

## BOARD OF TRUSTEES GOVERNANCE POLICY

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## **BOARD OF TRUSTEES GOVERNANCE POLICY**

### ***I. PURPOSE***

This Governance Policy is established to:

- A. Set forth the policies and procedures pursuant to which the Board of Trustees will fulfill its statutory and fiduciary responsibilities;
- B. Ensure that the Board will perform its functions in a manner that is consistent with and in furtherance of the principles set forth below; and
- C. Facilitate the organized, efficient, and cohesive functioning of the Board.

### ***II. AUTHORITY***

Title 51.1 of the Virginia Code establishes the Virginia Retirement System (“VRS”) as an independent agency of the Commonwealth, and sets forth the purpose, powers, and duties of the Board of Trustees (“the Board”) relative to its responsibilities as administrator and/or trustee of the retirement systems and plans provided for therein and in Article X, Section 11 of the Constitution of Virginia.

Pursuant to Title 51.1, the Board administers and is trustee of the funds of the Virginia Retirement System, the State Police Officers’ Retirement System, the Virginia Law Officers’ Retirement System, and the Judicial Retirement System. In addition, the Board administers and/or has substantial oversight responsibilities for the Group Insurance Program, the Optional Retirement Plan for Political Appointees, the Optional Retirement Plan for School Superintendents, the Optional Retirement Plan for Employees of Higher Education, the Government Employees Deferred Compensation Plan, the Virginia Cash Match Plan, the Virginia Sickness and Disability Program, the Benefit Restoration Plan, and the Volunteer Firefighters’ Rescue Workers’ Service Award Program.

### ***III. PRINCIPLES***

- A. COMMITMENT: The Board is dedicated to seeing that VRS accomplishes its mission and fulfills its vision. These are:

**Mission:** “Our mission is to provide superior service in the administration of pension benefits and related services on behalf of participating Virginia public employers and their employees, and to serve as stewards of the funds in our care.”

**Vision:** “The Virginia Retirement System seeks to be recognized as a leader among pension systems by employing appropriate and efficient approaches, which will continually provide our membership with superior service. We believe superior customer service is inspired through an environment that fosters professional development, teamwork, and ethical behavior. We are committed to the preservation and growth of the funds in our care, thereby fulfilling our responsibility as stewards of the public trust.”

B. GOVERNING STYLE:

1. To achieve its commitment, the Board will govern with an emphasis on:
  - a) Outward vision rather than internal preoccupation;
  - b) Encouraging diversity of viewpoints;
  - c) Strategic leadership rather than administrative detail;
  - d) Maintaining a clear distinction between the roles of the Board and those of the Director, the Chief Investment Officer, and the Audit Director;
  - e) Collective determination rather than individual decision-making; and
  - f) Being proactive rather than reactive.
  
2. Accordingly, in all of its deliberations, actions, and decisions, the Board will be guided by the following principles:
  - a) The focus of the Board will be to set long-term objectives and goals for membership and benefit recipients (“*ends*”), not on the administrative or programmatic ways (“*means*”) of attaining those goals.
  - b) The Board will direct, control, and inspire VRS through careful establishment of the broadest organizational values and perspectives (“*policies*”).
  - c) The Board will enforce upon itself whatever self-discipline is needed to govern with excellence. Discipline will apply to matters such as preparation for meetings, attendance, policy-making principles, respect of clarified roles, speaking with one voice, and self-policing any tendency to stray from governance adopted in Board policies.
  - d) The Board will be accountable to the membership and benefit recipients for competent, conscientious and effective accomplishment of its obligations as a public trust. It will allow no officer, individual, or committee of the Board to usurp this role or hinder this commitment.

- e) The Board will monitor and regularly discuss its own processes and performance, and it will ensure the continuity and advancement of its governance capability by orientation of new Board members and ongoing training and development of all Board members.
- f) The Board will be an initiator of policy, not merely a reactor to staff initiatives. The Board, not the staff, will be responsible for excellence in governing.

#### ***IV. STRUCTURE AND FUNCTION OF THE BOARD***

##### ***A. COMPOSITION***

1. The members of the Board are appointed and serve pursuant to section 51.1.124.20 of the Code of Virginia, which provides, inter alia:
  - a) The VRS Board is composed of nine members, each appointed for a term of five years. No member may serve for more than two consecutive five-year terms and, should a member be appointed to complete the remainder of a former member's term, he or she may serve only one complete five-year term thereafter.
  - b) The Governor appoints five Board members and the Joint Rules Committee of the General Assembly appoints four members of the Board. All appointments must be confirmed by the General Assembly.
  - c) Of the five members appointed by the Governor, two shall have a minimum of five years of experience in the direct management, analysis, supervision or investment of assets; one shall have at least five years of direct experience in the management and administration of employee benefit plans; one shall be a local employee; and, one shall be a faculty member or employee of a state-supported institution of higher education.
  - d) Of the four members appointed by the General Assembly, two shall have a minimum of five years of experience in the direct management, analysis, supervision or investment of assets; one shall be a state employee; and one shall be a teacher.
  - e) Board members are subject to removal from office only as set forth in sections 24.2-230 through 24.2-238 of the Code of Virginia.
2. All new Board members must complete an orientation program within forty-five (45) days of the date of their appointment of the Board. The Administration and Personnel Committee shall be responsible for the orientation program.

3. All Board members shall be required to sign an affirmation pledging to uphold both the letter and the spirit of The Board of Trustees Code of Ethics and Conduct within forty-five (45) days of the date of their appointment to the Board or within thirty (30) days of the adoption of these policies, whichever comes later.

B. LIABILITY STANDARD

“The Board shall discharge its duties with respect to the Retirement System solely in the interest of the beneficiaries thereof and shall invest the assets of the Retirement System with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. The Board shall also diversify such investments so as to minimize the risk of large losses unless under the circumstances it is clearly prudent not to do so.” Code of Virginia §51.1-124.30.C.

“No officer, director or member of the Board or of any advisory committee of the Retirement System or any of its tax exempt subsidiary corporations whose actions are within the standard of care in subsection C above shall be held personally liable for losses suffered by the Retirement System on investments made under the authority of this chapter.” Code of Virginia §51.1-124.30.D.

C. CHAIRPERSON

The Governor designates which of the nine members of the Board shall serve as chairperson, subject to confirmation by the General Assembly. The chairperson may serve no more than two consecutive two-year terms.

The chairperson is charged with ensuring the integrity of the Board’s process, facilitating the operation of Board meetings, and motivating the Board to be as effective as possible in fulfilling its responsibilities and duties. Towards these ends, the chairperson:

1. Develops the agenda for Board meetings;
2. Presides over meetings of the Board;
3. When required, certifies any actions taken by the Board;
4. Communicates on behalf of the Board to outside entities interested in the Retirement System; and
5. Performs such additional duties as provided herein or as may be set by resolution of the Board.

D. VICE-CHAIRPERSON

The vice-chairperson is a member of the Board, elected by a majority vote of the Board. The election of the vice-chairperson shall take place at the first regular meeting following the installation of a new chairperson or at the first regular meeting following

the reappointment of the chairperson. The vice-chairperson is elected for a two-year term, and may be re-elected for two additional terms.

In the event of the absence or incapacity of the chairperson, the vice-chairperson shall preside over Board meetings, and shall fulfill such other duties and responsibilities of the chairperson as may be necessary.

E. SECRETARY

The Board appoints a secretary who may or may not be a member of the Board. Once appointed, the secretary shall continue to serve until such time as he or she is unable or unwilling to continue to do so, or until such time as the Board terminates the appointment.

The Secretary to the Board has the following duties and responsibilities:

1. To maintain a current list of the membership of the Board and of each committee;
2. To notify Board members of meetings;
3. To coordinate and disseminate information to the members of the Board;
4. To maintain official minutes and records of all proceedings of the Board;
5. To respond to requests received by VRS under the Freedom of Information Act;
6. To accept service of process on behalf of the Board;
7. To ensure timely filing of reports with the Secretary of the Commonwealth under the State and Local Government Conflict of Interests Act;
8. To prepare, prior to each meeting, an order of business (“*agenda*”) for use by the presiding chairperson, showing in their exact order all matters known in advance that are due to come up; and
9. To coordinate agenda and presentations for the Board.

F. MEETINGS/ATTENDANCE

The Board determines and approves a regular meeting schedule on an annual basis in advance of each calendar year. Changes in the approved schedule may be made only if done by agreement of a majority of the Board. The Board is authorized to schedule additional meetings, if deemed necessary, after giving appropriate notice to all members of the Board and to the public.

Attendance at Board meetings is considered to be an essential element of a Board member’s fiduciary responsibility. Therefore, members are expected to attend all meetings unless there are extenuating circumstances that prevent such attendance.

G. PROCEDURAL STANDARDS

1. The rules contained in the current edition of *Robert's Rule of Order Newly Revised* shall govern all proceedings of the Board and VRS committee meetings insofar as they are applicable and not inconsistent with any of the policies adopted by the Board. Special note is to be made of the rules provided for procedure in small boards which rules are herewith deemed to be appropriate for use in all meetings contemplated in these policies.
2. Unless otherwise specified in Board or committee guidance documents, voting by proxy is not allowed.
3. A majority of members of the Board present and voting shall constitute a quorum at Board meetings. For the purposes of determining the presence of a quorum, an abstention or disqualification shall be considered an absence.
4. Except as otherwise specified herein, approval of an action or decision shall be by a majority of those Board members present and voting at a Board meeting.

H. RESPONSIBILITIES AND DUTIES OF THE BOARD

To fulfill its fiduciary and administrative responsibilities, the Board shall perform the following duties:

1. The Board shall establish the strategy for and approve all actions regarding the following policy related items:
  - a) General Duties
    1. Decision-making structure
    2. Fiduciary reporting system
    3. Governance policies
    4. Statement of risk management principles
    5. Funding policy and contribution rate
    6. Actuarial valuations, and demographic and economic assumptions
    7. Annual investment and administrative budget
    8. Audited financial statements
    9. Internal control system
  - b) Administration Related Duties
    1. Agency mission, vision, and motto
    2. Strategic plan and objectives
    3. Service quality standards
    4. Cost of living increases
    5. Administrative policies
    6. Director selection and performance evaluation processes

- c) Investment Related Duties
  1. Fund mission
  2. Fund monitoring policy
  3. Long term asset allocation guidelines
  4. New asset classes
  5. Investment philosophy
  6. Manager selection policy
  7. Allowable investment strategies and parameters
  8. Chief Investment Officer selection and performance evaluation processes
  9. Other investment policies and guidelines
  
2. The Board shall approve all actions and decisions regarding the following areas related to policy implementation and/or VRS operations:
  - a) General Duties
    1. Appointments to Standing and Advisory Committees
    2. Mandate and appointment of Actuary
    3. Mandate and appointment of Director
    4. Mandate and appointment of Chief Investment Officer
    5. Mandate and appointment of Audit Director
  
  - b) Administration Related Duties
    1. Member benefits
    2. Defined Benefit Plan policy determination
    3. Design of Group Life Insurance program
    4. Design of Defined Contribution programs
    5. Educate constituents about plan and program provisions
  
  - c) Investment Related Duties
    1. Appoint, retain, and/or terminate Custodian Bank
    2. Notify constituents about investment developments and availability of further information
  
3. The Board shall monitor each of the following to ensure compliance with and continued appropriateness of board policies and guidelines:
  - a) General Duties
    1. Decision making structure and governance policies
    2. Fiduciary reporting system
    3. Budget
    4. Statement of risk management principles
    5. Funding policy and contribution rate
    6. Actuarial rate and economic assumptions

7. Internal control system
  8. Legislation
  9. Audit and finance statements
- b) Administration Related Duties
1. Plan vision, mission, and motto
  2. Strategic Plan and objectives
  3. Service quality standards
- c) Investment Related Duties
1. Fund mission
  2. Fund monitoring policy
  3. Other Fund policies and guidelines
4. The Board shall oversee each of the following and take such action as is necessary and/or appropriate:
- a) General Duties
1. Funded status
  2. Cost effectiveness of VRS and budget compliance
  3. Financial health of VRS through approval of financial statements
- b) Administration Related Duties
1. Administrative policies
  2. Performance of Director
  3. Performance of Audit Director
- c) Investment Related Duties
1. Investment performance as per fund monitoring policy
  2. Performance of Chief Investment Officer

## ***V. CONNECTION OF THE BOARD TO VRS OPERATIONS***

The Board is connected to the operations, conduct, and achievements of VRS through the Director, the Chief Investment Officer, and the Audit Director.

The individuals in these three positions are appointed, employed, monitored, and evaluated directly by the Board. They constitute the Board's only link to each area of VRS. Therefore, as specified below, all authority and accountability of the VRS staff, as far as the Board is concerned, is considered the authority and accountability of one of these three people.

It is the responsibility of the Board to set policy, to promulgate the rules that are necessary in carrying out their obligations as fiduciaries of the System, and to administer the Virginia Retirement Act.

The Director and the Chief Investment Officer are responsible for direct operational decision making and administration of the policies and guidelines established by the Board.

A. DIRECTOR

Pursuant to §51.1-124.22.A., the Board shall appoint a director, “who shall not be a member of the Board, to serve as the chief administrative officer of the Retirement System at the pleasure of the Board.”

The Board herewith delegates to the Director full responsibility to administer the Virginia Retirement Act under the general direction of the Board and in compliance with the statutes and such policies, rules, guidelines, and procedures as the Board, from time to time, may adopt.

This includes the following duties and authority:

1. Determining the accuracy and timeliness of all payments due to VRS;
2. Accounting for and depositing payments made to VRS;
3. Making payment and distributing funds within the limits established by Board policy;
4. Responding to all correspondence regarding rights and benefits of members and employers;
5. Assisting committees of the Board in the discharge of their functions;
6. Maintaining VRS records, files, and documents;
7. Developing and maintaining communications and relationships with other state agencies, public retirement systems, and organizations involved with or having an impact on public retirement issues;
8. Representing VRS before the General Assembly and/or any of its committees and agencies on matters relating to the administration of VRS;
9. Serving as liaison with legal, medical, and actuarial professionals and third party administrators;
10. Monitoring the activities and performance of consultants and outside service providers hired by VRS;
11. Executing administrative contracts on behalf of VRS;
12. Developing, approving, and monitoring progress towards completion of divisional business plans and projects;
13. Overseeing the day-to-day administrative operations of VRS;
14. Assigning duties to administrative staff;

15. Determining and recommending to the Board the appropriate organizational structure, staffing, and compensation plan for all functions of VRS other than the those performed by the investment department.
16. Developing, implementing, and supervising all plans, policies, standards, programs, and services for all personnel other than those in the investment department, except if requested by the Chief Investment Officer;
17. Hiring, retaining, and/or terminating administrative staff within the structure established by Board policy;
18. Determining administrative staff compensation within the parameters of the current compensation plan;
19. Providing the Board and the Board Chairperson with timely reports of all information necessary to the discharge their fiduciary duties;
20. Developing, amending, and refining policies for Board approval, including the following:
  - a) Strategic plan and objectives;
  - b) Service quality standards;
  - c) Cost of living adjustments;
  - d) Agency performance evaluation; and
  - e) Other administrative policies;
21. Verifying eligibility of members applying for service retirement and making payment of benefits to qualified members;
22. Issuing final case decisions regarding applications for disability retirement that have been appealed pursuant to the Administrative Process Act;
23. Evaluating and establishing service credits;
24. Computing service retirement allowances and paying them to retired members;
25. Determining whether to discontinue recovery of and waive overpayments after a reasonable attempt to recover has been made, and reporting such determinations to the Benefits and Actuarial Committee;
26. Making determinations regarding new and/or amended employer coverage;
27. Identifying cases in which payment of benefits would set a precedent and presenting such cases to the Board for determination;
28. Approving and authorizing payment of refund requests;
29. Adjudicating questions regarding interpretation and application of existing Board policy;
30. Referring questions regarding administrative issues to the Board when no policy exists or when the determination would be precedent-setting;
31. Developing and maintaining the budget for the agency, except for the investment department;
32. Coordinating with the Chief Investment Officer in such a manner as to ensure operational efficiency at both the Board and agency levels; and
33. Performing such additional executive duties if, as, and when directed to do so by the Board.

The power to delegate authority to disburse or transfer public funds or assets, execute contracts, or sign official documents on behalf of the Board rests solely with the

Board. Therefore, the authority herein granted to the Director by the Board to authorize the disbursement or transfer of public funds or assets of VRS, to execute contracts on behalf of VRS, and to sign any official documents on behalf of the VRS Board may not be delegated by the Director to any other person or persons.

Except for these specific actions, the Director may, as he or she deems reasonable, delegate any other of the Director's responsibilities, duties, and authority to members of the administrative staff in order to facilitate the efficient functioning of VRS.

B. CHIEF INVESTMENT OFFICER

“To assist the Board of Trustees in fulfilling its fiduciary duty as trustee of the funds of the Retirement System, the Board shall employ a Chief Investment Officer to direct, manage and administer the Investment Department. The Chief Investment Officer shall be employed under special contract with the Board, shall report directly to the Board, shall serve at the pleasure of the Board, and may be removed by a majority vote of the Board.” §51.1-124.24.A of the Code of Virginia.

The Chief Investment Officer (“CIO”) devises and approves operational strategies that are intended to move the Fund towards its broad objectives and goals. As such, the CIO should be free to devise any strategy that is within the Board's policies and guidelines. The Board herewith delegates to the CIO whatever authority may be necessary to do so.

This includes the following duties and authority:

1. Planning, organizing and directing the investment work of VRS;
2. Implementing investment policies and strategies established by the Board;
3. Determining asset allocation within the guidelines established by the Board;
4. Supervising, evaluating, and monitoring the investment portfolio and associated investment activities, including risk management;
5. Selecting, appointing, replacing, and/or terminating consultants;
6. Selecting, appointing, replacing, and/or terminating investment managers;
7. Developing and maintaining the budget for the investment department;
8. Developing and implementing internal financial controls;
9. Implementing investment-related regulatory requirements of the retirement plans administered by VRS;
10. Providing the Board and the Board Chairperson with timely reports of all information necessary to discharge their fiduciary duties;
11. Representing VRS before the General Assembly and/or any of its committees and agencies on investment matters;
12. Executing investment contracts on behalf of VRS;
13. Determining and recommending to the Board the appropriate organizational structure, staffing, and compensation plan for the investment functions of VRS;

14. Developing, implementing, and supervising all personnel plans, policies, standards, programs, and services for investment department employees.
15. Hiring, retaining, and/or terminating investment staff within the structure established by Board policy;
16. Determining investment staff compensation within the parameters of the current compensation plan;
17. Overseeing the day-to-day operations of the investment department;
18. Responding to all correspondence regarding investment matters;
19. Assisting committees of the Board in the discharge of their functions;
20. Monitoring activities and performance of external investment managers;
21. Monitoring compliance by internal and external investment managers with contracts, mandates and performance expectations;
22. Recommending to the Board the appointment, replacement, and/or termination of the custodian bank;
23. Maintaining state of the art systems and technology for investment management and support of all investment functions;
24. Developing, amending, and refining policies for Board approval, including the following:
  - a) Long term fund objectives;
  - b) Fund monitoring policy;
  - c) Long term asset allocation guidelines;
  - d) New asset classes;
  - e) Investment philosophy and strategies;
  - f) Investment manager selection policy;
  - g) Other investment policies and guidelines
25. Monitoring compliance with and continued appropriateness of:
  - a) The fund monitoring policy for both the defined benefit and the defined contribution plans; and
  - b) The fund policies and guidelines for both the defined benefit and the defined contribution plans;
26. Coordinating with the Director in such a manner as to ensure operational efficiency at both the Board and agency levels; and
27. Performing such additional duties if, as, and when directed to do so by the Board.

The power to delegate authority to execute contracts or sign official documents on behalf of the Board rests solely with the Board. Therefore, the authority herein granted to the Chief Investment Officer by the Board to execute contracts on behalf of VRS and to sign any official documents on behalf of the VRS Board may not be delegated by the Chief Investment Officer to any other person or persons.

Except for these specific actions, the Chief Investment Officer may, as he or she deems reasonable, delegate any other of the Chief Investment Officer's responsibilities, duties, and authority to members of the investment staff in order to facilitate the efficient functioning of the Investment Department of VRS.

C. AUDIT DIRECTOR

The Board employs an Audit Director who reports directly to the Board through the Audit and Compliance Committee. The Audit Director is charged with assisting the Board in the effective discharge of their responsibilities by providing objective analyses, appraisals, recommendations, and pertinent comments concerning the implementation of and adherence to established policies and procedures throughout VRS.

This includes the following duties and authority:

1. Reviewing and appraising the soundness, adequacy and applications of accounting, financial, and other operating controls, and promoting effective control at a reasonable cost;
2. Ascertaining the extent of compliance with established policies, plans, and procedures;
3. Ascertaining the extent to which assets are accounted for and safeguarded from losses of all kinds;
4. Ascertaining the reliability of financial data developed within the organization;
5. Recommending operating improvements;
6. Developing a comprehensive long-range audit plan and implementing the plan after review by the Audit and Compliance Committee and approval by the Board;
7. Approving audit scopes and objectives; audit procedures; sampling plans; and, the extent of Information System audit coverage;
8. Supervising examinations of VRS operations and other special projects;
9. Ensuring all audit procedures are performed and are documented in accordance with departmental policies and procedures;
10. Revising the audit plan annually, as necessary, to accommodate changing needs and unexpected events;
11. Reporting to the Audit and Compliance Committee on a regular basis and, when necessary, reporting directly to the Board;
12. Monitoring implementation of audit recommendations;
13. Recruiting and supervising a professional and proficient audit staff;
14. Establishing an Internal Audit Department Charter; and
15. Performing such additional audit duties if, as, and when directed to do so by the Board.

The Audit Director has sole authority to determine the scope of internal audit activities, and shall not be restricted by the Director or the Chief Investment Officer.

The Audit Director shall have unrestricted access to all VRS activities, records, properties, and personnel pertinent to each area under review. Special arrangements shall be made for the examination of records that are confidential in nature.

The Audit Director shall have direct access to the Director and to the Chief Investment Officer in any instance where the Audit Director believes such access is needed to fulfill the stated objectives of the Department.

The Audit Director may, as he or she deems reasonable, delegate any of the Audit Director's responsibilities, duties, and authority to members of the internal audit staff in order to facilitate the efficient functioning of the internal audit department.

## **VI. COMMITTEES**

### **A. ADVISORY COMMITTEES**

The Board may appoint such advisory committees as it deems necessary to further assist it in fulfilling its fiduciary duty as trustee of the VRS funds.

Prior to doing so, the Board shall set forth the purpose and authority of the advisory committee, and establish the qualifications for its members.

The recommendations of an advisory committee are not binding upon the Board.

Each advisory committee may include no more than two (2) Board members. No individual Board member may serve on more than one advisory committee. Other than such Board members, no elected or appointed official may serve on any such advisory committees.

Appointment to an advisory committee shall require a two-thirds vote of the Board. Advisory committee members serve at the pleasure of the Board and may be removed by a majority vote of the Board.

The Board of Trustees Code of Ethics and Conduct shall apply to all advisory committee members, who shall be required to sign an affirmation pledging to uphold both the letter and the spirit of that Code within forty-five (45) days of the date of their appointment to the advisory committee or within thirty (30) days of the adoption of these policies, whichever comes later.

Once appointed by the Board, an advisory committee shall develop a Committee Charter that, upon approval and adoption by the Board, shall be incorporated into and made a part of the Board of Trustees By-Laws. Each Advisory Committee Charter shall include a statement of the purpose and authority for which the committee was appointed, a description of the committee's duties and responsibilities, and an overview of the composition and operating procedures of the committee.

## **1. INVESTMENT ADVISORY COMMITTEE**

“To further assist the Board of Trustees in fulfilling its fiduciary duty as trustee of the funds of the Retirement System, the Board shall appoint an Investment Committee to provide the Board with sophisticated, objective, and prudent investment advice.” Code of Virginia §51.1-124.26.

The purpose of the Investment Advisory Committee (“IAC”) is to provide the Board with sophisticated, objective, and prudent investment advice on all matters related to the management of investments.

The Investment Advisory Committee shall:

- a) Review, evaluate, and monitor investments and investment opportunities;
- b) Make appropriate recommendations to the Board about such investments and investment opportunities; and
- c) Make recommendations to the Board about overall asset allocation.

## **2. OPTIONAL RETIREMENT PLAN ADVISORY COMMITTEE**

The purpose of the Optional Retirement Plan Advisory Committee is to review matters relating to and/or affecting the administration of the defined contribution retirement plan for employees of institutions of higher education established pursuant to section 51.1-126 of the Code of Virginia and to make recommendations to the Board regarding those matters.

The Optional Retirement Plan Advisory Committee shall:

- a) Review the policies and procedures developed for the Optional Retirement Plan of the Commonwealth of Virginia for Employees of Institutions of Higher Education and make recommendations to the Board for revisions as needed.
- b) Assist the Board with its statutory responsibilities to:
  1. Monitor the implementation of and compliance with the policies and procedures of the Optional Retirement Plan of the Commonwealth of Virginia by participating institutions of higher education; and
  2. Review and oversee the policies and procedures constituting the process by which the Board reviews and determines whether to approve requests by institutions of higher education that seek to withdraw from

participation in the Optional Retirement Plan of the Commonwealth of Virginia.

- c) Review, evaluate, and make recommendations to the Chief Investment Officer regarding investment fund managers and investment vehicles.

B. STANDING COMMITTEES

The Board may establish such standing committees as it determines would be necessary or helpful in fulfilling its responsibilities.

The purpose and authority of a standing committee must be carefully set forth to avoid conflict with authority delegated to the Director, the Chief Investment Officer, and/or the Audit Director.

Once created, a standing committee shall remain in existence until such time as the Board takes the necessary action to dissolve it.

Unless otherwise specified, all standing committees established by the Board are subject to the following principles and guidelines:

1. Standing committees are intended to help the Board do its job, not to help or to advise VRS staff.
2. Standing committees are to focus their efforts on matters of material significance to the VRS Board, and refrain from any involvement in operational details or decision-making that are the responsibility of the Director, the Chief Investment Officer, and/or the Audit Director.
3. Standing committees ordinarily will assist the Board by preparing policy alternatives and implications for Board deliberation and action.
4. A standing committee may not speak or act for the Board, unless the Board specifically delegates such authority to it for a specific and time-limited purpose.
5. Each standing committee shall notify all Board members of the time and place of all committee meetings. Board members may choose to attend any committee meeting, regardless of whether or not they are members of the committee. All Board members may participate in committee discussions, but may only vote in committees in which they are members.

Once established by the Board, a standing committee shall develop a Committee Charter that, upon approval and adoption by the Board, shall be incorporated into and made a part of the Board of Trustees By-Laws. Each Committee Charter shall include a statement of the purpose and authority for which the committee was established, a

description of the committee's duties and responsibilities, and an overview of the composition and operating procedures of the committee.

The Board has established the following standing committees:

**1. ADMINISTRATION AND PERSONNEL COMMITTEE**

The purpose of the Administration and Personnel Committee is to conduct an initial review of matters relating to and/or affecting administrative functions, personnel plans, the budget, and finance, and to make recommendations to the full Board regarding those matters.

**2. AUDIT AND COMPLIANCE COMMITTEE**

The purpose of the Audit and Compliance Committee is to conduct an initial review of matters relating to and/or affecting internal and external audit matters, including, but not limited to, accounting practices and auditing procedures, adequacy of financial disclosures, and violations of law, and to submit reports and/or recommendations to the full Board regarding those matters.

**3. BENEFITS AND ACTUARIAL COMMITTEE**

The purpose of the Benefits and Actuarial Committee is to conduct an initial review of matters relating to and/or affecting benefits, benefit administration, and actuarial soundness of all plans administered by VRS, and to make recommendations to the full Board regarding those matters.

C. SPECIAL COMMITTEES

The Board may establish a special committee, as needed, to carry out a specified task. Upon completion of the task for which it was established, and presentation of its final report to the Board, a special committee shall cease to exist. A special committee may not be appointed to perform a task that falls within the assigned function of any existing standing or advisory committee.

**VII. RELATIONSHIP WITH THE PUBLIC**

Because it is a public body responsible for the management of public funds, the VRS Board has the responsibility to conduct its business in an environment that is open to public scrutiny. In doing so, the VRS Board shall operate in full compliance with both the letter and the spirit of the Virginia Freedom of Information Act (VFOIA) and the State and Local Government Conflict of Interest Act.

A. PRINCIPLES

1. VRS shall maintain open communication with the public, the employers and members it serves, and the news media.
2. VRS shall make public information available in as efficient and expedient a manner as possible, while protecting the confidentiality of the members, retirees, beneficiaries, and employers it serves.
3. The public shall be granted access to all meetings and to all records of meetings of the Board and Board committees except for such meetings as are closed pursuant to and in accordance with the provisions of §2.2-3712 of the Code of Virginia.

B. COMMUNICATION WITH THE MEDIA

1. The Chairperson of the Board is authorized to act as spokesperson for the Board and for VRS.
2. The Chairperson may delegate all or a part of this authority as he or she deems appropriate, subject to approval by the Board. The Board herewith approves the following delegation:
  - a) The Director is authorized to act as spokesperson regarding administrative and operational matters.
  - b) The Chief Investment Officer is authorized to act as spokesperson regarding investment matters.
3. All other Board members shall refer inquiries from the media to the Chairperson or other person to whom authority has been delegated.
4. The Chairperson shall review all official press releases regarding Board policy, activities, or other matters prior to publication.

***VIII. OPINIONS OF THE ATTORNEY GENERAL***

Pursuant to §2.2-505.A of the Virginia Code, requests from VRS for advice and for official advisory opinions must be made in writing by the Board Chairperson or by the Director. Before requesting an official advisory opinion of the Office of the Attorney General, the Director shall review the request with and obtain the prior approval of the Board Chairperson and, where feasible, the Board of Trustees.

***IX. AMENDMENT OF BY-LAWS***

The VRS Board of Trustees By-Laws, in whole or in part, may be altered, amended, modified, and/or rescinded, and new policies or provisions may be adopted in lieu thereof, by a two-thirds vote of the Board, provided that a copy of the proposed amendment is submitted in writing at the preceding regular meeting,

In the case of urgent and/or extraordinary circumstances requiring the immediate action of the Board, the Board may amend a policy or provision at the same meeting at which the proposed amendment is introduced, provided that such action is by unanimous consent. Furthermore, any such amendment must be submitted for reconsideration at the next Board meeting and, only if it then is reaffirmed by a two-thirds vote, shall such amendment permanently become a part of the By-Laws.

Notwithstanding the foregoing, every three years the Administration and Personnel Committee shall review the By-Laws, focusing upon areas that may require refinement, removal, or creation. The committee shall report its findings and recommendations to the Board, which shall discuss and vote upon such Committee recommendations at the next regularly scheduled meeting.

***X. VALIDITY OF BY-LAWS***

In the event any of the policies or provisions set forth in the By-Laws are found to be in conflict with any provision(s) of the Code of Virginia, the provision(s) contained in the Code of Virginia shall supercede and take precedence over the policy or provision of the By-Laws.

In the event any of the policies or provisions set forth in the By-Laws shall be deemed to be invalid as a result of its conflict with a provision of the Code of Virginia, this shall not invalidate the entirety of the By-Laws, but the remaining provisions of the By-Laws shall continue in full force and effect.