Administration and Personnel Committee (A&P) Meeting
GoToWebinar
Wednesday, 9/16/2020
10:30 AM - 12:30 PM ET

Minutes

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

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

Board members present:
William A. Garrett
William Leighty

Also present:

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

The meeting convened at 10:10 a.m.

Opening Remarks

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

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

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

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

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

Public Comment

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

Approval of Minutes

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

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

Verus – Benchmark and Performance Hurdle Analysis

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

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

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

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

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

Ms. Cantor: Aye

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

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

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

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

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

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

RBA: Approve FY 2021 APOs and Operational Measures

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

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

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

Reappointment of Investment Advisory Committee Members

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

RBA: Reappointment of IAC Members

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

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

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

Reappointment of Defined Contribution Plans Advisory Committee (DCPAC) Member

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

RBA: Reappointment of DCPAC Member

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

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

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

Budget Update

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

Other Business

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

Adjournment

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

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

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

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

Virginia Retirement System

September 16, 2020

Incentive Compensation Discussion

Code of Virginia § 51.1-124.22(A)(11) authorizes the Board to establish and administer a compensation plan for officers and employees of the Retirement System. Further, Paragraph S of Item 477 of the 2020 Acts of Assembly authorizes certain agencies, including the Virginia Retirement System, to utilize agency funds to implement the provisions of new or existing performance-based pay plans. As we consider the current environment, the following options may be discussed regarding the bonus and incentive compensation components of the Administrative Pay Plan, VRS Investment Operations and Administration Pay Plan and the Investment Professionals' Pay Plan.

	OPTION
a.	Review and approve FY2020 incentive compensation payments for all eligible staff according to the applicable compensation plans and in accordance with historical practice.
b.	Provide incentive compensation to all eligible employees for FY 2020 but amend pay plans to expressly clarify that at the Board's discretion incentive compensation will potentially be delayed, reduced, adjusted or canceled during a period of extreme fiscal stress.
c.	Approve FY2020 incentive compensation payments to all eligible staff but defer payment(s) to a specified future date.
d.	Calculate incentive compensation payouts according to approved compensation plans, and then apply the same percentage reduction to the actual payouts for all eligible staff (i.e., 10%, 12%, 15%, 20%).
e.	Decline to approve any FY2020 incentive compensation payments.

Virginia Retirement System

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

Requested Action

The VRS Board of Trustees approves (i) the attainment of FY 2020 APOs and Operational Measures and (ii) a lump-sum bonus equal to 2.5% of salary for eligible administrative employees and eligible Investment Department operations and administration employees.

Description/Background

VRS' Agency Performance Outcomes (APOs): The Board approves APOs for each fiscal year. Successful attainment of the APOs is one half of the gainsharing portion of the performance management program, and it is to be paid as a lump-sum bonus equal to 2.5% of salary for FY 2020, as set forth in the Administrative Pay Plan. The expectation is that all employees will work collaboratively and contribute to attaining the annual APOs. The goal is to complete four (4) of the six (6) APOs for FY2020.

VRS' Annual Operational Measures: VRS also identifies key operational measures each year. The operational measures are the other part of the gainsharing portion of the performance management program. The goal is to meet the target for at least thirteen (13) of the sixteen (16) measures set for the year. Again, the expectation is that all employees will work collaboratively and contribute to accomplishing key functions of the agency.

The agency achieved fifteen (15) of the sixteen (16) operational measures for FY 2020. Additionally, VRS successfully completed four (4) of the six (6) FY 2020 APOs.

Investment Department Gainsharing: The Investment Department's operations and administration staff employees are eligible to receive a lump-sum bonus equal to 2.5% of salary if their performance at least meets expectations, as rated in their annual performance assessment, and the employee consistently works, as a team member, to accomplish the goals of the Investment Department.

Cost: The approximate total cost for the 2.5% bonus payments to eligible employees is $585,092, to be paid from the FY 2021 budget.

Rationale for Requested Action

Both the Administrative Pay Plan and the Investment Operations and Administration Staff Pay Plan contain gainsharing language, as outlined previously, to reward teamwork, collaboration and organizational results.

Authority for Requested Action

Code of Virginia § 51.1-124.22(A)(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, III, Chairman Date
VRS Board of Trustees

Virginia Retirement System

AGENCY PERFORMANCE OUTCOMES STATUS REPORT
FISCAL YEAR 2020
Summary

APO Status Indicator

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

Overall Measure: 4 of 6 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: 3 of 4 completed)*	N/S	N/S	△	△	△	△	△	△	△	◆	◆	◆
2	**Implement New myVRS Functionality - Payment, Health Insurance Maintenance*** *(Measure: 3 of 4 completed)*	N/S	N/S	△	△	△	△	△	△	△	◆	◆	◆
3	**ERM Phase 2** *(Measure: 2 of 2 completed)*	●	●	●	●	●	●	●	●	●	●	●	★
4	**ORPHE Lineup Change** *(Measure: 6 of 6 completed)*	●	●	●	●	●	●	●	●	●	★	★	★
5	**Reengineer VRS Business Continuity Plans** *(Measure: 4 of 5 completed)*	●	●	●	●	●	●	●	●	●	●	●	★
6	**Implement FY 2020 Legislation** *(Measure: 2 of 2 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.

FY 2020 APOs amended by the Board of Trustees on 2/13/20 to include APO #6.

**As planned, progress on new features for myVRS has slowed due to the reassignment of technical staff to support legislative changes imposed by the 2020 General Assembly. This has impacted the software build for the new myVRS features, and the new features will not be ready for implementation prior to June 30, 2020. Accordingly the APOs related to software build have been marked “Red”, the related subcomponents marked as “Red” or “Not Started” as applicable. The software build continues with reduced staffing, and a new implementation time will be determined that complements agency operations once the software is complete.*

Virginia Retirement System

AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2020

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: 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***												
1.1	Complete staff and employer readiness activities, including staff training, for Member Portal (Online Retirement)	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S
1.2	Member Portal (Online Retirement) software is tested and ready for deployment	N/S	N/S	▲	▲	▲	▲	▲	▲	▲	◆	◆	◆
1.3	Complete phased ramp-up of online retirement processing functionality	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S
1.4	Conduct quality monitoring for online retirement processing	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S

**As planned, progress on new features for myVRS has slowed due to the reassignment of technical staff to support legislative changes imposed by the 2020 General Assembly. This has impacted the software build for the new myVRS features, and the new features will not be ready for implementation prior to June 30, 2020. Accordingly the APOs related to software build have been marked "Red", the related subcomponents marked as "Red" or "Not Started" as applicable. The software build continues with reduced staffing, and a new implementation time will be determined that complements agency operations once the software is complete.*

Virginia Retirement System

AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2020

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: 3 of 4 completed

APO #	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
2	**Implement New myVRS Functionality - Payment, Health Insurance Maintenance***												
2.1	Complete staff and employer readiness activities, including staff training, for Payment/Health Insurance Maintenance	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S
2.2	Payment/Health Insurance Maintenance software is tested and ready for deployment	N/S	N/S	▲	▲	▲	▲	▲	▲	▲	◆	◆	◆
2.3	Complete phased ramp-up of payment, health insurance maintenance functionality	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S
2.4	Initiate and conduct quality monitoring for payment, health insurance maintenance functionality	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S

**As planned, progress on new features for myVRS has slowed due to the reassignment of technical staff to support legislative changes imposed by the 2020 General Assembly. This has impacted the software build for the new myVRS features, and the new features will not be ready for implementation prior to June 30, 2020. Accordingly the APOs related to software build have been marked "Red", the related subcomponents marked as "Red" or "Not Started" as applicable. The software build continues with reduced staffing, and a new implementation time will be determined that complements agency operations once the software is complete.*

Virginia Retirement System

AGENCY PERFORMANCE OUTCOMES STATUS REPORT
FISCAL YEAR 2020
APO 3

APO Status Indicator

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

APO 3 Measure: 2 of 2 completed

APO #	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
3	**ERM Phase 2**												
3.1	Initiate risk assessment to validate and prioritize risks identified in the risk portfolio	●	●	●	●	●	●	●	●	●	●	●	★
3.2	Develop initial risk response plan based on the outcomes of the risk assessment	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	●	★

AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2020

APO 4

Virginia Retirement System

APO Status Indicator

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

APO 4 Measure: 6 of 6 completed

APO #	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
4	**ORPHE Lineup Change**												
4.1	Conduct communications and outreach to plan participants, including mailings, meetings and webinars	●	●	●	●	●	●	●	★	★	★	★	★
4.2	Conduct open enrollment with new provider options and offer election window for members who wish to retain existing Fidelity assets	●	●	●	●	●	★	★	★	★	★	★	★
4.3	Implement related system changes that support the ORPHE structure changes	●	●	●	●	●	★	★	★	★	★	★	★
4.4	Implement necessary changes as a result of the revisions to the TIAA investment menu	●	●	●	●	●	●	●	★	★	★	★	★
4.5	Complete Fidelity deselection process for ongoing contributions, effective January 1, 2020	●	●	●	●	●	●	●	★	★	★	★	★
4.6	Successfully transition assets from Fidelity to selected provider.	N/S	N/S	N/S	N/S	N/S	●	●	●	●	★	★	★

Virginia Retirement System

AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2020

APO 5

APO Status Indicator

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

APO 5 Measure: 4 of 5 completed

APO #	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
5	**Reengineer VRS Business Continuity Plans**												
5.1	Redesign and rewrite VRS Business Impact Analysis	●	●	●	●	●	●	●	●	●	●	●	★
5.2	Redesign and rewrite VRS Risk Assessments	●	●	●	●	●	●	●	●	●	●	●	★
5.3	Update Technology Disaster Recovery Plan	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	●	●	●	★
5.4	Update Facilities Recovery Plan	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	●	●	●	★
5.5	Redesign and rewrite VRS Continuity of Operations Plan	N/S	N/S	N/S	N/S	N/S	N/S	N/S	N/S	●	●	●	★

Changes to agency performance outcomes require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

Virginia Retirement System

AGENCY PERFORMANCE OUTCOMES STATUS REPORT
FISCAL YEAR 2020
APO 6

APO Status Indicator

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

APO 6 Measure: 2 of 2 completed

APO #	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
6	**Implement FY 2020 Legislation**												
6.1	Implement process, system and communication changes necessary to satisfy the minimum requirements of approved Return to Work related legislation (Note: Additional time will be required to more fully optimize and execute changes related to the implementation of legislation.)	-	-	-	-	-	-	-	●	●	●	●	★
6.2	Implement process, system and communication changes necessary to satisfy the minimum requirements of approved legislation related to benefits expansion, including, but not limited to, Workers' Compensation, Line of Duty Act (LODA), Hazardous Duty and Health Insurance Credit (HIC) (Note: Additional time will be required to more fully optimize and execute changes related to the implementation of legislation.)	-	-	-	-	-	-	-	●	●	●	●	★

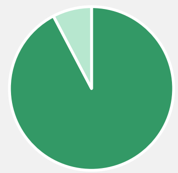
Note: The amount of legislation impacting VRS is expected to be very high in 2020, with a short time window for implementation (July 1). This will significantly impact resources required to complete other APO-related initiatives, including myVRS enhancements. Final legislative outcomes will not be known until after the reconvened session on April 22.

FISCAL YEAR 2020 OPERATIONAL MEASURES STATUS REPORT

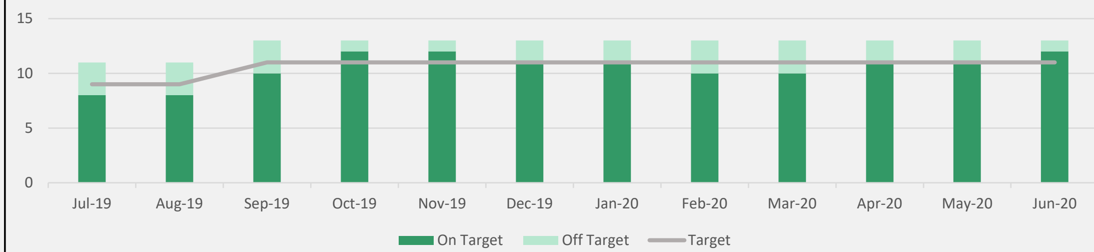
Virginia Retirement System

June-20

Current Status - All Operational Measures



YTD Status - All Operational Measures



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%	100.00%	100.00%	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%	6.00%	6.59%	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	0.31	0.39	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%	100.00%	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%	99.82%	96.84%	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%	100.00%	99.63%	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%	94.74%	96.79%	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%	100.00%	99.70%	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%	100.00%	100.00%	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%	100.00%	99.98%	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%	100.00%	100.00%	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%	100.00%	100.00%	Quarterly	

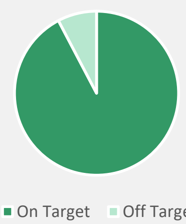
Overall Measure: 13 of 16 meet or exceed target

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

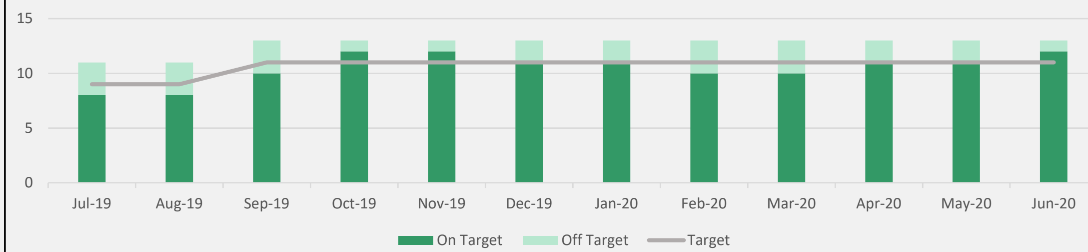
FISCAL YEAR 2020 OPERATIONAL MEASURES STATUS REPORT

June-20

Current Status - All Operational Measures



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%	0.00%	8.12%	Quarterly	
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 2019 CEM Peer Cost Average	$ 81.00	$ 103.00	Annual	Will not know FY 2019 CEM peer cost until spring 2020
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%	100.00%	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%	100.00%	100.00%	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.

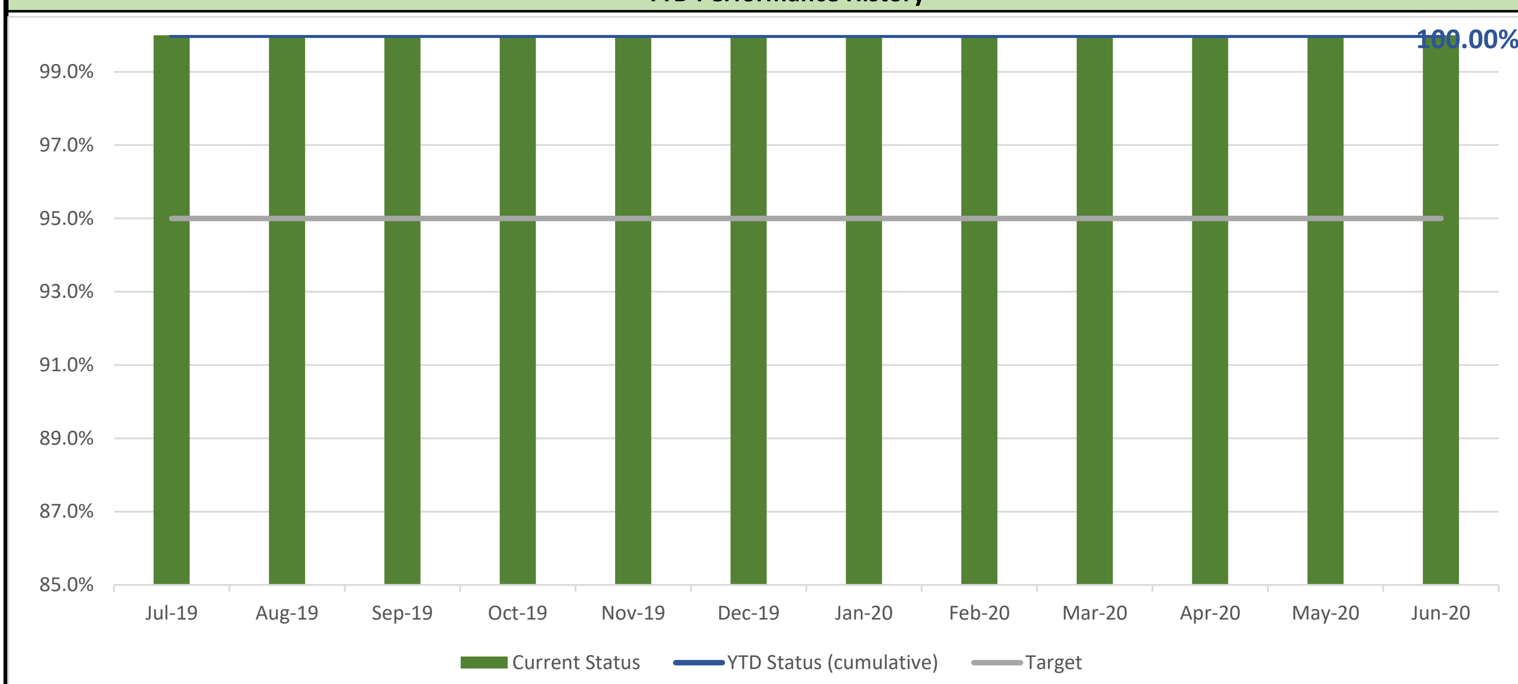
Fiscal Year 2020 Operational Measures

Reporting Period: June-20

Operational Measure	Timeliness of Monthly Financial Account Reconciliations		
Strategic Goal	Strong Financial Viability		
Description	Percentage of monthly financial control reconciliations completed by last business day of the following month		
Calculation Methodology	The number of financial account reconciliations completed by the last business day of the month, divided by the total accounts requiring reconciliation each month.		
Data Source	Finance Control Performance Report	**Reporting Frequency**	Monthly
Target (Performance Goal)	> 95.00%	**Baseline** (Performance History)	99%
Target Rationale: *Accounts for potential impacts due to system conversion*		***Baseline Rationale:*** *5 year average = 99%*	
Current Reporting Month Status	**100.00%**	**YTD Status** (Cumulative; used at year-end to determine whether target has been met)	100.00%

	Potential Constraints to Meeting Target	Mitigation Strategies
1	Full transition to VNAV will require new processes and reporting formats	Plan sufficient time and staff capacity for training and transition to new system
2	Planned consolidation of accounts will lessen the measure's margin for error but still require reconciliation of the same magnitude of data	Proactively staff for transition period in which reconciliations in RIMS and VNAV will be required concurrently
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



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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 2020 Operational Measures

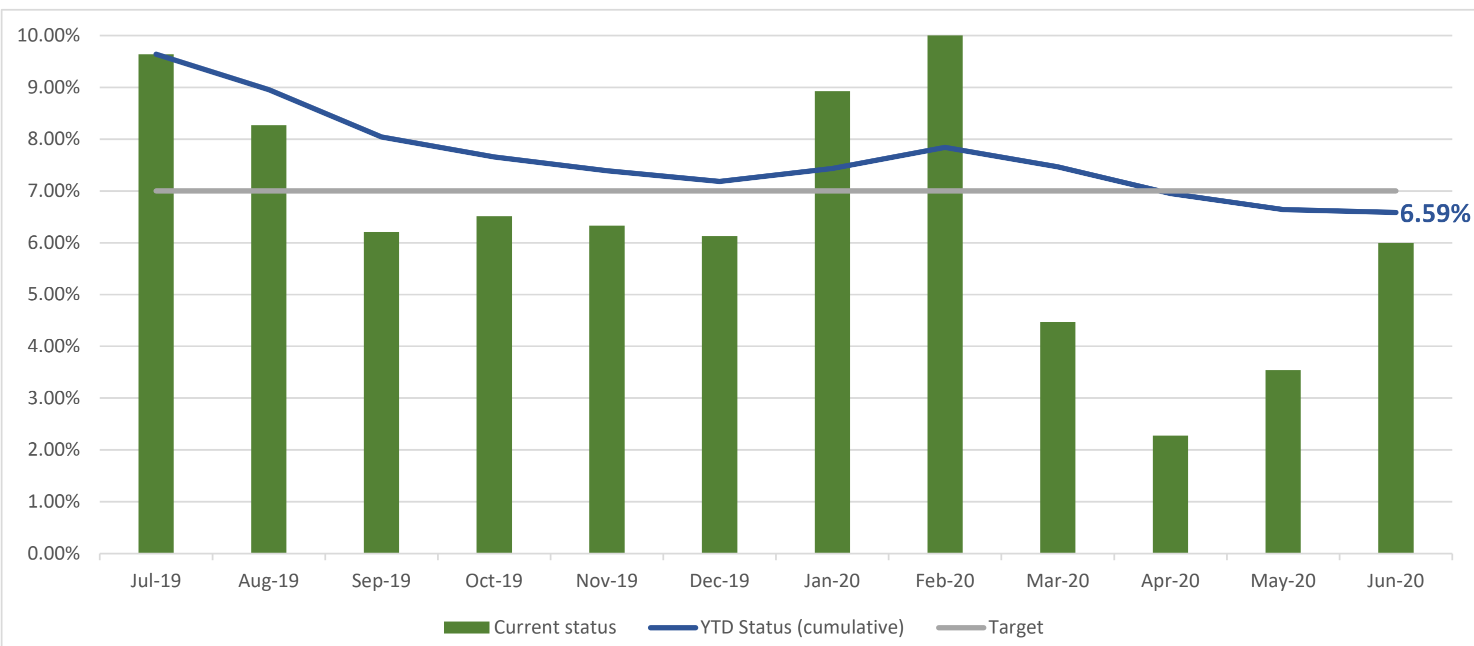
Reporting Period: June-20

OM 2

Operational Measure	Average Abandoned Call Rate		
Strategic Goal	Continuous Improvement of Effective and Efficient Operations		
Description	Percentage of calls to the Customer Counseling Center (CCC) that result in hang-ups while in the queue		
Calculation Methodology	The number of abandoned calls (defined as a caller hanging up prior to reaching a knowledgeable person), divided by the total number of calls received by the CCC support teams. Average rate is calculated on a cumulative basis.		
Data Source	Customer Counseling Center Performance Report	**Reporting Frequency**	Monthly
Target (Performance Goal)	< 7.00%	**Baseline** (Performance History)	7.00%
Target Rationale: *To account for anticipated high call volume due to system change in FY 2019 - 2020*		***Baseline Rationale:*** *5 year average = 6.5%*	
Current Reporting Month Status	**6.00%**	**YTD Status** (Cumulative; used at year-end to determine whether target has been met)	6.59%

	Potential Constraints to Meeting Target	Mitigation Strategies
1	Regulatory or legislative changes that impact customer benefits and result in increased call volumes (i.e. federal tax code change)	Prepare and implement a staffing augmentation plan for times when additional resources are needed on short notice to react to call influxes due to external causes
2	Online system unavailability (VRS or third party) whereby customers cannot access their online account and have to call the CCC	Prepare a staffing augmentation plan for times when additional resources are needed on short notice to react to call influxes due to system unavailability
3	Need for increased security requirements for accessing members' records in accordance with industry best practices which cause longer call times	Identify opportunities to expedite the requisite validation process while still ensuring compliance with VRS security protocols to protect member data

YTD Performance History



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Fiscal Year 2020 Operational Measures

Reporting Period: June-20

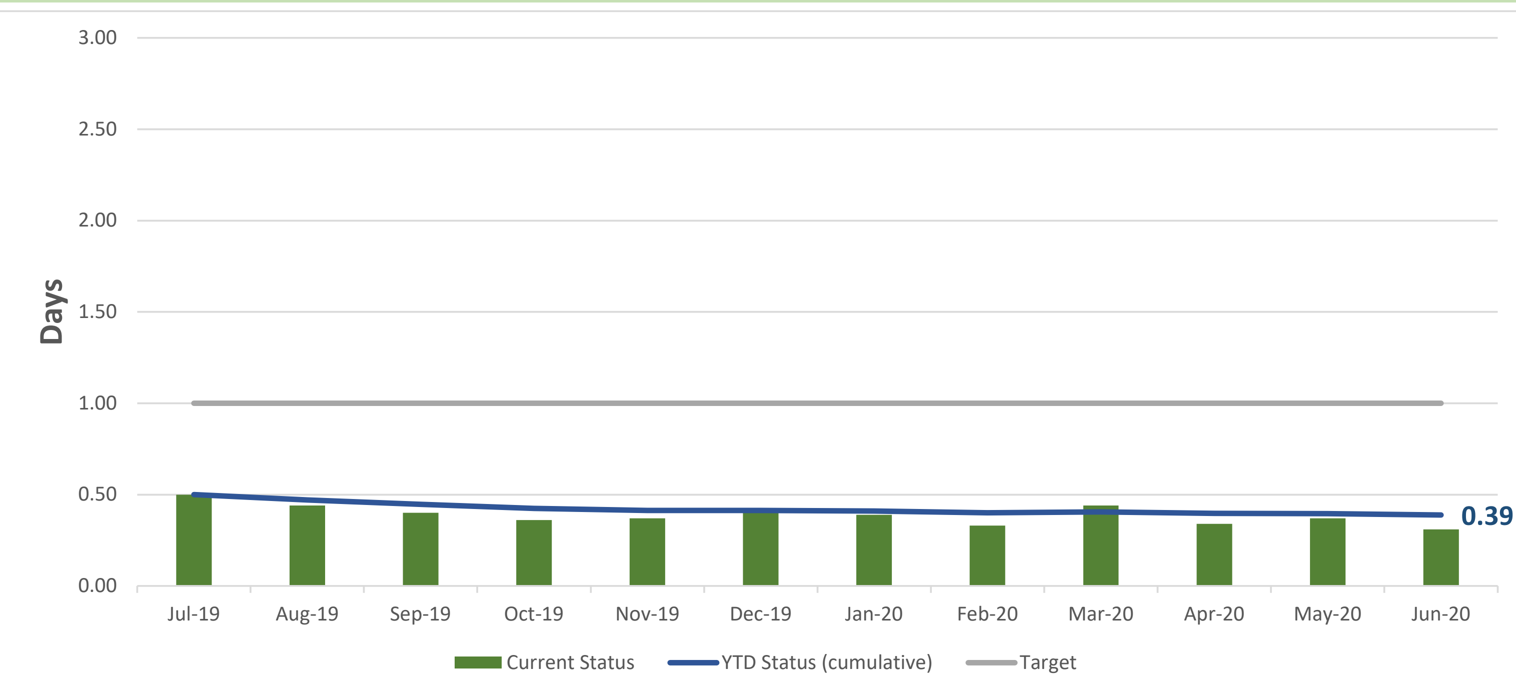
OM 3

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 2020, 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: *Reflects improved performance in FY 2019 while also accounting for anticipated high volume due to system change in FY 2020*		***Baseline Rationale:*** *5 year average = 1.3 days*	
Current Reporting Month Status	**0.31**	**YTD Status** (Cumulative; used at year-end to determine whether target has been met)	0.39

	Potential Constraints to Meeting Target	**Mitigation Strategies**
1	Transition may occur in FY 2020 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	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	Starting in FY 2019, the CCC began a transition of current part-time positions to full-time status; this effort will continue through FY 2020 and is anticipated to reduce turnover

YTD Performance History



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Fiscal Year 2020 Operational Measures

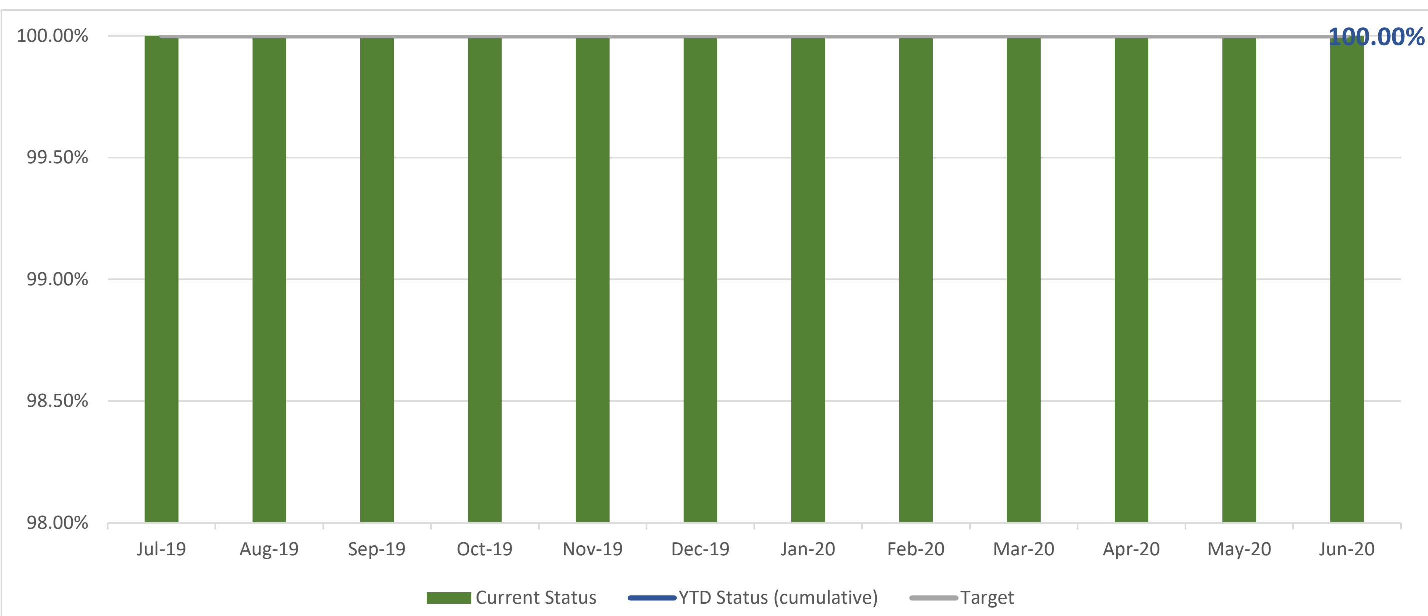
Reporting Period: June-20

OM 4

Operational Measure	Timeliness of Monthly Retirement Disbursements		
Strategic Goal	Continuous Improvement of Effective and Efficient Operations		
Description	Percentage of monthly retirement disbursements processed no later than the first business day of the month		
Calculation Methodology	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.		
Data Source	Benefit Disbursements Performance Report	**Reporting Frequency**	Monthly
Target (Performance Goal)	100.00%	**Baseline** (Performance History)	100.00%
Target Rationale: *Maintain recent performance*		***Baseline Rationale:*** *7 year average = 100%*	
Current Reporting Month Status	**100.00%**	**YTD Status** (Cumulative; used at year-end to determine whether target has been met)	100.00%

	Potential Constraints to Meeting Target	Mitigation Strategies
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	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

YTD Performance History



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Overall Measure: 13 of 16 meet or exceed target

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Fiscal Year 2020 Operational Measures

Reporting Period: June-20

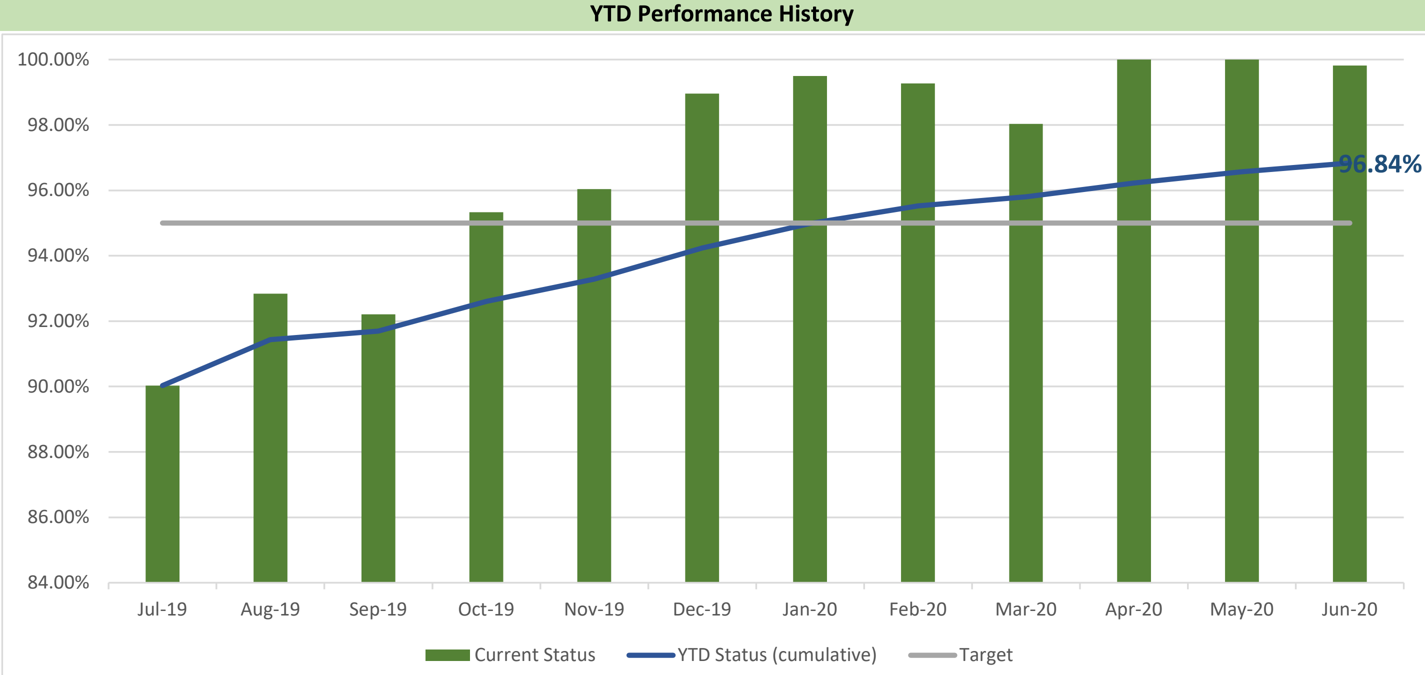
OM 5

Operational Measure	Timeliness of Service Retirements Processed
Strategic Goal	Continuous Improvement of Effective and Efficient Operations
Description	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
Calculation Methodology	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.

Data Source	Service Retirement Performance Report	**Reporting Frequency**	Monthly
Target (Performance Goal)	95.00%	**Baseline** (Performance History)	96.00%
Target Rationale: *Accounts for system conversion*		***Baseline Rationale:*** *5 year average = 96%*	
Current Reporting Month Status	**99.82%**	**YTD Status** (Cumulative; used at year-end to determine whether target has been met)	96.84%

	Potential Constraints to Meeting Target	**Mitigation Strategies**
1	Ongoing implementation of Phase 4 of Modernization which will significantly change current processes	Provide ample opportunity for advanced training; augment staffing as needed to ensure adequate resources during transition
2	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

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Fiscal Year 2020 Operational Measures

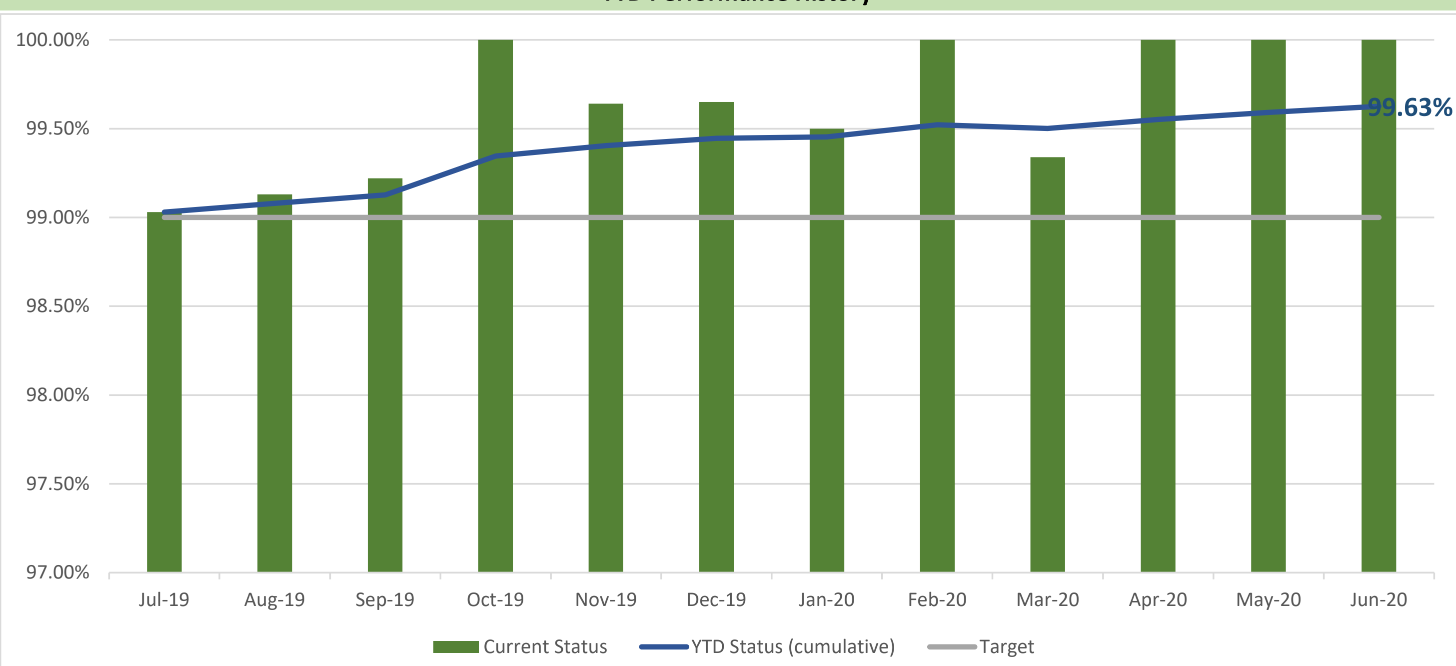
Reporting Period: June-20

OM 6

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; note that measurement changed slightly upon full transition to VNAV in FY 2019*		***Baseline Rationale:*** *5 year average = 99%*	
Current Reporting Month Status	**100.00%**	**YTD Status** (Cumulative; used at year-end to determine whether target has been met)	99.63%

	Potential Constraints to Meeting Target	**Mitigation Strategies**
1	Ongoing implementation of Phase 4 of Modernization which will significantly change current processes	Provide ample opportunity for advanced training; augment staffing as needed to ensure adequate resources during transition
2	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.

Fiscal Year 2020 Operational Measures

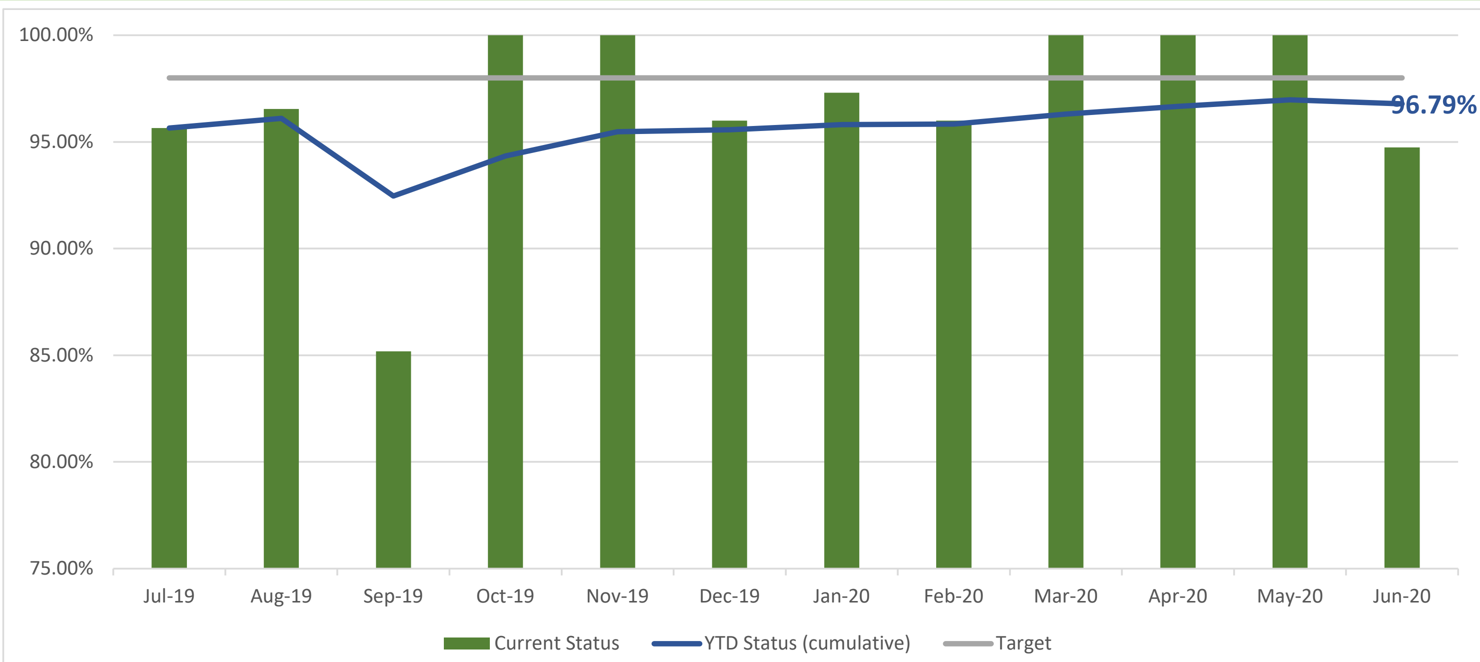
Reporting Period: June-20

OM 7

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)	99.00%
Target Rationale: *To account for potential processing delays due to system conversion in FY 2020*		***Baseline Rationale:*** *5 year average = 99%*	
Current Reporting Month Status	**94.74%**	**YTD Status** (Cumulative; used at year-end to determine whether target has been met)	96.79%

	Potential Constraints to Meeting Target	Mitigation Strategies
1	Ongoing implementation of Phase 4 of Modernization which will significantly change current processes	Provide ample opportunity for advanced training; augment staffing as needed to ensure adequate resources during transition
2	Ongoing transition to a new Medical Review Board contract	Continue coordination with new vendor to ensure smooth transition
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

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Fiscal Year 2020 Operational Measures

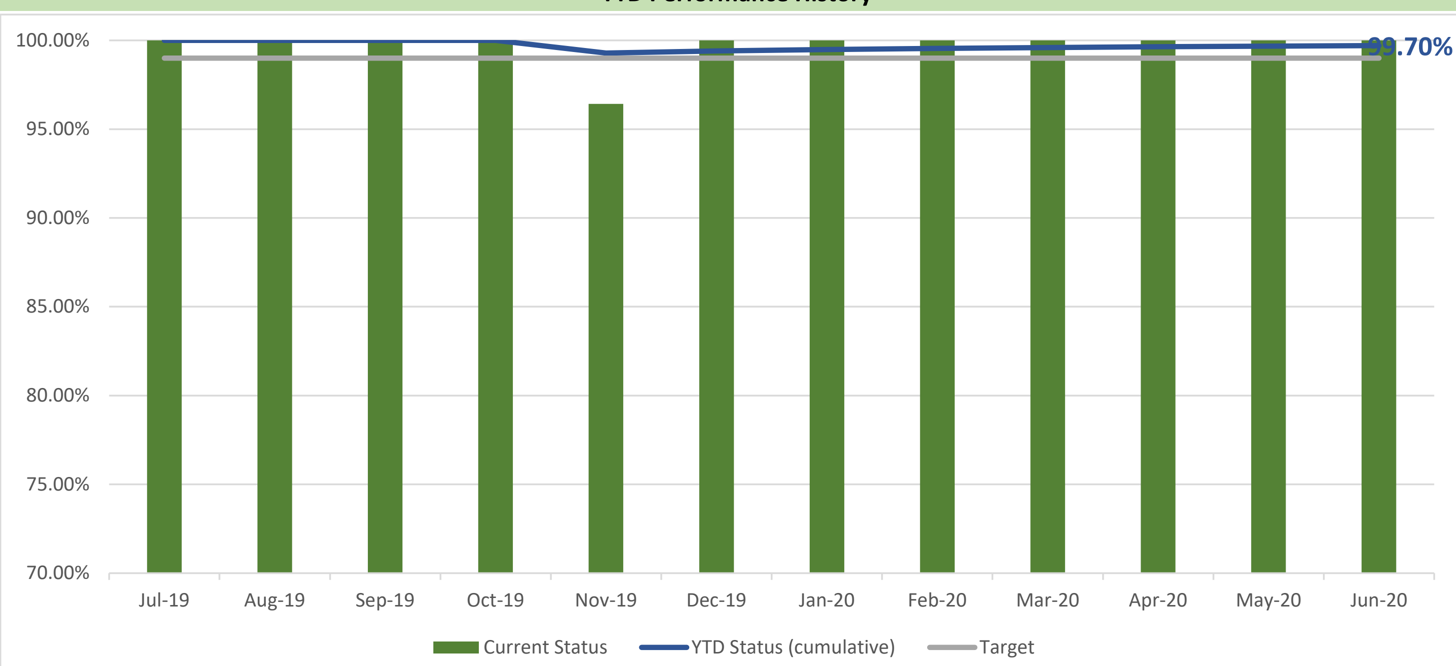
Reporting Period: June-20

OM 8

Operational Measure	Accuracy of Disability Retirements Processed		
Strategic Goal	Continuous Improvement of Effective and Efficient Operations		
Description	Percentage of disability retirements processed for which the corresponding benefit paid correctly reflects the member's service record		
Calculation Methodology	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.		
Data Source	Disability 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	**100.00%**	**YTD Status** (Cumulative; used at year-end to determine whether target has been met)	99.70%

	Potential Constraints to Meeting Target	**Mitigation Strategies**
1	Ongoing implementation of Phase 4 of Modernization which will significantly change current processes	Provide ample opportunity for advanced training; augment staffing as needed to ensure adequate resources during transition
2	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

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Fiscal Year 2020 Operational Measures

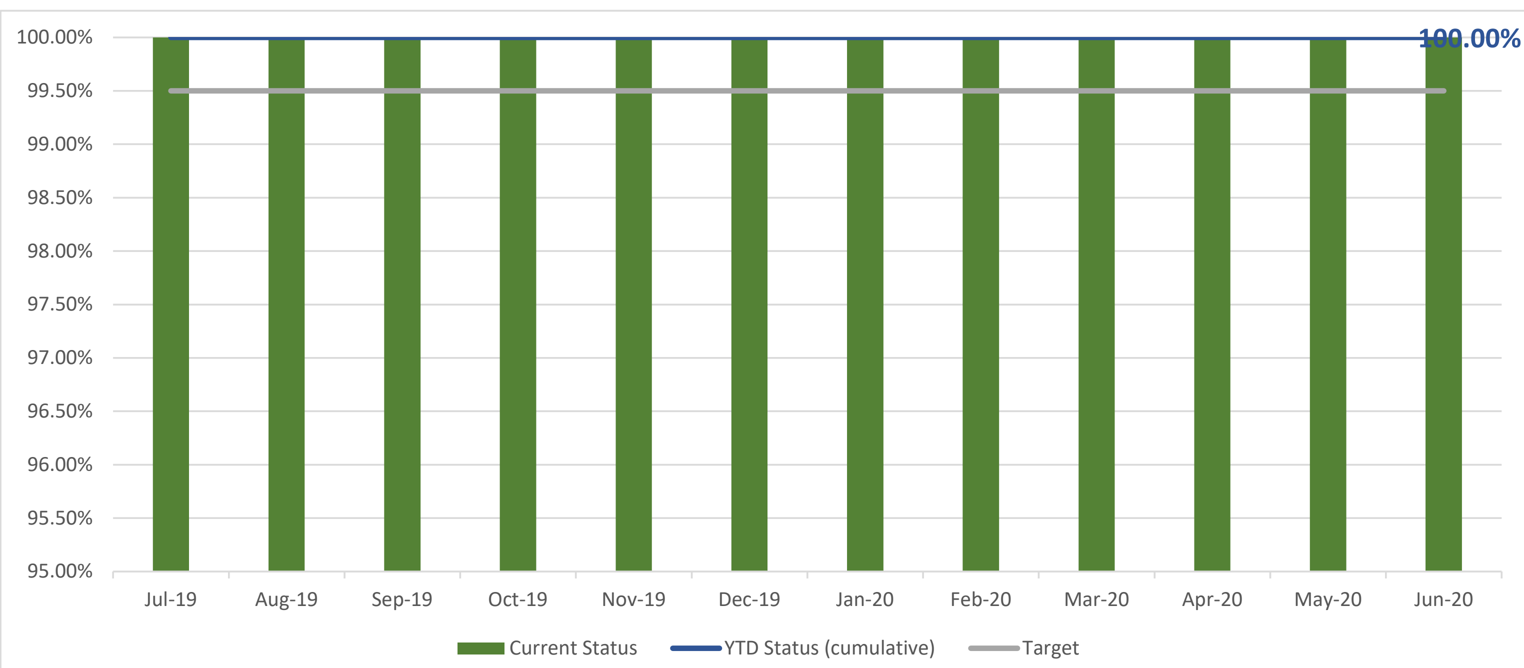
Reporting Period: June-20

OM 9

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	**100.00%**	**YTD Status** (Cumulative; used at year-end to determine whether target has been met)	100.00%

	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 2020 to online retirements that should reduce paper form intake levels)
2	Emergency situation that impacts systems 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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Fiscal Year 2020 Operational Measures

Reporting Period: June-20

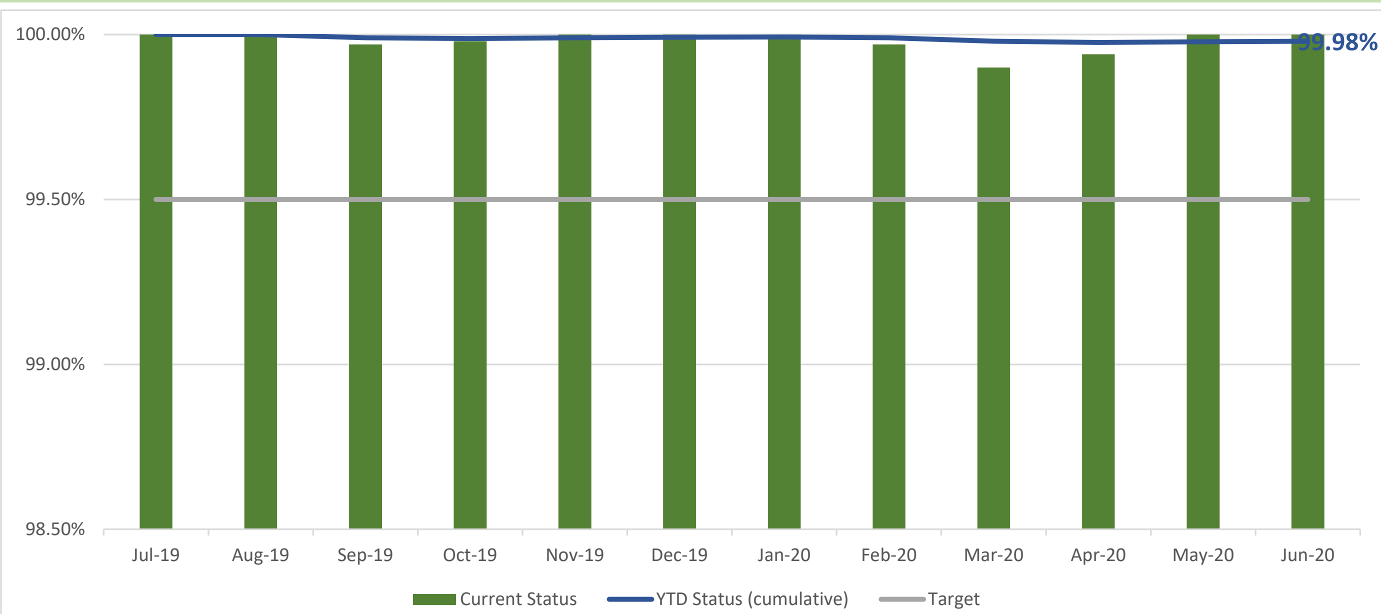
OM 10

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)	99.80%
Target Rationale: *Maintain recent performance*		***Baseline Rationale:*** *5 year average = 99.8%*	
Current Reporting Month Status	**100.00%**	**YTD Status** (Cumulative; used at year-end to determine whether target has been met)	99.98%

	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	Emergency situation that impacts systems 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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Fiscal Year 2020 Operational Measures

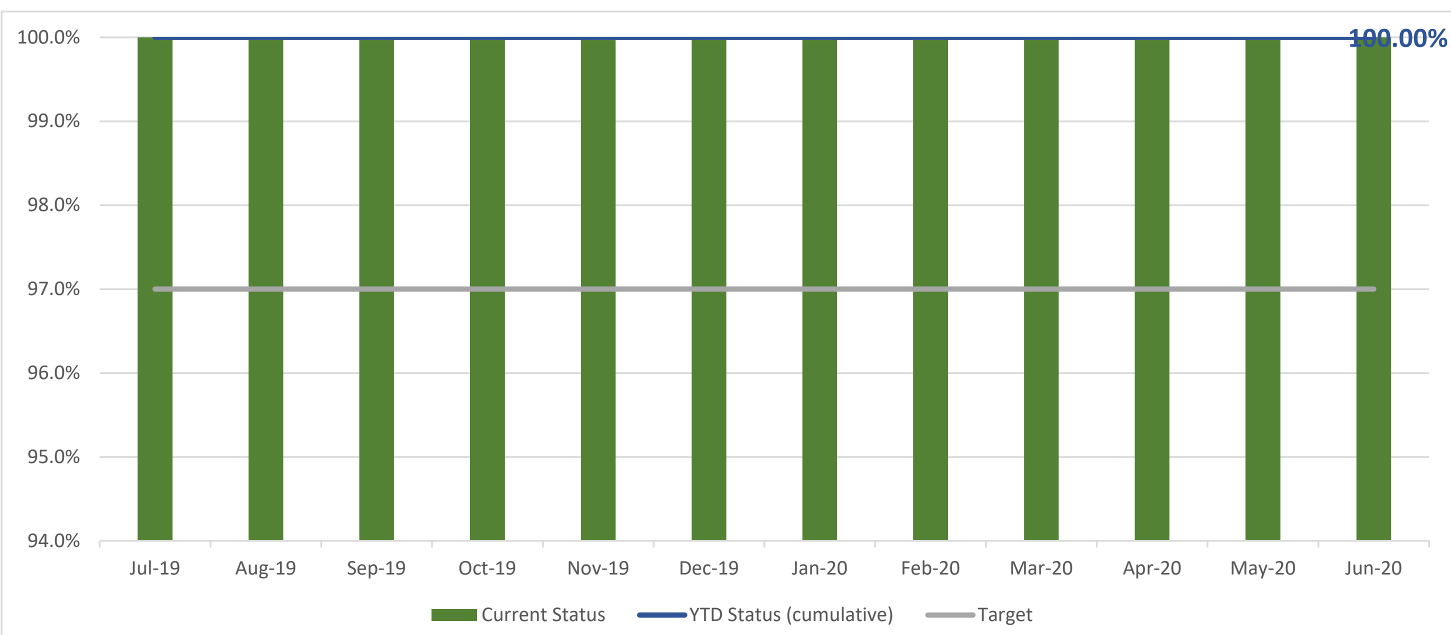
Reporting Period: June-20

OM 11

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)	97.00%
Target Rationale: *Maintain recent performance*		***Baseline Rationale:*** *4 year average = 97%*	
Current Reporting Month Status	**100.00%**	**YTD Status** (Cumulative; used at year-end to determine whether target has been met)	100.00%

	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	Staffing or system changes at the employer level that prevent their timely submission of CC snapshots	Provide VRS system training resources to assist with training new staff on requirements for maintaining timely submission
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



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Overall Measure: 13 of 16 meet or exceed target

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Fiscal Year 2020 Operational Measures

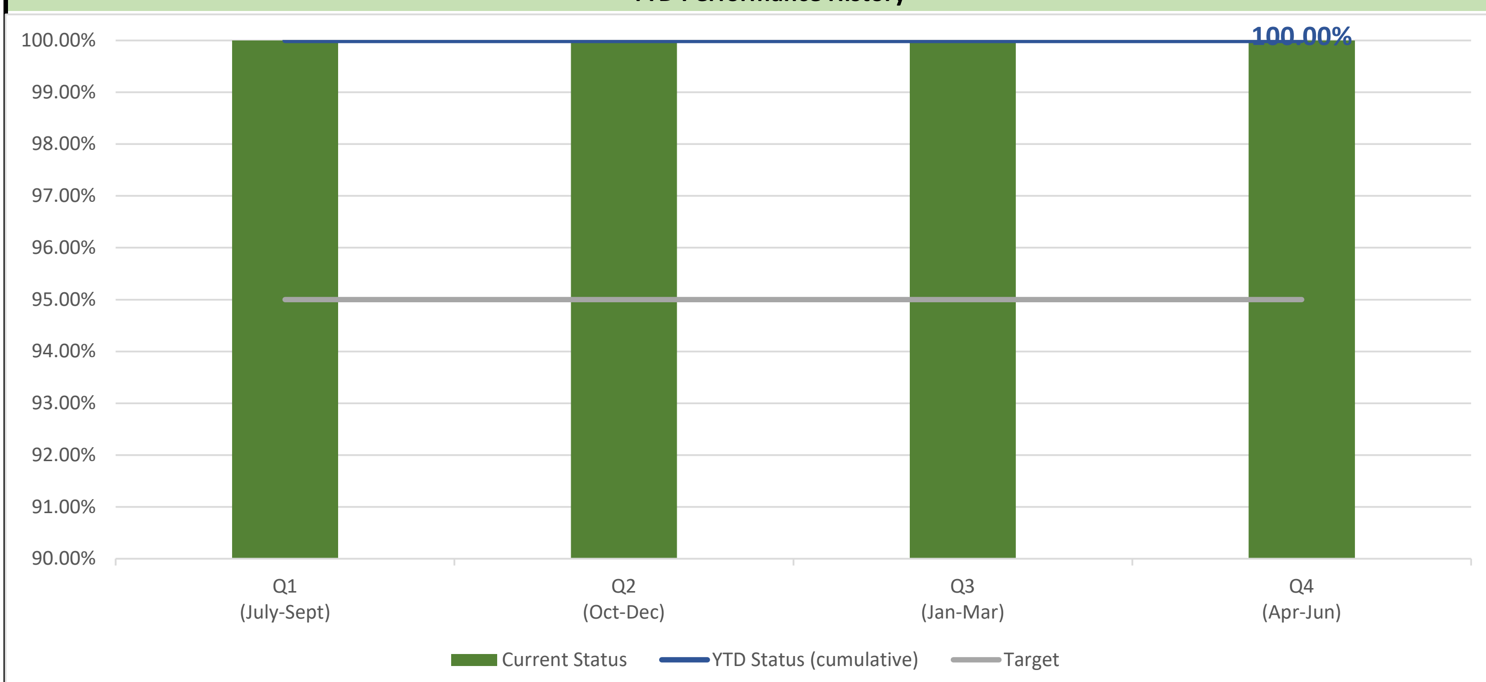
Reporting Period: June-20

OM 12

Operational Measure	Implementation of Corrective Action to Audit Recommendations		
Strategic Goal	Continuous Improvement of Effective and Efficient Operations		
Description	Percentage of audit recommendations for which VRS management represents that corrective action has been implemented by the approved target date		
Calculation Methodology	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).		
Data Source	ARFUS	**Reporting Frequency**	Quarterly
Target (Performance Goal)	> 95.00%	**Baseline** (Performance History)	93.00%
Target Rationale: *Maintain recent performance*		***Baseline Rationale:*** *4 year average = 92.5%*	
Current Reporting Month Status	**100.00%**	**YTD Status** (Cumulative; used at year-end to determine whether target has been met)	100.00%

#	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)	Communicate with DEC and Audit regarding possible adjustment of target date to accommodate timeline of when resources will be available

YTD Performance History



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Overall Measure: 13 of 16 meet or exceed target

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Fiscal Year 2020 Operational Measures

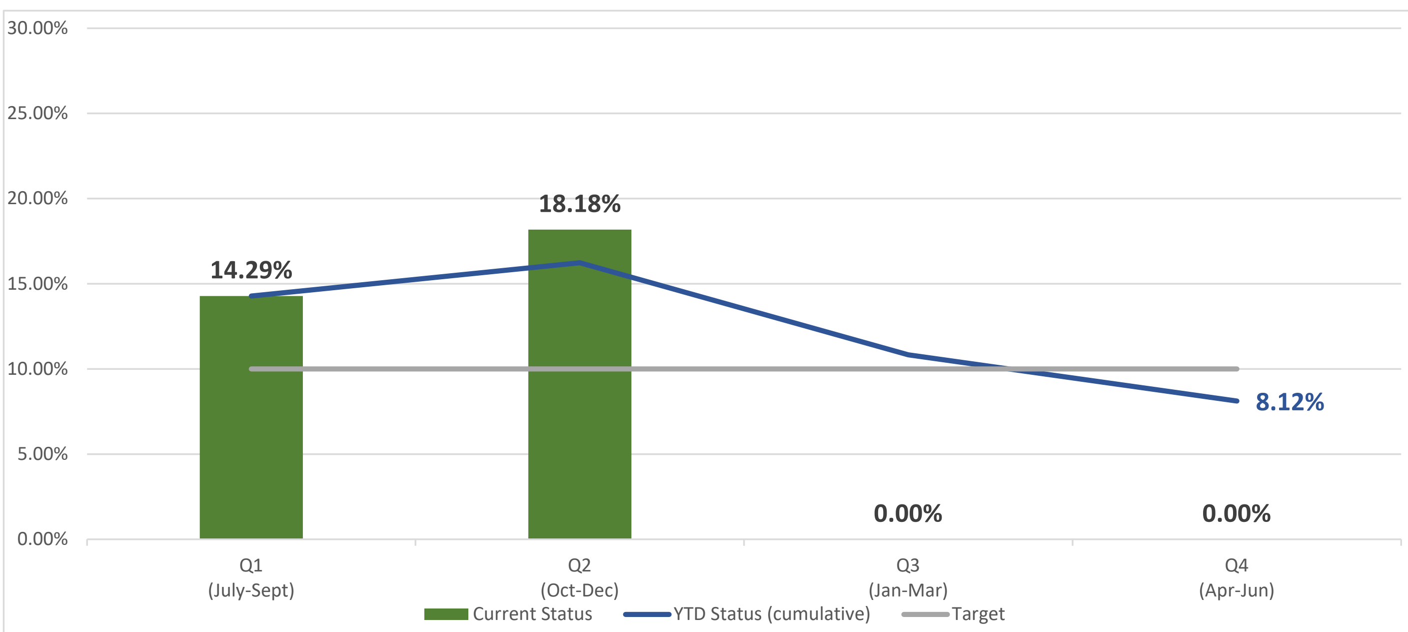
Reporting Period: June-20

OM 13

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 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**	Quarterly
Target (Performance Goal)	< 10.00%	**Baseline** (Performance History)	TBD
Target Rationale: *Maintain recent performance*		***Baseline Rationale: FY 2019***	
Current Reporting Month Status	**0.00%**	**YTD Status** (Cumulative; used at year-end to determine whether target has been met)	8.12%

	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 Modernization initiative may alter current work responsibilities for some employees	Provide clear and open communication throughout the Phase 4 implementation process; Offer sufficient training opportunities for employees tasked with new responsibilities
3	Employees leave without providing notice, or employee who provides notice does not complete an exit survey	Send employee an exit survey immediately upon notification of their planned termination; if the employee does not complete the survey within two days, make contact with the employee and/or schedule a one-on-one exit interview

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 2020 Operational Measures

Reporting Period: June-20

OM 14

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 2020. At that time the FY 2019 annual agency cost will be compared to the to the FY 2019 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 2019 CEM Peer Cost Average	**Baseline** (Performance History)	N/A
Target Rationale: *Measuring VRS annual administrative cost for FY 2019 against the most current peer data as provided by CEM Benchmarking, Inc.*		***Baseline Rationale:*** *N/A*	
Current Reporting Month Status	**$81.00**	**YTD Status** (Used at year-end to determine whether target has been met)	$103.00

#	Potential Constraints to Meeting Target	Mitigation Strategies
1	Significant unanticipated costs to administer pension plans due to external influences	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 2019 CEM cost not known until late into FY 2020 (limiting agency ability to react if missing target)	Proactively calculate and monitor agency administrative cost in anticipation of receiving the FY 2019 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]

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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 2020 Operational Measures

Reporting Period: June-20

OM 15

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 Trainng ("security training"), divided by the total eligible agency staff. Employees who join the agency during FY 2020 are required to complete security training within 30 days after their start date. Staff who were hired prior to FY 2020 are required to complete the training once during FY 2020. 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. **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).**

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 2019*	
Current Status	**100.00%**	**YTD Status** (Cumulative; used at year-end to determine whether target has been met)	100.00%

	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	Emergency situation that impacts systems 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]

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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 2020 Operational Measures

Reporting Period: June-20

OM 16

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, 2019 who are not on short- or long-term disability or FMLA during FY 2020. 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)	87.00%
Target Rationale: *Increase based on recent performance*		***Baseline Rationale:*** *5 year average = 87%*	
Current Status	**100.00%**	**YTD Status** (Cumulative; used at year-end to determine whether target has been met)	100.00%

	Potential Constraints to Meeting Target	**Mitigation Strategies**
1	Limited staff flexibility to obtain professional development due to significant staff time dedicated to implementation of Phase 4 of Modernization in FY 2020	Encourage staff to plan for professional development opportunities before and/or after periods of time dedicated to implementation Phase 4 of Modernization
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]

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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

P.O. Box 2500, Richmond, Virginia 23218-2500
Toll-free: 1-888-VARETIR (827-3847)
Website: www.varetire.org

Date: September 11, 2020

To: Trish Bishop, Director

From: Jennifer Schreck, Internal Audit Director JBS

Subject: Review of 2020 Agency Performance Outcomes and Operational Measures

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As part of our annual process, Internal Audit has reviewed the status of the 2020 Agency Performance Outcomes (APOs) and Operational Measures (OMs), as set forth by management for the fiscal year ended June 30, 2020. The purpose of our review was to obtain reasonable, but not absolute assurance that the status of such outcomes and measures was fairly represented in management's status reports.

Based upon our review of available documentation and discussions with various VRS personnel, nothing came to our attention to cause us to question the representations set forth by management with respect to either the APOs or the OMs. Accordingly, we have no reason to believe that the APOs and OMs were not appropriately represented as satisfied for the fiscal year ended June 30, 2020.

I would like to commend the management team and staff for their accomplishments this past year. Please share this information with the Administration and Personnel Committee as well as the Board of Trustees, as you deem appropriate.

Request for Board Action
RBA 2020-09-____

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

Requested Action

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

Description/Background

The Board approved the current Administrative Pay Plan on June 13, 2019 (effective June 10, 2019) and the current Investment Operations and Administration Staff Pay Plan on June 7, 2016 (effective July 1, 2016). Each of the plans state:

> Subject to the approval of the VRS Board of Trustees, employees who receive an overall rating of “exceptional” will receive a 4% bonus and employees who receive an overall rating of “exceeds” will receive a 2% bonus, based on their salary as of June 30.

Cost: The approximate total cost for the FY 2020 performance bonus payments to eligible employees is $548,888, to be paid from the FY 2021 budget.

Rationale for Requested Action

Bonus payments recognize and reward the positive contributions of individual performance that enable VRS to achieve and exceed its goals and objectives.

Authority for Requested Action

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

The above action is approved.

____ ____________________________

O’Kelly E. McWilliams, III, Chairman Date
VRS Board of Trustees

Virginia Retirement System

Request for Board Action
RBA 2020-09-____

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

Requested Action

The VRS Board of Trustees approves the First Amendment to the DCPIP as recommended by outside benefits counsel, effective October 1, 2020.

Description/Background

In connection with its review of a proposed amendment to the CIO Employment Agreement, outside benefits counsel (Ice Miller) went over the provisions of the Defined Contribution Plan for Investment Professionals (DCPIP) that affect directly the compensation structure for the CIO. Based on this review, outside benefits counsel recommended the attached First Amendment to provide more specificity and clarity regarding how incentive payments are made to or on behalf of the CIO.

Rationale for Requested Action

Outside benefits counsel has recommended these changes to clarify (i) that incentive payments to the CIO are coordinated and made in harmony with the CIO's employment contract and the DCPIP, and (ii) the proper tax treatment of incentive payments to the CIO.

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.

____ ______________________________

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

FIRST AMENDMENT
TO THE
DEFINED CONTRIBUTION INCENTIVE PLAN
FOR VRS INVESTMENT MANAGEMENT PERSONNEL

(As Restated Effective May 1, 2013)

The Board of Trustees of the Virginia Retirement Systems hereby amends the Defined Contribution Incentive Plan for VRS Investment Management Personnel (as Restated Effective May 1, 2013) (the "Plan") pursuant to Article XI of the Plan, effective January 1, 2020, unless otherwise stated herein, as set forth below, to reflect certain discretionary changes and changes made pursuant to the Setting Every Community Up for Retirement Enhancement Act of 2019 ("SECURE Act") and the Coronavirus Aid, Relief, and Economic Security Act of 2020 ("CARES Act").

1. Section 1.12 of the Plan, Eligible Employee, is hereby amended to be and read as follows:

> **1.12 "Eligible Employee"**: An Employee who is employed by the Plan Sponsor and who serves on the Investment Management Committee as the same may be constituted from time to time (currently, the Chief Investment Officer, the Chief Operations Officer and Program Directors, including Research). Effective June 20, 2013, the Executive Director of the Plan Sponsor is also an Eligible Employee.

2. Section 1.17 of the Plan, Incentive Compensation, is hereby amended to be and read as follows:

> 1.17 **"Incentive Compensation"**: The incentive award approved under the Virginia Retirement System Investment Professional's Pay Plan, as amended from time to time, for a Plan Year.

3. Section 4.2 of the Plan, Allocation of Contributions, is hereby amended to be and read as follows:

> 4.2 **Allocation of Contributions**. Subject to the applicable limitations contained herein and Section 13.1, as of the date on which such contribution is made, the Incentive Compensation Contribution for a Plan Year shall be allocated to the Accumulation Account of the Participant on whose behalf such contribution is made.

4. Section 13.1(a) of the Plan, Qualified Government Excess Benefit Arrangement, is hereby amended to be and read as follows:

> 13.1(a) As of the effective date of this Restatement, no further contributions will be made to the Qualified Government Excess Benefit Arrangement under the

Plan except those made on behalf of the Chief Investment Officer. The Board shall credit the Excess Benefit Amount with respect to the Chief Investment Officer for a Plan Year, if any as determined by the Board for a Plan Year, to his Excess Benefit Account.

5. Section 6.3 of the Plan, Required Minimum Distribution, is hereby amended to be and read as:

6.3 **Required Minimum Distribution.**

6.3(a) To the extent the payment provisions of the Plan are inconsistent with or violate the requirements of Section 401(a)(9) of the Code, the provisions of Section 401(a)(9) of the Code are hereby incorporated by reference and shall control, including the minimum distribution and incidental benefit requirements thereunder and the changes under the Setting Every Community Up for Retirement Enhancement Act of 2019 and any regulatory guidance issued thereunder. The Plan will apply the minimum distribution requirements of Section 401(a)(9) of the Code in accordance with a good faith interpretation as permitted by the Pension Protection Act of 2006.

6.3(b) Notwithstanding anything in this Section 6.3 to the contrary, for 2020 or such longer period as provided in legislation modifying or extending the Coronavirus Aid, Relief, and Economic Security Act of 2020, the minimum distribution requirements will be satisfied as set forth in this paragraph. Effective March 27, 2020, or as soon as administratively practicable thereafter, a Participant or Beneficiary who would have been required to receive a required minimum distribution in 2020 (or paid in 2021 for the 2020 calendar year for a Participant with a required beginning date of April 1, 2021) but for the enactment of Code Section 401(a)(9)(I) ("2020 RMDs") will receive this distribution unless the Participant or Beneficiary chooses not to receive such distribution. Participants and Beneficiaries described in the preceding sentence will be given the opportunity to elect to stop receiving the distribution described in the preceding sentence. In addition, 2020 RMDs will not be treated as eligible rollover distributions.

6. In all other respects, the Plan shall be and remain unchanged.

IN WITNESS WHEREOF, the undersigned has executed this amendment to the Plan this _______________ day of _____________________, 2020.

BOARD OF TRUSTEES OF THE VIRGINIA RETIREMENT SYSTEM

By: ___________________________________

Printed Name: __________________________

Title: __________________________________

Date: __________________________________

RBA. 2013-06-13

DEFINED CONTRIBUTION INCENTIVE PLAN

FOR VRS INVESTMENT MANAGEMENT PERSONNEL

(As Restated Effective May 1, 2013)

RBA-2013-06-13

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Qualified Government Excess Benefit Arrangement

WITNESSETH:

WHEREAS, pursuant to authority granted to the Board under Section 51.1-124.22.A.11 of the Code of Virginia (1950), as amended, this Defined Contribution Incentive Plan for Investment Management Personnel (the "Plan") was adopted by the Virginia Retirement System.

The Board intends to maintain the Plan as a qualified defined contribution plan within the meaning of Internal Revenue Code Section 401(a) as applicable to governmental plans as defined in Section 414(d) of the Code. The purpose of the Plan is to strengthen the link between performance of the System's Fund and compensation of key investment professionals.

The Plan shall exist in addition to all other retirement, pension or other benefits available to the Participants, including the benefits established pursuant to the Virginia Retirement Act, Section 51.1-100 et seq. of the Code of Virginia (1950) as amended, the deferred compensation plan established pursuant to the Government Employees Deferred Compensation Plan Act, Section 51.1-600 et seq. of the Code of Virginia (1950) as amended and the Virginia Cash Match Plan established pursuant to Sections 51.1-607 through 613 of the Code of Virginia (1950) as amended.

To comply with the requirements of Internal Revenue Code Section 401(a) and in accordance with Section 11 of Article X of the Constitution of Virginia (1971) as amended, the Board has established a related fund ("Fund") pursuant to a trust agreement ("Trust Agreement") in which all contributions to the Plan and the income thereon shall be held for the exclusive benefit of Participants and their Beneficiaries.

The Board previously restated the Plan, effective April 15, 2010, in order to add a qualified governmental excess benefit arrangement permitted under Section 415(m) of the Internal Revenue Code.

The Board now desires to restate the Plan effective May 1, 2013 (the "Restatement") in order (i) to cease contributions under the Qualified Governmental Excess Benefit Arrangement for all Participants except the Chief Investment Officer and to terminate and distribute all amounts in the 415(m) account for all Participants, except the Chief Investment Officer; (ii) to allow Participants to be fully vested from the time of allocation of contributions; (iii) to clarify the ability of certain Participants to transfer amounts to the Virginia Cash Match Plan in order to diversify investments; and (iv) to add the Executive Director of the Plan Sponsor as an Eligible Employee.

NOW, THEREFORE, in consideration of the premises herein, the Board agrees as follows:

ARTICLE I
Definition of Terms

The following words and terms as used in this Plan shall have the meaning set forth below, unless a different meaning is clearly required by the context.

1.1 **"Administrator"**: The Board ("Plan Administrator"), which shall appoint the Director of the Virginia Retirement System or some other individual as chief administrative officer.

1.2 **"Accrued Benefit"**: The sum of the balances in the following accounts of Participants under the Plan as of the most recent Valuation Date (or as otherwise provided herein):

1.2(a) **"Accumulation Account"**: The account of a Participant attributable to the contributions made by the Employer, plus any earnings or losses thereon, as provided in ARTICLE IV.

1.3 **"Agent"**: The plan service agent to be appointed by and serve at the pleasure of the Plan Sponsor.

1.4 **"Alternate Payee"**: The person who is or was the spouse or child of the Participant to the extent that such person is entitled to any or all of a Participant's Accrued Benefit under a court order that the Plan Administrator has determined to be an Approved Domestic Relations Order.

1.5 **"Approved Domestic Relations Order" or "ADRO"**: A qualified domestic relations order within the meaning of Section 414(p) of the Code as applicable to governmental plans within the meaning of Section 414(d) of the Code and as determined by the Administrator pursuant to the Plan.

1.6 **"Beneficiary"**: The person or persons, whether natural or non-natural, including but not limited to a trustee or other fiduciary, designated by a Participant pursuant to ARTICLE VII to receive benefits under the Plan attributable to such Participant after the death of such Participant.

1.7 **"Board"**: The Board of Trustees of the Virginia Retirement System.

1.8 **"Code"**: The Internal Revenue Code of 1986, as the same may be amended from time to time, or the corresponding section of any subsequent Internal Revenue Code, and, to the extent not inconsistent therewith, regulations issued thereunder.

1.9 **"Compensation Limit"**:

1.9(a) $200,000 (as adjusted in $5,000 increments by the applicable Adjustment Factor on the basis of a base period of the calendar quarter beginning July 1, 2001).

1.9(b) For purposes of applying the Compensation Limit:

(i) When a Participant first becomes subject to the Compensation Limit, the Accrued Benefit of the Participant at the end of the last Plan Year (or other stated computation period) immediately preceding the Plan Year (or other stated computation period) for which the limitation first applies shall not be reduced below his Accrued Benefit calculated as of the end of such last Plan Year (or other stated computation period) by reason of the application of such limitation hereunder.

(ii) The Compensation Limit applicable to each Plan Year (or other applicable computation period) shall be the Compensation Limit in effect for each such Plan Year (or other applicable computation period), determined without increases in the Compensation Limit for subsequent periods.

(iii) If any Plan Year (or other stated computation period) is a period of less than twelve (12) months, then any dollar limitation referred to in this paragraph shall be prorated by multiplying the otherwise applicable dollar limitation for such Plan Year (or other stated computation period) by a fraction, the numerator of which is the number of months in such Plan Year (or other stated computation period) and the denominator of which is twelve (12).

1.10 **"Effective Date"**:

(i) The Effective Date of the Plan was July 1, 2002.

(ii) The Qualified Governmental Excess Arrangement was April 15, 2010.

(iii) The Effective Date of this Restatement of the Plan is May 1, 2013

(iv) The Effective Date of the termination of the Qualified Governmental Excess Arrangement for all Participants except the Chief Investment Officer is June 30, 2013.

1.11 **"Employee"**: The natural person who is employed by the Commonwealth of Virginia as a common law employee.

1.12 **"Eligible Employee"**: An Employee who is employed by the Plan Sponsor and who serves on the Investment Management Committee as the same may be constituted from time to time (currently, the Chief Investment Officer, the Chief Operations Officer and Program Directors, including Research). Effective ______, The Executive Director of the Plan Sponsor is also an Eligible Employee.

1.13 **"Employer"**: The Commonwealth of Virginia.

1.14 **"Excess Benefit Account"**: A bookkeeping account established by the Administrator to which a Participant's Excess Benefit Amount is credited. The Excess Benefit Account shall be a bookkeeping device only, and all amounts credited to a Participant's Excess Benefit Account shall be paid from the general assets of the Employer. Such amount will be distributed in accordance with ARTICLE XIII.

1.15 "**Excess Benefit Amount**": The amount that is the difference between (a) the aggregate of what the Employer's contribution on behalf of a Participant for a Plan Year would have been under paragraph 3.1 of this Plan and under the applicable provisions of any and all other tax-qualified defined contribution plans maintained by the Employer but for the applicable limits described in paragraph 4.3 of this Plan, and (b) what the Employer's contributions to such plans actually were after application of such limits.

1.16 **"Fund"**: The trust fund created under and subject to the Trust Agreement.

1.17 **"Incentive Compensation"**: An amount equal to a percentage of the Participant's annual base salary rate for the Plan Year. Such percentage shall be determined after the close of the Plan Year by the Board, or its delegate, in its discretion pursuant to the Investment Professionals' Pay Plan adopted by the Board.

1.18 **"Participant"**: An Eligible Employee (or former Eligible Employee) who is entitled to benefits under the Plan for so long as he is considered a Participant as provided in ARTICLE II.

1.19 **"Plan"**: This document as contained herein or duly amended. The plan maintained pursuant hereto shall be known as the "Defined Contribution Incentive Plan for VRS Investment Management Personnel".

1.20 **"Plan Sponsor"**: The Virginia Retirement System, an independent state agency of the Commonwealth of Virginia.

1.21 **"Plan Year"**: The twelve month period beginning on the first day of July.

1.22 "**Qualified Governmental Excess Benefit Arrangement**": The arrangement under the Plan permitted under Section 415(m) of the Code and described in ARTICLE XIII pursuant to which Excess Benefit Amounts have been credited on behalf of Participants up to the point of the effective date of this Restatement. Such Qualified Governmental Excess Benefit Arrangement is maintained solely for the purpose of accruing additional benefit on behalf of Participant that would otherwise exceed the applicable limitations described in Section 415 of the Code and paragraph 4.3. As of June 30, 2013, the Qualified Governmental Excess Benefit Arrangement will be terminated pursuant to paragraph 13.1 for all Participants except the Chief Investment Officer.

1.23 **"Trust Agreement"**: The written agreement (or declaration) made by and between the Plan Sponsor and the Trustee under which the Fund is maintained, which agreement is known as the "Trust for the Defined Contribution Incentive Plan for VRS Investment Management Personnel".

1.24 **"Trustee"**: The Trustee duly appointed and currently serving under the Trust Agreement.

1.25 **"Valuation Date"**: The last day of each calendar quarter of the Plan Year and such other date(s) as the Administrator may designate.

ARTICLE II
Eligibility and Participation

2.1 **Eligibility**. Each Eligible Employee who is not a on the Effective Date of This Restatement of the Plan, shall become a Participant on the first day he or she becomes an Eligible Employee.

2.2 **Length of Participation**. An Employee who becomes a Participant shall be or remain a Participant for so long as he is an Eligible Employee or he is entitled to future benefits under the terms of the Plan.

ARTICLE III
Contributions

3.1 **Amount and Timing of Contributions**.

3.1(a) The Employer shall make a contribution to the Accumulation Account of each Participant (other than the Executive Director of the Plan Sponsor) for the Plan Year an amount equal to a percentage of the Incentive Compensation determined for such Participant for the Plan Year, determined each year by the Board plus any additional contribution determined by the Board to be made on behalf of one or more Participants; provided however, if the Board does not specify a higher or lower percentage for any Plan Year, such contributions shall be 50% of the Incentive Compensation.

3.1(b) The Employer shall make a contribution to the Accumulation Account of the Executive Director in an amount to be determined by the Board from time to time.

3.2 **No Duty to Enforce Contribution**. The Trustee shall not be required to determine the amount of any contribution for any Plan Year or to enforce the duty of the Employer to make or pay over such contributions.

3.3 **Use of Unallocated Annual Additions**. All unallocated Annual Additions held in the special account under paragraph 4.5 shall be used to reduce the next due contribution by the Employer.

ARTICLE IV
Participant Accounts and Adjustments

4.1 **Accounts**. The Administrator shall establish and maintain on the books of the Fund for all Participants and all other persons having an interest therein separate accounts reflecting the Accrued Benefit of each Participant.

4.2 **Allocation of Contributions**. Subject to the applicable limitations contained herein, as of the date on which such contribution is made, the Incentive Compensation Contribution for a Plan Year shall be allocated to the Accumulation Account of the Participant on whose behalf such contribution is made.

4.3 **415 Limitations on Annual Additions**.

4.3(a) Notwithstanding any other provision of the Plan, the sum of all Annual Additions (as defined in subparagraph 4.3(c)) allocated to the accounts of any Participant for any Limitation Year may not exceed the lesser of:

(i) $40,000 (referred to herein as the "Dollar Limitation"), or

(ii) One hundred percent (100%) of such Participant's Total Compensation not in excess of the Compensation Limit for such Limitation Year,

which limitations are jointly referred to herein as the "415 Limitations". The compensation limit referred to in clause (ii) of this subparagraph shall not apply to any contribution for medical benefits after separation from service (within the meaning of Section 401(h) or Section 419A(f)(2) of the Code) which is otherwise treated as an annual addition.

4.3(b) In determining the Dollar Limitation:

(i) The Dollar Limitation shall be automatically adjusted by the Adjustment Factor, from time to time, to reflect any annual cost of living adjustments and any such adjustment (which with the original Dollar Limitation is sometimes referred to herein as the "adjusted Dollar Limitation") shall be effective for the Limitation Year which ends with or within the calendar year for which such increase is effective. For purposes hereof, the term "Adjustment Factor" shall mean the cost of living adjustment factor prescribed by the Secretary of the Treasury or his delegate under Section 415(d) of the Code, applied to such items and in such manner as the Secretary of the Treasury or his delegate shall prescribe. For Limitation Years beginning after December 31, 2002, the adjustment shall be in $1,000 increments on the basis of a base period of the calendar quarter beginning July 1, 2001.

(ii) If any Limitation Year is a period of less than twelve (12) months, then the Dollar Limitation for such Limitation Year shall be prorated by multiplying then the Dollar Limitation for such Limitation Year by a fraction, the numerator of which is the number of months in such Limitation Year and the denominator of which is twelve (12).

4.3(c) The term "Annual Additions" shall mean the sum of the following amounts allocated to a Participant's account under the Plan for a Limitation Year:

(i) All contributions by the Employer to this or any other defined contribution plan maintained by the Employer including any other plan qualified under Section 401(a) of the Code; and

(ii) Any other amounts defined as "annual additions" under Section 415 of the Code.

Notwithstanding anything to the contrary herein, catch-up contributions under Section 414(v) of the Code, contributions to a plan maintained pursuant to Section 457 of the Code and amounts which are excluded from being "annual additions" under Section 415 of the Code shall not be considered Annual Additions for purposes hereof.

4.3(d) For purposes hereof, the term "Limitation Year" means the Plan Year.

4.3(e) For Plan Years (or Limitation Years , as applicable) beginning before July 1, 2007, and for purposes hereof, the term "Total Compensation" means the total compensation from the Employer received by or made available to an Employee during any Plan Year or, for purposes of the limitations imposed by Section 415 of the Code, any Limitation Year:

(i) Including, but not limited to, wages, salary, earned income (in the case of self-employed individuals), vacation pay, sick pay, overtime pay, bonuses and commissions, and as reportable to the Internal Revenue Service on Form W-2 (or its successor), where applicable, for federal income tax purposes, but

(ii) Including employee elective salary reduction or similar deferral contributions excluded from W-2 compensation by reason of Section 125, 132(f)(4), 402(g)(3) or 457(b) of the Code (and elective deferrals or contributions under any other sections of the Code covered by Section 415(c)(3)(D) of the Code), and

(iii) Excluding, except as otherwise expressly included by clause (ii) above, paid or reimbursed expenses, contributions or benefits under a simplified employee pension plan, contributions (to the extent not includible in the Employee's gross income when contributed) or benefits under this or any other plan of deferred compensation (other than an unfunded, non-qualified plan), contributions or benefits under any other employee benefit plan or arrangement (to the extent excludable from or not includible in gross income), now, heretofore or hereafter adopted, amounts paid or received or deemed received in connection with stock options or rights, other amounts which receive special tax benefits, or any amount otherwise paid as compensation but finally determined not to be deductible as compensation in determining the Employer's federal taxable income.

4.3(f) For Plan Years (or Limitation Years, as applicable) beginning on or after July 1, 2007, and for purposes hereof, the term "Total Compensation" means the total compensation from the Employer received by or made available to an Employee during any Plan Year or, for purposes of the limitations imposed by Section 415 of the Code, any Limitation Year:

(i) Consisting of wages, salaries, earned income (in the case of self-employed individuals), and fees for professional services and other amounts received (without regard to whether or not an amount is paid in cash) for personal services actually rendered in the course of employment with the Employer to the extent that the amounts are includible in gross income (including, but not limited to, commissions paid salesmen, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips, bonuses, fringe benefits and reimbursements, or expense allowances under a nonaccountable plan (as described in Treas. Regs. Section 1.62-2(c)), and

(ii) Including employee elective salary reduction or similar deferral contributions excluded from taxable compensation by reason of Section 125(a), 132(f)(4), 402(e)(3), 402(h)(1)(B), 402(k) or 457(b) of the Code (and elective deferrals or contributions under any other sections of the Code covered by Section 415(c)(3)(D) of the Code), but

(iii) Excluding the following:

(A) Employer contributions (other than elective contributions described in Section 402(e)(3), 408(k)(6), 408(p)(2)(A)(i), or 457(b) of the Code) to a plan of deferred compensation (including a simplified employee pension described in Section 408(k) of the Code or a simple retirement account described in Section 408(p) of the Code, and whether or not qualified) to the extent such contributions are not includible in the employee's gross income for the taxable year in which contributed, and any distributions (whether or not includible in gross income when distributed) from a plan of deferred compensation (whether or not qualified), including amounts received during the year by an employee prior to severance from employment with the Employer pursuant to a nonqualified unfunded deferred compensation plan to the extent includible in gross income;

(B) Amounts realized from the exercise of a non-qualified stock option (that is, an option other than a statutory stock option described in Treas. Regs. Section 1.421-1(b)), or when restricted stock (or property) held by the employee either becomes freely transferable or is no longer subject to a substantial risk of forfeiture;

(C) Amounts realized from the sale, exchange or other disposition of stock acquired under a statutory stock option;

(D) Other amounts that receive special tax benefits, such as premiums for group-term life insurance (but only to the extent that the premiums are not includible in the gross income of the employee and are not salary reduction amounts that are described in Section 125 of the Code); and

(E) Other items of remuneration that are similar to any of the items listed in (A) through (D).

Any such total compensation in excess of the Compensation Limit for any Plan Year or Limitation Year shall be disregarded hereunder for all purposes. Back pay, within the meaning of Treas. Reg. Section 1.415(c)-2(g)(8), shall be treated as compensation for the Plan Year or Limitation Year to which the back pay relates to the extent the back pay represents wages and compensation that would otherwise be included in Total Compensation.

4.3(g) Notwithstanding the foregoing, the following rules shall also apply in determining Total Compensation for Plan Years (or Limitation Years, as applicable) beginning on or after July 1, 2007:

(i) Amounts earned but not paid during a Plan Year (or Limitation Year, as applicable) solely because of the timing of pay periods and pay dates shall not be included in Total Compensation for the Limitation Year (or Plan Year, as applicable) earned, but shall be included when paid.

(ii) Amounts paid by the later of 2 ½ months after severance from employment or the end of the Limitation Year that includes the date of severance from employment shall be included in Total Compensation for the Limitation Year if such payments would have been paid to the Employee while the Employee continued in employment with the Employer absent the severance from employment and such amounts are regular compensation, commissions, bonuses or other similar compensation.

(iii) Except as described in (ii) above, no amount paid after separation from employment shall be treated as Total Compensation.

(iv) Total Compensation shall not include Deemed Section 125 Compensation. "Deemed Section 125 Compensation" is an amount that is excludable under Section 106 of the Code that is not available to a Participant in cash in lieu of group health coverage under a Section 125 of the Code arrangement solely because the Participant is unable to certify that he or she has other health coverage. Amounts are Deemed Section 125 Compensation only if the Employer does not request or otherwise collect information regarding the Participant's other health coverage as part of the enrollment process for the health plan.

4.3(h) For purposes hereof, the rules of Section 415 of the Code are incorporated by reference for purposes of determining "Annual Additions" and applying the "415 Limitations".

4.4 **Additional Limitations on Annual Additions Where Employer Maintains More Than One Plan**.

4.4(a) If any Participant is or has been a participant in another Qualified Defined Contribution Plan, the limitations contained in paragraph 4.3 shall be appropriately adjusted when and as required by Section 415 of the Code which provisions are incorporated by reference and shall control over any contrary or omitted or inconsistent provisions in the Plan.

4.4(b) If any Participant is or has been a participant in more than one Qualified Defined Contribution Plan (whether or not terminated), the limitations under Section 415 of the Code apply as if all such Qualified Defined Contribution Plans were one plan. The following rules shall also apply:

(i) In the event that the 415 Limitations would otherwise be exceeded for a Limitation Year, the applicable limitation shall be applied for such Participant by limiting the allocation of Annual Additions to the accounts of such Participant in the following order: first, by reducing and refunding any after tax contribution made by an employee to a defined contribution plan that is treated as an Annual Addition, then by reducing and refunding any pre-tax contribution made by the employee to a defined contribution plan that is treated as an Annual Addition, then by reducing allocations under all plans not hereinafter described, then by reducing profit sharing plan allocations (including those under this Plan), then by reducing profit sharing plan allocations made as a matching contribution (including those made under the Virginia Cash Match Plan), then by reducing money purchase pension plan allocations, then be reducing target benefit plan allocations, then by reducing welfare benefit fund and individual medical benefit account allocations and lastly by reducing any mandatory employee contribution made to a defined benefit plan that is treated as an Annual Addition.

(ii) If such Participant is a participant in two or more plans of the same type, the applicable limitation shall be applied to contributory plans or aspects thereof first and thereafter to non-contributory plans or aspects thereof and shall be applied pro rata among such plans or aspects thereof in the same limitation category on the basis of allocations thereunder before operation of the applicable limitation.

4.4(c) Solely for purposes of paragraphs 4.3, 4.4 and 4.5, the term "Qualified Defined Contribution Plan" means any plan maintained by the Employer or portion thereof described or treated as a defined contribution plan within the meaning of Sections 414(i) and 415(k) of the Code, including, but not limited to, defined contribution plans qualified under Section 401(a) of the Code, tax sheltered annuity contracts described in Section 403(b) of the Code, simplified employee pension plans described in Section 408(k) of the Code, any employee contribution portion of and any cost-of-living protection arrangement under a defined benefit plan qualified under Section 401(a) of the Code, any individual medical account under a pension or annuity plan within the meaning of Section 415(l) of the Code, and any welfare benefit fund within the meaning of Section 419(e) of the Code.

4.4(d) In complying with the limitations of Section 415 of the Code, all other transitional rules under any law enacting or amending Section 415, of the Code shall be applicable as determined by the Plan Sponsor.

4.5 **Special Account for Unallocated Annual Additions**.

4.5(a) For Limitation Years beginning before July 1, 2007, in the event a Participant's Annual Additions for a Plan Year exceed his 415 Limitations of paragraph 4.3, the excess Annual Additions of such Participant shall be reallocated, to the extent necessary to achieve compliance with the 415 Limitations of paragraph 4.3.

4.5(b) For Limitation Years beginning on or after July 1, 2007, if the Administrator determines that the amount of a Participant's Annual Additions exceed the limitations set forth herein, the excess Annual Additions shall be corrected as permitted under the Internal Revenue Service's Employee Plans Compliance Resolution System ("EPCRS"), including any successor system or program thereto, or pursuant to any other available guidance from the Internal Revenue Service or U. S. Department of the Treasury.

4.5(c) All contributions by the Employer for such Plan Year which are excess Annual Additions shall be retained as an undesignated account on the books of the Fund for allocation among the accounts of the Participants as a part of the Employer's contribution next due for the next following Plan Year. Any such amounts so used shall be treated for allocation purposes of the Plan as a part of the contribution by the Employer.

4.5(d) The undesignated special account maintained pursuant to this paragraph shall be adjusted at each Valuation Date for its share of net increase or decrease in value of the Fund, and such account shall be held in such investment vehicles as the Administrator shall direct.

4.5(e) Notwithstanding any other provisions of the Plan, no contributions by the Employer which would constitute amounts subject to the 415 Limitations of paragraph 4.3 for a Plan Year may be made to the Plan until any balance at the beginning of such Plan Year in the undesignated account maintained pursuant to this paragraph 4.5 has been allocated among the accounts of Participants.

4.6 **Valuation of Assets and Allocation of Valuation Adjustments**. Earnings, losses and valuation change adjustments (referred to herein collectively as the "net increase or decrease in value" or as the "valuation adjustments") shall be made at least annually to accounts as hereinafter provided. For purposes hereof, a "proportionate" allocation or an allocation "on the basis of" an amount or account balance means an allocation in the ratio that each such amount or account balance bears to all such amounts or account balances.

4.6(a) Upon direction pursuant to the applicable provisions of the Plan, if any, the Trustee shall segregate the directed portion of a Participant's account or accounts within the Fund and the Administrator shall, as of and within a reasonable time after each Valuation Date and with respect to any affected segregated account as of the date of any transfer out of or benefit payment from such segregated account, value each such segregated account and adjust the same to reflect its net increases and decreases since the last valuation thereof. Expenses incurred and paid out of Plan assets in connection with the administration and investment by such a segregated account shall be charged to the segregated account incurring the same in such non-discriminatory manner as determined by the Administrator.

4.6(b) Within a reasonable time after each Valuation Date, the Trustee shall determine the value of the assets held by the Fund in unsegregated accounts as of such Valuation Date and the Administrator shall then adjust each unsegregated account on the books of the Fund proportionately to reflect the net increase or decrease in such value since the last Valuation Date. Solely for purposes of determining such net increase or decrease in value and the proportionate adjustment to each such account, the rules set forth in either (i) or (ii) below will apply with respect to "post-valuation additions" and "post-valuation reductions". "Post-valuation additions" are the amounts of the following additions or allocations made to such accounts as of a date after the last Valuation Date: contributions by the Employer; transfers from segregated accounts; and direct transfers. "Post-valuation reductions" are the amounts of distributions or other payments which have been made from the Fund and charged to such accounts and transfers to segregated accounts since the last Valuation Date.

(i) Except as otherwise provided in clause (ii) of this subparagraph, in determining such values and in making such adjustments there shall not be taken into consideration any post-valuation additions or reductions.

(ii) Notwithstanding the foregoing provisions of clause (i), if the Administrator shall so determine, the determination of such values and adjustments shall be made by considering a portion of any individual items of post-valuation additions which have not been distributed or otherwise paid out of the Fund since the last Valuation Date and a portion of any individual items of post-valuation reductions for transfers to segregated accounts on a uniform and non-discriminatory basis to reflect their contribution to the net increase or decrease in value. The portion of any such item taken into account for such purposes shall be determined by multiplying such item by a fraction, the numerator of which is the number of whole calendar months (or payroll periods or calendar weeks or days as determined by the Administrator) since the last Valuation Date during which such item was held in an unsegregated account in the Fund and the denominator of which is the number of whole calendar months (or payroll periods or calendar weeks or days) since the last Valuation Date.

4.6(c) Notwithstanding anything to the contrary in the foregoing provisions of this paragraph, contributions by the Employer and/or contributions by Participants made during the Plan Year for which contributed shall, if so directed by the Administrator, be held in a segregated account by the Trustee on a uniform, non-discriminatory basis and the net increase or decrease in value in such account during such Plan Year shall be allocated in the same proportions as such contributions for such Plan Year which are held in the Plan in such segregated account on the Valuation Date as of which the adjustment hereunder is being made are allocated pursuant to paragraph 4.2. Notwithstanding anything to the contrary in the foregoing, the allocations contemplated by this subparagraph shall be made, on the basis of the aggregate of such contributions weighted on the basis of whole calendar months (or payroll periods or calendar weeks or days as determined by the Administrator) held in the Fund during such Plan Year.

4.6(d) The valuation adjustment contemplated by this paragraph shall be made before amounts are forfeited from accounts each Plan Year.

4.6(e) The Administrator shall select the method of accounting (either the cash method or the accrual method or some permissible combination thereof) to be used for purposes hereof.

4.6(f) The value of the assets of the Fund shall be their fair market value as of the Valuation Date or, where provided, such other valuation thereof.

4.6(g) Notwithstanding anything to the contrary in the foregoing, expenses of the Plan and Fund in determining whether a domestic relations order is an Approved Domestic Relations Order may, after direction of the Administrator on a uniform and non-discriminatory basis, be charged directly to the account of the Participant to whom the order applies.

4.6(h) If the Administrator determines in making any valuation, allocation or adjustments to any Participant's account under the provisions of the Plan that the strict application of the provisions of the Plan will not produce equitable and non-discriminatory allocation among the Participants' accounts, it may modify any procedures specified in the Plan for purposes of achieving an equal and non-discriminatory allocation in accordance with the general concepts and purposes of the Plan.

4.7 **Determination of Account Balances**. The value of any account on the books of the Fund at any time shall be that amount determined by adding the amount of all contributions and forfeitures which have been allocated to such account and all adjustments and transfers by which such account has been increased, and further by subtracting all amounts forfeited from such account, all adjustments by which such account has been decreased and all distributions, other payments and transfers made from such account, all as provided in the Plan.

4.8 **Expenses**. All costs and expenses incurred by the Plan Sponsor in connection with investments shall be borne by the appropriate account and appropriately reflected in the balance thereof.

4.9 **Statement of Accrued Benefit**. Within a reasonable period of time after each reporting period, not less often than annually, the Plan Administrator or Agent shall provide each Participant (and, when applicable, each Beneficiary, or Alternate Payee) a statement of the balance as of such date in the accounts including the nature and value of any assets or investments used for the purpose of valuing the accounts.

4.10 **Equitable Adjustment in Case of Error or Omission**. Where an error or omission is discovered in the account of the Participant, the Plan Administrator or Agent shall be authorized to make such equitable adjustment as it deems appropriate.

4.11 **Special Rules for Reemployed Veterans**.

4.11(a) Notwithstanding any other provision of the Plan, the following special rules shall apply in order to provide Make-up Contributions to the Plan on behalf of Reemployed Veterans:

(i) Make-up Contributions shall be made to the Plan by the Employer on behalf of a Reemployed Veteran, and allocated to the appropriate account of the affected Participant's Accrued Benefit, in such amount and such manner and at such time or times as is required by the USERRA. In accordance with the requirements of USERRA, the Plan Administrator may establish procedures for determining the proper timing and ordering of Make-up Contributions and other contributions made under the Plan and for determining the time periods during which Make-up Contributions may be made when a Reemployed Veteran has multiple periods of Qualified Military Service.

(ii) Make-up Contributions with respect to a Reemployed Veteran shall not be subject to any otherwise applicable contribution limits under Sections 402(g), 402(h), 403(b), 408, 415, or 457 of the Code as applied with respect to the Plan Year or taxable year, as applicable to the relevant section of the Code, in which the contribution is made. A Make-up Contribution shall not be taken into account in applying the contribution limits to any other contribution made during the Plan Year or taxable year, as applicable to the relevant section of the Code. Make-up Contributions shall not exceed the aggregate amount of contributions that would have been permitted under the Plan contribution limits for the Plan Year or taxable year, as applicable to the relevant section of the Code, to which the contribution relates had the Reemployed Veteran continued to be employed by the Employer during the period of his Qualified Military Service.

(iii) Qualified Military Service of a Reemployed Veteran shall be counted as service for purposes of participation and benefit accrual under the Plan. Additionally, the time period between the end of the Reemployed Veteran's Qualified Military Service and his return to the Employer (including the time period spent recovering from an injury or illness as required under USERRA) shall be counted as Service for purposes of participation and benefit accrual under the Plan.

4.11(b) To the extent required by USERRA or Section 401(a)(37) of the Code for purposes of determining entitlement to death benefits under the Plan, in the event a Participant ceases to be an Employee in order to perform Qualified Military Service and dies on or after January 1, 2007 while performing Qualified Military Service, the Participant's death shall be considered to have occurred while he was an Employee and, if he ceased to be an Eligible Employee in order to perform Qualified Military Service, while he was an Eligible Employee so that his Beneficiaries are entitled to any additional benefits provided under the Plan (other than benefit accruals relating to the period of Qualified Military Service unless otherwise expressly provided), including without limitation any additional or enhanced vesting or death benefits, had the Participant resumed employment with the Employer and then terminated employment on account of death. If any benefit is due by reason of this subparagraph, the additional account balance that is due shall be restored out of forfeitures under the Plan or, if none, by a special contribution by the Employer.

4.11(c) To the extent required by USERRA or Section 401(a)(37) of the Code for purposes of determining the Accrued Benefit of an Employee in Qualified Military Service, in the event a Participant ceases to be an Employee in order to perform Qualified Military Service and dies on or after January 1, 2007 while performing Qualified Military Service, the Participant shall be considered to have returned to work on the day before his death in order to receive the Make-up Contribution under the Plan relating to the period of Qualified Military Service.

4.11(d) Effective for Plan Years beginning on or after January 1, 2009, for purposes of the Plan, Total Compensation includes Differential Wage Payments and a person receiving a Differential Wage Payment from an Employer shall be considered an Employee of that Employer. A "Differential Wage Payment" is any payment which is made to an individual by an Employer with respect to any period during which the individual is performing Qualified Military Service while on active duty for a period of more than thirty (30) days and which represents all or a portion of the wages the individual would have received from an Employer if the individual were performing services for the Employer.

4.11(e) For purposes of this paragraph, the following terms have the following meanings:

(i) "Make-up Contributions" means the contributions which are required to be made to the Plan for a Reemployed Veteran pursuant to the USERRA and Section 414(u) of the Code. These contributions generally are the contributions by the Employer that would have accrued to the Reemployed Veteran under the Plan, but for his absence due to his Qualified Military Service. Neither the Make-up Contribution obligation nor this paragraph requires that any earnings be credited to the account of a Reemployed Veteran with respect to any Make-up Contribution before such contribution is actually made.

(ii) "Qualified Military Service" means any service in the uniformed services (as defined under USERRA) by any individual if such individual is entitled to reemployment rights under USERRA with respect to such service and to the Employer.

(iii) "Reemployed Veteran" means a person who is or, but for his Qualified Military Service, would have been a Participant at some time during his Qualified Military Service and who is entitled to the restoration benefits and protections of USERRA with respect to his Qualified Military Service and the Plan.

(iv) "USERRA" means the Uniformed Services Employment and Reemployment Rights Act of 1994, as amended, and the final regulations and any other applicable guidance issued thereunder.

ARTICLE V
Vesting

5.1 **Full Vesting at Time of Allocation**. As of the date on which the Employer makes a contribution for a Plan Year and the contribution is allocated to the Accumulation Account of the Participant on whose behalf such contribution is made, the Participant shall be immediately and fully vested in the amount of the contribution. All unvested and forfeitable portions of a Participant's Accrued Benefit that were contributed prior to the effective date of this Restatement shall become fully vested and non-forfeitable as of the effective date of this Restatement.

ARTICLE VI
Payment of Benefits

6.1 **Time of Payment**.

6.1(a) The Accrued Benefit of a Participant shall be paid to the Participant, if then alive, or otherwise to his Beneficiary, as soon as reasonably practical following the last day of the quarter in when the Participant's severance from employment with the Employer for any reason.

6.1(b) With respect to a Plan Approved Domestic Relations Order approved by the Plan, the distribution to the Alternate Payee shall be made as soon as reasonably practical following such approval.

6.1(c) Notwithstanding the foregoing provisions of this paragraph, payment may be delayed for a reasonable period in the event the recipient cannot be located or is not competent to receive the benefit payment, there is a dispute as to the proper recipient of such benefit payment, additional time is needed to complete the Plan valuation adjustments and allocations, or additional time is necessary to properly explain the recipient's options.

6.2 **Form of Payment**.

6.2(a) Subject to the provisions of paragraph 6.4, the Accrued Benefit of a Participant shall be payable in a lump sum in cash to the Participant if then alive, or otherwise to his Beneficiary.

6.2(b) With respect to a Plan Approved Domestic Relations Order, subject to the provisions of paragraph 6.4, the distribution to the Alternate Payee shall be made in a lump sum in cash.

6.3 **Required Minimum Distribution.** To the extent the payment provisions of the Plan are inconsistent with and violative of the requirements of Section 401(a)(9) of the Code, the provisions of Section 401(a)(9) of the Code are hereby incorporated by reference and shall control, including the minimum distribution and incidental benefit requirements thereunder. In this regard the Plan will apply the minimum distribution requirements of Section 401(a)(9) of the Code in accordance with a good faith interpretation as permitted by the Pension Protection Act of 2006. Notwithstanding anything to the contrary in this paragraph or elsewhere in the Plan, the Plan shall be operated on the basis that required minimum distributions are required for calendar year 2009; and the temporary waiver of required minimum distributions for calendar year 2009 permitted under Section 401(a)(9)(H) of the Code is not adopted.

6.4 **Plan to Plan Direct Rollover as a Distribution Option**.

6.4(a) Notwithstanding any contrary provision of the Plan, but subject to any de minimis or other exceptions or limitations provided for under Section 401(a)(31) of the Code:

(i) Any prospective recipient (whether a Participant, a surviving spouse, a current or former spouse who is an alternate payee under a Plan Approved Domestic Relations Order or any other person eligible to make a rollover) of a distribution from the Plan which constitutes an "eligible rollover distribution" (to the extent otherwise includible in the recipient's gross income) may direct the Trustee to pay the distribution directly to an "eligible retirement plan";

(ii) If (A) the present value of the entire Accrued Benefit payable to a Participant exceeds $1,000, (B) the Participant has not attained the later of his Normal Retirement Age or the age of sixty-two (62) and (C) the Participant does not either consent in writing to a distribution to him (as opposed to a rollover to an "eligible retirement plan") or direct in writing the distribution be made to a specified "eligible retirement plan" or plans, then any "eligible rollover distribution" to him shall be made by the Trustee's paying the distribution directly to an "eligible retirement plan" which is an individual retirement plan in a direct rollover to the individual retirement plan on behalf of the recipient (an "automatic rollover"). This clause does not apply to payment made to a person who is not a Participant; and

(iii) Any non-Spouse designated Beneficiary within the meaning of Section 401(a)(9)(E) of the Code who is a prospective recipient of a distribution from the Plan that would be an eligible rollover distribution but for the fact that the recipient is not a Participant or a Participant's Spouse, may direct the Trustee to pay the distribution directly to an "inherited IRA."

(iv) Any non-spouse designated Beneficiary within the meaning of Section 401(a)(9)(E) of the Code who is a prospective recipient of an eligible rollover distribution from the Plan may direct the Trustee to pay the distribution directly to an "inherited IRA."

6.4(b) For purposes hereof, the following terms have the meanings assigned to them in Section 401(a)(31) of the Code and, to the extent not inconsistent therewith, shall have the following meanings:

(i) The term "eligible retirement plan" means any of the following, as applicable:

(A) An eligible plan under Section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan.

(B) A defined contribution plan which is either an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code (other than an endowment contract), an annuity plan described in Section 403(a) of the Code, or a qualified trust described in Section 401(a) of the Code, that accepts the prospective recipient's eligible rollover distribution.

(C) An eligible retirement plan shall also mean an annuity contract described in Section 403(b) of the Code.

(D) The definition of eligible retirement plan applicable to a Participant shall also apply in the case of a distribution to a Participant's surviving spouse and to a Participant's spouse or former spouse who is the alternate payee under a ADRO.

(E) Effective for distributions made after December 31, 2007, an individual retirement plan described in Section 408A of the Code (sometimes referred to as a Roth IRA) provided that for tax years beginning before January 1, 2010, the Participant does not have modified adjusted gross income in excess of $100,000 and is not married filing a separate return, both as determined under Section 408A(c)(3)(b) of the Code.

(F) For distributions made in Plan Years beginning on or after January 1, 2010, in the case of an eligible rollover distribution payable to a non-spouse designated Beneficiary within the meaning of Section 401(a)(9)(E) of the Code, an "eligible retirement plan" means only an "inherited" IRA.

(ii) The term "eligible rollover distribution" means any distribution other than:

(A) A distribution which is one of a series of substantially equal periodic payments (not less frequently than annually) made either for the life (or life expectancy) of the recipient or the joint lives (or joint life expectancies) of the recipient and his beneficiary who is an individual or for a specified period of ten (10) or more years,

(B) A distribution to the extent it is required under the minimum distribution requirement of Section 401(a)(9) of the Code,

(C) That portion of a hardship withdrawal attributable to pre-tax elective contributions or other contributions subject to the withdrawal restrictions of Section 401(k)(2)(B)(i)(IV) of the Code,

(D) Any amount that is distributed on account of hardship as provided in Section 8.01(a) (whether or not subject to the withdrawal restrictions of Section 401(k)(2)(B)(i)(IV) of the Code), or

(E) Any other amount which is not considered an eligible rollover distribution for purposes of Section 402(c)(4) of the Code with respect to the Plan.

A portion of a distribution shall not fail to be an "eligible rollover distribution" merely because the portion consists of after-tax employee contributions which are not includible in gross income. However, such portion may be transferred only to an individual retirement account or annuity described in Sections 408(a) or (b) of the Code, or to a qualified defined contribution plan described in Sections 401(a) or 403(a) of the Code that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible. For distributions made after December 31, 2006, such portion may also be paid to an annuity contract described in Section 403(b) of the Code that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.

(iii) The term "inherited IRA" means an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code (other than an endowment contract) or, for Plan Years beginning in or after 2010, an individual retirement plan described in Section 408A of the Code (sometimes referred to as a Roth IRA) established for the purpose of receiving the distribution where the individual retirement account or annuity or Roth IRA is treated as an inherited individual retirement account or annuity within the meaning of Section 408(d)(3)(C) or, as applicable, Section 409A(d)(3)(B) of the Code.

6.4(c) Any such direction shall be filed with the Administrator in such form and at such time as the Administrator may require and shall adequately specify the eligible retirement plan to which the payment shall be made.

6.4(d) The Trustee shall make payment as directed only if the proposed transferee plan will accept the payment.

6.4(e) Any such plan to plan transfer shall be considered a distribution option under this Plan and shall be subject to all the usual distribution rules of this Plan (including but not limited to the requirement an advance explanation of the option).

6.4(f) The Administrator is authorized in its discretion, applied on a uniform and non-discriminatory basis, to apply any discretionary de minimis or other discretionary exceptions or limitations provided for under Section 401(a)(31) of the Code in effecting or declining to effect plan to plan transfers hereunder.

6.4(g) Within a reasonable time (generally not more than ninety (90) nor less than thirty (30) days) before the benefit payment date of a prospective recipient of an eligible rollover distribution from the Plan, the Administrator shall provide the prospective recipient with a written explanation of the rollover and tax rules required by Section 402(f) of the Code. In addition, where the prospective distribution is described in clause (ii) of subparagraph 6.4(a), the Administrator shall provide the written notice to the prospective recipient required by Sections 401(a)(31)(B)(i) of the Code (either separately or at the time the notice under Section 402(f) of the Code is provided) that the automatic rollover to an individual retirement plan pursuant to clause (ii) of subparagraph 6.4(a) may be transferred to another individual retirement plan.

6.4(h) In the case of an automatic rollover described in clause (ii) of subparagraph 6.4(a):

(i) Unless otherwise determined by the Plan Sponsor by written agreement with another Plan fiduciary, the Administrator shall determine the individual retirement plan to receive the automatic rollover and the initial investment under the individual retirement plan in which the automatic rollover is invested;

(ii) The automatic rollover shall be made to an individual retirement plan within the meaning of Section 7701(a)(37) of the Code;

(iii) In connection with the automatic rollover, the Administrator shall enter into a written agreement with the individual retirement plan provider that provides:

(A) The rolled-over funds shall be invested in an investment product designed to preserve principal and provide a reasonable rate of return, whether or not such return is guaranteed, consistent with liquidity;

(B) For purposes of clause (iii)(A) of this subparagraph, the investment product selected for the rolled-over funds shall seek to maintain, over the term of the investment, the dollar value that is equal to the amount invested in the product by the individual retirement plan;

(C) The investment product selected for the rolled-over funds shall be offered by a state or federally regulated financial institution, which shall be either (I) a bank or savings association, the deposits of which are insured by the Federal Deposit Insurance Corporation, (II) a credit union, the member accounts of which are insured within the meaning of Section 101(7) of the Federal Credit Union Act, (III) an insurance company, the products of which are protected by State guaranty associations, or (IV) an investment company registered under the Investment Company Act of 1940;

(D) All fees and expenses attendant to an individual retirement plan, including investments of the individual retirement plan (e.g., establishment charges, maintenance fees, investment expenses, termination costs and surrender charges) shall not exceed the fees and expenses charged by the individual retirement plan provider for comparable individual retirement plans established for reasons other than the receipt of a rollover distribution subject to the provisions of Section 401(a)(31)(B) of the Code; and

(E) The recipient on whose behalf the Plan makes an automatic rollover shall have the right to enforce the terms of the contractual agreement establishing the individual retirement plan, with regard to his rolled-over funds, against the individual retirement plan provider, and.

(iv) Participants shall be furnished a description, of the Plan's automatic rollover provisions effectuating the requirements of Section 401(a)(31)(B) of the Code, including an explanation that the mandatory distribution in the form of an automatic rollover will be invested in an investment product designed to preserve principal and provide a reasonable rate of return and liquidity, a statement indicating how fees and expenses attendant to the individual retirement plan will be allocated (i.e., the extent to which expenses will be borne by the account holder alone or shared with the distributing Plan or Plan Sponsor), and the name, address and phone number of a plan contact (to the extent not otherwise provided in the description) for further information concerning the Plan's automatic rollover provisions, the individual retirement plan provider and the fees and expenses attendant to the individual retirement plan.

It is intended that the automatic rollover provisions of the Plan satisfy the safe harbor therefore Section 51.1-124.30.F of the Code of Virginia, and such provisions shall be interpreted and administered in accordance therewith.

6.5 **Notice and Election Procedures Regarding Payment**.

6.5(a) Within a reasonable time before a Participant's Accrued Benefit is to be paid to him, the Administrator shall by mail or personal delivery provide the Participant with a written explanation of the terms and conditions of the lump sum payment, including the special tax notice and rollover election forms.

6.5(b) Within a reasonable time before the Accrued Benefit of a Participant who died prior to commencement of payment of his Accrued Benefit is to be paid, the Administrator shall by mail or personal delivery provide the Participant's Beneficiary with a written explanation of the terms and conditions of the lump sum payment including the special tax notice and rollover election forms.

6.6 **Benefit Determination and Payment Procedure**.

6.6(a) The Administrator shall make all determinations concerning eligibility for benefits under the Plan, the time or terms of payment, and the forms or manner of payment to the Participant or the Participant's Beneficiary, in the event of the death of a Participant. The Administrator shall promptly notify the Trustee of each such determination that benefit payments are due or should cease to be made and provide to the Trustee all other information necessary to allow the Trustees to carry out said determination, whereupon the Trustee shall pay or cease to pay such benefits in accordance with the Administrator's determination.

6.6(b) In making the determinations described in subparagraph 6.6(a), the Administrator shall take into account the terms of any Plan Approved Domestic Relations Order received with respect to the Accrued Benefit of the Participant or any Death Benefit with respect to the Participant. The time and form of payment with respect to the Plan Approved Domestic Relations Order and the time and form of payment chosen by the Participant or his Beneficiary or required by the Plan shall not be altered by the terms of the Plan Approved Domestic Relations Order. The Administrator shall make all determinations regarding benefit payments to be made pursuant to a

Plan Approved Domestic Relations Order. Any benefit payments which may be subject to the terms of a domestic relations order received by the Administrator shall be suspended during the period the Administrator is considering whether the order is a Plan Approved Domestic Relations Order. In the event that benefits are in pay status at the time that a domestic relations order is received, the Administrator shall promptly notify the Trustee of the amount, if any, of the benefit payments that must be suspended for the period required by the Administrator to determine the status of the order. Upon the completion of the Administrator's review or other determination of the status of the order, the Administrator shall promptly notify the Trustee of the time benefit payments are to commence and of the identity of, and the amount and form of benefits to be paid to, the person or persons to whom payment is to be made.

6.7 **Payments to Minors and Incompetents**. If a Participant or Beneficiary entitled to receive any benefits hereunder is a minor or is adjudged to be legally incapable of giving valid receipt and discharge for such benefits, or is deemed so by the Administrator, benefits will be paid to such person as the Administrator may designate for the benefit of such Participant or Beneficiary. Such payments shall be considered a payment to such Participant or Beneficiary and shall, to the extent made, be deemed a complete discharge of any liability for such payments under the Plan.

6.8 **Distribution of Benefit When Distributee Cannot Be Located**. The Administrator shall make all reasonable attempts to determine the identity and/or whereabouts of a Participant or Participant's spouse or a Participant's Beneficiary entitled to benefits under the Plan, including the mailing by certified mail of a notice to the last known address shown on the Employer's, the Administrator's or the Trustee's records. If the Administrator is unable to locate such a person entitled to benefits hereunder, or if there has been no claim made for such benefits, the Trustee shall continue to hold the benefit due such person, subject to any applicable statute of escheats.

ARTICLE VII
Beneficiary Designation

7.1 **Beneficiary Designation**. The Participant shall be entitled to designate a Beneficiary hereunder by filing a designation in writing with the Plan Administrator on the form provided for such purpose. Any Beneficiary designation made hereunder shall be effective only if signed and dated by the Participant and delivered to the Plan Administrator prior to the time of the Participant's death. Any Beneficiary designation hereunder shall remain effective until changed or revoked hereunder.

7.1(a) Any Beneficiary designation may include multiple, contingent or successive Beneficiaries, a trust, and may specify the proportionate distribution to each Beneficiary. The Participant shall designate each Beneficiary by name. If multiple beneficiaries are designated, absent any other provision by the Participant, those named or the survivors of them shall share equally in any amounts payable thereunder. Notwithstanding the rule that a Participant shall designate each Beneficiary by name, if the Plan Administrator, in its sole discretion, finds that a Beneficiary Designation sufficiently describes a trust, that Beneficiary Designation will be construed as naming the duly appointed and currently acting trustee of that trust.

7.1(b) A Beneficiary designation may be changed by the Participant at any time, or from time to time, by filing a new designation in writing with the Plan Administrator.

7.1(c) If the Participant dies without having designated a Beneficiary, or if the Beneficiary so designated has predeceased him, the Participant's Beneficiary shall be deemed to be:

(i) The Participant's surviving spouse, or

(ii) if none, his children and descendents of his deceased children, per stirpes, or

(iii) if none, his parents, equally if both living, or

(iv) if none, the duly appointed executor or administrator of his estate, or

(v) if none the next of kin entitled to inherit under the laws of the his domicile at the time of his death.

If a Beneficiary of the Participant shall survive the Participant but shall die before the Accrued Benefit hereunder has been distributed, then, absent any other provision by the Participant, the unpaid balance thereof shall be distributed to the estate of the deceased Beneficiary.

ARTICLE VIII
Plan to Plan Transfers and Loans

8.1 **Plan to Plan Transfer to Cash Match Plan**. Upon attaining the age of 55 while a Participant, a Participant who has any established account under the Virginia 457 Deferred Compensation Plan may transfer a portion (but not all) of his Accumulation Account (based on the value as of the last day of the most recent quarter for which the valuation is completed) in the Plan to the Virginia Cash Match Plan in a plan to plan transfer. The transferred balances shall be held in the Cash Match Plan in an account having the same distribution restrictions as those applicable to the Accumulation Account (i.e., not before severance from employment), except that Hardship Withdrawals will not be available under the Cash Match Plan.

8.2 **Other Withdrawals and Loans Not Available**. Except as permitted in paragraph 8.1, there shall be no withdrawals or loans permitted from the Plan.

ARTICLE IX
Trust Fund

9.1 **The Trust Fund**. All assets of the Plan shall be held and invested in the Fund in accordance with this Plan and the Trust Agreement.

ARTICLE X
Plan Administrator

10.1 **Plan Administrator**. The Plan Administrator has full and complete authority and discretion to control and manage the operation of and shall decide all matters under the Plan. The Plan Administrator has any and all powers as may be necessary or advisable to discharge its duties under the Plan including the power and authority to interpret the terms of the Plan. The Plan Administrator does not have any duties concerning a Participant's selection of plan investments.

10.2 **Responsibilities of Plan Administrator**. The Plan Administrator is responsible for performing all duties required for the operation of the Plan, and is responsible for supervising the performance of any other persons who may assist in the performance of the Plan Administrator's responsibilities.

10.3 **Information from Employer**. To enable the Plan Administrator to perform its responsibilities, the Employer(s) shall promptly provide to the Plan Administrator complete and accurate information on any matter that is required by the Plan Administrator in order to make any decision or determination under the Plan. The Plan Administrator shall rely upon this information as supplied by the Employer, and shall have no duty or responsibility to verify this information.

10.4 **Plan Administrator May Delegate or Contract**. Except as prohibited by the Enabling Statute or other State or local law, the Plan Administrator may, except when expressly prohibited by this Plan, delegate any of its duties to any Employer, or to any officers, employees, or agents of any kind. Except as prohibited by State or local law, the Plan Administrator may, except when expressly prohibited by this Plan, contract any of its duties to the Agent or otherwise.

10.5 **Plan Services**. The Plan Administrator may contract with any person to provide services to assist in the administration of the Plan. The Plan Administrator must make such contracts in compliance with applicable State and local law. Any person other than the Plan Administrator who performs services regarding the Plan (including but not limited to the Agent) is subject to the supervision and direction of the Plan Administrator, and does not have authority to control the operation of the Plan.

ARTICLE XI
Amendment and Termination of Plan

11.1 **Termination of the Plan**. The Plan may be terminated at any time by the Board, provided that no such termination shall reduce, suspend or terminate the Accrued Benefit otherwise payable to a Participant or Beneficiary hereunder as of the date of such termination.

11.2 **Amendment of the Plan**. The Board of the Plan Sponsor may amend the Plan at any time, provided that no such amendment shall reduce, suspend or terminate the Accrued Benefit otherwise payable to a Participant or Beneficiary hereunder as of the date of such amendment. To the extent required by the exclusive benefit, any amendment of the Plan shall not be effective to the extent that the amendment has the effect of causing any Plan assets to be diverted to or inure to the benefit of the Employer, or to be used for any purpose other than providing Accrued Benefits to Participants and Beneficiaries and defraying reasonable expenses of administering the Plan.

ARTICLE XII
Miscellaneous

12.1 **Non-assignability**.

12.1(a) The interests of each Participant hereunder the Plan are not subject to the claims of the Participant's creditors; and neither the Participant nor his Beneficiary, shall have any right to sell assign, transfer or otherwise convey the right to receive any payments hereunder or any interest under the Plan, which payments and interest are expressly declared to be non-assignable and non-transferable.

12.1(b) Notwithstanding the foregoing, the exceptions to the non-assignability provisions of 51.1-124.4.A of the Virginia Code shall apply to the Accrued Benefit under the Plan.

12.1(c) Neither the Employer, the Trustee, the Plan Administrator, the Agent nor any person serving under contract or otherwise with respect to the Plan shall be obligated to incur any cost to defend against or set aside any judgment, decree, or order relating to the division, attachment, garnishment, or execution of or levy upon the Participant's Accrued Benefit or any distribution, including (but not limited to) any order in any bankruptcy proceeding of any kind. Notwithstanding the foregoing, if any such person is joined in any proceeding, the party may take such action as it considers necessary or appropriate to protect any and all of its legal rights, and the Participant (or Beneficiary or Alternate Payee) shall reimburse all actual fees of lawyers and legal assistants and expenses reasonably incurred by such party.

12.2 **Binding Effect**. The Plan shall be binding upon and inure to the benefit of the Plan Sponsor, its successors and assigns, and the Participant and his heirs, executors, administrators and legal representatives.

12.3 **Construction**. The Plan is intended to be a profit sharing, defined contribution plan within the meaning of Section 401(a) of the Code and maintained by a state, political subdivision of a state or any agency or instrumentality of a state or political subdivision of a state and the provisions of the Plan shall be interpreted and administered as such.

12.4 **Gender and Number**. In construction of the Plan, the masculine shall include the feminine or neuter and the singular shall include the plural and vice-versa in all cases where such meanings would be appropriate.

12.5 **Governing Law**. The Plan shall be construed, enforced and administered in accordance with the laws of the Commonwealth of Virginia, including any law preventing an individual or person claiming through him from acquiring property or receiving benefits as a result of the death of a decedent where such individual caused the death.

12.6 **No Rights Created by Allocation**. Any allocation of contributions or investment earnings to any Account shall not cause the Participant to have any right, title, interest, in any of the Plan, except as expressly provided by the Plan.

12.7 **Service of Legal Process**. Requests for information, claims or demands, legal process, and court orders are properly delivered when delivered to the Plan Administrator's principal place of business.

12.8 **Severability**. If any provision of the Plan should for any reason be declared invalid or unenforceable by a court of competent jurisdiction, the remaining provisions shall nevertheless remain in full force and effect.

12.9 **Signatures and Broad Acceptance of Writings**.

12.9(a) Except as provided in subparagraph 12.9(b), all notices required to be given in writing and all elections, consents, applications and the like required to be made in writing, under any provision of the Plan, shall be invalid unless made on such forms as may be provided or approved by the Administrator and, in the case of a notice, election, consent or application by a Participant or Beneficiary, unless executed by the Participant or Beneficiary giving such notice or making such election, consent or application.

12.9(b) Subject to limitations under applicable provisions of the Code, the Administrator is authorized in its discretion to accept other means for receipt of effective notices, elections, consents, applications and/or other forms or communications by Participants and/or Beneficiaries, including but not limited to electronic transmissions through e-mail, voice mail, recorded messages on electronic telephone systems, and other permissible methods, on such basis and for such purposes as it determines from time to time.

12.10 **Statute of Limitations**. As to any action at law or in equity under or with respect to this Plan (other than as described by the other sentence of this paragraph), the action shall be governed by (or precluded by) the relevant statute of limitations or statute of repose for actions upon a written contract according to the internal laws (without regard to the law of conflicts) of the Commonwealth of Virginia. For any dispute that was resolved by arbitration, to the extent that the statute of limitations or statute of repose relating to any arbitration proceeding or arbitration award or any other matter relating to arbitration shall be governed by the internal laws (without regard to the law of conflicts) of the Commonwealth of Virginia.

12.11 **Conclusiveness of Employer Records**. The records of the Employer with respect to age, service, employment history, compensation, absences, illnesses and all other relevant matters shall be conclusive for purposes of the administration of the Plan.

12.12 **Right to Require Information and Reliance Thereon**. The Plan Sponsor, the Administrator and the Trustee shall have the right to require any Participant, Beneficiary or other person receiving benefit payments to provide it with such information, in writing, and in such form as it may deem necessary to the administration of the Plan and may rely thereon in carrying out its duties hereunder. Any payment to or on behalf of a Participant or Beneficiary in accordance with the provisions of the Plan in good faith reliance upon any such written information provided by a Participant or any other person to whom such payment is made shall be in full satisfaction of all claims by such Participant and his Beneficiary; and any payment to or on behalf of a Beneficiary in accordance with the provisions of the Plan in good faith reliance upon any such written information provided by such Beneficiary or any other person to whom such payment is made shall be in full satisfaction of all claims by such Beneficiary.

12.13 **Titles and Captions**. Titles and captions and headings herein have been inserted for convenience of reference only and are to be ignored in any construction of the provisions hereof.

ARTICLE XIII
Qualified Government Excess Benefit Arrangement

13.1 **Qualified Government Excess Benefit Arrangement**.

13.1(a) As of the effective date of this Restatement, no further contributions will be made to the Qualified Government Excess Benefit Arrangement under the Plan except those made on behalf on behalf of the Chief Investment Officer. Contributions made on behalf of the Chief Investment Officer shall be determined by the Board after contributions permitted by Section 415(c) of the Code have been maximized.

13.1(b) The Qualified Government Excess Benefit Arrangement will terminate effective June 30, 2013 with respect to all Participants except the Chief Investment Officer. The Qualified Government Excess Benefit Arrangement shall remain subject to the rules in this ARTICLE XIII until the date of the termination described herein.

13.2 **Full Vesting at Time of Restatement**. Consistent with ARTICLE V above, any portion of Participants' Excess Benefit Amount that has been previously credited to such Participant's Excess Benefit Account that remains unvested and forfeitable shall become fully vested and nonforfeitable.

13.3 **Distribution Upon Termination of Arrangement**. When the Qualified Governmental Excess Benefit Arrangement terminates as described in paragraph 13.1 above, each Participant (other than the Chief Investment Officers) shall receive, subject to any applicable tax withholdings, a distribution of the entire balance of his Excess Benefit Account as soon as administratively feasible within two months of the termination of this Arrangement, and in no event later than August 31, 2013. The amount to be distributed to the Participant shall be determined based on the value of the Participant's Excess Benefit Account as determined on the last day of the quarter ending on June 30, 2013.

13.4 **Form of Distribution**. A Participant shall receive a distribution of his or her Excess Benefit Account in a lump sum.

13.5 **Distributions on Account of Separation of Service**. Prior to the termination of this Arrangement with respect to any Participant, a Participant's Excess Benefit Account shall be distributed within 180 days after the Participant's separation from service. The amount to be distributed to the Participant under this paragraph 13.4 shall be determined based on the value of the Participant's Excess Benefit Account as determined on the last day of the quarter in which the Participant separates from service with the Employer.

13.6 **Distributions Upon Participant's Death**. Prior to the termination of this Arrangement with respect to any Participant, in the event that the Participant dies before receiving a distribution of the amount credited to his or her Excess Benefit Account, such amount shall be distributed in the form of a lump sum within 180 days of the Participant's death to the person who is the Participant's beneficiary designated under paragraph 7.1. The amount to be distributed to the Participant's designated shall be determined based on the value of the Participant's Excess Benefit Account as determined on the last day of the quarter in which the Participant died.

13.7 **Payments to Minors and Incompetents**. If a Participant or Beneficiary entitled to receive any benefits hereunder is a minor or is adjudged to be legally incapable of giving valid receipt and discharge for such benefits, or is deemed so by the Administrator, benefits will be paid to such person as the Administrator may designate for the benefit of such Participant or Beneficiary. Such payments shall be considered a payment to such Participant or Beneficiary and shall, to the extent made, be deemed a complete discharge of any liability for such payments under the Plan.

13.8 **No Trust Established**. All amounts credited to Participants' Excess Benefit Accounts shall be payable from the Employer's general assets. Participants' Excess Benefit Amounts shall not be contributed to the Trust and no trust or other type of funding vehicle shall be established to hold the amounts credited to Participants' Excess Benefit Accounts.

IN WITNESS WHEREOF, the undersigned has executed this Plan this 20th day of June, 2013.

THE COMMONWEALTH OF VIRGINIA
Virginia Retirement System

By: Diana F. Carter
Its Chairman

Virginia Retirement System (VRS)

FY 2020 Year-end Budget to Actual Expenses

	Current Budget[1] *A*	Expenses through 06/30/20 *B*	Variance Favorable/ (Unfavorable) *C = A - B*	% Remaining *C / A*
Administration				
Personnel				
Salaries, Wages & Benefits	32,132,000	30,927,000	1,205,000	*3.8%*
Incentive Compensation	1,064,000	1,039,000	25,000	*2.3%*
Training & Travel[2]	638,000	391,000	247,000	*38.7%*
Facility	2,041,000	1,696,000	345,000	*16.9%*
Contractual Services				
Fiscal & Management Services	1,954,000	1,304,000	650,000	*33.3%*
Medical Review Services	932,000	804,000	128,000	*13.7%*
Other Contractual Services	2,885,000	1,658,000	1,227,000	*42.5%*
Information Technology				
Modernization	799,000	512,000	287,000	*35.9%*
Software Solution Delivery & Support	10,825,000	9,602,000	1,223,000	*11.3%*
Supporting Infrastructure	4,249,000	3,795,000	454,000	*10.7%*
Technology Security	1,076,000	837,000	239,000	*22.2%*
Other Operating	710,000	444,000	266,000	*37.5%*
Retirement Commission	300,000	-	300,000	*100.0%*
Administration Total	**59,605,000**	**53,009,000**	**6,596,000**	***11.1%***
Investments				
Personnel				
Salaries, Wages & Benefits	16,312,000	15,592,000	720,000	*4.4%*
Incentive Compensation	4,345,000	4,311,000	34,000	*0.8%*
Training & Travel[2]	787,000	339,000	448,000	*56.9%*
Facility	664,000	630,000	34,000	*5.1%*
Contractual Services				
Fiscal & Management Services	1,369,000	1,157,000	212,000	*15.5%*
Other Contractual Services	495,000	260,000	235,000	*47.5%*
Data Feeds & Data Management	10,908,000	9,597,000	1,311,000	*12.0%*
Other Operating	236,000	121,000	115,000	*48.7%*
Investments Total	**35,116,000**	**32,007,000**	**3,109,000**	***8.9%***
VRS Total	**94,721,000**	**85,016,000**	**9,705,000**	***10.2%***
Remaining Budget to be Returned to Trust			**9,705,000**	***10.2%***

[1] *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.*

[2] *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.*

Virginia Retirement System (VRS)
FY 2021 Budget to Actual Projections

	Current Budget *A*	Expenses through 08/21/20 *B*	Projected Remaining Expenses *C*	Projected Total Expenses[1] *D = B + C*	Projected Variance Favorable/ (Unfavorable) *E = A - D*	% Remaining *E / A*
Administration						
Personnel						
Salaries, Wages & Benefits	23,171,000	3,480,000	17,845,000	21,325,000	1,846,000	*8.0%*
Incentive Compensation	1,163,000	-	1,163,000	1,163,000	-	*0.0%*
Contractual Services						
Communication Services	950,000	103,000	810,000	913,000	37,000	*3.9%*
Employee Development Services[2]	295,000	3,000	231,000	234,000	61,000	*20.7%*
Management & Informational Services[3, 4]	2,545,000	91,000	2,131,000	2,222,000	323,000	*12.7%*
Medical Review Services	1,000,000	51,000	907,000	958,000	42,000	*4.2%*
Support Services[5]	582,000	65,000	442,000	507,000	75,000	*12.9%*
Technical Services[6, 7]	291,000	125,000	166,000	291,000	-	*0.0%*
Equipment & Supplies	97,000	12,000	78,000	90,000	7,000	*7.2%*
Facility	1,906,000	181,000	1,725,000	1,906,000	-	*0.0%*
Insurance, Claims & Bonds	86,000	2,000	84,000	86,000	-	*0.0%*
Service Charges	164,000	-	164,000	164,000	-	*0.0%*
Administration Total	**32,250,000**	**4,113,000**	**25,746,000**	**29,859,000**	**2,391,000**	***7.4%***
Information Technology						
Personnel						
Salaries, Wages & Benefits	12,963,000	1,699,000	9,322,000	11,021,000	1,942,000	*15.0%*
Contractual Services						
Communication Services	813,000	40,000	773,000	813,000	-	*0.0%*
Employee Development Services[2, 8]	53,000	(2,000)	55,000	53,000	-	*0.0%*
Management & Informational Services[3]	9,000	2,000	7,000	9,000	-	*0.0%*
Support Services[5]	5,000	-	5,000	5,000	-	*0.0%*
Technical Services[9]	11,874,000	1,752,000	10,122,000	11,874,000	-	*0.0%*
Equipment & Supplies	7,521,000	9,000	7,512,000	7,521,000	-	*0.0%*
Facility	414,000	37,000	375,000	412,000	2,000	*0.5%*
Insurance, Claims & Bonds	95,000	-	95,000	95,000	-	*0.0%*
Information Technology Total	**33,747,000**	**3,537,000**	**28,266,000**	**31,803,000**	**1,944,000**	***5.8%***

Virginia Retirement System (VRS)
FY 2021 Budget to Actual Projections

	Current Budget *A*	Expenses through 08/21/20 *B*	Projected Remaining Expenses *C*	Projected Total Expenses[1] *D = B + C*	Projected Variance Favorable/ (Unfavorable) *E = A - D*	% Remaining *E / A*
Investment Management						
Personnel						
Salaries, Wages & Benefits	18,903,000	2,805,000	14,680,000	17,485,000	1,418,000	*7.5%*
Incentive Compensation	7,425,000	-	7,425,000	7,425,000	-	*0.0%*
Contractual Services						
Communication Services	59,000	5,000	52,000	57,000	2,000	*3.4%*
Employee Development Services[2]	801,000	32,000	565,000	597,000	204,000	*25.5%*
Management & Informational Services[3]	2,104,000	338,000	1,531,000	1,869,000	235,000	*11.2%*
Technical Services[6]	9,492,000	1,005,000	8,176,000	9,181,000	311,000	*3.3%*
Equipment & Supplies	224,000	46,000	154,000	200,000	24,000	*10.7%*
Facility	660,000	64,000	587,000	651,000	9,000	*1.4%*
Insurance, Claims & Bonds	27,000	-	27,000	27,000	-	*0.0%*
Investment Management Total[9]	**39,695,000**	**4,295,000**	**33,197,000**	**37,492,000**	**2,203,000**	***5.5%***
VRS Subtotal	**105,692,000**	**11,945,000**	**87,209,000**	**99,154,000**	**6,538,000**	***6.2%***
Appropriation Pending - Central Accounts[10]	146,000	-	-	-	146,000	
VRS Total	**105,838,000**	**11,945,000**	**87,209,000**	**99,154,000**	**6,684,000**	***6.3%***

[1] Projected total expenses are best estimates as of the creation of this report and are subject to change.

[2] Employee Development Services includes organization memberships, subscriptions, employee trainings and related travel, and tuition reimbursement. Although in-person training and related travel spending were naturally reduced beginning in March 2020 due to the COVID-19 pandemic, online training has been encouraged.

[3] Management and Informational Services includes fiscal services, management services, legal services, media services, food services and business travel.

[4] Includes $300K budgeted for the Retirement Commission, which currently has no planned expenditures.

[5] Support Services includes clerical and manual labor services.

[6] Technical Services includes hardware/software maintenance, IT contractors and data feeds.

[7] Represents the Modernization project, which received a budget transfer of $291K to complete implementation of myVRS functionality. The project was extended into FY 2021 due to the reallocation of resources in FY 2020 to implement the provisions of legislation enacted by the 2020 General Assembly.

[8] ($2,000) under 'Expenses through 08/21/20' is due to the timing of refunds related to training registrations that were paid for in FY 2020.

[9] Reflects $500K reallocated from Investment Management to Information Technology to support effective business solutions (technology support for Investments).

[10] $146K is the estimated net impact of actions authorized by Chapter 1289 of the 2020 Acts of Assembly; appropriation is pending transfer to VRS by the Department of Planning and Budget (DPB). Per standard practice, the transfer is expected to occur in the second half of the fiscal year. VRS will coordinate with DPB to determine the final amount of the transfer.

Competitive Pay Analysis – Chief Investment Officer

September 2020

McLAGAN

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Empower Results®

Overview

- Virginia Retirement System (VRS) asked McLagan to complete a pay analysis which compares VRS' Chief Investment Officer to the equivalent position at peer firms. The analysis includes salary and target total cash compensation levels (salary + target incentives).
- The market data was assembled using McLagan's Investment Management survey suite. Similar to previous years, VRS' pay is compared to the peers approved by VRS' board in 2015:
  - Base salary is targeted at the 75th percentile of other leading US public funds.
  - Target total cash compensation is compared to the 50th percentile of a 75/25 blended peer group (75% leading US public funds and 25% broad private sector firms).
- Overall, McLagan found that the CIO's total cash compensation level is largely competitive versus peers. Specifically, the CIO's:
  - Base salary fell well below the targeted 75th percentile of other leading public funds – consistent to previous years' findings.
  - Target total cash compensation approached the targeted 50th percentile of the 75/25 blended peer group.
- A more in depth analysis of our findings can be found on the following pages.

Chief Investment Officer

- Reviewing the CIO's current pay levels, McLagan found that:
  - Base salary fell 23% below the targeted 75th percentile of leading public funds. Important to note, VRS' CIO's salary positioning slightly improved since the last analysis was completed in 2018 (-26% below the 75th percentile in 2018).
  - Target total cash compensation fell 6% below the 50th percentile of the blended peer group. Private sector firms tend to have larger increases in cash incentives year-over-year than those found within public funds. Therefore, VRS' target total cash compensation falling slightly below the 50th of the blended peer group is still considered competitive.

	Target VRS	Chief Investment Officer - Market Data				VRS Variance vs:	
		Peer Group	25th	50th	75th	Q'ile	% diff
Base Salary	$422	Leading Public Funds	$400	$475	$551	75th	-23%
Total Cash Compensation	$717	75% Pub. Funds / 25% Priv. Sect.	$580	$762	$1,169	50th	-6%

Note: 2019 actual total cash compensation for VRS' CIO was $674K (12% below the 50th percentile of the blended peer group).

Chief Investment Officer: 2018 Pay Analysis, *for reference only*

- The data below, for reference, was taken from VRS' 2018 pay level analysis. In 2018, VRS' CIO's:
  - Base salary fell 26% below the 75th percentile of leading public funds
  - Target total cash compensation approximated the 50th percentile of the blended peer group.

2018 VRS Pay Level Analysis								
	Target VRS	**Chief Investment Officer - Market Data**				**VRS Variance vs:**	
		Peer Group	**25th**	**50th**	**75th**	**Q'ile**	**% diff**
Base Salary	$402	Leading Public Funds	$373	$473	$544	75th	-26%
Total Cash Compensation	$683	75% Pub. Funds / 25% Priv. Sect.	$492	$683	$1,041	50th	0%

Leading Public Funds

Leading Public Funds Peer Group	AUM ($B)
California Public Employees' Retirement System	$394.7
California State Teachers' Retirement System	254.1
New York State & Local Retirement System	197.2
Florida State Board of Administration	169.7
Teacher Retirement System of Texas	145.4
State of Wisconsin Investment Board	128.0
New York State Teachers' Retirement System	125.6
Washington State Investment Board	107.5
Ohio Public Employees' Retirement System	87.8
State Teachers Retirement System of Ohio	80.9
Michigan State Retirement Systems	69.5
Colorado Public Employees' Retirement Association	57.1
High Quartile	$176.6
Median	**126.8**
Low Quartile	86.1
Virginia Retirement System	**$85.5**

All Private Sector Firms

All Private Sector Firms			
	AUM ($000s)		
	Low Q	Median	High Q
Advisory Firms	$11.6	$41.7	$162.4
Insurance Companies	34.7	70.1	129.7
Banks	27.7	42.2	222.1
Endowments, Foundations, & Corp. Plan Sponsors	2.0	5.8	19.1
Total	**$7.4**	**$29.1**	**$89.2**

Michael Oak

Michael Oak, an associate partner in McLagan's asset management practice, oversees our institutional investor clients including public funds, corporate plan sponsors, endowments, and foundations. For these clients, Michael specializes in board advisory / executive compensation; incentive plan design / pay for performance; compensation philosophy & peer group development; compensation benchmarking & salary banding.

Michael also works with a broad range of investment management firms on compensation related issues including managing our Performance Intelligence Study, a general ledger benchmarking for asset management firms. He is a frequent speaker on pay related topics at numerous industry conferences.

Prior to joining McLagan in 2010, Michael worked as a mathematical statistician for the U.S. Department of Agriculture and in the executive compensation practice at Pearl Meyer & Partners. He holds a B.S. in biometry & statistics and a Master's degree in applied statistics from Cornell University.