

Minutes

A regular meeting of the Defined Contribution Plans Advisory Committee (DCPAC) of the VRS Board of Trustees convened on May 15, 2025, with the following members present:

Susan T. Gooden, Chair (*in accordance with § 2.2-3708.3(B)(4) of the Code of Virginia*)

Hon. Matthew James, Vice Chair

Monique Barnes (*in accordance with § 2.2-3708.3(B)(2) of the Code of Virginia*)

C. Matt Harris

Kate Jonas

Rick Larson

Brenda Madden

David Winter

Ravindra Deo

Members of the Board of Trustees:

John M. Bennett

J. Clifford Foster, IV

VRS Staff:

Ingrid Allen, Trish Bishop, Stephen Cerreto, Curtis Doughtie, Antonio Fisher, Josh Fox, Kelley Harlow, Kelly Hiers, KC Howell, Robert Irving, Sandy Jack, Brian Lackey, Ryan LaRochelle, Joyce Monroe, Laura Pugliese, Michael Scott, Jennifer Schreck, Virginia Sowers, Ashley Spradley, Bridgette Watkins-Smith, Rachel Webb, and Leslie Weldon.

Guests:

Ashley Lucas, Voya; Andrew Ness, Sageview; Lauren Albanese, Financial Investment News; Alexandra Jansson, JLARC; Andrew Roper, Osmosis.

The meeting convened at 1:00 p.m.

Opening Remarks

Delegate James welcomed Committee members, Board members, agency officials, representatives from stakeholder groups and other members of the public joining in person and through electronic means, to the DCPAC.

Approval of Minutes

Upon a motion by Mr. Deo and a second by Mr. Larson, the minutes of the March 6, 2025, meeting were approved by the Committee.

Administrative Reports and Communications Update

Administration Reports & Communications

Kelly Hiers, Defined Contribution Plans Administrator, provided an overview of the Defined Contribution Plans, as well as an update on administrative reports for the first quarter of 2025, which included reviewing assets and accounts across the various plans. Ms. Hiers advised the Committee that total Plan accounts were up slightly with assets remaining mostly unchanged since the end of the year due to market conditions.

Ms. Hiers provided an update on the federal SECURE 2.0 legislation. Specifically, Section 603, which requires that age-based catch-up contributions made by employees earning wages greater than \$145,000 in the previous year be made as Roth contributions. This provision has a delayed implementation of January 2026. Voya will have webinars and targeted communications for employers regarding their responsibilities for administering this provision. Staff will work with Voya to create additional resources to help employers and participants manage contribution limits.

Ms. Hiers provided an update on auto-escalation with the next escalation cycle being January 2026. It is estimated that there will be a 40% increase in the number of members being escalated since the last cycle. It was noted that hybrid voluntary contribution changes have moved from quarterly to monthly and hybrid plan members can opt out during the month of December.

DC Plans Recordkeeper Transition Update

Ms. Hiers provided updates and statistics since the transition to Voya for web access, employer payroll processing, advice/managed accounts, communications, and education. VRS staff will continue to closely monitor participant and employer experience.

Delegate James thanked Ms. Hiers for her presentation.

DC Plans Investments Update

Performance Reports

Laura Pugliese, Portfolio Manager of Defined Contribution Plans, provided an overview of the March 31, 2025, performance reports to the DCPAC, including the unbundled DC plans investment options and the bundled TIAA investment menu for ORPHE. Ms. Pugliese addressed market uncertainty and volatility. Ms. Pugliese shared that although the frequency of participant trading recently increased, trading amounts were not material when considering each fund's total assets.

Morningstar 2025 Target Date Landscape Highlights

Ms. Pugliese provided highlights of Morningstar's Target Date Landscape report. Ms. Pugliese reported collective investment trusts (CITs) took over from mutual funds as the most used investment vehicle. Ms. Pugliese discussed the trend of favoring low-priced, index-based/passive offerings over active and

blend alternatives, fees continuing a downward trend and asset allocation (equity) glidepaths becoming more aggressive and similar over time. Ms. Pugliese shared that notable new product launches included target date funds with features to address retirement income.

Foreign Adversaries Update

K.C. Howell, Managing Director of Private Assets, provided an update on the foreign adversary policy approved by the Board last November and will be implemented July 1st. The policy will impact both DB and DC plans. The approved policy focuses on existing exposure to foreign adversaries as currently defined by the U.S. Secretary of Commerce. The Virginia Retirement System Board of Trustees authorized the CIO to pursue a policy related to current and future investments in countries designated as foreign adversaries by the Office of the Secretary of Commerce. This policy may include restricting some or all of such investments, and the relevant benchmarks used by VRS for such investments, in the designated countries. The Board further determined that such a policy is consistent with VRS' fiduciary duty. The current foreign adversaries list includes Russia, North Korea, Iran, and Cuba of which we have no exposure. China is the primary exposure in the VRS portfolio.

Delegate James thanked Ms. Pugliese and Mr. Howell for their presentations.

Other Business

DCPAC Appointments

Trish Bishop, Director, informed the Committee of the request for appointment of Rebecca Fentress and September Sanderlin, each to a two-year term ending June 20, 2027. Ms. Fentress and Ms. Sanderlin will be replacing Mr. Winter and Mr. Larson, respectively. Mr. Winter's and Mr. Larson's current terms expire on June 20, 2025.

Following a motion by Mr. Winter, with a second by Mr. Deo, the Committee recommended approval of the following action to the full Board of Trustees:

RBA: Appointment of DCPAC Members.

Request for Board Action: The Board appoints Rebecca Fentress and September Sanderlin to the Defined Contribution Plans Advisory Committee (DCPAC) for two-year terms ending June 20, 2027.

Delegate James thanked Ms. Bishop for her presentation.

Discussion of New Ideas

Ms. Pugliese and Ms. Bishop discussed Lifetime Retirement Income. The investment team has been speaking to providers and will be collaborating with internal teams to see what works better for members. The committee will be engaged in this process once more information is received.

Upcoming DCPAC Meetings

Delegate James confirmed the remaining DCPAC meeting dates for 2025:


- September 11, 2025, at 1 p.m.
- December 4, 2025, at 1 p.m.

Additionally, Delegate James confirmed the ORPHE Annual Employer Update is scheduled for September 17, 2025, at 10:00 a.m. This is not a DCPAC meeting; however, members may attend if interested.

Finally, Delegate James and Ms. Bishop expressed appreciation to Mr. Larson and Mr. Winter for their long-standing and dedicated service to the DCPAC and VRS. The committee joined in thanking them for their outstanding service.

Adjournment

There being no further business, Delegate James adjourned the meeting at 2:20 p.m. upon a motion by Mr. Winter, with a second by Mr. Larson, and a vote of the Committee.


Chair


Date