
Minutes

The Audit and Compliance Committee of the Board of Trustees met on September 24, 2025, at the Virginia Retirement System located in Richmond, Virginia. The following individuals were present.

Audit and Compliance Committee Members:

Sen. J. Brandon Bell II, Committee Chair (*in accordance with § 2.2-3708.3(B)(3) of the Code of Virginia*)

J. Clifford Foster IV, Committee Vice Chair

A. Scott Andrews, Board Chair

Other Members of the Board of Trustees:

Lawrence A. Bernert III (*in accordance with § 2.2-3708.3(B)(3) of the Code of Virginia*)

Jessica L. Hood

VRS Staff:

Patricia Bishop, Andrew Junkin, Jennifer Schreck, Brock Bell, Judy Bolt, Dorothy Chiddo, Michael Cooper, Juanita Cribbs, Valerie Disanto, Curtis Doughtie, Antonio Fisher, Joshua Fox, Krystal Groff, Robert Irving, Sandy Jack, Jennifer Kazzie, Curt Mattson, David Porter, Matthew Priestas, Paula Reid, Mark Rein, Kristy Scott, Virginia Sowers, Scott Weaver and Leslie Weldon

Guests:

Eric Sandridge, Auditor of Public Accounts; Cathleen Davis, Arizona Public Safety Personnel Retirement System (PSPRS); and Jacob Hayes, Encore

The meeting convened at approximately 10:00 a.m.

Opening Remarks

Sen. Bell called the meeting to order and welcomed everyone to the September 24, 2025, meeting of the Audit and Compliance Committee and noted no changes or additions to the meeting agenda.

Approval of Minutes

Upon motion of Mr. Foster, seconded by Mr. Andrews, the committee approved the minutes of the Audit and Compliance Committee meeting held on June 17, 2025.

Results of Independent Validation of Internal Audit's Quality Assurance Review

Ms. Cathleen Davis, Chief Auditor of Arizona's Public Safety Personnel Retirement System, presented the results of the quinquennial independent external validation of Internal Audit's quality assurance review. She concluded that the internal audit activity at VRS generally conforms with the *International Standards for the Professional Practice of Internal Auditing*, which denotes the Institute of Internal Auditors' highest rating of conformance. She commended the Internal Audit Department on the professionalism and competence of its staff.

Acceptance of Independent Validation of Internal Audit's Quality Assurance Review

Upon motion of Mr. Foster, seconded by Mr. Andrews, the committee accepted the independent validation of Internal Audit's Quality Assurance Review report as presented.

Exit on the 2024 Employer Assurances Review

Mr. Sandridge reported the Auditor of Public Accounts (APA) has completed their Employer Assurances audit work. This audit covers the data VRS prepares and supplies to employers and their auditors to support required financial reporting over pension plans and other post-employment benefits (OPEBs) under Governmental Accounting Standards Board (GASB) Statements No. 68 and No. 75.

Update on the 2025 Annual Comprehensive Financial Report (ACFR) Audit

Mr. Sandridge reported the APA is progressing as planned with the annual audit of VRS' ACFR. The goal is for the audit to be finished in advance of the December 2025 Audit and Compliance committee meeting. He noted currently there are no formal findings and provided an update on the audit's staffing.

Audit Report

The committee received the following audit report:

Audit Report 464 – Leverage Program

Mr. Fox presented the results of Internal Audit's review of the Leverage Program. The review determined adequate oversight and controls exist over the Leverage Program. There was one recommendation resulting from the review.

Acceptance of Audit Report

Upon motion of Mr. Foster, seconded by Mr. Andrews, the committee accepted audit report no. 464 as presented.

Limited Assurance Reviews**Agency Performance Outcomes and Operational Measures**

Ms. Schreck reported on Internal Audit's review of the Agency Performance Outcomes and Operational Measures for the fiscal year ended June 30, 2025, noting the review's results support the representations set forth by management.

VRS' Investment Incentive Compensation

Ms. Schreck disclosed the results of Internal Audit's review of the Investment department's proposed 2025 incentive compensation calculations for the fiscal year ended June 30, 2025. The review found all investment professionals met the eligibility requirements, and both the proposed aggregate and individual payment amounts were accurately computed in accordance with the Investment Professionals' Pay Plan.

Advisory Services Overview

Ms. Scott provided an overview of Internal Audit's advisory services, including a discussion of the distinction between assurance and advisory engagements. She provided the committee a summary of a recently completed advisory services engagement focused on the Virginia Sickness and Disability and Virginia Local Disability Long-Term Care Programs. The committee discussed the skill set for performing advisory services, along with additional information regarding the recent engagement's scope.

Annual Progress Reports on Internal Audit

Annual Report on Internal Audit Department

Ms. Schreck recognized the contributions of the Internal Audit team over the past year and discussed the various activities and projects performed over the course of the fiscal year. The committee discussed with Ms. Schreck the scope and approaches for recent assurance work performed for retiree disbursements.

During the report, Ms. Schreck explicitly confirmed to the committee the VRS Internal Audit department and its staff are organizationally independent of the activities they examine and possess the appropriate qualifications to meet the needs of the approved audit plans. She also discussed the department's conformance with the *Global Internal Audit Standards*.

Annual Report on the Audit Recommendation Follow-up System

Ms. Schreck highlighted the Annual Report on the Audit Recommendation Follow-Up System (ARFUS) for management as of June 30, 2025. Ms. Schreck noted ARFUS contained eight recommendations and four were represented as implemented, two of which were issued by the APA. Four recommendations were released, one with comment. As a result, there were four outstanding recommendations in ARFUS which would be monitored during FY 2026.

Annual Reports on FY 2025 Annual Plan and FY 2025 - FY 2027 Long Range Plan Status

Ms. Schreck then presented the annual plan results for the fiscal year ended June 30, 2025, along with the status of the long-range plan for the three years ending June 30, 2027. Ms. Schreck noted modifications have been made to the long-range plan to accommodate the changing risk environment.

FY 2026 Annual Plan

Ms. Schreck then presented the proposed annual plan for FY 2026, noting it is derived from the long-range plan and represents the second year of the long-range plan period.

RBA: Approval of the FY 2026 Annual Plan

Upon motion of Mr. Foster, seconded by Mr. Andrews, the committee recommended approval of the action to the full Board of Trustees.

Request for Board Action: The VRS Board of Trustees approves the proposed FY 2026 Annual Plan.

Miscellaneous Updates

Quarterly Report on Fraud, Waste and Abuse Hotline Cases

Ms. Schreck shared there were no Fraud, Waste and Abuse Hotline complaints reported to Internal Audit via the Office of the State Inspector General or by any other means during the period of May 1, 2025, through July 31, 2025.

Management's Quarterly Travel Expense and Per Diem Report

Ms. Schreck shared management's quarterly travel expense and per diem report was included in the meeting materials for the committee's review.

Committee Meeting Schedule for Calendar Year 2026

Ms. Schreck provided the calendar year 2026 VRS Board and committee meeting dates.

Next Committee Meeting Date

Ms. Schreck noted the next meeting of the committee is scheduled for December 11, 2025, at 10:30 a.m.

Performance Review (Closed Session)

Mr. Foster moved, with a second by Mr. Andrews, that the Audit and Compliance Committee of the Virginia Retirement System Board of Trustees convene a closed meeting in accordance with the Virginia Freedom of Information Act to evaluate the performance of the VRS Internal Audit director, pursuant to the personnel exemption at *Virginia Code § 2.2-3711(A)(1)*.

Upon return to the open meeting, Mr. Foster moved, with a second by Mr. Andrews, the following resolution:

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

NOW, THEREFORE, BE IT RESOLVED, that the Audit and Compliance 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. Andrews: Aye
Mr. Foster: Aye

Ms. Hood: Aye
Mr. Bernert: Aye
Sen. Bell: Aye

RBA: Approval of Performance Bonus for Audit Director

Upon motion of Mr. Foster, seconded by Mr. Andrews, the committee recommended approval of the action to the full Board of Trustees:

Request for Board Action: The VRS Board of Trustees approves a 7% performance bonus for the audit director payable on October 31, 2025.

Adjournment

There being no further business, the Audit and Compliance Committee adjourned the meeting at approximately 11:51 a.m.


Committee Chair
Secretary