

Minutes

A regular meeting of the Virginia Retirement System Administration, Finance and Talent Management Committee was held on September 18, 2024, with the following members participating:

A. Scott Andrews, Chair
Michael P. Disharoon, Vice Chair

Board members present:
John M. Bennett
Jessica Hood

VRS Staff:

Patricia Bishop, Andrew Junkin, Jennifer Schreck, Jeanne Chenault, Michael Cooper, David Cotter, Juanita Cribbs, Jonathan Farmer, Sandy Jack, LaShaunda King, Curt Mattson, Paula Reid, Emily Trent, Scott Weaver and Leslie Weldon.

Guests:

Jamie Bitz, Joint Legislative Audit and Review Commission.

The meeting convened at 1:01 p.m.

Opening Remarks

Mr. Andrews called the meeting to order and welcomed everyone to the September 18, 2024, meeting of the Administration, Finance and Talent Management Committee.

Approval of Minutes

Following a motion by Mr. Disharoon, with a second by Mr. Bennett, the Committee approved the minutes of its June 11, 2024, meeting.

Review Revised Board Governance Policy and Committee Charters

Sandy Jack, Director of Policy, Planning and Compliance, advised the Committee of proposed changes to the Board of Trustees Governance Policy and Committee Charters for the Administration, Finance and Talent Management Committee, Audit and Compliance Committee, Benefits and Actuarial Committee, Defined Contribution Plans Advisory Committee, Investment Advisory Committee and Investment Policy Committee. Ms. Jack presented the substantive changes and informed the Board that periodic reviews are conducted on all Committee Charters to make sure they accurately recite the proper duties and procedures and reflect current Board governance best practices. The Board of Trustees will review the information at the upcoming September and October meetings.

Upon a motion by Mr. Disharoon, with a second by Mr. Bennett, the Committee recommended approval of the action to the full Board of Trustees:

RBA: Approve Revised Board Governance Policy and Committee Charters

Request for Board Action: *The VRS Board of Trustees approves amendments to the Board's Governance Policy and to the charters for each of the Board's standing committees and advisory committees.*

Mr. Andrews thanked Ms. Jack for her presentation.

Reappointment of Investment Advisory Committee (IAC) Members

Andrew Junkin, Chief Investment Officer, informed the Committee of three IAC members due for reappointment. Mr. Junkin indicated that Theodore Economou, Palmer Garson and Lawrence Kochard have been active and engaged participants of the IAC and each are willing to continue their service on the IAC.

Upon a motion by Mr. Bennett, with a second by Mr. Disharoon, the Committee recommended approval of the action to the full Board of Trustees:

RBA: Reappointment of IAC Members

Request for Board Action: *The Board reappoints (i) Theodore Economou for a two-year term ending September 13, 2026, (ii) Palmer Garson for a two-year term ending October 16, 2026, and (iii) Lawrence Kochard for a two-year term ending February 19, 2027.*

Mr. Andrews thanked Mr. Junkin for his presentation.

Budget Update

Jon Farmer, Budget and Performance Reporting Manager, presented the FY 2024 year-end budget results, explaining that VRS finished with an unexpended appropriation of \$9.73 million, which will be returned to the Fund. Mr. Farmer next provided an update on the agency's FY 2025 budget, noting that expenses to date are in line with budgeted amounts.

Mr. Andrews thanked Mr. Farmer for his presentation.

Pay Plans Overview

Curt Mattson, Chief Administrative Officer, and Paula Reid, Director of Human Resources, presented an overview the agency's three pay plans: Administrative Pay Plan, Investment Professionals' Pay Plan and the Investment Operations and Administrative Pay Plan. Ms. Reid and Mr. Mattson explained the purpose and key components for each of the three plans.

Mr. Andrews thanked Mr. Mattson and Ms. Reid for their presentation.

Review Attainment of FY 2024 Agency Performance Outcomes (APOs) and Operational Measures

Michael Cooper, Chief Operating Officer, reviewed the results of the FY 2024 agency performance outcomes (APOs) and operational measures. Mr. Cooper noted that the agency had five APOs for the fiscal year, with a target of completing at least four. Staff met this goal by successfully completing all five APOs. In addition, there were sixteen operational measures for the year, of which thirteen had to be met to meet the target for the year. Staff successfully met its target for fourteen of the sixteen operational measures. The only measures not met for the year were the call abandonment rate and preventable employee turnover. Mr. Cooper advised the Committee that a new call management solution is being implemented that will provide new tools to help address the call abandonment rate. Regarding the preventable employee turnover measure, Mr. Cooper explained that this was isolated to a few small areas of the agency that are being addressed, and HR is leading an employee engagement survey initiative for the entire organization, all aimed at reducing preventable employee turnover. After some discussion by the Committee, staff advised that it would consider changes to the metrics and presentation of the call abandonment rate and preventable employee turnover.

Upon a motion by Mr. Disharoon, with a second by Mr. Bennett, the Committee recommended approval of the action to the full Board of Trustees:

RBA: Review Attainment of FY 2024 Agency Performance Outcomes APOs and Operational Measures

Request for Board Action: The VRS Board of Trustees approves the attainment of FY 2024 APOs and Operational Measures and a lump-sum bonus equal to 2.5% of salary for eligible administrative employees and eligible Investment Department operations and administration employees.

Mr. Andrews thanked Mr. Cooper for his presentation.

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

Paula Reid, Human Resources Director, presented a request for board action to approve the performance bonuses for eligible administrative and investment operations and administration employees. Eligible employees who earn an "exceptional" rating on their performance evaluation qualify for a 4% bonus. Employees who earn an "exceeds" rating on their performance evaluation are eligible for a 2% bonus. The bonus amount is based on their salary as of June 30, 2024.

Upon a motion by Mr. Disharoon, with a second by Mr. Bennett, the Committee recommended approval of the action to the full Board of Trustees:

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.*

Mr. Andrews thanked Ms. Reid for her presentation.

Informational Item (Internal Audit Director's Performance Review)

Mr. Andrews informed the Committee that the Audit and Compliance (A&C) Committee reviewed the Internal Audit Director's performance at its September 18, 2024, meeting. Each year, the A&C Committee reviews the Internal Audit Director's performance and makes a recommendation for a performance bonus to the Board of Trustees. A copy of the request for board action to provide a performance bonus in the amount of 7% was shared with the Committee for informational purposes. A copy of the request for board action to provide a 3% salary increase to the Audit Director was also shared with the Committee for informational purposes.

Compensation and Benefits (Closed Session)

Mr. Disharoon moved, with a second by Mr. Bennett, that the Administration, Finance and Talent Management 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. Montgomery moved, with a second by Mr. Bennett, the following resolution:

WHEREAS, the Administration, Finance and Talent Management 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 the Committee.

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

Mr. Bennett: Aye
Mr. Disharoon: Aye
Ms. Hood: Aye
Mr. Andrews: Aye

RBA: Approve FY 2024 Incentive Pay for Investment Professionals

Upon a motion by Mr. Bennett, with a second by Mr. Disharoon, the Committee recommended approval of the action to the full Board of Trustees:

Request for Board Action: *The VRS Board of Trustees approves payment of an incentive amount of approximately \$10,510,344.60 for FY 2024 to VRS investment professionals as authorized by the Investment Professionals' Pay Plan.*

Internal Audit reviewed the proposed investment incentive compensation for the fiscal year that ended June 30, 2024, and found that the aggregate amount was accurately computed in accordance with the Investment Professionals' Pay Plan.

RBA: Director's Performance Review

Upon a motion by Mr. Disharoon, with a second by Mr. Bennett, the Committee recommended approval of the action to the full Board of Trustees:

Request for Board Action: *The VRS Board of Trustees approves a 5% performance bonus for the VRS Director payable on October 16, 2024, and supplemental payment of \$95,000 made on November 29, 2024, as authorized in the 2024 Appropriation Act.*

RBA: Chief Investment Officer Review

Upon a motion by Mr. Disharoon, with a second by Mr. Bennett, the Committee recommended approval of the action to the full Board of Trustees:

Request for Board Action: *The VRS Board of Trustees approves an 8% salary adjustment for the Chief Investment Officer (CIO).*

Mr. Andrews commended the Investments team for their continued success. The Fund returned 9.9% for the fiscal year ended June 30th and exceeded the 6.75% assumed rate of return and its custom benchmark for the 5-, 10-, 15- and 20-year periods. With a trust value of \$113.9 billion as of June 30, 2024, retaining and recruiting highly credentialed, expert, and experienced investment professionals is a source of strength for the system. To illustrate, through its skilled negotiating in external management costs, the team has generated approximately \$34.8 million a year in savings for the Fund and its members. Add to that, VRS saves about \$58.1 million in fees annually by managing a portion of the Fund in-house. Further, TUCS (Wilshire Trust Universe Comparison Service) places VRS in the optimal quadrant, producing more return at less risk when compared to peers.

By balancing risk with reward in the portfolio, the fund is projected to grow over time, meeting or exceeding the 6.75% assumed rate of return. Through a sound active investment strategy executed by our team, VRS has positioned the Fund to meet its obligations to teachers, first responders and other public servants now and well into the future.

Mr. Andrews next thanked the Administration team for all of their accomplishments over the last year as well. This year, the VRS administration team focused on the customer experience, enhancing security and leveraging technology to improve outcomes for our members. Ensuring an excellent experience for its customers reflects VRS' vision and values, and the work toward this goal demonstrates the dedication of staff.

To illustrate, during FY 2024, the team

- improved its outreach to members through multiple channels,
- continued to build robust IT and security capabilities,
- ensured thousands of retirement applications were processed accurately without interruption in the member's income stream,
- improved web site capability and accessibility, and
- extended compassionate support during vulnerable times for members and beneficiaries.

Mr. Andrews also noted that the leadership team also focused on VRS staff by providing an in-house professional development program to grow the skillset of the VRS workforce. Further, the team met or exceeded its operational measures and APOs. In so doing, the team delivered award-winning results with VRS maintaining its position in the most coveted quadrant of CEM's cost-effective services chart, where it delivers high service at a low cost in comparison to peers.

Adjournment

There being no further business and following a motion by Mr. Bennett, with a second by Mr. Disharoon, the Committee agreed to adjourn the meeting at 3:50 p.m.



Chair

4-16-25

Date