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## Minutes

The Defined Contribution Plans Advisory Committee of the VRS Board of Trustees met on September 5, 2019 in Richmond, Virginia with the following members present:

Brett Hayes, Chair

The Honorable J. Brandon Bell, II

Allan Carmody

Ravindra Deo

Shannon Irvin

Margaret Maslak

David Winter

Board members present:

Mitchell Nason, Chair, VRS Board of Trustees

William H. Leighty

O'Kelly McWilliams, III

Also present:

Stephen Adelaar, Patricia Bishop, Steve Cerreto, Jeanne Chenault, Michael Cooper, Joshua Fox, Kelly Hiers, KC Howell, Robert Irving, Ciara Lawson, Teresa Nguyen, Greg Oliff, Andrea Peeks, Laura Pugliese, Jummai Sarki-Hurd, Kristy Scott, Michael Scott, Jillian Sherman, Peter Thompson, Bridgette Watkins, and Cindy Wilkinson of the VRS Staff;

Lauren Axselle of the Joint Legislative Audit and Review Commission Staff;

Adam Rosatelli of Senate Finance Committee Staff; and

Rick Fowler of the Virginia Governmental Employees Association

The meeting convened at 1:00 p.m.

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### **Approval of Minutes**

Mr. Winter moved to approve the minutes of the April 25, 2019 meeting with a second by Mr. Bell. The Committee approved the minutes unanimously.

### **Annual Investments Review**

Ms. Pugliese, Portfolio Manager, Defined Contribution Plans, provided an overview of the Annual Investments Review as of June 30, 2019 to the DCPAC. Total DC Plan assets in the unbundled DC Plans structure and bundled ORPHE structure was \$4.86 billion for the Fiscal Year ending June 30, 2019.

Ms. Pugliese provided an overview of the DCPAC duties and responsibilities as it relates to investments, including the Investment Policy Statements, DC Investment Belief Statements, and current DC best practices and trends as required by the Charter. She provided a review of each of the DC Plans and underlying fund performance and fees for the Fiscal Year ending June 30, 2019. Ms. Pugliese informed the Committee recommended changes to the two DC investment policy statements would be shared at the next scheduled meeting on November 7, 2019, and noted there were no recommended changes to the DC Plans Investment Beliefs Statements.

### **Administrative Reports and Communications Update**

Ms. Hiers, Plan Administrator for the VRS Defined Contribution Plans, provided the Committee with an administrative update for the second quarter ending June 30, 2019.

#### **DC Plans and Hybrid Plan Update**

Ms. Hiers provided an update to the Committee of total assets under management across all DC plans, including an overview of unique participant counts for the unbundled plans and new plan adoptions for the second quarter of 2019. She noted the increased interest among employers in adopting the COV 457 Plan and recent communication initiatives developed by ICMA-RC to highlight the benefits of using the plan.

Ms. Hiers informed the Committee that VRS' Defined Contribution Plans was the recipient of a 2019 NAGDCA Leadership Award for Hybrid Voluntary Contributions Initiatives in the category of Technology and Social Media. VRS was recognized for the GoHybrid, SmartStep and

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Enhanced Active Choice Splash Screen features used in effectively communicating the benefits of increasing voluntary contributions to the Hybrid 457 Plan and saving more for retirement.

Ms. Hiers provided an overview of total assets and accounts in the COV 457 and Virginia Cash Match plans, including contributions, withdrawals and net cash flow, for the second quarter of 2019. She also provided a review of total assets and accounts in the Hybrid 401(a) and Hybrid 457 defined contribution components of the Hybrid Retirement Plan for the second quarter of 2019. Similarly, she shared with the Committee an overview of cash flow from the Hybrid Retirement Plan, including contributions, withdrawals and net cash flow. Ms. Hiers provided an update on the Hybrid voluntary contribution elections and participation rates, including the auto-escalation population and number of participants making the maximum voluntary contribution for the second quarter of 2019. She noted 48.1% of hybrid plan members have a voluntary contribution percentage, and 26.7% of members have an active election above 0.5%. Ms. Hiers informed the Committee of the estimated population of hybrid plan members eligible for auto-escalation in 2020, as well as the auto-escalation communication and outreach initiatives. She also provided an overview of Hybrid Summer Series, a pilot of a summer meetings for hybrid school division employees intended to address the challenges of connecting with teachers due to their schedules and other school activities.

Ms. Hiers shared an update on the second quarter DC Plans goal focused on asset retention, including key factors and metrics for determining plan leakage across the unbundled DC plans. She provided an overview of assets by age and employment status, distribution type, rollovers and unforeseen emergency withdrawals. She noted that since 2017 more than 70% of outgoing rollovers have gone to an individual retirement account. Ms. Hiers informed the Committee of ongoing and future asset retention efforts, including the development of presentation materials to educate separated participants on creating income strategies with their defined contribution account balances.

#### ORPHE Update

Ms. Hiers provided an overview of total ORPHE assets for the second quarter of 2019, and assets by plan provider. She also shared with the Committee an update on ORPHE enrollment and new provider statistics based on newly-eligible employees among the three providers for the second quarter of 2019. It was noted that Fidelity, which represented only 14% of new hire provider selections, was removed as an option for new hires effective June 1, 2019. By



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comparison, 32% of ORPHE new hires selected the DCP option (record kept by ICMA-RC) through the first six months of 2019, up from 20% for calendar year 2018.

Ms. Hiers shared an update on ORPHE 2020 initiatives, including an overview of the implementation timeline as well as communication and outreach initiatives planned in the fall. She informed the Committee transition materials, including a special insert for Fidelity participants, were scheduled for mailing on September 20, 2019. Ms. Hiers also provided an update on the number of participant transition meetings scheduled during the extended open enrollment period as well as employer meetings, including the ORPHE Annual Employer Update scheduled for September 26, 2019.

#### **Other Business**

There was no other business to come before the Committee.

#### **Upcoming Defined Contribution Plans Advisory Committee Meetings**

The next meeting of the DCPAC will take place November 7<sup>th</sup> from 10:30 a.m. to 1:00 p.m. Also, for those who are interested, the ORPHE Annual Employer Update is scheduled for September 26, 2019, but is not a meeting of the DCPAC. The DCPAC will also poll for 2020 meetings.

#### **Adjournment**

There being no further business, Mr. Hayes adjourned the meeting at 2:09 p.m.



Brett Hayes, Chair