



Audit and Compliance Committee Meeting

[1111 E. Main Street](#)
[Third Floor Board Room](#)

Thursday, 12/7/2023
10:00 AM - 12:00 PM ET

- I. Minutes of the September 20th Meeting
 - Meeting Minutes - Page 2*
- II. Matters for Discussion with the Auditor of Public Accounts
 - Matters for Discussion with the APA - December 2023 - Page 8*
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 - A. Exit on 2023 Annual Comprehensive Financial Report
 - B. Entrance on the 2023 Employer Assurances Review
- III. Audit Reports
 - A. Report 455: Global Public Equity - External Managers
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 - B. Report 456: Refunds
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- IV. Quality Assurance and Improvement Program Results
 - Quality Assurance Improvement Program Annual Results - FY2023 - Page 74*
- V. Quarterly Report on Fraud, Waste and Abuse Hotline Cases
 - Fraud Waste and Abuse Report - August 1 2023 through October 31 2023 - Page 78*
- VI. Management's Quarterly Travel Expenses and Per Diem Report
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- VII. Confirmation of 2024 Meeting Dates
 - 2024 Confirmed Board and Committee Meeting Dates - Page 91*

Minutes

The Audit and Compliance Committee of the Board of Trustees met on September 20, 2023, at the Virginia Retirement System located in Richmond, Virginia. The following individuals were present.

Audit and Compliance Committee Members:

Joseph W. Montgomery, Committee Chair
A. Scott Andrews, Board Chair

Other Members of the Board of Trustees:

Jessica L. Hood

VRS Staff:

Patricia Bishop, Andrew Junkin, Jennifer Schreck, Judy Bolt, Jeanne Chenault, Michael Cooper, Joshua Fox, Krystal Groff, Robert Irving, Curt Mattson, David Porter, Matthew Priestas, Paula Reid, Mark Rein, Kristy Scott, Leslie Weldon and Cynthia Wilkinson.

Guests:

Zach Borgerding, Gary Gammon and Erin Shell, Auditor of Public Accounts

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

Opening Remarks

Mr. Montgomery called the meeting to order and welcomed everyone to the September 20, 2023, meeting of the Audit and Compliance Committee and noted no changes or additions to the meeting agenda.

Approval of Minutes

Upon motion of Mr. Andrews, seconded by Ms. Hood, the committee approved the minutes of the Audit and Compliance Committee meeting held on June 13, 2023.

Exit on the 2022 Employer Assurances Review

Mr. Borgerding 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. All resources for employers are available on the VRS website.

Update on the 2023 Annual Comprehensive Financial Report (ACFR) Audit

Mr. Borgerding reported the APA is progressing as planned with the annual audit of VRS' ACFR. The audit is on schedule to be finished in advance of December 15, 2023. He noted currently there are no formal findings and provided an update on the audit's staffing.

Internal Audit Assurance Reviews

Agency Performance Outcomes and Operational Measures

Mr. Fox reported on Internal Audit's review of the Agency Performance Outcomes and Operational Measures for the fiscal year ended June 30, 2023, noting the review's results supported the representations set forth by management.

VRS' Investment Incentive Compensation

Mr. Fox disclosed the results of the Internal Audit department's review of the Investment department's proposed 2023 incentive compensation calculations for the fiscal year ended June 30, 2023. The review found all investment professionals met the eligibility requirements, and that both the proposed aggregate and individual payment amounts were accurately computed in accordance with the Investment Professionals' Pay Plan.

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. She 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 Institute of Internal Auditors' *Standards* and noted that the departmental charter had been reviewed for potential updates and none were deemed necessary.

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, 2023. Ms. Schreck noted ARFUS contained eleven recommendations and four were represented as implemented, one of which was issued by the APA. Three recommendations were released, one with comment. Ms. Schreck noted the APA recommendation will remain in ARFUS until released by the APA. As a result, there were seven outstanding recommendations in ARFUS which would be monitored during FY 2024.

Annual Reports on FY 2023 Audit Plan and FY 2021 - FY 2024 Long Range Plan Status

Ms. Schreck then presented the annual audit plan results for the fiscal year ended June 30, 2023, along with the status of the long-range audit plan for the four years ending June 30, 2024. Ms. Schreck noted modifications have been made to the long-range plan to accommodate the changing risk environment. She acknowledged planning activities for the next long range audit plan would be commencing later this year.

Proposed FY 2024 Annual Audit Plan

Ms. Schreck then presented the proposed audit plan for FY 2024, noting it is derived from the long-range plan and represents the fourth year of the long-range audit plan period.

RBA: Approval of the FY 2024 Annual Audit Plan

Request for Board Action: *The VRS Board of Trustees approves the proposed FY 2024 Annual Audit Plan.*

Upon motion of Mr. Andrews, seconded by Ms. Hood, the committee approved the proposed Annual Audit Plan for fiscal year 2024 and recommended that the Board approve the plan as well.

Miscellaneous Updates

Quarterly Report on Fraud, Waste and Abuse Hotline Cases

Ms. Schreck shared there were no Fraud, Waste and Abuse cases reported for the period May 1, 2023, through July 31, 2023.

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 2024

Ms. Schreck provided an update on the progress of determining the calendar year 2024 VRS Board and committee meeting dates, noting committee members would be receiving a survey.

Next Committee Meeting Date

Ms. Schreck noted the next meeting of the committee is scheduled for December 7, 2023, at 10:00 a.m.

Audit Report

The committee received the following audit report:

Audit Report 454 – Human Resources and Employee Payroll

Ms. Scott presented the results of Internal Audit's review of Human Resources and Employee Payroll. The review determined sufficient controls are in place to support human resources and employee payroll processes, and overall, associated controls are operating as expected. There were no recommendations resulting from the review.

Closed Session Motion

Mr. Andrews moved, with a second by Ms. Hood, 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 (i) for the purpose of discussing Audit Report 453 – Logical and Physical Access pursuant to

the exemption contained in Virginia Code § 2.2-3711(A)(19) and (ii) to evaluate the performance of the VRS Internal Audit director, pursuant to the personnel exemption at Virginia Code § 2.2-3711(A)(1).

Certification

Upon return to the open meeting, Mr. Andrews moved, with a second by Ms. Hood, 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 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
Ms. Hood: Aye
Mr. Montgomery: Aye

Acceptance of the Audit Reports

After exiting from the closed session, upon motion of Ms. Hood, seconded by Mr. Andrews, the committee accepted audit reports 453 and 454 as presented.

Audit Director's Performance Review

The committee indicated they would like to make a recommendation for approval to the full Board.

RBA: Approval of Performance Bonus for Audit Director

Request for Board Action: *The VRS Board of Trustees approves a 7% performance bonus for the audit director payable on October 16, 2023.*

Upon motion of Mr. Andrews, seconded by Ms. Hood, the committee approved the performance bonus for the audit director and recommended approval by the Board as well.

Meeting Adjournment

There being no further business, upon motion by Mr. Andrews, seconded by Ms. Hood, the Audit and Compliance Committee adjourned the meeting at approximately 11:15 a.m.

Committee Chair

Secretary

Matters for Discussion with the Auditor of Public Accounts

Matters for Discussion with the APA

Exit on the 2023 VRS ACFR Audit

The Auditor of Public Accounts (APA) anticipates finalizing their opinion on VRS' Annual Comprehensive Financial Report (ACFR) no later than December 15th. As their work will be substantially complete, the APA plans to exit with the committee on December 7th. At the time of compilation of these materials, the APA's examination was in its final stages, certain observations have been shared with management for potential inclusion and are still under consideration for inclusion in the Report on Internal Controls.

QUESTIONS POSED TO EXTERNAL AUDITORS WHEN EXITING

For reference purposes, a list of example questions posed to external auditors when exiting is set forth below. However, exit meetings with the APA are typically informal, with questions posed as the members of the committee see fit.

- Are there any unresolved accounting or auditing problems?
- Were there any significant adjustments to the accounting records?
- Were there any significant accounting or auditing problems encountered during the examination?
- Were there any significant changes in accounting policies or principles during the year?
- Are there any major year-to-year fluctuations in the amounts reported in the financial statements? What were the causes of the changes?
- In your review of other documents prepared by management (e.g., Department of Accounts ACFR submissions), did you identify any inconsistencies or material misstatements of fact?
- Were there any indications of financial weaknesses, which should be addressed by the committee?
- Did you detect any material errors, fraud, illegal acts or significant deficiencies or material weaknesses in the internal control system?
- Are there any pertinent comments concerning operations in general?
- Did you review information furnished to others (e.g., actuaries)?
- Did the quality and quantity of personnel involved in the preparation and control of financial information appear adequate? Did personnel seem to be fulfilling their responsibilities in a conscientious and professional manner?
- Was the level of cooperation received from management and internal audit during the examination appropriate?
- Did you have enough time to complete all phases of your audit?

APA Exit Materials

The APA has provided a series of slides highlighting the status of the audit and addressing certain required communications.

APA 2023 Report on Internal Control

The APA's companion Report on Internal Control and Compliance issued in conjunction with its opinion on the financial statements will be provided to the committee and Board of Trustees once finalized. Given the expected completion date for fieldwork, the APA anticipates releasing their report in January 2024.

VRS 2023 ACFR

Due to the voluminous nature of VRS' ACFR, it is not included in the meeting materials. An unaudited draft report will be provided to the committee ahead of this meeting. Once finalized, the 2023 ACFR will be found on VRS' website at the following link, along with prior year annual reports dating back to 2002:

[Publications | Virginia Retirement System \(varetire.org\)](https://www.varetire.org/publications)

Entrance on the VRS 2023 Employer Assurances Audit

The APA will entrance with the committee on their 2023 Employer Assurances Audit. Materials relating to the entrance begin on page 15 of their presentation, which immediately follows this document. A copy of their engagement memorandum, which details the staffing, timing, scope and reports, as well as the terms of the engagement, will be discussed with management and provided to members of the committee at a later date.

For reference, a list of example questions posed to external auditors when entrancing is provided below. However, entrance meetings with the APA are typically informal, with questions posed as the committee deems necessary.

QUESTIONS POSED TO EXTERNAL AUDITORS WHEN ENTRANCING

- Do you anticipate any substantial changes in your audit approach, scope, standards, procedures, resources allocated or other circumstances which may significantly affect your examination?
- Are there any significant changes in generally accepted accounting principles or other changes which will significantly impact your examination, our financial reporting or your opinion thereon?
- Have you identified any possible changes in the character of VRS' activities? Have these changes, if any, affected your audit approach or scope?
- Are there any special areas in which you expect to focus?
- Are there any potential restrictions on your audit scope or other matters that could affect your audit opinion?
- Do you foresee any significant problems and, if so, how will they be handled?
- Are there any issues the committee needs to be aware of or are there any areas where you require special assistance or cooperation from VRS?

Scope

As was done for 2022, the scope of work for this year's Employer Assurances Audit will include the reporting requirements for Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions (as amended) and GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions (as amended).

The Virginia Local Disability Program (VLDP) administered by VRS will not be included in the scope due to immateriality.

Engagement Memo

A more detailed document defining the terms of the audit engagement will be discussed with management and provided to members of the committee at a later date.



2023 VRS Financial Statement Audit Update

December 7, 2023

Zach Borgerding

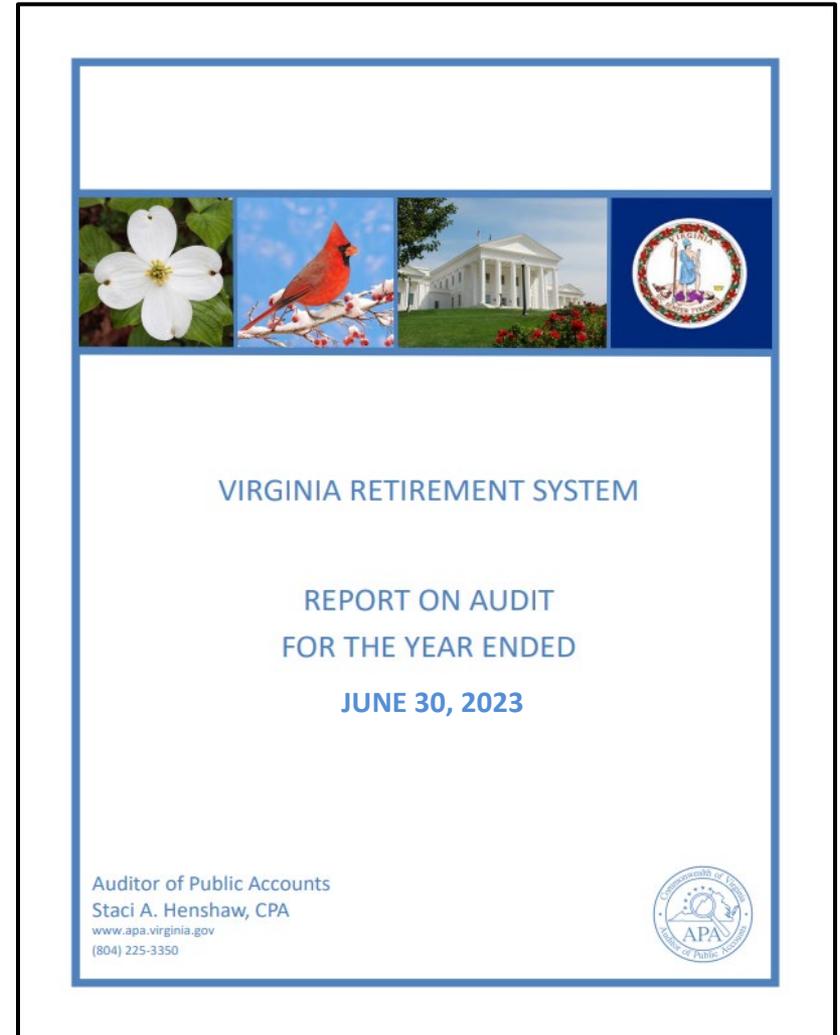
Auditor of Public Accounts

Audit Status as of December 1st

- Audit work is in final stage
- All adjustments currently proposed have been discussed with management
- Anticipate issuing an unmodified opinion to be dated no later than December 15, 2023
- Anticipate issuing our report on internal controls and compliance in January 2023

Report on Internal Controls

- **Results of Internal Control and Compliance Testing as of Dec. 1st**
 - Potential recommendation involving information system security subject to FOIAE Section 2.2-3705.2
 - Potential recommendation involving unusual or infrequent retirement benefit calculations
 - Confirming accuracy and magnitude of potential findings with management



Opinion Letter: Emphasis of Matter Paragraph

- Relationship to the Commonwealth of VA paragraph will be included for fiscal year 2023
- VRS extended the submission date for June 30th manager statements, reducing the impact of roll-forward estimations
- Investment with Values that are not Readily Determined paragraph **removed** for fiscal year 2023

Prior Year Emphasis of Matters

Emphasis of Matters

Relationship to the Commonwealth of Virginia

As discussed in Note 1, the basic financial statements of the System are intended to present the financial position, and the changes in financial position of only that portion of the aggregate remaining fund information of the Commonwealth of Virginia that is attributable to the transactions of the System. They do not purport to, and do not, present fairly the Commonwealth of Virginia's overall financial position as of June 30, 2022, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Investments with Values that are not Readily Determined

As discussed in Note 5 on page 97, the basic financial statements include real estate and private equity investments valued at approximately \$13.7 billion and \$32.5 billion, respectively, as of June 30, 2022, whose fair values have been estimated by management using a roll-forward process in the absence of readily determinable fair values. Our opinion is not modified with respect to this matter.

Audit Adjustments

- No material adjustments proposed to the financial statements as of December 1st
- No uncorrected misstatements remain as of December 1st
- Cost column in Figure 2.25: Currency Forwards updated completely due to formula error
- Miscellaneous wording adjustments proposed throughout MD&A and notes

Fraud and Illegal Acts

- Audit team assessed the risk of fraud through collaborative brainstorming process
- Audit team conducted interviews of employees throughout the agency asking about known or suspected fraud and fraud opportunities
- Audit team exercised professional skepticism throughout engagement
- **No fraud or illegal acts were identified as a result of the audit**

Significant Accounting Policies and Estimates

- No significant changes in accounting policies (See Note 1 in the Annual Report)
- Significant estimates include:
 - Fair value measurements
 - Actuarially determined amounts
- Audit team evaluated estimates and found them to be reasonable and fairly presented

Substantive Audit Approach to Fair Value

Evaluation of pricing methodologies used by master custodian (BNY Mellon)

Fair Value Levels 1 & 2

Fair Value Level 3 & NAV

Analytical procedures

Comparisons of pricing to market quotes or secondary pricing vendors

Reviewed audited financials and manager statements

Reperformed roll-forward procedures as applicable

- See Note 5 in the VRS Annual Report for detailed information relating to fair value

Audit Approach to Actuarial Amounts



Census Data Responsibilities



Employers

- Responsible for accuracy of active member data
- CPA firms examine census data for local government



- Responsible for maintenance of inactive member data
- Ensures confidentiality, integrity, and availability of all census data in its custody
- Ensures accurate accumulation of data to the actuary



- Audits active member data for state employers
- Reviews active member data results for local government
- Audits inactive member data at the plan
- Audits plan's accumulation of data to the actuary

Employer Audit Results - Active Member Data

Local Government

- 330 examination reports on local government data received as of Nov. 30th
- 99.7% include a clean opinion over the accuracy of the data
- 16 (5%) reporting mostly minor errors in the data

State Employers

- 12 audits have reported results as of Nov. 30th
- 5 exceptions relating to one member out of 279 members tested
- Two internal control deficiencies reported related to myVRS Navigator (VNAV) reconciliations

- See Notes 2 and 3 and Actuarial Section in VRS Annual Report for additional information on actuarial amounts and assumptions

Unusual Transactions or Accounting Policies

- We did not identify any significant accounting policies in controversial or emerging issues
- We did not identify any significant unusual transactions other than:
 - \$250 million ‘in-kind’ transfer between limited partnerships at year-end
- Based on discussions with VRS staff, we believe the transactions had valid business purposes and VRS applied proper accounting treatment

Additional Audit Results

- Our audit identified:
 - Proper treatment of accounting principles
 - No material alternative accounting treatments
 - No significant disagreements with management



Future Focus: Standards

Accounting

- **GASB Statement 99** – Omnibus *(Partially Effective Fiscal Year 2024)*
- **GASB Statement 100** – Accounting Changes and Error Corrections *(Effective Fiscal Year 2024)*
- **GASB IG Question 2021-1** – Capitalization Policy *(Effective Fiscal Year 2024)*
- **GASB Statement 101** – Compensated Absences *(Effective Fiscal Year 2025)*

Auditing

- **SAS 143** – Auditing Accounting Estimates and Related Disclosures *(Effective Fiscal Year 2024)*
- **SAS 144** – Use of Specialists and Pricing Information from External Sources *(Effective Fiscal year 2024)*
- **SAS 145** – Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement *(Effective Fiscal Year 2024)*

Future Focus: Potential Areas of Audit Emphasis

- Decoupling defined benefit and defined contribution rates for Hybrid members (effective July 1, 2024)
- Implementation of new access and resource management tool
- Updates to investment policy statements, including new strategies to use leverage to manage risk and liquidity (projected in fiscal year 2024)
- Transition from MissionSquare to Voya Financial as third-party record keeper for VRS defined contribution plans

Employer Audit Assurances

Employer Resources to Comply with GASB 68 and 75

AUDIT ENGAGEMENT ENTRANCE

Audit Logistics

- Timing:
 - Audit Period: July 1, 2022 – June 30, 2023
 - Audit Timing: February, 2024 – June, 2024
- Audit Team:
 - Zach Borgerding (Project Manager)
 - Erin Shell (Co-In-Charge)
 - Amy Stokes (Co-In-Charge)
 - Audit Staff
- Timing of staff auditors anticipated to align with planned availability of actuarial schedules

Our Team

Zach Borgerding



Director

- 15 years experience
- 8 years experience with VRS
- CPA, CISA and CGFM
- Specialty Focus: Reporting and Standards

Erin Shell



Supervisor

- 5 years experience
- 5 years experience with VRS
- MBA
- Specialty Focus: Data Analysis

Amy Stokes



Supervisor

- 9 years experience
- 1st year assigned to VRS
- CPA, CGFM
- Specialty Focus: Process Innovation

Ben Rubert



Auditor

- 2 years experience
- 2 years assigned to VRS
- Specialty Focus: Data Analysis

PJ Spitz



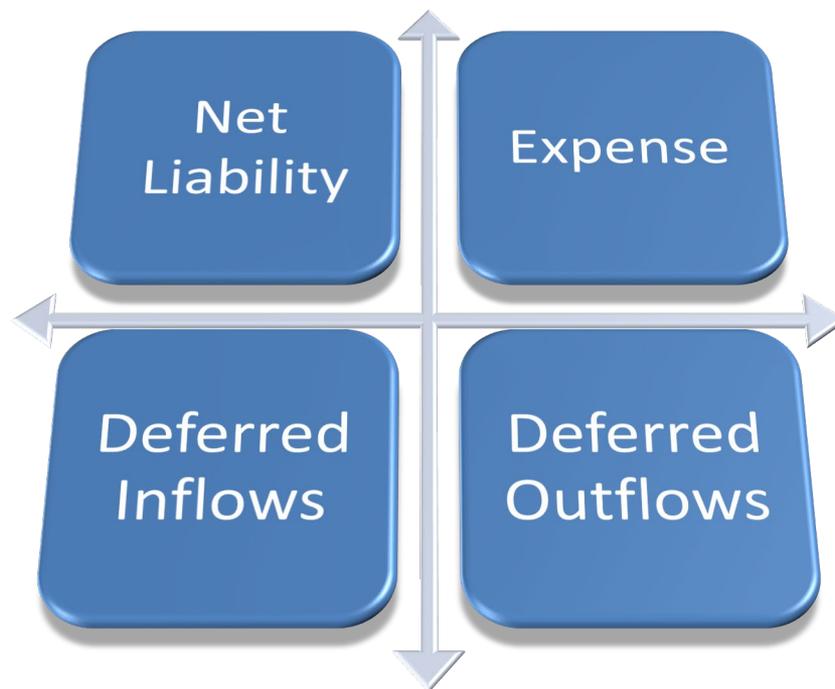
Associate

- <1 year experience
- 1st year assigned to VRS
- Specialty Focus: Higher Education

Cost Sharing APA Audit Assurances

- Provide opinion on Pension/OPEB amounts at plan level

- Provide opinion on employer allocation percentages



Employer Code	Employer	Employer Contributions	Employer Allocation Percentage
40100	ACCOMACK COUNTY SCHOOL BOARD	\$ 3,023,764	0.35461%
40101	ALBEMARLE COUNTY SCHOOLS	9,491,479	1.11311%
40102	ALLEGHANY COUNTY SCHOOL BOARD	1,435,188	0.16831%
40103	AMELIA COUNTY SCHOOL BOARD	903,338	0.10594%
40104	AMHERST COUNTY SCHOOL BOARD	2,704,879	0.31721%
40105	APPOMATTOX COUNTY SCHOOL BOARD	1,176,909	0.13802%
40106	ARLINGTON PUBLIC SCHOOLS	29,095,514	3.41217%
40107	AUGUSTA COUNTY SCHOOL BOARD	6,291,642	0.73785%
40108	BATH COUNTY SCHOOL BOARD	498,809	0.05850%
40109	BEDFORD COUNTY SCHOOL BOARD	5,682,514	0.66642%
40110	BLAND COUNTY SCHOOL BOARD	483,108	0.05666%
40111	BOTETOURT COUNTY SCHOOLS	3,106,162	0.36427%
40112	BRUNSWICK COUNTY PUBLIC SCHOOLS	1,137,210	0.13337%
40113	BUCHANAN COUNTY SCHOOL BOARD	1,757,633	0.20613%
40114	BUCKINGHAM COUNTY SCHOOL BOARD	1,213,826	0.14235%

Cost Sharing Plans under Audit

- Teacher's Pension Plan
- State Pension Plan
- Teacher's Retiree Health Insurance Credit
- State Retiree Health Insurance Credit
- Group Life Insurance (GLI)
- Virginia Sickness and Disability Program (VSDP)
- Line of Duty Act (LODA)
- Virginia Local Disability Program (VLDP) will not be audited due to immateriality

Agent Multiple Plan APA Assurances

Provide opinion on proper accumulation of census data by the plan

Provide opinion on fair presentation of changes in fiduciary net position by employer

Net liabilities are the residual balance of total liabilities and fiduciary net position



Agent Multiple Plans under Audit

- Political Sub-division Pension Plans
- Political Sub-division Retiree Health Insurance Credit
- The following Retiree Health Insurance Credit Plans will not be audited due to immateriality:
 - Constitutional Officers
 - Registrars
 - Social Services Local Employees

Examination Opinion – Census Data

- Examination reports will include management assertions defining significant census data fields accumulated to the actuary
- Two separate reports and opinions will be issued for pension and OPEB census data
- Examination opinions will attest to management's assertion
- Employer information may be provided in two batches – pensions then OPEBs

Internal Controls Report

- We will not issue an internal controls report for this engagement
- Any significant internal control deficiencies will be reported to the Committee in a timely manner and included in the internal controls report for the FY 2023 financial statement audit

Audit Billing for Employer Assurances

- APA will bill VRS for work performed in accordance with existing memorandum of understanding (MOU)
- MOU instructs APA to bill for actual hours worked not to exceed \$259,500 unless mutually agreed to in advance
- APA has not previously exceeded the maximum and does not anticipate excesses for fiscal year 2023

Terms of the Engagement

A more detailed document defining the terms of the audit engagement will be discussed with management at a later date. We will ask that management provide written agreement to the terms and copy the Audit and Compliance Committee Chairman on the response.

Intended Use Statement

This presentation is intended solely for the information and use of those charged with governance and management, and is not intended to be, and should not be, used by anyone other than these specified parties.

Audit Reports



INTERNAL AUDIT

Report No. 455

Global Public Equity Program

As of June 30, 2023

THIS REPORT IS INTENDED SOLELY FOR THE USE OF THE VRS BOARD OF TRUSTEES AND THE MANAGEMENT OF VRS AND IS NOT INTENDED FOR OTHER PURPOSES.



Dear Members of the Audit and Compliance Committee,

We have completed audit number 455, "Global Public Equity Program." The main purpose of our audit was to review the Global Public Equity Program's externally managed accounts to ensure their activity is properly recorded and aligns with the Investment Policy Statement during the audit period of January 1, 2023, through June 30, 2023.

We conducted our audit in accordance with the *International Standards for the Professional Practice of Internal Auditing*. These standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for the conclusions based upon our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This report was distributed to the Chief Investment Officer, Director and members of management for review and comment. As our review did not result in a written recommendation, management did not provide a written response but expressed substantial agreement with our report.

We appreciate the cooperation and assistance of the Investment, Investment Operations, Investment Compliance and Investment Accounting departments throughout this audit.

Respectfully Submitted,

Jennifer P. Bell Schreck, CPA, CISA, PMP
Audit Director

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EXECUTIVE SUMMARY

We conducted an examination of the Global Public Equity Program’s externally managed accounts within VRS’ Investment department as of June 30, 2023. Our review determined:

- Management’s administration of the program complies with the applicable Investment Policy Statement.
- Sufficient and appropriate due diligence and monitoring activities are occurring.
- Accounting transactions are accurate, reconciled and recorded timely by the master custodian, Bank of New York Mellon (BNY Mellon).

This review did not include an evaluation of the external manager fees, as the controls surrounding external manager fees are addressed in a separate examination planned for later this audit plan year.

The internally managed portion of the Global Public Equity Program is addressed in a separate examination, most recently completed as of May 31, 2020, Audit Report No. 438 “Internal Equity Management Program”.

There were no written recommendations resulting from our review.

SNAPSHOT

The total **value** of the **Global Public Equity Program** as of **June 30, 2023**, was **\$34.7 billion**, representing **33.0%** of the **Total Fund**.

The **scope** of this **review** only **includes** the **externally managed** portion of the **Global Public Equity Program**, which **represents 53.1%** of the total **Global Public Equity Program**, or **\$18.4 billion** and **17.5%** of the **Total Fund**.

Externally Managed Global Public Equity Program Value vs. Total Fund Value



AUDIT ASSESSMENT

VRS provides appropriate oversight and monitoring of the Global Public Equity Program’s externally managed accounts.

Written Recommendations: 0

ORGANIZATIONAL CHART

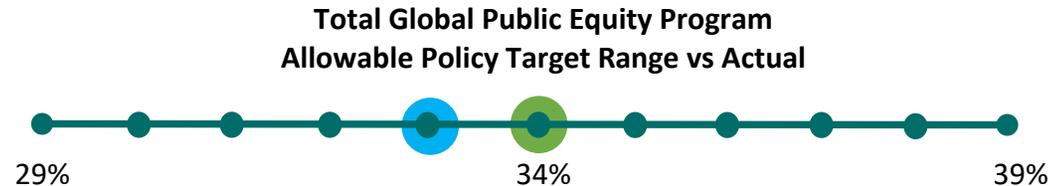


BACKGROUND

INTRODUCTION

As a diversified investment program, public equity is one of many investment vehicles used by VRS to maximize return and minimize risk for the benefit of the Plan and its members. The value of the total Global Public Equity Program, including the internally managed accounts, as of June 30, 2023, was \$34.7 Billion.

This represents 33% of the Total Fund. The asset class policy target weight for the Global Public Equity Program as of June 30, 2023, was 34%, with an allowable range of 29% - 39%.



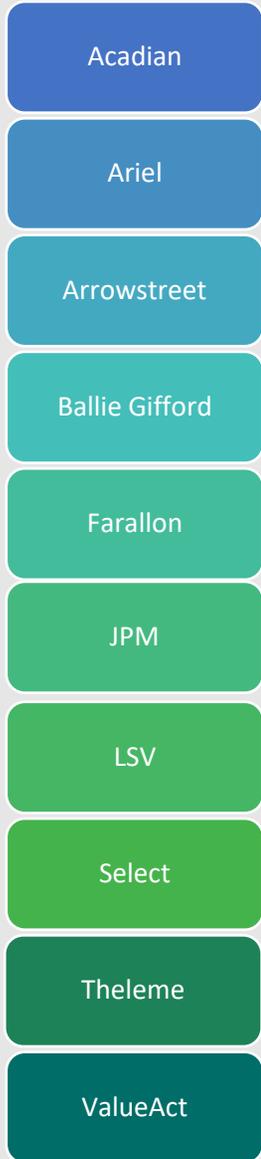
This review will focus on the externally managed portion of the Global Public Equity Program, valued at approximately \$18.4 billion, or 17.5% of the Total Fund as of June 30, 2023.

Program History

Today VRS has a mature globally focused program managed holistically rather than managing the U.S., non-U.S. and emerging market equity programs in isolation. VRS added non-U.S. based assets to the Global Public Equity Program in 1989 and expanded into emerging markets in 1995.

The overall objective of the Global Public Equity Program is to gain exposure to global economic growth and equity risk premium. The program specific investment objective is to deliver an attractive excess return relative to the program's benchmark over a market cycle. Additionally, to help reduce the overall volatility of the Total Fund, the program is managed to a lower absolute volatility level than the cap-weighted broad market benchmark, which is expected to add value over a full market cycle with less downside risk.

TOP 10 EXTERNAL GLOBAL PUBLIC EQUITY MANAGERS

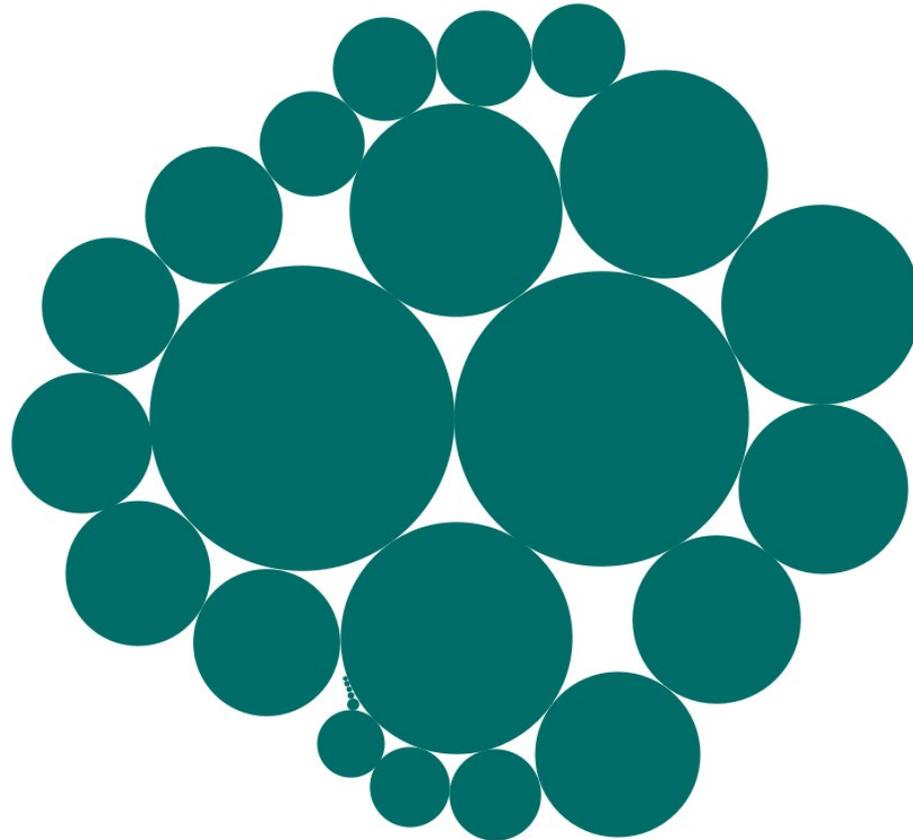


Investment Accounts

The Global Public Equity Program is comprised of both internally and externally managed accounts. The diagram below illustrates the magnitude of the investments with the 27 individual external managers that are part of the Global Public Equity Program and considered in scope for this review. VRS may invest in one or more accounts with each external manager. While some accounts are in liquidation status, all accounts with a market value as of June 30, 2023, were included below. The size of the circle corresponds to the combined market value of assets by manager.

Magnitude of Investments with External Global Public Equity Managers

As of June 30, 2023



Performance Benchmark

Global public equity investment performance is measured against a Board of Trustees (Board) approved benchmark for the asset class. Since 2020 the benchmark for the Global Equity Program is the MSCI ACWI IMI Index, net of VRS foreign tax withholdings.

As illustrated in the table below, the Global Public Equity Program performance has tracked closely to its benchmark across all reported periods.

Return vs. Benchmark as of June 30, 2023				
	10 Year	5 Year	3 Year	1 Year
Global Public Equity Return	8.7	7.5	11.6	15.6
Global Public Equity Benchmark	8.8	8.0	11.4	16.7

INVESTMENT POLICY STATEMENT

The governing document for the Trust Fund is the VRS Defined Benefit Plan Investment Policy Statement, for which the Board most recently approved updates in July 2023. Based on this policy statement, the overall investment objective of the VRS portfolio is to maximize return while managing risk within an acceptable range. The Board has delegated to the Chief Investment Officer (CIO) the authority to establish and modify as necessary the program level investment policy statements. Therefore, the CIO approves any material changes to the risk profile and/or the return objectives for the Global Public Equity Program.

Appendix 1 of the VRS Defined Benefit Plan Investment Policy Statement includes the Board approved program policy target percentages and allowable ranges.

The more focused Global Public Equity Program Investment Policy Statement was most recently updated in April 2020. Broadly stated, the program's investment objective is to gain exposure to global economic growth and the global equity risk premium. The allowable exposures include all public equities, inclusive of developed and emerging markets, as well as hedge funds. The program also limits active risk up to 200 basis points versus the benchmark.

On a quarterly basis, the Program Director, or designee, reviews and formally approves all program limits and other ongoing monitoring activities for the total Global Public Equity Program.

Account Specific Compliance Guideline Monitoring

Accounts are held to various compliance guidelines which can include restricted investments or limits on percentages of investments allowed. One of the primary tools used to monitor compliance on an individual account level is BNY Mellon’s Compliance Monitor. Twice a month the tool performs a compliance check to compare account specific compliance guidelines coded against account holdings. The tool creates an exception report and indicates when a compliance violation occurs. All exceptions are reviewed and approved by the Program Director.

On an annual basis all compliance guidelines within BNY Mellon’s Compliance Monitor tool are reviewed by a member of the Global Public Equity team and approved by the Program Director to ensure their continued accuracy and appropriateness.

VRS DUE DILIGENCE SNAPSHOT



NEW MANAGER DUE DILIGENCE

Potential new investments and managers for all VRS investment programs are identified through numerous avenues, including prior experience with the manager, referrals from other pension plans/managers, industry presentations, presentations to VRS staff, commercially available databases, etc. The timing for identifying new managers is not predetermined. Potential new managers will move through the due diligence process as suitable matches to VRS' investment needs and preferences are recognized.

Once a desirable match is identified, VRS will gather manager-provided information along with other background information through publicly available sources such as the Securities and Exchange Commission’s website, discussions with other managers, information service providers, etc. Based on an assessment of the information obtained, a determination will be made if a preliminary discussion with the manager should be scheduled.

When a preliminary discussion is desired, VRS will meet with the manager (either in person or virtually), who will present information regarding the fund, its investment strategy and other related information to VRS' investment professionals.

If the Investment department is interested in the strategies offered by the external manager, VRS will begin to gather additional due diligence materials and/or to monitor the manager's performance. Staff will also determine if the manager is a diversifying fit to the existing VRS portfolio. This process can range from a few months to several years.

Once VRS determines it has a true interest in investing with the external manager, the Investment and Compliance departments will perform an in-depth analysis of the manager in preparation of a written proposal and related due diligence. Assuming these due diligence activities do not uncover something adverse, the manager will be invited to formally present their investment opportunity. While most investments that reach this stage are successful, it is a possible outcome that information learned during the formal manager meeting would be indicative that the investment is not in alignment with VRS' goals and objectives (including fee structure), and the investment consideration would be discontinued.

As the due diligence process draws to completion, VRS will prepare a written proposal (referred to as the Investment Recommendation Memorandum) with an overview of the investment and a description of numerous data points, including: a summary of the investment; background of the firm offering it, and its investment team; the strengths and weaknesses of the manager; key investment terms; asset reporting; valuation and custody; track record; risk factors and the proposed action plan.

The Program Director, or staff designee, will generally begin contract negotiations with the external manager to define the contract terms including the investment amount and related fees. Additionally, the Compliance department will begin its separate due diligence process which typically includes sending a compliance due diligence questionnaire to the prospective manager, performing a biographical and criminal background check and holding due diligence calls with executive leadership of the potential manager.

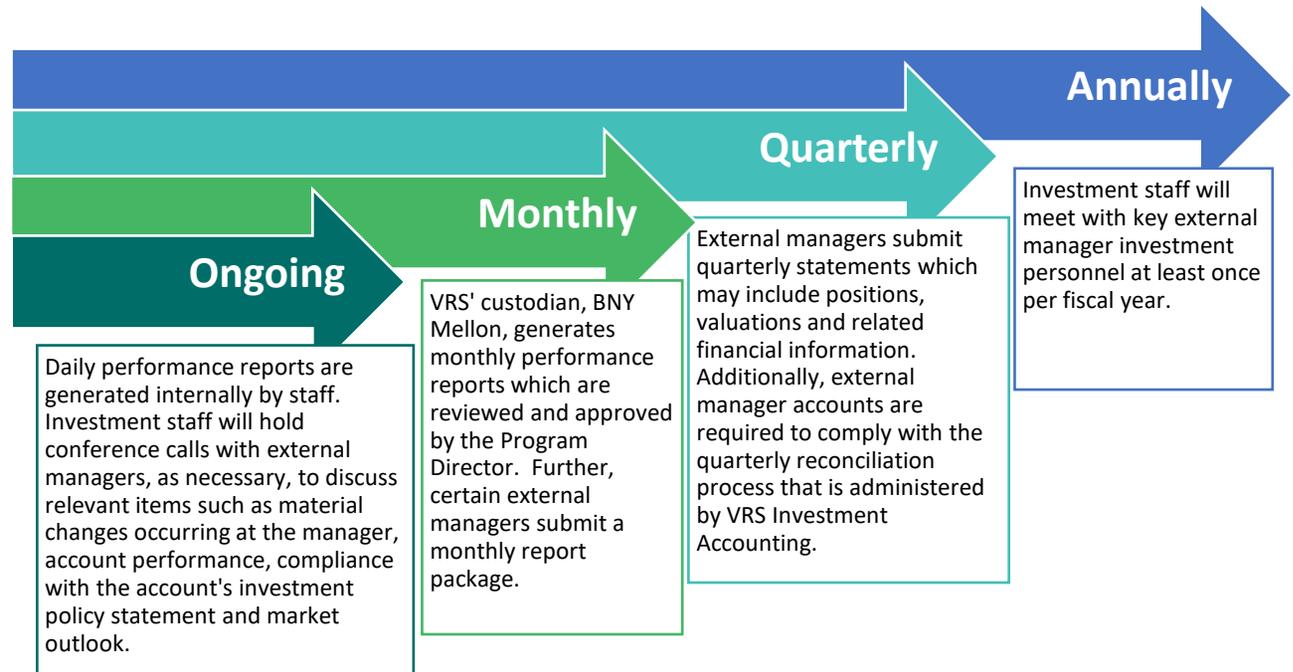
The Compliance department's due diligence questionnaire evaluates numerous areas of the external manager and includes such items as ownership structure, material developments, Securities and Exchange Commission registration, description of back-office operations, external audit reports, third parties utilized by the manager, description of controls including cash and custody arrangements and disclosures of any regulatory actions taken against the manager. Key personnel background checks are also performed for all new managers and as deemed appropriate for new investments with an existing manager.

Assuming favorable due diligence results, a contract is executed by either the CIO or the Chief Administrative Officer upon approval of the investment by the CIO. Once an executed contract is in place, the manager is considered hired. However, an initial investment may not take place immediately, as the investment timing depends on the external manager’s strategy.

DUE DILIGENCE AND MONITORING OF EXISTING INVESTMENTS

Monitoring existing managers is a continuous effort that draws both on quantitative and qualitative elements. To ensure managers are adequately monitored, a cycled approach is utilized. Additionally, given the nature of certain managers and their accounts, there will be a range of available data points. Therefore, the Program Director and program staff use their judgment to gather and consider information relevant to the monitoring process on a manager-by-manager basis.

The following graphic provides a high-level illustration of the ongoing monitoring process.



In addition to the process depicted on the previous page, VRS requires each external manager to submit an annual supplemental questionnaire. The objective of the questionnaire is to provide VRS updated information regarding changes in qualitative and quantitative areas of the external manager's operations. The final section of the questionnaire includes a "Contract/Agreement Compliance Certification Form" which must be signed by an authorized individual to certify the manager acted in compliance with the terms and conditions set forth in all contract/agreements in force between the firm and VRS from inception through the date indicated on the certification.

Termination of Accounts

Based on investment goals and manager performance, VRS will elect to terminate manager relationships or close certain accounts. Accounts designated for closure will remain active until all remaining transactions are completed, which may include receipt of outstanding tax reclamations, resolution of pending litigations, etc. Depending on the circumstances around the outstanding items, an account may remain active for an extended period until these transactions are finalized. All account terminations are reported to the Investment Advisory Committee and Board.

RECONCILIATIONS

Monthly Reconciliations

VRS requires all external managers' accounts to reconcile investment balances with VRS' master custodian, BNY Mellon, monthly. The reconciliation process is administered by BNY Mellon and is subject to audit through its SOC 1, Type 2 Report.

Additionally, the VRS Operations department reconciles all hedge fund investments monthly. The hedge fund reconciliation is prepared by a member of the VRS Operations team and approved by the Operations Manager and the Program Director.

Quarterly Reconciliations

The quarterly reconciliation process supports VRS' oversight of BNY Mellon's monthly reconciliation process. External managers submit quarterly reconciliations directly to VRS' Investment Accounting department, no later than 45 days after quarter end to ensure timely completion of the reconciliation, in accordance with VRS' reconciliation policies and procedures.

BNY Mellon's Complex Accounting and Administration Group completed the monthly hedge fund reconciliation during our prior review, however VRS Operations took over this responsibility in late 2019.

Upon receipt, the reconciliation is reviewed and approved by the VRS Investment Accounting department. The VRS Investment Accounting department staff review these reconciliations for overall reasonableness. VRS relies on BNY Mellon's monthly reconciliation process to investigate and clear any reconciling items for these accounts which are typically attributable to pricing differences or timing issues.

PROXY VOTING

VRS uses a third-party service provider to cast a majority of its votes on VRS' behalf to ensure consistency and alignment with VRS investment philosophy and policy. The third-party service provider supports institutional investors such as VRS by completing detailed research prior to voting on key issues.

VRS' contract with the proxy voting provider is year-to-year on a calendar basis, with its renewal contingent on performance which meets VRS' proxy advisory and voting needs. Therefore, each fiscal year, the VRS Investment department presents a corporate governance report to the Board. This report provides a summary of VRS staff's evaluation of proxy advisory and voting services for the fiscal year to ensure the services provided continue to meet VRS needs. Additionally, this report provides an overview of the usage of the proxy voting provider's services within the VRS Public Equity asset class. Generally, every few years the proxy voting provider will make a presentation to the Board, highlighting their policy and any changes as well as address any questions.

TAX RECLAMATIONS

Income derived from investments in stocks or bonds, such as dividends and interest payments, is often subject to withholding tax that is deducted according to the national legislation of the security issuer's country. VRS often, as an investor in foreign securities, is in the position to claim the benefit of the tax agreement or treaty between the United States and the security issuer's country, with the ultimate goal of reducing VRS' tax withholding rate and the impacts of double-taxation. Over the past decade, tax reclamation activity has accelerated as VRS has increased its investment in foreign securities.

The reclamation process is fully dependent on the local jurisdictions' tax processes and what the local custodian can provide as far as documentation and local filing assistance. The success of tax

reclamations is not guaranteed as they are contingent on the foreign jurisdictions' decision to honor U.S. treaties. If a foreign jurisdiction chooses not to honor U.S. treaties, VRS has no recourse beyond pursuing the reclaim in an international court which can be costly with no assurance that VRS will win.

In certain jurisdictions (typically first-tier European and Asian markets), BNY Mellon, as VRS' master custodian, has the ability to see how much has been withheld for taxes and the legal power to pursue these reclaims on VRS' behalf with little involvement required by VRS. In other smaller and lower-tier jurisdictions, considerably more involvement from VRS is required. Often tax reclaims in these jurisdictions require a limited power of attorney to file the tax reclaim documents based on the BNY Mellon trading data. Sometimes more in-depth data retrieval and aggregation is required to meet the jurisdiction's requests for supporting documentation.

When VRS' involvement is required, VRS gathers the needed information and BNY Mellon communicates the information through its various channels with local custodians. Currently, the Investment department also works with a specialized vendor to assist with VRS' ongoing tax reclamation efforts.

SCOPE AND METHODOLOGY

The purpose of our examination was to:

- Determine compliance with the Global Public Equity Program's Investment Policy Statement.
- Ascertain whether the due diligence and monitoring activities are sufficient and appropriate.
- Ensure Global Public Equity transactions are accurate, reconciled and recorded timely by BNY Mellon.

GENERAL ASSESSMENT AND UNDERSTANDING

We obtained an understanding of the Global Public Equity Program as well as the controls by meeting with key individuals from each area. We also reviewed the applicable policies and procedures and other relevant documents.

INVESTMENT POLICY STATEMENT COMPLIANCE

BNY Mellon's Compliance Monitor reports as of February 28, 2023, and June 30, 2023, were obtained for the externally managed Global Public Equity Program accounts. All exceptions noted for those periods were reviewed for adequate resolution. Additionally, parameters associated with each account coded in BNY Mellon's Compliance Monitor were evaluated for agreement with the applicable account's investment guidelines for a random sample of accounts.

Finally, documentation of management's annual review of the compliance restrictions in BNY Mellon's Compliance Monitor for each account was reviewed for reasonableness.

NEW INVESTMENT DUE DILIGENCE

For all externally managed accounts launched during the audit period January 1, 2023, through June 30, 2023, compliance with the following was evaluated:

- External manager's investment strategy alignment with the investment objectives included within the Investment Policy Statement.
- Preparation and sufficiency of an Investment Recommendation Memorandum to support the recommendation.
- CIO approval of the Investment Recommendation Memorandum.
- Review and execution of all legal documents.
- Reasonableness and proper approval of the BNY Mellon direction letter to set up the new account.
- Completion of operational due diligence, including questionnaires and background checks.
- Reporting of the investment to the Investment Advisory Committee and the Board.

MONITORING AND TERMINATION OF EXISTING INVESTMENTS

A random sample of four accounts associated with existing external Global Public Equity managers was selected for review and evaluated for compliance with the monitoring procedures found within the Investment Policy Statement. For each account selected, compliance with the following requirements were assessed:

- Completion of annual manager meeting, including retention of documentation.
- Receipt of a completed annual supplemental due diligence questionnaire.
- Certification of manager compliance with the terms and conditions set forth in all contracts/agreements.
- Review of the Securities and Exchange Commission Form ADV-2.
- Review and approval of monthly performance reports.
- Receipt of audited financial statements with an unmodified opinion.

Additionally, a random sample of two accounts in termination status were selected for review to ensure account closing procedures were executed properly.

RECONCILIATIONS

Investment Accounting department quarterly reconciliation process procedures and Operations departmental hedge fund reconciliation procedures were obtained and reviewed for completeness and overall reasonableness. A random sample of eight Global Public Equity accounts were selected from the June 30, 2023, reconciliations to assess whether each reconciliation agreed to supporting documentation, was completed timely and was properly approved.

PROXY VOTING

The Investment department's most recently completed evaluation of proxy advisory and voting services, which addressed calendar year 2022, was obtained and reviewed for monitoring of the proxy voting provider's performance and as support for the yearly contract renewal. The associated corporate governance report submitted to the Board for fiscal year 2022 was reviewed to determine compliance with the VRS Proxy Voting and Securities Litigation Policy.

TAX RECLAMATION

Responsibilities of both VRS and BNY Mellon to manage and pursue tax reclamations were discussed with Investment department management to evaluate their support of income collection efforts for the Total Fund and compliance with the respective security issuers' tax legislation.

CONCLUSIONS

GENERAL ASSESSMENT AND UNDERSTANDING

Overall, VRS complies with the Global Public Equity Investment Policy Statement allowing for proper oversight of the program's investment activities. The Investment Policy Statement adequately defines the investment objectives, allowable strategies, risk analysis considerations, along with due diligence expectations related to hiring and monitoring.

INVESTMENT POLICY STATEMENT COMPLIANCE

VRS adequately researched and resolved in an appropriate amount of time any exceptions identified on the February 28, 2023, and June 30, 2023, BNY Mellon's compliance monitoring reports reviewed for the Global Public Equity accounts. Further, the BNY Mellon Compliance Monitor guidelines annual review was found to be reasonable.

Finally, for the sample of accounts reviewed, the BNY Mellon Compliance Monitor guidelines were properly coded and in agreement with the applicable investment guidelines.

NEW INVESTMENT DUE DILIGENCE

We determined no external manager accounts were onboarded to the Global Public Equity Program during the six-month audit period preceding the audit as of date of June 30, 2023. Therefore, no accounts were selected for new investment due diligence testwork. However, we did find the procedures surrounding new investment due diligence to be reasonable.

MONITORING AND TERMINATION OF EXISTING INVESTMENTS

Substantial and sufficient monitoring activities are being applied for existing Global Public Equity Program investment relationships selected for review.

Additionally, account closing procedures are being executed properly for the sample of accounts reviewed.

VRS successfully addresses the multi-faceted nature of investment risk measurement and monitoring for its new and ongoing investments using a variety of qualitative and quantitative approaches.

RECONCILIATIONS

Overall, the Investment Accounting department has appropriate quarterly external manager reconciliation procedures and processes in place to ensure all accounts are adequately reconciled. Similarly, the Investment Operations department has appropriate procedures in place related to the monthly hedge fund reconciliation.

The June 30, 2023, Global Public Equity account reconciliations selected for review were found to be adequately supported, completed timely and appropriately approved.

PROXY VOTING

The Investment department's most recent evaluations of proxy advisory and voting services reviewed indicated monitoring of the proxy voting provider's performance as well as appropriate support for the yearly contract renewal. Corporate governance reports reviewed complied with the VRS Proxy Voting and Securities Litigation Policy.

TAX RECLAMATION

We determined VRS is making reasonable efforts to collect all tax reclamations. VRS has contracted with a vendor who specializes in tax reclamations to augment the master custodian's collection efforts. As collection efforts continue, we encourage management to explore opportunities to enhance its monitoring of these balances and their potential impact on financial reporting.

FOLLOW-UP ON PRIOR REPORTS

There were no outstanding audit recommendations to consider.

RECOMMENDATIONS

We have no written recommendations to offer as a result of our review.

MANAGEMENT EXIT CONFERENCE

This report was distributed to the Chief Investment Officer, Director and other members of VRS' management and staff for review and comment. They expressed substantial agreement with this report.

As there are no written recommendations, a written response from management is not required.

REPORT DISTRIBUTION

Submitted to the Audit and Compliance Committee at its meeting held
December 7, 2023.

MEMBERS OF THE AUDIT AND COMPLIANCE COMMITTEE

Joseph W. Montgomery, Committee Chair, Board Vice Chair
W. Brett Hayes, Committee Vice Chair
A. Scott Andrews, Board Chair

WITH COPIES TO:

OTHER MEMBERS OF THE BOARD OF TRUSTEES

J. Brandon Bell, II
John M. Bennett
Michael P. Disharoon
Susan T. Gooden
Jessica L. Hood
Lindsey K. Pantele

VRS EXECUTIVE LEADERSHIP

Patricia S. Bishop
Andrew H. Junkin
Members of the
Executive Committees

AUDITOR OF PUBLIC ACCOUNTS

Staci A. Henshaw

JLARC

Kimberly A. Sarte
Jamie Bitz

PRINCIPAL AUDITOR IN-CHARGE

Joshua Fox, CIA, CFE, CIDA

AUDIT SUPERVISOR

Kristy Scott, CPA, CISA, CIA

Refunds

July 1, 2023 – August 31, 2023

Highlighting VRS Core Values: *Integrity, Teamwork, Accountability* and *Agility* in Action

THIS REPORT IS INTENDED SOLELY FOR THE USE OF THE VRS BOARD OF TRUSTEES AND THE MANAGEMENT OF VRS AND IS NOT INTENDED FOR OTHER PURPOSES.



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Dear Members of the Audit and Compliance Committee,

We have completed audit number 456, "Refunds." The main purposes of our audit were to determine if sufficient controls are in place to support refund processing and that the associated processes are working as expected.

We conducted our audit in accordance with the International Standards for the *Professional Practice of Internal Auditing*. These standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for the conclusions based upon our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This report was distributed to the VRS Director and members of management for review and comment. As our review did not result in a written recommendation, management did not provide a written response but expressed substantial agreement with our report.

We appreciate the cooperation and assistance of the Member Records, Operations Accounting and Information Technology departments throughout this review.

Respectfully Submitted,

A handwritten signature in black ink that reads 'Jennifer P. Bell Schreck'.

Jennifer P. Bell Schreck, CPA, CISA, PMP
Audit Director

EXECUTIVE SUMMARY

We conducted an examination of the VRS Refunds processing for the months of July and August 2023. Our review determined that:

- Refund practices surrounding the processing and disbursement of refunds are reasonable.
- Payment of refunds is accurate, timely and complete.
- System access surrounding refunds processes is based on the principle of least privilege.

A refund occurs when a member or their beneficiary requests a refund of the accumulated contributions and interest in the member's account. Members must be terminated from their covered employer and separated from their covered positions for a full calendar month before the member can be eligible to receive a refund of their member contribution account.

Further, members must be vested to receive a full refund of their member contribution account balance. Non-vested members are eligible for a refund of their account balance, excluding all or a portion of certain contribution types and the interest on those contributions based on their plan membership.

Taking a refund cancels VRS membership and the member's eligibility for any future benefits under the retirement plans with a few exceptions. Members who take a refund and return to covered employment will be rehired under the currently applicable plan in all but a few cases.

There are no written recommendations resulting from our review; however, we noted opportunities for enhancements to the controls over certain monitoring processes and a minor adjustment to tax withholdings. Further, we discussed an observation related to the treatment of certain members returning to covered positions after taking a refund.

SNAPSHOT

During fiscal year 2022, VRS issued **13,466 refund disbursements** of member contributions **totaling \$130.1 million**.

For the fiscal year 2022, **approximately nine** out of **ten** refund **requests** were initiated **online** through the **myVRS portal**.

AUDIT ASSESSMENT

VRS' overall control environment adequately supports refunds processing. Management has acceptable segregation of duties, appropriate logical access as well as refunds processing procedures to ensure the members' eligible account balances are disbursed accurately and timely.

Written Recommendations: 0

BACKGROUND

INTRODUCTION

A refund occurs when a member or their beneficiary requests a return of the accumulated contributions and interest in the member's contribution account. There are four types of refunds, with the regular refund being the most frequent.

A regular refund occurs when the member has terminated their full-time employment from a VRS-covered position for at least a full calendar month and is not currently employed full-time in a different VRS-covered position. Most members who request and receive a refund are non-vested; however, vested members do take refunds. VRS provides significant counseling to members through its publications on refunds as well as the myVRS portal as they lose access to future benefits upon refunding. VRS offers additional counseling for vested members as these individuals are eligible for a future monthly benefit under a defined benefit plan.

The other types of refunds include a death refund, a retiree death refund and a disability/line of duty refund. These refunds were excluded from this review as they are considered during the Group Life Insurance and Death Processing, Line of Duty and Managed Disabilities Programs (VSDP/VLDP) examinations.

ELIGIBILITY

Participants in the Plan 1, Plan 2 and Hybrid defined benefit plans are eligible for a refund of their member contributions to their defined benefit plan. The member's plan membership and vested status determine the types of refundable contributions.

Plan 1 and Plan 2 vested members are eligible for a full refund of their member contribution account balance. Non-vested Plan 1 and Plan 2 members are eligible for a refund of their member account balance, excluding any member contributions made by their employer to their account after July 1, 2010, and the interest on these contributions.

Hybrid Plan members' vested status affects their refundable contributions. The Hybrid Plan combines the features of a defined benefit plan and a defined contribution plan. Only the defined benefit plan contributions are refundable from VRS. Members can request defined contribution refunds directly from the third-party record keeper. Hybrid Plan members will receive a full

refund of their member contributions from the defined benefit, regardless if vested or non-vested. They can also receive full distribution of their defined contribution member contributions and a full or partial refund of employer contributions to the defined contribution portion, based on whether they are vested or are involuntarily separated from employment for causes other than job performance or misconduct. Non-vested Hybrid Plan members who take a defined benefit refund receive all employee contributions within their defined benefit contribution account but may forfeit all or a portion of the defined contribution component employer contributions. The third-party record keeper for the defined contribution component transfers forfeited funds to the employer's forfeiture account.

Employer Reporting and Contribution Confirmation

Member eligibility determinations depend on accurate and timely reporting by employers. VRS requires employers to enroll new employees through the VRS Employer portal on or before the individuals scheduled start date as noted in the Employer Manual, Membership section. The manual provides similar guidance regarding the timely recording of employee terminations or separations through the VRS Employer portal.

This information supports the calculation and submission of employer and member contributions. Employers submit contributions monthly through the employers' contribution confirmation process which is expected to be finalized by the 10th day of the following month, unless the 10th falls on a holiday or weekend and then it must be completed the next business day. Late confirmations could delay benefit processing and result in errors to refunds due to incorrect or incomplete information.

Per the VRS Employer Manual, Contribution Confirmation and Payment Scheduling section: *"Refunds, retirements, benefit estimates, Member Benefit Profiles, and processing of purchase of service applications are all affected by late (employer) reports."*

REFUND REQUEST AVENUES

Members requesting a regular refund will initiate their request through the myVRS portal or through a paper form. No matter the request avenue, the member must meet the following basic criteria for the refund to begin processing:

REFUNDS NOT PROCESSED BY THE myVRS PORTAL

Refund requests related to **death** and **disability** and those with an **Approved Domestic Relations Order (ADRO)** are **not eligible** to be submitted **online**.

- The member must have member-paid or vested contributions (paid by their employer) credited to their member contribution account;
- The member must be separated from a VRS-covered position for at least one full calendar month;
- The member's record in VNAV must indicate an inactive membership status;
- The member's employer must have completed the contribution confirmation showing the employee is terminated.

VRS' Beneficiary Payment Services and Member Records departments enter member requests submitted by paper form. Once input into the system, a separate individual approves the recorded refund request and then it proceeds through VNAV in the same manner as online requests.

REFUND PROCESSING

Members primarily initiate their refund requests online via the myVRS portal which is then transferred from myVRS to VNAV for processing. Certain refund requests cannot be initiated online and instead are manually submitted by the member and entered into VNAV by VRS' Beneficiary Payment Services department. Refund requests that cannot be systematically processed through VNAV must have Member Records staff act on them.

Once submitted online or manually entered, the system evaluates the refund request to determine its *integrity* and eligibility for payment. These systematic checks include verification of key items, such as a separation date and completion of the minimum break in service, to determine what status the refund request will receive for processing in the system.

Depending on the refund request's status various automated and manual processes will be executed to ensure the eligibility of the refund request and the accuracy of the requested payment. Where appropriate the request's processing will be suspended until all required elements are complete, including analysis for suspected fraudulent transactions. Once complete, the refund request will then move forward for payment.

WATCHING FOR RED FLAGS

VRS has implemented a robust fraud detection and prevention program to aid in the protection of member's information and their benefits.

Financial Institutions

As a part of the myVRS online refund request process, VRS provides a prepopulated financial institution list. If the member's institution is not listed, the member may manually enter the institution's information. Security and/or Finance will complete a review of such requests and provide information to the Member Records team for their final review and approval of processing. These reviews balance the protection of the member while inherently extending the refund request processing duration.

REFUND PAYMENTS

Refunds are disbursed within VRS' non-recurring disbursement process which includes other disbursement types beyond refunds. Prior to each non-recurring disbursement cycle, the administrative benefit departments use key disbursement reports developed collaboratively (*teamwork*) with IT to identify potential duplicate payments, members' retroactive payments, tax or Partial Lump-Sum Payment (PLOP) issues and other potential errors. Appropriate VRS subject matter experts double-check these identified accounts and payments for accuracy prior to disbursement initiation.

Non-recurring disbursements are processed on Tuesdays and Thursdays, with a payment date of Friday and the following Tuesday, respectively. Once initiated, VNAV transmits to the bank the non-recurring disbursements, including refunds, for payment. Once paid, VNAV then transfers appropriate summary information to VRS' general ledger system for accounting purposes.

REGULAR MONITORING

Monitoring is a management responsibility to ensure processes and systems are achieving organizational objectives. VRS regularly monitors refund requests to ensure relevant systems and processes continue to function as expected and refunds are disbursed accurately and timely.

Specifically, the Member Records team receives a weekly report that shows all refunds in progress and completed. Member Records checks each refund in the approved status to ensure its legitimacy and the necessary requirements were met for disbursement. The team also evaluates whether requests move forward in status as expected when essential milestones occur. This process provides verification that the system continues to function as expected.

RETAINED SERVICE CREDIT SCENARIOS

Member takes a Disability Refund

Member has "How Paid B" Service
(Tax-deferred contributions paid by the employer)

Member has Converted Service Credits
(Resulting from conversion of accumulated sick leave at transition from VRS Disability Retirement Program to the Virginia Sickness and Disability Program)

Member has Employer Granted Service
(Service provided by a new employer with an existing retirement plan who joins VRS)

Further, Member Records reviews the details of requests to ensure that refunded service amounts agree to the total of the member's contributions. Member Records memorializes and tracks the progress of these refunds along with the number of days the request has been in progress during these reviews.

On the day following the non-recurring disbursement, the Member Records team receives a report showing all refunded accounts which occurred for that disbursement. Member Records reviews the records on the report to validate that all balances in member's accounts and service credits have been removed with respect to the refund disbursement, terminating the individual's membership.

MEMBERSHIP AND BENEFIT CANCELLATION

If members refund their contributions, VRS cancels their membership as well as their eligibility for any future benefits. VRS has specific tools to highlight the loss of benefits when the member requests a refund through myVRS. Specifically, when the member starts the myVRS portal refund request, the member must click through a link that states: *"Request a refund and cancel your VRS membership."* The member subsequently acknowledges they have read and agree to the following statements.

"By taking a refund, I understand that:

- I am no longer eligible for future retirement benefits for the period of service for which I'm being paid a refund. If I choose to return to a VRS-covered position, I will be rehired under the plan provisions available at that time even if I purchase this refunded service.*
- I cannot continue to work in any capacity with my current employer without having at least a one-calendar month break in service.*
- This request is for a refund of defined benefit plan contributions only.*
- Group life insurance or optional life insurance will cease. (Refer to the member handbook for information about converting life insurance and long-term care coverage as applicable.)*
- Any disability coverage under Virginia Sickness and Disability Program (VSDP) will cease."*

The Member and Employer Handbooks include similar counseling. As noted in the declaration above, any member that returns to a VRS-covered position after refunding the member

contributions will be rehired under the currently applicable retirement plan for that position. However, there are four refund scenarios where the member retains service credits as reflected in the call out to the left. Due to these retained service credits, their treatment upon rehire may be different.

SYSTEM SECURITY

Providing members with the convenience of the ability to apply for refunds online through the myVRS portal comes with risks and challenges. VRS prioritizes its IT security program, implementing various system controls to prevent members' information from falling into the wrong hands and their accounts from being taken over fraudulently. Further, VRS remains vigilant in evaluating other opportunities to enhance the layers of security in place to protect its members while balancing their need for ease of access.

These procedures to protect VRS' systems were subject to review in Audit Report No. 448, myVRS and the Fraud System. Further details surrounding these activities can be found there. As a result, the Fraud Analytics Program was not reviewed as a part of this examination.

Finally, VRS has various procedures in place to ensure access to the relevant systems which support refund processing is properly limited following the principle of least privilege and that appropriate consideration is given to the principle of least privilege and segregation of duties when assigning user access.

SCOPE AND METHODOLOGY

The primary purposes of our examination were to:

- Determine whether processes in place surrounding the processing and disbursement of refunds are reasonable;
- Determine that payment of refunds is accurate, timely and complete;
- Determine if system access surrounding refunds is based on the principle of least privilege.

As noted in the Background section above, death, retiree death and disability/line of duty refunds as well as the Fraud Analytics Program were excluded from this review as they were considered during other examinations.

GENERAL ASSESSMENT AND UNDERSTANDING

We obtained a general understanding of VRS' refund processes as well as the controls by meeting with key individuals from areas associated with these disbursements. We also reviewed the applicable policies and procedures and other relevant documents provided by management.

REFUND PROCESSING

We assessed refund processes by performing various tests over the entire population of refunds and by selecting a sample of certain populations where it was not reasonable to evaluate the entire population. We reviewed for reasonableness refund amounts as compared to years of service and compensation, duplicate refund requests and/or payees and refunds to members who qualified for a significant retirement benefit. We validated member eligibility for refunding by ensuring the member had been terminated for one full calendar month from a VRS-covered position and considering whether the member was entitled to a work-related disability retirement as that would have increased their benefit.

We reviewed for reasonableness monitoring processes in place to assess refund accuracy and to ensure the legitimacy of the refund. Where available, reports used to assist with monitoring were reviewed. Further, refund accuracy monitoring was assessed to ensure refunds processed are correct and that the process for monitoring was reasonable.

Member **contributions** remain **tax-deferred** until **withdrawn** as part of a retirement **benefit** or as a **refund**.

REFUND PAYMENTS

For the population of regular refunds, we evaluated payments for accuracy, timeliness and completeness. We determined whether:

- the refund paid agreed to the refundable amount in VNAV.
- the refunds were processed timely.
- refunds requiring a VRS-3 form had the completed form linked to the member's account in VNAV.

Further, the population was reviewed for the existence of VRS employees receiving a refund to determine if these requests were reviewed for the legitimacy and accuracy of the refund payment.

All refunds for the audit period were reviewed to ensure that the member account balance and service credits were zero after the refund, as appropriate, and that member accounts had the appropriate status.

Lastly, we evaluated whether VRS withholds the appropriate federal and state taxes on refunds and accurately records those amounts to ensure VRS accurately reports members' financial activity on tax-related documents.

LOGICAL ACCESS

Logical access to VNAV was evaluated for proper authorization, reasonableness in relation to assigned job responsibilities and support of the principle of least privilege, as applicable. Role-based privileges granted in VRS' Resource Access Management System (RAMS) were reviewed.

Assigned role-based privileges were reviewed to ensure no one individual had the ability to solely complete a critical task without the intervention of another. Further, overrides of system controls in VNAV with respect to the refund process were evaluated for reasonableness based on assigned job responsibilities and the principle of least privilege.

CONCLUSIONS

GENERAL ASSESSMENT AND UNDERSTANDING

Our examination found the overall control environment adequately supports VRS' refund processing. Further, management has acceptable segregation of duties, appropriate logical access and refund processing procedures to ensure the accurate and timely distribution of the members' eligible account balances.

During our examination, we did observe some discrepancies which, once identified, management took immediate action to work to address, as discussed below. Further, other related items not requiring attention here have been appropriately referred to management and are available to the Committee upon request.

REFUND PROCESSING

Overall, we found VNAV processes refunds correctly. However, we did note an isolated and unique refund situation in which VNAV is not processing refunds correctly based on VRS rules.

Teachers and Other Contract Employees

We found VNAV is not applying the appropriate break in service rules prior to disbursement for teachers or other contract employees with Leave Without Pay (LWOP) reported during their most recent employment contract. In these instances, VNAV permits these contract members to apply for and receive a refund sooner than allowed. Four members of the 1,610 requests processed in the audit population met this criteria and received their refund prior to the required break in service period.

Upon discussion, management performed further analysis and identified additional members outside of the audit period with the same issue in the misapplication of the break in service rule and confirmed VNAV had not managed these members' refund requests appropriately since the functionality originally went live in 2016. Management immediately submitted a code fix to correct the issue.

For the audit period of July and August 2023, \$14.98 million in refunds were processed and 74,475.51 service credits were removed from members accounts.

As the identified break in service issues typically occur at the end of a standard contract period (between June and September), the risk of additional refunds being disbursed prematurely outside of this period is low. However, until the code fix can be implemented, VRS should monitor refund requests to identify VRS members with a contract employment agreement and LWOP in their most recent contract period and manually intervene to delay the refund disbursement until the appropriate break in service is complete.

REFUND PAYMENTS

Overall, refund payments disbursed during our audit period were accurate, timely and complete. However, we did identify a limited issue related to tax withholdings and a few distinct payment exceptions.

One refund was identified in the amount of \$200 with no federal and state taxes withheld. VRS documentation consistently states refunds less than \$200 will not have taxes withheld, implying VRS will withhold taxes if the refund is \$200 or more. Therefore, a disconnect exists between what the documentation states VRS will do and what the system actually does. Management researched and clarified with outside counsel that refunds in the amount of \$200 or more should be taxed. With this clarification, management indicated they will correct the system logic, bringing documentation and system activity into alignment.

The few distinct payment exceptions are discussed in detail in the Refund Monitoring section below.

REFUND MONITORING

The Member Records team has a strong foundational monitoring process in place to ensure refunds are processed accurately and completely. These processes were found to be regularly performed and included pertinent refund and account factors to ensure disbursements were completed accurately and timely.

Monitoring Enhancement Opportunity

Notwithstanding, three different exception scenarios were identified within the audit period's refund population. Their existence suggests the unit would benefit from expanded monitoring activities to identify "exception-driven refund scenarios" and allow for their review for

reasonableness and/or response, as appropriate. In some cases, these refund scenarios may not be preventable as they arise from delayed employer reporting; however, post-refund monitoring would allow VRS to identify and address these scenarios promptly.

The details of the three exceptions follow below.

- Two members received refunds after appearing to have completed the necessary break in service. However, the members had in fact taken a position with another VRS-covered employer prior to the completion of the break in service period. The new employer failed to enroll the member timely with VRS. Therefore, VRS' processing operated as intended, but the actions were based on incomplete information.

The employers' failure to timely enroll their new employee resulted in the improper issuance of these refunds and potential complications for the members' records. Once brought to management's attention, the Member Records unit took these cases to the Policy, Planning and Compliance department to determine the appropriate action based on the employers' reporting delays.

- One member's full refund was not processed completely due to an employer adjustment which did not post until after the refund was issued. This adjustment resulted in one month of contributions remaining in the member's account after the refund. Given the circumstances, it is reasonable that VRS did not refund the full contributions during the first disbursement. However, VRS was unaware of the additional balance until informed by Internal Audit. Once informed, management immediately requested a disbursement for the remaining funds which was paid on October 5, 2023.
- Three member accounts had fractional service credits left in the members' consolidated dashboard person account record after refund. Like member balances, the members' service credits should draw down to zero upon issuance of a refund. These leftover service credits were caused by slight differences in the way VNAV and the legacy system calculated service credits. Once brought to management's attention, data fixes were requested to have these accounts corrected and their service credit balances brought to zero.

In addition to correcting the exceptions identified, the unit proactively started working toward the development and implementation of additional monitoring practices. As requested by the unit, Internal Audit has agreed to be a data analysis consultant for the unit as they use data analysis techniques to identify key indicators of exception-based scenarios to support the development of new monitoring practices.

While working to address the known exception-based scenarios discussed above, the unit should seek to identify other atypical refund scenarios which would benefit from expanded monitoring and review. Where deemed appropriate, new processes should be integrated into the unit's existing monitoring program to identify and review these refunds for reasonableness.

Finally, once the expanded monitoring practices are in place, VRS should review historical member records where these refund scenarios may have result in an over or under payment to the member or inappropriate retention of service credits and ensure their resolution in accordance with VRS policy.

RETAINED SERVICE CREDIT TREATMENT

Per the member and employer manuals, when a member takes a refund of accumulated contributions, eligibility for all future benefits is cancelled. As noted in the Background section, there are certain scenarios where a member retains service credits after refunding service. While procedure directives exist to support the retention of these service credits, these directives do not address the impact of the retained service credits on plan membership should the member refund their service and later return to a covered position. This is understandable as these directives were finalized when there was only one defined benefit plan in place.

During our review, we identified one member who retained two converted service credits after refunding service in 2015. This member subsequently returned to covered employment in 2022 and refunded again during our audit period. Upon rehire in 2022, the member was placed into Plan 1. In our discussions with management, they indicated the member should have been placed into Plan 2. Management agreed to review the member's account and determine why their placement did not agree with management expectations and make appropriate corrections.

As three membership plans now exist, we encourage VRS to memorialize the impact of these retained credits on future plan membership when a member has previously refunded service and ensure VNAV is treating such credits in accordance with its policy. Management should also review the various disclosures in VRS manuals and forms regarding retained service credits and determine if they and the termination of benefits language as written in respect to the member's decision to take a refund should be updated.

LOGICAL ACCESS

Overall, logical access for refund processing was reasonably distributed, allowing for appropriate segregation of duties, and access was limited to the principle of least privilege.

FOLLOW-UP ON PRIOR REPORTS

There were no outstanding audit recommendations to consider.

RECOMMENDATIONS

We have no written recommendations to offer as a result of our review.

MANAGEMENT EXIT CONFERENCE

This report was distributed to Ms. Bishop and other members of VRS' management and staff for review and comment. They expressed substantial agreement with this report.

As there are no written recommendations, a written response from management is not required.

REPORT DISTRIBUTION

Submitted to the Audit and Compliance Committee at its meeting held
December 7, 2023.

MEMBERS OF THE AUDIT AND COMPLIANCE COMMITTEE

Joseph W. Montgomery, Committee Chair, Board Vice Chair
W. Brett Hayes, Committee Vice Chair
A. Scott Andrews, Board Chair

WITH COPIES TO:

OTHER MEMBERS OF THE BOARD OF TRUSTEES

J. Brandon Bell, II
John M. Bennett
Michael P. Disharoon
Susan T. Gooden
Jessica L. Hood
Lindsey K. Pantele

VRS EXECUTIVE LEADERSHIP

Patricia S. Bishop
Andrew H. Junkin
Members of the
Executive Committees

AUDITOR OF PUBLIC ACCOUNTS

Staci A. Henshaw

JLARC

Kimberly A. Sarte
Jamie Bitz

PRINCIPAL AUDITOR IN-CHARGE

Matthew Priestas, CIA, CRMA, CISA, PMP

PRINCIPAL AUDITOR – DATA ANALYTICS

Krystal Groff, CIA, CISA

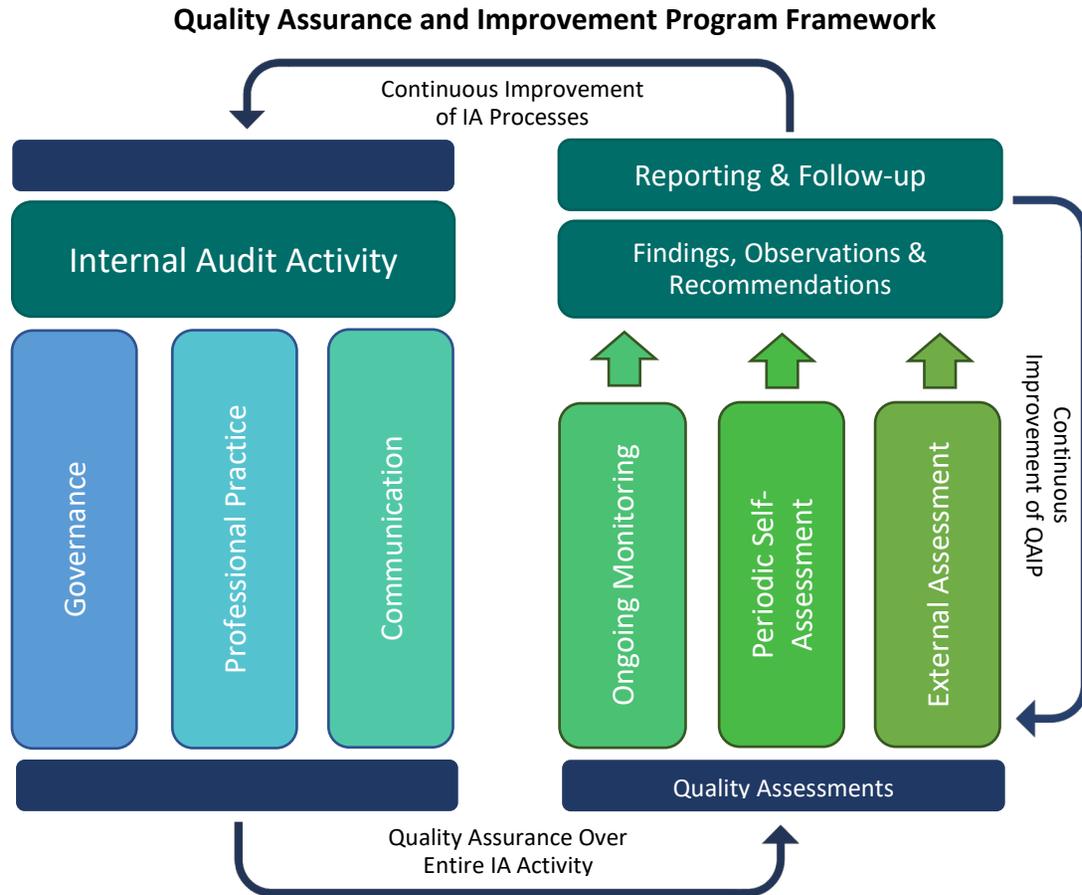
AUDIT SUPERVISOR

Judy Bolt, CPA, CIA, CFE, CISA

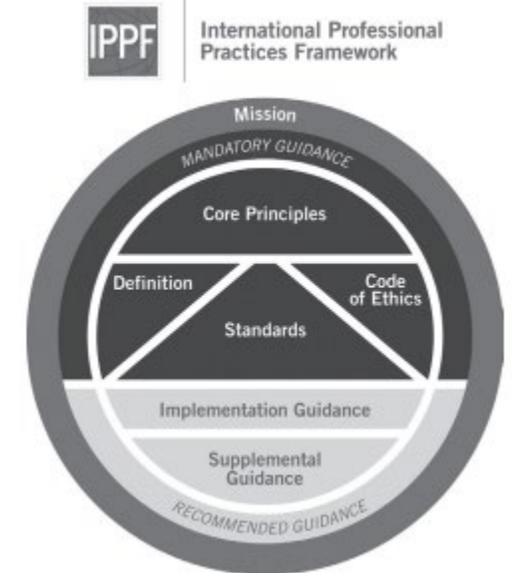
Internal Audit Quality Assurance and Improvement Program Results

Quality Assurance and Improvement Program

In compliance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*, the VRS Internal Audit Department implemented a continuous Quality Assurance and Improvement Program (QAIP).



As a part of this program, the department performs on-going monitoring and conducts a self-assessment on an annual basis. The self-assessment is managed and executed by the principal auditor charged with responsibility for this program. The focus of the self-assessment may vary each year. A formal external assessment is performed once every five years. The next external assessment will cover FY 2024, the results of which will be reported out in the fall of 2024.



The requirements and characteristics of quality in an internal audit activity are defined by the IPPF which consists of mandatory and recommended guidance, all provided within the context of the Mission of Internal Audit as defined in the IPPF.

Overall Conclusion

Our review of the internal audit process and activity for FY 2023 concluded there is reasonable assurance that the VRS Internal Audit department continues to generally conform with the *International Standards for the Professional Practice of Internal Auditing*.

Annual QAIP Review Highlights for FY 2023



Institute of Internal Auditors' IPPF Evolution Update



Implementation timeline reinforces our 2024 External Quality Assurance Review being assessed for conformance under the current IIA *Standards* rather than the new Global Internal Audit Standards.

Quarterly Report on Fraud, Waste and Abuse

Report of Alleged Fraud, Waste and Abuse Hotline Cases

**For Complaints Received During the Period
August 1, 2023 through October 31, 2023**

SUMMARY OF CASES REVIEWED AND CLOSED

During the period August 1, 2023 through October 31, 2023, we received one case of potential fraud, waste and abuse from the Office of the State Inspector General. The case alleged abuse of retirement benefits and was determined to be unfounded, thus closed.

VRS Control Number	Date Complaint Received	Noted Concern	VRS Personnel Assisting with Allegation	Case Closed	Resolution	Source of the Complaint	Report to OSIG
45	9/19/2023	There is an allegation of retirement benefit abuse.	Shanta Harris	Yes	The case was unfounded.	OSIG	No

Background

Fraud, Waste and Abuse relating to VRS can be comprised of any number of concerns. Such items can be reported to VRS' Internal Audit Department directly or through the Office of the State Inspector General (OSIG) State Employee Fraud, Waste and Abuse Hotline. (A majority of complaints are received through OSIG.)

All matters that relate to Fraud, Waste and/or Abuse reported are reviewed to determine the proper protocol for investigation.

Committee Reporting

Cases of a serious and/or significant nature will be reported to the VRS Audit and Compliance Committee immediately. At a minimum, a summary of all Hotline cases will be reported to the Audit and Compliance Committee on a quarterly basis.

Retention

Hardcopy documents, including handwritten notes, are stored in a secure location until the case is closed, upon which they are shredded. Electronic files are stored on Internal Audit's secured drive. Documentation containing case details are labeled "**CONFIDENTIAL – STATE FRAUD, WASTE AND ABUSE HOTLINE DOCUMENTS**" and sensitive items are labeled FOIA Exempt. As appropriate, files are disposed of in accordance with the Library of Virginia's retention policy.

FRAUD, WASTE AND ABUSE CASE MANAGEMENT

PROCESSING OF COMPLAINTS

When received, the Audit Director and Hotline Auditor perform a preliminary review of the complaint. After initial discussion, the Hotline Auditor determines whether a formal response is required by OSIG (cases referred by OSIG may or may not require a formal response, depending on the nature of the complaint) and adds the case to Internal Audit's Hotline Tracking System.

The Hotline Auditor sets up a case file on Internal Audit's secured and restricted drive to maintain confidentiality. The Hotline Auditor then evaluates the case details and may review information available in VRS' systems to obtain further details about the subject of the complaint. Additionally, the Hotline Auditor may forward the details of the case to other VRS personnel for review. The Hotline Auditor also notifies the VRS Director of the case.

Complaints regarding disability benefits constitute the large majority of the Hotline cases received by VRS. The Hotline Auditor will meet with appropriate VRS staff, as necessary, to discuss details of the case in order for all parties to proceed forward with their portion of the investigation. Complaints forwarded to others are monitored for resolution. Actions and determinations for cases are reviewed for reasonableness by the Hotline Auditor. Once a determination of appropriate action has occurred, such action is documented in the Internal Audit case file and on the Hotline Tracking System. The Internal Audit Director is apprised of all actions and determinations.

For other complaints, such as internal fraud, waste or abuse (examples could include abuses of various types of leave, teleworking policies, employee theft, etc.), the Hotline Auditor investigates the allegation and obtains supporting documentation from management, as needed. If a determination is made that there is a reasonable possibility of fraud, waste or abuse, management is notified of the allegation by the Audit Director and given a reasonable timeframe in which to report back to the Audit Director any actions taken regarding the allegation. The Audit Director determines the reasonableness of such action, reports the actions and resolution of the complaint to the Hotline Auditor who documents the results in the case file and on the Hotline Tracking System.

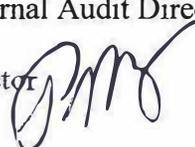
All investigation results are reported to the VRS Director and members of the VRS Audit and Compliance Committee once a case is resolved, regardless of the outcome.

Management's Quarterly Travel Expenses and Per Diem Report



Patricia S. Bishop
Director

MEMORANDUM

To: Jennifer P. Schreck, Internal Audit Director
From: Patricia S. Bishop, Director 
Date: December 1, 2023
Subject: Summary of Travel Related Expenses

I am attaching the following:

1. Summary of Travel Related Expenses Paid During the Quarter of and Fiscal Year-to-Date Through September 30, 2023.
2. Summary of Other Sponsored Travel Related Expenses Paid During the Quarter of and Fiscal Year-to-Date Through September 30, 2023. *There was no reportable Other Sponsored Travel Related Expenses for the period.*
3. Detail of Travel Related Expenses Paid During the Quarter of and Fiscal Year-to-Date Through September 30, 2023.
4. Record of Attendance and Per Diems for the Quarter Ended September 30, 2023.

This information should be shared with the Audit & Compliance Committee.

If you have any questions, please do not hesitate to ask.

PSB/lbk

Attachments

Summary of Travel Related Expenses
Virginia Retirement System
Board/Committee Members and Selected VRS Staff

Fiscal Year-To-Date **Q1 2024**

Traveler	Current Quarter Expenses												Fiscal Year-To-Date Expenses				
	Total Travel			Out-of-State-Travel									Total Travel			Out-of-State-Travel	
	Sponsor Paid	VRS Paid	Total	# Trips	Cost	Travel reasons							Sponsor Paid	VRS Paid	Total	# Trips	Cost
AM						BD	CF	DD	MM	SV	TR						
Andrews, Allen	-	\$343.44	\$343.44	-	-	-	-	-	-	-	-	-	-	\$343.44	\$343.44	-	-
Bell II, John	-	\$513.52	\$513.52	-	-	-	-	-	-	-	-	-	-	\$513.52	\$513.52	-	-
Deo, Ravindra	-	\$141.02	\$141.02	-	-	-	-	-	-	-	-	-	-	\$141.02	\$141.02	-	-
Irvin, Shannon	-	\$161.13	\$161.13	-	-	-	-	-	-	-	-	-	-	\$161.13	\$161.13	-	-
Lewis, Wilbert	-	\$498.01	\$498.01	-	-	-	-	-	-	-	-	-	-	\$498.01	\$498.01	-	-
Montgomery, Joseph	-	\$220.08	\$220.08	-	-	-	-	-	-	-	-	-	-	\$220.08	\$220.08	-	-
Bishop, Patricia	-	\$3,721.43	\$3,721.43	1	\$3,721.43	-	-	1	-	-	-	-	-	\$3,721.43	\$3,721.43	1	\$3,721.43
Chenault, Jeanne	-	\$3,343.81	\$3,343.81	1	\$3,343.81	-	-	1	-	-	-	-	-	\$3,343.81	\$3,343.81	1	\$3,343.81
Junkin, Andrew	-	\$4,463.17	\$4,463.17	2	\$4,384.83	-	-	2	-	-	-	-	-	\$4,463.17	\$4,463.17	2	\$4,384.83
Alouf, John	-	\$1,531.53	\$1,531.53	2	\$1,531.53	-	-	-	2	-	-	-	-	\$1,531.53	\$1,531.53	2	\$1,531.53
Gentry III, William	\$1,070.60	\$392.22	\$1,462.82	2	\$1,462.82	1	-	-	-	1	-	-	\$1,070.60	\$392.22	\$1,462.82	2	\$1,462.82
Haleem, Mdmehtab	-	\$1,750.76	\$1,750.76	1	\$1,750.76	-	-	-	-	1	-	-	-	\$1,750.76	\$1,750.76	1	\$1,750.76
Jones, De'Von	-	\$1,148.89	\$1,148.89	1	\$1,148.89	-	-	-	1	-	-	-	-	\$1,148.89	\$1,148.89	1	\$1,148.89
Koutrakos, Kristina	-	\$4,577.28	\$4,577.28	3	\$4,577.28	-	-	1	-	-	-	2	-	\$4,577.28	\$4,577.28	3	\$4,577.28
Le, Vu	-	\$10,612.80	\$10,612.80	2	\$10,612.80	-	-	2	-	-	-	-	-	\$10,612.80	\$10,612.80	2	\$10,612.80
Muniz, Alex	-	\$7,271.58	\$7,271.58	2	\$7,271.58	-	-	2	-	-	-	-	-	\$7,271.58	\$7,271.58	2	\$7,271.58

Travel Reasons Legend			
AM	Advisory/Assoc. Meeting	MM	Manager Meeting
BD	Board Related	SV	Site Visit
CF	Conference	TR	Training
DD	Due Diligence		

Summary of Travel Related Expenses
Virginia Retirement System
Board/Committee Members and Selected VRS Staff

Fiscal Year-To-Date **Q1 2024**

Traveler	Current Quarter Expenses												Fiscal Year-To-Date Expenses					
	Total Travel			Out-of-State-Travel									Total Travel			Out-of-State-Travel		
	Sponsor Paid	VRS Paid	Total	# Trips	Cost	Travel reasons								Sponsor Paid	VRS Paid	Total	# Trips	Cost
AM						BD	CF	DD	MM	SV	TR							
Oliff Jr, Bryan	-	\$1,807.09	\$1,807.09	1	\$1,807.09	-	-	1	-	-	-	-	-	-	\$1,807.09	\$1,807.09	1	\$1,807.09
Rhodes, Garret	-	\$1,725.04	\$1,725.04	1	\$1,725.04	-	-	1	-	-	-	-	-	-	\$1,725.04	\$1,725.04	1	\$1,725.04
Tentor, Lawrence	-	\$954.41	\$954.41	1	\$954.41	-	-	1	-	-	-	-	-	-	\$954.41	\$954.41	1	\$954.41
Tran, Viet	-	\$1,104.94	\$1,104.94	1	\$1,104.94	-	-	1	-	-	-	-	-	-	\$1,104.94	\$1,104.94	1	\$1,104.94
Voeks III, Robert	\$449.74	\$14.41	\$464.15	1	\$464.15	1	-	-	-	-	-	-	-	\$449.74	\$14.41	\$464.15	1	\$464.15
Woodall, Steven	-	\$2,866.58	\$2,866.58	1	\$2,866.58	-	-	1	-	-	-	-	-	-	\$2,866.58	\$2,866.58	1	\$2,866.58
Total	\$1,520.34	\$49,163.14	\$50,683.48	23	\$48,727.94	2	-	14	3	2	-	2	\$1,520.34	\$49,163.14	\$50,683.48	23	\$48,727.94	

Travel Reasons Legend			
AM	Advisory/Assoc. Meeting	MM	Manager Meeting
BD	Board Related	SV	Site Visit
CF	Conference	TR	Training
DD	Due Diligence		

Detail of Travel Related Expenses

Virginia Retirement System

Board/Committee Members and Selected VRS Staff

Paid in Q1 2024

Traveler	Travel Start	Travel End	Destination	Sponsor	Purpose	Sponsor Paid	VRS Paid	Total
Andrews, Allen	08/23/2023	08/23/2023	Richmond, VA		Attended an Investment Advisory Committee meeting.	-	\$146.72	\$146.72
Andrews, Allen	09/20/2023	09/21/2023	Richmond, VA		Attended VRS Board of Trustees and Committee meetings.	-	\$196.72	\$196.72
Bell II, John	09/07/2023	09/07/2023	Richmond, VA		Attended a Defined Contribution Plans Advisory Committee meeting.	-	\$256.76	\$256.76
Bell II, John	09/21/2023	09/21/2023	Richmond, VA		Attended VRS Board of Trustees meetings.	-	\$256.76	\$256.76
Deo, Ravindra	09/07/2023	09/07/2023	Richmond, VA		DCPAC	-	\$141.02	\$141.02
Irvin, Shannon	09/07/2023	09/07/2023	Richmond, VA		DCPAC	-	\$161.13	\$161.13
Lewis, Wilbert	08/23/2023	08/23/2023	Richmond, Virginia		Investment Advisory Committee Meeting - August 23, 2023	-	\$498.01	\$498.01
Montgomery, Joseph	08/23/2023	08/23/2023	Richmond, VA		Attended an Investment Advisory Committee meeting.	-	\$73.36	\$73.36
Montgomery, Joseph	09/20/2023	09/20/2023	Richmond, VA		Attended VRS Audit and Compliance Committee and Administration, Finance and Talent Management Committee meetings.	-	\$73.36	\$73.36
Montgomery, Joseph	09/21/2023	09/21/2023	Richmond, VA		Attended VRS Board of Trustees and Committee meetings.	-	\$73.36	\$73.36
Bishop, Patricia	08/03/2023	08/09/2023	Broomfield, CO		Attended the National Association of State Retirement Administrators annual conference.	-	\$3,721.43	\$3,721.43
Chenault, Jeanne	08/04/2023	08/09/2023	Broomfield, CO		2023 NASRA Conference	-	\$3,343.81	\$3,343.81
Junkin, Andrew	07/11/2023	07/14/2023	Dana Point, California		Tide Spark 2023 Conference	-	\$3,138.11	\$3,138.11
Junkin, Andrew	07/21/2023	07/21/2023	Williamsburg, VA		NCTR Conference	-	\$78.34	\$78.34
Junkin, Andrew	08/05/2023	08/07/2023	Broomfield, Colorado		2023 NASRA Annual Conference	-	\$1,246.72	\$1,246.72
Alouf, John	06/28/2023	06/29/2023	Dallas, TX		Site visit with Natural Gas Partners (NGP) in Dallas, TX	-	\$1,021.48	\$1,021.48
Alouf, John	09/12/2023	09/12/2023	Stamford, CT		Travel to Stamford, CT for due diligence meetings with Olympus.	-	\$510.05	\$510.05

Detail of Travel Related Expenses

Virginia Retirement System

Board/Committee Members and Selected VRS Staff

Paid in Q1 2024

Traveler	Travel Start	Travel End	Destination	Sponsor	Purpose	Sponsor Paid	VRS Paid	Total
Gentry III, William	07/25/2023	07/26/2023	Chicago, IL	GTCR	Travel to Chicago, IL to attend the GTCR Advisory Board Meeting / sponsored travel	\$1,070.60	\$4.25	\$1,074.85
Gentry III, William	09/19/2023	09/19/2023	Boston, MA		Travel to Boston, MA to attend the Matrix US Annual Meeting (day trip)	-	\$387.97	\$387.97
Haleem, Mdmehtab	06/21/2023	06/24/2023	New York, NY		Travel to New York, NY to meet with several Fixed Income managers	-	\$1,750.76	\$1,750.76
Jones, De'Von	06/28/2023	06/29/2023	Dallas, TX		Travel to Dallas TX for site meetings with NGP - Natural Gas Partners	-	\$1,148.89	\$1,148.89
Koutrakos, Kristina	07/16/2023	07/18/2023	Washington, DC.		2023 NABE Foundation Economic Measurement Seminar, convening July 16-18 at the Four Seasons Hotel, 2800 Pennsylvania Avenue, NW, Washington, DC, 20007 for Kristina Koutrakos. Kristina Koutrakos will be driving to this conference.	-	\$1,144.86	\$1,144.86
Koutrakos, Kristina	07/25/2023	07/25/2023	Washington, DC.		Payment for NABE Applied Econometrics Training/Courses Aug 7-10, Washington, DC. for Kristina Koutrakos.	-	\$1,900.00	\$1,900.00
Koutrakos, Kristina	08/07/2023	08/10/2023	Washington, D.C.		NABE Applied Econometrics Training/Courses Aug 6-10, Washington, DC. for Kristina Koutrakos. Traveler will be driving going and coming back.	-	\$1,532.42	\$1,532.42
Le, Vu	08/15/2023	08/20/2023	Amsterdam, Netherlands		2023 EFA (European Finance Association) conference in Amsterdam	-	\$9,049.51	\$9,049.51
Le, Vu	09/19/2023	09/21/2023	Chicago, IL		CQA Fall Conference in Chicago, IL. Vu also had a meeting with Credit Suisse while in Chicago.	-	\$1,563.29	\$1,563.29
Muniz, Alex	08/14/2023	08/20/2023	Amsterdam, Netherlands		European Finance Association 2023 Conference - Amsterdam	-	\$5,905.13	\$5,905.13
Muniz, Alex	09/19/2023	09/21/2023	Chicago, IL		CQA Fall 2023 Conference in Chicago	-	\$1,366.45	\$1,366.45
Oliff Jr, Bryan	06/21/2023	06/23/2023	Nashville, TN		Travel to Nashville to attend the Fixed Income Leaders USA 2023 Conference.	-	\$1,807.09	\$1,807.09
Rhodes, Garret	07/24/2023	07/27/2023	New York, NY		JP Morgan Asset Management Rising Talent Program	-	\$1,725.04	\$1,725.04

Detail of Travel Related Expenses

Virginia Retirement System

Board/Committee Members and Selected VRS Staff

Paid in Q1 2024

Traveler	Travel Start	Travel End	Destination	Sponsor	Purpose	Sponsor Paid	VRS Paid	Total
Tentor, Lawrence	09/21/2023	09/22/2023	New York, NY		Travel to New York city to attend the Frontier Quantitative Finance Conference	-	\$954.41	\$954.41
Tran, Viet	07/24/2023	07/28/2023	New York, NY		Travel to New York, NY to attend the JP Morgan Asset Management	-	\$1,104.94	\$1,104.94
Voeks III, Robert	08/03/2023	08/03/2023	Boston, MA	Abry	Sponsored travel to Boston, MA to attend Abry's LPAC meetings	\$449.74	\$14.41	\$464.15
Woodall, Steven	06/25/2023	06/29/2023	Los Angeles, CA		Travel To Los Angeles, CA to attend the KKR 2023 Americas Investors' Meeting.	-	\$2,866.58	\$2,866.58
Total						\$1,520.34	\$49,163.14	\$50,683.48

VRS BOARD OF TRUSTEES AND COMMITTEES
 RECORD OF ATTENDANCE & PER DIEMS
 FOR 3Q2023

Month Paid:		Jul-23	Aug-23	Sep-23				Total Days Attended	Per Diem Rate	Per Diem Payments			Total	
Member	Area	N/A	8/23/23	9/7/2023	9/20/2023	9/20/2023	9/21/2023			9/21/2023	Jul	Aug		Sep
		AFT	IAC	DCPAC	AFT	ACC	BAC	BOT						
A. SCOTT ANDREWS, CHAIR	BOT	-	X		X	X	X	X	3	\$ 300.00	\$ -	\$ 300.00	\$ 600.00	\$ 900.00
J BRANDON BELL, II	BOT	-	X	X			X	X	3	300.00	-	300.00	600.00	900.00
JOHN M. BENNETT	BOT	-	X	X		X	X	X	4	300.00	-	300.00	900.00	1,200.00
MICHAEL P. DISHAROON	BOT	-	X			X	X	X	3	300.00	-	300.00	600.00	900.00
SUSAN GOODEN	BOT	-	-	X			X	X	2	300.00	-	-	600.00	600.00
W. BRETT HAYES	BOT	-	-	-			-	-	-	300.00	-	-	-	-
JESSICA L. HOOD	BOT	-	-		X		X	X	2	300.00	-	-	600.00	600.00
JOSEPH W. MONTGOMERY	BOT	-	X		X	X	X	X	3	300.00	-	300.00	600.00	900.00
LINDSEY PANTELE	BOT	-	-	-			X	X	1	300.00	-	-	300.00	300.00
RIVINDRA DEO	DCPAC	-	-	X			-	-	1	300.00	-	-	300.00	300.00
C. MATT HARRIS	DCPAC	-	-	X			-	-	1	300.00	-	-	300.00	300.00
SHANNON T. IRVIN	DCPAC	-	-	X			-	-	1	300.00	-	-	300.00	300.00
RICK LARSON	DCPAC	-	-	X			-	-	1	300.00	-	-	300.00	300.00
BRENDA O. MADDEN	DCPAC	-	-	X			-	-	1	300.00	-	-	300.00	300.00
ARUN MURALIDHAR	DCPAC	-	-	X			-	-	1	300.00	-	-	300.00	300.00
DAVID A. WINTER	DCPAC	-	-	X			-	-	1	300.00	-	-	300.00	300.00
MICHAEL R. BEASLEY	IAC	-	X				-	-	1	300.00	-	300.00	-	300.00
THEODORE ECONOMOU	IAC	-	X				-	-	1	300.00	-	300.00	-	300.00
PALMER GARSON	IAC	-	X				-	-	-	-	-	-	-	-
THOMAS S. GAYNER	IAC	-	X				-	-	1	300.00	-	300.00	-	300.00
LAWRENCE E KOCHARD	IAC	-	X				-	X	2	300.00	-	300.00	300.00	600.00
NANCY G. LEAKE	IAC	-	X				-	-	1	300.00	-	300.00	-	300.00
WILBERT BRYAN LEWIS	IAC	-	X				-	-	1	300.00	-	300.00	-	300.00
ROD SMYTH	IAC	-	-				-	-	-	300.00	-	-	-	-
WILLIAM H. WEST	IAC	-	X				-	-	1	300.00	-	300.00	-	300.00
										\$ -	\$3,600.00	\$ 7,200.00	\$10,800.00	

Number Attending	0	13	10	3	4	8	9	47	
Total Days per Diem Paid (Control Total)	0	12	10	3	2	8	1	36	x\$300 = 10,800.00

X = Present

Confirmation of 2024 Meeting Dates

2024 Confirmed VRS Board and Committee Meeting Dates

	Board of Trustees	Audit and Compliance Committee	Administration Finance and Talent Management Committee	Benefits and Actuarial Committee	Defined Contribution Plans Advisory Committee	Investment Advisory Committee
February	Thursday Feb 8 th @ 1 pm			Wednesday Feb 7 th @ 1 pm		
March	Tuesday and Wednesday Mar 19 th & 20 th (Retreat)	Wednesday Mar 27th @ 1:00 pm	Wednesday Mar 27 th @ 10:30am		Thursday Mar 14 th @ 1 pm	
April	Thursday Apr 18 th @ 1 pm			Wednesday Apr 17 th @ 1 pm		Wednesday Apr 10 th @ 9 am
May					Thursday May 23 rd @ 1 pm	
June	Thursday Jun 20 th @ 1 pm	Tuesday Jun 11th @ 1:00 pm	Tuesday Jun 11 th @ 10:30 am	Wednesday Jun 12 th @ 1 pm		
July	Thursday Jul 11 th @ 1 pm					
August						Wednesday Aug 14 th @ 9 am
September	Thursday Sept 19 th @ 1 pm	Wednesday Sept 18th @ 10:30 am	Wednesday Sept 18 th @ 1 pm		Thursday Sept 12 th @ 1 pm	
October	Thursday Oct 17 th @ 1 pm			Wednesday Oct 16 th @ 1 pm		
November	Thursday Nov 14 th @ 1 pm			Thursday Nov 14 th @ 10:00 am		Wednesday Nov 6 th @ 9 am
December	Thursday Dec 12 th @ 1 pm	Thursday Dec 12th @ 10:00 am			Thursday Dec 5 th @ 1 pm	