

### Minutes

The Defined Contribution Plans Advisory Committee (DCPAC) of the VRS Board of Trustees convened on March 30, 2023, with the following members present:

Brandon Bell, Chair  
Susan T. Gooden, Vice Chair\* (in accordance with § 2.2-3708.2(B)(3))  
Ravindra Deo  
Shannon Irvin  
Rick Larson  
Brenda Madden  
Arun Muralidhar\* (in accordance with § 2.2-3708.3(B)(4))  
David Winter

VRS Board of Trustees:

John Bennett\*

VRS Staff:

Trish Bishop, Jeanne Chenault, Michael Cooper, Kelly Hiers, KC Howell, Robert Irving, Ryan LaRochelle, Teresa Nguyen\*, Laura Pugliese, Steven Ramirez, Michael Scott, Virginia Sowers\*, Ashley Spradley\*, Bridgette Watkins, Rachel Webb\*, Leslie Weldon, Cindy Wilkinson, and Tanya Williams\*.

Guests:

Brian McCleave, Empower Retirement; Andrew Ness, SageView Advisors; Jamie Bitz, JLARC; Lauren Albanese\*, Financial Investment News; Robert Coyne\*

*\*Attended remotely*

The meeting convened at 1:00 p.m.

### Opening Remarks

Brandon Bell, Chair of the DCPAC, welcomed Committee members, board members, VRS staff, representatives from other stakeholder groups and members of the public.

### Approval of Minutes

Upon a motion by Mr. Deo, with a second by Mr. Winter, the Committee unanimously voted to approve the minutes of the December 1, 2022, meeting of the Defined Contribution Plans Advisory Committee.

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

Kelly Hiers, DC Plans Administrator, provided an update on the VRS Defined Contribution Plans for the fourth quarter, ending December 31, 2022. Ms. Hiers shared the total assets under management across all DC plans, as well as an overview of unique participant counts for the unbundled plans. Ms. Hiers noted plan assets and accounts were both up and that there are almost 530,000 total accounts.

Ms. Hiers provided an update on self-directed brokerage accounts due to the recent Charles Schwab and TD Ameritrade merger. The affected population is comparatively small and will be notified of the transition. No blackout is expected during the transition over the Labor Day weekend. Ms. Hiers and Mr. Bell noted the Charles Schwab platform will provide the same level of service as well as enhanced performance and research tools.

Ms. Hiers briefly highlighted a refresh to the Defined Contribution Plans website that occurred in December 2022.

#### DC Plans and Hybrid Plan Update

Ms. Hiers provided an update on total assets and accounts in the COV 457 and Virginia Cash Match plans through December 31, 2022. Assets were up 5% during the fourth quarter of 2022.

Ms. Hiers also provided a review of total assets and accounts in the Hybrid Retirement Plan for the fourth quarter of 2022. Assets were up 15% and accounts were up 3%. She further updated the Committee on the Hybrid 457 voluntary participation and contribution election rates for the fourth quarter of 2022.

Ms. Hiers provided an update on the status of the 2023 auto-escalation that occurred on January 1<sup>st</sup>. The opt-out rate was very low at 0.9%. Also, the active control rate, or those who choose to actively increase their contribution rate during the auto-escalation period, was slightly higher than it was during the 2020 escalation at 2.7%. Mr. Muralidhar inquired about if there was any data from the auto-escalated population about who is borrowing with high interest credit card debt and if that subset of the population would be better served not being auto-escalated. Trish Bishop, Director of VRS, advised that VRS could only acquire that data through a voluntary survey and that the auto-escalation is set by law so it would require a legislative change. VRS also has a variety of financial wellness tools for members and retirees to help them with financial planning.

Ms. Hiers next reviewed the DC Plans focus on asset allocation across the plans for the fourth quarter of 2022. She shared the current breakdown of asset allocation across the plans, as well as a comparison for how the allocation varies across plans. Ms. Hiers also provided an overview of investment-related communications and educational materials available to plan participants. She also provided an update on usage of the self-directed brokerage account option. Mr. Winter inquired if the top holdings from the self-directed brokerage account option were equivalent to the VRS lineup of investment options. Ms. Pugliese advised that Investments does not track that data unless asked to by the DC Plans team.



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**ORPHE Update**

Ms. Hiers shared an overview by provider of total ORPHE assets, participants, and average balances for the fourth quarter of 2022. Assets were up 5% during that period. She also gave an update on ORPHE provider selections for the fourth quarter of 2022. Ms. Hiers also highlighted a single performance standard, participant satisfaction, that TIAA did not meet during this quarter.

**DC Plans Recordkeeper RFP Update**

Ms. Hiers provided an update on the DC Plans Recordkeeper RFP. Responses were due on December 2, 2022, and finalists would be determined by April 2023.

Mr. Bell thanked Ms. Hiers for her presentation.

**DC Plans Investments Update**

Laura Pugliese, Portfolio Manager of Defined Contribution Plans, reviewed the February 28, 2023, performance reports, including the unbundled DC plans investment options and the bundled TIAA investment menu in the Retirement Choice (RC) contract for ORPHE. Ms. Pugliese shared a brief history of the changes in the Federal Funds Rates since March 2020 as an informational item. Ms. Pugliese also shared that there has been a reduction in the management fees for the Small/Mid-Cap Stock Fund and the Target Date Portfolios within the unbundled DC plans. There is currently work in progress to reduce the management fees for the BlackRock LifePath Index Funds and the BlackRock Russell 2500 Index Fund within the TIAA ORPHE.

**Callan 2023 Defined Contribution Trends Survey Highlights**

Ms. Pugliese provided an overview of highlights from the Callan 2023 DC Trends survey, which was included in the meeting materials Appendix for the Committee to review. The Callan 2023 DC Trends survey results represented 99 large DC plan sponsors that span a range of industries across corporate, tax-exempt, and government organizations.

**Retirement Income Industry Update**

Ms. Pugliese provided an update on the topic of retirement income within DC plans. Ms. Pugliese noted that public and corporate DC plan sponsors are focusing more on the distribution phase due to the shift in retirement trends. Ms. Pugliese briefly covered some of the factors leading to this increased focus as well as the various considerations when evaluating retirement income solutions. Ms. Pugliese shared with the Committee highlighted results from the Retirement Research Center's (RRC) 2022 Profiling Retiree Spending Study which looked at retiree savings, spending, and financial and behavioral health. Ms. Pugliese concluded by enumerating next steps for staff as it considers various developments and product offerings in the retirement income space. Ms. Bishop added the importance of focusing on educating members given the complexity of this topic. Ms. Irvin inquired about education for members on the effects of the caps on the Cost-of-Living Adjustments (COLAs) allowed by law for the VRS retirement plans given the recent high inflation environment. Ms. Bishop acknowledged there may be opportunities for further education on inflation and COLAs, but the existence of statutory COLAs is a positive defined benefit plan feature for VRS members that not all corporate and public retirement plans offer to their members. Dr. Gooden inquired about the confidence in retirement planning of retirees by

region and by race. Ms. Pugliese advised she would contact representatives of the RCC to determine if that data was available and respond accordingly.

Mr. Bell thanked Ms. Pugliese for her presentation.

### Other Business

#### Legislative Update

Cindy Wilkinson, Director of Policy and Planning, reviewed DC plan-related legislation that passed during the 2023 regular session of the General Assembly. She advised that the General Assembly adjourned but is expected to return for a special session to complete work on the budget and the reconvened session for the Governor's amendments will be in April. Ms. Wilkinson also noted that while a full budget deal was not reached during the regular session, a "skinny" budget was passed that included a \$250 million infusion for VRS. Ms. Bishop noted that "return-to-work" legislation that allows a VRS retiree to return to work full-time and continue to receive their retirement benefits could change retirement patterns going forward and should be monitored.

Ms. Hiers continued the presentation with a review of the recent "Secure 2.0" federal legislation. The legislation affects primarily public and private DC plans. Ms. Hiers began with a detailed overview of mandatory provisions that will affect VRS. Ms. Hiers noted the mandatory provision to require that age-based catch-up contributions for those who earned over \$145,000 the previous year be made as after-tax Roth contributions has been problematic for public retirement plans across the country, especially those that do not currently have a Roth option available within their plan. Ms. Wilkinson added that retirement plan organizations have sought an extension from the IRS for the implementation of this provision. If there is no extension, VRS's contingency plan is to not allow catch-up contributions for calendar year 2024, which would require a plan document amendment. Ms. Hiers finished with a brief overview of the optional provisions. She noted there will be internal discussions regarding the feasibility of adopting the individual optional provisions. Ms. Bishop added that the optional provision to allow student loan payments to count towards matching employer contributions will likely be popular for employers as a recruitment tool, but also presents some administrative challenges.

#### DCPAC Appointments

Ms. Bishop informed the Committee of the request for reappointment of Shannon Irvin, Rick Larson, and David Winter, each to a two-year term ending June 20, 2025. Their current terms expire June 20, 2023.

Upon a motion by Mr. Deo, with a second by Ms. Madden, the Committee unanimously recommended approval of the following action to the Administration, Finance, and Talent Management Committee and the full Board:

***Request for Board Action:*** The Board reappoints Shannon Irvin, Rick Larson, and David Winter to the Defined Contribution Plans Advisory Committee (DCPAC), for a two-year term ending June 20, 2025.

### Discussion of New Ideas

Dr. Muralidhar shared an article written by a colleague regarding retirement planning. The article, titled *"The Crisis in Retirement Planning,"* was shared with the Committee. Dr. Muralidhar indicated his intention to discuss this topic further at the Committee's June meeting.

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

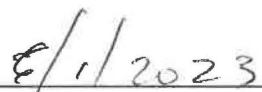
Mr. Bell confirmed the remaining DCPAC meeting dates for 2023. The next meeting of the DCPAC will take place on June 1, 2023, with remaining meetings on September 7 and November 30. All meetings will be held at 1:00 p.m.

Additionally, the ORPHE Annual Employer Update will be scheduled and appear on the agenda as an upcoming event. This is not a DCPAC meeting; however, members may attend if interested.

#### **Adjournment**

Upon a motion by Mr. Deo, with a second by Ms. Madden, the Committee unanimously voted to adjourn the meeting at 3:10 p.m.

  
Chair

  
Date