



June 7, 2021

**MEMORANDUM**

**TO:** VRS Board of Trustees

**FROM:** Patricia S. Bishop  
Director

**RE:** Agenda Materials for June 10<sup>th</sup> Board Meeting

Enclosed are the agenda materials for the June 10<sup>th</sup> Board meeting that begins at 1:00 p.m.

Pursuant to Item 4-0.01 of Chapter 552 of the 2021 Special Session I Acts of Assembly, the Virginia Retirement System Board of Trustees will convene electronically on June 10<sup>th</sup> at 1:00 p.m. Registration is required to observe this meeting electronically by telephone or webinar. Meeting materials will be available in Directors Desk and the GoToWebinar meeting space at the time of the meeting.

Board members have been registered by staff. Please save your invitation email that you received upon registration or save the contents to your calendar so that you have easy access to the meeting link. In the email you can click on “add to calendar.” The email is sent from “VRS Board Meeting.” You will receive a reminder prior to the meeting. If you need the invitation resent, please contact Jillian Sherman at [jsherman@varetire.org](mailto:jsherman@varetire.org) at least one hour prior to the meeting.

Members of the public and staff who have not been pre-registered should please follow the directions in the link below to register for the electronic meeting <https://attendee.gotowebinar.com/register/518641149599176715>. Instructions for signing up to provide public comment, as required under Item 4-0.01 of Chapter 1289, are included in the meeting registration.

Listed below is a recap of the remaining meetings scheduled for this month:

<b>Meeting</b>	<b>Date</b>	<b>Location</b>
Benefits and Actuarial Committee	Wednesday, June 9 <sup>th</sup> , 1:00 p.m.	To be held via GoToWebinar Webinar ID: 217-969-323
Board of Trustees	Thursday, June 10 <sup>th</sup> , 1:00 p.m.	To be held via GoToWebinar Webinar ID: 514-808-419
Defined Contribution Plans Advisory Committee	Thursday, June 24 <sup>th</sup> , 1:00 p.m.	To be held via GoToWebinar

Thanks, and I look forward to speaking with you soon.

Attachments

cc: The Honorable Aubrey Layne, Secretary of Finance  
Joe Flores, Office of the Secretary of Finance  
June Jennings, Office of the Secretary of Finance  
Craig Burns, Department of Taxation  
Michael Jay, House Appropriations Committee  
Adam Rosatelli, Senate Finance Committee  
Zack Borgerding, Auditor of Public of Accounts  
Jon Howe, Department of Planning and Budget  
Dean Lynch, VA Association of Counties  
Katie Boyle, VA Association of Counties  
Jeremy Bennett, VA Association of Counties  
Shane Riddle, VA Education Association  
Bea Snidow, VA Education Association  
Rick Fowler, VGEA  
Marshall Terry, VGEA  
Jamie Bitz, Joint Legislative Audit & Review Commission  
Kimberly Sarte, Joint Legislative Audit & Review Commission  
Hal Greer, Joint Legislative Audit & Review Commission  
Elizabeth Bushnell Myers, Office of the Attorney General  
Jessica Ackerman, VA Municipal League  
Lawrence Kochard, VRS Investment Advisory Committee  
Bonnie Atwood, VA Retired Teachers Association



## **Board of Trustees Meeting**

**gotowebinar**

**Thursday, 6/10/2021**

**1:00 - 4:00 PM ET**

### **I. Public Comment**

### **II. Approve Minutes**

- **April 20, 2021**

*Board Minutes 4.20.21 - Page 5*

### **III. Committee Assignments**

*VRS Board of Trustees and Committee Assignments - Page 17*

### **IV. Report of the Chief Investment Officer**

*Asset Allocation Report 3.31.21 - Page 19*

*Asset Allocation Report 4.30.21 - Page 20*

*Daily Asset Allocation Report 6.4.21 - Page 21*

*Performance Summary 4.30.21 - Page 22*

*Performance Summary 3.31.21 - Page 23*

*Plan Tracking Error - Page 24*

*New Investments and Terminations - Page 25*

- **RBA – Approve Defined Benefit Plan Asset Allocation and Allowable Ranges**

*Asset Liability Slide - Page 26*

*RBA - Approve DB Plan Asset Allocation - Page 27*

### **V. Report of the Audit and Compliance Committee**

*Report of the A&CC - Page 29*

### **VI. Report of the Administration and Personnel Committee**

*Report of the A&PC - Page 31*

- **RBA – Review and Approve FY 2022 Agency Performance Outcomes and Operational Measures**

*RBA - Approve FY2022 APOs\_Operating Measures - Page 33*

*FY22 Proposed Operational Measures - Page 35*

*FY22 Proposed APOs - Page 53*

### **VII. Report of the Benefits and Actuarial Committee**

*Report of the B&AC - Page 58*

- **RBA - Approve Updated Rates for Purchase of Prior Service for Plan 1, Plan 2 and Hybrid Members, Effective July 1, 2021**

*RBA - Approve Normal Cost Rates - Page 60*

### **VIII. Operational Update Series: Enhancing the Customer Experience with Online Retirement**

*OLR Presentation - Page 62*

### **IX. Commending Resolution of Service for Wallace G. Harris**

*Resolution for Wallace G. Harris - Page 88*

### **X. Strategic Plan Update**

*Strategic Plan Update - Page 89*

### **XI. Report of the Director**

*New Coverage Elections - Page 91*

*FY 2021 Agency Roadmap Update - May - Page 92*

- **DPB Deficit Provision Acknowledgement Form**  
*Deficit Provision Acknowledgment Form - Page 94*  
*Section 4.3-01 - Chapter 1289 - 2021 Acts of Assembly - Page 95*
- **Signature and Custodial Authorization Resolutions**  
*Signature Authorization Resolution 6.10.21 - Page 97*  
*Custodial Authorization Resolution 6.10.21 - Page 99*
- **Budget Update**  
*FY21 Budget Report\_Board - Page 102*  
*FY21 Budget Variances\_Board - Page 104*
- **Update on Return to the Office Planning**  
*Return to Office Presentation - Page 107*

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## Minutes

An electronic meeting of the Virginia Retirement System Board of Trustees was held on April 20, 2021 in accordance with § 2.2-3708.2(A)(3) of the *Code of Virginia* and in accordance with guidance provided in Item 4-0.01 of Chapter 552 of the 2021 Special Session I Acts of Assembly, with the following members participating:

Board members:

O'Kelly E. McWilliams, III, Chair  
Joseph W. Montgomery, Vice Chair  
Hon. J. Brandon Bell, II  
Michael P. Disharoon  
William A. Garrett  
Susan T. Gooden, Ph.D.  
Wallace G. Harris, Ph.D. (*entered at 1:45 p.m.*)  
W. Brett Hayes  
Troilen G. Seward, Ed.S.

Investment Advisory Committee:

Lawrence E. Kochard, Ph.D., Chair

VRS Staff:

Patricia Bishop, Ron Schmitz, Jennifer Schreck, John Alouf, Advait Apt, Rory Badura, Parham Behrooz, Ty Bowers, Caroline Cardwell, Warren Chang, Jeanne Chenault, Michael Cooper, Perry Corsello, Harriet Covey, Juanita Cribbs, Sara Denson, Valerie Disanto, Laurie Fennell, Brian Goodman, Katherine Grawe, JT Grier, Mehtab Haleem, Dane Honrado, KC Howell, Robert Irving, Wendy Jenkins, Ross Kasarda, Matthew Kubisiak, LaShaunda King, Matt Lacy, Chung Ma, Curt Mattson, Steve McClelland, Walker Noland, Greg Oliff, Angela Payne, Paula Reid, Jummai Sarki-Hurd, Dan Schlussler, Michael Scott, Jillian Sherman, Virginia Sowers, Lisa Turner, Dan Whitlock, Cindy Wilkinson, Steve Woodall and Nick Zizzo.

Guests:

Adam Rosatelli, Senate Finance and Appropriations Committee; Justin Ferrell, Auditor of Public Accounts; Jeremy Bennett, Virginia Association of Counties; Latosha Johnson, Department of Planning and Budget; Jamie Bitz and Kimberly Sarte, Joint Legislative Audit and Review Commission; Bea Snidow, Virginia Education Association; Rachel Furash, Goldman Sachs; Lauren Albanese, Financial Investment News; Bonnie Atwood, Virginia Capitol Connections Quarterly Magazine; Cyril Espanol, Pageant Media; and Steff Chavez, Mandate Wire.

The meeting convened at 1:01 p.m.

### Opening Remarks

O'Kelly E. McWilliams, III, called the meeting to order and welcomed everyone to the April 20, 2021 meeting of the Virginia Retirement System Board of Trustees.

Mr. McWilliams noted that given the current circumstances related to COVID-19, the Board is unable to meet in person and, therefore, is using electronic means to hold the meeting. The meeting is being held in accordance with § 2.2-3708(A)(3) of the *Code of Virginia* and Item 4-0.01 of Chapter 552 of the 2021 Special Session I Acts of Assembly as they relate to conducting business during the pandemic.

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

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

*\*Mr. Harris was not present at this time.*

#### **Public Comment**

In accordance with Item 4-0.01 of Chapter 552 of the 2021 Special Session I Acts of Assembly, the Board of Trustees opened the floor for public comment. Mr. McWilliams noted that no members of the public registered to comment at the electronic meeting.

#### **Approve Minutes**

Upon Ms. Seward's motion, with a second by Mr. Montgomery, the VRS Board of Trustees approved the minutes of the February 16, 2021 meeting upon the following roll call vote\*:

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

*\*Mr. Harris was not present for this vote.*

#### **Report of the Investment Advisory Committee**

Mr. Kochard, Chair of the Investment Advisory Committee (IAC), provided a report of the IAC's April 14, 2021 meeting to the Board. Mr. Kochard advised that, in accordance with its charter, the Committee elected Hance West to serve as Vice Chair. Chief Investment Officer, Ron Schmitz, provided an abbreviated report that covered current market conditions, asset allocation and performance, tracking error, and New Manager Hires and Terminations since the last IAC meeting.

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The Committee reviewed a revised version of the Investment Belief Statements as requested by the Investment Policy Committee (IPC) of the Board. The IAC agreed with the proposed draft and requested that a section detailing fiduciary responsibilities be added for consideration.

### Report of the Investment Policy Committee

The Board received the report of the Investment Policy Committee (including a paraphrased statement about fiduciary duty that was based on the Investment Policy Statement) and placed it on file.

### APPROVAL OF MINUTES

Mr. McWilliams began his report by noting the Committee approved the August 13, 2019 minutes, as well as the minutes of the following Brown Bag Lunch meetings: November 20, 2019, February 13, 2020 and November 17, 2020.

### DISCUSSION AND REVIEW OF INVESTMENT BELIEF STATEMENTS

The IPC met to discuss the Investment Belief Statements previously adopted in 2015. Staff had made some minor edits to the original document to improve grammar and clarity as well as to better organize the document for cohesive flow.

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

***Request for Board Action 2021-04-4: The VRS Board of Trustees approves revisions to the VRS Defined Benefit Plan Investment Belief Statements.***

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

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

\*Mr. Harris was not present for this vote.

\*\*Mr. Montgomery was not able to cast a recorded vote during the roll call but following the CIO report he requested that that the record reflect his affirmative vote for this motion.

### Report of the Chief Investment Officer

Mr. Schmitz began his report with a market overview and discussed asset allocation, total fund portfolio performance and tracking error, concluding that risk measures are all within Board-approved levels. Next, Mr. Schmitz discussed the New Investment and Terminations report and the Diverse Investment Manager Engagement (DIME) report.

Mr. McWilliams thanked Mr. Schmitz for his report.

### **Report of the Administration and Personnel Committee**

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

#### APPROVAL OF MINUTES

Mr. McWilliams began his report by noting the Committee approved the minutes of its February 11, 2021 meeting.

#### REAPPOINTMENT OF DCPAC MEMBERS

Ms. Bishop reviewed the three members of the Defined Contribution Plans Advisory Committee whose terms are set to expire. Shannon Irvin, Rick Larson and David Winter are eligible for reappointment and have expressed interest in continuing to serve on the Committee.

***Request for Board Action 2021-04-5: The Board reappoints Shannon T. Irvin, Rick Larson and David A. Winter to the Defined Contribution Plans Advisory Committee (DCPAC), each for a two-year term ending June 20, 2023.***

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

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

*\*Mr. Harris was not present for this vote.*

#### APPROVE REVISED FY 2021 AGENCY PERFORMANCE OUTCOME (APO) #4

Mr. Cooper reviewed the proposed revisions to APO #4, Cardinal HCM Project Implementation. Mr. Cooper explained that the overall Cardinal project schedule, managed by the Commonwealth's Department of Accounts, has been pushed back several months. Therefore, the components of APO #4 as initially approved by the Board are unattainable for reasons beyond the agency's control. Accordingly, VRS is recommending revisions to APO #4 to account for only the elements of the project that can be accomplished by June 30, 2021.

***Request for Board Action 2021-04-6: The VRS Board of Trustees approves revisions to Agency Performance Outcome #4 for Fiscal Year 2021.***

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

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

*\*Mr. Harris was not present for this vote.*

APPROVE AMENDED ADMINISTRATIVE PAY PLAN, INVESTMENT OPERATIONS AND ADMINISTRATION STAFF PAY PLAN, AND INVESTMENT PROFESSIONALS' PAY PLAN

Ms. Reid advised the Committee that the Governor has approved the 2021 Appropriation Act, which includes a 5% salary increase for eligible employees of the Commonwealth, as well as related changes to the pay bands of the Commonwealth's pay plan. In keeping with these changes, Ms. Reid advised that VRS is proposing to amend the pay bands of its three pay plans as well. An additional change is proposed for the Investment Professionals' Pay Plan to indicate that VRS will implement pay actions consistent with the provisions of the Appropriation Act. This language is already provided in the Administrative Pay Plan and Investment Operations and Administration Staff Pay Plan.

***Request for Board Action 2021-04-7: The VRS Board of Trustees approves amendments to the Administrative Pay Plan, the Investment Operations and Administration Staff Pay Plan and the Investment Professionals' Pay Plan.***

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

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

*\*Mr. Harris was not present for this vote.*

STRATEGIC PLAN UPDATE

Ms. Bishop updated the Committee on the development of the agency's next strategic plan. VRS leadership is working with VCU's Performance Management Group to develop strategic goals and objectives for the five-year period beginning July 1, 2021.

Mr. McWilliams asked about the Board's input in the strategic plan development process. Ms. Bishop advised that the Board's input is important to the plan and will be captured in the coming weeks as part of the overall process.

#### BUDGET UPDATE

Mr. Cooper provided an update on the agency's budget performance year-to-date as Barry Faison was unable to attend the meeting. Mr. Cooper explained that fiscal year-end projections indicate a balance of approximately \$9.9 million, which will be returned to the Fund as a result of planned reductions in spending due to impacts of the pandemic during FY 2021. This is a slight decrease from the projection provided at the Committee's February meeting, and is due to an increase in projected expenses related to the ongoing recruitment of mission-critical positions.

Mr. McWilliams inquired about the transfer of knowledge initiatives related to the completion of the Modernization project. Ms. Bishop noted the ongoing efforts to build out the IT team as contracted employees working on the Modernization project leave the agency. Further, VRS continues to enhance its documentation, including policies and procedures, to capture the system and process changes resulting from the Modernization initiative.

Mr. Harris asked for an update on the hiring of the Chief Technology and Security Officer position. Ms. Bishop advised the Committee that Mark Rein has been selected to fill the position and will begin on April 25, 2021. Mr. Rein comes to VRS with over 20 years of information systems and technology management experience, including 12 years serving as the CIO, Deputy CIO and Branch CTO for several large federal government agencies. VRS looks forward to welcoming Mr. Rein on April 25.

#### **Report of the Audit and Compliance Committee**

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

#### APPROVAL OF MINUTES

Mr. Montgomery began his report by noting the Committee approved the minutes of its December 10, 2020 meeting.

#### AUDIT REPORTS

The Committee received two audit reports.

- The review of *Health Insurance Premiums and Credits* determined the retiree health insurance premiums withheld from retirees' benefits, transfer of such withholdings to the appropriate parties and Health Insurance Credit payments are valid and accurate. There was one formal recommendation as a result of this review.
- The review of *VRS' Conformance with VITA's Security Program* determined VRS' Security Policies and Standards are compliant with VITA's mandatory Information Technology Security Program. While there was one recommendation outstanding from the prior year's review, there were no formal recommendations as a result of the current review.

#### ANNUAL REPORT ON CODE OF ETHICS

The Chief Operating Officer and the Chief Administrative Officer provided annual reports on their respective processes for communicating VRS' Code of Ethics and Conduct and for monitoring compliance, as required by the Audit and Compliance Committee Charter. Both indicated 100 percent compliance with the reporting and certification requirements for their respective programs as of the meeting date.

#### QUARTERLY REVIEW ON MODERNIZATION PROGRAM – PHASE 4

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

Internal Audit presented its quarterly review results and indicated agreement with management's representations regarding the Modernization Program – Phase 4 overall schedule, budget and scope. Internal Audit acknowledged management's efforts and ongoing work, noting continued diligent management of resources across concurrent projects and initiatives remains critical to bringing the phase to a close timely. Currently, VRS' risk-averse approach anticipates full release of all features to members in Fall 2021 to ensure the integrity of VRS operations and its processing.

#### AUDIT PLAN PROGRESS AS OF DECEMBER 31, 2020

The Internal Audit Director reported on the progress on the annual Audit Plan as of December 31, 2020, the mid-point of the fiscal year, sharing changes to the planned timing of certain examinations and the related background.

#### QUARTERLY REPORT ON FRAUD, WASTE AND ABUSE HOTLINE CASES

One alleged Fraud, Waste and Abuse Hotline complaint reported to Internal Audit via the Office of the State Inspector General during the period of November 1, 2020 through January 31, 2021 was presented to the Committee. The case alleged abuse of short-term disability benefits and was determined to be unfounded and therefore closed.

#### MISCELLANEOUS UPDATES

The Audit Director provided the Committee with the following updates:

##### Management's Quarterly Travel Expense and Per Diem Report

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

##### Internal Audit's Review of Cost of Living Adjustments

Internal Audit noted its review of the proposed "Cost of Living Adjustments" as calculated by VRS' actuary, Cavanaugh Macdonald Consulting, LLC, was completed and the results were provided to the Benefits and Actuarial Committee and Board of Trustees at their respective meetings in February 2021.

##### Next Committee Meeting Date

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The Committee's next meeting is scheduled for June 3, 2021 at 2 p.m.

Mr. McWilliams thanked Mr. Montgomery for his report.

### **Report of the Defined Contribution Plans Advisory Committee**

The Board received the report of the Defined Contribution Plans Advisory Committee and placed it on file.

#### ADMINISTRATION

##### Administrative Reports and Communication Update

Mr. Bell began his report by noting staff provided an update of administrative reports for the fourth quarter of 2020. Updates included an overview of assets and accounts across the various defined contribution plans, as well as participant trends and the impact of various plan initiatives. Staff shared with the Committee an analysis and overview of initiatives related to the fourth quarter goal of improving asset allocation among plan participants.

##### ORPHE Update

Staff provided an overview of ORPHE reports for the fourth quarter of 2020, including plan assets and accounts, and provider election data. Staff also provided an update on outreach activities and education initiatives, including the ORPHE open enrollment period.

##### Pensions & Investments 2021 Eddy Award

Staff noted that VRS and TIAA won the Pensions & Investments 2021 Eddy Award in March for the ORPHE 2020 plan changes initiative.

#### INVESTMENTS

##### Performance Reports

Staff provided an overview of the February 28, 2021 performance reports to the DCPAC.

Staff informed the Committee that Wells Fargo recently reached an agreement with two private equity firms (GTCR LLC and Reverence Capital Partners, L.P.) to acquire Wells Fargo Asset Management. The transaction includes VRS' stable value investment manager Galliard Capital Management. Galliard is a subsidiary of Wells Fargo. Staff also provided an update to the Pending Account VRSIP for the VRSIP fund on the unbundled DC Plans investment menu.

##### Callan 2021 DC Trends Survey Highlights

Staff provided an overview of highlights from the Callan 2021 DC Trends survey results, which represented 93 large DC plan sponsors that span a range of industries across corporate, tax-exempt, and government organizations.

Staff included the Callan 2021 DC Trends Survey in the meeting materials Appendix for the Committee to review.

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VRS Defined Contribution Plans Investment Belief Statements

Staff provided the Committee with a copy of the VRS Defined Contribution Plans Investment Belief Statements. The Committee and staff will review the document and discuss suggested changes during the June 24 DCPAC meeting for consideration by the Board.

OTHER BUSINESS

DCPAC Appointment

Staff informed the Committee of the request for reappointment of Shannon Irvin, Rick Larson, and David Winter, each to a two-year term ending June 20, 2023. Their current term expires June 20, 2021.

Staff informed the Committee of the resignation of Kathy Seay from the DCPAC, effective April 1, 2021, due to her retirement. Ms. Seay's Committee term expires on June 20, 2022. A recommendation has not yet been received to fill Ms. Seay's unexpired term but will be brought to the Committee at a future date. Staff also noted the seat formerly held by Mr. Carlson remains vacant.

The Committee recommended approval of the RBA to reappoint to the DCPAC Shannon Irvin, Rick Larson, and David Winter to the Administration and Personnel Committee and the full Board.

NEW BUSINESS

Staff advised that Ms. Irvin had suggested that in advance of salary increases included in the Appropriation Act, VRS and ICMA-RC should perform outreach to employees encouraging increased savings in the various VRS-administered defined contribution plans.

2021 MEETINGS

Staff confirmed the following DCPAC meeting dates for 2021:

- June 24 at 1:00 p.m.
- September 2 at 1:00 p.m.
- December 2 at 1:00 p.m.

The ORPHE Annual Employer Update is scheduled for September 2021. This is not a DCPAC Committee meeting; however, members may attend if interested.

Mr. McWilliams thanked Mr. Bell for his report.

**Report of the Benefits and Actuarial Committee**

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

APPROVAL OF MINUTES

In Mr. Harris' absence, Mr. Garrett presented the B&A report and noted the Committee approved the minutes of its February 11, 2021 meeting.

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### EXPERIENCE STUDY

The study is required by statute to be performed at least once every four years to validate assumptions and make necessary adjustments based on a comparison of actual VRS experience to the expected experience based on current assumptions. The study reviews economic and demographic assumptions, actuarial methods, and funding policies providing gain/loss analysis over the prior four years as well as cost impact analysis of any proposed changes. In addition, the study considers recommendations made in the quadrennial actuarial audit conducted by JLARC's actuary.

Larry Langer and Alisa Bennett from the VRS plan actuary, Cavanaugh Macdonald Consulting, LLC, presented the results from the Experience Study and provided recommendations and cost impacts associated with the proposed changes.

As described in their presentation, Cavanaugh Macdonald recommends changing the mortality assumption from a margin approach on a headcount-weighted basis to a generational mortality approach on a benefits-weighted basis. Overall, this change results in increased liabilities and higher expected contribution rates.

Following the presentation and some discussion the Committee approved an RBA recommending that the Board accept the results of the Experience Study. This RBA has been slightly changed from the RBA presented to the Committee in order to clarify the method change being recommended and to more specifically reflect the information presented to the Committee.

### INFORMATION ITEM

Lastly, Mr. Garrett noted the B&A Committee schedule:

- June 9, 2021 at 1:00 p.m.
- October 13, 2021 at 10:00 a.m.
- November 15, 2021 at 1:00 p.m.

Mr. McWilliams thanked Mr. Garrett for his report.

### **Report of the Director**

Ms. Bishop began her report with the New Coverage Elections and an update on the VRS Agency Roadmap for FY 2021. She advised that all projects are progressing as planned or have been completed, with the exception of the Upgrade to Angular Framework and Cardinal Payroll Implementation projects. Staff continues to monitor these projects and will provide updates as they become available.

Ms. Bishop also provided the Board with an update regarding the plan to return staff to the building and the physical changes to the office environment. She advised that employees will be sent a survey and focus groups will be scheduled for discussions on the phased-in return-to-office plan. Staff will continue to work remotely through June 30, 2021.

Next, Ms. Wilkinson discussed Item 4-0.01 of the 2021 Appropriation Act that allows public bodies to hold meetings remotely and is directly tied to the state of emergency currently in effect related to the

COVID-19 pandemic. She advised that once there is no longer a declared state of emergency that makes it impractical or unsafe to assemble, a physical quorum of the Board and committees must be present. Ms. Wilkinson noted that there had been amendments to the Freedom of Information Act (FOIA) that increased slightly the number of meetings a member may attend remotely outside of emergencies.

Ms. Bishop then made the following announcements:

- ICMA-RC is becoming MissionSquare Retirement, a new name and brand that reinforces the company's history and solidifies its vision for the future.
- Mark Rein will join VRS as the new Chief Technology and Security Officer on April 25<sup>th</sup>.
- On March 17<sup>th</sup>, through its Proxy Voting and Litigation Policy, the Board authorized VRS' participation in phase two of the Barclays litigation following the unsuccessful prelitigation settlement negotiations in phase one.
- At its February 16<sup>th</sup> meeting, the Board authorized VRS to sign onto a brief in the United States Supreme Court case of *Goldman Sachs v. Arkansas Teacher Retirement System*. The brief was filed on March 3<sup>rd</sup> and a decision in this matter is expected in mid-June.

Mr. McWilliams thanked Ms. Bishop for her report.

Due to earlier technical difficulties, Larry Langer and Alisa Bennett from the VRS plan actuary, Cavanaugh Macdonald Consulting, LLC, presented the results from the Experience Study and provided recommendations and cost impacts associated with the proposed changes following the conclusion of the Director's report.

Mr. McWilliams thanked Mr. Langer and Ms. Bennett for their presentation. The Board then considered the following RBA:

***Request for Board Action 2021-04-8: The VRS Board of Trustees approves its plan actuary's recommendations as presented in the Experience Study (7/1/2016 to 6/30/2020) to change various assumptions, including: certain demographic assumptions regarding mortality rates, retirement rates, withdrawal rates, and disability rates; method changes regarding the timing of plan decrements, as well as various Other Post-Employment Benefits (OPEB) specific assumptions related to the Line of Duty Plan, Health Insurance Credit program, and the VSDP and VLDP disability programs.***

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

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

Mr. McWilliams: Aye

**Other Business**

Lastly, Mr. McWilliams noted the following meeting schedule:

- Administration and Personnel Committee – June 2, 2021
- Audit and Compliance Committee – June 3, 2021
- Benefits and Actuarial Committee – June 9, 2021
- Board of Trustees – June 10, 2021

**Adjournment**

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

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

There being no further business, the meeting concluded at 2:25 p.m.

\_\_\_\_\_  
Chair

\_\_\_\_\_  
Secretary

**Proposed VRS Board of Trustees and Committee Assignments  
(Effective June 10, 2021)**

<b>VRS Board of Trustees</b>
O'Kelly E. McWilliams, III, Chair Joseph W. Montgomery, Vice Chair J. Brandon Bell, II John M. Bennett Michael P. Disharoon William A. Garrett Susan T. Gooden, Ph.D. W. Brett Hayes Troilen G. Seward, Ed.S.
<b>Administration and Personnel Committee</b>
O'Kelly E. McWilliams, III, Chair Joseph W. Montgomery, Vice Chair W. Brett Hayes Troilen G. Seward, Ed.S.
<b>Audit and Compliance Committee</b>
Joseph W. Montgomery, Chair W. Brett Hayes, Vice Chair O'Kelly E. McWilliams, III
<b>Benefits and Actuarial Committee</b>
William A. Garrett, Chair John M. Bennett Michael P. Disharoon
<b>Defined Contribution Plans Advisory Committee</b>
J. Brandon Bell, II, Chair Susan T. Gooden, Ph.D., Vice Chair Ravindra A. Deo Shannon T. Irvin Rick Larson Brenda O. Madden David A. Winter

**Proposed VRS Board of Trustees and Committee Assignments  
(Effective June 10, 2021)**

<b>Investment Policy Committee</b>
O'Kelly E. McWilliams, III, Chair Joseph W. Montgomery, Vice Chair J. Brandon Bell, II John M. Bennett Michael P. Disharoon William A. Garrett Susan T. Gooden, Ph.D. W. Brett Hayes Troilen G. Seward, Ed.S.
<b>Investment Advisory Committee</b>
Lawrence E. Kochard, Ph.D., Chair William "Hance" West, Vice Chair Deborah Allen Hewitt, Ph.D. Michael Beasley Theodore Economou Thomas S. Gayner Nancy G. Leake W. Bryan Lewis Rod Smyth

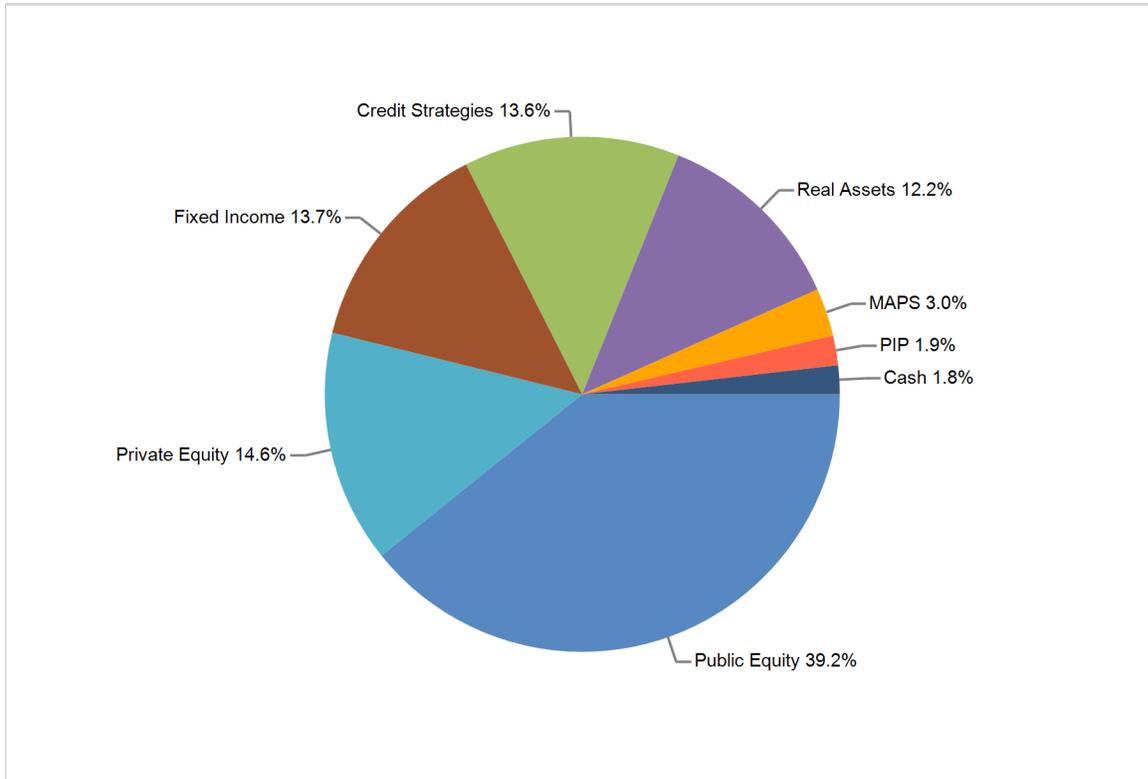
**Notes:**

1. *By charter, the Board chair appoints Board members to each committee.*
2. *By charter, the Board chair and vice chair shall serve in the respective position for the Administration and Personnel Committee and Investment Policy Committee.*
3. *For all committees other than the Administration and Personnel Committee and Investment Policy Committee, the committee chair is appointed by the Board chair, subject to approval by the Board.*
4. *For all committees other than the Administration and Personnel Committee and Investment Policy Committee, the vice chair is elected by the committee members.*

# Asset Allocation Report

## March 31, 2021

For Internal Investment Purposes Only



	<u>Current \$Bil</u>	<u>Current Weight</u>	<u>Policy Weight</u>	<u>Variance</u>	<u>Allowable Range</u>		<u>Internal %</u>
<b>Total Fund</b>	<b>96.4</b>						<b>28.2%</b>
<b>Public Equity</b>	<b>37.8</b>	<b>39.2%</b>	<b>37.0%</b>	<b>2.2%</b>	<b>-5%</b>	<b>+5%</b>	<b>35.2%</b>
<b>Fixed Income</b>	<b>13.2</b>	<b>13.7%</b>	<b>16.0%</b>	<b>-2.3%</b>	<b>-3%</b>	<b>+5%</b>	<b>94.5%</b>
<b>Credit Strategies</b>	<b>13.1</b>	<b>13.6%</b>	<b>14.0%</b>	<b>-0.4%</b>	<b>-5%</b>	<b>+5%</b>	
RS Credit	5.1	5.3%	5.6%	-0.3%			
NRS Credit	8.0	8.3%	8.4%	-0.1%			
<b>Real Assets</b>	<b>11.8</b>	<b>12.2%</b>	<b>14.0%</b>	<b>-1.8%</b>	<b>-5%</b>	<b>+5%</b>	<b>10.9%</b>
Public RE	1.3	1.3%					99.9%
Private RE	6.8	7.0%					
Other RA	3.7	3.9%					
<b>Private Equity</b>	<b>14.1</b>	<b>14.6%</b>	<b>13.0%</b>	<b>1.6%</b>	<b>-5%</b>	<b>+5%</b>	
<b>MAPS</b>	<b>2.9</b>	<b>3.0%</b>	<b>3.0%</b>	<b>0.0%</b>	<b>-1%</b>	<b>+1%</b>	
DSTRAT	1.5	1.6%					
RBI	1.4	1.5%					4.9%
<b>PIP</b>	<b>1.8</b>	<b>1.9%</b>	<b>2.0%</b>	<b>-0.1%</b>	<b>-1%</b>	<b>+2%</b>	
<b>Cash</b>	<b>1.7</b>	<b>1.8%</b>	<b>1.0%</b>	<b>0.8%</b>	<b>-1%</b>	<b>+4%</b>	

	<u>Current \$Bil</u>	<u>Current Weight</u>	<u>Policy Limit</u>
<b>Hedge Funds</b>	<b>11.1</b>	<b>11.5%</b>	<b>15.0%</b>

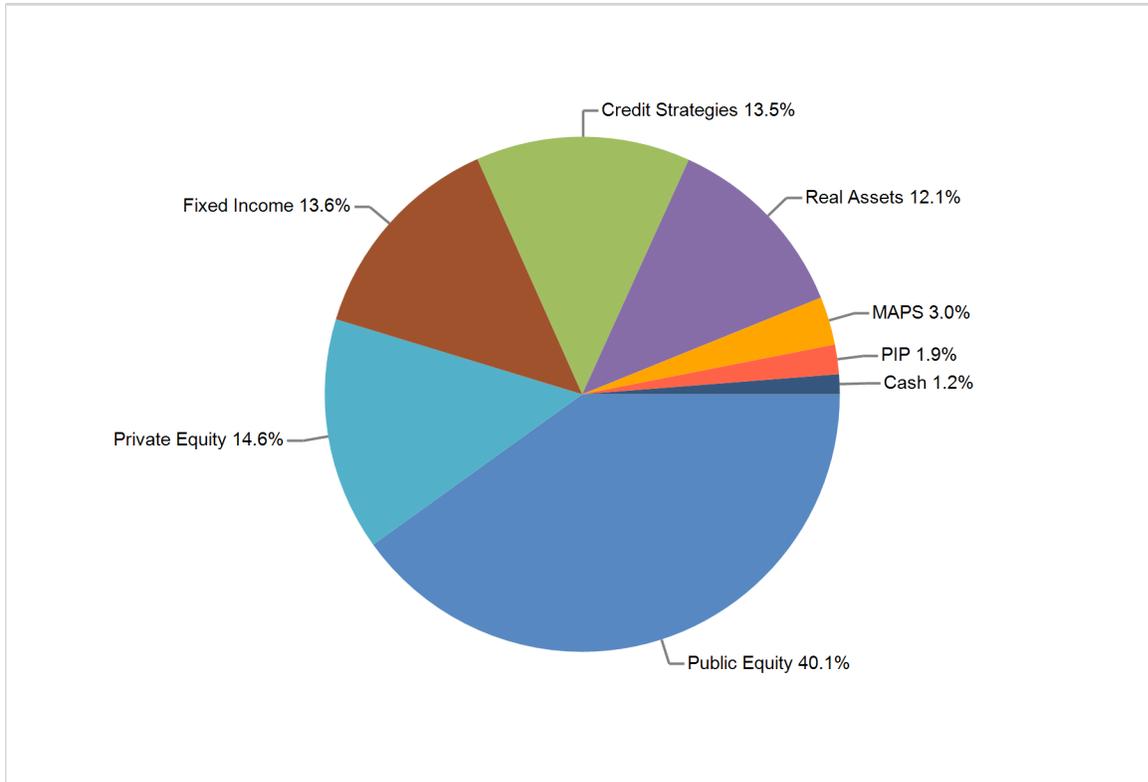
<u>3 Year Tracking Error</u>	
Total Fund:	<b>2.75%</b>
Total Public:	<b>1.07%</b>

\*Total Fund includes the following amt held by the Treasurer of VA: \$ 364 million

• The values shown for each asset class on this report may differ from the VRS Monthly Performance Report due to adjustments related to derivative positions in the Rebalance Account, pending transactions, and certain accruals. The values on this report are a more descriptive representation of the Virginia Retirement System's true economic exposure to each asset class.( 11 adjustments applied )

\*Total Fund and Total Public tracking error are calculated using monthly returns, then annualized

\* Differences in totals are due to rounding.



	<u>Current \$Bil</u>	<u>Current Weight</u>	<u>Policy Weight</u>	<u>Variance</u>	<u>Allowable Range</u>		<u>Internal %</u>
<b>Total Fund</b>	<b>98.0</b>						<b>28.5%</b>
<b>Public Equity</b>	<b>39.3</b>	<b>40.1%</b>	<b>37.0%</b>	<b>3.1%</b>	<b>-5%</b>	<b>+5%</b>	<b>35.3%</b>
<b>Fixed Income</b>	<b>13.3</b>	<b>13.6%</b>	<b>16.0%</b>	<b>-2.4%</b>	<b>-3%</b>	<b>+5%</b>	<b>94.7%</b>
<b>Credit Strategies</b>	<b>13.2</b>	<b>13.5%</b>	<b>14.0%</b>	<b>-0.5%</b>	<b>-5%</b>	<b>+5%</b>	
RS Credit	5.1	5.3%	5.6%	-0.3%			
NRS Credit	8.0	8.2%	8.4%	-0.2%			
<b>Real Assets</b>	<b>11.8</b>	<b>12.1%</b>	<b>14.0%</b>	<b>-1.9%</b>	<b>-5%</b>	<b>+5%</b>	<b>11.2%</b>
Public RE	1.3	1.4%					99.9%
Private RE	6.8	6.9%					
Other RA	3.7	3.8%					
<b>Private Equity</b>	<b>14.3</b>	<b>14.6%</b>	<b>13.0%</b>	<b>1.6%</b>	<b>-5%</b>	<b>+5%</b>	
<b>MAPS</b>	<b>3.0</b>	<b>3.0%</b>	<b>3.0%</b>	<b>0.0%</b>	<b>-1%</b>	<b>+1%</b>	
DSTRAT	1.6	1.6%					
RBI	1.4	1.4%					5.1%
<b>PIP</b>	<b>1.8</b>	<b>1.9%</b>	<b>2.0%</b>	<b>-0.1%</b>	<b>-1%</b>	<b>+2%</b>	
<b>Cash</b>	<b>1.2</b>	<b>1.2%</b>	<b>1.0%</b>	<b>0.2%</b>	<b>-1%</b>	<b>+4%</b>	

	<u>Current \$Bil</u>	<u>Current Weight</u>	<u>Policy Limit</u>
<b>Hedge Funds</b>	<b>11.2</b>	<b>11.4%</b>	<b>15.0%</b>

<b>3 Year Tracking Error</b>
Total Fund: <b>2.75%</b>
Total Public: <b>1.07%</b>

\*Total Fund includes the following amt held by the Treasurer of VA: \$ 75 million

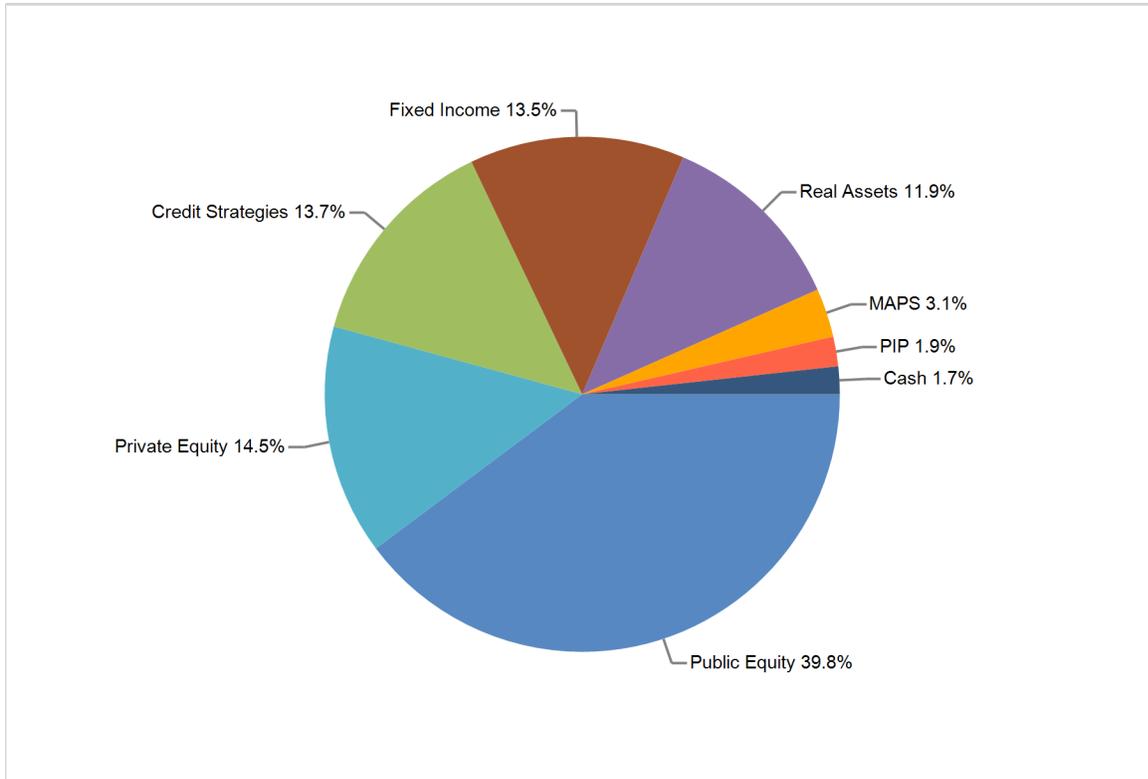
• The values shown for each asset class on this report may differ from the VRS Monthly Performance Report due to adjustments related to derivative positions in the Rebalance Account, pending transactions, and certain accruals. The values on this report are a more descriptive representation of the Virginia Retirement System's true economic exposure to each asset class. (7 adjustments applied)

\*Total Fund and Total Public tracking error are calculated using monthly returns, then annualized

\* Differences in totals are due to rounding.

# Daily Asset Allocation Report

June 04, 2021  
For Internal Investment Purposes Only



	Current \$Bil	Current Weight	Policy Weight	Variance	Allowable Range		Internal %
<b>Total Fund</b>	<b>98.6</b>						<b>29.0%</b>
<b>Public Equity</b>	<b>39.3</b>	<b>39.8%</b>	<b>37.0%</b>	<b>2.8%</b>	<b>-5%</b>	<b>+5%</b>	<b>37.0%</b>
<b>Fixed Income</b>	<b>13.3</b>	<b>13.5%</b>	<b>16.0%</b>	<b>-2.5%</b>	<b>-3%</b>	<b>+5%</b>	<b>94.7%</b>
<b>Credit Strategies</b>	<b>13.5</b>	<b>13.7%</b>	<b>14.0%</b>	<b>-0.3%</b>	<b>-5%</b>	<b>+5%</b>	
RS Credit	5.3	5.4%	5.6%	-0.2%			
NRS Credit	8.1	8.3%	8.4%	-0.1%			
<b>Real Assets</b>	<b>11.8</b>	<b>11.9%</b>	<b>14.0%</b>	<b>-2.1%</b>	<b>-5%</b>	<b>+5%</b>	<b>11.1%</b>
Public RE	1.3	1.3%					99.9%
Private RE	6.7	6.8%					
Other RA	3.8	3.8%					
<b>Private Equity</b>	<b>14.3</b>	<b>14.5%</b>	<b>13.0%</b>	<b>1.5%</b>	<b>-5%</b>	<b>+5%</b>	
<b>MAPS</b>	<b>3.0</b>	<b>3.1%</b>	<b>3.0%</b>	<b>0.1%</b>	<b>-1%</b>	<b>+1%</b>	
DSTRAT	1.6	1.6%					6.8%
RBI	1.4	1.5%					5.1%
<b>PIP</b>	<b>1.8</b>	<b>1.9%</b>	<b>2.0%</b>	<b>-0.1%</b>	<b>-1%</b>	<b>+2%</b>	
<b>Cash</b>	<b>1.7</b>	<b>1.7%</b>	<b>1.0%</b>	<b>0.7%</b>	<b>-1%</b>	<b>+4%</b>	

	Current \$Bil	Current Weight	Policy Limit
<b>Hedge Funds</b>	<b>11.2</b>	<b>11.4%</b>	<b>15.0%</b>

**3 Year Tracking Error**  
Total Fund: **2.75%**  
Total Public: **1.07%**

\*Total Fund includes the following amt held by the Treasurer of VA: \$ 107 million

• The values shown for each asset class on this report may reflect adjustments related to derivative positions in the Rebalance Account, pending transactions and certain accruals, in order to provide a more descriptive representation of the true economic exposure to each asset class ( 8 adjustments applied )

\*Total Fund and Total Public tracking error are calculated using monthly returns, then annualized

\* Differences in totals are due to rounding.

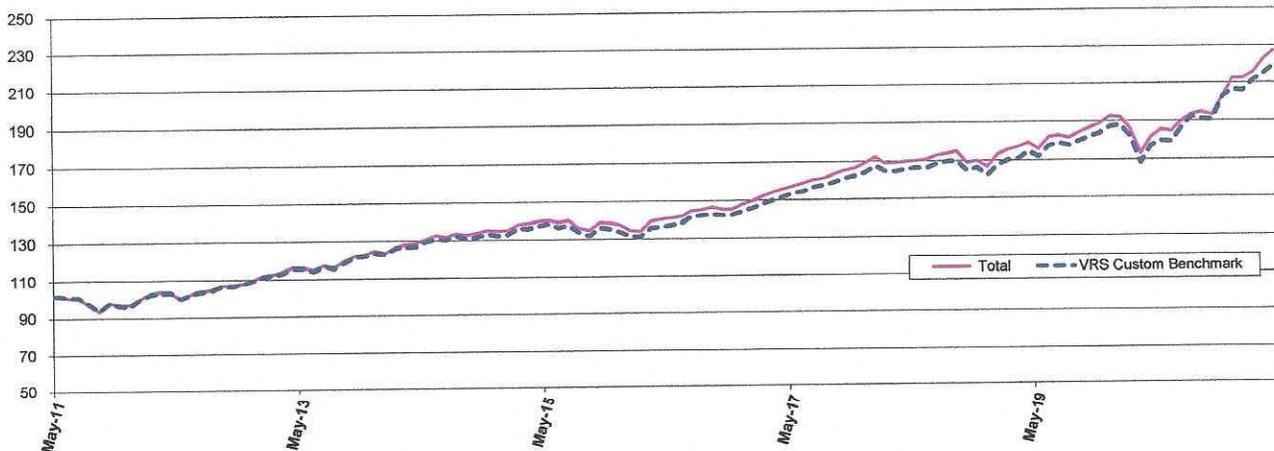
**PERFORMANCE SUMMARY**  
**Rolling Periods Ending**  
**April 30, 2021**



**TOTAL FUND PERFORMANCE**

	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month	Fiscal YTD	Cal YTD	Market Value (\$MM)
<b>Total Public Equity Strategies</b>	<b>9.6</b>	<b>12.8</b>	<b>12.2</b>	<b>47.3</b>	<b>11.7</b>	<b>4.0</b>	<b>37.7</b>	<b>11.5</b>	<b>39,417</b>
<i>Benchmark</i>	9.6	13.8	13.5	48.7	10.0	4.4	37.6	9.8	
<b>Total Fixed Income</b>	<b>4.1</b>	<b>4.4</b>	<b>6.7</b>	<b>4.8</b>	<b>-1.2</b>	<b>1.0</b>	<b>1.9</b>	<b>-1.7</b>	<b>11,509</b>
<i>Benchmark</i>	3.4	3.2	5.3	1.3	-1.7	0.9	-0.4	-2.4	
<b>Total Credit Strategies</b>	<b>6.1</b>	<b>7.7</b>	<b>7.3</b>	<b>18.0</b>	<b>3.0</b>	<b>0.9</b>	<b>14.8</b>	<b>3.8</b>	<b>13,192</b>
<i>Benchmark</i>	5.5	6.6	6.4	15.3	0.9	0.7	10.0	1.6	
<b>Total Real Assets</b>	<b>9.9</b>	<b>7.9</b>	<b>6.7</b>	<b>6.1</b>	<b>4.0</b>	<b>1.0</b>	<b>8.0</b>	<b>3.9</b>	<b>11,847</b>
<i>Benchmark</i>	8.5	6.1	5.3	5.4	2.7	1.3	4.7	2.9	
<b>Total Private Equity</b>	<b>15.1</b>	<b>17.4</b>	<b>17.7</b>	<b>25.5</b>	<b>11.2</b>	<b>1.5</b>	<b>38.5</b>	<b>11.1</b>	<b>14,342</b>
<i>Benchmark</i>	13.9	17.1	12.7	20.6	18.1	-0.2	49.3	15.6	
<b>Total Private Investment Partnerships</b>	<b>n/a</b>	<b>7.5</b>	<b>7.1</b>	<b>6.2</b>	<b>6.7</b>	<b>0.0</b>	<b>20.2</b>	<b>6.7</b>	<b>1,819</b>
<i>Benchmark</i>	n/a	8.8	8.7	12.6	7.9	0.4	21.4	7.3	
<b>Total Multi-Asset Public Strategies</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>21.7</b>	<b>3.9</b>	<b>1.9</b>	<b>18.4</b>	<b>4.5</b>	<b>2,966</b>
<i>Benchmark</i>	n/a	n/a	n/a	19.7	3.7	2.2	14.6	3.6	
<b>Total Fund</b>	<b>8.3</b>	<b>10.1</b>	<b>10.2</b>	<b>25.1</b>	<b>7.0</b>	<b>2.2</b>	<b>23.0</b>	<b>7.0</b>	<b>97,972</b>
<i>VRS Custom Benchmark</i>	7.9	10.0	9.7	23.8	6.5	2.1	22.3	6.1	

**10-Year Performance Indexed to 100**



Effective July 2013, the VRS Custom Benchmark is a blend of the Asset Class Benchmarks at policy weights.

The VRS Cash Account, the Treasurer Short-Term Investment Account, the VRS Rebalancing Account, transition activity and accounts with market values of less than \$1 million are included in the Total Fund's market value. Differences in market value totals are due to rounding.

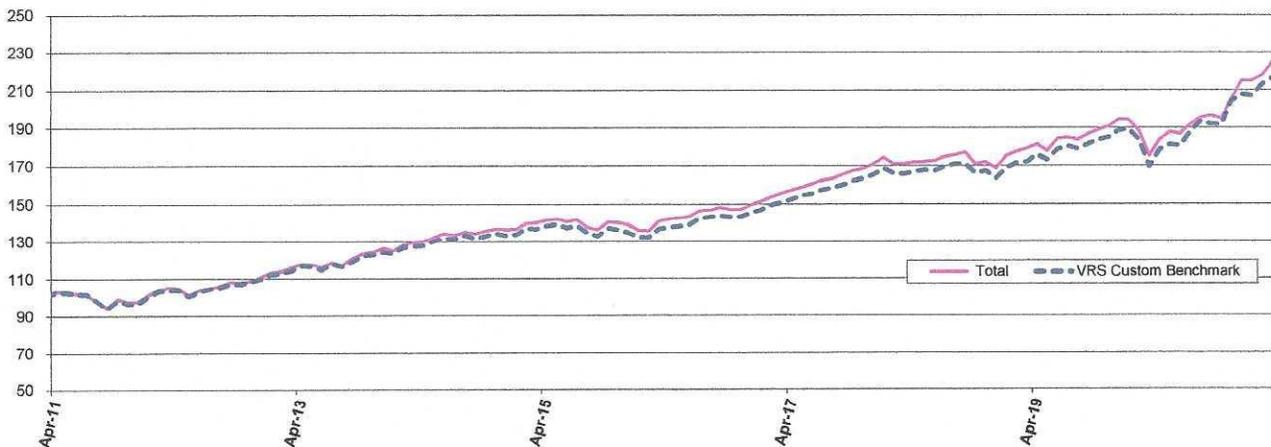
**PERFORMANCE SUMMARY**  
**Rolling Periods Ending**  
**March 31, 2021**



**TOTAL FUND PERFORMANCE**

	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month	Fiscal YTD	Cal YTD	Market Value (\$MM)
<b>Total Public Equity Strategies</b>	<b>9.5</b>	<b>12.1</b>	<b>11.1</b>	<b>56.5</b>	<b>7.2</b>	<b>3.6</b>	<b>32.4</b>	<b>7.2</b>	<b>37,933</b>
<i>Benchmark</i>	9.5	13.0	12.4	58.2	5.2	2.6	31.9	5.2	
<b>Total Fixed Income</b>	<b>4.2</b>	<b>4.3</b>	<b>6.1</b>	<b>6.3</b>	<b>-2.7</b>	<b>-1.0</b>	<b>0.9</b>	<b>-2.7</b>	<b>11,357</b>
<i>Benchmark</i>	3.5	3.1	4.7	2.4	-3.3	-1.2	-1.3	-3.3	
<b>Total Credit Strategies</b>	<b>6.2</b>	<b>7.9</b>	<b>7.0</b>	<b>20.7</b>	<b>2.9</b>	<b>1.3</b>	<b>13.8</b>	<b>2.9</b>	<b>13,073</b>
<i>Benchmark</i>	5.6	6.9	6.0	19.7	0.9	-0.1	9.2	0.9	
<b>Total Real Assets</b>	<b>9.9</b>	<b>7.7</b>	<b>6.5</b>	<b>6.0</b>	<b>2.9</b>	<b>2.2</b>	<b>6.9</b>	<b>2.9</b>	<b>11,795</b>
<i>Benchmark</i>	8.5	5.9	5.1	5.2	1.6	0.7	3.4	1.6	
<b>Total Private Equity</b>	<b>15.0</b>	<b>17.1</b>	<b>17.1</b>	<b>23.6</b>	<b>9.4</b>	<b>9.5</b>	<b>36.4</b>	<b>9.4</b>	<b>14,106</b>
<i>Benchmark</i>	14.2	16.0	14.3	19.7	15.8	5.3	49.5	15.8	
<b>Total Private Investment Partnerships</b>	<b>n/a</b>	<b>7.5</b>	<b>7.1</b>	<b>6.2</b>	<b>6.7</b>	<b>6.7</b>	<b>20.2</b>	<b>6.7</b>	<b>1,789</b>
<i>Benchmark</i>	n/a	8.7	9.1	13.0	6.9	2.2	20.9	6.9	
<b>Total Multi-Asset Public Strategies</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>24.3</b>	<b>2.6</b>	<b>1.1</b>	<b>16.2</b>	<b>2.6</b>	<b>2,911</b>
<i>Benchmark</i>	n/a	n/a	n/a	21.5	1.4	0.7	12.1	1.4	
<b>Total Fund</b>	<b>8.3</b>	<b>9.8</b>	<b>9.5</b>	<b>28.3</b>	<b>4.7</b>	<b>3.2</b>	<b>20.4</b>	<b>4.7</b>	<b>96,421</b>
<i>VRS Custom Benchmark</i>	7.9	9.6	9.3	27.5	4.0	1.6	19.8	4.0	

**10-Year Performance Indexed to 100**

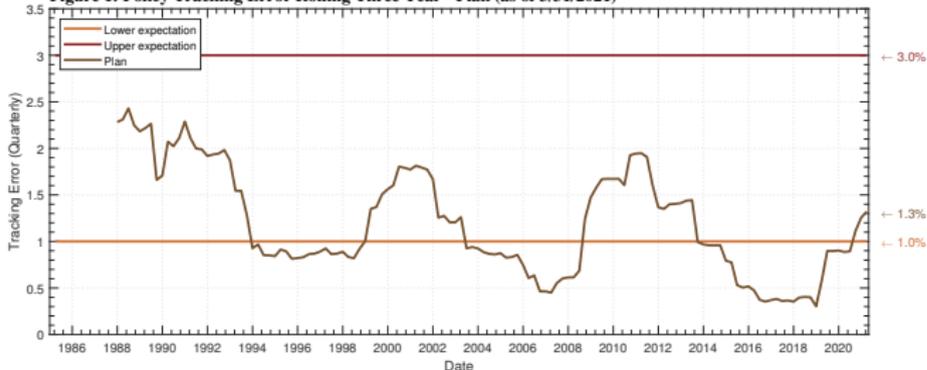


Effective July 2013, the VRS Custom Benchmark is a blend of the Asset Class Benchmarks at policy weights.

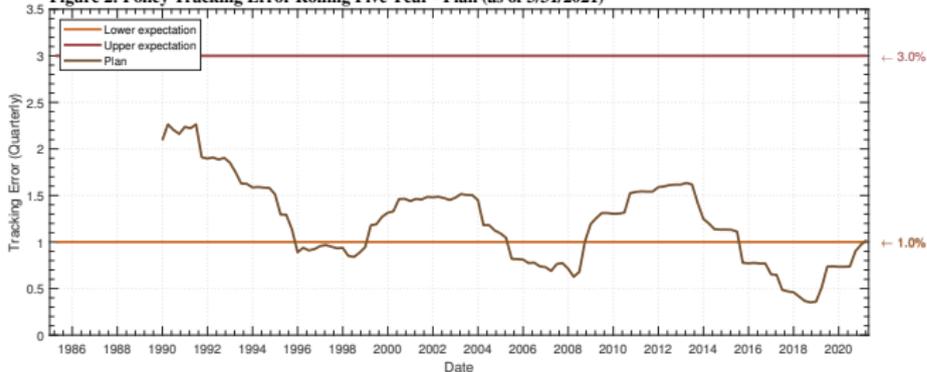
The VRS Cash Account, the Treasurer Short-Term Investment Account, the VRS Rebalancing Account, transition activity and accounts with market values of less than \$1 million are included in the Total Fund's market value. Differences in market value totals are due to rounding.

# Total Fund Tracking Error

**Figure 1: Policy Tracking Error Rolling Three Year - Plan (as of 3/31/2021)**



**Figure 2: Policy Tracking Error Rolling Five Year - Plan (as of 3/31/2021)**



Program	Action	Effective Date	Commitment/ Current Value	Funding/ Defunding Period	Description
Real Assets	Hired	05/18/2021	\$100 Million	5 Years	<b>Aplomado Partners</b> – A closed-end fund investing in solar ground leases in the United States.
Private Equity	Hired	04/23/2021	€170 Million	5 Years	<b>Charterhouse XI</b> – An international buyout fund targeting middle-market services, specialized industrial, and healthcare related companies in Western Europe.
Private Equity	Hired	05/19/2021	\$40 Million	5 Years	<b>Abry Senior Equity VI</b> – A middle market private equity fund that targets minority investments with some combination of preferred equity, convertible debt, or subordinated debt with warrants.

# Asset Liability Study Implementation

## Asset Class Phase-in



	FY 2021 Target	Proposed FY 2022 Target	Current Long Term Target	Allowable Ranges	
				Min	Max
Public Equity	37%	36%	34%	-5%	+5%
Fixed Income	16%	15%	15%	-3%	+5%
Credit Strategies	14%	14%	14%	-5%	+5%
Real Assets	14%	14%	14%	-5%	+5%
Private Equity	13%	14%	14%	-5%	+5%
PIP	2%	2%	3%	-2%	+2%
MAPS	3%	4%	6%	-2%	+2%
Exposure Management	na	0%	0%	-	+3%
Cash	1%	1%	0%	-1%	+4%
<b>Total Fund</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>		



**Approve changes to Defined Benefit Plan  
Strategic Asset Allocation and Allowable Ranges,  
effective July 1, 2021.**

**Requested Action**

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

**Description/Background**

Board Strategic Asset Allocation and Allowable Ranges. Every year at fiscal year-end, the Chief Investment Officer (CIO) considers market conditions and progress in moving to the new policy portfolio and suggests specific target exposures to the Board for the upcoming year.

The CIO recommends the following target exposures and allowable ranges effective July 1, 2021.

Asset Class	FY 2021	Proposed	Current	Allowable	
	Target	FY 2022	Long Term	Ranges	
		Target	Target	Min	Max
Public Equity	37%	36%	34%	-5%	+5%
Fixed Income	16%	15%	15%	-3%	+5%
Credit Strategies	14%	14%	14%	-5%	+5%
Real Assets	14%	14%	14%	-5%	+5%
Private Equity	13%	14%	14%	-5%	+5%
PIP	2%	2%	3%	-2%	+2%
MAPS	3%	4%	6%	-2%	+2%
Exposure Management	na	0%	0%	-	+3%
Cash	1%	1%	0%	-1%	+4%
<b>Total Fund</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>		

Notes:

The Board, at the April 16, 2020 Board meeting, approved a small transactional cash account, with a target of 1% and with an absolute range of 0% to 5%.

Maintaining the allowable range of -3% to +5% for Fixed Income, which was approved by the Board at the April 16, 2020 and June 11, 2020 Board meetings, effectively drops the Fixed Income floor to 12%. Previously, the Fixed Income floor calculation included Cash. The CIO recommends eliminating Cash from the calculation of the Fixed Income floor.

Given staff has been more opportunistic in Fund level tactical positioning, such positions' economic exposures will be communicated as Exposure Management.

Staff will not, by its tactical actions, underweight or overweight any asset class beyond the minimum and maximum allowable ranges. However, market action could drop or raise an asset class temporarily below the minimum allowable range or above the maximum allowable range. In such rare cases, staff will establish an action plan to move the applicable asset class back into compliance with policy. In addition, the CIO will communicate the variance to the Board on a timely basis.

**Rationale for Requested Action**

The change to the Defined Benefit Plan Strategic Asset Allocation and Allowable Ranges reflects the current market conditions and allows for easier management of the asset allocation.

**Authority for Requested Action**

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

The above action is approved on June 10, 2021 with an effective date of July 1, 2021.

\_\_\_\_\_  
O’Kelly E. McWilliams, III, Chair  
VRS Board of Trustees

\_\_\_\_\_  
Date

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## Report

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

### **APPROVAL OF MINUTES**

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

### **UPDATE ON THE 2020 EMPLOYER ASSURANCES REVIEW**

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

### **ENTRANCE WITH THE APA FOR THE VRS 2021 ANNUAL REPORT AUDIT**

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

### **AUDIT REPORTS**

The Committee received three audit reports.

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

### **QUARTERLY REVIEW ON MODERNIZATION PROGRAM – PHASE 4**

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

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

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

**QUARTERLY REPORT ON FRAUD, WASTE AND ABUSE HOTLINE CASES**

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

**MISCELLANEOUS UPDATES**

The Audit Director provided the Committee with the following updates:

**Management's Quarterly Travel Expense and Per Diem Report**

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

**FY2022 Annual Audit Plan Assessment and Validation**

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

**Next Committee Meeting Date**

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

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

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Joseph W. Montgomery, Chair  
Audit and Compliance Committee

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## Report

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

### **APPROVAL OF MINUTES**

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

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

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

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

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

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

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

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

### **BUDGET UPDATE**

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

### **OTHER BUSINESS – RETURN TO THE OFFICE PLANNING**

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

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

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

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

**Approve FY 2022 APOs and Operational Measures.****Requested Action**

The VRS Board of Trustees approves the FY 2022 Agency Performance Outcomes (APOs) and Agency Operational Measures.

**Description/Background**

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

APOs (see attachment 1). The FY 2022 APOs have four stated outcomes summarized as follows:

1. Cloud Migration
2. Records Management Program – Phase 1 Implementation
3. ERM Implementation
4. Cardinal HCM Implementation – The Plan (Track 1), Agency (Track 2) and Retiree (Track 3)

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

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

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

**Rationale for Requested Action**

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

Although satisfaction of the APOs and Operational Measures is not an explicit condition for a gainsharing bonus to be paid to Investment Operations and Administration staff, the agency's practice is that no gainsharing bonus is paid to Investment Operations and Administration staff in a year that Administrative staff is not eligible for a gainsharing bonus.

**Authority for Requested Action**

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

The above action is approved.

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

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Date

July-21

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%	-	-	Monthly	
2	Average Abandoned Call Rate	Percentage of calls to the Customer Counseling Center (CCC) that result in hang-ups while in the queue	Continuous Improvement of Effective and Efficient Operations	< 7.00%	-	-	Monthly	
3	Timeliness of Response to Messages Received by the Customer Counseling Center (CCC)	Average response time to emails received by the CCC	Continuous Improvement of Effective and Efficient Operations	.75 business days	-	-	Monthly	
4	Timeliness of Monthly Retirement Disbursements	Percentage of monthly retirement disbursements processed no later than the first business day of the month	Continuous Improvement of Effective and Efficient Operations	100.00%	-	-	Monthly	
5	Timeliness of Service Retirements Processed	Percentage of service retirements processed so that retiring members are set up to receive retirement benefits on the first retirement payment date for which they are eligible	Continuous Improvement of Effective and Efficient Operations	95.00%	-	-	Monthly	
6	Accuracy of Service Retirements Processed	Percentage of service retirements processed for which the corresponding benefit payment correctly reflects the member's service record	Continuous Improvement of Effective and Efficient Operations	99.00%	-	-	Monthly	
7	Timeliness of Disability Retirements Processed	Percentage of disability retirements processed within 30 days of VRS receiving notification of approval by the Medical Review Board	Continuous Improvement of Effective and Efficient Operations	98.00%	-	-	Monthly	
8	Accuracy of Disability Retirements Processed	Percentage of disability retirements processed for which the corresponding benefit paid correctly reflects the member's service record	Continuous Improvement of Effective and Efficient Operations	99.00%	-	-	Monthly	
9	Timeliness of Workflow Documentation Imaging	Percentage of workflow documents imaged within one business day of receipt	Continuous Improvement of Effective and Efficient Operations	99.50%	-	-	Monthly	
10	Planned IT System Availability	Percentage of time critical systems are available during periods of planned availability	Superior Technological Tools that Enable Efficient Delivery of Service	99.50%	-	-	Monthly	
11	Timeliness of Employer Contribution Confirmations	Percentage of Employer Contribution Confirmation (CC) snapshots completed in VNAV by the end of the month in which they are due	Superior Technological Tools that Enable Efficient Delivery of Service	97.00%	-	-	Monthly	
12	Implementation of Corrective Action to Audit Recommendations	Percentage of audit recommendations for which VRS management represents that corrective action has been implemented by the approved target date	Continuous Improvement of Effective and Efficient Operations	> 95.00%	-	-	Quarterly	

Overall Measure: 13 of 16 meet or exceed target

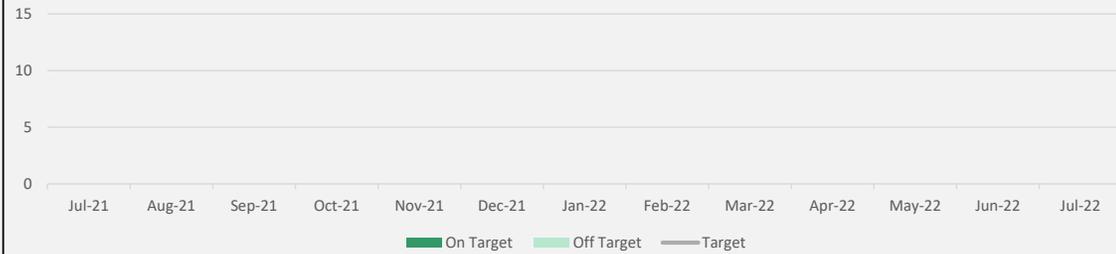
Changes to operational measure targets and/or calculation methodologies require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

July-21

Current Status - All Operational Measures

YTD Status - All Operational Measures

■ On Target ■ Off Target

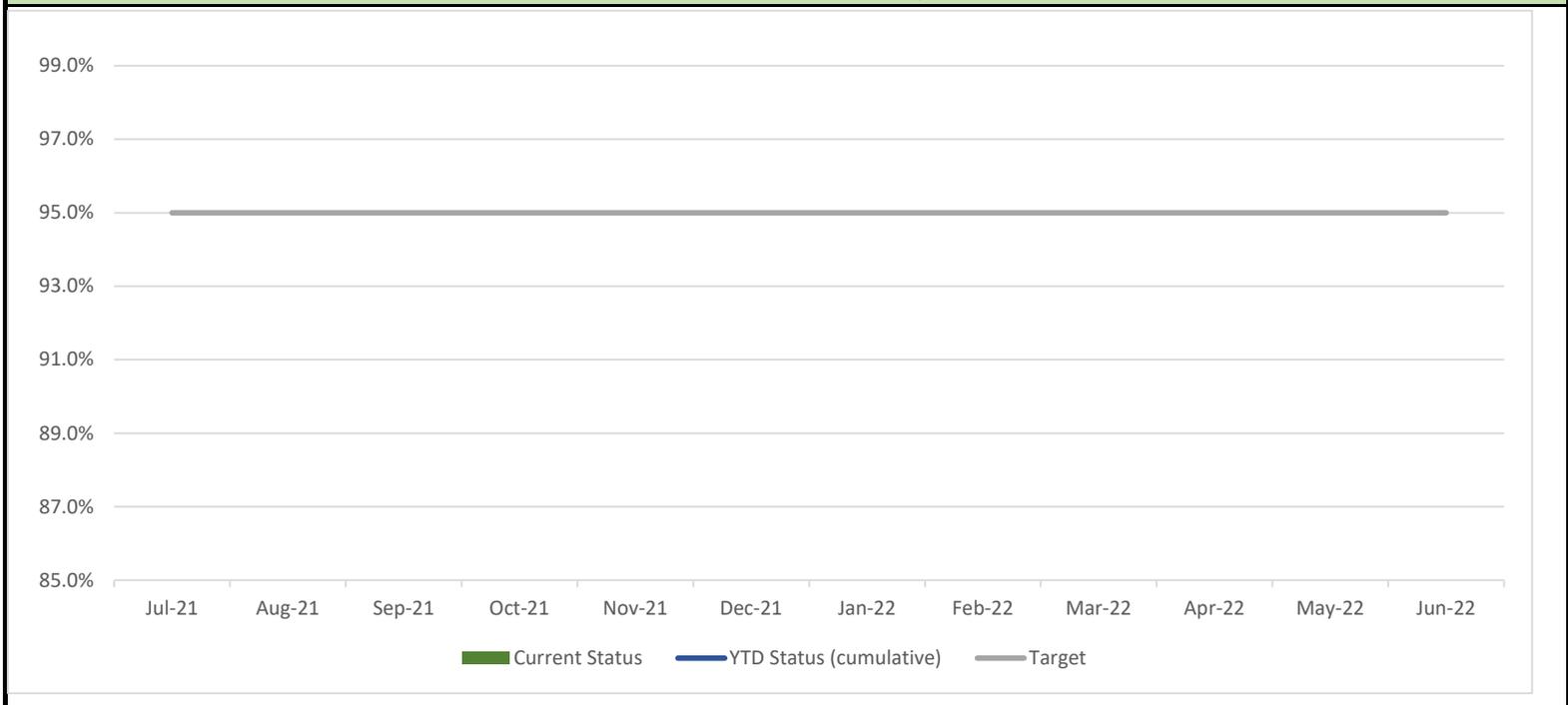


OM #	Operational Measure (OM)	Description	Strategic Goal	Target (Goal)	Current Status	YTD Status	Reporting Frequency	Comments
13	Preventable Employee Turnover	Percentage of employees voluntarily separating VRS employment due to preventable experiences	Exceptional Organizational Culture and Work Environment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

Reporting Period: July-21

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

**YTD Performance History**

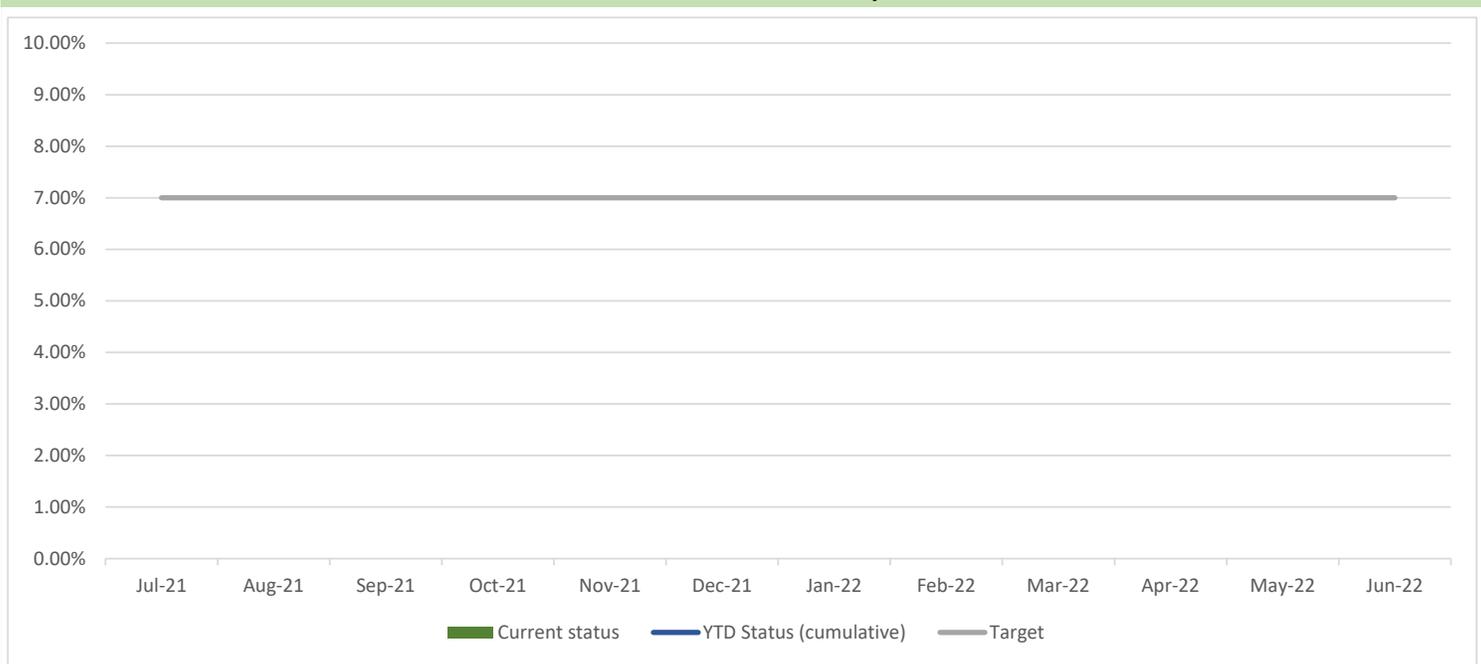


**VRS Mission:** VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

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

<b>Operational Measure</b>	Average Abandoned Call Rate		
<b>Strategic Goal</b>	Continuous Improvement of Effective and Efficient Operations		
<b>Description</b>	Percentage of calls to the Customer Counseling Center (CCC) that result in hang-ups while in the queue		
<b>Calculation Methodology</b>	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.		
<b>Data Source</b>	Customer Counseling Center Performance Report	<b>Reporting Frequency</b>	Monthly
<b>Target</b> (Performance Goal)	< 7.00%	<b>Baseline</b> (Performance History)	6.20%
<b>Target Rationale:</b> To account for anticipated high call volume due to system changes and the transition to a return to the office	<b>Baseline Rationale:</b> 5 year average = 6.2%		
<b>Current Reporting Month Status</b>	-	<b>YTD Status</b> (Cumulative; used at year-end to determine whether target has been met)	-
<b>Potential Constraints to Meeting Target</b>		<b>Mitigation Strategies</b>	
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	Ongoing pandemic and the transition to a return to the office impacts processes and agency resources, including system unavailability, which may cause an increase in call volume	Prepare a staffing augmentation plan for times when additional resources are needed on short notice to react to call influxes	
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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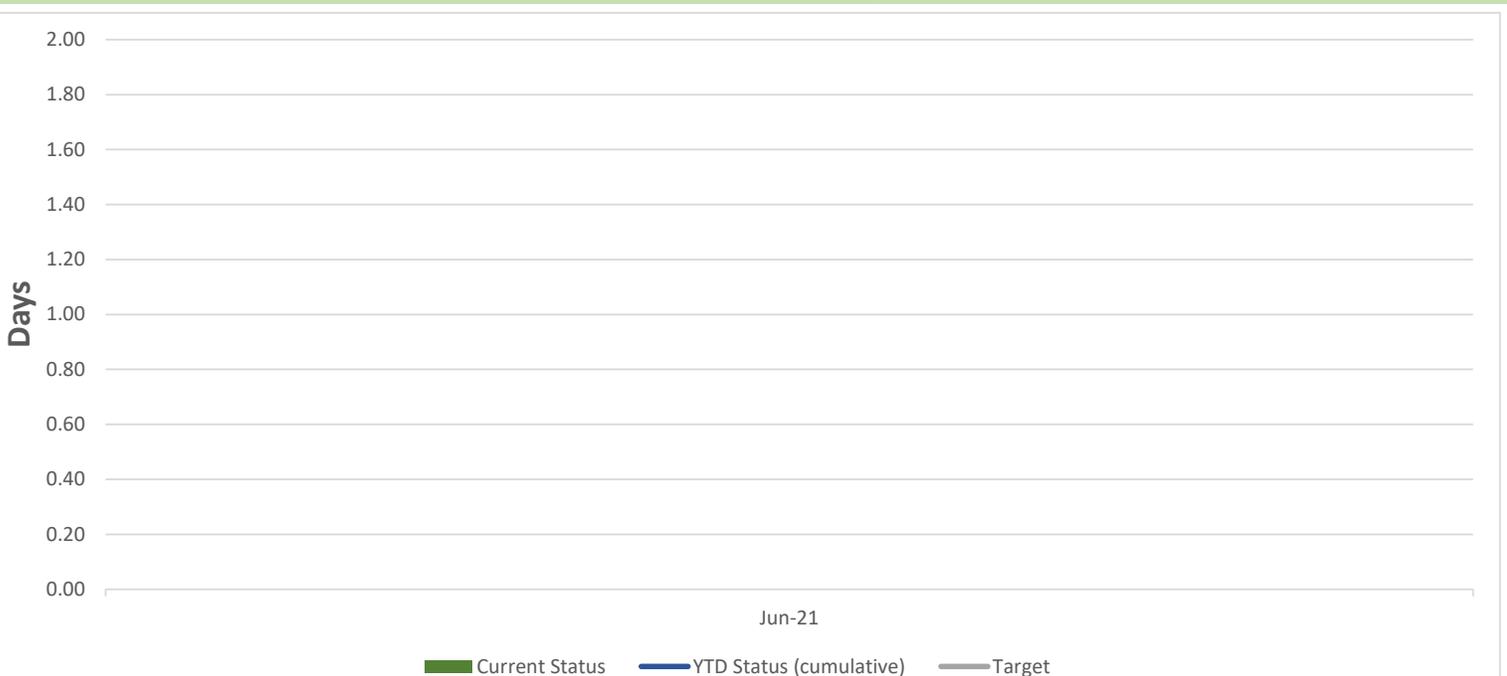
**VRS Vision:** To be the trusted leader in the delivery of benefits and services to those we serve.

# Fiscal Year 2022 Operational Measures

Reporting Period: July-21

<b>Operational Measure</b>	Timeliness of Response to Messages Received by the Customer Counseling Center (CCC)		
<b>Strategic Goal</b>	Continuous Improvement of Effective and Efficient Operations		
<b>Description</b>	Average response time to emails received by the CCC		
<b>Calculation Methodology</b>	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 2022, the CCC may transition its electronic communications from the current traditional email platform to secure messaging conducted through myVRS.		
<b>Data Source</b>	Customer Counseling Center Performance Report	<b>Reporting Frequency</b>	Monthly
<b>Target</b> (Performance Goal)	.75 business days	<b>Baseline</b> (Performance History)	1.30 business days
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 1.3 days</i>	
<b>Current Reporting Month Status</b>	-	<b>YTD Status</b> (Cumulative; used at year-end to determine whether target has been met)	-
<b>Potential Constraints to Meeting Target</b>		<b>Mitigation Strategies</b>	
1	Transition may occur in FY 2022 from traditional emails to secure messaging through the MyVRS portal	Proactively train CCC staff on the process changes that will occur when secure messaging is implemented	
2	Ongoing pandemic and transition to a return to the office impacts processes and agency resources, including email/secure messaging capabilities	Prepare a staff augmentation plan for times when additional resources are needed to address email backlogs resulting from system outages	
3	Historically high rate of turnover of CCC staff	Continue recruitment and retention measures to attract and retain CCC staff	

### YTD Performance History



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

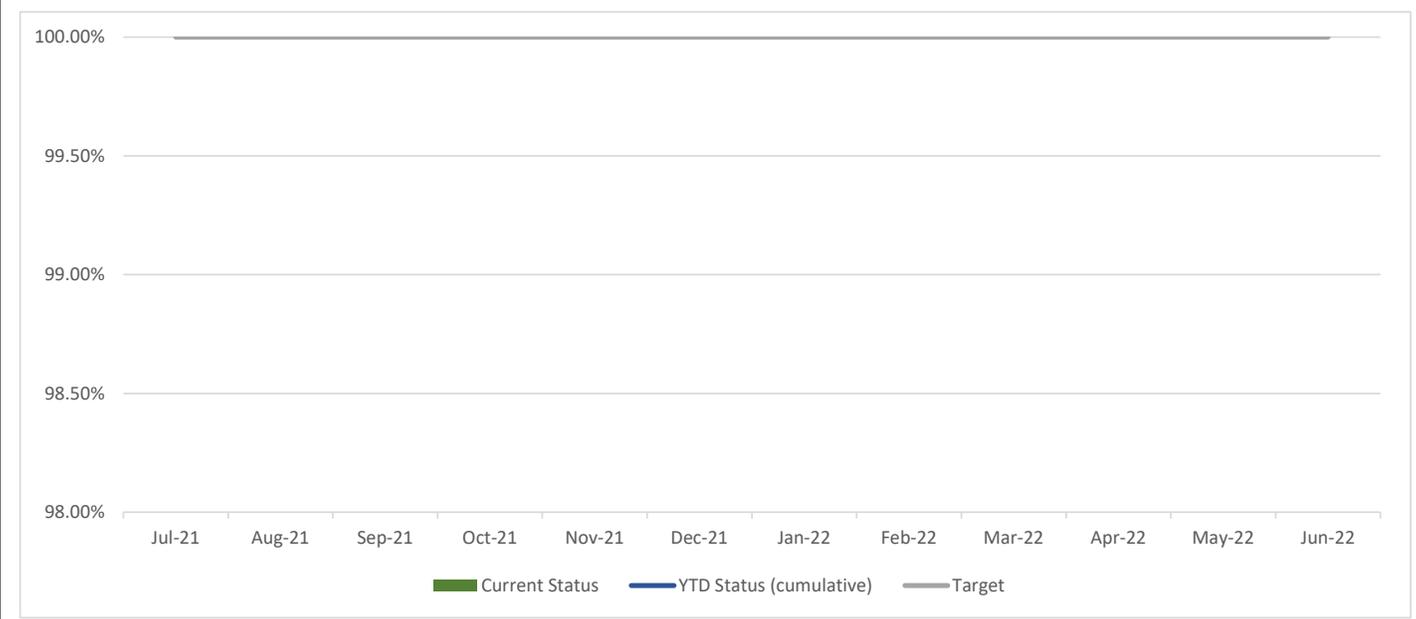
**VRS Vision:** To be the trusted leader in the delivery of benefits and services to those we serve.

Overall Measure: 13 of 16 meet or exceed target

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

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

**YTD Performance History**



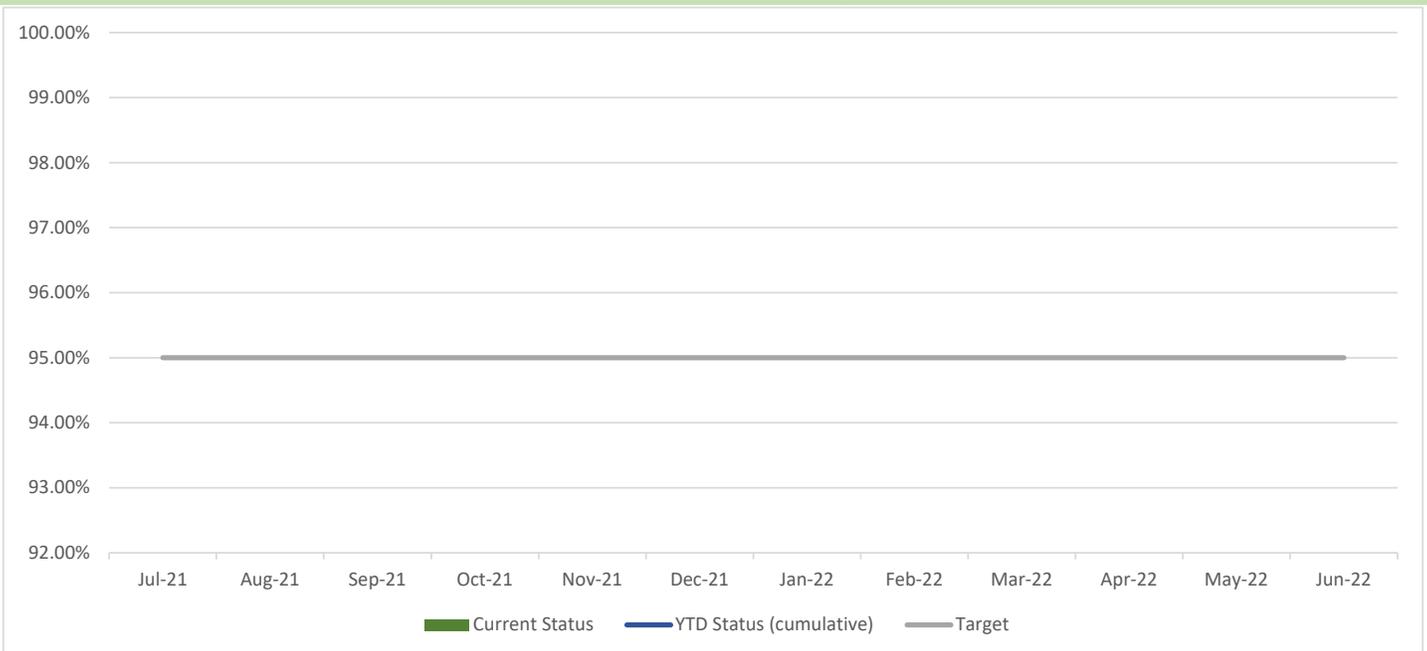
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<b>Operational Measure</b>	Timeliness of Service Retirements Processed		
<b>Strategic Goal</b>	Continuous Improvement of Effective and Efficient Operations		
<b>Description</b>	Percentage of service retirements processed so that retiring members are set up to receive retirement benefits on the first retirement payment date for which they are eligible		
<b>Calculation Methodology</b>	The number of service retirement payments processed by the first payment date on which the member is eligible to receive retirement benefits, divided by the total number of initial payments made for the same time period. The "first payment date on which the member is eligible to receive retirement benefits" is based on the date by which VRS receives a member's retirement application that is determined by VRS to be complete, accurate, and ready for payment processing. "Processed" is defined as funds having been paid to retirees; "disbursed" is defined as the funds having been paid out of the VRS account.		
<b>Data Source</b>	Service Retirement Performance Report	<b>Reporting Frequency</b>	Monthly
<b>Target (Performance Goal)</b>	95.00%	<b>Baseline (Performance History)</b>	97.90%
<i>Target Rationale: Accounts for system conversion and ongoing pandemic</i>		<i>Baseline Rationale: 5 year average = 97.90%</i>	
<b>Current Reporting Month Status</b>	-	<b>YTD Status</b> (Cumulative; used at year-end to determine whether target has been met)	-

Potential Constraints to Meeting Target		Mitigation Strategies
1	Ongoing implementation of myVRS enhancements, which will significantly change current processes	Provide ample opportunity for advanced training; augment staffing as needed to ensure adequate resources during transition
2	Ongoing pandemic and transition to a return to the office impacts processes and agency resources, including technology outages that limit ability to process retirements	Enact business continuity plan for technology outages
3	Sensitivity of data that requires strong controls and several levels of approvals; risk of staff absences or unavailability	Cross-train existing staff and ensure redundancy-of staff authorized to approve retirements

### YTD Performance History

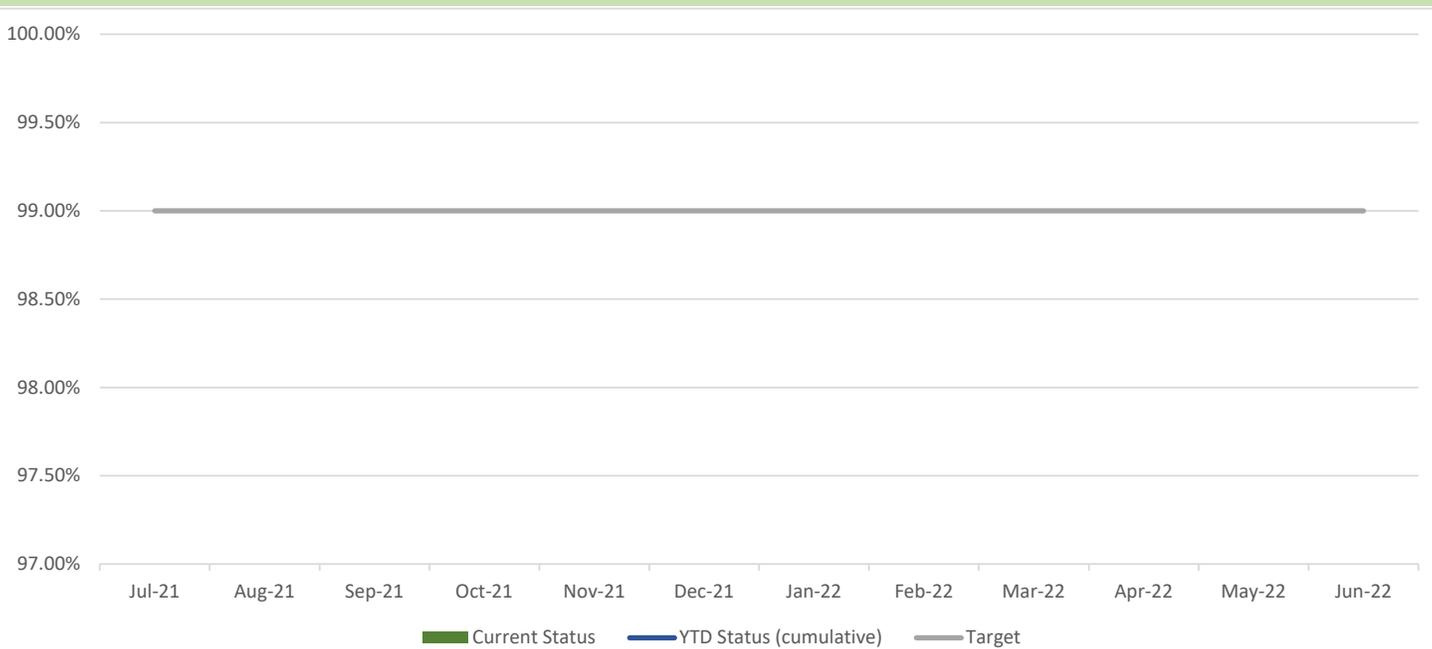


**VRS Mission:** VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

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<b>Operational Measure</b>	Accuracy of Service Retirements Processed		
<b>Strategic Goal</b>	Continuous Improvement of Effective and Efficient Operations		
<b>Description</b>	Percentage of service retirements processed for which the corresponding benefit payment correctly reflects the member's service record		
<b>Calculation Methodology</b>	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.		
<b>Data Source</b>	Service Retirement Performance Report	<b>Reporting Frequency</b>	Monthly
<b>Target (Performance Goal)</b>	99.00%	<b>Baseline (Performance History)</b>	99.00%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 99%</i>	
<b>Current Reporting Month Status</b>	-	<b>YTD Status (Cumulative; used at year-end to determine whether target has been met)</b>	-
<b>Potential Constraints to Meeting Target</b>		<b>Mitigation Strategies</b>	
1	Ongoing implementation of myVRS enhancements, which will significantly change current processes	Provide ample opportunity for advanced training; augment staffing as needed to ensure adequate resources during transition	
2	Ongoing pandemic and transition to a return to the office impacts processes and agency resources, including technology outages that limit ability to process retirements	Enact business continuity plan for technology outages	
3	Sensitivity of data that requires strong controls and several levels of approvals; risk of staff absences or unavailability	Cross-train existing staff and ensure redundancy of staff authorized to approve retirements	

**YTD Performance History**

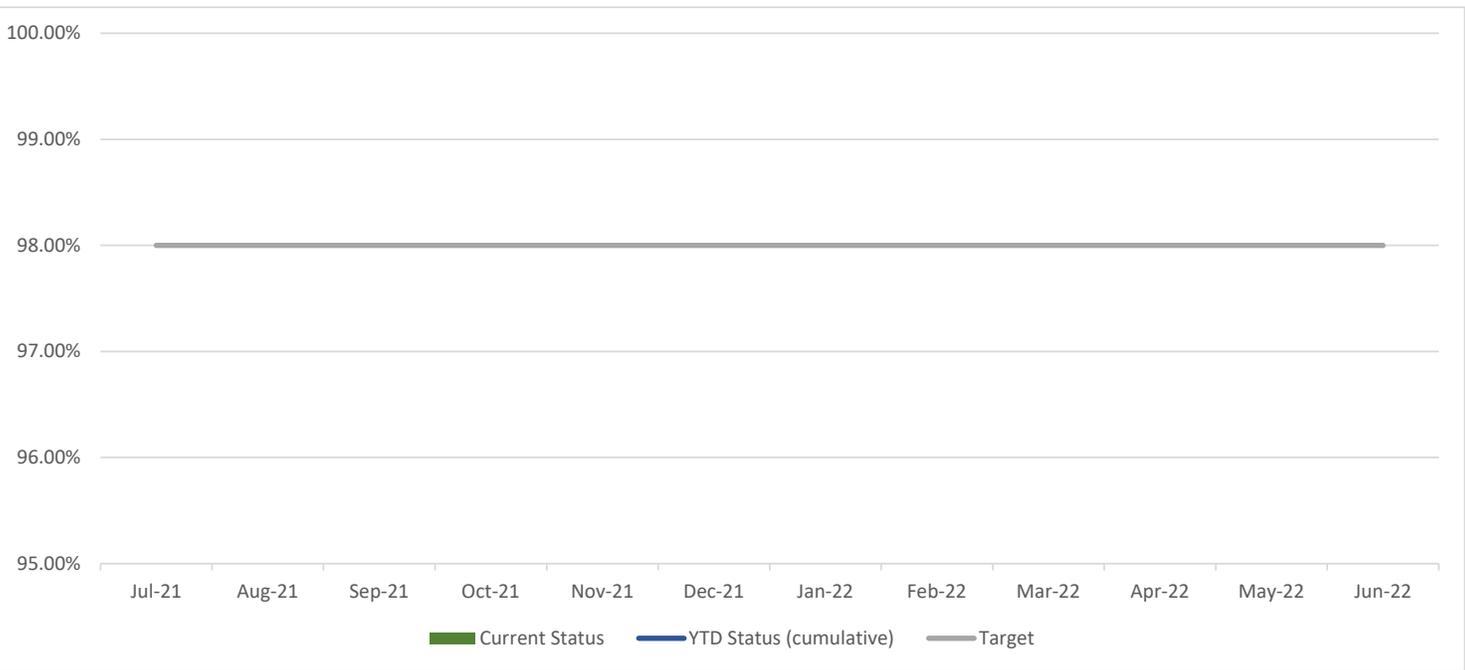


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**VRS Vision:** To be the trusted leader in the delivery of benefits and services to those we serve.

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

**YTD Performance History**

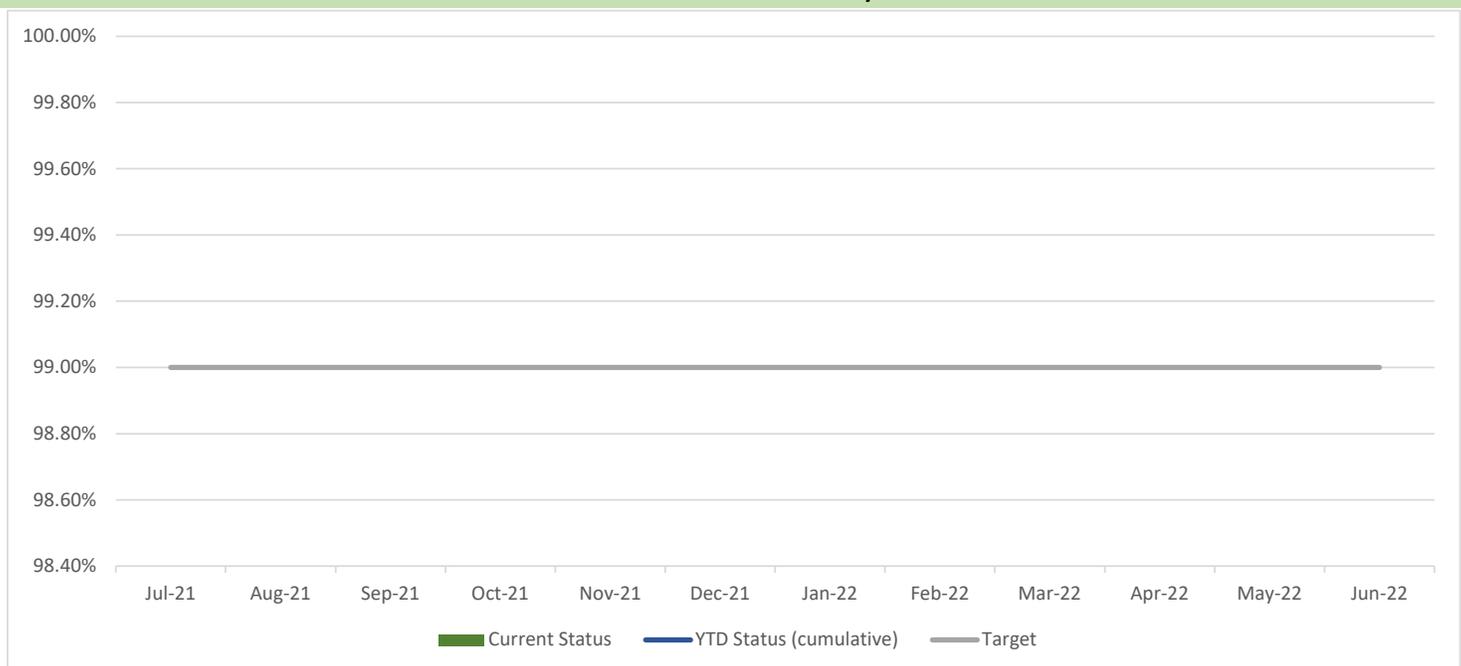


**VRS Mission:** VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

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

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

**YTD Performance History**

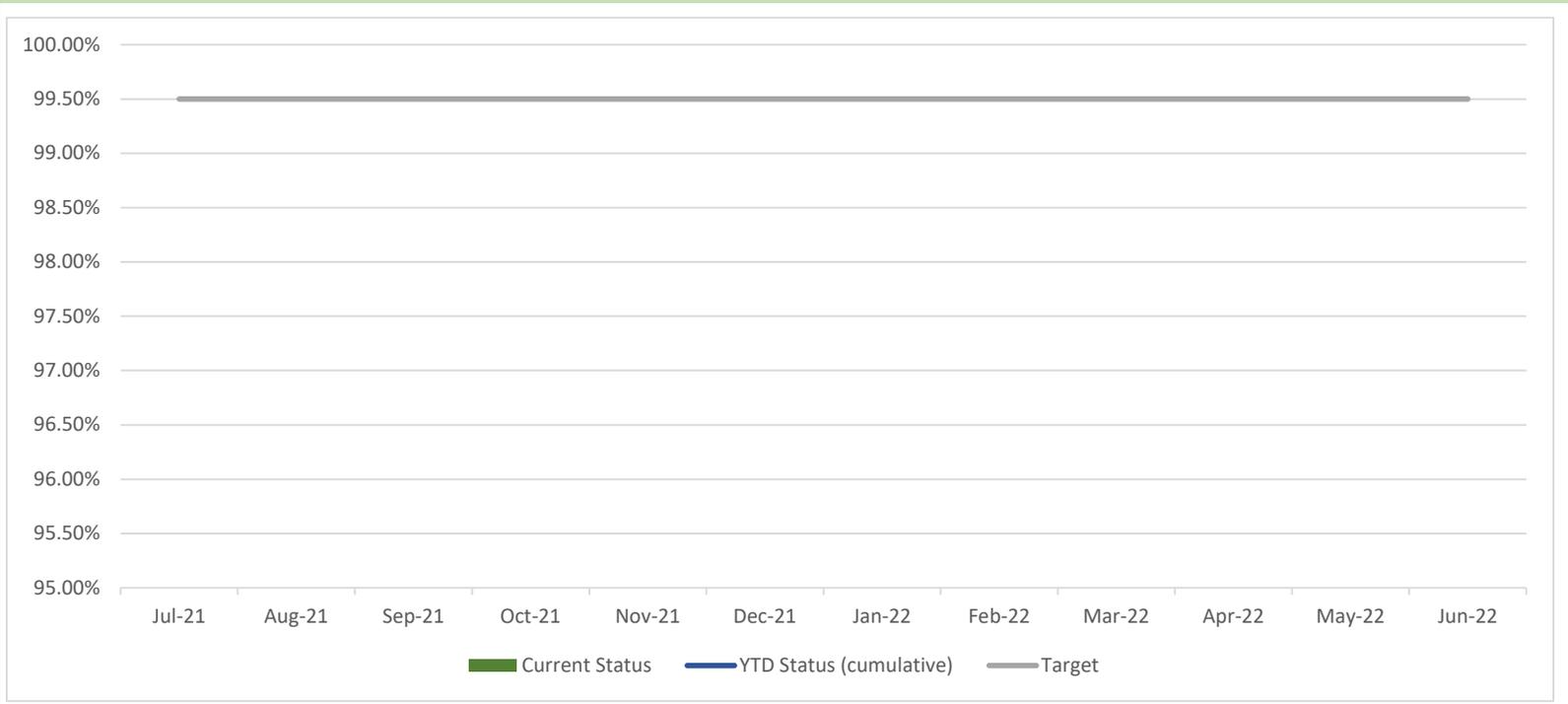


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<b>Operational Measure</b>	Timeliness of Workflow Documentation Imaging		
<b>Strategic Goal</b>	Continuous Improvement of Effective and Efficient Operations		
<b>Description</b>	Percentage of workflow documents imaged within one business day of receipt		
<b>Calculation Methodology</b>	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.		
<b>Data Source</b>	Technology Services SLEs Performance Report	<b>Reporting Frequency</b>	Monthly
<b>Target</b> (Performance Goal)	99.50%	<b>Baseline</b> (Performance History)	99.90%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 99.9%</i>	
<b>Current Reporting Month Status</b>	-	<b>YTD Status</b> (Cumulative; used at year-end to determine whether target has been met)	-
<b>Potential Constraints to Meeting Target</b>		<b>Mitigation Strategies</b>	
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 ongoing transition to online retirements that should reduce paper form intake levels)	
2	Ongoing pandemic and transition to a return to the office impacts processes and agency resources, including technology outages that limit system availability	Enact business continuity plan for technology outages	
3	Staffing constraints; specific skill set required limits feasibility for untrained staff to produce results with same efficiency and effectiveness	Establish a routine cross-training program to ensure well-trained staff are available at all times	

### YTD Performance History



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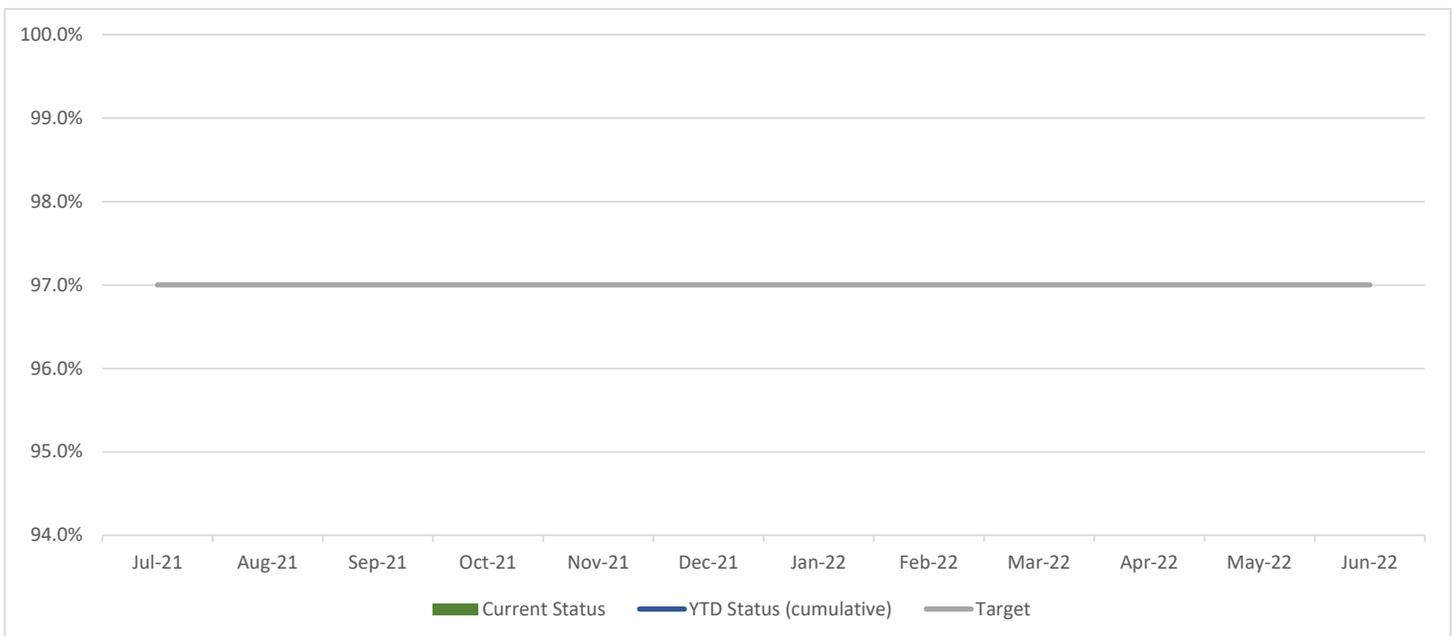
<b>Operational Measure</b>	Planned IT System Availability																																																						
<b>Strategic Goal</b>	Superior Technological Tools that Enable Efficient Delivery of Service																																																						
<b>Description</b>	Percentage of time critical systems are available during periods of planned availability																																																						
<b>Calculation Methodology</b>	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.																																																						
<b>Data Source</b>	Technology Services SLEs Performance Report	<b>Reporting Frequency</b>	Monthly																																																				
<b>Target</b> (Performance Goal)	99.50%	<b>Baseline</b> (Performance History)	99.90%																																																				
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<b>Current Reporting Month Status</b>	-	<b>YTD Status</b> (Cumulative; used at year-end to determine whether target has been met)	-																																																				
<b>Potential Constraints to Meeting Target</b>		<b>Mitigation Strategies</b>																																																					
1	Failure on the part of third party business partners to provide dependent services	Implement back-up plans (ex: different phone line)																																																					
2	Ongoing pandemic and transition to a return to the office impacts processes and agency resources, including technology outages that limit system availability	Enact business continuity plan for technology outages																																																					
3	Timing of a potential system failure that limits staff resources available to respond immediately	Strategically plan staffing availability to address potential system failures in the most effective manner																																																					
<b>YTD Performance History</b>																																																							
<table border="1"> <caption>YTD Performance History Data</caption> <thead> <tr> <th>Month</th> <th>Current Status</th> <th>YTD Status (cumulative)</th> <th>Target</th> </tr> </thead> <tbody> <tr> <td>Jul-21</td> <td>99.50%</td> <td>99.50%</td> <td>99.50%</td> </tr> <tr> <td>Aug-21</td> <td>99.50%</td> <td>99.50%</td> <td>99.50%</td> </tr> <tr> <td>Sep-21</td> <td>99.50%</td> <td>99.50%</td> <td>99.50%</td> </tr> <tr> <td>Oct-21</td> <td>99.50%</td> <td>99.50%</td> <td>99.50%</td> </tr> <tr> <td>Nov-21</td> <td>99.50%</td> <td>99.50%</td> <td>99.50%</td> </tr> <tr> <td>Dec-21</td> <td>99.50%</td> <td>99.50%</td> <td>99.50%</td> </tr> <tr> <td>Jan-22</td> <td>99.50%</td> <td>99.50%</td> <td>99.50%</td> </tr> <tr> <td>Feb-22</td> <td>99.50%</td> <td>99.50%</td> <td>99.50%</td> </tr> <tr> <td>Mar-22</td> <td>99.50%</td> <td>99.50%</td> <td>99.50%</td> </tr> <tr> <td>Apr-22</td> <td>99.50%</td> <td>99.50%</td> <td>99.50%</td> </tr> <tr> <td>May-22</td> <td>99.50%</td> <td>99.50%</td> <td>99.50%</td> </tr> <tr> <td>Jun-22</td> <td>99.50%</td> <td>99.50%</td> <td>99.50%</td> </tr> </tbody> </table>				Month	Current Status	YTD Status (cumulative)	Target	Jul-21	99.50%	99.50%	99.50%	Aug-21	99.50%	99.50%	99.50%	Sep-21	99.50%	99.50%	99.50%	Oct-21	99.50%	99.50%	99.50%	Nov-21	99.50%	99.50%	99.50%	Dec-21	99.50%	99.50%	99.50%	Jan-22	99.50%	99.50%	99.50%	Feb-22	99.50%	99.50%	99.50%	Mar-22	99.50%	99.50%	99.50%	Apr-22	99.50%	99.50%	99.50%	May-22	99.50%	99.50%	99.50%	Jun-22	99.50%	99.50%	99.50%
Month	Current Status	YTD Status (cumulative)	Target																																																				
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<b>Operational Measure</b>	Timeliness of Employer Contribution Confirmations		
<b>Strategic Goal</b>	Superior Technological Tools that Enable Efficient Delivery of Service		
<b>Description</b>	Percentage of Employer Contribution Confirmation (CC) snapshots completed in VNAV by the end of the month in which they are due		
<b>Calculation Methodology</b>	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.		
<b>Data Source</b>	Employer Reporting Contribution Confirmation and Payment Status Report	<b>Reporting Frequency</b>	Monthly
<b>Target</b> (Performance Goal)	97.00%	<b>Baseline</b> (Performance History)	97.60%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 97.60%</i>	
<b>Current Reporting Month Status</b>	-	<b>YTD Status</b> (Cumulative; used at year-end to determine whether target has been met)	-
<b>Potential Constraints to Meeting Target</b>		<b>Mitigation Strategies</b>	
1	Dependence on over 1,000 employers to submit their confirmations on time every month	Proactively communicate with employers with a focus on those with a history of delinquent submissions to mediate potential causes for delay	
2	Impact of ongoing pandemic and transition to a return to the office on resources at the employer level that prevent their timely submission of CC snapshots	Proactively communicate with employers to identify potential impacts and assist as appropriate with the submission process	
3	Cardinal implementation for state employers may delay timely submission due to additional responsibilities during Cardinal transition	Provide notice to state employers of potential for delay due to Cardinal implementation and advise that they prepare to ensure timely report submission	

**YTD Performance History**

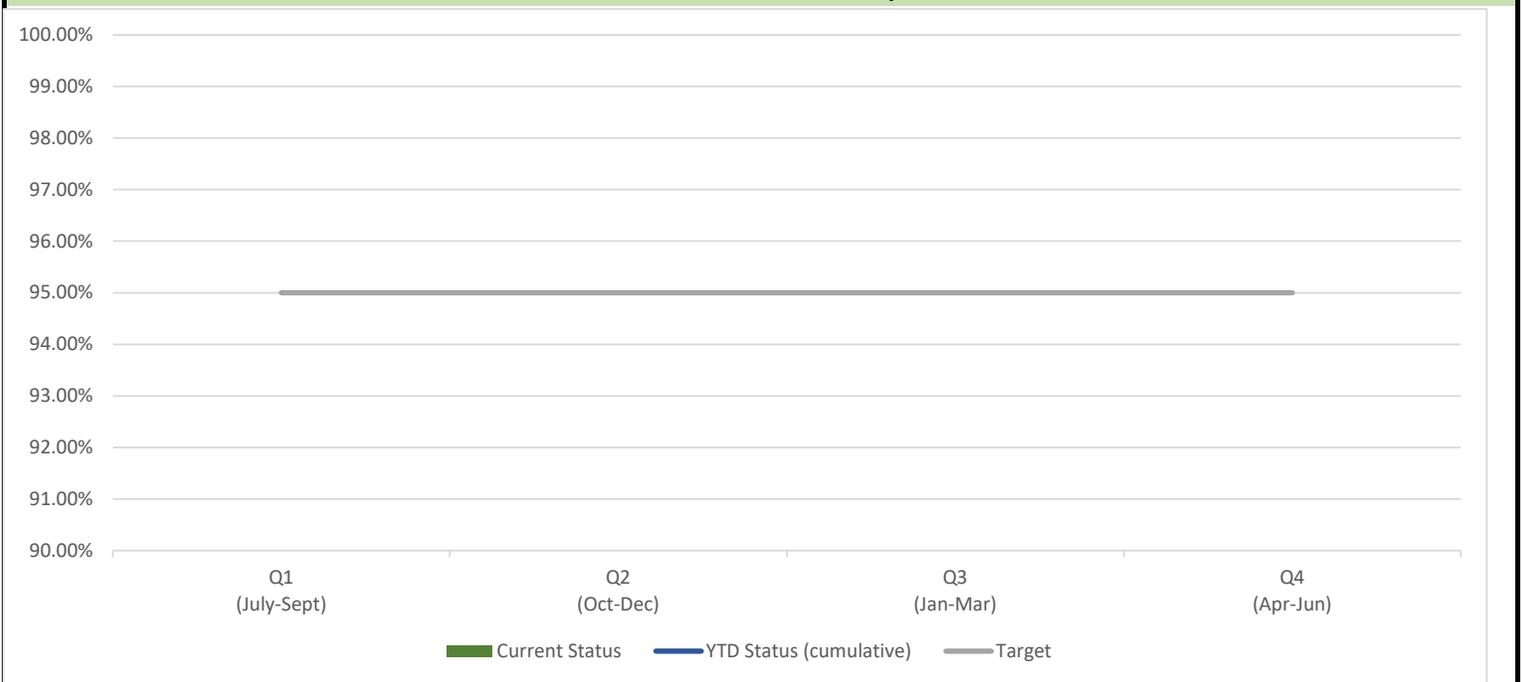


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<b>Operational Measure</b>	Implementation of Corrective Action to Audit Recommendations		
<b>Strategic Goal</b>	Continuous Improvement of Effective and Efficient Operations		
<b>Description</b>	Percentage of audit recommendations for which VRS management represents that corrective action has been implemented by the approved target date		
<b>Calculation Methodology</b>	The number of audit recommendations for which VRS management has represented that corrective action has been implemented, divided by the total number of audit recommendations for which corrective action is needed as of the date the measure is calculated. VRS management establishes target dates and provides periodic updates to Audit regarding whether actions have been taken. Audit tracks responses in the Audit Recommendation Follow-Up System (ARFUS).		
<b>Data Source</b>	ARFUS	<b>Reporting Frequency</b>	Quarterly
<b>Target</b> (Performance Goal)	> 95.00%	<b>Baseline</b> (Performance History)	94.00%
<i>Target Rationale: Maintain recent performance</i>		<i>Baseline Rationale: 5 year average = 94.00%</i>	
<b>Current Reporting Month Status</b>	-	<b>YTD Status</b> (Cumulative; used at year-end to determine whether target has been met)	-
<b>Potential Constraints to Meeting Target</b>		<b>Mitigation Strategies</b>	
1	High cost to implement necessary corrective action	Work within existing agency allocations and, if necessary, also with state budgetary processes to obtain resources needed to effectuate corrective action	
2	Limited staff resources to effectively implement necessary corrective action	Adjust allocation of staffing resources to enable corrective action implementation	
3	External factors that delay ability to take necessary corrective action (ex: legislative mandates that redirect agency resources, ongoing pandemic)	Communicate with DEC and Audit regarding possible adjustment of target date to accommodate timeline of when resources will be available	

**YTD Performance History**



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# Fiscal Year 2022 Operational Measures

Reporting Period: July-21

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

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<b>Operational Measure</b>	Cost to Administer Defined Benefit Plans		
<b>Strategic Goal</b>	Strong Financial Viability		
<b>Description</b>	Annual pension administration cost for defined benefit plans, as compared to peer group median reported by CEM Benchmarking, Inc.		
<b>Calculation Methodology</b>	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 2022. At that time the FY 2021 annual agency cost will be compared to the to the FY 2021 CEM peer cost to determine whether VRS's cost is lower than the peer average.		
<b>Data Source</b>	CEM Benchmarking, Inc.	<b>Reporting Frequency</b>	Annual
<b>Target</b> (Performance Goal)	Lower than the FY 2021 CEM Peer Cost Average	<b>Baseline</b> (Performance History)	N/A
<i>Target Rationale: Measuring VRS annual administrative cost for FY 2021 against the most current peer data as provided by CEM Benchmarking, Inc.</i>		<i>Baseline Rationale: N/A</i>	
<b>Current Reporting Month Status</b>	-	<b>YTD Status</b> (Used at year-end to determine whether target has been met)	-
<b>Potential Constraints to Meeting Target</b>		<b>Mitigation Strategies</b>	
1	Significant unanticipated costs to administer pension plans due to external influences, including the ongoing pandemic and transition to a return to the office	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 2021 CEM cost not known until late into FY 2022 (limiting agency ability to react if missing target)	Proactively calculate and monitor agency administrative cost in anticipation of receiving the FY 2021 CEM cost; adjust agency spending if out of line with recent CEM peer cost averages	
<b>YTD Performance History</b>			
<p>[Average Pension Administration Cost for VRS' Peer Group, as provided by CEM Benchmarking, will be known in spring 2020]</p>			
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<b>Operational Measure</b>	Systems Security Awareness		
<b>Strategic Goal</b>	Continuous Improvement of Effective and Efficient Operations		
<b>Description</b>	Percentage of eligible staff who have completed security training in compliance with the agency's and Commonwealth's security policies		
<b>Calculation Methodology</b>	Percentage of eligible staff who have completed the agency's annual security training, VRS User IT Security Policy Training ("security training"), divided by the total eligible agency staff. Employees who join the agency during FY 2022 are required to complete security training within 30 days after their start date. All staff are required to complete the training during the annual training window. The training provides information on such critical security practices as protecting sensitive data, utilizing effective passphrases, reviewing acceptable technology use policies, being on alert for phishing and other malpractices, and more. <b>The percentage is calculated on a cumulative basis and reported annually (with the total requirement recalculated monthly as new staff are hired and required to obtain security training).</b>		
<b>Data Source</b>	Technology Services SLEs Performance Report	<b>Reporting Frequency</b>	Annual
<b>Target</b> (Performance Goal)	100.00%	<b>Baseline</b> (Performance History)	100.00%
<i>Target Rationale: Maintain high security awareness</i>		<i>Baseline Rationale: All VRS staff completed security training in FY 2020</i>	
<b>Current Status</b>	-	<b>YTD Status</b> (Cumulative; used at year-end to determine whether target has been met)	-
<b>Potential Constraints to Meeting Target</b>		<b>Mitigation Strategies</b>	
1	Unavailability of the Virginia Learning Center (VLC, a non-VRS application) for training	Provide sufficient time for staff to obtain training within prescribed timeline to allow for possible VLC system unavailability	
2	Ongoing pandemic and transition to a return to the office impacts processes and agency resources, including technology outages that limit system availability	Enact business continuity plan for technology outages	
3	New training requirements as set-forth by the Commonwealth Security Policy that require changes to the prepared security training	Proactively coordinate with different units within VRS to ensure sufficient time and resources to make necessary changes to the prepared training	
<b>YTD Performance History</b>			
[Reported as an annual measure]			

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<b>Operational Measure</b>	Employee Professional Development		
<b>Strategic Goal</b>	Highly Skilled and Trained Staff		
<b>Description</b>	Percentage of full-time VRS administration employees receiving at least 8 hours of professional development		
<b>Calculation Methodology</b>	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, 2021 who are not on short- or long-term disability or FMLA during FY 2022. 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.		
<b>Data Source</b>	Human Resources Performance Report	<b>Reporting Frequency</b>	Annual
<b>Target</b> (Performance Goal)	85.00%	<b>Baseline</b> (Performance History)	91.30%
<i>Target Rationale: Maintain recent performance and increased total # of hours</i>		<i>Baseline Rationale: 5 year average = 91.32%</i>	
<b>Current Status</b>	-	<b>YTD Status</b> (Cumulative; used at year-end to determine whether target has been met)	-
<b>Potential Constraints to Meeting Target</b>		<b>Mitigation Strategies</b>	
1	Limited staff flexibility to obtain professional development due to significant staff time dedicated to cloud migration and other system enhancements.	Encourage staff to plan for professional development opportunities before and/or after periods of time dedicated to cloud migration and other system enhancements.	
2	Dependence on IT system availability/accessibility for trainings and/or time tracking	Advise staff to plan to be proactive about obtaining professional development and reporting their hours earned as they go	
3	Limited progressive course availability on relevant subject matter area	Ongoing communication between managers and staff to expand and identify new learning opportunities	
<b>YTD Performance History</b>			
[Reported as an annual measure]			
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# AGENCY PERFORMANCE OUTCOMES STATUS REPORT

## FISCAL YEAR 2022

### Summary

**APO Status Indicator**

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

*Overall Measure: 3 of 4 completed*

APO #	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
1	<b>Cloud Migration</b> <i>(Measure: 4 of 6 completed)</i>												
2	<b>Records Management Program - Phase 1 Implementation</b> <i>(Measure: 3 of 3 completed)</i>												
3	<b>ERM Implementation</b> <i>(Measure: 3 of 3 completed)</i>												
4	<b>Cardinal HCM Implementation - The Plan (Track 1), Agency (Track 2) and Retiree (Track 3)</b> <i>(Measure: 6 of 6 completed)</i>												

\*Note: Ongoing meetings, data exchanges, testing, and reconciliations continue between VRS, DOA and other stakeholder groups. Further progress of the Cardinal HCM project needs to be completed before VRS can initiate the tasks outlined in APO #4.



## AGENCY PERFORMANCE OUTCOMES STATUS REPORT

### FISCAL YEAR 2022

#### APO 1

**APO Status Indicator**

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

*APO 1 Measure: 4 of 6 completed*

APO #	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
<b>1 Cloud Migration</b>													
1.1	Complete Azure Security and Governance design and configure VRS Azure tenant to meet security standards.												
1.2	Adjust Security and Governance settings as workloads are migrated to Azure Cloud, per the approved plan.												
1.3	Implement Azure Modern Service Management processes and complete operational and process readiness activities, per the approved plan, for successful operation of the VRS Azure environment.												
1.4	Complete high-level planning, discovery and assessment activities for workload migrations to Cloud.												
1.5	Initiate lift and shift workloads migration to the Cloud in accordance with the approved plan.												
1.6	Begin Investments workload migrations to the Cloud, including user readiness, education and training activities, as applicable.												



## AGENCY PERFORMANCE OUTCOMES STATUS REPORT

### FISCAL YEAR 2022

#### 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
<b>2 Records Management Program - Phase 1 Implementation</b>													
2.1	Complete current state analysis to identify existing records management processes across business units.												
2.2	Develop and initiate detailed records management program strategy.												
2.3	Develop detailed records management program implementation plan.												
2.4	Initiate implementation plan.												



## AGENCY PERFORMANCE OUTCOMES STATUS REPORT

### FISCAL YEAR 2022

#### 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: 3 of 3 completed*

APO #	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
<b>3</b>	<b>ERM Implementation</b>												
3.1	Complete the ERM risk monitoring plan.												
3.2	Initiate development of the ERM validation program.												
3.3	Develop initial ERM dashboard.												



## AGENCY PERFORMANCE OUTCOMES STATUS REPORT

### FISCAL YEAR 2022

#### APO 4

**APO Status Indicator**

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

*APO 4 Measure: 6 of 6 completed*

APO #	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
<b>4 Cardinal HCM Implementation - The Plan (Track 1), Agency (Track 2) and Retiree (Track 3)</b>													
4.1	Track 1 (Agency) – To the extent provided within DOA’s overall project schedule, complete all testing activities for the Agency component of Cardinal HCM project, complete data conversion (if applicable) and implement the changes in production. Complete post-production quality monitoring activities (if applicable).												
4.2	Track 1 (Agency) - To the extent provided within DOA’s overall project schedule, complete necessary training, education, communication and operational readiness activities. Transition the project to steady state operations (if applicable).												
4.3	Track 2 (Plan) - To the extent provided within DOA’s overall project schedule, complete all testing activities for the Plan component of the Cardinal HCM project, complete data conversion (if applicable) and implement the changes in production. Complete post-production quality monitoring activities (if applicable).												
4.4	Track 2 (Plan) - To the extent provided within DOA’s overall project schedule, complete necessary training, education, communication and operational readiness activities. Transition the project to steady state operations (if applicable).												
4.5	Track 3 (Retiree) - To the extent provided within DOA’s overall project schedule, complete all testing activities for the Retiree component of the Cardinal HCM project, complete data conversion (if applicable) and implement the changes in production. Complete post- production quality monitoring activities (if applicable).												
4.6	Track 3 (Retiree) - To the extent provided within DOA’s overall project schedule, complete necessary training, education, communication and operational readiness activities. Transition the project to steady state operations (if applicable).												

\*Note: Ongoing meetings, data exchanges, testing, and reconciliations continue between VRS, DOA and other stakeholder groups. Further progress of the Cardinal HCM project needs to be completed before VRS can initiate the tasks outlined in APO #4.

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## Report

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

### **APPROVAL OF MINUTES**

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

### **PURCHASE OF PRIOR SERVICE NORMAL COST RATES**

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

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

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

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

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

**INFORMATION ITEM**

B&A Committee Meeting Schedule

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

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

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William A. Garrett, Vice Chair  
Benefits and Actuarial Committee



**Approve updated rates for purchase of prior service  
for Plan 1, Plan 2 and Hybrid Plan members,  
effective July 1, 2021.**

---

**Requested Action**

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

**Description/Background**

*Code of Virginia* § 51.1-142.2(A) states in pertinent part, “For each year or portion thereof to be credited at the time of purchase under this subsection, the member shall pay the approximate normal cost of the retirement plan under which the member is covered at the time of such purchase, as determined by the Board in its sole discretion.” This approximate normal cost rate is applicable for a period of 24 months following the member’s first date of hire or the final day of any applicable leave of absence for which service credit may be purchased, after which the cost to purchase such service changes to the actuarial equivalent cost.

**Rationale for Requested Action**

The Plan Actuary developed three rate groups for this purpose, and each group for this purpose is considered the “retirement program under which the [affected] member is covered.” Moreover, the Plan Actuary developed a separate rate for Plan 1, Plan 2, Hybrid Plan, and alternate hazardous duty as applicable.

The groups are:

- Regular VRS (i.e., state employees, local non-hazardous duty employees, and teachers);
- Hazardous duty employees (i.e., SPORS, VaLORS and local hazardous duty); and
- Judges

The Plan Actuary’s calculations reflect assumption and method changes from the most recent experience study for the period from July 1, 2016 to June 30, 2020 and the combined normal cost for each of the groups above. The Board approved the Plan Actuary’s recommended changes to the assumptions and methods from this experience study at its meeting on April 20, 2021.

Following is a table with the recommended rates by group and plan.

Members	Plan 1	Plan 2	Hybrid	Alternate Hazardous Duty
Regular VRS (State, Teachers, and Political Subdivision Non-Hazardous Duty)	12.54%	10.89%	6.68%	
Hazardous Duty Employees (SPORS, VaLORS, and Political Subdivision)	21.64%	19.97%		9.20%
Judges	35.03%	33.13%	18.12%	

Hazardous duty employees are not eligible for the Hybrid Plan, making it unnecessary to calculate a normal cost rate for that category. The alternate hazardous duty rate applies to a very small number of employers who have not adopted all the enhanced benefits for their hazardous duty employees (e.g., age and service eligibility but no hazardous duty supplement).

**Authority for Requested Action**

*Code of Virginia* § 51.1-142.2(A) authorizes the Board to determine the rates for purchase of prior service by Plan 1, Plan 2 and Hybrid Plan members, and this determination may be made by the Board in its sole discretion.

The above action is approved.

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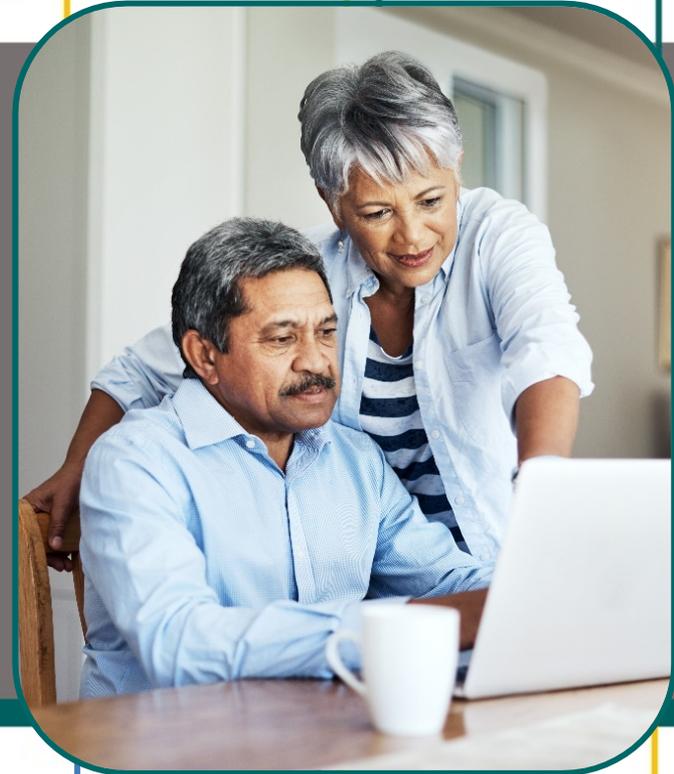
O’Kelly E. McWilliams, III, Chair  
VRS Board of Trustees

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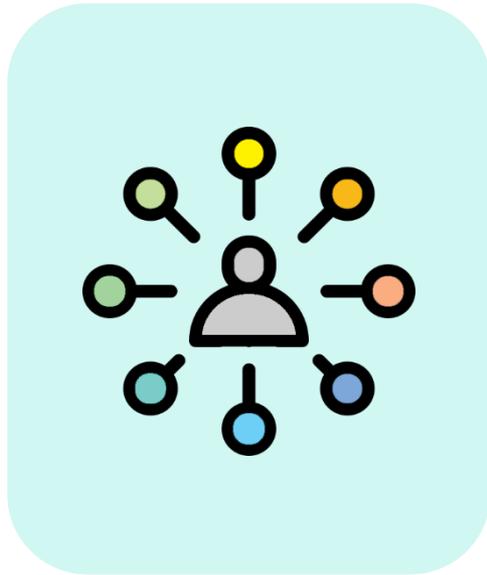
Date

# Enhancing the Customer Experience With Online Retirement

Operational Update Series



# Our Vision for Online Retirement: Excellent Experience for Members



**Customer-Focused**

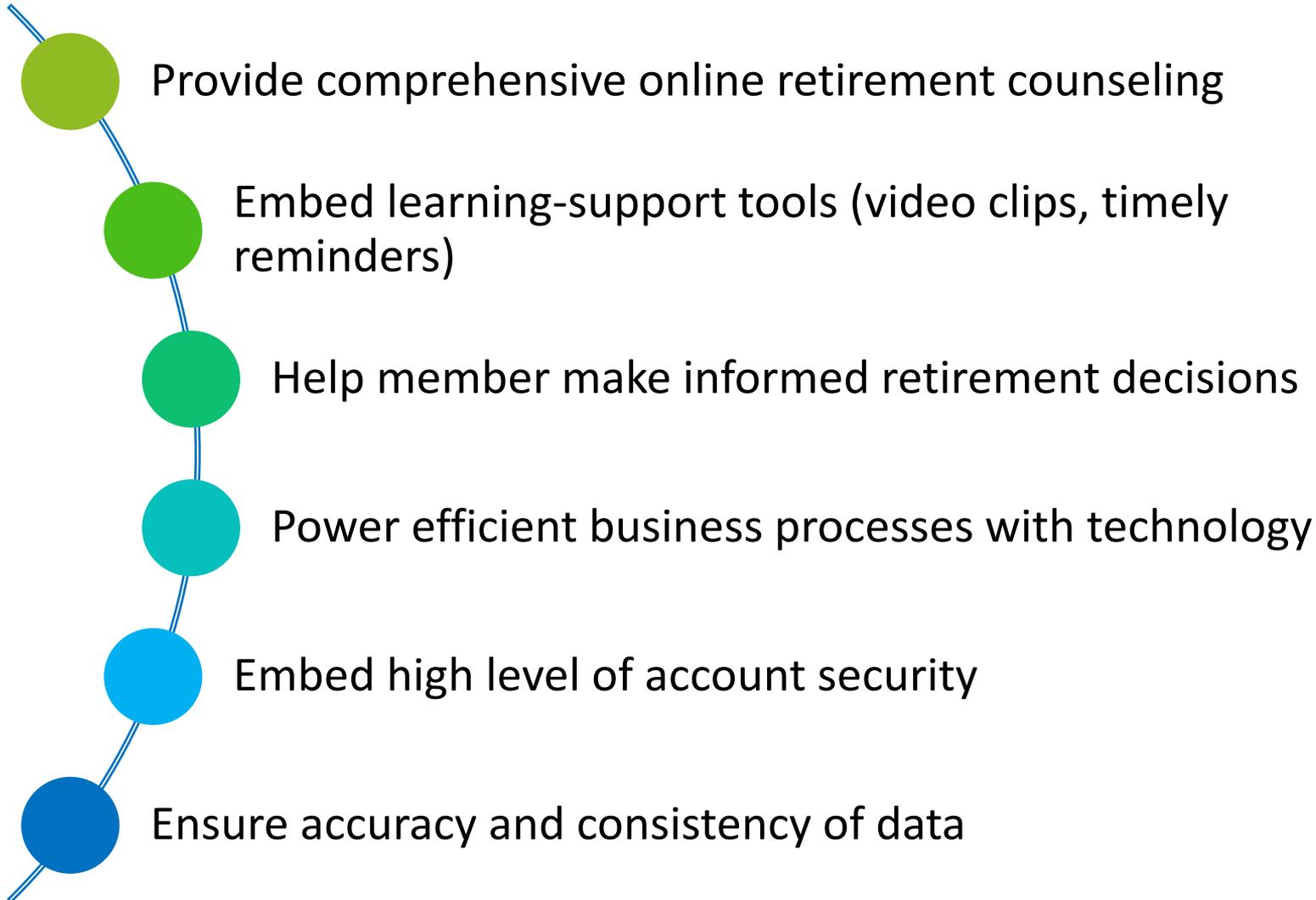


**Business-Driven**

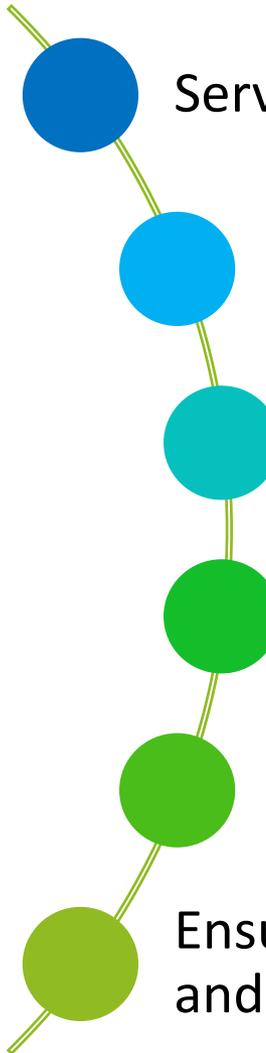


**Technology-Enabled**

# Our Vision: Objectives



# Our Vision: Online Self-Service

- 
- Services are available when customers want them
  - Make it easy to manage VRS benefits and services
  - Anticipate customer needs
  - Right information > right customer > at the right time
  - Deliver personal, positive and consistent experience
  - Ensure consistent, accurate retirement education, resources and counseling

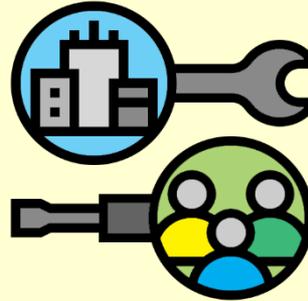
# Collaboration Across Departments



**Education  
& Training**



**External  
Public Relations  
& Communications**



**Operational  
Readiness**



**Employer  
Representative Team**



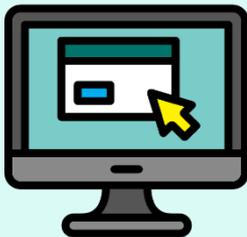
**Internal  
Communications**



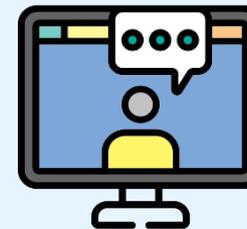
**Member Newsletters,  
Website and Handbooks**



**Contact Center Training**



**Employer Outreach &  
Communications**



**Employer Training**

# Online Retirement Resources for Employers

## Online Retirement

- Advancements in member service
- Not initially open to all members
- Paper forms remain available

## Online Certification in myVRS Navigator

- Pending and VRS-approved retirements
- Secure messaging
- Purchases of service or sick leave and disability credit conversion
- Employee separations
- Monthly snapshot
- Reports and data

## Online Features for Members

- Submission process
- Additional self-service features to come



[employers.varetire.org](https://employers.varetire.org)

Online retirement resources and updates for employers

# Ready to Retire Online?



# Planning Your Retirement

- Are you ready and eligible to retire?
- Have you created a retirement plan and estimated your benefits?
- Review your work and compensation history
- Start your application

Home \ Manage My Benefits \ Apply for Retirement

## Are You Ready to Retire?



Congratulations on your years of service and all that you have accomplished as a public service employee. Now it's time to focus on yourself, your loved ones and your goals for the next phase of your life.

Before you apply for retirement, have you created a recent benefit estimate and used the retirement planner to ensure you are on track to retire? Check out those tools before you begin. Also, see the Helpful Links & Resources below for additional information about your benefits.

 [Create a Benefit Estimate](#)

---

### Before You Apply

**Review Your Compensation History**  
Our records show your most recent compensation earned as a VRS-covered employee is \$99,304.19.



**Review Your Employment History**  
Our records show you have 32 yrs, 3.6 mos of defined benefit service.



**Remember to Notify Your Employer**  
Let your employer know when you plan to retire.



**Purchase Prior Service (PPS)**  
VRS does not have any prior service indicated on your record; however, you may have unreported eligible service to purchase.



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### Start Your Retirement Application

Did you review the Before You Apply section and take the recommended actions? If so, click the button below to begin your retirement application. You can apply up to four months in advance. You can stop your application at any point, and myVRS will save your progress.

[Apply Now](#)

---



#### Did you know?

When you submit your retirement application, processing begins. If you need to make a change, select the cancel button on the Pending Transactions page. Canceling will withdraw your application, and you can start a new application when ready. If the cancel button is not visible, call VRS at 888-827-3847 for assistance.

---

#### I Want To...

-  [Create a Benefit Estimate](#)
-  [Plan for Retirement](#)
-  [Learn About Purchasing Service](#)
-  [View Annual Statements](#)

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#### Helpful Links & Resources

- [Getting Ready to Retire Guide](#)
- [Retirement Education and Counseling](#)
- [Retirement Readiness Checklist](#)

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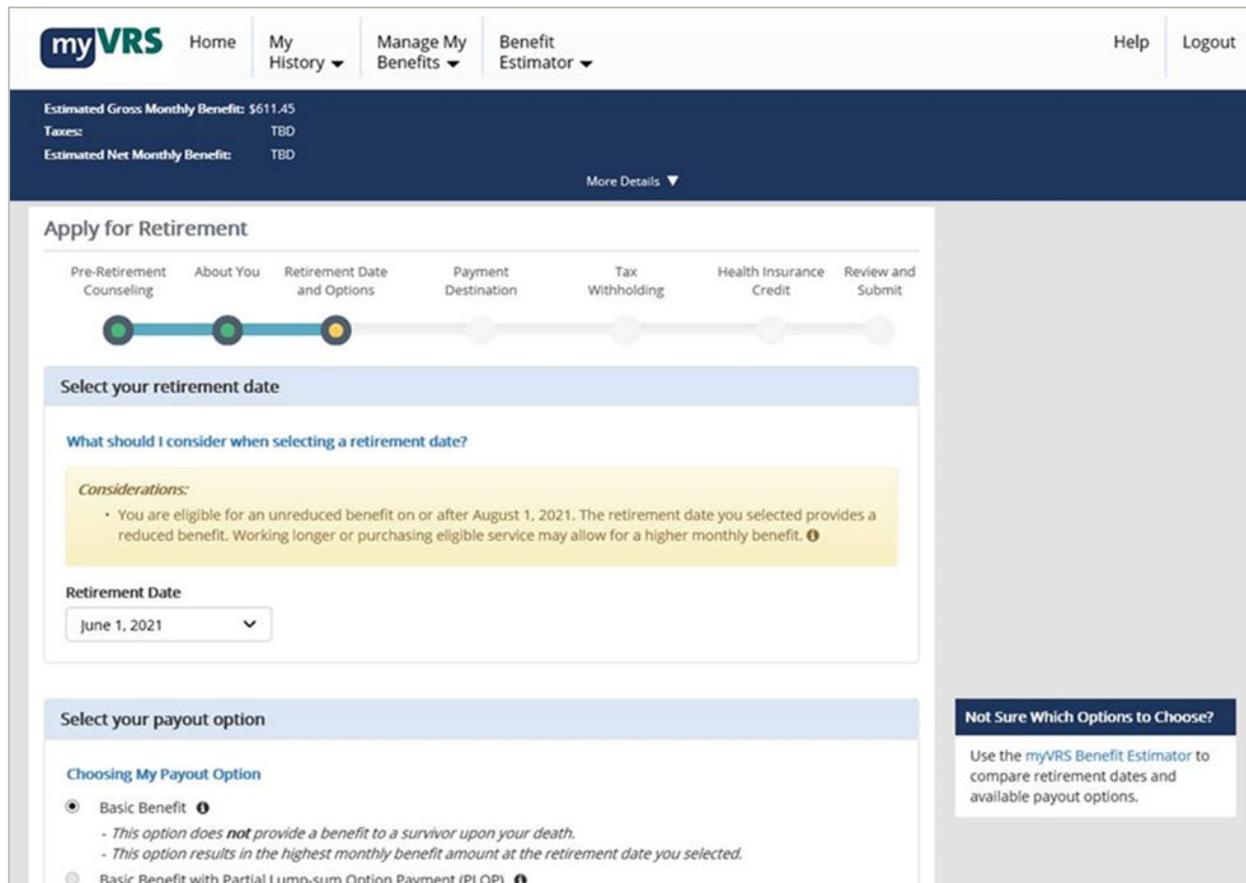


myVRS Powered by Enrich  
FINANCIAL WELLNESS

Tips, tools and time-savers to

# Planning Your Retirement

- Provide overview of the process and guidance
- Tailor counseling per the member's plan and benefits
- Offer on-page and video learning



The screenshot shows the 'myVRS' website interface for applying for retirement. At the top, there are navigation links: Home, My History, Manage My Benefits, and Benefit Estimator. A summary bar displays: Estimated Gross Monthly Benefit: \$611.45, Taxes: TBD, and Estimated Net Monthly Benefit: TBD. Below this is a progress bar with seven steps: Pre-Retirement Counseling, About You, Retirement Date and Options, Payment Destination, Tax Withholding, Health Insurance Credit, and Review and Submit. The 'Retirement Date and Options' step is currently active. The main content area is titled 'Select your retirement date' and includes a section 'What should I consider when selecting a retirement date?' with a yellow callout box containing the following text: 'Considerations: You are eligible for an unreduced benefit on or after August 1, 2021. The retirement date you selected provides a reduced benefit. Working longer or purchasing eligible service may allow for a higher monthly benefit.' Below this is a dropdown menu for 'Retirement Date' set to 'June 1, 2021'. The next section is 'Select your payout option', titled 'Choosing My Payout Option', with two radio button options: 'Basic Benefit' (selected) and 'Basic Benefit with Partial Lump-sum Option Payment (PLOP)'. A sidebar on the right contains a dark blue header 'Not Sure Which Options to Choose?' and a white box with the text: 'Use the myVRS Benefit Estimator to compare retirement dates and available payout options.'

# Your Retirement Benefit Projector



Estimated Gross Monthly Benefit: \$3,766.49	Estimated Total PLOP Amount: \$55,532.40	Estimated Survivor Gross Benefit: \$1,129.95
Taxes: \$348.72	Estimated Net PLOP Paid to You: \$33,785.00	
Estimated Net Monthly Benefit: \$3,417.77	Estimated PLOP Amount Rollover: \$11,095.61	

## Important Notes:

- You are eligible for a health insurance credit up to \$132.00 per month (not included in the net benefit above) to assist with the cost of your health insurance. If VRS deducts your health insurance premiums, you may have to apply for the credit unless you pay additional premiums for other eligible coverage.*

[Less Details ▲](#)

- Benefit tracker appears throughout online application
- Dynamically updates and displays impact on net benefit amount

- When will you retire?
- What type of retirement benefit and payout option?

Estimated Gross Monthly Benefit: \$4,312.94	Estimated Total PLOP Amount: \$55,532.40
Taxes: TBD	Estimated Net PLOP Paid to You: TBD
Estimated Net Monthly Benefit: TBD	Estimated PLOP Amount Rollover: TBD

[More Details ▼](#)

### Apply for Retirement

Pre-Retirement Counseling   About You   Retirement Date and Options   Payment Destination   Tax Withholding   Health Insurance Credit   Review and Submit

Select your retirement date

[What should I consider when selecting a retirement date?](#)

Retirement Date  
August 1, 2021 ▼

Select your payout option

[Choosing My Payout Option](#)

- Basic Benefit ⓘ
- Basic Benefit with Partial Lump-sum Option Payment (PLOP) ⓘ
  - This option does **not** provide a benefit to a survivor upon your death.
  - You will receive a one-time payment from your member contribution account when you retire, which will reduce your monthly benefit.
- Survivor Option ⓘ
- Survivor Option with Partial Lump-sum Option Payment (PLOP) ⓘ
- Advanced Pension Option ⓘ

# Your Financial Institution

- Where do you want your money to go?
- Enter bank account information

Estimated Gross Monthly Benefit: \$4,312.94	Estimated Total PLOP Amount: \$55,532.40
Taxes: TBD	Estimated Net PLOP Paid to You: TBD
Estimated Net Monthly Benefit: TBD	Estimated PLOP Amount Rollover: TBD

[Print Page](#) [More Details](#) ▼

### Apply for Retirement

Pre-Retirement Counseling | About You | Retirement Date and Options | **Payment Destination** | Tax Withholding | Health Insurance Credit | Review and Submit

#### Receiving Your Benefit Payments

Your benefit payment is deposited on the first day of each month into the account you designate. Each payment is for the preceding month. Example: If you retired July 1, your first payment will be August 1. If the first of the month falls on a holiday or weekend, your benefit is deposited on the last business day of the preceding month.

#### Enter the account details for your monthly benefit deposit

Your monthly benefit will be deposited into the account you identify below.

**Account Type**

Checking  
 Savings

**Routing Number**

.....

**Financial Institution Name**

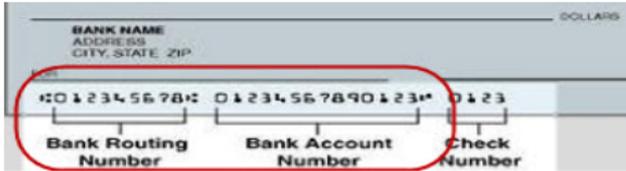
BANK OF AMERICA, N.A.

**Account Number**

....

**Confirm Account Number**

....



The diagram shows a check with the following fields: BANK NAME, ADDRESS, CITY, STATE, ZIP, DOLLARS, and a MICR line. The MICR line is divided into three sections: Bank Routing Number (123456789), Bank Account Number (012345678901234), and Check Number (0123). A red circle highlights the Bank Routing Number and Bank Account Number sections.

- Consider your tax situation in retirement. How much federal and state tax should you withhold?

Estimated Gross Monthly Benefit: \$4,312.94	Estimated Total PLOP Amount: \$55,532.40
Taxes: \$445.71	Estimated Net PLOP Paid to You: \$33,787.96
Estimated Net Monthly Benefit: \$3,867.23	Estimated PLOP Amount Rollover: \$11,094.10

[More Details](#) ▼

Pre-Retirement Counseling   About You   Retirement Date and Options   Payment Destination   Tax Withholding   Health Insurance Credit   Review and Submit

### Request for Income Tax Withholding

You are responsible for paying federal and state income taxes in retirement. If you do not select otherwise, VRS is required to withhold federal income tax based on the rate for a married individual claiming three allowances and state income tax based on the rate for zero exemptions. You can make adjustments to your withholding selections below.

The withholding selections you make will reduce the amount of tax you pay when you submit your annual tax return.

#### Select your federal tax withholding elections.

<b>Withholding Taxes</b> Yes ▼	<b>Marital Status</b> Married ▼
<b>Personal Allowances</b> 3	<b>Additional Amount</b> \$ 0.00

#### Select your Virginia tax withholding elections.

<b>Withholding Taxes</b> Yes ▼	<b>Age and Blindness Exemptions</b> 0
<b>Personal Exemptions</b> 0	<b>Additional Amount</b> \$ 0.00

# Your Health Insurance Credit

- Displays eligibility for the benefit
- Provides maximum health insurance credit benefit available
- Provides counseling on insurance premiums that qualify for the credit

<b>Estimated Gross Monthly Benefit:</b> \$4,312.94	<b>Estimated Total PLOP Amount:</b> \$55,532.40
<b>Taxes:</b> \$445.71	<b>Estimated Net PLOP Paid to You:</b> \$33,787.96
<b>Estimated Net Monthly Benefit:</b> \$3,867.23	<b>Estimated PLOP Amount Rollover:</b> \$11,094.10

**Important Notes:**

- You are eligible for a health insurance credit up to \$132.00 per month (not included in the net benefit above) to assist with the cost of your health insurance. If VRS ded have to apply for the credit unless you pay additional premiums for other eligible coverage.

[Less Details ▲](#)

Pre-Retirement Counseling   About You   Retirement Date and Options   Payment Destination   Tax Withholding   Health Insurance Credit   Review and Submit

**Eligibility for health insurance**

Check with your employer's human resource department for any employer-provided insurance options.

**Eligibility for health insurance credit**

You are eligible for a health insurance credit up to \$132.00 per month as a reimbursement to assist with the cost of your health insurance premiums. The credit is a dollar amount set by the General Assembly for each year of service and is added to your monthly retirement benefit. It ends upon your death and cannot exceed the amount of your individual health insurance premium.

Health plans eligible for health insurance credit assistance include individual health plans; coverage as a dependent on a spouse's plan; employer-sponsored health plans, including the Commonwealth of Virginia Health Benefits Program; Medicare Part B; and dental, vision and prescription drug plans including Medicare Part D. Other types of plans for specific conditions or coverage are not eligible.

**Important:** If VRS is deducting your health insurance premiums on your behalf, you do not have to apply for the health insurance credit unless you have additional health insurance premiums not being deducted by VRS or you have already submitted the necessary form.

- I do not need to report health insurance premiums that are eligible for the health insurance credit.
- I pay health insurance premiums that VRS will not deduct. I want to report those premiums at a later time.
- I pay health insurance premiums that VRS will not deduct. I want to report those premiums now to maximize my benefits.

**Enter Medicare Part B information**

**Are you covered by Medicare Part B? ⓘ**

Yes

# Your Final Review and Submission

- Check your application information
- Hit the Submit button
- After Submission
  - Communications
  - Cancellation policy
  - Employer notification
  - Employer certification
  - Benefit processing

Estimated Gross Monthly Benefit: \$4,312.94	Estimated Total PLOP Amount: \$55,532.40
Taxes: \$445.71	Estimated Net PLOP Paid to You: \$33,787.96
Estimated Net Monthly Benefit: \$3,867.23	Estimated PLOP Amount Rollover: \$11,094.10

[More Details ▼](#)

[Print Page](#)

### Apply for Retirement

Pre-Retirement Counseling   About You   Retirement Date and Options   Payment Destination   Tax Withholding   Health Insurance Credit   Review and Submit



#### Review Your Retirement Request

Your retirement application is summarized below. Review each section to ensure you have entered all required information and that the information provided is correct. You can return to any section of the application to make updates. When making changes, you will need to review your changes for impact to other selections you made in your application.

#### About You

**Your Address**

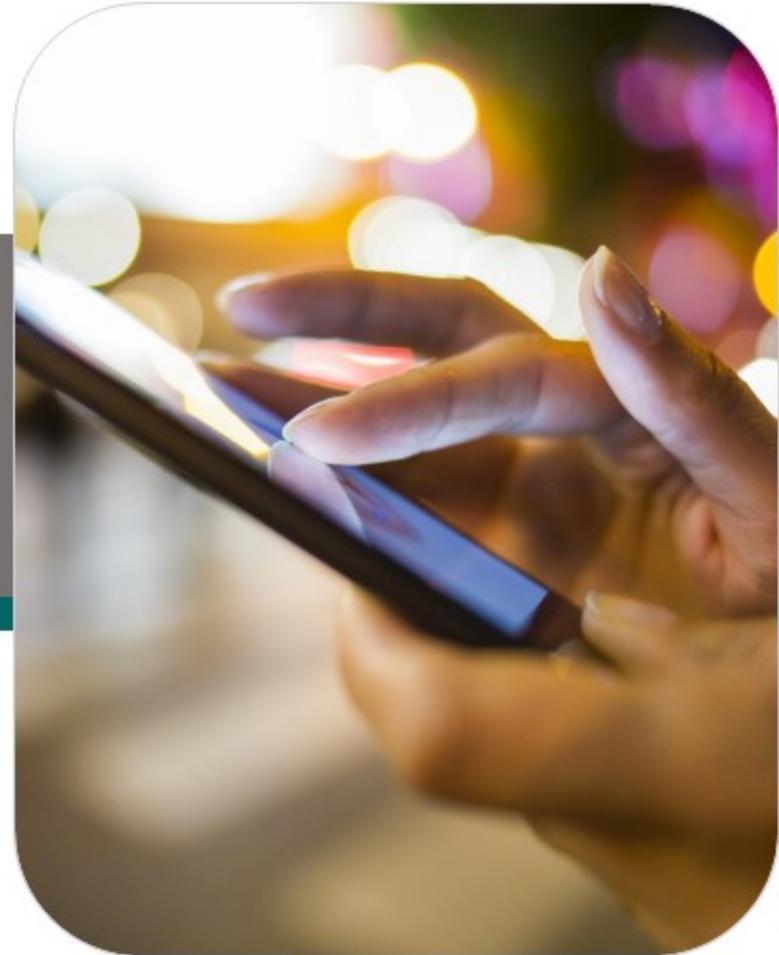
ADDRESS	4904 Truda LN
CITY	Warrenton
STATE	VA
ZIP	20186
COUNTRY	United States of America

My address is correct.

#### About Yourself

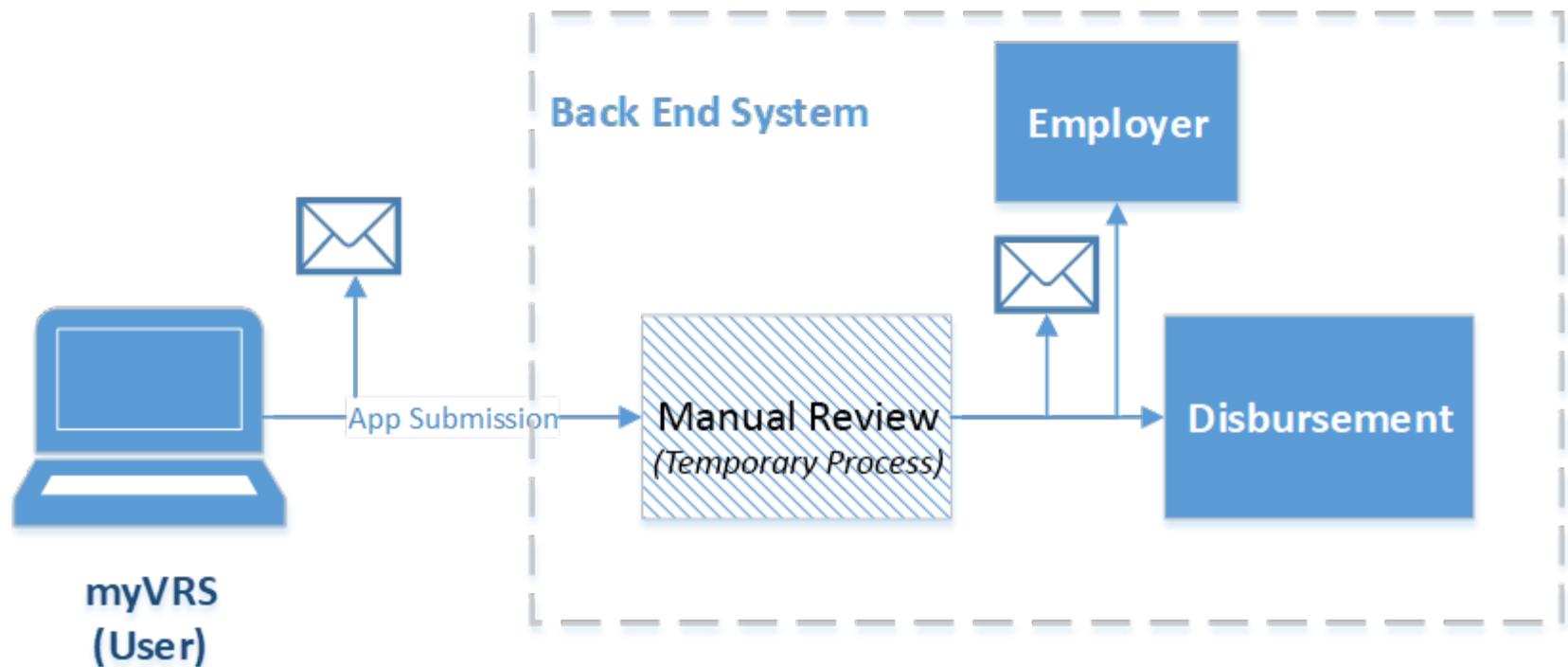
Marital Status:	Never Married
Citizenship Status:	U.S. Citizen
Virginia Resident:	Yes

# Technology-Enabled Services



# Behind the Curtain

- Seamless retirement experience for the member
- Integration with VRS backend system: From online submission to first monthly benefit payment



# myVRS Enhancements: Additional Functionality for Members & Retirees

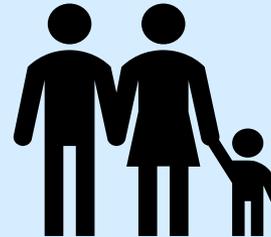
These highly anticipated features are ready to be rolled out this summer.



**Payment  
Destination  
Maintenance**



**Health  
Insurance  
Credit  
Maintenance**



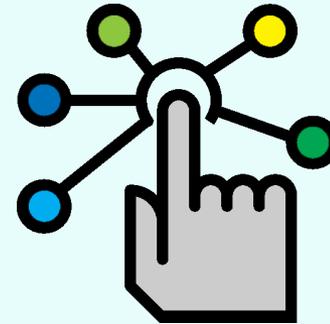
**Beneficiary  
Management**



**Access  
to Survivors**

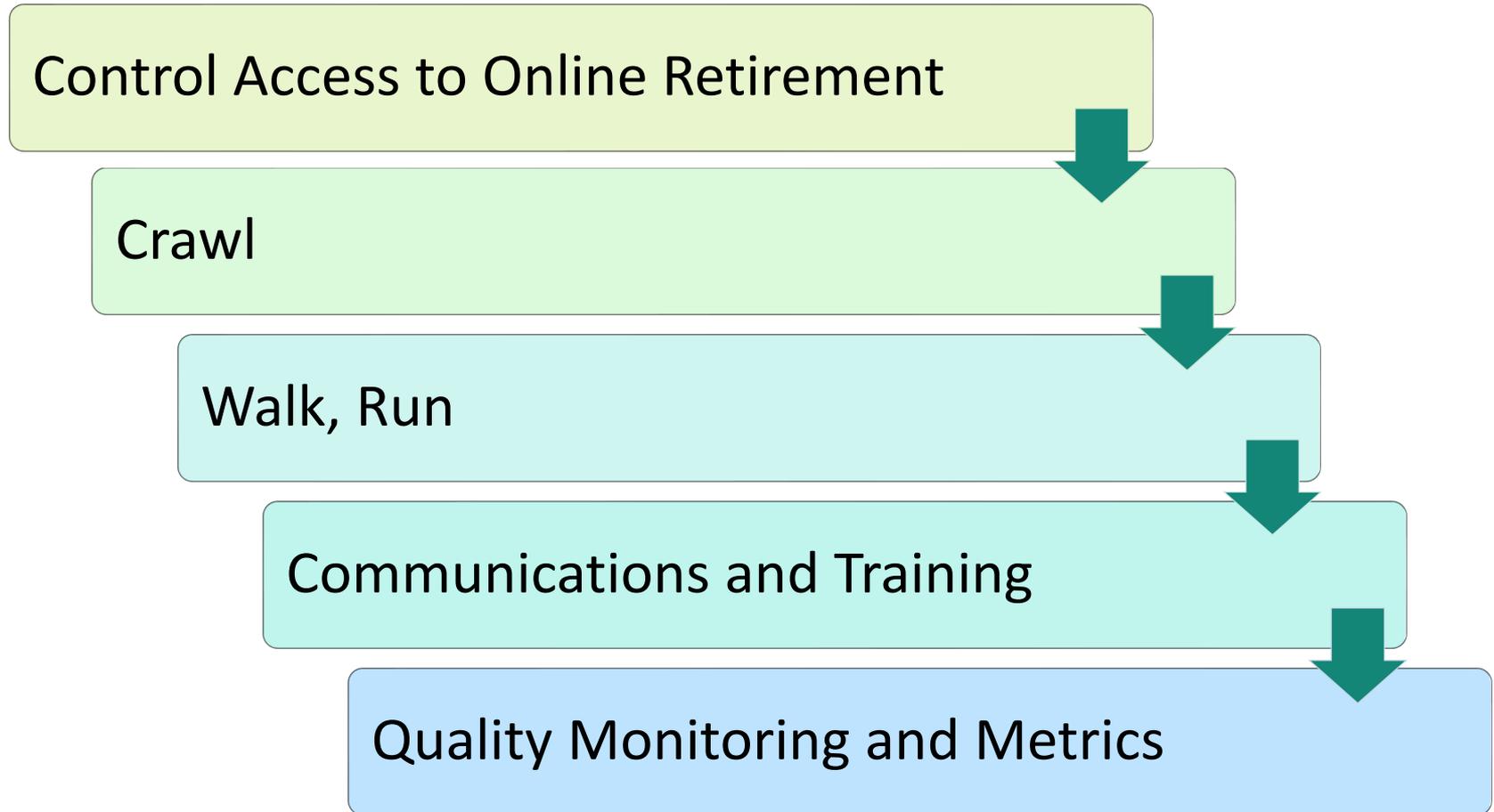


**Built-In Safety  
Within Online Retirement**

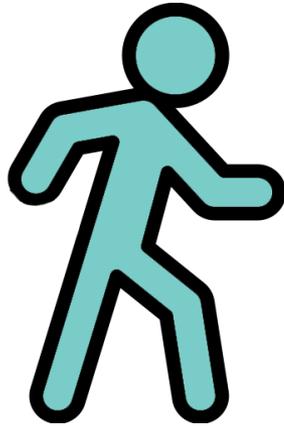


**Protecting Our  
Customer Access**

# Our Customer-Focused Deployment Strategy



# Walk, Run: Employer Rollout



## Walk

Provide access  
to select  
employers



Provide access  
to categories  
of employers



## Run

Provide access  
to all employers  
(except for  
employees that fit  
a specific criteria)



- Member able to access application
- Able to submit application
- Confirmation emails sent
- Employer certification
- Service retirements workflow initiated
- **Retirement analyst reviewed**
- Retirement analyst approved
- Ready for disbursement
- First benefit payment issued
- Existing system reports
- Agent calls



- Average time to complete an application
- Average time spent on page
- Tool tips selected on pages (e.g., “i” icons)
- Number of times user saves and returns to application
- Page where user saved and returned to the application
- Pages where user “abandoned” application
- Average time from online submission to application approval
- Percentage of online versus paper-based application submissions
- Average time from application submission to first benefit payment

# Online Retirement: One VRS

## Customer Programs

- Retiree Services
- Health Benefit Payments
- Health Credit Administration
- Benefit Payments

## Customer Service

- Retirement Outreach Counseling
- Education & Training
- Business Technical Support
- Customer Contact Center

## Public Relations

- Employer Representatives
- Communications
- Web Development

## Policy, Planning & Compliance

## Information Technology

- Business Solutions
- Software Development
- Security
- Imaging

## Human Resources

- Internal Communications

## Finance

- Benefit Disbursements

# Serving those who serve others



*Resolution of Appreciation*

PRESENTED TO

**Wallace G. Harris, Ph.D.**

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

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

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

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

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

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O’KELLY E. McWILLIAMS III, ESQ., CHAIR

## VISION:

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

## Mission:

Delivering retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

## Commitment:

-Serving those who serve others.  
-Helping members plan for tomorrow, today!

## Diversity, Equity and Inclusion are our Strengths:

The Virginia Retirement System, an independent state agency, delivers retirement and other benefits to covered Virginia public sector employees. Diversity, equity and inclusion are at our core and we are unwavering in our commitment to these values. Fostering a sense of belonging and inclusion unleashes the power of diversity. We know that different ideas, identities, perspectives and backgrounds generate stronger and more creative conditions that deliver better results. We believe in creating an environment that reflects the communities we serve and where everyone is welcome and empowered to do their best work.

### Goal 1: Organizational Strength, Culture, and Engagement

Foster a positive working environment and culture of engagement that values and invests in a high-quality, professional and diverse workforce made up of employees who embody continuous learning and exemplify VRS' core values.

**Equity Emphasis:** Place an emphasis on recruiting, retaining, developing and promoting a workforce representative of those we serve and ensuring equal access to opportunity.

#### Strategies:

- Enhance bench strength and staff development through personalized robust learning, leadership development, training and mentorship opportunities, utilizing DEI principles to support staff as they carry out the VRS mission and vision.
- Evaluate the performance evaluation process to ensure alignment with a strategic framework and focus on self-reflection, goal setting, growth, development, skill maintenance and acquisition, effective feedback, and coaching.
- Promote employee engagement by fostering accessible leadership, soliciting feedback, encouraging the sharing and embracing of ideas, honoring diverse backgrounds and supporting the principles of DEI.
- Support intentional, focused, and innovative recruitment and retention efforts to expand analytical capabilities and increase the diversity and quality of applicant pools.
- Provide comprehensive onboarding for all staff focused on VRS' mission, vision and core values.
- Support team member growth through the establishment of an organization-wide continuing professional development program (VRS University), exposure to agency-wide opportunities and promotion of educational assistance programs.
- Promote programs to support the health and well-being of team members.

#### Indicators - Measures and Targets:

TBD

### Goal 2: Superior Governance and Long-Term Financial Health

Ensure well-governed and financially sound trusts and funds within our care.

**Equity Emphasis:** Ensure equitable distribution of human, fiscal and capital resources across the plans and organization.

#### Strategies:

- Fund the Plans through an integrated view of pension assets and liabilities.
- Deliver target risk-adjusted investment returns over a full-market cycle.
- Cultivate a risk-aware organization through the continued implementation of the ERM program.
- Improve business policy, process documentation, and knowledge transfer by exploring and initiating robust content management solutions.
- Enhance communication and education efforts surrounding investments and risk mitigation strategies to employers, members, retirees and stakeholders.
- Build upon partnerships with key stakeholders through ongoing communication and outreach to promote greater understanding regarding impacts of proposed plan design changes and support continued required plan funding.

#### Indicators - Measures and Targets:

TBD

## Goal 3: Member, Retiree and Employer Education, Outreach and Partnership

Cultivate mutually supportive partnerships to enhance and support an exceptional customer experience.

**Equity Emphasis:** Ensure equitable support by strengthening connections, outreach and communications with members, retirees, and employers.

### Strategies:

1. Improve communication and engagement outcomes by providing education, training, outreach and services tailored to the needs of our diverse members, retirees and employers.
2. Explore structures for monitoring performance, and measuring equity in the delivery of content, products and services.
3. Build upon partnerships to continue the delivery of award winning, customized financial wellness products and learning experiences.
4. Foster and enhance communication outlets to engage employers, retirees and members through the use of various tools and technology.
5. Improve collection and maintenance of contact information for members and retirees to enhance communications efforts and targeted messaging.

### Indicators - Measures and Targets:

Deploy secure messaging

## Goal 4: Digital Transformation and Secure Service Delivery

Leverage technology to securely transform business and service delivery models to maximize operational efficiency, including navigating new post-pandemic, workplace paradigms.

**Equity Emphasis:** Ensure equitable distribution of resources by deploying innovative solutions, including optimizing efficient and effective processes, ensuring secure knowledge capture and transfer, and expanding access to critical documents and processes to best serve all customers.

### Strategies:

1. Continue fostering a culture of universal responsibility for cyber security.
2. Enhance 24/7 monitoring capability empowered by strategic partnerships and automated tools.
3. Explore implementation of a digital repository for knowledge capture, transfer, and retrieval of data and information.
4. Transform paper-based processes and documents, including legacy records, into digital experiences and accessible formats.
5. Continue ongoing efforts regarding the use of metrics to achieve operational efficiency and effectiveness.
6. Explore delivery methods and channels to enhance equitable service provision to members, retirees and employers.

### Indicators - Measures and Targets:

TBD

## Goal 5: Technology Infrastructure

Transform business through the use of state-of-the art technology frameworks for improved system functionality.

**Equity Emphasis:** Provide a high impact and cost-effective foundation for technology services in order to equitably deploy resources across the organization and to meet the needs of our diverse membership.

### Strategies:

1. Upgrade technology frameworks and solutions, including migration to the Cloud.
2. Improve technology policy and process documentation, as well as knowledge capture and transfer, by exploring and initiating robust content management solutions.
3. Leverage technology to optimize new workplace paradigms, post-pandemic, including facilitating efficient synchronous virtual and in-person experiences.

### Indicators - Measures and Targets:

TBD



Coverage Elected	Details
<b>Enhanced Hazardous Duty Benefits for Emergency Medical Technicians</b>	Buckingham County, effective May 1, 2021
<b>Enhanced Hazardous Duty 1.85% Multiplier</b>	King George County, effective May 1, 2021 Isle of Wight County, effective July 1, 2021
<b>Enhanced Hazardous Duty Benefits for Firefighters and Emergency Medical Technicians</b>	Charles City County, effective July 1, 2021 Carroll County, effective July 1, 2021
<b>Commonwealth of Virginia 457 Deferred Compensation Plan</b>	New River Valley Regional Commission (City of Radford), effective July 1, 2021
<b>Enhanced Health Insurance Credit for School Division's Non-Administrative Employees</b>	Fauquier County Public Schools, effective July 1, 2021 Newport News Public Schools, effective July 1, 2021 Grayson County Public Schools, effective July 1, 2021 Westmoreland County Public Schools, effective July 1, 2021 Richmond County Public Schools, effective July 1, 2021
<b>New State Agency</b>	Virginia Passenger Rail Authority (City of Richmond)*, effective July 1, 2020 Secretary of Labor (City of Richmond), effective July 1, 2021
<b>New VRS Employer with Enhanced Hazardous Duty Benefits for Law Enforcement Officers and Firefighters</b>	Town of Farmville (Prince Edward County), effective July 1, 2021

\*Political subdivision created with state agency benefits.



# VRS Roadmap FISCAL YEAR 2021 May 2021 Status Report

### Status Indicator

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

Agency Performance Objectives (APOs)	Status	2020						2021							
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun		
Implement New myVRS Functionality - Online Retirement Processing	●														
Implement New myVRS Functionality - Payment, Health Insurance Maintenance	●														
ERM Implementation	●														
Cardinal HCM Implementation - The Plan (Track 1), Agency (Track 2) and Retiree (Track 3)	●														
IT Initiatives <sup>1</sup>	Status	2020						2021							
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun		
Upgrade Angular JS Framework to Angular (in VNAV Application)	●														
IT Security - Fraud Prevention Initiatives	★														
Office 365	●														
Cloud Transition	●														
Secure Print	★														
Rollout Access Management System to All Operating Units	★														
Other Projects <sup>2</sup>	Status	2020						2021							
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun		
Employee Engagement Initiative	●														
Performance Management Evaluation Process	●														
VSDP and VLDP Long Term Care Plans RFP	●														
Analysis and Planning for Financial System Upgrade	▲														
VRS Strategic Plan Development (2022-2026)	●														
Review and Update Agency Policies	●														
Records Retention Program Transformation Initiative Strategy Development	●														
Actuarial Experience Study	●														
Post Pandemic Return to the Office	●														
Operational/Ongoing Activities	Status	2020						2021							
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun		
COLA 2020	★														
FYE 2020	★														
Retirement Wave 2020	★														
Teacher Contracts	★														
MBPs	★														
Annual Code of Ethics Training	★														
VRS User IT Security Policy Training	★														
FOIA Training	●														
CAFR	★														
PAFR	★														
GASB 67	★														
GASB 68	●														
GASB 74	●														
GASB 75	●														
Actuarial Valuations	★														
MyVRS Annual Updates	★														
1099/W2	★														

Operational/Ongoing Activities	Status	2020						2021						
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
Annual Roadmap Review	●													
FYE 2021	●													
Retirement Wave 2021	●													
Commonwealth Bond Disclosure	●													
ORPHE Surcharge Billing for FY 2022	●													
Data Fixes	●													
Releases (including top BOLT items)	●													
Retirement and State Workforce Commission	●													
Employer Compliance Review	N/S													
Biennium Budget Preparation	●													
VRS Fund Sensitivity and Stress Testing Report for GA	●													
Legislation FY 2021 - Placeholder	●													

<sup>1</sup>Initiatives led directly by Technology Services.

<sup>2</sup>Other initiatives are led by other business units and supported by Technology Services.

### Yellow Status Items

Item	Due Date	Comments
Analysis and Planning for Financial System Upgrade	June 2021	Some components of the Microsoft Dynamics 365 Financial software will reside on the VRS Microsoft Azure environment (VRS Cloud) for transmitting interface files between Dynamics 365 and Cardinal. The VRS Azure environment must adhere to VITA and VRS security controls. To establish and validate necessary security controls in the VRS Azure environment, the Dynamics project rollout date has been tentatively moved to July 1 2021.

### Red Status Items

Item	Due Date	Comments
N/A		

### Realignments/Adjustments

Item	Due Date	Comments
N/A		

# Deficit Provision Acknowledgment Form

(Appendix A of DPB's New Year Start-up instructions)

To: Director, Department of Planning and Budget

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## Section A (for all agencies)

### Agency Acknowledgement

I have received, read, and understand your instructions regarding indebtedness of state agencies as they relate to the requirements of § 4-3.01 of the current Appropriation Act.

Agency Name \_\_\_\_\_ Agency Code \_\_\_\_\_

Other agencies in the Act (if any) for which your agency is responsible: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Agency/Cabinet Head Name \_\_\_\_\_

Agency/Cabinet Head Signature \_\_\_\_\_  
*(Personal signature is required above and cannot be delegated)*

Date \_\_\_\_\_

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## Section B (if applicable to your agency)

### Supervisory Board *(see §2.2-2100 of the Code of Virginia for what constitutes a "supervisory board" )*

I have provided each member of the supervisory board of this agency with a copy of the notice in this memorandum and I will provide the same material to those appointed to the board in the future.

\_\_\_\_\_  
*(Personal Signature of Agency Head)*

Date: \_\_\_\_\_

---

***Due to COVID-19 complications, an email option is provided this year instead of traditional mail:***

#### ***E-mail to:***

Scan the **signed** original; Save as a PDF, and Email to [budget@dpb.virginia.gov](mailto:budget@dpb.virginia.gov).

***NOTE: Provide your agency name and agency number as well as the phrase "Deficit Provision Acknowledgment Form" in the subject line of the email.***

indirect cost recovery. Such increase shall be made in the program incurring the costs.

3. Statewide indirect cost recoveries shall be paid into the general fund of the state treasury, unless the agency is specifically exempted from this requirement by language in this act. Any statewide indirect cost recoveries received by the agency in excess of the exempted sum shall be deposited to the general fund of the state treasury.

c. INSTITUTIONS OF HIGHER EDUCATION:

The following conditions shall apply to indirect cost recoveries received by institutions of higher education:

1. Seventy percent shall be retained by the institution as an appropriation of moneys for the conduct and enhancement of research and research-related requirements. Such moneys may be used for payment of principal of and interest on bonds issued by or for the institution pursuant to § 23.1-1106, Code of Virginia, for any appropriate purpose of the institution, including, but not limited to, the conduct and enhancement of research and research-related requirements.

2. Thirty percent of the indirect cost recoveries for the level of sponsored programs authorized in the appropriations in Part 1 of Chapter 1042 of the Acts of Assembly of 2003, shall be included in the educational and general revenues of the institution to meet administrative costs.

3. Institutions of higher education may retain 100 percent of the indirect cost recoveries related to research grant and contract levels in excess of the levels authorized in Chapter 1042 of the Acts of Assembly of 2003. This provision is included as an additional incentive for increasing externally funded research activities.

d. REPORTS

The Director, Department of Planning and Budget, shall make available via electronic means a report to the Chairmen of the Senate Finance and House Appropriations Committees and the public no later than September 1 of each year on the indirect cost recovery moneys administratively appropriated.

e. REGULATIONS:

The State Comptroller is hereby authorized to issue regulations to carry out the provisions of this subsection, including the establishment of criteria to certify that an agency is in compliance with the provisions of this subsection.

**§ 4-3.00 DEFICIT AUTHORIZATION AND TREASURY LOANS**

§ 4-3.01 DEFICITS

a. GENERAL:

1. Except as provided in this section no state agency shall incur a deficit. No state agency receiving general fund appropriations under the provisions of this act shall obligate or expend moneys in excess of its general fund appropriations, nor shall it obligate or expend moneys in excess of nongeneral fund revenues that are collected and appropriated.

2. The Governor is authorized to approve deficit funding for a state agency under the following conditions:

a) an unanticipated federal or judicial mandate has been imposed,

b) insufficient moneys are available in the first year of the biennium for start-up of General Assembly-approved action, or

c) delay pending action by the General Assembly at its next legislative session will result in the curtailment of services required by statute or those required by federal mandate or will produce a threat to life, safety, health or property.

d) Such approval by the Governor shall be in writing under the conditions described in § 4-3.02 a Authorized Deficit Loans of this act and shall be promptly communicated to the Chairmen of the House Appropriations and Senate Finance Committees within five calendar days of deficit approval.

3. Deficits shall not be authorized for capital projects.

4. The Department of Transportation may obligate funds in excess of the current biennium appropriation for projects of a capital nature not covered by § 4-4.00 Capital Projects, of this act provided such projects a) are delineated in the Virginia Transportation Six-Year Improvement Program, as approved by the Commonwealth Transportation Board; and b) have sufficient cash allocated to each such project to cover projected costs in each year of the Program; and provided that c) sufficient revenues are projected to meet all cash obligations for such projects as well as all other commitments and appropriations approved by the General Assembly in the biennial budget.

b. UNAUTHORIZED DEFICITS: If any agency contravenes any of the prohibitions stated above, thereby incurring an unauthorized deficit, the Governor is hereby directed to withhold approval of such excess obligation or expenditure. Further, there shall be no reimbursement of said excess, nor shall there be any liability or obligation upon the state to make any

appropriation hereafter to meet such unauthorized deficit. Further, those members of the governing board of any such agency who shall have voted therefor, or its head if there be no governing board, making any such excess obligation or expenditure shall be personally liable for the full amount of such unauthorized deficit and, at the discretion of the Governor, shall be deemed guilty of neglect of official duty and be subject to removal therefor. Further, the State Comptroller is hereby directed to make public any such unauthorized deficit, and the Director, Department of Planning and Budget, is hereby directed to set out such unauthorized deficits in the next biennium budget. In addition, the Governor is directed to bring this provision of this act to the attention of the members of the governing board of each state agency, or its head if there be no governing board, within two weeks of the date that this act becomes effective. The governing board or the agency head shall execute and return to the Governor a signed acknowledgment of such notification.

c. **TOTAL AUTHORIZED DEFICITS:** The amount which the Governor may authorize, under the provisions of this section during the current biennium, to be expended from loans repayable out of the general fund of the state treasury, for all state agencies, or other agencies combined, in excess of general fund appropriations for the current biennium, shall not exceed one and one-half percent (1 1/2%) of the revenues collected and paid into the general fund of the state treasury as defined in § 4-2.02 b. of this act during the last year of the previous biennium and the first year of the current biennium.

d. The Governor shall report any such authorized and unauthorized deficits to the Chairmen of the House Appropriations and Senate Finance Committees within five calendar days of deficit approval. By August 15 of each year, the Governor shall provide a comprehensive report to the Chairmen of the House Appropriations and Senate Finance Committees detailing all such deficits.

#### § 4-3.02 TREASURY LOANS

a. **AUTHORIZED DEFICIT LOANS:** A state agency requesting authorization for deficit spending shall prepare a plan for the Governor's review and approval, specifying appropriate financial, administrative and management actions necessary to eliminate the deficit and to prevent future deficits. If the Governor approves the plan and authorizes a state agency to incur a deficit under the provisions of this section, the amount authorized shall be obtained by the agency by borrowing the authorized amount on such terms and from such sources as may be approved by the Governor. At the close of business on the last day of the current biennium, any unexpended balance of such loan shall be applied toward repayment of the loan, unless such action is contrary to the conditions of the loan approval. The Director, Department of Planning and Budget, shall set forth in the next biennial budget all such loans which require an appropriation for repayment. A copy of the approved plan to eliminate the deficit shall be transmitted to the Chairmen of the House Appropriations and the Senate Finance Committees within five calendar days of approval.

b. **ANTICIPATION LOANS:** Authorization for anticipation loans are limited to the provisions below.

1.a) When the payment of authorized obligations for operating expenses is required prior to the collection of nongeneral fund revenues, any state agency may borrow from the state treasury the required sums with the prior written approval of the Secretary of Finance or his designee as to the amount, terms and sources of such funds; such loans shall not exceed the amount of the anticipated collections of such revenues and shall be repaid only from such revenues when collected.

b) When the payment of authorized obligations for capital expenses is required prior to the collection of nongeneral fund revenues or proceeds from authorized debt, any state agency or body corporate and politic, constituting a public corporation and government instrumentality, may borrow from the state treasury the required sums with the prior written approval of the Secretary of Finance or his designee as to the amount, terms and sources of such funds; such loans in anticipation of bond proceeds shall not exceed the amount of the anticipated proceeds from debt authorized by the General Assembly and shall be repaid only from such proceeds when collected.

2. Anticipation loans for operating expenses shall be in amounts not greater than the sum identified by the agency as the minimum amount required to meet the projected expenditures. The term of any anticipation loans granted for operating expenses shall not exceed twelve months.

3. Before an anticipation loan for a capital project is authorized, the agency shall develop a plan for financing such capital project; approval of the State Treasurer shall be obtained for all plans to incur authorized debt.

4. Anticipation loans for capital projects shall be in amounts not greater than the sum identified by the agency as required to meet the projected expenditures for the project within the current biennium.

5. To ensure that such loans are repaid as soon as practical and economical, the Department of Planning and Budget shall monitor the construction and expenditure schedules of all approved capital projects that will be paid for with proceeds from authorized debt and have anticipation loans.

6. Unless otherwise prohibited by federal or state law, the State Treasurer shall charge current market interest rates on anticipation loans made for operating purposes and capital projects subject to the following:

a) Anticipation loans for capital projects for which debt service will be paid with general fund appropriations shall be exempt from interest payments on borrowed balances.

b) Interest payments on anticipation loans for nongeneral fund capital projects or nongeneral fund operating expenses shall be made

**RESOLUTION  
FOR PAYMENT OF RETIREMENT SYSTEM FUNDS  
IN THE STATE TREASURY AND SIGNING OFFICIAL DOCUMENTS**

Pursuant to the authority vested in the Board of Trustees of the Virginia Retirement System by *Code of Virginia* § 51.1-149, on this 10<sup>th</sup> day of June 2021 it is hereby

**RESOLVED**, that all prior designations by the Board of Trustees of the Virginia Retirement System of persons authorized to sign vouchers and Voucher Transmittals issued by the Retirement System for the payment of funds of the Retirement System in the State Treasury are hereby revoked; and

**BE IT FURTHER RESOLVED**, that the State Treasurer, the Director of Operations, and the Director of Cash Management and Investments, or their designees, are hereby designated by the Board as those persons authorized to sign only those vouchers issued by the Retirement System for the payment of funds of the Retirement System in the State Treasury which are contained in Agency Business Unit 15800 Account Number 103607, which has been designated by the Comptroller as the short-term investment account, including but not limited to, funds used to purchase short-term securities to mature within two (2) years and to effect repurchase agreements involving securities of varying maturities which are held as short-term investments; and

**BE IT FURTHER RESOLVED**, that the Director of the Retirement System, the Chief Financial Officer, the Chief Operating Officer, the Customer Services Director and the Chief Technology Officer, whose signatures appear herein, are hereby designated by the Board as those persons authorized to sign Voucher Transmittals issued by the Retirement System for the payment of any and all funds of the Retirement System in the State Treasury and any and all accounts designated by the Comptroller as Retirement System funds accounts, including Agency Business Unit 15800 Account Number 103607, provided that such Voucher Transmittals shall be initialed by appropriate supervisory and management level staff personnel; and

**BE IT FURTHER RESOLVED**, that the Chief Financial Officer, the Customer Services Director and the Chief Technology Officer are not authorized to sign a Voucher Transmittal prepared in their respective department; and

**BE IT FURTHER RESOLVED**, that the Director of the Retirement System, the Chief Operating Officer, the Chief Investment Officer or the Chief Administrative Officer - Investments are hereby designated full authority to sign any and all official documents in the name of the Board of Trustees of the Virginia Retirement System including, but not limited to, leases, deeds, contracts, equity index futures and options on such futures, signature cards, minutes and purchase orders; and

**BE IT FURTHER RESOLVED**, that a copy of this resolution shall be forward immediately to the Office of the Comptroller.

**ATTEST:**

---

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

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Patricia S. Bishop  
Secretary to the VRS Board of Trustees

***SIGNATURE PAGE  
FOR PAYMENT OF RETIREMENT SYSTEM FUNDS  
IN THE STATE TREASURY AND SIGNING OFFICIAL DOCUMENTS***

\_\_\_\_\_  
Patricia S. Bishop, Director

\_\_\_\_\_  
Mark A. Rein, Chief Technology and Security  
Officer

\_\_\_\_\_  
Barry C. Faison, Chief Financial Officer

\_\_\_\_\_  
Ronald D. Schmitz, Chief Investment Officer

\_\_\_\_\_  
Michael P. Cooper, Chief Operating Officer

\_\_\_\_\_  
Robert L. Irving, Customer Services Director

\_\_\_\_\_  
Curtis M. Mattson, Chief Administrative  
Officer - Investments

COMMONWEALTH OF VIRGINIA  
CITY OF RICHMOND, TO-WIT:

The foregoing instrument was acknowledged before me this 10<sup>th</sup> day of June 2021 by O’Kelly E. McWilliams, III; Patricia S. Bishop; Barry C. Faison; Mark A. Rein; Ronald D. Schmitz; Michael P. Cooper; Robert L. Irving and Curtis M. Mattson.

\_\_\_\_\_  
LaShaunda B. King, Notary Public

My commission expires Sept. 30, 2022.

***RESOLUTION  
FOR MASTER CUSTODIAL SERVICES***

Pursuant to the authority vested in the Board of Trustees of the Virginia Retirement System by *Code of Virginia* § 51.1-149, on this 10<sup>th</sup> day of June 2021, it is HEREBY

PREVIOUS DESIGNATIONS REVOKED

***RESOLVED***, that all prior designations by the Board of Trustees of the Virginia Retirement System of persons authorized to sign investment invoices and actions involving the distribution or payment of funds or transfer of assets of the Virginia Retirement System under your custodial control as well as actions involving administrative matters and proxies within their custodial control are hereby revoked; and

VRS ASSET TRANSFERS AND ACCOUNT PAYMENTS

***BE IT FURTHER RESOLVED***, that dual signatures, one of which shall be from the Director of the Virginia Retirement System, the Chief Financial Officer, the Chief Operating Officer, the Customer Services Director, or the Chief Technology Officer and the second shall be from the Chief Investment Officer, the Chief Administrative Officer - Investments, the Investments Compliance Officer or the Investments Office Administrator, are hereby required and that those persons are designated and authorized by the Board to sign for all actions involving the distribution or payment of funds or transfer of assets of the Virginia Retirement System under your custodial control that (i) are not initiated by an authorized investment advisor associated with the settlement of a purchase or sale transaction and (ii) are not for the payment of investment management, consulting or custodian fees. If investment personnel are unavailable, any two of the listed VRS administrative personnel could sign. However, in no event shall both signatures be those of investment department personnel; and

VRS ACCOUNT ADMINISTRATIVE MATTERS

**BE IT FURTHER RESOLVED**, that the Director of the Virginia Retirement System, the Chief Investment Officer, the Chief Administrative Officer - Investments, the Investments Compliance Officer, the Investments Office Administrator, the Controller and the Manager of Investment Accounting are designated by the Board as those additional persons authorized to open and close accounts and take other administrative actions for the VRS accounts not involving the signing of official documents in the name of the Board of Trustees of the VRS or the distribution or payment of funds or transfer of assets of the Virginia Retirement System under your custodial control; and

PROXIES

**BE IT FURTHER RESOLVED**, that the Chief Investment Officer, the Chief Administrative Officer - Investments, or the Investments Compliance Officer are hereby designated by the Board as the persons authorized to sign proxies for the VRS accounts; and

COMPLIANCE

**BE IT FURTHER RESOLVED**, that the Director of the Virginia Retirement System, the Chief Investment Officer, the Chief Administrative Officer - Investments, or the Investments Compliance Officer are hereby designated by the Board as those persons authorized to sign for all actions involving compliance issues to include, but not be limited to, class actions suits, tax exemptions, authorized signatures, stock and bond powers, required resolutions as needed, etc.

**ATTEST:**

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

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Patricia S. Bishop  
Secretary to the Board/VRS Director

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**VIRGINIA RETIREMENT SYSTEM AUTHORIZED SIGNATURES  
FOR MASTER CUSTODIAL SERVICES**

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Patricia S. Bishop  
Director

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Ronald D. Schmitz  
Chief Investment Officer

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Barry C. Faison  
Chief Financial Officer

---

Mark A. Rein  
Chief Technology and Security Officer

---

Michael P. Cooper  
Chief Operating Officer

---

Robert L. Irving  
Customer Services Director

---

Curtis M. Mattson  
Chief Administrative Officer - Investments

---

Leslie B. Weldon  
Controller

---

Laurie L. Fennell  
Investments Compliance Officer

---

Abida W. Arezo  
Manager of Investment Accounting

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Danita R. Barnes  
Investments Office Administrator

**COMMONWEALTH OF VIRGINIA  
CITY OF RICHMOND, TO-WIT:**

The foregoing instrument was acknowledged before me this 10<sup>th</sup> day of June 2021 by O'Kelly E. McWilliams, III; Patricia S. Bishop; Ronald D. Schmitz; Barry C. Faison; Mark A. Rein; Michael P. Cooper; Robert L. Irving; Curtis M. Mattson; Leslie B. Weldon; Laurie L. Fennell, Abida W. Arezo and Danita R. Barnes.

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LaShaunda B. King, Notary Public

My commission expires September 30, 2022.



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

	Current Budget A	Expenses through 5/31/2021 B	Projected Remaining Expenses C	Projected Total Expenses <sup>1</sup> D = B + C	Projected Variance Favorable/ (Unfavorable) E = A - D	% Remaining E / A
<b>Administration</b>						
<b>Personnel</b>						
Salaries, Wages & Benefits	23,171,000	19,721,000	2,375,000	22,096,000	1,075,000	4.6%
Incentive Compensation	818,000	755,000	15,000	770,000	48,000	5.9%
<b>Contractual Services</b>						
Communication Services	950,000	588,000	350,000	938,000	12,000	1.3%
Employee Development Services <sup>2</sup>	295,000	147,000	100,000	247,000	48,000	16.3%
Management & Informational Services <sup>3, 4</sup>	2,550,000	1,621,000	518,000	2,139,000	411,000	16.1%
Medical Review Services	1,000,000	579,000	371,000	950,000	50,000	5.0%
Support Services <sup>5</sup>	582,000	523,000	15,000	538,000	44,000	7.6%
Technical Services <sup>6, 7</sup>	293,000	293,000	-	293,000	-	0.0%
<b>Equipment &amp; Supplies</b>	96,000	57,000	28,000	85,000	11,000	11.5%
<b>Facility</b>	2,059,000	1,905,000	150,000	2,055,000	4,000	0.2%
<b>Insurance, Claims &amp; Bonds</b>	86,000	11,000	74,000	85,000	1,000	1.2%
<b>Service Charges</b>	164,000	102,000	62,000	164,000	-	0.0%
<b>Administration Total</b>	<b>32,064,000</b>	<b>26,302,000</b>	<b>4,058,000</b>	<b>30,360,000</b>	<b>1,704,000</b>	<b>5.3%</b>
<b>Information Technology</b>						
<b>Personnel</b>						
Salaries, Wages & Benefits	12,964,000	9,986,000	1,478,000	11,464,000	1,500,000	11.6%
Incentive Compensation	345,000	333,000	12,000	345,000	-	0.0%
<b>Contractual Services</b>						
Communication Services	813,000	754,000	30,000	784,000	29,000	3.6%
Employee Development Services <sup>2</sup>	53,000	24,000	27,000	51,000	2,000	3.8%
Management & Informational Services <sup>3</sup>	9,000	5,000	4,000	9,000	-	0.0%
Support Services <sup>5</sup>	5,000	-	5,000	5,000	-	0.0%
Technical Services	11,756,000	11,673,000	83,000	11,756,000	-	0.0%
<b>Equipment &amp; Supplies</b>	7,480,000	4,305,000	3,171,000	7,476,000	4,000	0.1%
<b>Facility</b>	414,000	395,000	14,000	409,000	5,000	1.2%
<b>Insurance, Claims &amp; Bonds</b>	95,000	92,000	3,000	95,000	-	0.0%
<b>Information Technology Total</b>	<b>33,934,000</b>	<b>27,567,000</b>	<b>4,827,000</b>	<b>32,394,000</b>	<b>1,540,000</b>	<b>4.5%</b>



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

	Current Budget A	Expenses through 5/31/2021 B	Projected Remaining Expenses C	Projected Total Expenses <sup>1</sup> D = B + C	Projected Variance Favorable/ (Unfavorable) E = A - D	% Remaining E / A
<b>Investment Management</b>						
<b>Personnel</b>						
Salaries, Wages & Benefits	18,903,000	16,131,000	1,481,000	17,612,000	1,291,000	6.8%
Incentive Compensation	7,425,000	3,482,000	110,000	3,592,000	3,833,000	51.6%
<b>Contractual Services</b>						
Communication Services	59,000	36,000	12,000	48,000	11,000	18.6%
Employee Development Services <sup>2</sup>	801,000	330,000	152,000	482,000	319,000	39.8%
Management & Informational Services <sup>3</sup>	2,005,000	1,494,000	346,000	1,840,000	165,000	8.2%
Technical Services <sup>6</sup>	9,591,000	5,615,000	3,690,000	9,305,000	286,000	3.0%
<b>Equipment &amp; Supplies</b>	224,000	211,000	13,000	224,000	-	0.0%
<b>Facility</b>	659,000	605,000	48,000	653,000	6,000	0.9%
<b>Insurance, Claims &amp; Bonds</b>	27,000	-	27,000	27,000	-	0.0%
<b>Investment Management Total</b>	<b>39,694,000</b>	<b>27,904,000</b>	<b>5,879,000</b>	<b>33,783,000</b>	<b>5,911,000</b>	<b>14.9%</b>
<b>VRS Subtotal</b>	<b>105,692,000</b>	<b>81,773,000</b>	<b>14,764,000</b>	<b>96,537,000</b>	<b>9,155,000</b>	<b>8.7%</b>
Appropriation Pending - Central Accounts <sup>8</sup>	146,000	-	-	-	146,000	
<b>VRS Total</b>	<b>105,838,000</b>	<b>81,773,000</b>	<b>14,764,000</b>	<b>96,537,000</b>	<b>9,301,000</b>	<b>8.8%</b>

<sup>1</sup> Projected Total Expenses are best estimates as of the creation of this report and are subject to change.

<sup>2</sup> 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.

<sup>3</sup> Management and Informational Services includes fiscal services, management services, legal services, media services, food services and business travel.

<sup>4</sup> Includes \$300K budgeted for the Retirement Commission, which currently has no planned expenditures.

<sup>5</sup> Support Services includes clerical and manual labor services.

<sup>6</sup> Technical Services includes hardware/software maintenance, technology contractors and data feeds.

<sup>7</sup> 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.

<sup>8</sup> \$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.

**FY 2021 Budget Remaining Detail**

Category	Description	Amount
<b>Administration</b>		
Salaries, Wages & Benefits	Vacancies / hiring freeze	1,075,000
<b>Salaries, Wages &amp; Benefits</b>		<b>1,075,000</b>
Incentive Compensation	Incentive Compensation	48,000
<b>Incentive Compensation</b>		<b>48,000</b>
Communication Services	Printing & Postage: PR brochures & manuals - we budget to include flexibility in case addtl plans need updates	5,000
	Printing & Postage: Other	7,000
<b>Communication Services</b>		<b>12,000</b>
Employee Development Services	Trainings & related travel (est. per historical plus svgs for travel)	48,000
<b>Employee Development Services</b>		<b>48,000</b>
Mgmt & Info Svcs	Retirement Commission	300,000
	LODA appropriation adjustment	12,000
	Business-related travel (Board meetings, ER workshops/site visits)	19,000
	Disability retirement - legal svcs: fluctuates based on caseload (social security advocacy svcs)	33,000
	Fiscal Svcs re: CavMac - likely some savings for legislation/other requests; budgeted flexibility. TBD	19,000
	Reduced meeting costs - virtual due to covid. Will modify as assumptions change on in-person mtgs for purposes of projections (curr assuming 50% of FY)	12,000
	Office of AG - billing consistent with FY20 (budget based on FY18-19 rates)	16,000
	<b>Mgmt &amp; Info Svcs</b>	
Medical Review Svcs	Disability retirement - fluctuates based on volume	42,000
	LODA (appropriation must match 400,108)	8,000
<b>Medical Review Svcs</b>		<b>50,000</b>
Support Services	Exela mail service/printer contract (based on FY20 and YTD trends; budget consistent w/FY18/19 actuals)	30,000
	Misc. manual labor services	11,000
	VSDP DHRM vacancy / unsure whether we will continue to pay for this position. Study pending.	3,000
<b>Support Services</b>		<b>44,000</b>
	Board retreat refund received (negative actuals)	6,000
	Cintas refills of first aid supplies on hold while office is largely unoccupied (2.8K budget; 3.8K actual in FY19)	1,000
	Code books less than budget	2,000
	Office supplies	1,000
	Skillsoft license renewal less than anticipated	1,000
	Unlikely to purchase audience response system	1,000
		<b>12,000</b>

Category	Description	Amount
Facility	Includes budget for contingency items throughout the year	3,000
<b>Facility</b>		<b>3,000</b>
Insurance, Claims & Bounties	Reimb. of overdraft/wire fees due to VRS clerical errors (est per historical)	1,000
<b>Insurance, Claims &amp; Bounties</b>		<b>1,000</b>
<b>Administration Total</b>		<b>1,704,000</b>
<b>Information Technology</b>		
Salaries, Wages & Benefits	Vacancies / hiring freeze	1,500,000
<b>Salaries, Wages &amp; Benefits</b>		<b>1,500,000</b>
Communication Services	Telecomm - Verizon long distance for DR site (based on PO under budget)	10,000
	VITA based on trend	13,000
	Wireless stipends not fully utilized (some due to vacancies)	6,000
<b>Communication Services</b>		<b>29,000</b>
Employee Development Services	Subscriptions	2,000
<b>Employee Development Services</b>		<b>2,000</b>
	Misc. supplies	4,000
		<b>4,000</b>
Facility	Library of VA storage & destruction	5,000
<b>Facility</b>		<b>5,000</b>
<b>Information Technology Total</b>		<b>1,540,000</b>
<b>Investment Management</b>		
Salaries, Wages & Benefits	Vacancies / hiring freeze	1,291,000
<b>Salaries, Wages &amp; Benefits</b>		<b>1,291,000</b>
Incentive Compensation	Incentive Compensation	3,833,000
<b>Incentive Compensation</b>		<b>3,833,000</b>
Communication Services	Not all stipend budget being utilized	11,000
<b>Communication Services</b>		<b>11,000</b>
Employee Development Services	COVID-19 planned spending reduction: org memberships for new, vacant positions	245,000
	COVID-19 planned spending reduction: publication subscriptions for new, vacant positions	24,000
	COVID-19 planned spending reduction: training and related travel	25,000
	Tuition reimbursement program (based on historical)	25,000
<b>Employee Development Services</b>		<b>319,000</b>
Mgmt & Info Svcs	Contingency for translation services; on-demand service as-needed	129,000

Category	Description	Amount
	COVID-19 planned spending reduction: business travel for new positions	26,000
	Fiscal services, planned spending reduction in discretionary on-demand contingency	8,000
	Food services related to meetings, etc.	2,000
<b>Mgmt &amp; Info Svcs</b>		<b>165,000</b>
Technical Services	Reduced contingency for data feeds; some costs fluctuate based on volume/usage	286,000
<b>Technical Services</b>		<b>286,000</b>
Facility	Flexibility for building rental and related items	6,000
<b>Facility</b>		<b>6,000</b>
<b>Investment Management Total</b>		<b>5,911,000</b>
<b>Grand Total</b>		<b>9,155,000</b>
		146,000
		<b>9,301,000</b>

# Strategic Approach to Returning the Workforce to the Office

Presented by: Trish Bishop, Director  
June 10, 2021



**VRS, following the guidance from the Governor's Office and CDC, closed offices to walk-in customers in March 2020 and deployed its workforce to support customers through a service model using online and virtual services. While most employees remained at home, some employees came in periodically to manage imaging, mail services or other critical needs.**

## Lessons Learned

- VRS employees are meeting customer service needs and, in some cases, exceeding set operating standards while working in remote status
- Third-party administrators followed VRS' lead and have utilized virtual platforms to meet or exceed service delivery expectations
- Technology enabled the quick transformation, and it continues to support the service model

**VRS will continue to follow the guidance established by the CDC, the Governor and DHRM. VRS will remain in a remote working status until Tuesday, September 7.**

## Current State

- Employees who wish to volunteer to return earlier than September 7 may do so after coordinating with their supervisor and respective DEC member.
- Fully vaccinated VRS employees who have waited two weeks after the last vaccine dosage are not required to wear masks or maintain six feet of distance while working in VRS workspaces.
- Employees who are unvaccinated or not fully vaccinated are encouraged to wear masks and practice social distancing when inside VRS buildings.\*
- VRS supports employees (regardless of vaccination status) who wish to wear a mask and maintain distance in VRS buildings.

\*Some exceptions, such as medical conditions, may apply.



Approach was to ensure the safety and well-being of our employees, while also addressing business needs. Planned “listening sessions” helped gather comments and survey gathered analytics and feedback.

**Health, safety and well-being of the VRS team are our highest priorities when making decisions about physically returning to the office**

**Balancing business and employee needs are equally high priorities; main driver in the decision to go with remote working status through Labor Day**

**Listen to employees and provide the opportunity to share their thoughts and concerns regarding a return-to-the-office status; share results of feedback with the entire organization**

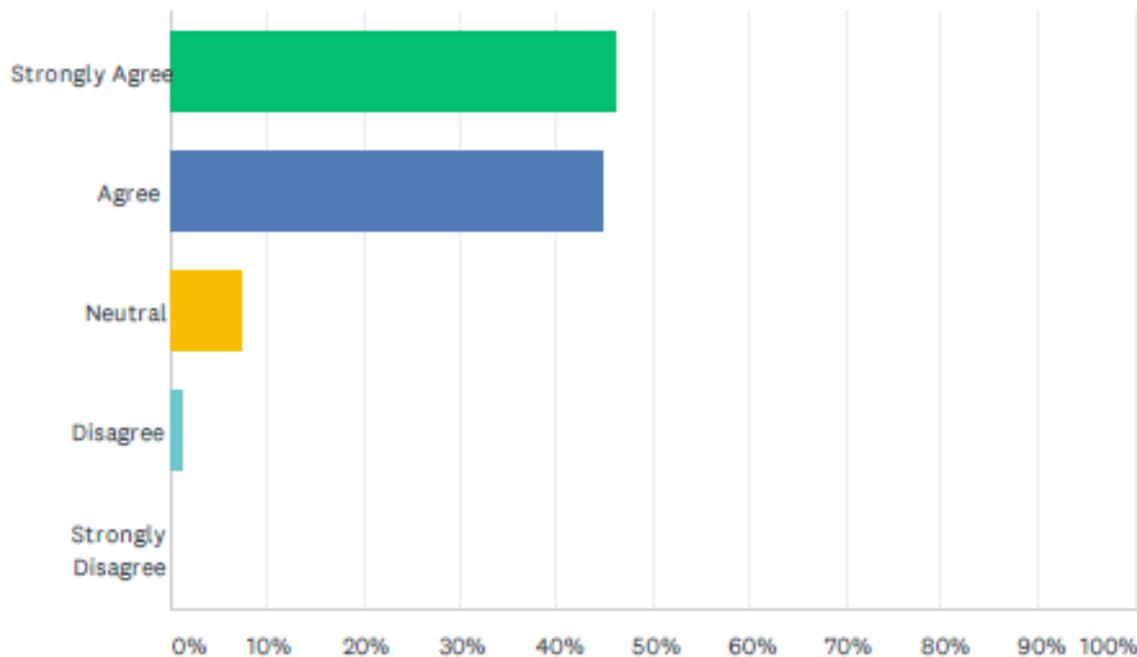
## Considerations:

- Environment continues to evolve.
- We believe that we are unlikely to return to certain pre-pandemic norms.
- We plan to remain nimble and tailor our approach to the rapidly changing and dynamic conditions, including recruitment and retention considerations.

# Survey Results

Q13 I believe VRS has provided the appropriate amount of internal communication about COVID-19.

Answered: 378 Skipped: 2

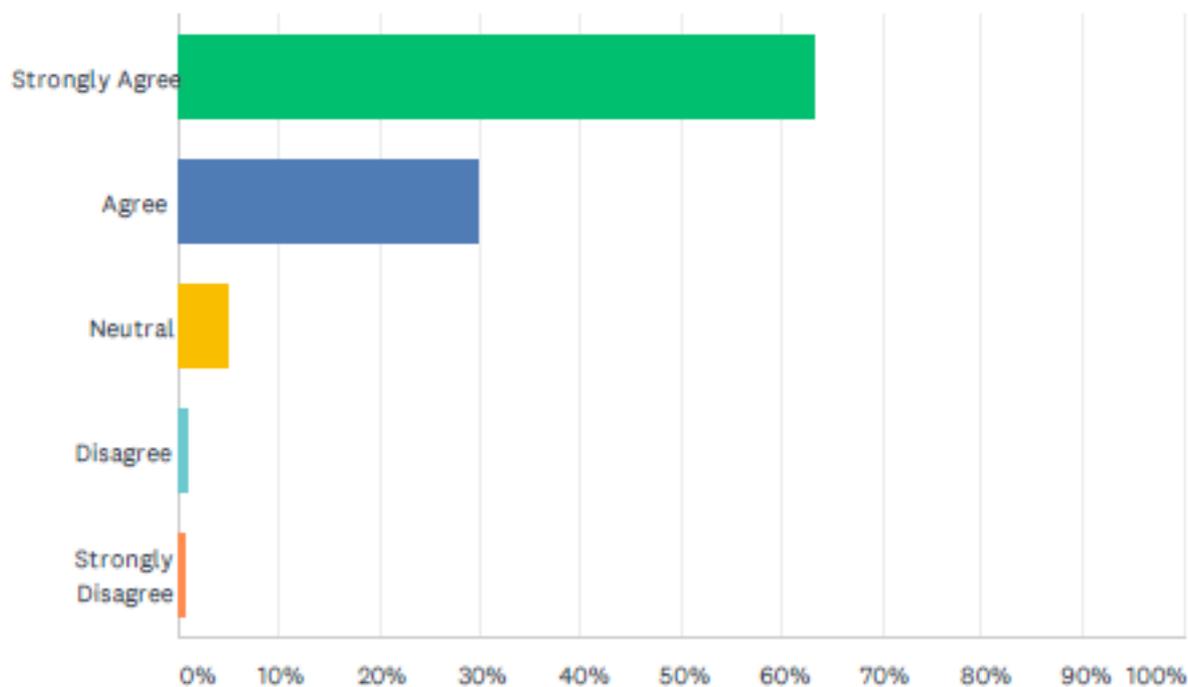


Employees rated VRS communication highly with a strongly agree or agree.

# Survey Results

Q14 I believe my manager effectively communicates with me while we are working remotely.

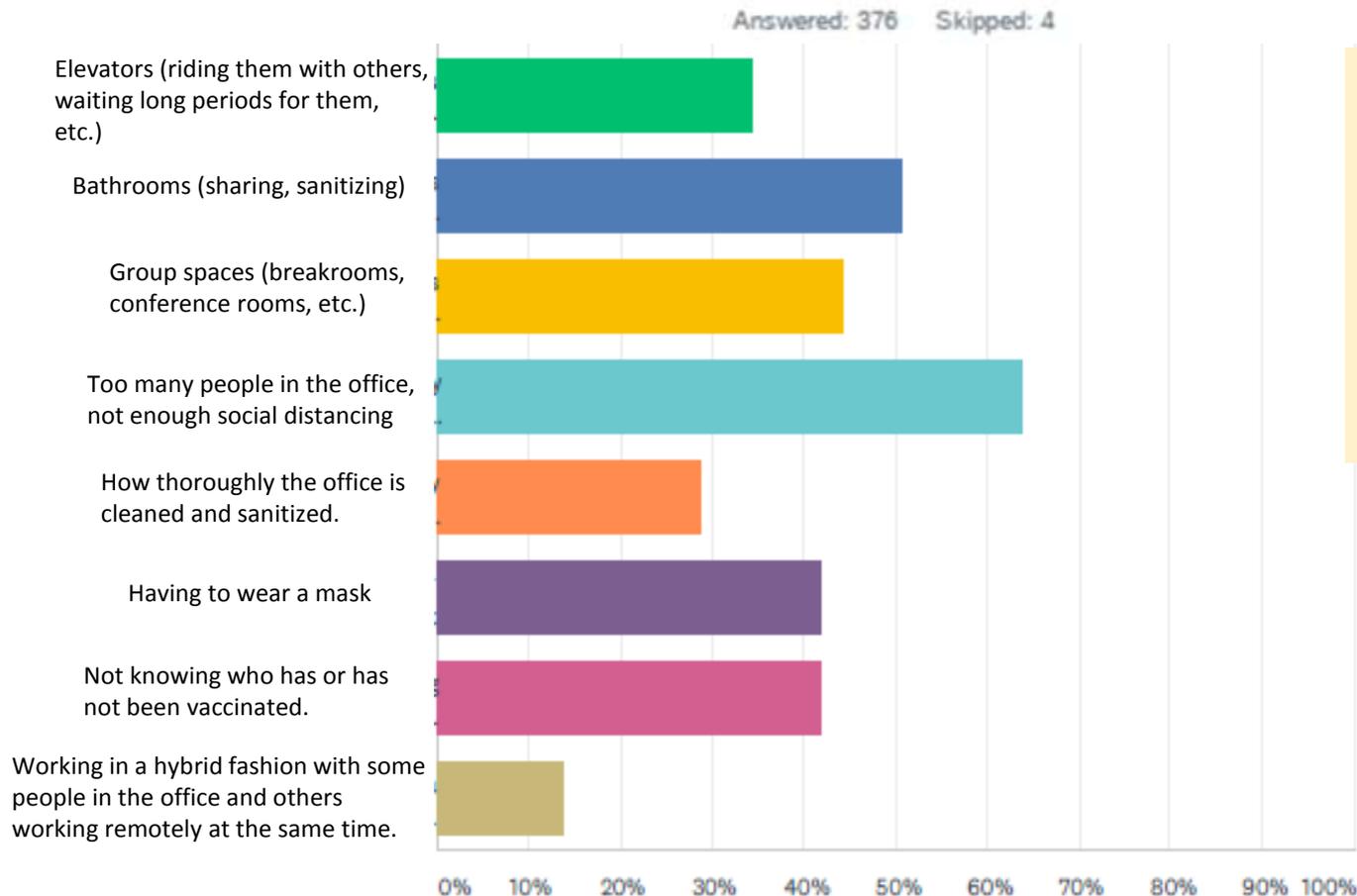
Answered: 375 Skipped: 5



Employees highly rated manager communication.

# Survey Results

Q2 What are your biggest concerns related to COVID-19 when considering returning to the office in approximately the next three to four months?  
(Please select up to THREE.)



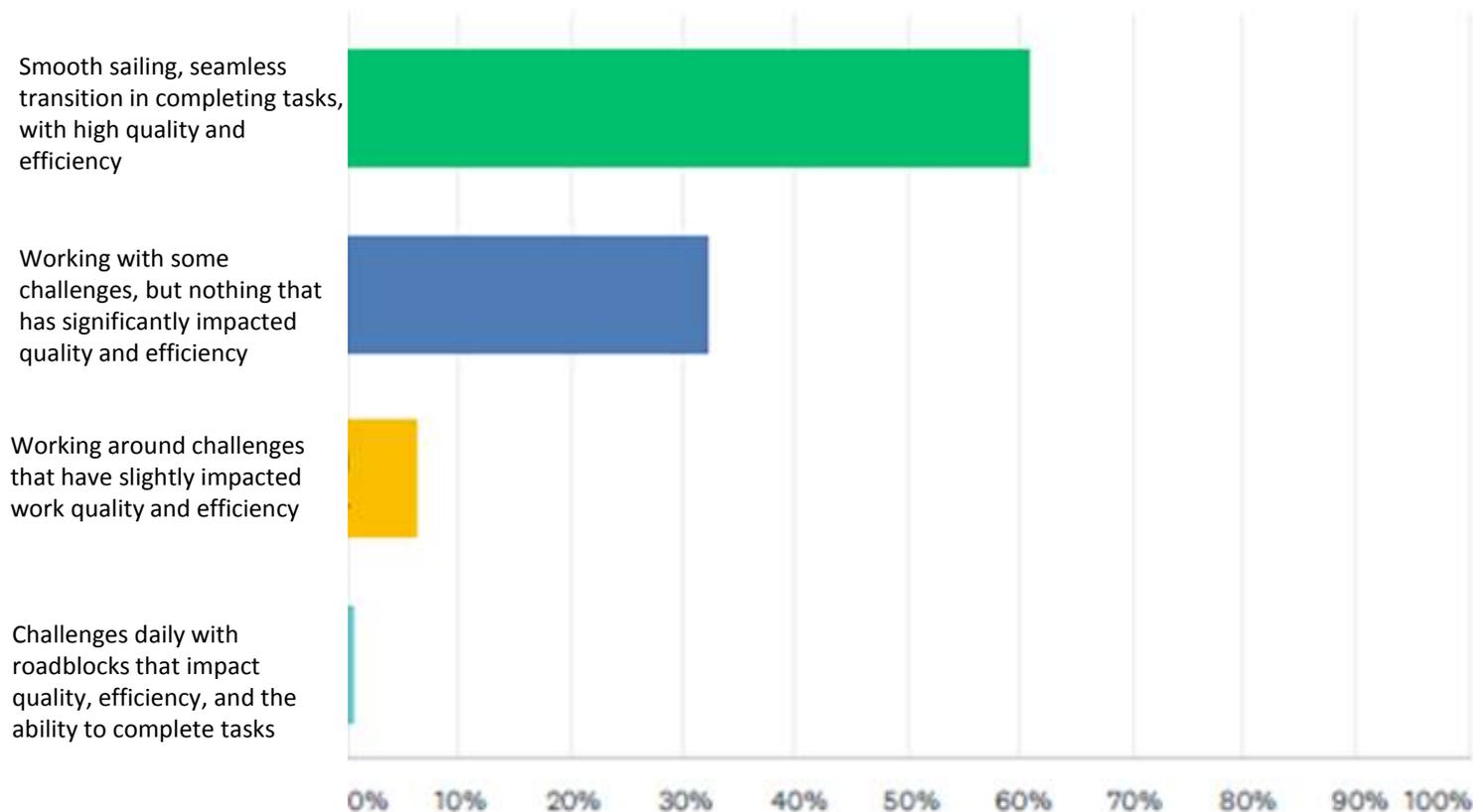
Not surprisingly, the leading concerns included:

- Too many people in the building, not enough social distancing
- Bathroom cleanliness
- Group spaces

# Survey Results

## Q8 Generally, how would you rate your telework experience in 2020/2021?

Answered: 378 Skipped: 2

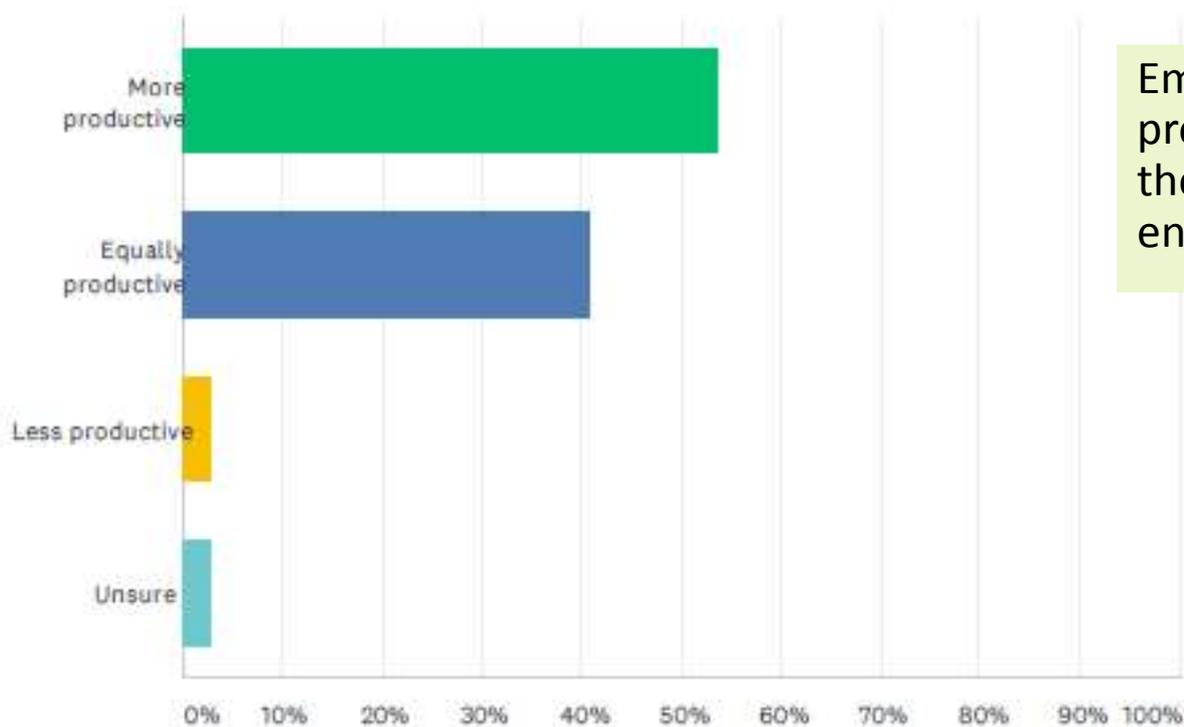


Employees highly rated the telework experience.

# Survey Results

Q17 The following best describes my productivity level when working from home as compared to working in the office.

Answered: 379 Skipped: 1

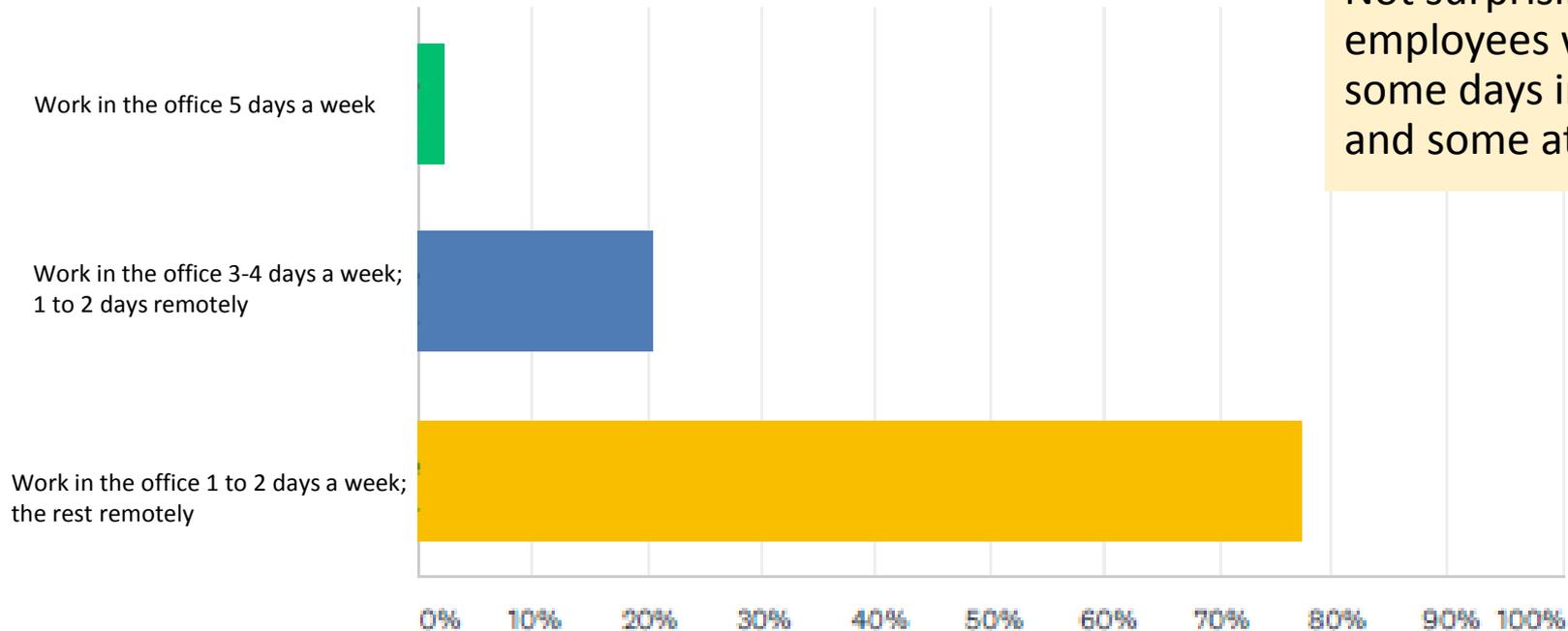


Employees rated productivity as high in the telework environment.

# Survey Results

Q16 Once the challenges presented by the pandemic are generally over (i.e., most adults have been vaccinated), how would you, if given the option, prefer to see VRS operate in the future?

Answered: 376 Skipped: 4



Not surprisingly, most employees would prefer some days in the office and some at home.

Focus groups captured candid comments, allowed employees to interact and exchange thoughts on returning to the office.

**Executive  
Level**

**Supervisor and  
Manager Level**

**All Employees**

## Common threads:

- Communications regarding the status of work and expectations was rated high and appreciated; groups thought productivity was high
- The “work environment” concept continues to evolve
- Unlikely to return to pre-pandemic norms but will carve out new norms

## Next Steps:

- Manage volunteer summer hours and evaluate this environment
- Work with managers and supervisors to:
  - Review departmental constructs for best delivery of products and services
  - Evaluate employee preferences
  - Review impacts related to recruitment and retention
- Develop guidance for a September return to the office using CDC guidance, while incorporating employee feedback
- Review technology tools designed to support synchronous hybrid work collaboration
- Communicate, communicate, communicate