
Minutes

A regular meeting of the Administration and Personnel Committee was held on September 9, 2019 in Richmond, Virginia with the following members present:

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

Board Members present:
O'Kelly E. McWilliams, III
Troilen G. Seward

Also present:

Trish Bishop, Ron Schmitz, Jennifer Schreck, Farley Beaton, Jeanne Chenault, Michael Cooper, Juanita Cribbs, Brian Goodman, Robert Irving, LaShaunda King, Curt Mattson, Angela Payne, Andrea Peek, Cat Pelletier, Matt Priestas, and Leslie Weldon of the VRS Staff; and Kimberly Sarte of the Joint Legislative Audit and Review Commission, Adam Rosatelli of the Senate Finance Committee, and Latosha Johnson of the Department of Planning and Budget.

The meeting convened at 1:03 p.m.

Approval of Minutes

Upon a motion by Mr. Montgomery, with a second by Mr. Harris, the minutes of the June 12, 2019 meeting were approved.

Reappointment of Investment Advisory Committee Member

Mr. Schmitz presented the recommendation to reappoint William "Hance" West to the Investment Advisory Committee for a two-year term.

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

RBA: Reappointment of IAC Member

Request for Board Action: The Board reappoints William "Hance" West to the Investment Advisory Committee for a two-year term ending December 31, 2021.

Review and Approve Attainment of FY 2019 APOs and Operational Measures

Mr. Cooper presented a report of the FY 2019 Agency Performance Outcomes (APOs) and Operational Measures to the Committee. He advised that staff had successfully met the goal of completing four (4) of the five (5) identified APOs and noted that the only item not completed in its entirety concerned technology projects that have been added to the FY 2020 APOs adopted at the June Board meeting. Staff surpassed the goal of meeting or exceeding the performance target for thirteen (13) of the sixteen

(16) Operational Measures, successfully completing fifteen (15). Mr. Cooper noted that the only measure not accomplished related to disability retirement processing timeframes that were affected by the transition from RIMS to VNAV. The approximate total cost for the 2.5% bonus payments to eligible employees is \$558,494, to be paid from the FY 2020 budget.

Mr. Nason thanked Mr. Cooper for his report.

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

RBA: Approve attainment of FY 2019 APOs and Operational Measures and corresponding lump-sum bonus equal to 2.5% of salary for eligible administrative employees and Investment Department operations and administration employees.

***Request for Board Action:** The VRS Board of Trustees approves (i) the attainment of FY 2019 APOs and Operational Measures and (ii) a lump-sum bonus equal to 2.5% of salary for eligible administrative employees and eligible Investment Department operations and administration employees.*

Review and Approve Performance Bonuses for Eligible Administrative and Investment Operations and Administration Employees

Next, Mr. Cooper discussed the proposed performance bonuses for eligible administrative and Investment operations and administration employees. The RBA includes a 4% bonus payable to employees who received a rating of “exceptional” and a 2% bonus payable to employees who received a rating of “exceeds”, based on their salary as of June 30, 2019. Bonus payments recognize and reward the positive contributions of individual performance that enable VRS to achieve and exceed its goals and objectives.

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

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

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

Review and Approve Revised Board’s Code of Ethics and Standards of Conduct Policy

Mr. Cooper briefed the Committee on the recommended amendments to the Board’s Code of Ethics and Standards of Conduct Policy. Mr. Cooper discussed the key changes and noted that the majority of the amendments addressed formatting and consolidation. After discussion, the Committee agreed to postpone the RBA until the November meeting pending clarification of certain definitions in the policy.

Budget Update (Year End Results)

Ms. Peeks gave a presentation of the year-end results for FY 2019 and an update on the FY 2020 budget, as well as the proposed budgets for FY 2021 and FY 2022. Ms. Peeks advised that approximately two-thirds of the budget proposals for FY 2021 and FY 2022 concern necessary enhancement of IT services; namely migration to a cloud environment, strengthening existing IT security and fraud detection and prevention systems and replacement of end-of-life systems and hardware. The majority of the remaining budget proposals address tools and staffing needs of the Investment Department to develop strategies and maximize returns, as well as staffing to enhance the agency's in-person and online customer responsiveness. Ms. Peeks concluded by noting that, compared to its peers as reported by CEM Benchmarking, Inc., VRS is spending less in total pension administration costs while providing a high level of service to members and retirees.

Mr. Nason thanked Ms. Peeks for her presentation.

Review and Authorize Budget Request to the Department of Planning and Budget

Following Ms. Peeks' presentation, Ms. Cantor moved, with a second by Mr. Montgomery, to recommend approval of the following action to the full Board:

RBA: Authorize staff to request spending authority from the Department of Planning and Budget.

***Request for Board Action:** The VRS Board of Trustees authorizes staff to request spending authority from the Department of Planning and Budget and legislature, as applicable, to execute planned initiatives for the next two fiscal years.*

Approve Internal Audit Director's Performance Bonus (Informational Item)

Next, as an informational item, Mr. Cooper advised that the Audit and Compliance Committee will review the Audit Director's performance at its meeting on September 12, 2019. The Committee will provide a recommendation via RBA regarding a performance bonus to the full Board at its October 10, 2019 meeting.

COMPENSATION AND BENEFITS – CLOSED MEETING

Mr. McWilliams then moved, with a second by Mr. Montgomery, that the Administration and Personnel Committee of the Virginia Retirement System Board of Trustees convene a closed meeting under the Virginia Freedom of Information Act to discuss the compensation and benefits of specific employees pursuant to the personnel exemption at *Code of Virginia* § 2.2-3711(A)(1).

Upon return to open meeting, Mr. McWilliams moved, with a second by Ms. Seward, the following resolution:

WHEREAS, the Administration and Personnel Committee of the Virginia Retirement System Board of Trustees convened a closed meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act; and

WHEREAS, *Code of Virginia* § 2.2-3712 requires a certification by this Committee that such closed meeting was conducted in conformity with Virginia law;

NOW, THEREFORE, BE IT RESOLVED, that the Committee certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements under this chapter were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered by this Committee.

The Committee approved the resolution upon the following roll call vote:

Mr. Nason: Aye
Ms. Cantor: Aye
Mr. Harris: Aye
Mr. McWilliams: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye

Review FY 2019 Incentive Pay for Investment Professionals

Mr. Nason then moved, with a second by Mr. Montgomery, to recommend approval of the following action to the full Board:

RBA: Approve FY 2019 incentive payments for VRS investment professionals.

***Request for Board Action:** The VRS Board of Trustees approves payment of an incentive amount of approximately \$4,088,248 for FY 2019 to VRS investment professionals as authorized by the Investment Professionals' Pay Plan.*

The Committee noted that the amount presented in the RBA is an approximate amount that may be amended before being presented to the Board. The RBA has been amended to reflect the Committee's action.

Internal Audit reviewed the proposed investment incentive compensation for the fiscal year that ended June 30, 2019 and found that the approximate aggregate amount was accurately computed in accordance with the Investment Professionals' Pay Plan.

Director's Performance Review

Next, Mr. Nason moved, with a second by Ms. Cantor, to recommend approval of the following action to the full Board:

RBA: Approve performance bonus and supplemental payment to the VRS Director as authorized in the 2019 Appropriation Act.

***Request for Board Action:** The VRS Board of Trustees approves a 5% performance bonus for the VRS Director payable on November 1, 2019 and a supplemental payment of \$75,000 made on or before December 31, 2019, as authorized in the 2019 Appropriation Act.*

There being no further business, the meeting adjourned at 3:22 p.m.



Mitchell L. Nason, Chair
Administration and Personnel Committee