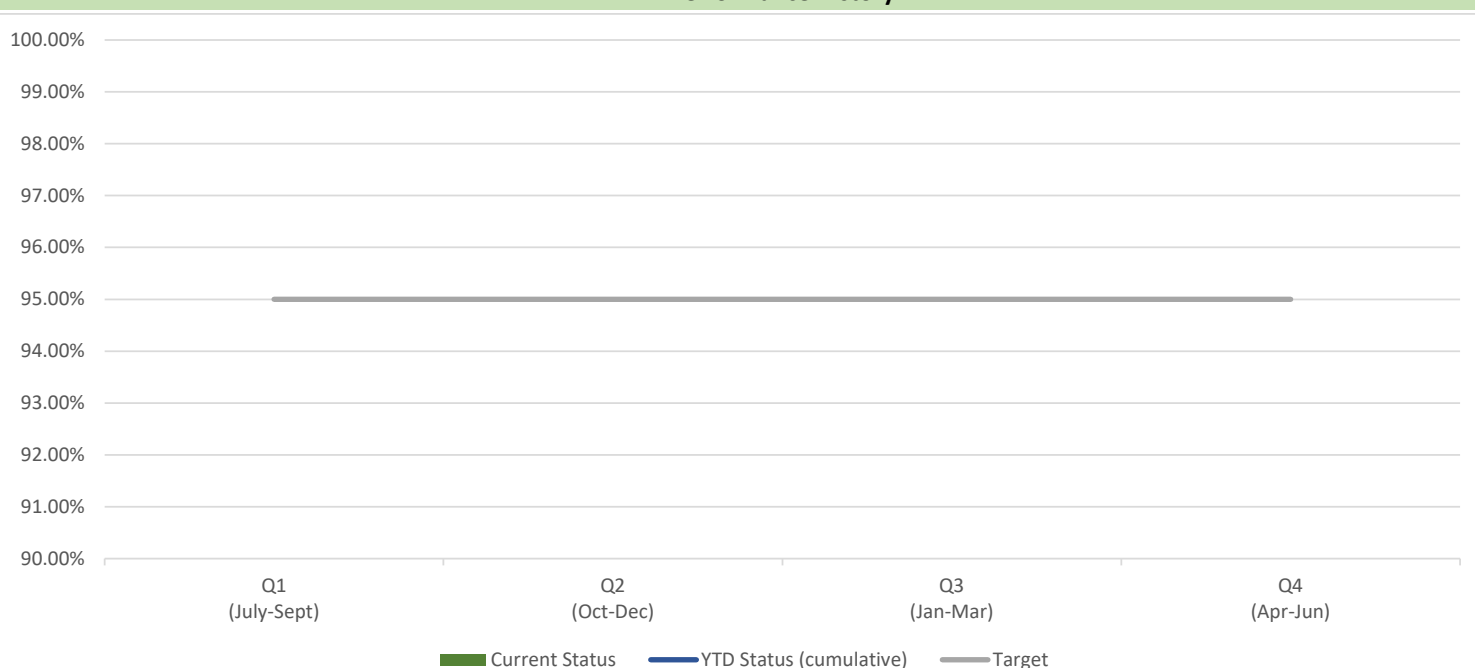
Reporting Period: July-20

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<b>Operational Measure</b>	Implementation of Corrective Action to Audit Recommendations		
<b>Strategic Goal</b>	Continuous Improvement of Effective and Efficient Operations		
<b>Description</b>	Percentage of audit recommendations for which VRS management represents that corrective action has been implemented by the approved target date		
<b>Calculation Methodology</b>	The number of audit recommendations for which VRS management has represented that corrective action has been implemented, divided by the total number of audit recommendations for which corrective action is needed as of the date the measure is calculated. VRS management establishes target dates and provides periodic updates to Audit regarding whether actions have been taken. Audit tracks responses in the Audit Recommendation Follow-Up System (ARFUS).		
<b>Data Source</b>	ARFUS	<b>Reporting Frequency</b>	Quarterly
<b>Target</b> (Performance Goal)	> 95.00%	<b>Baseline</b> (Performance History)	94.00%
<b>Target Rationale:</b> Maintain recent performance		<b>Baseline Rationale:</b> 5 year average = 94.00%	
<b>Current Reporting Month Status</b>	0.00%	<b>YTD Status</b> (Cumulative; used at year-end to determine whether target has been met)	0.00%

Potential Constraints to Meeting Target		Mitigation Strategies
1	High cost to implement necessary corrective action	Work within existing agency allocations and, if necessary, also with state budgetary processes to obtain resources needed to effectuate corrective action
2	Limited staff resources to effectively implement necessary corrective action	Adjust allocation of staffing resources to enable corrective action implementation
3	External factors that delay ability to take necessary corrective action (ex: legislative mandates that redirect agency resources, ongoing pandemic)	Communicate with DEC and Audit regarding possible adjustment of target date to accommodate timeline of when resources will be available

## YTD Performance History



**VRS Mission:** VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

**VRS Vision:** To be the trusted leader in the delivery of benefits and services to those we serve.

Overall Measure: 13 of 16 meet or exceed target

Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.



# Fiscal Year 2021 Operational Measures


Reporting Period: July-20

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Operational Measure		Preventable Employee Turnover	
Strategic Goal		Exceptional Organizational Culture and Work Environment	
Description		Percentage of employees voluntarily separating VRS employment due to preventable experiences	
Calculation Methodology		The number of Administration employees who voluntarily separate from VRS employment due to preventable reasons, divided by the total number of Administration employees who voluntarily separate VRS employment, when total employee turnover exceeds 5% within the same period of time. Preventable turnover is determined from exit interview results, and includes substantiated reports of unsuccessful supervision or management, unsatisfactory work environment, insufficient resources to complete one's job effectively, and unavailability of training opportunities.	
Data Source	Human Resources Department Exit Interview Survey Results	Reporting Frequency	Annual
Target (Performance Goal)	< 10.00%	Baseline (Performance History)	5.88%
Target Rationale: Maintain recent performance		Baseline Rationale: FY 2019 results	
Current Reporting Month Status	0.00%	YTD Status (Cumulative; used at year-end to determine whether target has been met)	0.00%
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Unrealistic employee expectations regarding VRS work environment and responsibilities	Provide clear position descriptions and responsibilities upon hire; outline organization culture and expectations on a regular basis; ensure open communication between employees, managers and supervisors	
2	Reorganization due to myVRS enhancements may alter current work responsibilities for some employees	Provide clear and open communication throughout the implementation process; Offer sufficient training opportunities for employees tasked with new responsibilities	
3	Ongoing pandemic impacts employee morale	Continue direct outreach to employees, provide EAP resources and implement employee engagement activities	
YTD Performance History			
[Reported as an annual measure]			
VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.			
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.			

Overall Measure: 13 of 16 meet or exceed target

Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

 Virginia Retirement System		Fiscal Year 2021 Operational Measures		OM 14
Reporting Period: July-20				
Operational Measure		Cost to Administer Defined Benefit Plans		
Strategic Goal		Strong Financial Viability		
Description		Annual pension administration cost for defined benefit plans, as compared to peer group median reported by CEM Benchmarking, Inc.		
Calculation Methodology		VRS pension administration cost per active member and annuitant for defined benefit plans as compared to that of its peer group, as calculated by CEM Benchmarking, Inc. The average peer cost calculated by CEM is available on delay and will not be known until spring 2021. At that time the FY 2020 annual agency cost will be compared to the to the FY 2020 CEM peer cost to determine whether VRS's cost is lower than the peer average.		
Data Source		CEM Benchmarking, Inc.	Reporting Frequency	Annual
Target (Performance Goal)		Lower than the FY 2020 CEM Peer Cost Average	Baseline (Performance History)	N/A
Target Rationale: Measuring VRS annual administrative cost for FY 2020 against the most current peer data as provided by CEM Benchmarking, Inc.		Baseline Rationale: N/A		
Current Reporting Month Status		-	YTD Status (Used at year-end to determine whether target has been met)	-
Potential Constraints to Meeting Target			Mitigation Strategies	
1	Significant unanticipated costs to administer pension plans due to external influences, including the ongoing pandemic		Work within existing agency allocations and prioritize spending plans to ensure administrative expenditures remain reasonable	
2	Dependent upon expenditure patterns for the CEM Peer group for administrative cost average		Maintain communications with CEM peers to stay informed on any spending abnormalities that may skew CEM-calculated peer costing	
3	FY 2020 CEM cost not known until late into FY 2021 (limiting agency ability to react if missing target)		Proactively calculate and monitor agency administrative cost in anticipation of receiving the FY 2020 CEM cost; adjust agency spending if out of line with recent CEM peer cost averages	
YTD Performance History				
[Average Pension Administration Cost for VRS' Peer Group, as provided by CEM Benchmarking, will be known in spring 2020]				
VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.				
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Overall Measure: 13 of 16 meet or exceed target

Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

# Fiscal Year 2021 Operational Measures


Reporting Period: July-20

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Operational Measure		Systems Security Awareness	
Strategic Goal		Continuous Improvement of Effective and Efficient Operations	
Description		Percentage of eligible staff who have completed security training in compliance with the agency's and Commonwealth's security policies	
Calculation Methodology		Percentage of eligible staff who have completed the agency's annual security training, VRS User IT Security Policy Training ("security training"), divided by the total eligible agency staff. Employees who join the agency during FY 2021 are required to complete security training within 30 days after their start date. All staff are required to complete the training during the annual training window. The training provides information on such critical security practices as protecting sensitive data, utilizing effective passphrases, reviewing acceptable technology use policies, being on alert for phishing and other malpractices, and more. <b>The percentage is calculated on a cumulative basis and reported annually (with the total requirement recalculated monthly as new staff are hired and required to obtain security training).</b>	
Data Source	Technology Services SLEs Performance Report	Reporting Frequency	Annual
Target (Performance Goal)	100.00%	Baseline (Performance History)	100.00%
Target Rationale: Maintain high security awareness		Baseline Rationale: All VRS staff completed security training in FY 2020	
Current Status	-	YTD Status (Cumulative; used at year-end to determine whether target has been met)	-
Potential Constraints to Meeting Target		Mitigation Strategies	
1	Unavailability of the Virginia Learning Center (VLC, a non-VRS application) for training	Provide sufficient time for staff to obtain training within prescribed timeline to allow for possible VLC system unavailability	
2	Ongoing pandemic impacts processes and agency resources, including technology outages that limit system availability	Enact business continuity plan for technology outages	
3	New training requirements as set-forth by the Commonwealth Security Policy that require changes to the prepared security training	Proactively coordinate with different units within VRS to ensure sufficient time and resources to make necessary changes to the prepared training	
YTD Performance History			
[Reported as an annual measure]			
VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.			
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.			

Overall Measure: 13 of 16 meet or exceed target

Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

 Virginia Retirement System		Fiscal Year 2021 Operational Measures		OM 16	
Reporting Period: July-20					
Operational Measure		Employee Professional Development			
Strategic Goal		Highly Skilled and Trained Staff			
Description		Percentage of full-time VRS administration employees receiving at least 8 hours of professional development			
Calculation Methodology		The number of eligible full-time VRS administration employees who have completed at least 8 hours of professional development, divided by the total number of eligible full-time administration employees. Eligible employees are full-time administration staff hired after July 1, 2020 who are not on short- or long-term disability or FMLA during FY 2021. Qualifying professional development includes courses designated in the Virginia Learning Center (VLC), as well as conferences, webinars, college or trade school classes, and any other professional development as approved by the Human Resources Director. Number of hours received is tracked on a cumulative basis and reported quarterly.			
Data Source		Human Resources Performance Report	Reporting Frequency		Annual
Target (Performance Goal)		85.00%	Baseline (Performance History)		91.30%
Target Rationale: Maintain recent performance and increased total # of hours			Baseline Rationale: 5 year average = 91.32%		
Current Status		-	YTD Status (Cumulative; used at year-end to determine whether target has been met)		-
Potential Constraints to Meeting Target			Mitigation Strategies		
1	Limited staff flexibility to obtain professional development due to significant staff time dedicated to implementation of myVRS enhancements in FY 2021		Encourage staff to plan for professional development opportunities before and/or after periods of time dedicated to implementation myVRS enhancements		
2	Dependence on IT system availability/accessibility for trainings and/or time tracking		Advise staff to plan to be proactive about obtaining professional development and reporting their hours earned as they go		
3	Limited progressive course availability on relevant subject matter area		Ongoing communication between managers and staff to expand and identify new learning opportunities		
YTD Performance History					
[Reported as an annual measure]					
VRS Mission: VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.					
VRS Vision: To be the trusted leader in the delivery of benefits and services to those we serve.					

Overall Measure: 13 of 16 meet or exceed target

Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

**Approve FY 2021 APOs and Operational Measures.**

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**Requested Action**

The VRS Board of Trustees approves the FY 2021 Agency Performance Outcomes (APOs) and Agency Operational Measures.

**Description/Background**

Each year the VRS Board of Trustees approves Agency Performance Outcomes (APOs) and Operational Measures. The APOs are stretch goals for the Administrative staff. The Operational Measures are agency performance measures.

APOs (see attachment 1). The FY 2021 APOs have five stated outcomes summarized as follows:

1. Implement New myVRS Functionality – Online Retirement Processing
2. Implement New myVRS Functionality – Payment, Health Insurance Maintenance
3. ERM Implementation
4. Cardinal HCM Implementation – The Plan (Track 1), Agency (Track 2) and Retiree (Track 3)

The objective is to attain three of the four APOs. Successful attainment of the APOs is the gainsharing portion of the performance management program of the Administrative Pay Plan for administrative staff. Under the gainsharing portion of the performance management program of the Investment Operations and Administration Pay Plan, investments operations staff are eligible for a bonus if their performance meets or exceeds expectations or is exceptional, as rated in their annual performance assessment, the employee consistently works, as a team member, to accomplish the goals of the Investment Department. Both bonuses are normally paid as a lump sum equal to 2.5% of salary.

Operational Measures (see attachment 2). VRS also identifies key operational measures each year. These measures are coupled with the APOs as part of the gainsharing portion of the performance management program. The objective is to meet or exceed the target goal for at least 13 of the 16 measures. Again, the expectation is that all employees will work collaboratively and contribute to accomplishing key functions of the agency.

Satisfying the APO and operational measure targets is required to earn the gainsharing bonus.

**Rationale for Requested Action**

The APOs are stretch goals for VRS, and VRS identifies key operational measures as organizational performance expectations for the fiscal year that must be maintained while working to satisfy the APOs and maintaining key agency functions. Both the Administrative and Investment Operations and Administration Staff Pay Plans contain gainsharing language to reward teamwork, collaboration and organizational results.

Although satisfaction of the APOs and Operational Measures is not an explicit condition for a gainsharing bonus to be paid to Investment Operations and Administration staff, the agency's practice is

that no gainsharing bonus is paid to Investment Operations and Administration staff in a year that Administrative staff is not eligible for a gainsharing bonus.

**Authority for Requested Action**

*Code of Virginia* § 51.1-124.22(11) authorizes the Board to establish and administer a compensation plan for officers and employees of the Retirement System.

The above action is approved.

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O'Kelly E. McWilliams, Chairman  
VRS Board of Trustees

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Date



**Reappointment of IAC Members.**

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**Requested 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.

**Rationale for Requested Action**

Theodore Economou and Deborah Allen Hewitt, Ph.D., currently serve on the Investment Advisory Committee (IAC) and are willing to be reappointed for another two-year term. Mr. Economou is Chief Investment Officer Multi-Asset at Lombard Odier Asset Management (Switzerland) SA, and Dr. Hewitt is Clinical Professor Emerita at the Mason School of Business at the College of William & Mary.

**Authority for Requested Action**

*Code of Virginia* § 51.1-124.26 requires the Board to appoint an Investment Advisory Committee to provide the Board with sophisticated, objective, and prudent investment advice, which will further assist the Board in fulfilling its fiduciary duty as trustee of the funds of the Retirement System.

The above action is approved.

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O'Kelly E. McWilliams, Chairman  
VRS Board of Trustees

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Date

## THÉODORE ECONOMOU, CFA

5, Avenue Gaspard-Vallette  
1206 Geneva, Switzerland

Mobile: +41 79 696 0694  
theodore.economou@cern.ch

### Chief Investment Officer & Investment Advisor with global experience

- Experience in pension fund management and asset management, in Europe and USA.
- Professional experience in private assets including transactions, balance sheet structuring (equity & debt), and private equity portfolio investments.
- Won pension industry distinctions for innovations in risk management, management of equities, real estate, and alternative assets.

### LOMBARD ODIER ASSET MANAGEMENT (Geneva, Switzerland) 2015–Present

#### Chief Investment Officer, Multi-Asset

Oversee multi-asset institutional portfolios, with direct responsibility for CHF 6Bn in institutional client assets, including pension funds and foundations.

- Direct team of 10 in London and Geneva
- Developed and implemented portfolio construction model “by time-horizon” to increase performance while actively controlling risk.
- Led growth of flagship “All Roads” DGF strategy.

### LOMBARD ODIER PENSION FUND (Geneva, Switzerland) 2014–Present

#### Chair, Investment Committee

Led restructuring of 1.5Bn CHF investment portfolio to target higher performance.

- Restructured portfolio around time horizons in order to reconcile return, risk, and liquidity goals and constraints.
- Increased private assets allocation to 30%, strengthening the private equity program with a focus on buyouts and venture; initiated private credit allocation.
- Implemented dynamic cross-asset allocation in short-term-oriented portfolio.

### CERN PENSION FUND (Geneva, Switzerland) 2009–2015

#### Chief Executive Officer & CIO

Led restructuring of the 4Bn CHF pension investment portfolio of the European Organization for Nuclear Research (CERN) to target absolute performance while managing risk.

- Designed and implemented comprehensive investment governance framework, later featured in the [Journal of Investment Consulting](#).
- Implemented first ever private equity and alternatives programs.
- Fund won several awards ([Investments & Pensions Europe](#), [CIO Magazine](#), [HFR](#) award for “outstanding career contribution by an individual investor”).

### ITT CORPORATION (New York, USA) 1993 – 2009

#### Assistant Treasurer, Corporate Finance & Pensions

2002 – 2009

Led capital markets and pension investment activities.

- Designed debt financing to support \$3b in acquisitions of portfolio companies
- Led restructuring of \$5 billion U.S. DB pension investments portfolio, increasing private equity program to 20% of assets; among first to implement LDI in US (2003).
- Restructured DC plan options to include default target-date funds (2005).

- ITT Pension Fund realized top decile performance among US large pension funds, winning several awards, including *Institutional Investor's* 2005 Corporate Plan Sponsor of the Year Award.

**Investment Trustee, ITT Industries Ltd Pension Scheme (Basingstoke, UK) 2003 – 2009**

Achieved major diversification of investment portfolio, increasing non-UK exposure, and introducing private assets.

**Director, Investor Relations**

1996-2002

Directed ITT Corporation's relations with Wall Street, during a period of acquisitions and divestitures of private and public companies. Supported more than \$2b in acquisitions of portfolio companies and concurrent divestitures of another \$5b across several industries. Recognized among "Best Investor Relations Officers" in U.S. (2001) in Barron's survey.

**Manager, Corporate Development**

1993-1995

Analysis, planning, negotiation and execution of acquisitions and divestitures transactions in the global automotive industry

**ACCENTURE (Geneva and Zurich, Switzerland)**

1987 – 1991

**Senior Consultant, Financial Services Group**

Designed and implemented financial risk management systems for multinational financial corporations, exchanges, and banks.

**BOARD AND COMMITTEE MEMBERSHIPS**

**BAE SYSTEMS PENSION SCHEME (London, United Kingdom)**

2019–Present

**External Advisor**

Attend 4-6 investment committee meetings per year to advise on the management of £16b in scheme assets, with a particular focus on private markets.

**VIRGINIA RETIREMENT SYSTEM (Virginia, USA)**

2013–Present

**Member, Investment Advisory Committee**

Attend 3-4 investment committee and board meetings per year to advise on the management of \$80 billion in assets owned by the retirement system for the government employees of the commonwealth of Virginia, USA.

**EDUCATION**

**Chartered Financial Analyst**, CFA Institute, Charlottesville, Virginia, U.S.A.

1999

**Master of Management**, J.L. Kellogg Graduate School of Management, Northwestern University, Evanston, Illinois, U.S.A.  
Recipient of Alexander S. Onassis Scholarship

1993

**Diplôme d'Ingénieur Mécanicien**, Ecole Polytechnique Fédérale de Lausanne, Switzerland  
(M.Sc., Federal Institute of Technology)

1987

## **LANGUAGES**

- French (mother tongue), German (fluent)

## **OTHER BOARD & COMMITTEE MEMBERSHIPS**

- Investor Steering Committee, *Alternative Investment Management Association (AIMA)*, London, United Kingdom (2013-2014)
- Secretary, *European Commission Task Force For A Pan-European Pension Fund*, Brussels, Belgium (2012-2013)
- Financial Engineering Advisory Board, *The Peter F. Drucker and Masatoshi Ito Graduate School of Management*, Claremont University, Claremont, USA (2014 to present)

### **Dr. Deborah Allen Hewitt—Biographical Information**

Deborah Allen Hewitt is Clinical Professor Emerita at the Mason School of Business at the College of William & Mary. She specializes in the macroeconomics of emerging countries, as well as exchange rates, and the use of scenario analysis for long-run strategic planning. She has focused on the growth and global implications of political and economic developments in China for the past 10 years, during which she served on the Faculty Advisory Board of the W&M Confucius Institute.

Dr. Hewitt lived and worked abroad for nearly 20 years while serving as President of Claremont Economics Institute, an economics consulting and forecasting firm which advised multinational businesses and investment firms in the US and abroad. She lived in Japan during the height of their bubble economy in the late 1980s-early 1990s, and in Thailand during their rapid growth period. She maintains her international expertise by leading MBA Global Immersion classes to destinations such as China, India, Brazil, Poland, Czech Republic, and South Africa.

Dr. Hewitt has published numerous academic and business articles on the subjects of international trade and finance. She has also worked as an international economist at the US Treasury, and taught at UCLA and Claremont Graduate School.

Dr. Hewitt has served on several Boards, including the Endowment of the College of William & Mary, The Muscarelle Museum, and the Respite Program. She currently serves on the Investment Advisory Committee of the Virginia Retirement System, The Reves International Advisory Board, and the Endowment Committee of the Williamsburg United Methodist Church.

Dr. Hewitt holds her Ph.D. from Duke University, where she was a James B. Duke scholar. She is a member of Phi Beta Kappa and Beta Gamma Sigma.

**Reappointment of DCPAC Member.**

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**Requested Action**

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

**Rationale for Requested Action**

Ravindra Deo currently serves on the DCPAC and is willing to be reappointed for another two-year term. Mr. Deo is Executive Director of the Federal Retirement Thrift Investment Board.

**Authority for Requested Action**

*Code of Virginia* § 51.1-124.26 authorizes the Board to appoint such other advisory committees as it deems necessary. Each member appointment requires a two-thirds vote of the Board, and advisory committee members serve at the pleasure of the Board.

The above action is approved.

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O'Kelly E. McWilliams, Chairman  
VRS Board of Trustees

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Date

**Ravindra Deo** Ravindra Deo serves as the Executive Director of the largest defined contribution plan in the world. Ravindra joined the FRTIB in 2015 as the Chief Investment Officer. During his time at FRTIB, he also served as acting COO from June 2016 to February 2017, and acting Executive Director from May 2017 to August 2017. Ravindra started his career in 1986 and worked in the asset management industry for 29 years prior to joining the FRTIB. He has worked in a variety of roles including as an overlay asset allocator focused on risk reduction, as part of a team that worked on the creation of the first ETFs, as a team leader focused on lifestyle funds, and as an investment advisory consultant to some of the largest institutional investors in the world. He has been the lead on investment and manager research teams and has conducted extensive manager research on both alternative and traditional asset classes. Ravindra has a Bachelor of Technology from the Indian Institute of Technology, Delhi and an MBA from the University of California, Berkeley

## Virginia Retirement System (VRS)

### FY 2020 Budget Update

	Current Budget <sup>1</sup> A	YTD Expenses through 05/20/20 B	Projected Remaining Expenses <sup>2</sup> C	Projected Total FY 2020 Expenses D = B + C	Projected Variance Favorable/ (Unfavorable) E = A - D	% Remaining E / A
<b>Administration</b>						
<b>Personnel</b>						
Salaries, Wages & Benefits <sup>3</sup>	32,002,000	28,290,000	2,800,000	31,090,000	912,000	2.8%
Bonuses & Incentives	1,063,000	1,039,000	-	1,039,000	24,000	2.3%
Training & Travel <sup>4</sup>	604,000	316,000	28,000	344,000	260,000	43.0%
<b>Facility</b>	2,050,000	1,417,000	275,000	1,692,000	358,000	17.5%
<b>Contractual Services</b>						
Fiscal & Management Services	1,954,000	1,157,000	384,000	1,541,000	413,000	21.1%
Medical Review Services	804,000	667,000	76,000	743,000	61,000	7.6%
Other Contractual Services	2,979,000	1,487,000	717,000	2,204,000	775,000	26.0%
<b>Information Technology</b>						
Modernization	799,000	447,000	69,000	516,000	283,000	35.4%
Software Solution Delivery & Support	10,872,000	7,482,000	3,095,000	10,577,000	295,000	2.7%
Supporting Infrastructure	3,867,000	2,593,000	1,269,000	3,862,000	5,000	0.1%
Technology Security	1,387,000	527,000	698,000	1,225,000	162,000	11.7%
<b>Other Operating</b>	954,000	315,000	158,000	473,000	481,000	50.4%
<b>Retirement Commission</b>	300,000	-	-	-	300,000	100.0%
<b>Administration Total</b>	<b>59,635,000</b>	<b>45,737,000</b>	<b>9,569,000</b>	<b>55,306,000</b>	<b>4,329,000</b>	<b>7.3%</b>
<b>Investments</b>						
<b>Personnel</b>						
Salaries, Wages & Benefits <sup>3</sup>	16,282,000	14,282,000	1,340,000	15,622,000	660,000	4.1%
Bonuses & Incentives	4,345,000	4,311,000	-	4,311,000	34,000	0.8%
Training & Travel <sup>4</sup>	787,000	342,000	15,000	357,000	430,000	54.6%
<b>Facility</b>	764,000	540,000	108,000	648,000	116,000	15.2%
<b>Contractual Services</b>						
Fiscal & Management Services	1,418,000	1,087,000	128,000	1,215,000	203,000	14.3%
Other Contractual Services	496,000	229,000	53,000	282,000	214,000	43.1%
<b>Data Feeds &amp; Data Management</b>	10,829,000	8,215,000	1,587,000	9,802,000	1,027,000	9.5%
<b>Other Operating</b>	165,000	95,000	18,000	113,000	52,000	31.5%
<b>Investments Total</b>	<b>35,086,000</b>	<b>29,101,000</b>	<b>3,249,000</b>	<b>32,350,000</b>	<b>2,736,000</b>	<b>7.8%</b>
<b>VRS Total</b>	<b>94,721,000</b>	<b>74,838,000</b>	<b>12,818,000</b>	<b>87,656,000</b>	<b>7,065,000</b>	<b>7.5%</b>
Appropriation Adjustment Pending - Central Accounts <sup>3</sup>					1,985,000	
<b>Projected Ending FY 2020 Balance</b>					<b>9,050,000</b>	<b>9.4%</b>

<sup>1</sup> Current Budget includes an appropriation adjustment for \$699K processed by DPB, which was authorized under Chapter 1283 for VRS to implement the provisions of legislation enacted by the 2020 General Assembly.

<sup>2</sup> Projected expenses are best estimates as of a point in time and are subject to change.

<sup>3</sup> \$1.985M is the calculated FY 2020 impact of the salary increases authorized by Item 474 of the 2019 Appropriation Act; appropriation in this amount is pending transfer to VRS by the Department of Planning and Budget (DPB).

<sup>4</sup> Training & Travel category includes training, training-related travel, business travel and tuition reimbursement. Although in-person training and related travel spending were naturally reduced beginning in March due to the COVID-19 pandemic, online and virtual training has been encouraged. Actuals include recent online training registrations.



## Virginia Retirement System (VRS)

### FY 2020 Budget Update

Projections incorporate approximately \$623K in expected discretionary spending reductions as a result of the COVID-19 pandemic and subsequent information received from the Governor's chief of staff:

#### Admin

Training & Travel	175,000
Facility	8,000
Fiscal & Management Services	45,000
Other Contractual Services	9,000
Other Operating	118,000

<b>Total Admin</b>	<b>355,000</b>
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#### Investments

Training & Travel	235,000
Other Contractual Services	15,000
Other Operating	18,000

<b>Total Investments</b>	<b>268,000</b>
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<b>Total VRS</b>	<b>623,000</b>
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