



2015 Annual Fee Disclosure

Optional Retirement Plan for Higher Education

The Virginia Retirement System (VRS), the plan administrator of the Optional Retirement Plan for Higher Education (ORPHE), is providing you this annual fee disclosure notice for your Plan. The fees you pay for plan administration and the investments you have chosen for your ORPHE account impact the amount of money you have at retirement. For this reason, and although it is not required, VRS is following the spirit of the annual fee disclosure notice regulations issued by the U.S. Department of Labor (DOL) for private sector retirement plans.

This annual notice is in addition to the fee information included on the attached Investment Option Performance (IOP) reports. Information from the providers such as fund prospectuses can be obtained by selecting the link to the providers' websites on www.varetire.org. Go to the Members tab and select ORP for Higher Education. Contact the individual provider for additional assistance.

VRS has selected two companies, Fidelity and TIAA-CREF, to provide investments, record keeping and communication services to ORPHE participants. VRS selects the investments that are offered to ORPHE participants from those available from each company and monitors the performance, as well as the fees charged by these funds. VRS also monitors the services these companies provide to employers and participants.

Additionally, this correspondence will restate the requirements for ORPHE retirees to qualify for the state retiree health insurance benefit, VRS Group Life Insurance (GLI) and retiree Health Insurance Credit (HIC).

Annual Fee Disclosure Notice

Enclosed are the Investment Option Performance (IOP) reports showing the investments offered by each provider, organized by investment type. For each investment you will see the fund inception date, each fund's performance over time, benchmark, and the fees you pay to invest in the fund stated as a total annual operating expense and shown as a percentage and as a dollar amount per \$1,000 invested. For these plans the total annual operating expense may include investment, record keeping and communication costs. Earnings on your investments are reduced by the expenses prior to returns being posted to your account. Some of the investments available to you have redemption fees and/or other restrictions, which are also noted on the IOP. Individual service fees, such as overnight delivery of checks, may also be charged. As with any investment, you should read the prospectus and/or other available fund information prior to investing.

The investment managers under the Fidelity plan are Fidelity for the Fidelity funds and Galliard Capital Management for the Stable Value Fund. The investment managers under the TIAA-CREF plan are as follows: TIAA-CREF for the TIAA-CREF fixed and variable annuity products; Vanguard for the Vanguard Balanced Index Fund; American Funds for the American Funds EuroPacific Growth Fund; and Dimensional Fund Advisors (DFA) for the DFA International Small Company Portfolio (this fund is currently closed to contributions and incoming investment transfers).

Also attached is a Glossary defining some of the terms appearing in this notice and other materials available on this Plan and its investments.

As a Plan participant you may change how your account is invested with your provider, subject to restrictions that may apply to the specific investments.

- **TIAA-CREF:** To change how your Plan account with TIAA-CREF is invested, contact the TIAA-CREF national contact center at 1-800-842-2776 and speak with a phone consultant. You may also change your investments online at www.tiaa-cref.org. Select the log-in button and enter your participant ID and password; you will see your accounts listed. Select “action” next to each account you wish to change. You will be given the option for changing your current investments or changing the allocation of future contributions. You will receive two confirmations: one online at the time of the transaction and one by mail.
- **Fidelity:** To change how your Plan account with Fidelity is invested, contact the Fidelity contact center at 1-800-343-0860 to speak with a consultant. You may also change your investments online by logging into your personal account at www.fidelity.com/atwork. From the home page click on the Select Action link next to your plan name and then select Change Investments from the drop-down menu. From here you will be able to enter a percentage of your payroll contributions for each investment option that you choose. After entering your elections you will confirm the changes. Any contributions to your account made after the effective date of the investment changes will be directed to the new investments you selected.

The numbers listed for each provider can also be used to request additional information on the investments available in your Plan. Additional information will be provided at no cost to you.

If your contributions are going to TIAA-CREF and you have not designated your investments, your money is invested in the Vanguard Balanced Index Fund (an asset allocation fund). If Fidelity is your provider and you have not given investment direction, contributions are posted to the Fidelity Freedom Fund (a target date fund) based on your date of birth.

Regardless of which company you invest with while you are working, when you leave employment and qualify for a distribution from the ORPHE you may purchase a lifetime annuity within the Plan. TIAA-CREF is the annuity provider for the Plan. Transfers from Fidelity will be accepted if you wish to use some or all of your Plan account balance to purchase the annuity. You may wish to seek financial planning advice to assist with this decision.

When you elected the ORPHE you selected one of these companies to receive your Plan contributions each pay date. Once a year, during the October open enrollment, you may change to

the other provider by completing an enrollment and beneficiary designation package with that provider and notifying your human resources office that you want to change providers. The change will be effective with the first pay date in January of the following year.

Qualifying for ORPHE Retiree Ancillary Benefits

When you are no longer employed by a Virginia public employer you may qualify for the state retiree health insurance, VRS Group Life Insurance and/or retiree Health Insurance Credit if you meet the eligibility requirements.

State Retire Health Insurance: You must apply for the benefit within 31 days of your last date of employment and begin receiving an immediate distribution from the Plan. The distribution may be in the form of annuity payments or regular periodic payments that commence as soon as you meet the break in service requirement.

VRS Group Life Insurance (GLI): You qualify to continue your GLI in retirement if you meet the age and service requirements. If you are covered by ORPHE Plan 1 (employment date prior to July 1, 2010) you must be age 50 with 10 years of service or age 55 with 5 years of service. If you are covered by ORPHE Plan 2 (employment date July 1, 2010 or later) you must be age 60 with 5 years of service or your age plus service must equal 90 when you leave employment to retain GLI into retirement. While you are employed your GLI is your salary rounded to the next \$1,000 and doubled. In retirement your basic GLI coverage will reduce by 25 percent on January 1 following one calendar year of retirement and continue to reduce by 25 percent each January 1 until it reaches 25 percent of its original value. If you take a full distribution of your ORPHE account balance or your balance goes to \$0.00, your GLI benefit ceases.

Retiree Health Insurance Credit (HIC): You qualify for the HIC if you have at least 15 years of service in the ORPHE and/or VRS. If you are covered by ORPHE Plan 1 you must be at least age 50 to begin collecting the credit. If you are covered by ORPHE Plan 2 you must be at least age 60 to begin collecting the credit. Your HIC payments will begin when you start receiving a distribution and will continue as long as you receive regular periodic distributions or payouts from an annuity within the Plan. If you take a full distribution of your ORPHE account resulting in a \$0.00 balance and have not elected an annuity distribution option from the plan, you are no longer eligible for the HIC benefit.

In order to maintain a balance in your ORPHE account and continue to be eligible for the ancillary benefits described above, you may roll money from other retirement plans into the ORPHE. As long as you maintain a balance, the Plan accepts incoming rollovers from these types of retirement plans: 401(a), 401(k), 403(b), 457, traditional IRAs and the Federal Thrift Savings Plan.

ORPHE Glossary of Terms

Active Management The trading of securities to take advantage of market opportunities as they occur, in contrast to passive management. Active managers rely on research, market forecasts, and their own judgment and experience in selecting securities to buy and sell.

Annual Rate of Return The annual rate of gain or loss on an investment expressed as a percentage.

Asset Allocation A method of investing by which investors include a range of different investment classes, such as stocks, bonds and cash equivalents, in their portfolios.

Asset Class A group of securities of investments that have similar characteristics and behave similarly in the marketplace. Three common asset classes are equities (e.g., stocks), fixed income (e.g., bonds), and cash equivalents (e.g., money market funds).

Basis Point One-hundredth of one percent, or 0.01%. For example, 5 basis points (bps) equal 0.05%. An investment with an expense ratio of 5bps would charge \$0.50 per \$1,000 invested on an annual basis. Investment expenses, interest rates and yield differences among bonds are often expressed in basis points.

Benchmark An unmanaged group of securities whose performance is used as a standard to measure investment performance. Some well-known benchmarks are the Dow Jones Industrial Average and the S&P 500 Index.

Beneficiary Your primary beneficiary is the first individual or entity that will receive the balance/benefits of your account upon your death. The contingent beneficiary will receive the balance/benefit of your account if you and your primary beneficiary die at the same time or if he or she dies before you. You can name multiple primary and contingent beneficiaries and designate a percentage that should go to each.

Bond A debt security which represents the borrowing of money by a corporation, government, or other entity. The borrowing institution repays the amount of the loan plus a percentage as interest. Income funds generally invest in bonds.

Capital Preservation An investment goal or objective to keep the original investment amount (the principal) from decreasing in value.

Cash Equivalent An investment that is short term, highly liquid, and has high credit quality.

Competing Funds A fixed income fund (usually a money market or bond fund which has little, if any, market volatility) with characteristics similar to a stable value option and for which certain exchange restrictions exist with respect to a stable value option. This type of restriction may also be referred to as an equity wash. For example, direct exchanges between the Fidelity Managed Income Portfolio and the Fidelity Retirement Government Money Market Portfolio or the Fidelity Freedom Income Fund (considered “competing funds”) is not permitted. Before exchanging between these funds, you must first exchange to a “noncompeting” fund for 90 days.

Diversification The practice of investing in multiple asset classes and securities with different risk characteristics to reduce the risk of owning any single investment. Using diversification as part of your investment strategy neither assures nor guarantees better performance and cannot protect against loss in declining markets.

Equity/Equities A security or investment representing ownership in a corporation, unlike a bond, which represents a loan to a borrower. Often used interchangeably with “stock.”

Equity Wash Restriction A provision in certain stable value or fixed income products under which transfers made from the stable value or fixed income product are required to be directed to an equity fund or other non-competing investment option of the plan for a stated period of time (usually 90 days) before those funds may be invested in any other plan-provided competing fund (such as a money market fund).

Expense Ratio A measure of what it costs to operate an investment, expressed as a percentage of its assets or in basis points. For investments available in the ORPHE, the expense ratio includes the cost to the provider for record keeping, communications and other costs associated with maintaining the plan. These are costs the investor pays through a reduction in the investment’s rate of return.

Fixed Annuity A traditional insurance investment vehicle, often used for retirement accounts, which guarantees principal and a specific interest rate and may also offer dividends.

Glide Path The change over time in a target date fund’s asset allocation mix to shift from a focus on growth to a focus on income.

Group Life Insurance (GLI) You qualify to continue your GLI in retirement if you meet the age and service requirements. If you are covered by ORPHE Plan 1 (employment date prior to July 1, 2010) you must be age 50 with 10 years of service or age 55 with five years of service. If you are covered by ORPHE Plan 2 (employment date July 1, 2010 or later) you must be age 60 with 10 years of service or your age plus service must equal 90 to continue your GLI when you leave employment. While you are employed your GLI is your salary rounded to the next \$1,000 and doubled. In retirement your GLI coverage reduces by 25 percent per year until it reaches 25 percent of the coverage just prior to your retirement date. If you take a full distribution of your ORPHE account balance and your balance goes to \$0.00 or if your annuity expires then your GLI benefit ceases.

Health Insurance Credit (HIC) The HIC is a payment to state retirees to help offset the cost of their health insurance in retirement. You qualify if you have 15 years of state service, pay for your own health insurance and receive regular periodic distributions from your ORPHE account. You must also meet the age requirement. If you are covered by ORPHE Plan 1 (employment date before July 1, 2010), you must be at least age 50. If you are covered by ORPHE Plan 2, (employment date on or after July 1, 2010) you must be age 60.

Index An unmanaged group of securities whose overall performance is used as a benchmark against which financial or economic performance may be measured, such as the S&P 500.

Inflation The overall general upward price movement of goods and services in an economy. Inflation is one of the major risks to investors over the long term because it erodes the purchasing power of their savings.

Interest/Interest Rate The fee charged by a lender to a borrower, usually expressed as an annual percentage of the principal. For example, someone investing in bonds will receive interest payments from the bond issuer.

Investment Option Performance (IOP) Listing of core investments available in the

ORPHE Glossary of Terms

Plans comparing performance to benchmarks, performance over time and expense ratios.

Junk Bond Another term for high yield bond, which is a bond issued by a corporation that is deemed a high credit risk. These bonds offer the potential for higher returns because the issuing companies have a higher risk of defaulting on the bonds.

Lifetime Annuity An annuity that pays for your lifetime or that of your survivor. A lifetime annuity may be purchased within your ORPHE to ensure you do not deplete your Plan account balance.

Liquidity The ease with which an investment can be converted into cash. If a security is very liquid, it can be bought or sold easily. If a security is not liquid, it may take additional time of sale for redemption.

Market Capitalization (Market Cap) The market value of a company's outstanding securities. Market capitalization can be determined by multiplying the number of outstanding shares of a company's stock by the stock's current market price per share.

Mortality and Expense Charge The mortality and expense charge or "M&E" fee is charged by the insurance company and it is intended to cover the cost of death benefits (the "mortality" portion) and the expenses of other insured income guarantees that might be included with the annuity contract. The mortality expense involves the risk of the contract holder dying while the account balance is less than the total of premiums paid less any withdrawals. Again, the expense portion is intended to cover the costs of providing and administering any other insured features. The M&E expense for the annuity options within the Plan is .005. Most insurers deduct this expense on an annualized basis. With variable annuities, the M&E fee is only applied to funds held in the separate accounts and not to any of the funds held in the general account.

Mutual Fund An investment vehicle that is made up of a pool of funds collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments and similar assets. Mutual funds are operated by money managers, who invest the fund's capital and attempt to produce capital gains and income for the fund's investors. A mutual fund's portfolio is structured and maintained to match the investment objectives stated in its prospectus.

Net Asset Value (NAV) The net dollar value of a single investment fund share or unit that is calculated by the fund on a daily basis.

Passive Management The process or approach to operating or managing a fund in a passive or non-active manner, typically with the goal of mirroring an index. These funds are often referred to as index funds and differ from investment funds that are actively managed.

Power Of Attorney (POA) A legal document giving an individual or organization the authority to obtain information on your accounts, transact business and act on your behalf.

Proprietary vs. Non-Proprietary Funds Proprietary funds are ones that a financial institution sells and also manages. Non-proprietary funds are funds offered on a financial institution investment platform that are not their own funds.

Retirement Annuity/Group Retirement Annuity (RA/GRA) Retirement Annuity and Group Retirement Annuity are terms used by TIAA-CREF and refer to the base retirement annuities available in the Plan.

Record Keeper A company or individual that tracks the status of your retirement benefits.

Required Minimum Distribution (RMD) The IRS requires that you begin withdrawing funds from your employer-sponsored retirement plans and IRAs. In the case of your ORPHE you must begin your RMD when you reach age 70 ½, unless you continue to be employed in a position eligible for retirement benefits through a plan administered or authorized by VRS.

Risk The potential for investors to lose some or all the amounts invested or to fail to achieve their investment objectives.

Security A general term for stocks, bonds, mutual funds and other investments.

Stock A security that represents an ownership interest in a corporation.

Target Date Fund A fund designed to provide varying degrees of long-term appreciation and capital preservation based on an investor's age or target retirement date through a mix of asset classes. The mix changes over time to become less focused on growth and more focused on income; also known as a "lifecycle fund." The Fidelity Freedom Funds are target date funds.

Tax-Deferred Investment An investment where taxes on pre-tax contributions and earnings are postponed (or deferred) until withdrawn. Plans such as 401(k), 403(b), and 457 plans traditional IRAs, and your 401(a) ORPHE are examples of tax-deferred investments.

Time Horizon The amount of time that an investor expects to hold an investment before taking money out.

Total Return Return on an investment over a specific period of time. Total return includes income and share price appreciation and depreciation. Total return assumes that all dividends and capital gains paid during the period are reinvested to buy additional shares.

Transfer Payment Annuity TIAA-CREF enables you to withdraw or transfer your TIAA Traditional Annuity balance in ten approximately equal annual installments. When using this type of annuity, consider whether it will result in depletion of your account balance and loss of group life insurance and the retiree health insurance credit.

Unit A representation of ownership in an investment that does not issue shares. Most collective investment funds, such as those offered in the VRS Plans, are divided into units instead of shares.

Unit Value The dollar value of each unit on a given date.

Variable Annuity An insurance contract in which, at the end of the accumulation stage, the insurance company guarantees a minimum payment. The remaining income payments can vary depending on the performance of the managed portfolio.

Volatility The amount and frequency of fluctuations in the price of a security, commodity, or a market within a specified time period. Generally, an investment with high volatility is said to have higher risk since there is an increased chance that the price of the security will have fallen when an investor wants to sell.

Wrap Fee A fee or expense that is added to or "wrapped around" an investment to pay for one or more product features or services. Wrap fees for stable value funds allow for the protection of principal.

**Optional Retirement Plan for Employees of Institutions of Higher Education
Fidelity Plan Investment Option Performance**

Below are the totals for the period ending December 31, 2015. Returns greater than one year are annualized.

Performance does not guarantee how the funds will perform in the future. Current performance may be lower or higher than performance data shown. The investment return and principal value of an investment will fluctuate and shares/units may be worth more or less than their original cost when redeemed. Your investment in these options could lose money. Please consider the investment objectives, risks, fees and expenses carefully before investing. For this and other important information please obtain the investment company fund prospectuses. Read them carefully before investing.

Investment Options	Fund Inception Date	Fund Performance						10 Years / Since Inception ¹	Total Annual Operating Expenses ²		Redemption Fees / Other Restrictions
		1 Month	3 Months	YTD	1 Year	3 Years	5 Years		%	Per \$1,000	
Money Market		%	%	%	%	%	%	%			
Fidelity Retirement Government Money Market Portfolio³	12/16/88	0.00	0.00	0.01	0.01	0.01	0.01	1.22	0.42%	\$4.20	See footnote 10
Barclays U.S. 3-Month Treasury Bill Index		0.03	0.03	0.07	0.07	0.07	0.09	1.29			
Fixed Income											
Fidelity Spartan U.S. Bond Index Fund⁴	3/8/90	-0.41	-0.57	0.59	0.59	1.37	3.17	4.20	0.07%	\$0.70	See footnote 10
Barclays U.S. Aggregate Bond Index		-0.32	-0.57	0.55	0.55	1.44	3.25	4.51			
Fidelity Inflation-Protected Bond Fund	6/26/02	-1.11	-0.98	-2.15	-2.15	-2.73	2.06	3.22	0.45%	\$4.50	See footnote 10
Barclays U.S. Treasury Inflation-Protected Securities Index		-0.79	-0.64	-1.44	-1.44	-2.27	2.55	3.93			
Fidelity High Income Fund	8/29/90	-2.64	-2.51	-5.40	-5.40	0.82	4.01	6.13	0.72%	\$7.20	1.00% on shares held less than 90 days See footnote 10
BofA Merrill Lynch U.S. High-Yield Constrained Index		-2.58	-2.16	-4.61	-4.61	1.65	4.84	6.82			
Equity - Domestic											
Fidelity Dividend Growth Fund	4/27/93	-1.21	6.44	-0.63	-0.63	13.53	9.70	6.76	0.69%	\$6.90	See footnote 10
S&P 500 Index		-1.58	7.04	1.38	1.38	15.13	12.57	7.31			
Fidelity Spartan Extended Market Index Fund^{5,6}	11/5/97	-3.93	3.11	-3.32	-3.32	12.91	10.33	7.97	0.07%	\$0.70	0.75% on shares held less than 90 days See footnote 10
Dow Jones U.S. Completion Total Stock Market Index		-3.91	3.06	-3.42	-3.42	12.79	10.24	7.86			
Fidelity Low-Priced Stock Fund⁶	12/27/89	-2.65	1.63	-0.56	-0.56	12.87	11.23	8.28	0.79%	\$7.90	1.50% on shares held less than 90 days See footnote 10
Russell 2000 Index		-5.02	3.59	-4.41	-4.41	11.65	9.19	6.80			
Equity - International											
Fidelity Diversified International Fund⁷	12/27/91	-1.26	4.86	3.12	3.12	7.71	5.17	3.77	1.00%	\$10.00	1.00% on shares held less than 30 days See footnote 10
MSCI World ex-U.S. Index		-1.79	3.91	-3.04	-3.04	3.93	2.79	2.92			
Equity - Global											
Fidelity Worldwide Fund⁷	5/30/90	-0.93	5.65	3.51	3.51	11.02	8.67	6.61	0.96%	\$9.60	1.00% on shares held less than 30 days See footnote 10
MSCI World Index		-1.76	5.50	-0.87	-0.87	9.63	7.59	4.98			
Specialty - Real Estate											
Fidelity Real Estate Investment Portfolio	11/17/86	2.22	8.90	5.95	5.95	11.87	12.34	7.14	0.78%	\$7.80	0.75% on shares held less than 90 days See footnote 10
Dow Jones U.S. Select Real Estate Securities Index		2.15	7.55	4.46	4.46	11.75	12.21	7.08			
Fixed Account & Stable Value											
Stable Value	2/1/95	0.14	0.40	1.48	1.48	1.60	1.96	3.17	0.30%	\$3.00	See footnotes 11
Custom Benchmark ⁸		0.15	0.41	1.53	1.53	1.33	1.22	2.24			
Asset Allocation & Lifecycle											
Fidelity Freedom Income Fund^{6,7}	10/17/96	-0.93	0.96	-0.38	-0.38	2.66	3.27	3.70	0.49%	\$4.90	See footnote 10
Extended Asset Class Composite Index ⁹		-0.61	1.05	0.12	0.12	2.84	3.24	3.79			
Fidelity Freedom Fund 2005^{6,7}	11/6/03	-1.19	1.61	-0.33	-0.33	4.00	4.17	4.01	0.56%	\$5.60	See footnote 10
Extended Asset Class Composite Index ⁹		-0.86	1.82	-0.03	-0.03	4.15	4.25	4.30			

**Optional Retirement Plan for Employees of Institutions of Higher Education
Fidelity Plan Investment Option Performance**

Below are the totals for the period ending December 31, 2015. Returns greater than one year are annualized.

Investment Options	Fund Inception Date	Fund Performance						10 Years / Since Inception ¹	Total Annual Operating Expenses ²		Redemption Fees / Other Restrictions
		1 Month	3 Months	YTD	1 Year	3 Years	5 Years		%	Per \$1,000	
Asset Allocation & Lifecycle (cont'd.)		%	%	%	%	%	%	%			
Fidelity Freedom Fund 2010 ^{6,7}	10/17/96	-1.27	2.15	-0.28	-0.28	5.11	5.04	4.58	0.60%	\$6.00	See footnote 10
Extended Asset Class Composite Index ⁹		-1.03	2.31	-0.16	-0.16	5.16	5.17	4.91			
Fidelity Freedom Fund 2015 ^{6,7}	11/6/03	-1.39	2.55	-0.34	-0.34	5.45	5.28	4.64	0.63%	\$6.30	See footnote 10
Extended Asset Class Composite Index ⁹		-1.18	2.78	-0.30	-0.30	5.47	5.39	5.02			
Fidelity Freedom Fund 2020 ^{6,7}	10/17/96	-1.46	2.93	-0.23	-0.23	5.96	5.58	4.61	0.66%	\$6.60	See footnote 10
Extended Asset Class Composite Index ⁹		-1.29	3.10	-0.40	-0.40	5.93	5.71	5.06			
Fidelity Freedom Fund 2025 ^{6,7}	11/6/03	-1.45	3.39	-0.16	-0.16	7.10	6.24	4.91	0.70%	\$7.00	See footnote 10
Extended Asset Class Composite Index ⁹		-1.43	3.53	-0.53	-0.53	7.08	6.46	5.50			
Fidelity Freedom Fund 2030 ^{6,7}	10/17/96	-1.63	4.17	-0.16	-0.16	7.61	6.49	4.72	0.74%	\$7.40	See footnote 10
Extended Asset Class Composite Index ⁹		-1.67	4.32	-0.86	-0.86	7.48	6.66	5.30			
Fidelity Freedom Fund 2035 ^{6,7}	11/6/03	-1.73	4.63	-0.21	-0.21	8.39	6.82	4.84	0.75%	\$7.50	See footnote 10
Extended Asset Class Composite Index ⁹		-1.81	4.79	-1.06	-1.06	8.22	7.02	5.53			
Fidelity Freedom Fund 2040 ^{6,7}	9/6/00	-1.72	4.61	-0.18	-0.18	8.50	6.89	4.80	0.75%	\$7.50	See footnote 10
Extended Asset Class Composite Index ⁹		-1.81	4.79	-1.06	-1.06	8.35	7.09	5.51			
Fidelity Freedom Fund 2045 ^{6,7}	6/1/06	-1.74	4.58	-0.16	-0.16	8.70	6.96	4.61	0.75%	\$7.50	See footnote 10
Extended Asset Class Composite Index ⁹		-1.81	4.79	-1.06	-1.06	8.56	7.23	5.31			
Fidelity Freedom Fund 2050 ^{6,7}	6/1/06	-1.80	4.59	-0.24	-0.24	8.75	6.92	4.40	0.75%	\$7.50	See footnote 10
Extended Asset Class Composite Index ⁹		-1.81	4.79	-1.06	-1.06	8.63	7.22	5.18			
Fidelity Freedom Fund 2055 ^{6,7}	6/1/11	-1.74	4.63	-0.20	-0.20	9.00	n/a	6.62	0.75%	\$7.50	See footnote 10
Extended Asset Class Composite Index ⁹		-1.81	4.79	-1.06	-1.06	8.91	n/a	6.89			
Fidelity Freedom Fund 2060 ^{6,7}	8/5/2014	-1.75	4.59	-0.22	-0.22	n/a	n/a	1.95	0.76%	\$7.60	See footnote 10
Extended Asset Class Composite Index ⁹		-1.81	4.79	-1.06	-1.06	n/a	n/a	1.40			

- 1 If the fund was not in existence for 10 years, fund and corresponding benchmark returns shown represent performance from the fund since inception date.
- 2 Fund investment advisers may voluntarily agree to waive expenses. Expense waivers may be terminated at any time. Total annual operating expenses reflect the net expense ratios. Refer to fund prospectuses for details.
- 3 An investment in a money market fund is not insured or guaranteed by the FDIC or any other government agency. Although money market funds seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in a money market fund.
- 4 On March 2, 2012 the Plan switched from the Investor to Advantage share class. On May 10, 2011 an initial offering of the Advantage share class took place. The reported returns are a linked return series using the Investor class from March 8, 1990 - May 9, 2011 and the Advantage class since May 10, 2011.
- 5 On March 2, 2012 the Plan switched from the Investor to Advantage share class. On October 17, 2005 an initial offering of the Advantage share class took place. The reported returns are a linked return series using the Investor class from November 5, 1997 - October 16, 2005 and the Advantage class since October 17, 2005.
- 6 Medium-sized companies may suffer more significant losses as well as realize more substantial growth than larger more established companies. Equity securities of companies with relatively small market capitalization may be more volatile than securities of larger, more established companies.
- 7 Foreign investments involve special risks, including currency fluctuations and political developments.
- 8 The benchmark represents a hypothetical return generated by the monthly yield of actively traded U.S. Treasuries with a 3-year maturity plus an annualized spread of 0.50% and is representative of the Fund's expected return profile, given its mandate and book value accounting treatment.
- 9 The Extended Asset Class Composite Indices are comprised of the Dow Jones U.S. Total Stock Market Index, MSCI ACWI ex-U.S. Index, Barclays U.S. Aggregate Bond Index, and Barclays U.S. 3-Month Treasury Bellwether Index. The index weightings are adjusted monthly to reflect the funds' changing asset allocations. The composition differed in periods prior to January 1, 2014.
- 10 To discourage excessive trading activity, the fund may impose limitations on roundtrip transactions. Refer to the fund's prospectus/disclosure document for details.
- 11 Participants are not permitted to make a direct exchange from the Stable Value Fund to the Fidelity Retirement Government Money Market Portfolio, the Fidelity Inflation-Protected Bond Fund, or another VRS administered Optional Retirement Plan for Higher Education vendor provider (considered "competing funds") without first exchanging to a "noncompeting" fund on the Fidelity investment platform for 90 days.

All performance returns shown reflect all fund management fees and other investment related expenses, and may not reflect all plan administrative fees. Performance returns do not reflect redemption fees and/or surrender charges, if applicable.

Obtain the company fund prospectus for information about fees and charges. Contact your plan representative for information about plan administrative fees. All calculations assume reinvestment of dividends and capital gains. All returns are calculated in U.S. dollars. Fund performance returns provided by Fidelity. Benchmark returns provided by Fidelity, Russell/Mellon Analytical Services, Galliard and ICMA-RC. Although data is gathered from sources to be reliable, the Virginia Retirement System cannot guarantee completeness or accuracy.

**Optional Retirement Plan for Employees of Institutions of Higher Education
TIAA-CREF ORPHE Investment Option Performance**

Below are the totals for the period ending December 31, 2015. Returns greater than one year are annualized.

Performance does not guarantee how the funds will perform in the future. Current performance may be lower or higher than performance data shown. The investment return and principal value of an investment will fluctuate and shares/units may be worth more or less than their original cost when redeemed. Your investment in these options could lose money. Please consider the investment objectives, risks, fees and expenses carefully before investing. For this and other important information please obtain the investment company fund prospectuses. Read them carefully before investing. Contact your TIAA-CREF representative for information about the TIAA Traditional Annuity.

Investment Options	Fund Inception									Total Annual		Redemption Fees / Other Restrictions
	Date	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Operating Expenses ¹	Per \$1,000		
		%	%	%	%	%	%	%	%			
Money Market												
CREF Money Market Account ^{2,3}	4/1/88	0.00	0.00	0.00	0.00	0.00	0.00	1.20	0.32%	\$3.20	N/A	
Barclays U.S. 3-Month Treasury Bill Index		0.03	0.03	0.07	0.07	0.07	0.09	1.29				
Fixed Income												
CREF Bond Market Account ³	3/1/90	-0.50	-0.55	0.51	0.51	1.29	3.20	4.09	0.37%	\$3.70	See footnote 17	
Barclays U.S. Aggregate Bond Index		-0.32	-0.57	0.55	0.55	1.44	3.25	4.51				
CREF Inflation-Linked Bond Account ³	5/1/97	-1.00	-0.92	-1.68	-1.68	-2.59	2.16	3.48	0.32%	\$3.20	See footnote 17	
Barclays U.S. Treasury Inflation-Protected Securities Index		-0.79	-0.64	-1.44	-1.44	-2.27	2.55	3.93				
Asset Allocation												
Vanguard Balanced Index Fund ^{4,5}	11/9/92	-1.40	3.38	0.52	0.52	9.30	8.72	6.65	0.08%	\$0.80	See footnote 17	
Custom Composite Index ⁶		-1.33	3.53	0.76	0.76	9.46	8.92	6.73				
Equity - Domestic												
CREF Equity Index Account ³	4/29/94	-2.07	6.21	0.25	0.25	14.35	11.79	6.96	0.29%	\$2.90	See footnote 17	
Russell 3000 Index		-2.05	6.27	0.48	0.48	14.74	12.18	7.35				
CREF Stock Account ^{3,7,8}	8/1/52	-2.13	5.00	-0.84	-0.84	10.49	8.50	5.78	0.37%	\$3.70	See footnote 17	
CREF Composite Benchmark ⁹		-1.92	5.44	-1.02	-1.02	10.84	8.88	5.96				
Equity - International												
American Funds EuroPacific Growth Fund ^{8,10,11}	4/16/84	-2.33	2.97	-0.48	-0.48	5.45	3.99	4.94 ¹²	0.49%	\$4.90	See footnote 17	
MSCI EAFE Index		-1.35	4.71	-0.81	-0.81	5.01	3.60	3.03				
DFA International Small Company Portfolio ^{8,13}	9/30/96	0.13	5.28	5.91	5.91	8.14	4.94	5.18	0.53%	\$5.30	See footnote 17	
S&P Citigroup Extended Market - EPAC Index		0.63	5.86	8.95	8.95	10.67	6.93	5.71				
Equity - Global												
CREF Global Equities Account ^{3,8}	5/1/92	-1.92	4.87	-0.34	-0.34	9.73	7.62	5.00	0.38%	\$3.80	See footnote 17	
MSCI World Index		-1.76	5.50	-0.87	-0.87	9.63	7.59	4.98				
Specialty - Real Estate												
TIAA Real Estate Account	10/2/95	0.21	1.63	8.16	8.16	10.00	10.60	4.22	0.87%	\$8.70	See footnotes 17,18	
Custom Composite Index ¹⁴		0.94	2.93	10.20	10.20	9.83	9.88	6.78				
Fixed Account												
TIAA Traditional Annuity	1918	0.32	0.96	3.91	3.91	4.02	4.06	4.48	0.55% ¹⁶	\$5.50	See footnote 19	
BofA Merrill Lynch U.S. Corp. AAA 7-10 Yrs Index ¹⁵		-0.37	0.31	2.06	2.06	2.27	4.94	4.66				

The TIAA Traditional Annuity's annual credited rate on new money for the month of December was 4.00%.

1 Fund investment advisers may voluntarily agree to waive expenses. Expense waivers may be terminated at any time. Refer to fund prospectuses for detailed information about fees.

2 An investment in a money market fund is not insured or guaranteed by the FDIC or any other government agency. It is possible to lose money by investing in a money market fund. Unlike most money market funds, the CREF Money Market Account does not distribute income on a daily basis. Therefore, the Account does not maintain a constant value of \$1.00 per share or unit and the accumulation unit value will fluctuate.

3 On April 24, 2015 the Plan switched to the R-3 share class. The reported returns are a linked return series using the fund returns prior to CREF's introduction of the fund multi-class structure.

4 The Optional Retirement Plan for Higher Education invests in the Vanguard Balanced Index Fund - Institutional shares.

5 The inception date shown reflects the inception date of the Fund. The inception date of the Institutional shares was 12/1/00.

- 6 Custom Composite Index: Effective January 15, 2013 the benchmark is 60% CRSP U.S. Total Market Index and 40% Barclays U.S. Aggregate Float Adjusted Bond Index. Historically, the benchmark was comprised of various 60% stock indices and 40% bond indices over the years.
- 7 The CREF Stock Account has been categorized as a domestic equity fund by TIAA-CREF.
- 8 Foreign investments involve special risks, including currency fluctuations and political developments.
- 9 The CREF Composite Benchmark replaced the Custom Composite Index effective January 2014. The CREF Composite Benchmark currently consists of a weighted average of approximately 70% Russell 3000 Index and 30% MSCI All Country World ex-U.S. Investible Market Index. Prior periods reflect returns of the CREF Composite Benchmark which historically include other representative indices.
- 10 The Optional Retirement Plan for Higher Education invests in the American Funds EuroPacific Growth Fund Class R-6 share class.
- 11 The inception date shown reflects the inception date of the Fund. The inception date of the Class R-6 shares was 5/1/09.
- 12 Performance reflects hypothetical returns based on Class A share results calculated without a sales charge to provide an indication on how the fund may have performed over longer periods that is not available with the Class R-6 shares.
- 13 Equity securities of companies with relatively small market capitalization may be more volatile than securities of larger, more established companies.
- 14 Effective January 2014, the Custom Composite Index is 70% NCREIF Open End Diversified Core Equity (ODCE) Net Index, 20% Barclays 3-Month Treasury Bill Index, and 10% Dow Jones U.S. Select REIT Index. Prior periods include other representative indices. TIAA's investment management team does not manage its real estate portfolio to a specific published index benchmark. The Custom Composite Index represents a reasonable proxy of how TIAA allocates assets among real property, short-term investments, and REITs over time. The Virginia Retirement System anticipates that Fund returns may vary greatly from those of the Custom Composite Index. Benchmark returns are not available for months that do not end on a calendar quarter due to the fact that NCREIF ODCE Index returns are only published each calendar quarter.
- 15 TIAA's investment management team does not manage its Traditional Annuity to a specified published index benchmark. The BofA Merrill Lynch U.S. Corporates AAA 7-10 Years Index is used because it approximates the duration and credit quality of the underlying portfolio managed by TIAA. The Virginia Retirement System anticipates that Fund returns may vary greatly from index returns because the TIAA Traditional Annuity has unique features pertinent to insurance companies annuity products.
- 16 The TIAA Traditional Annuity is not an investment for purposes of federal securities laws; it is a guaranteed insurance contract. Therefore, unlike a variable annuity or mutual fund, the TIAA Traditional Annuity does not include an identifiable expense ratio. The 55 basis points (0.55%) approximates the expense provision in the formula for determining TIAA Traditional Annuity returns inclusive of administrative and investment expenses. This expense provision is not guaranteed, is subject to change.
- 17 To discourage excessive trading activity, if, within 60 calendar days a participant redeems or exchanges monies out of a fund and subsequently purchases or exchanges monies back into that same fund and then redeems or exchanges monies out of that same fund, the participant will not be permitted transfers back into that same fund for 90 calendar days. This policy will not be applied to certain types of transactions such as systematic withdrawals and purchases, automatic rebalances, death and hardship withdrawals, contributions, mandatory distributions and other plan sponsor initiated transactions.
- 18 Transfers out of the TIAA Real Estate Account (REA) are limited to one per quarter and must generally be at least \$1,000 (except, for systematic transfers, which must be at least \$100) or the entire accumulation, if less than \$1,000. Participants may not make a lump-sum transfer into the REA if their aggregated balances across all contracts is greater than \$150,000. Systematic transfers and recurring contributions are not subject to this limitation.
- 19 Upon separation from service or retirement participants can convert their TIAA Traditional accumulation dollars amounts to a lifetime income option or withdraw funds through a fixed period annuity ranging from five to 30 years or a Transfer Payout Annuity. TIAA Traditional Annuity transfers to other funds on the investment platform and withdrawals are available via the Transfer Payout Annuity, which enables participants to move funds out of the TIAA Traditional Annuity in 10 annual installments. Each installment includes a portion of principal and interest, based on the rates in effect when transfer or withdrawal of funds are made. However, there are two exceptions to the 10 payout installment option over 9 years and one day. First, if the TIAA Traditional account balance in the Group Retirement Annuity (GRA) contract is less than \$5,000, participants can transfer the total amount at any time following termination of employment but only once during the life of the contract. Second, TIAA Traditional in the GRA contract can be withdrawn or transferred to another company up to the full balance within 120 following termination of employment, subject to a 2.5% surrender charge. After the 120-day period participants can withdraw funds only through a fixed period annuity ranging from five to 30 years or the Transfer Payout Annuity. The two exceptions described above are not available in the Retirement Annuity (RA) contract.

All performance returns shown reflect all fund management fees and other investment related expenses, and may not reflect all plan administrative fees. Performance returns do not reflect redemption fees and/or surrender charges, if applicable.

Obtain the company fund prospectus for information about fees and charges. Contact your plan representative for information about plan administrative fees. All calculations assume reinvestment of dividends and capital gains. All returns are calculated in U.S. dollars. Performance returns provided by TIAA-CREF, Vanguard, DFA, and the American Funds. Benchmark returns provided by TIAA-CREF, Vanguard, Russell/Mellon Analytical Services, and ICMA-RC. Although data is gathered from sources to be reliable, the Virginia Retirement System cannot guarantee completeness or accuracy.