



October 10, 2025

MEMORANDUM

TO: VRS Board of Trustees

FROM: Patricia S. Bishop
Director

RE: Agenda Materials for October 16th Board Meeting

We are looking forward to the October 16th Board meeting beginning at 1:00 p.m. **Please note the location change.** The October 16th Board meeting will be held in the **General Assembly Building (GAB) located at 201 N. 9th Street, Richmond, VA 23219, House South Subcommittee Room – 210.** Enclosed are the agenda and meeting materials.

On October 16th, we ask that all Board members meet at the VRS headquarters building, 1200 E. Main St., before proceeding to the GAB. Boxed lunches will be available in the 3rd floor conference room beginning at 12:00 p.m. A staff member will escort the Board members to the GAB in the agency van, departing at 12:40 p.m. Board members unable to arrive by 12:40 p.m. should plan to go directly to the GAB in time for the start of the meeting. Please note that you should allot ample time to navigate security at the General Assembly Building. A box lunch will be provided to take with you after the meeting. Board members will be escorted back to the VRS headquarters building at the conclusion of the meeting as well.

Please note, for those who are going directly to the GAB, there is no dedicated parking for Board members at the building. The closest paid parking lot is located at 9th and Franklin St., if not using the VRS parking deck. Gentle reminder, the reserved parking spaces in the VRS parking deck are located in the sub-basement and lower sub-basement and are marked with a yellow sign that says, “Reserved for Board/Committee members”. When entering the VRS parking deck, enter at the Bank St. entrance which is located on the back side of the building. Pull up on the right side of the entrance, push the button on the card reader announce your name and the guard will open the gate. Once you enter the deck, keep straight and make 7-8 left turns which will put you in the sub-basement and lower sub-basement area of the parking deck.

Listed below is a recap of the meetings scheduled for next week:

Meeting	Date	Location
Benefits and Actuarial Committee	Wednesday, October 15 th , 1:00 p.m.	General Assembly Building, 201 N. 9 th St., South Subcommittee Room - 210
Board of Trustees	Thursday, October 16 th , 1:00 p.m.	General Assembly Building, 201 N. 9 th St., South Subcommittee Room - 210

Again, we look forward to seeing you next week. If you have any questions, please feel free to contact me.

Attachments



Board of Trustees Meeting
201 N. 9th Street
House South Subcommittee Room - 210
Thursday, 10/16/2025
1:00 - 3:30 PM ET

I. Approve Minutes

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II. Report of the Chief Investment Officer

CIO Report - October 2025 - Page 15

Performance Summary 8.31.25 - Page 22

Asset Allocation Report - August 2025 - Page 23

Daily Asset Allocation Report 10.7.25 - Page 24

New Investments and Terminations 10.16.25 - Page 25

DIME Quarterly Summary - QE September 2025 - Page 26

External Manager Referral Quarterly Summary - QE September 2025 - Page 32

III. Report of the Benefits and Actuarial Committee

Report of the Benefits and Actuarial Committee 10.15.25 - Page 33

RBA - Rates for Five Statewide Plans and Associated OPEBs - Page 35

10.16.25 Statewide Mtg Board_Final - Page 38

IV. Report of the Director

FY 2026 Agency Roadmap - September - Page 57

Director's Report - Page 59

Minutes

A regular meeting of the Virginia Retirement System Board of Trustees was held on September 25, 2025, in Richmond, Virginia with the following members participating:

Board members:

A. Scott Andrews, Chair

Lawrence A. Bernert III, Vice Chair

Hon. J. Brandon Bell II (*attended remotely from Roanoke, VA under § 2.2-3708.3(B)(3)*)

John M. Bennett

Clifford Foster IV

Susan T. Gooden, Ph.D.

Jessica L. Hood

Hon. Matthew James

Lindsey K. Pantele

Investment Advisory Committee:

Lawrence E. Kochard, Ph.D., Chair (*attended remotely*)

VRS Staff:

Patricia Bishop, Jennifer Schreck, Andrew Junkin, Advait Apte, Parham Behrooz, Erica Billingslea, Judy Bolt, Ty Bowers, Lee Buchanan, Jessica Budd, Caroline Cardwell, Dorothy Chiddo, Tom Coleman, Michael Cooper, David Cotter, Juanita Cribbs, Valerie Disanto, Curtis Doughtie, Pam Elam, Kenji Epling, Jon Farmer, Laurie Fennell, Laura Fields, Antonio Fisher, Kenny Fleming, Josh Fox, JT Grier, Kelly Hiers, KC Howell, Robert Irving, Sandy Jack, Ross Kasarda, Zak Khat, Mengting Kim, Kristina Koutrakos, LaShaunda King, Vu Le, Chung Ma, Curt Mattson, Scott Mootz, Walker Noland, Greg Oliff, Angela Payne, Matt Priestas, Laura Pugliese, Shawn Rabalais, Paula Reid, Mark Rein, Garret Rhodes, Dan Schlussler, Michael Scott, Jillian Sherman, Richard Slate, Amethyst Sloane, Virginia Sowers, Korey Turner, Scott Weaver and Dan Whitlock.

Guests:

Lauren Albanese, Financial Investment News; Kevin Balaod and Daren Millard, WithIntelligence.com; Chris Doll, CEM Benchmarking; Jacob Hodges, Encore; Alexandra Jansson and Kimberly Sarte, Joint Legislative Audit and Review Commission; Jason Kobilka and Nate Weinstein, Osmosis.fm; Elizabeth Myers, Office of the Attorney General; Bea Snidow, Virginia Education Association, and Erica Webb, Arizona State Retirement System.

The meeting convened at 1:02 p.m.

Opening Remarks

Mr. Andrews called the meeting to order and welcomed everyone to the September 25, 2025, meeting of the Virginia Retirement System Board of Trustees.

Approval of Minutes

Following a motion by Dr. Gooden, and a second by Mr. Bernert, the VRS Board of Trustees unanimously approved the minutes from its June 18, 2025, meeting.

Report of the Investment Advisory Committee

Lawrence Kochard, Chair of the Investment Advisory Committee (IAC), began his report by noting the IAC met on August 20, 2025, and approved the minutes from its April 2, 2025, meeting. The Committee received the Chief Investment Officer's (CIO) report that included an overview of market conditions, asset allocation, tracking error and total fund performance as of June 30, 2025. The Committee then received the Portfolio Solution Group program review. Lastly, Chung Ma, Deputy CIO, and Rory Badura, Senior Actuary, presented on forward returns including summaries of state plans and external managers' forward returns, long term VRS forward returns, and scenario analysis. The IAC reviewed and discussed capital market assumptions and the scenario testing at length and believes the capital market assumptions are reasonable and the fund is well positioned for a variety of economic and market environments.

Mr. Andrews thanked Mr. Kochard for his report.

Report of the Chief Investment Officer

Andrew Junkin, CIO, began his report with a market overview and discussed asset allocation, total fund performance and tracking error, concluding that risk measures are within Board-approved levels. Mr. Junkin announced a 9.9% return, net of fees, for the fiscal year that ended June 30, 2025. The strong return surpassed the actuarially assumed return of 6.75%, exceeded the total fund benchmark return of 9.7%, and pushed the fund to a record high of \$122.8 billion in market value. Lastly, Mr. Junkin discussed the New Investments and Terminations Report, the DIME Quarterly Report and the External Manager Referral Quarterly Report.

Mr. Andrews thanked Mr. Junkin for his report.

Annual CEM Benchmarking Report on Administration

Chris Doll of CEM Benchmarking, Inc., provided the annual Pension Administration Benchmarking Report for FY 2024 to the Board. CEM measures cost, and service levels and provides an analysis of performance relative to peer agencies, as well as comparative data and insights from a broader group of CEM-participating plans. The presentation focused on VRS compared to a peer group of other U.S.-based retirement systems with similar membership size. Areas of service reviewed and measured included the call center, VRS website (including myVRS), one-on-one membership counseling and presentations, pension inceptions and member statements.

With a cost of \$81 per active member and annuitant, VRS' total pension administration cost per active member and annuitant is \$43 below the peer group average of \$124. Mr. Doll provided a summary of the trend in total pension administration costs from 2017 to 2024. He noted that VRS' total pension administration cost per active member and annuitant decreased by 1.9% in the year 2024 and increased

by 1.4% per annum over the last eight years. During the same period, the average cost of peers with eight consecutive years of data increased by 5.3% per annum.

Mr. Doll advised that VRS achieved a total service score of 81, which is slightly below the peer group median of 82. VRS' service score has increased from 74 to 81 between 2017 and 2024.

Mr. Doll concluded by reiterating that VRS provides a relatively high level of service at a cost comparatively lower than its peers.

Mr. Andrews thanked Mr. Doll for his presentation and commended the VRS staff for achieving these exceptional results. Mr. Andrews noted that providing a high level of service at a lower cost when compared to U.S. peers is a testament to staff's commitment to superior service and continuous improvement. It was also noted that for well over a decade, VRS' results have placed it in the desirable quadrant.

Report of the Defined Contribution Plans Advisory Committee

The VRS Board of Trustees received the report of the Defined Contribution Plans Advisory Committee following its meeting on September 11, 2025, and placed it on file.

WELCOME AND INTRODUCTION

Dr. Gooden welcomed two new members of the DCPAC, September Sanderlin and Rebecca Fentress. September Sanderlin has been the Vice President for Talent and Culture at Old Dominion University since 2013. Rebecca Fentress is the Senior Director of Benefits at Capital One and has over 15 years of experience managing comprehensive employee benefits programs for large, publicly traded corporations.

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

APPROVAL OF MINUTES

The Committee approved the minutes of its May 15, 2025, meeting.

INVESTMENTS

Annual Investment Review

Staff provided the Committee with its annual review as of June 30, 2025, which included a review of DC governing documents, investment performance and investment fund expenses for the unbundled DC plans and the bundled TIAA ORPHE. Staff highlighted the plans' target date portfolios, which serve as the plan's default investment option, and the various asset classes used within the portfolios. Staff also outlined the wide range of asset classes and types of funds used as standalone investment options for those participants who desire to construct their own portfolios. Staff explained the breakdown of the

unbundled DC plans as it pertains to the use of collective investment trusts (CITs), white label funds, passively managed investments, and the VRS investment portfolio (VRSIP). Staff shared the TIAA ORPHE investment program includes passively managed funds as well as TIAA's proprietary fixed annuity and real estate variable annuity product offerings.

Callan 2025 DC Trends Survey

Staff provided an overview of highlights from the Callan 2025 DC Trends survey, which was included in the Appendix of the meeting materials. Staff noted there was about a 33% decrease in the number of responders compared to last year's survey and explained some year-over-year result differences may be due to the type of plan sponsors who responded to the survey this year compared to last year. Staff reported on responses from various topical areas that included Fiduciary Initiatives, Default Investments, Target Date Funds, Investment Menus & Investment Types, Fee Calculation & Benchmarking, Managed Accounts & Advice and Retirement Income Solutions.

Retirement Income

Staff provided an overview of how the retirement income landscape continues to evolve and the various considerations plan sponsors need to address when evaluating product offerings in this space. Staff shared with the Committee the population of VRS members participating in DC plans and eligibility for participation in the various plans. There are also some employers who may not use VRS plans but instead have their own 457 or 403(b) plans. Staff discussed Social Security Replacement Income at different income levels. Staff reviewed the various resources currently available through the DC plans to participants for retirement income – annuities, periodic payments, managed accounts (unbundled DC plans) and the Voya Be Ready financial planning platform. Staff informed the Committee that it will continue to monitor developments in this area, gather additional VRS plans retirement metrics, identify gaps, if any, in retirement income for VRS DC participants and share the results with the Committee.

ADMINISTRATION

Administrative Report & Communications

Staff provided an overview of the Defined Contribution Plans, as well as an update on administrative reports for the second quarter of 2025, which included reviewing assets and accounts across the various plans. Staff advised the Committee that plan assets increased, as did the total number of plan accounts.

Staff provided an update on advice and managed accounts, including the number of participants for each based on age, salary and account balance. Voya will provide data; however, VRS will begin using focus groups and individual meetings over the coming year to better understand how and why participants utilize the service.

Staff provided an update on auto-escalation with the next escalation cycle beginning in January 2026. Communications are going out to prepare employers and participants for auto-escalation. VRS is anticipating an approximately 40% increase in the number of participants who will be auto escalated. It was noted that hybrid voluntary contribution changes have moved from a quarterly frequency to monthly frequency and hybrid plan members can opt out during the month of December.

Staff provided an update on ORPHE accounts with the DCP and TIAA platforms.

ORPHE Contribution Rates Review

As required by *Code of Virginia* §51.1-126.F.3, VRS staff recently completed a comprehensive review of employee and employer defined contribution retirement plan contributions at peer higher education institutions across the United States as compared to those required in the ORPHE plan. 622 Peer institutions were identified by the State Council of Higher Education (SCHEV) and staff reviewed various plan attributes, including contribution rates, for 614 institutions. (Publicly accessible information was not available for 8 institutions, which also did not respond to VRS staff requests for information.) The analysis showed that ORPHE contribution rates are comparable to those of peer institutions and no changes were recommended at this time.

Upon a motion by Dr. Gooden, with a second by Ms. Pantele, the VRS Board of Trustees approved the following action:

RBA: Accept VRS Staff Review of ORPHE Contribution Rates

Request for Board Action 2025-09-16: The Board accepts, after considering the recommendation of the Defined Contribution Plans Advisory Committee (DCPAC), the VRS staff report entitled "Optional Retirement Plan for Higher Education – Review of Contribution Rates."

OTHER BUSINESS

DISCUSSION OF NEW IDEAS

No new ideas were presented.

2025 MEETINGS

Dr. Gooden confirmed the remaining DCPAC meeting date in 2025, at 1:00 p.m. on Thursday, December 4, 2025.

Additionally, the ORPHE Annual Employer Update is scheduled for September 17, 2025, and will appear on the DCPAC agenda as an upcoming event. This is not a DCPAC meeting; however, members may attend if interested.

Mr. Andrews thanked Dr. Gooden for her report.

Report of the Audit and Compliance Committee

The VRS Board of Trustees received the report of the Audit and Compliance Committee following its meeting on September 24, 2025, and placed it on file.

APPROVAL OF MINUTES

The committee approved the minutes of its June 17, 2025, meeting.

RESULTS OF INDEPENDENT VALIDATION OF INTERNAL AUDIT'S QUALITY ASSURANCE REVIEW

The committee received the results of the independent validation of Internal Audit's quality assurance review. The results concluded the internal audit activity at VRS generally conforms with the *International Standards for the Professional Practice of Internal Auditing*, which denotes the Institute of Internal Auditor's highest rating of conformance.

EXIT ON THE 2024 EMPLOYER ASSURANCES REVIEW AND UPDATE ON THE 2025 ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR) AUDIT

The Auditor of Public Accounts (APA) reported the 2024 Employer Assurances Review, covering GASB Statements No. 68 and 75, has concluded. The APA has issued their related opinions for the pension and other post-employment benefit plans.

The APA also reported the 2025 VRS ACFR Audit is progressing as planned and is on schedule to be finished in advance of December 15, 2025.

AUDIT REPORTS

The committee received one audit report.

- The review of the *Leverage Program* determined adequate oversight and controls exist over the program. There was one formal recommendation resulting from this review.

INTERNAL AUDIT LIMITED ASSURANCE REVIEWS

The committee received the results for the following reviews completed by the Internal Audit department:

Agency Performance Outcomes and Operational Measures

The Internal Audit Director discussed Internal Audit's review of management's representations regarding the agency performance outcomes and operational measures for the fiscal year ended June 30, 2025, noting nothing came to Internal Audit's attention that indicated the outcomes and measures were not appropriately represented for the fiscal year.

VRS' Investment Incentive Compensation

The Internal Audit Director noted Internal Audit completed its review of the Investment department's proposed incentive compensation amounts and determined they were accurately calculated in accordance with the authorized pay plan and related eligibility requirements were met.

ADVISORY SERVICES OVERVIEW

The committee received an overview of Internal Audit's advisory services, including a summary of a recently completed engagement focused on the Virginia Sickness and Disability and Virginia Local Disability Long-Term Care Programs.

INTERNAL AUDIT DEPARTMENT'S ANNUAL PROGRESS REPORTS FOR FISCAL YEAR 2025

The committee received the following updates:

Internal Audit Department's Annual Report

The Internal Audit Director provided the committee with a summary of Internal Audit's accomplishments over the past year. She recognized the contributions of the internal audit team, highlighting their internal and external service during the year. The Internal Audit Director explicitly confirmed the department and its staff are organizationally independent of the activities they examine.

Annual Report on the Audit Recommendation Follow-Up System (ARFUS)

The annual ARFUS report as of June 30, 2025, was presented. The Internal Audit Director noted ARFUS contained eight recommendations, four were represented as implemented, two of which were issued by the APA. Four recommendations were released, one with comment, leaving four outstanding as of June 30, 2025.

Annual Plan and Long-Range Plan Progress

The Internal Audit Director discussed the fiscal year 2025 annual plan results as of June 30, 2025, along with the status of the long-range plan for the three years ending June 30, 2027.

PROPOSED FY 2026 ANNUAL PLAN

The Internal Audit Director presented the proposed annual plan for fiscal year 2026, noting it was derived from the approved long-range plan with some adjustments to address activities carried from fiscal year 2025 to fiscal year 2026.

Upon a motion by Senator Bell, with a second by Mr. Foster, the VRS Board of Trustees approved the following action:

RBA: Approve FY 2026 Annual Audit Plan

Request for Board Action 2025-09-17: The VRS Board of Trustees approves the proposed FY 2026 Annual Audit Plan.

MISCELLANEOUS UPDATES

The committee received the following miscellaneous updates:

Quarterly Report on Fraud, Waste and Abuse Hotline Cases

The Internal Audit Director shared there were no Fraud, Waste and Abuse Hotline complaints reported to Internal Audit during the period of May 1, 2025, through July 31, 2025.

Management's Quarterly Travel Expense and Per Diem Report

The committee received Management's Quarterly Travel Expense and Per Diem report.

Committee Meeting Schedule for Calendar Year 2026

The committee received a schedule of Audit and Compliance Committee meeting dates for 2026.

Next Committee Meeting Date

The final 2025 committee meeting is scheduled for Thursday, December 11, 2025, at 10:30 a.m.

Mr. Andrews expressed thanks to Jennifer Schreck and her team for their professionalism and dedicated work in supporting VRS by providing thorough and detailed reviews that serve as an important resource for the Board and staff. He noted that their strategic focus in offering suggestions for continuous improvement is greatly appreciated and again offered thanks for a job well done.

AUDIT DIRECTOR'S PERFORMANCE EVALUATION (CLOSED SESSION)

The committee went into closed session to review the Internal Audit Director's performance for the fiscal year ended June 30, 2025.

Upon a motion by Senator Bell, with a second by Mr. Foster, the VRS Board of Trustees approved the following action:

RBA: Audit Director's Performance Review

Request for Board Action 2025-09-18: The VRS Board of Trustees approves a 7% performance bonus for the Audit Director.

Mr. Andrews thanked Senator Bell for his report.

Report of the Administration, Finance and Talent Management Committee

The VRS Board of Trustees received the report of the Administration, Finance, and Talent Management Committee following its meeting on September 24, 2025, and placed it on file.

APPROVAL OF MINUTES

The Committee approved the minutes of its June 17, 2025, meeting.

REVIEW ATTAINMENT OF FY2025 AGENCY PERFORMANCE OUTCOMES (APOS) AND OPERATIONAL MEASURES

Michael Cooper, Chief Operating Officer, reviewed the results of the FY 2025 agency performance outcomes (APOS) and operational measures. Mr. Cooper noted that the agency had five APOS for the fiscal year, with a target of completing at least four. Staff met this goal by successfully completing all five APOS. In addition, there were sixteen operational measures for the year, of which thirteen had to be met to meet the target for the year. Staff successfully met its target for fifteen of the sixteen operational measures. The only measure not met for the year was the timeliness of workflow documentation imaging, which resulted from one month in which staff faced significant resource constraints. Staff also

met the call abandonment rate target this year, which has been a challenge over the last couple of years.

REVIEW PERFORMANCE BONUSES FOR ELIGIBLE ADMINISTRATIVE AND INVESTMENT OPERATIONS AND ADMINISTRATION EMPLOYEES

Paula Reid, Director of Human Resources, presented a request for board action to approve the performance bonuses for eligible administrative and investment operations and administration employees. Eligible employees who earn an “exceptional” rating on their performance evaluation qualify for a 4% bonus. Employees who earn an “exceeds” rating on their performance evaluation are eligible for a 2% bonus. The bonus amount is based on their salary as of June 30, 2025.

BUDGET UPDATE

Jon Farmer, Budget and Reporting Manager, presented the FY 2025 year-end budget results, explaining that VRS finished with an unexpended appropriation of \$10,457,000 million, which will be returned to the Fund. Mr. Farmer noted that most of the unexpended appropriation was due to delays in completing several initiatives due to resource constraints and competing priorities. As a result, VRS requested and received a carryover appropriation in the amount of \$9,563,675 from the Department of Planning and Budget to complete the initiatives in FY 2026, which was reflected in an updated FY 2026 budget presented to the Committee. Next, Mr. Farmer presented the proposed FY 2027-2028 biennium budget, detailing the requests outlined in six decision packages. Following discussion with the Committee members, a request for board action was considered.

AMENDED INVESTMENT OPERATIONS AND ADMINISTRATIVE PAY PLAN

Ms. Reid presented proposed changes to the Investment Operations and Administrative Pay Plan. She advised that the changes were based on recommendations made by Mercer.

The Committee recommends approval of the following action to the full Board:

INFORMATIONAL ITEM (INTERNAL AUDIT DIRECTOR'S PERFORMANCE REVIEW)

Mr. Andrews informed the Committee that the Audit and Compliance (A&C) Committee reviewed the Internal Audit Director's performance at its September 24, 2025, meeting. Each year, the A&C Committee reviews the Internal Audit Director's performance and makes a recommendation for a performance bonus to the Board of Trustees. A copy of the request for board action to provide a performance bonus in the amount of 7% was shared with the Committee for informational purposes.

FOIA ELECTRONIC MEETING ATTENDANCE POLICY

Sandy Jack, Director of Policy, Planning and Compliance, advised the Committee that in accordance with Va. Code § 2.2-3708.3(D) as amended in 2024, the Board must approve its remote meeting policy by recorded vote at a public meeting at least once annually. No changes are proposed this year. Therefore, the Board will affirm its current FOIA Electronic Meeting Attendance Policy.

COMPENSATION AND BENEFITS (CLOSED SESSION)

The Committee went into closed session to discuss benefits and compensation related to specific individuals.

Internal Audit reviewed the proposed investment incentive compensation for the fiscal year that ended June 30, 2025, and found that the aggregate amount was accurately computed in accordance with the Investment Professionals' Pay Plan.

Mr. Andrews commended the Investments team for their continued success, which was reflected in the 9.9% return for FY 2024 and its outperformance of its long-term benchmarks, exceeding the 6.75% assumed rate of return and its custom benchmark for the 5-, 10-, 15- and 20-year periods. Mr. Andrews further thanked the Administration team for all of their accomplishments during FY 2024, including meeting its targets for the Agency Performance Outcomes (APOs) and operational measures (OMs), and for continuing to beat the agency's peers in its high service score and lower cost of service delivery.

The Board then took up the following Requests for Board Actions:

Upon a motion by Mr. Bennett, with a second by Dr. Gooden, the VRS Board of Trustees approved the following action:

RBA: Attainment of FY 2025 APOs and Operational Measures (and Corresponding Lump-Sum Bonus)

Request for Board Action 2025-09-19: The VRS Board of Trustees approves the attainment of FY 2025 APOs and Operational Measures and a lump-sum bonus equal to 2.5% of salary for eligible administrative employees and eligible Investment Department operations and administration employees.

Upon a motion by Mr. Bennett, with a second by Ms. Pantele, the VRS Board of Trustees approved the following action:

RBA: Performance Bonuses for Eligible Administrative Employees and Investment Department Operations and Administration Employees

Request for Board Action 2025-09-20: The VRS Board of Trustees approves performance lump-sum bonuses for eligible administrative employees and eligible Investment Department operations and administration employees.

Upon a motion by Mr. Bennett, with a second by Mr. Foster, the VRS Board of Trustees approved the following action:

RBA: Approve FY 2025 Incentive Payments for VRS Investment Professionals

Request for Board Action 2025-09-21: The VRS Board of Trustees approves payment of an incentive amount of approximately \$8,700,836.10 for FY 2025 to VRS investment professionals as authorized by the Investment Professionals' Pay Plan.

Upon a motion by Mr. Bennett, with a second by Ms. Hood, the VRS Board of Trustees approved the following action:

RBA: VRS Director's Performance Review

Request for Board Action 2025-09-22: *The VRS Board of Trustees approves a performance bonus of 5% for the VRS Director payable on October 31, 2025, and a supplemental payment of \$99,750.00 made December 1, 2025, as authorized in the 2025 Appropriation Act.*

Upon a motion by Mr. Bennett, with a second by Mr. Foster, the VRS Board of Trustees approved the following action:

RBA: Approve Changes to Investment Operations and Administration Staff Pay Plan

Request for Board Action 2025-09-23: *The Virginia Retirement System Board of Trustees approves an amended Investment Operations and Administration Staff Pay Plan ("Pay Plan"), effective September 25, 2025, which includes recommendations from the compensation market study for investments administration and operations positions conducted by Mercer.*

Upon a motion by Mr. Bennett, with a second by Dr. Gooden, the VRS Board of Trustees approved the following action:

RBA: Authorize Staff to Request Spending Authority from the Department of Planning and Budget

Request for Board Action 2025-09-24: *The VRS Board of Trustees authorizes staff to request spending authority from the Department of Planning and Budget and legislature, as applicable, to execute planned initiatives for the next two fiscal years.*

Next, Sandy Jack, Director of Policy, Planning and Compliance, and Jillian Sherman, Legislative Liaison and Policy Analyst, presented FOIA training to the Board.

Upon a motion by Mr. Bennett, with a second by Delegate James, the VRS Board of Trustees approved the following action:

RBA: Affirm "FOIA Electronic Meeting Attendance Policy"

Request for Board Action 2025-09-25: *The Board affirms its "FOIA Electronic Meeting Attendance Policy."*

New Lease Space Update

Michael Cooper, Chief Operating Officer, presented an update on the new lease space in the One James Center to accommodate investment and administrative staff relocating from the Bank of America building. The anticipated move date is February 2026. Mr. Cooper reviewed a comparison of the current and new lease space including square footage, building class, base rent and parking spaces. The space plans were presented along with an estimated timeline for completion.

Mr. Andrews thanked Mr. Cooper for his presentation.

Report of the Director

Ms. Bishop, Director, began her report with an update on the agency road map for FY 2026, noting all projects are progressing as planned, as well as a review of New Coverage Elections.

Ms. Bishop presented a 2025 Actuarial Valuation Preparation Overview. The overview introduced factors that will influence the 2025 rate-setting valuations. Information related to favorable investment returns for fiscal year end, higher salaries and cost-of-living-increases during the fiscal year along with assumption changes related to the recent experience study were discussed.

Ms. Bishop announced that the Government Finance Officers Association of the United States and Canada (GFOA) honored VRS with a Certificate of Achievement for Excellence in Financial Reporting for the *Annual Comprehensive Financial Report (ACFR)* and the Award for Outstanding Achievement in Popular Annual Financial Reporting for the *Popular Annual Financial Report (PAFR)*.

Ms. Bishop advised the Board that a Member News Spotlight Article went viral after the Virginia Beach Schools shared the article across its Facebook and LinkedIn pages, reaching nearly 60,000 followers. Further, VRS employees helped meet critical needs of area children by donating school supplies to the Richmond YMCA Bright Beginnings program. The employee-run ACE group (Activities Committee for Everyone) coordinated the drive.

Ms. Bishop provided a preview of upcoming meetings and events.

Mr. Andrews thanked Ms. Bishop for her report.

Other Business

Lastly, Mr. Andrews reviewed the following meeting schedule:

- Benefits and Actuarial Committee – October 15 at 1:00 p.m.
- Board of Trustees – October 16 at 1:00 p.m.

Adjournment

There being no further business and following a motion by Ms. Pantele, with a second by Mr. Bernert, the VRS Board of Trustees agreed to adjourn the meeting at 2:56 p.m.

Chair

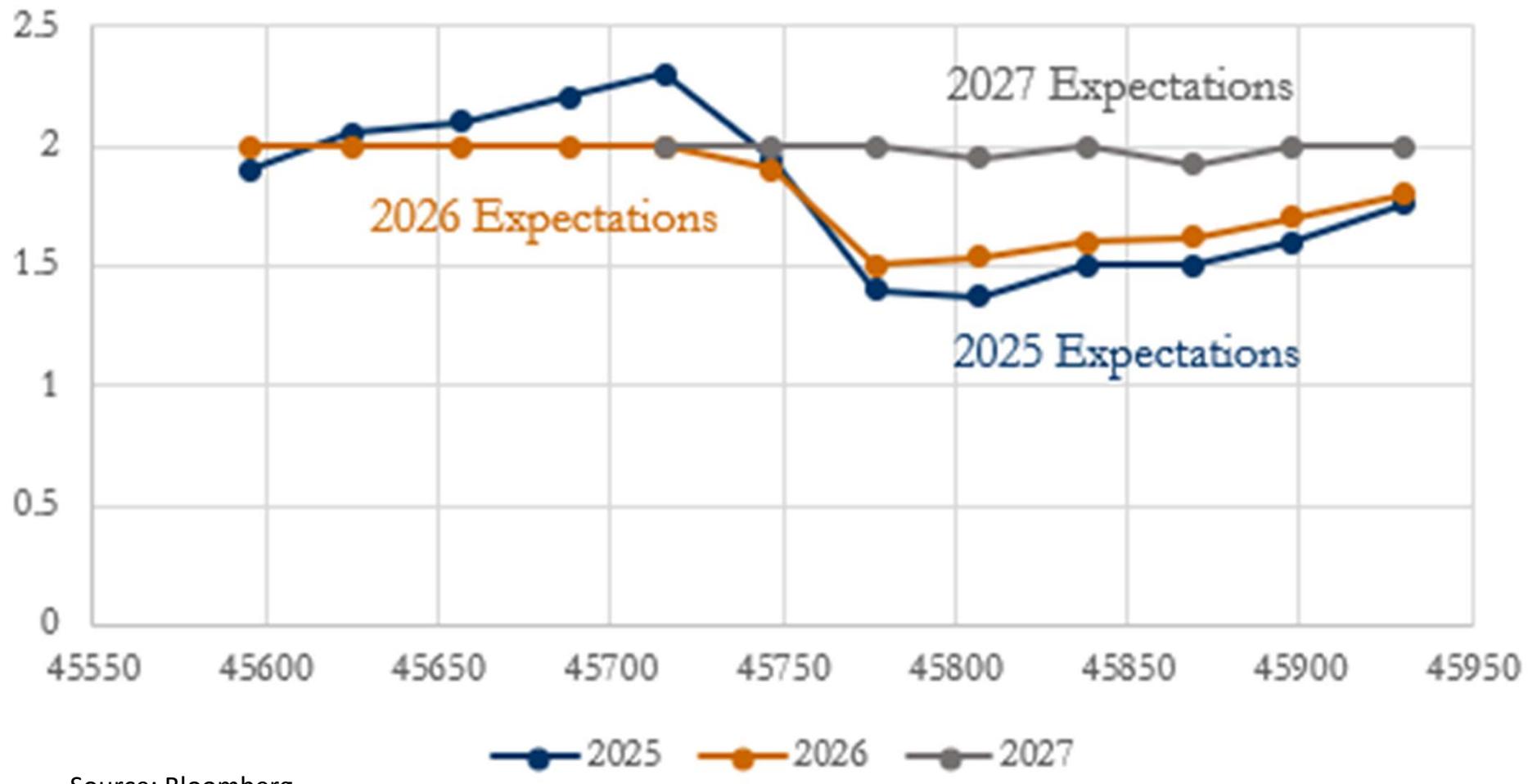
Secretary



Chief Investment Officer Report

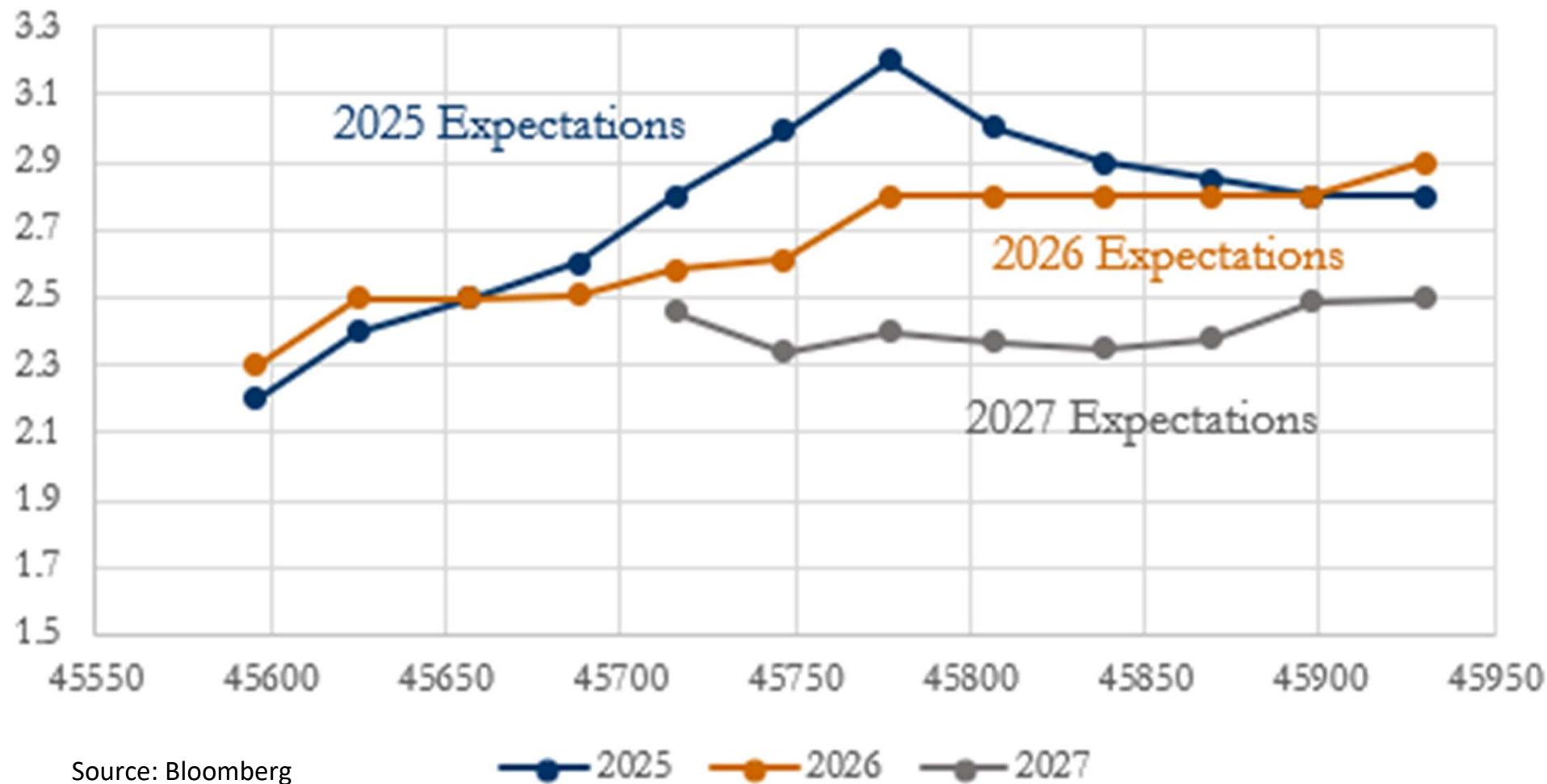
Market Review – October 2025
Andrew Junkin

Real GDP Growth Expectations



Source: Bloomberg

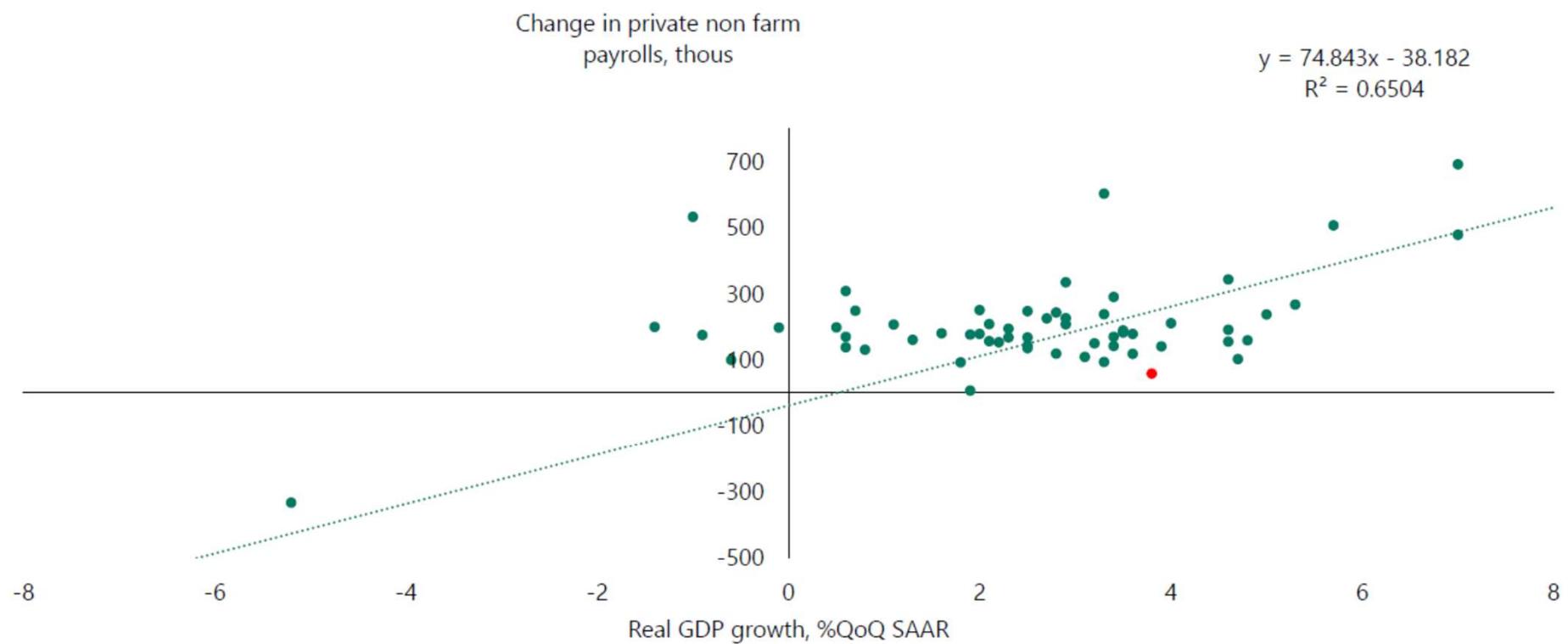
US CPI Expectations



Why is job growth slowing?

APOLLO

Slow job growth is inconsistent with strong GDP



Sources: BEA, BLS, Haver Analytics, Apollo Chief Economist

Immigration changes

APOLLO

Slower immigration is a key reason why the labor market is weak

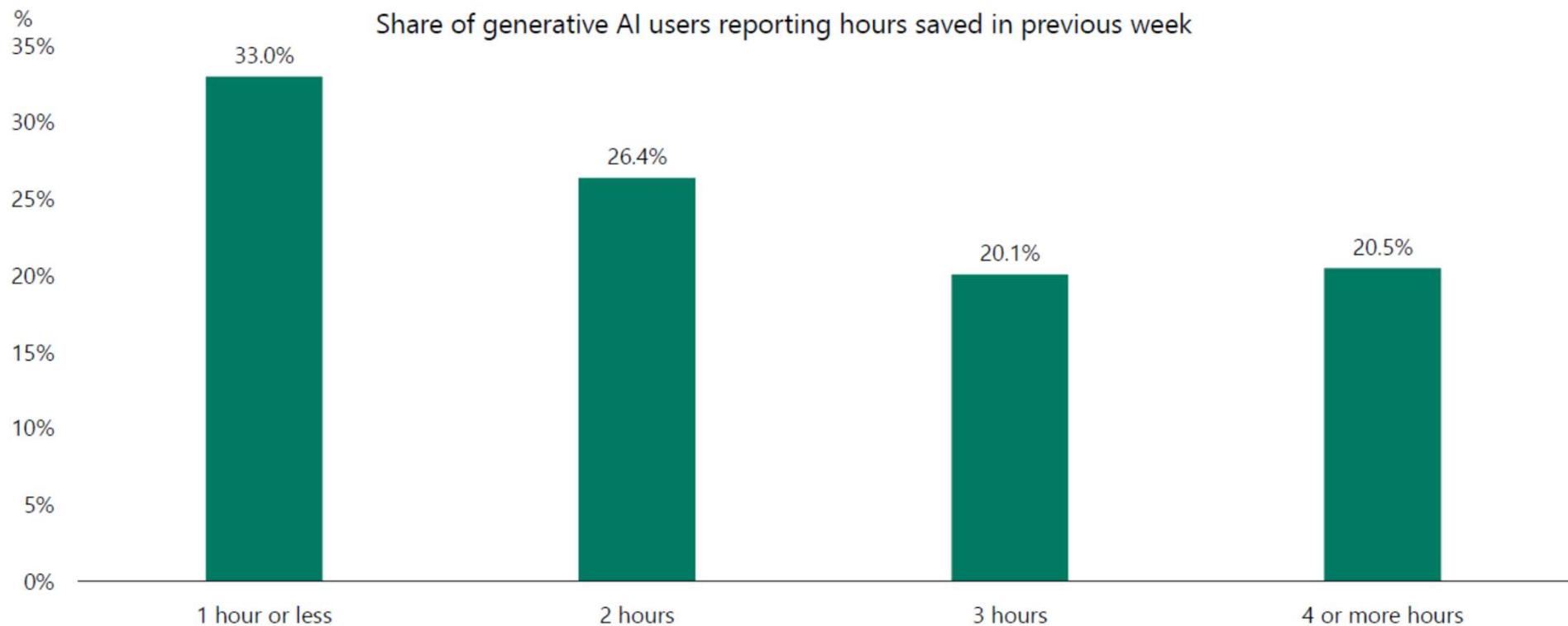


Sources: BEA, BLS, Haver Analytics, Apollo Chief Economist

AI is increasing productivity

APOLLO

Generative AI users are reporting that they are saving a lot of hours

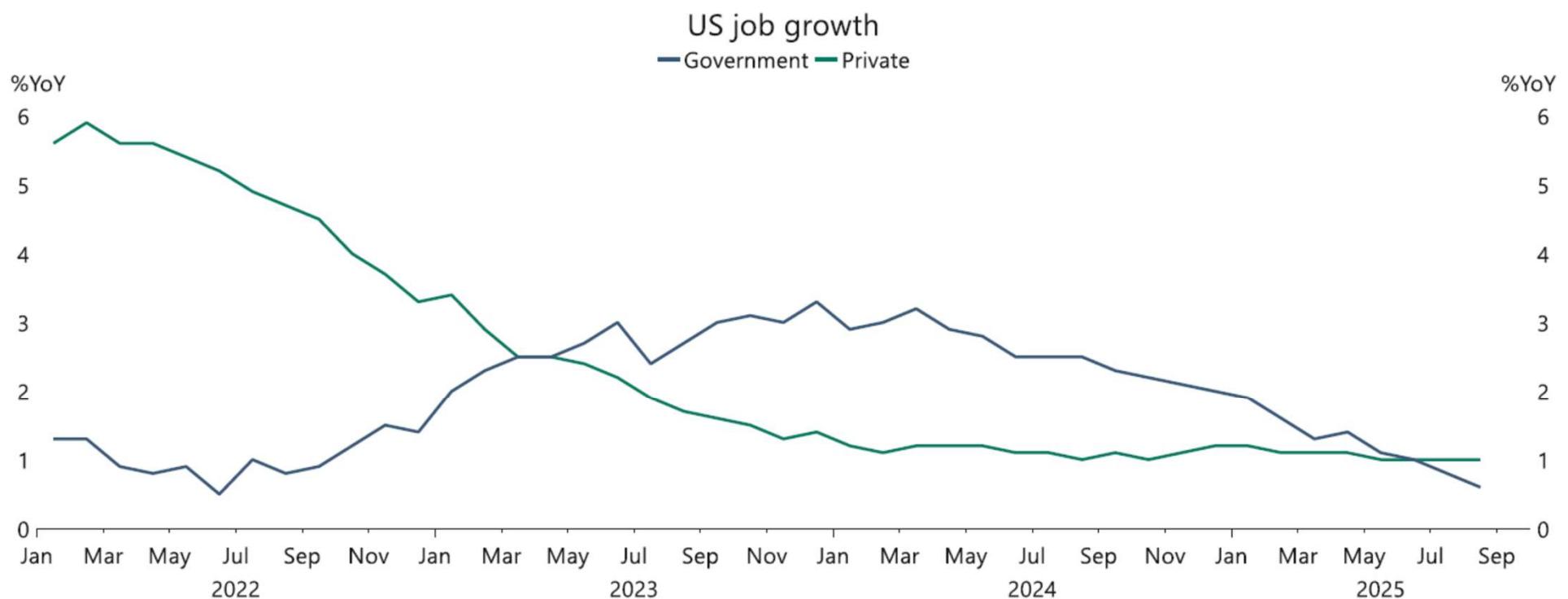


Note: Survey from November 2024. Sources: [The Impact of Generative AI on Work Productivity](#) | St. Louis Fed, Apollo Chief Economist

Government job growth slowing

APOLLO

Government job growth was exceptionally high in 2022, 2023 and 2024. And now normalizing in 2025.



Sources: US Bureau of Labor Statistics (BLS), Macrobond, Apollo Chief Economist

PERFORMANCE SUMMARY
Rolling Periods Ending
August 31, 2025

TOTAL FUND PERFORMANCE
(Net of Fees)

	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month	Fiscal YTD	Cal YTD	Market Value (\$MM)
Total Public Equity	10.6	13.2	18.2	16.8	7.9	2.9	3.7	15.6	41,675
<i>Benchmark</i>	10.7	12.0	17.1	14.5	7.5	2.7	3.4	14.0	
Total Private Equity	14.1	16.8	3.7	5.6	1.5	0.2	0.0	3.3	19,667
<i>Benchmark</i>	11.5	14.0	12.7	13.8	2.2	6.0	6.8	4.8	
Total Real Assets	7.5	6.6	0.7	3.6	1.4	0.1	0.1	2.3	15,861
<i>Benchmark</i>	5.3	4.1	-1.9	3.5	1.1	0.4	0.7	3.1	
Total Credit Strategies	7.2	8.5	8.7	9.2	2.2	0.3	0.8	4.6	18,632
<i>Benchmark</i>	5.9	5.9	8.8	7.3	2.7	0.8	1.4	5.2	
Total Diversifying Strategies	n/a	6.1	6.6	5.4	0.9	1.4	0.9	3.5	5,313
<i>Benchmark</i>	n/a	5.4	7.7	7.0	1.7	0.6	1.1	4.5	
Total Private Investment Partnerships	9.0	12.9	6.3	7.6	2.8	0.0	0.0	2.4	2,088
<i>Benchmark</i>	8.1	8.4	6.4	8.1	2.1	2.4	2.9	4.4	
Total Fixed Income	2.8	0.4	4.1	4.1	2.9	1.3	1.2	5.6	18,832
<i>Benchmark</i>	1.9	-0.3	3.6	3.6	2.7	1.2	1.1	5.2	
Total Fund	8.5	9.8	8.9	9.2	4.0	1.3	1.6	7.6	123,710
<i>VRS Custom Benchmark</i>	7.8	8.1	9.9	9.6	3.9	2.2	2.7	7.6	

Effective July 2013, the VRS Custom Benchmark is a blend of the Asset Class Benchmarks at policy weights.

Effective January 2024, the Total Fund includes leverage.

The VRS Cash Account, the Treasurer Short-Term Investment Account, the VRS Rebalancing Account, transition activity and accounts with market values of less than \$1 million are included in the Total Fund's market value. Differences in market value totals are due to rounding.

The Performance Report may differ from the VRS Annual Comprehensive Financial Report (ACFR) due to each report's requirements and objectives.

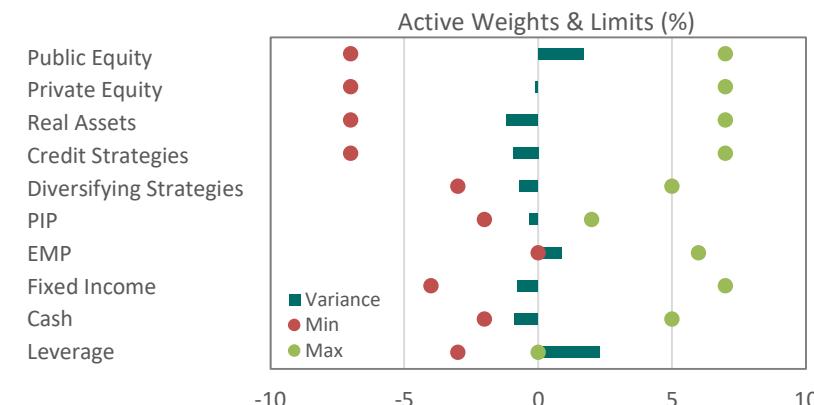
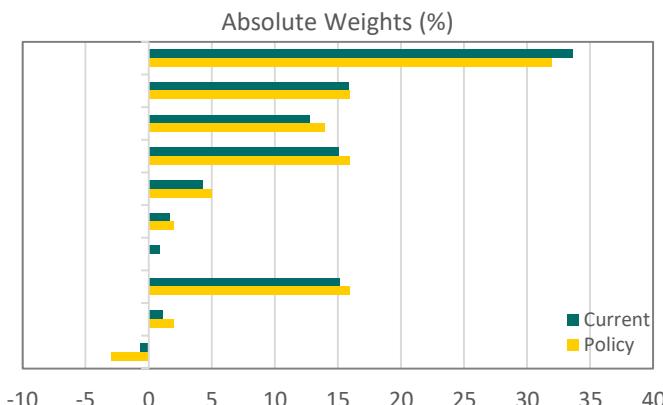
Leverage Cost Measurement Information
(Information provided for purposes of monitoring the cost effectiveness of leverage implementation.)

	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month	Fiscal YTD	Cal YTD	Market Value (\$MM)
Leverage	n/a	n/a	n/a	5.2	1.2	0.4	0.8	3.4	(854)
<i>Benchmark</i>	n/a	n/a	n/a	5.1	1.2	0.4	0.8	3.3	

Effective January 2024, the Leverage Custom Benchmark is the Secured Overnight Financing Rate (SOFR) plus 50 basis points per annum.

Asset Allocation Report

August 31, 2025



Tracking Error (%)	
5Yr Fund	2.4
5Yr Public	1.6

Asset Class	Billions (\$)	Weights (%)					
		Current	Policy	Variance	Min	Max	Internal
Public Equity	41.7	33.7	32.0	1.7	25	39	52
Private Equity	19.7	15.9	16.0	-0.1	9	23	13
Real Assets	15.9	12.8	14.0	-1.2	7	21	16
Credit Strategies	18.6	15.1	16.0	-0.9	9	23	5
Diversifying Strategies	5.3	4.3	5.0	-0.7	2	10	0
Private Investment Partnerships (PIP)	2.1	1.7	2.0	-0.3	0	4	0
Exposure Management Portfolio (EMP)	1.1	0.9	0.0	0.9	0	6	0
Fixed Income	18.8	15.2	16.0	-0.8	12	23	95
Cash	1.4	1.1	2.0	-0.9	0	7	0
Leverage	-0.9	-0.7	-3.0	2.3	-4	0	0
Total Fund (Net Market Value)	123.7	100.0	100.0	0.0	n.a.	n.a.	37
Total Fund (Gross Market Value)	124.6	100.7	103.0	-2.3	n.a.	n.a.	0

Exposures by Policy Groups

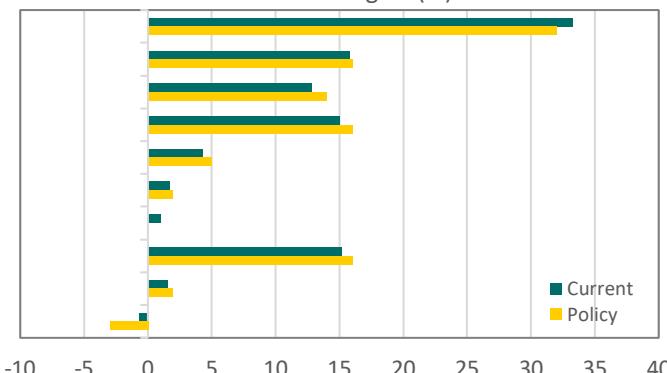
Public + Private Equity	61.3	49.6	48.0	1.6	38	58	n.a.
Fixed Income + Cash	20.2	16.3	18.0	-1.7	12	27	n.a.

- Total Fund includes the following amount held by the Treasurer of VA: \$ 65 million
- The values shown for each asset class on this report may reflect adjustments related to derivative positions in the Rebalance Account, pending transactions and certain accruals, in order to provide a more descriptive representation of the true economic exposure to each asset class (0 adjustments applied)
- The VRS Defined Benefit Plan Investment Policy Statement established the total fund tracking error range as the allowable observed tracking error calculated quarterly using 5 years of history as of 6/30/2025.
- Differences in totals are due to rounding

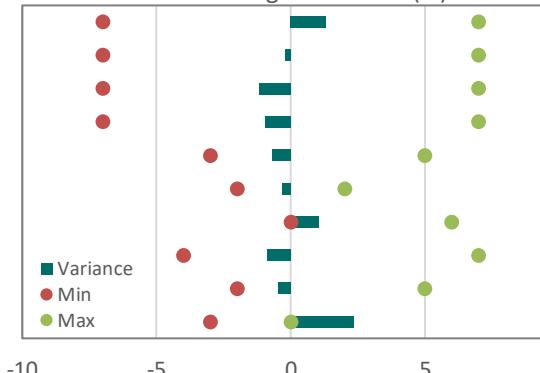
Daily Asset Allocation Report

October 7, 2025

Absolute Weights (%)



Active Weights & Limits (%)



Tracking Error (%)

5Yr Fund	2.4
5Yr Public	1.6

Asset Class	Billions (\$)	Weights (%)					
		Current	Policy	Variance	Min	Max	Internal
Public Equity	42.1	33.3	32.0	1.3	25	39	52
Private Equity	20.0	15.8	16.0	-0.2	9	23	14
Real Assets	16.2	12.8	14.0	-1.2	7	21	16
Credit Strategies	19.0	15.0	16.0	-1.0	9	23	5
Diversifying Strategies	5.4	4.3	5.0	-0.7	2	10	0
Private Investment Partnerships (PIP)	2.1	1.7	2.0	-0.3	0	4	0
Exposure Management Portfolio (EMP)	1.3	1.0	0.0	1.0	0	6	0
Fixed Income	19.1	15.1	16.0	-0.9	12	23	95
Cash	1.9	1.5	2.0	-0.5	0	7	0
Leverage	-0.9	-0.7	-3.0	2.3	-4	0	0
Total Fund (Net Market Value)	126.3	100.0	100.0	0.0	n.a.	n.a.	37
Total Fund (Gross Market Value)	127.1	100.7	103.0	-2.3	n.a.	n.a.	0

Exposures by Policy Groups

Public + Private Equity	62.0	49.1	48	1.1	38	58	n.a.
Fixed Income + Cash	21.1	16.7	18	-1.3	12	27	n.a.

- Total Fund includes the following amount held by the Treasurer of VA: \$ 96 million
- The values shown for each asset class on this report may reflect adjustments related to derivative positions in the Rebalance Account, pending transactions and certain accruals, in order to provide a more descriptive representation of the true economic exposure to each asset class (0 adjustments applied)
- The VRS Defined Benefit Plan Investment Policy Statement established the total fund tracking error range as the allowable observed tracking error calculated quarterly using 5 years of history as of 6/30/2025
- Differences in totals are due to rounding

Program	Action	Effective Date	Commitment/Current Value	Funding/Defunding Period	Description
Credit Strategies	Hired	09/30/2025	€300 Million	5 Years	ICG Europe IX - A closed-end fund targeting subordinated debt and equity investments in European mid-market companies.
Diversifying Strategies	Hired	10/01/2025	\$200 Million	Immediate	Saba Capital Master Fund – A multi-strategy hedge fund.

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending September 30, 2025

Investment Program	Activity	Manager Name	Description	VRS Action
Public Equity	On-Going Monitoring of Current VRS Manager	Ariel Global (minority and women-owned firm) ¹	Current VRS global equity manager.	Staff performed on-going due diligence and monitoring of this current VRS manager during the quarter.
Public Equity	Manager Meeting	Discerene (minority-owned firm) ¹	Manager focused on long-only and long-short strategies.	Staff had an update call with this manager to discuss their firm and strategy.
Public Equity	Manager Meeting	Doma Perpetual Capital Management (minority-owned firm) ¹	Manager focused on long-only strategies.	Staff had an update meeting with this manager to discuss their firm and strategy.
Public Equity	Manager Meeting	MayTech Global (women-owned firm) ¹	Manager focused on global growth strategies.	Staff had an update meeting with this manager to discuss their firm and strategy.
Public Equity	Manager Meeting	Sit Investment Associates (minority-owned firm) ¹	Manager focused on small-cap equity strategies.	Staff had an update call with this manager to discuss their firm and strategy.
Public Equity and Credit Strategies	Periodic Update Communication with Consultant	N/A	Aon Hewitt Investment Consulting is the consultant used by these two investment programs.	Staff had periodic communication to review the DIME monitoring activity done on behalf of VRS as well as industry trends.
Credit Strategies	Communication with Fund Manager	ArrowMark Partners (minority- and women-owned firm) ²	The manager is raising a CRE Structured Finance fund.	VRS reviewed manager materials.
Credit Strategies	Communication with Fund Manager	Varadero Capital (minority-owned firm) ¹	The manager is focused on three asset-based finance strategies in U.S. and Europe.	VRS reviewed manager materials.

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending September 30, 2025

Investment Program	Activity	Manager Name	Description	VRS Action
Credit Strategies	Communication with Fund Manager	Apis & Heritage Capital Partners (minority-owned firm) ¹	The manager is focused on lending for Employee-led Buyout.	VRS met with the manager.
Credit Strategies	Communication with Fund Manager	Harbourview Equity Partners (minority- and women-owned firm) ¹	The manager is a multi-strategy, global investment firm focused on investment opportunities in the entertainment and media space.	VRS reviewed manager materials.
Credit Strategies	Communication with Fund Manager	Palmer Square Capital Management (women-owned firm) ¹	The manager is a structured credit investing platform focused on CLOs and CLO equity.	VRS reviewed manager materials.
Credit Strategies	Communication with Fund Manager	Vista Credit Partners (minority-owned firm) ¹	The manager is focused on private credit investing specializing in enterprise software debt investments.	VRS reviewed manager materials.
Credit Strategies and Diversifying Strategies	Periodic Communication with Fund-of-Funds Manager	N/A	Aksia is the consultant used by these two investment programs.	Staff had periodic communication to review DIME and other emerging managers along with other opportunities more broadly.
Fixed Income	On-Going Monitoring of Current VRS Manager	Payden & Rygel (women-owned firm) ¹	Current VRS emerging market debt manager.	Staff had various interactions with the manager during the quarter.
Real Assets	On-Going Monitoring of Current VRS Manager	Artemis Real Estate	Current VRS real estate manager and fund-of-funds manager.	Staff had periodic communication with the manager to discuss potential DIME firms in their market.

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending September 30, 2025

Investment Program	Activity	Manager Name	Description	VRS Action
Real Assets	On-Going Monitoring of Current VRS Manager	Brasa Capital Management (minority-owned firm) ¹	Current VRS real estate manager.	Staff had a meeting with the manager during the quarter.
Real Assets	On-Going Monitoring of Current VRS Manager	Capri EGM (minority-owned firm) ¹	Current VRS real estate manager.	Staff performed on-going due diligence and monitoring during the quarter.
Real Assets	On-Going Monitoring of Current VRS Manager	Grain Management (minority-owned firm) ¹	Current VRS infrastructure manager.	Staff performed on-going due diligence and monitoring during the quarter.
Real Assets	On-Going Monitoring of Current VRS Manager	Hamilton Lane	Current VRS real estate fund-of-funds manager.	Staff had periodic communication with the manager to discuss potential DIME firms in their market.
Real Assets	On-Going Monitoring of Current VRS Manager	Pantheon Ventures	Current VRS infrastructure and natural resource fund-of-funds manager.	Staff had periodic communication with the manager to discuss potential DIME firms in their market.
Real Assets	On-Going Monitoring of Current VRS Manager	Pritzker Realty Group (women-owned firm) ¹	Current VRS real estate manager.	Staff performed on-going due diligence and monitoring during the quarter.
Real Assets	On-Going Monitoring of Current VRS Manager	Sheridan Production Partners (women-owned firm) ¹	Current VRS natural resources manager.	Staff performed on-going due diligence and monitoring during the quarter.

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending September 30, 2025

Investment Program	Activity	Manager Name	Description	VRS Action
Real Assets	Communication with Manager	Mural Real Estate Partners (minority and women-owned firm) ¹	Manager focused on mixed-use real estate development and neighborhood development in the U.S.	Staff had communication with the manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	Asia Alternatives (minority and women-owned firm) ¹	A fund of funds manager focusing on alternative investing in Asia.	Staff had communication with the manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	Clearlake Capital Partners (minority-owned firm) ¹	Large market buyout fund targeting companies across various industry sectors.	Staff had a meeting with the manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	Veritas Capital (minority-owned firm) ²	Middle market buyout fund targeting primarily technology or technology-enabled solutions to government.	Staff had a meeting with the manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	Vista Equity Partners (minority-owned firm) ¹	Large market buyout fund targeting enterprise software companies.	Staff had a meeting with the manager during the quarter.
Private Equity	Virtual Manager Meeting	AUA Private Equity (minority-owned firm) ¹	Operationally-focused lower-middle market investment firm partnering with family-owned businesses or companies poised to benefit from the growth of the U.S. Hispanic population.	Staff had communication with the manager during the quarter.

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending September 30, 2025

Investment Program	Activity	Manager Name	Description	VRS Action
Private Equity	Virtual Manager Meeting	Bregal Sagemount (minority-owned firm) ¹	Growth focused PE firm targeting sectors including software, digital infrastructure, healthcare IT / services, business and consumer services, and financial technology / specialty finance.	Staff had communication with the manager during the quarter.
Private Equity	Virtual Manager Meeting	Citation Capital (women-owned firm) ¹	A private equity firm focused on mid-cap control buyouts in North America.	Staff had communication with the manager during the quarter.
Private Equity	Virtual Manager Meeting	Demopolis Equity Partners (minority-owned firm) ¹	A firm focused on North American, lower middle market buyout and growth investments in fin-tech and e-commerce.	Staff had communication with the manager during the quarter.
Private Equity	Virtual Manager Meeting	Grafine Partners (women-owned firm) ¹	A boutique alternative asset management firm focused on sourcing off-market, direct private equity deal flow.	Staff had communication with the manager during the quarter.
Private Equity	Virtual Manager Meeting	Levine Leichtman Management (women-owned firm) ¹	A private equity firm focused on providing structured equity to small and medium sized companies.	Staff had communication with the manager during the quarter.
Private Equity	Virtual Manager Meeting	Luminate Capital Partners (women-owned firm) ¹	A growth buyout firm investing in the enterprise software market.	Staff had communication with the manager during the quarter.
Private Equity	Virtual Manager Meeting	Relevance Ventures (minority-owned firm) ¹	An early-stage venture firm focused on comprehensive social, environmental and individual wellness.	Staff had communication with the manager during the quarter.

VRS Investment Department
 DIME Quarterly Report
 Activity for Quarter Ending September 30, 2025

Investment Program	Activity	Manager Name	Description	VRS Action
Private Equity	Periodic Update Communication with Consultant	N/A	Grosvenor Capital Management Customized Fund Investment Group is the consultant used by Private Equity.	Staff had periodic communication to review the DIME monitoring activity done on behalf of VRS as well as industry trends.
EMP	Manager Meeting	New Vista Capital (women-owned firm) ¹	Emerging venture firm focused on aerospace, space, and defense technology sectors.	Staff had a meeting with this manager to discuss their firm and strategy.

Index:

- 1 – The manager is considered Diverse Investment Management Engagement (DIME) under the Commonwealth of Virginia definition, which defines ownership threshold of 51% or more.
- 2 – The manager is considered DIME under the definition that considers industry best practices and defines an ownership threshold of greater than or equal to 33% and less than 51% of firm ownership or carry.

VRS Investment Department
Quarterly External Investment Manager Referral Report
Activity for Quarter Ending September 30, 2025

Investment Program	Type of Contact	Investment Manager Name	Official Making Referral	VRS Action

No activity to report this quarter.

Report

The Benefits and Actuarial Committee met on October 15, 2025, and took up the following matters:

APPROVAL OF MINUTES

The Committee approved the minutes of its June 9, 2025, meeting.

GRS PRESENTATION OF THE 2025 ACTUARIAL VALUATION RESULTS FOR THE FIVE STATEWIDE RETIREMENT PLANS, GROUP LIFE INSURANCE, STATE AND TEACHER RETIREE HEALTH INSURANCE CREDIT, AND THE VIRGINIA SICKNESS AND DISABILITY PROGRAM (INCLUDES SELF-FUNDED LONG-TERM CARE)

Jim Anderson and Becky Stouffer from the VRS plan actuary, Gabriel, Roeder, Smith & Company (GRS), presented the June 30, 2025, actuarial valuations for the Five Statewide Retirement Plans, Group Life Insurance, the State and Teacher Health Insurance Credit, and the Virginia Sickness and Disability Program. The VRS actuary conducts annual valuations as of the close of the fiscal year (June 30). This year's valuation results will be used for rate-setting for fiscal years 2027 and 2028.

The valuation results incorporated recent changes for the quadrennial experience study that the Board approved during its April meeting. As discussed at that time, the changes in assumptions were expected to have only minor impacts on the developed employer contribution rates. In addition to assumption changes, the actual experience from the past year included higher than expected increases in salaries and cost-of-living adjustments (COLAs), which create actuarial losses. However, the investment return for the fund of 9.9% exceeded the long-term assumed rate of return of 6.75% for fiscal year 2025. The investment gains associated with the higher-than-expected investment return overshadowed the experience study changes and higher salaries and COLAs resulting in lower employer contribution rates for most plans land an increase the funded status for all of the plans.

Recent legislation passed by the General Assembly places JRS members previously in the hybrid plan and future judges appointed on or after July 1, 2026 into Plan 2. Due to this change, the JRS plan saw a significant increase in the employer rate effective July 1, 2026.

Plan	FY 2025/2026	FY 2027/2028
	Appropriation Act DB Only	VRS Board Certified Rates DB Only
State	12.52%	11.07%
Teachers	14.21%	12.20%
SPORS	31.32%	31.67%
VaLORS	24.60%	22.60%
JRS	30.67%	30.49%

The Other Post Employment Benefit plans (OPEBS) also benefited from the investment gains and had lower employer contribution rates and higher funded status for each of the plans.

Plan	FY 2025/2026	FY 2027/2028
	Appropriation Act	VRS Board Certified Rates
Group Life	1.18%	1.06%
HIC State	1.12%	0.70%
HIC Teachers	1.21%	0.88%
VSDP	0.50%	0.42%

Mr. Anderson will also deliver an abbreviated version of their presentation to the full Board of Trustees on Thursday, October 16, 2025.

Following some discussion, the Committee recommended approval of the following action to the full Board of Trustees:

Request for Board Action: Certify the contribution rates for the Five Statewide Retirement Plans and associated OPEBs effective for FY 2027 and FY 2028.

B&A Committee Meeting Schedule:

- November 12 at 10:00 a.m. (Local Valuations and Line of Duty Act)

Submitted to the Board of Trustees on October 16, 2025.

John M. Bennett, Chair
 Benefits and Actuarial Committee



Certify the contribution rates for the Five Statewide Retirement Plans and associated OPEBs effective for FY 2027 and FY 2028

Requested Action

After considering the recommendations of its actuary, the Board certifies the contribution rates, effective July 1, 2026, for (i) the five statewide Retirement Plans (State Employees, Teachers, Judicial Retirement System (JRS), State Police Officers' Retirement System (SPORS), and Virginia Law Officers' Retirement System (VaLORS)) and (ii) the associated other post-employment benefits (OPEBs): Group Life Insurance (GLI), Health Insurance Credit (HIC), and the Virginia Sickness and Disability Program (VSDP), including self-funded Long-Term Care.

Rationale for Requested Action

In accordance with *Code of Virginia* § 51.1-145, the VRS Board of Trustees determines the required contribution rate for the various employer groups in the Retirement Program. The VRS plan actuary, Gabriel, Roeder, Smith & Company, conducts actuarial valuations annually as of the close of the fiscal year (June 30). The results of the valuations are used to establish employer contribution rates in odd-numbered years. Based on the June 30, 2025, actuarial valuations conducted by the VRS plan actuary, the Board certifies the full employer contribution rates as follows:

Retirement Systems**Fiscal Year 2027/2028**

Plan	Board Certified Employer Defined Benefit Contribution Rate
State	11.07%
Teachers	12.20%
SPORS	31.67%
VaLORS	22.60%
JRS	30.49%

Contribution rates for retirement systems are net of member contributions and defined contribution hybrid matching contributions.

Other Post Employment Benefit Plans (OPEBs)**Fiscal Year 2027/2028**

Plan	Board Certified Employer Contribution Rate
Group Life	1.06%
HIC State	0.70%
HIC Teachers	0.88%
VSDP	0.42%

The certified employer contribution rates for the retirement systems and OPEBs listed above reflect the assumptions and provisions in effect as of June 30, 2025, including (i) the assumption and method changes from the most recent experience study for the period from July 1, 2020, to June 30, 2024, and (ii) the funding principles approved by the Board effective on or after June 30, 2013, as amended, which includes a reset of the unfunded liability as of June 30, 2023, over a closed 20-year period decreasing by one each year until reaching 0 years, and future annual increases or decreases in unfunded liability to be funded over closed 20-year periods beginning on each valuation date.

The certified employer contribution rates for the retirement plans and associated OPEBs will go into effect on July 1, 2026.

Authority for Requested Action

Code of Virginia § 51.1-145 authorizes the Board to determine the required contribution rate for the various employer groups in the Retirement Program.

The above action is approved.

A. Scott Andrews, Chair
VRS Board of Trustees

Date



**June 30, 2025
Annual Actuarial
Valuation Results**

**Presenters: Becky Stouffer, ASA, MAAA, FCA,
Jim Anderson, FSA, EA, MAAA, FCA**



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October 16, 2025

October Meeting Content: Rate Setting

Pension Valuations	Other Post-Employment Benefits (OPEB) Valuations
Virginia Retirement System • State Employees • Teachers	Health Insurance Credit (HIC) • State Employees • Teachers
Virginia Law Officers (VaLORS)	Group Life Insurance
State Police Officers (SPORS)	Virginia Sickness and Disability Program
Judicial (JRS)	

November Meeting Content – Rate Setting: Political Sub. Pension and OPEB; VLDP Results; HIC – Constitutional Officers, Social Service Employees, Registrars; Line of Duty Act Fund



Executive Summary

June 30, 2025 valuations reflect:

- *Investment return = 9.9%*
- *Higher than expected Salary and COLA experience*
- *JRS benefit change*
- *Updated assumptions – minimal impact*

Resulting in:

- *Improved funded status*
- *Decreased contribution rates*
 - *Except SPORS and JRS*

Statewide Pension Participants/% Change in '25

ACTIVES			INACTIVES			RETIREES		
State	81,274	+1.6%	State	69,699	+5.1%	State	74,038	+1.3%
Teachers	160,949	+2.8%	Teachers	100,366	+3.8%	Teachers	114,580	+1.8%
SPORS	1,902	+0.6%	SPORS	835	+2.8%	SPORS	1,882	+2.9%
VaLORS	7,459	+2.1%	VaLORS	15,212	+6.6%	VaLORS	7,465	+4.5%
JRS	473	+0.4%	JRS	15	-6.3%	JRS	613	+2.7%
Total	252,057		Total	186,127		Total	198,578	

Total Annual Salary:
\$18 Billion

29% are Plan 1

96% are Plan 1

Total Annual Benefit Payments: \$5.2 Billion



Actives: Changes in Average Salary

System	2024	2025	% Change
State	\$ 74,725	\$ 77,218	3.3%
Teachers	67,096	69,331	3.3%
SPORS	93,376	96,071	2.9%
VaLORS	55,804	58,011	4.0%
JRS	202,466	208,551	3.0%

% Change for Continuing ¹	
Expected	Actual
4.2%	4.8%
4.7%	5.7%
3.9%	6.3%
4.3%	5.6%
4.0%	3.3%

¹ Continuing are members active in both the current and prior valuation.

Note: Return to Work Payroll for 304 positions

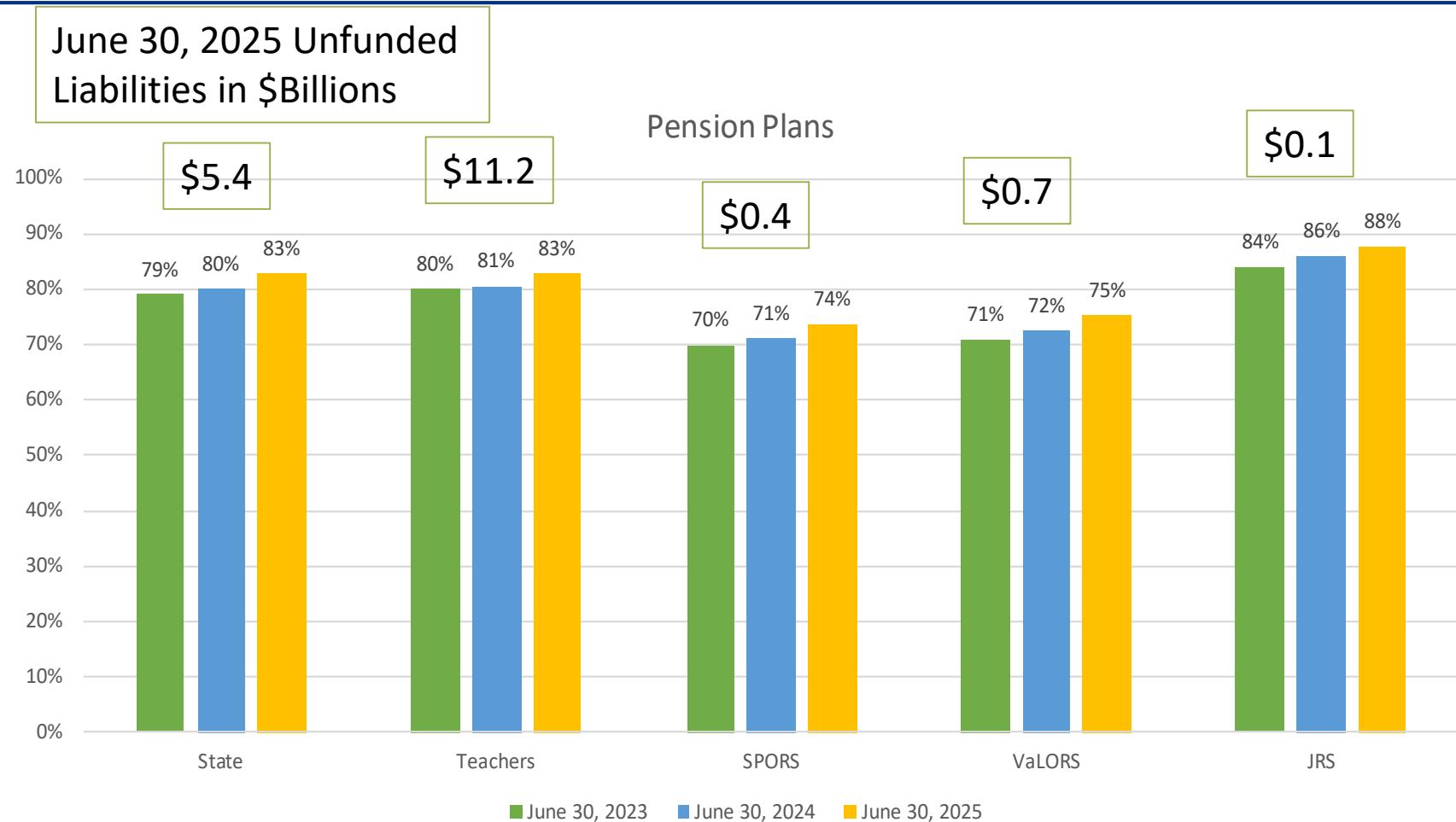
- 234 Teachers = \$18 million
- 70 Political Subs. = \$2 million

Actuarial Value Assets: State Employees Pension in \$ Millions – 9.9%/10.1% MVA/AVA Return

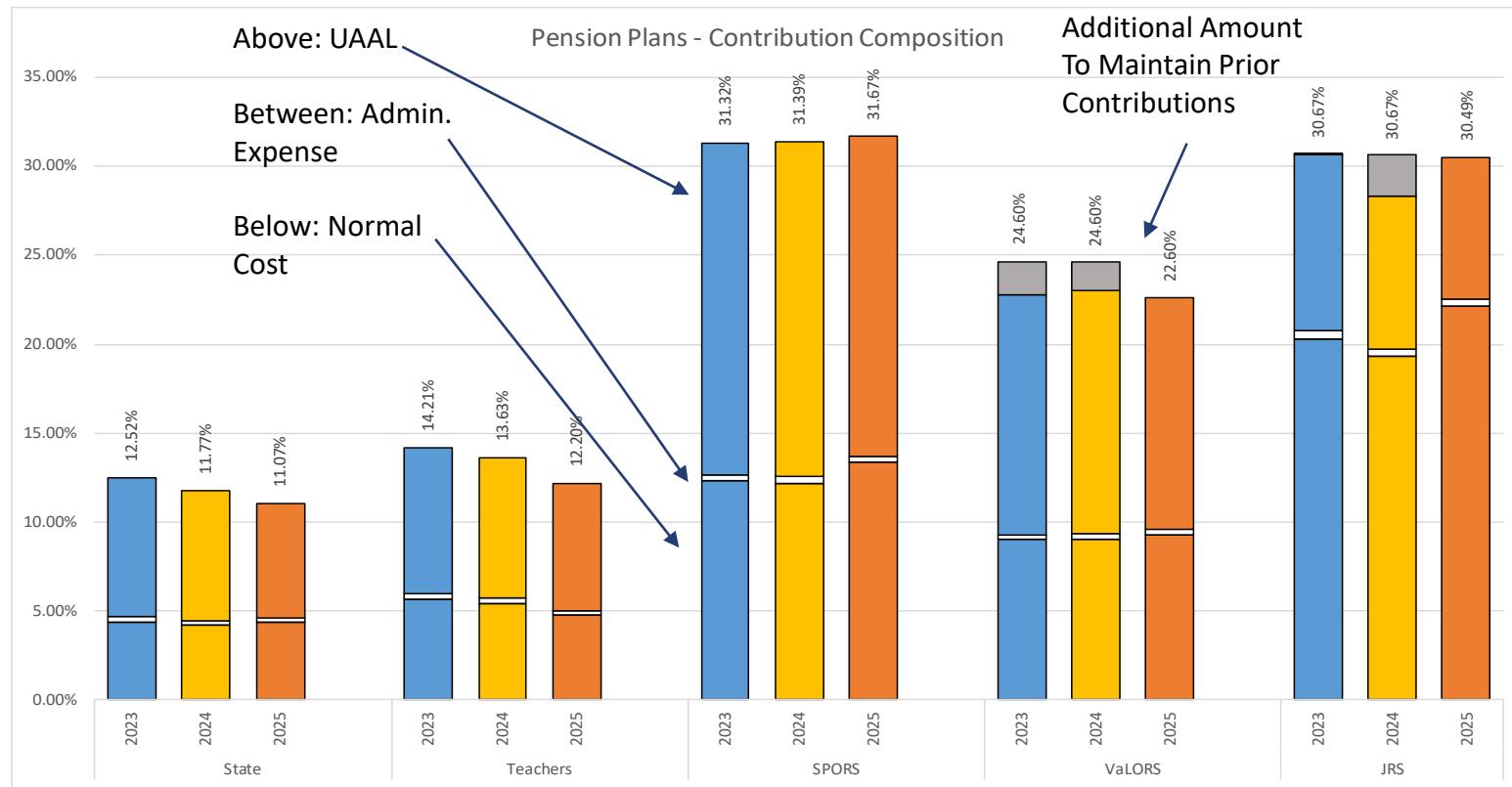
	2025	2026	2027	2028	2029
Actual Investment Return	2,584				
Assumed Investment Return	1,650				
Gain/(Loss) to be Phased-in	934				
Phased-in Recognition					
-Current year	187	?	?	?	?
-1 st prior year	137	187	?	?	?
-2 nd prior year	(13)	137	187	?	?
-3 rd prior year	(313)	(13)	137	187	?
-4 th prior year	762	(313)	(13)	137	187
Total Recognized Gain/(Loss)	760	(2)	311	324	187

2026-2029: Expect \$820 million in deferred asset GAINS
Other VRS Plans had similar asset experience

Funded Status and Unfunded Liabilities (AVA)



Actuarially Determined Employer Contribution Rates – Pension Plans Defined Benefit Only



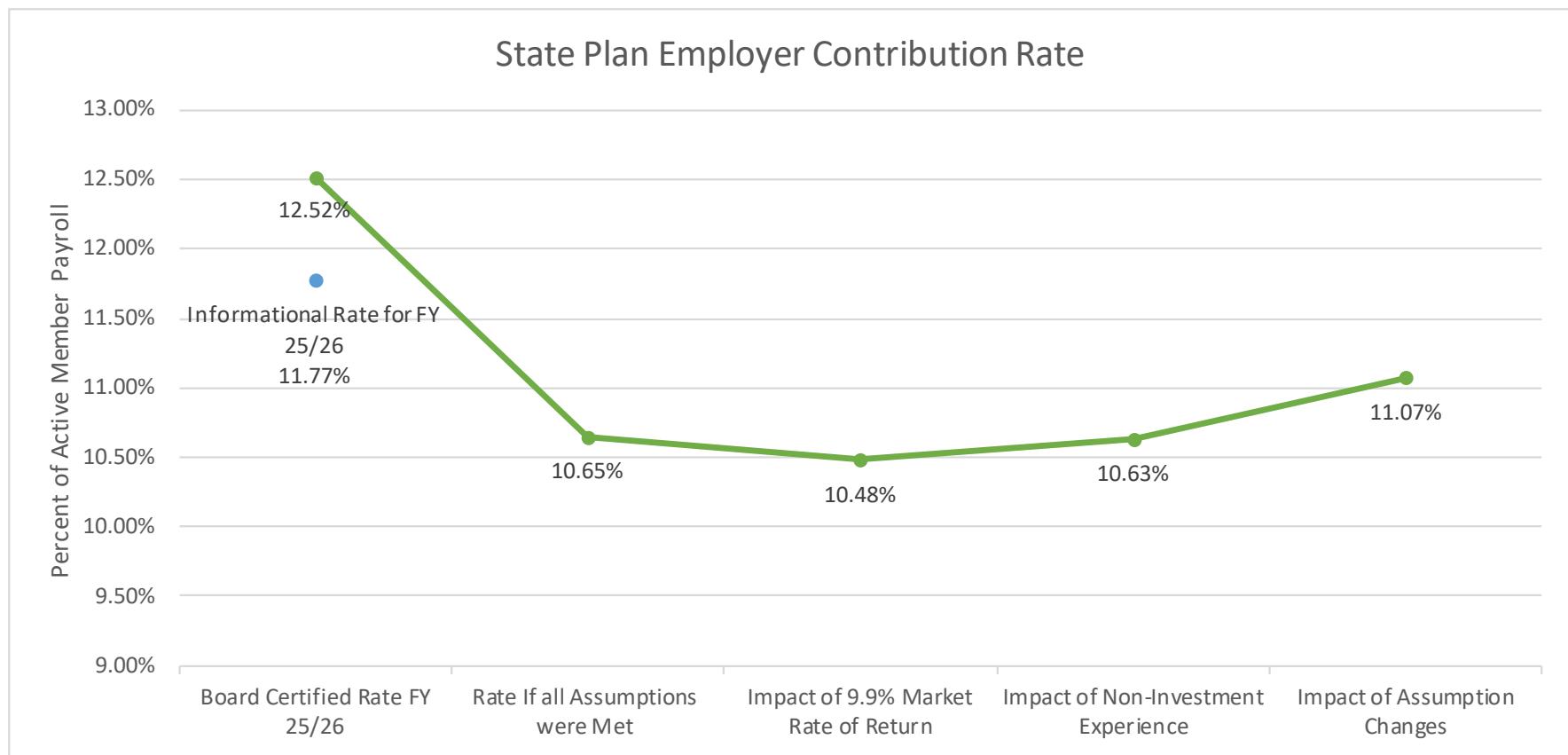
	State			Teachers			SPORS			VaLORS			JRS		
	2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025
Normal Cost*	4.65%	4.43%	4.58%	5.96%	5.71%	5.00%	12.64%	12.55%	13.71%	9.27%	9.33%	9.56%	20.74%	19.70%	22.50%
UAAL Payment	7.87%	7.34%	6.49%	8.25%	7.92%	7.20%	18.68%	18.84%	17.96%	13.54%	13.67%	13.04%	9.92%	8.66%	7.99%
Total	12.52%	11.77%	11.07%	14.21%	13.63%	12.20%	31.32%	31.39%	31.67%	22.81%	23.00%	22.60%	30.66%	28.36%	30.49%



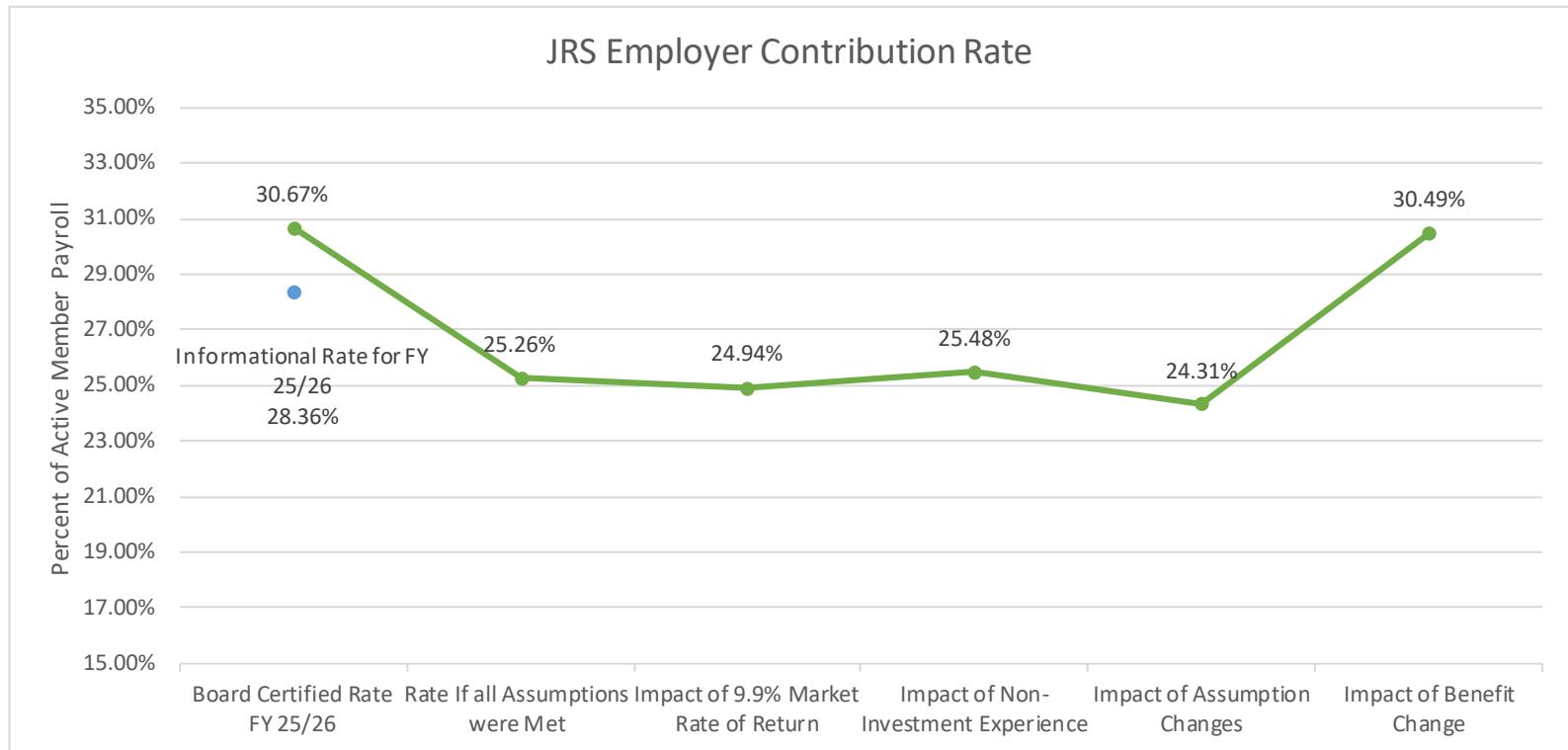
* Includes Administrative Expense

Additional contribution of 1.0%-3.5% of Hybrid payroll
 also required for Plans with Hybrid benefit tier

Pension Contribution Changes – State

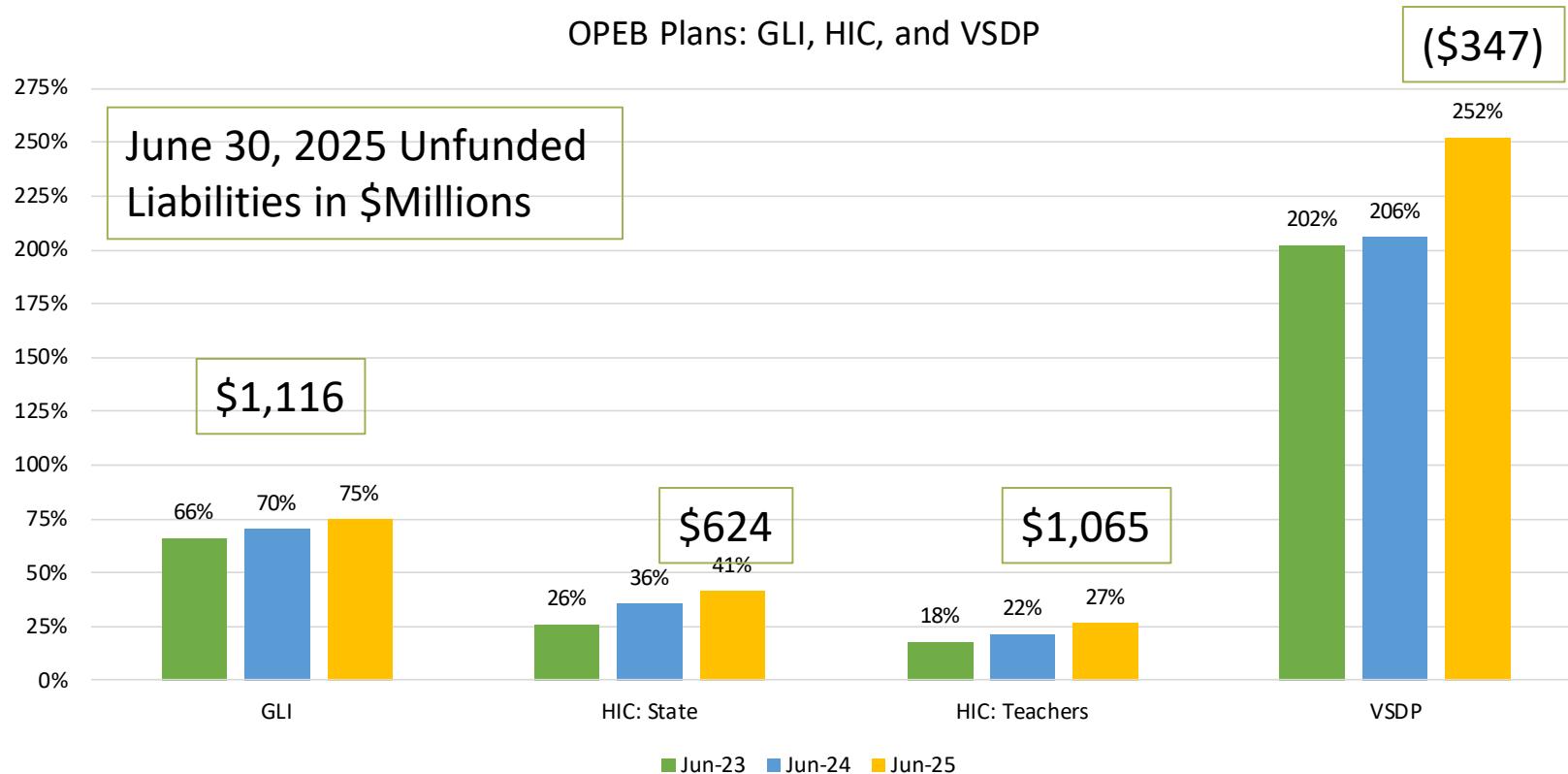


Pension Contribution Changes – JRS

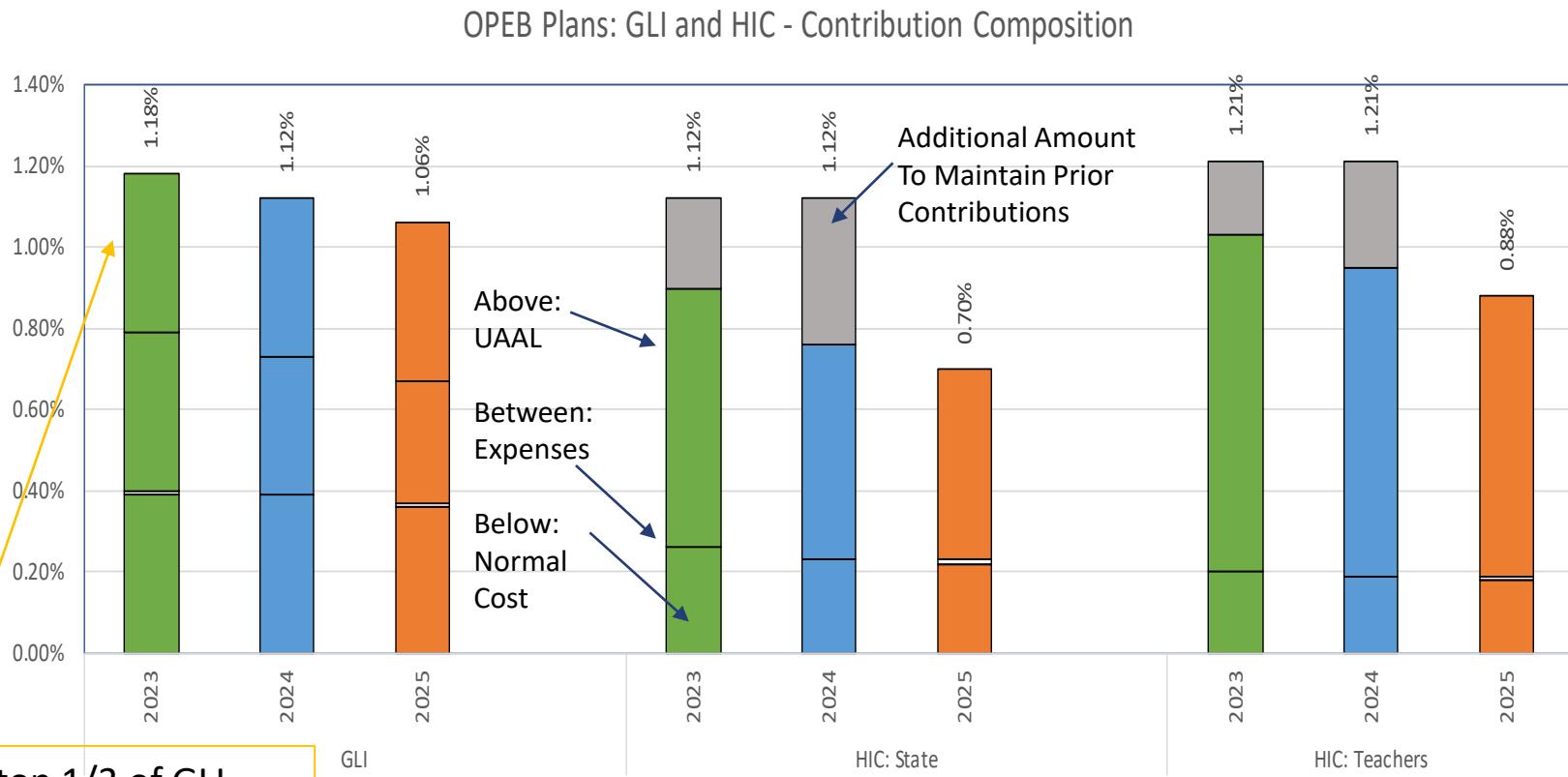


The benefit change provides a higher benefit multiplier for certain JRS Members which will change the trajectory of the contribution rates going forward

Funded Status (AVA) and Unfunded Liabilities – OPEB Plans 2023-2025



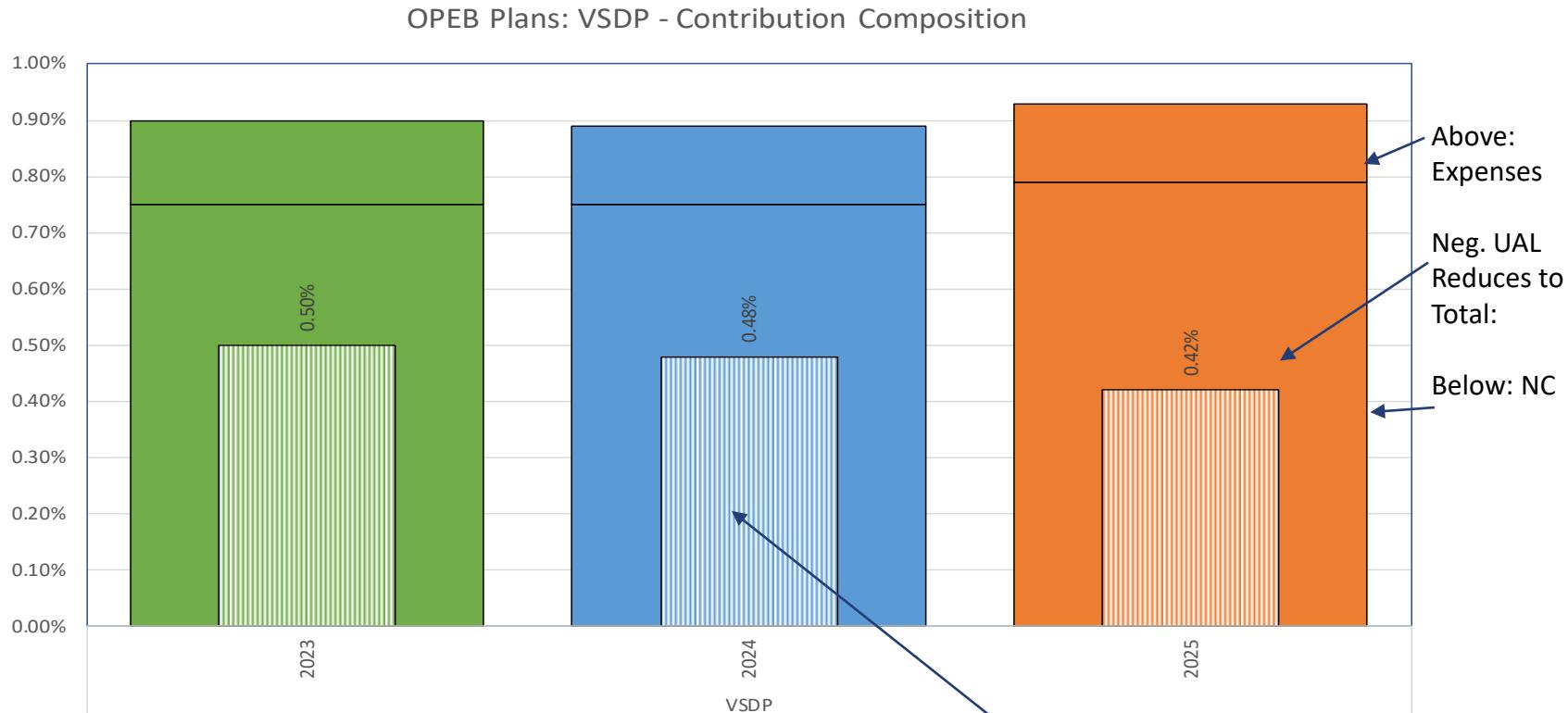
Actuarially Determined Employer Contribution Rates – OPEB Plans



* Includes Administrative Expense

^ UAAL Payment Includes Active GLI Adjustment

Actuarially Determined Employer Contribution Rates – OPEB Plans: VSDP



Interior Column: Total Contribution Rate
(UAL credit exists when lower than other components)

Defined Benefit Plan Risk

Investment Risk	Contribution Risk	Salary and Payroll Risk
<ul style="list-style-type: none">The risk that actual returns will differ from assumed returns.	<ul style="list-style-type: none">The risk that actual contributions will differ from expected contributions. This could occur, for example, if the plan's funding policy is not followed, or if there are changes in the covered population.	<ul style="list-style-type: none">The risk that covered payroll grows more slowly than assumed, or shrinks, and actual contributions may fall short of expected contributions.
<p><u>Positive for VRS</u> 5 year MV Return average 10.4% vs. 6.75% assumed</p>	<p><u>Positive for VRS</u> Recent additional funding Strong funding policy</p>	<p><u>Addressed for VRS</u> VaLORS payroll growth assumption ↓ to 2.5%</p>

Conclusion

1. Increased Funded Status on Actuarial Asset Basis

- Higher than expected returns for 2025 valuations
- Generally had Salary and COLA Losses
- Assumption update in line with experience study results

2. Contributions

- Pension & OPEB rate changes due to assumption update are in line with experience study results
- JRS had a benefit change
- Generally, lower rates than those currently being paid

Summary: Contribution Rates

Pension	FY 2027/2028
	2025 Valuation
State	11.07%
Teachers	12.20%
SPORS	31.67%
VaLORS	22.60%
JRS	30.49%

OPEB	FY 2027/2028
	2025 Valuation
Group Life Insurance	1.06%
Health Insurance Credit (HIC)	
-- State	0.70%
-- Teachers	0.88%
VSDP	0.42%

Note: Beginning with 2023 valuation the DC contribution for State, Teachers, and JRS has been decoupled



THANK YOU

QUESTIONS

Disclaimers

- This presentation expresses the views of the authors and does not necessarily express the views of Gabriel, Roeder, Smith & Company.
- Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.

Disclaimers

- This presentation is intended to be used in conjunction with the forthcoming actuarial valuation reports. This presentation should not be relied on for any purpose other than the purposes described in the valuation reports.
- This presentation shall not be construed to provide tax advice, legal advice, or investment advice.
- Jim Anderson and Becky Stouffer are independent of the plan sponsor, are Members of the American Academy of Actuaries (MAAA), and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.



VRS Project Portfolio

FISCAL YEAR 2026

September 2025 Status Report

Status Indicator

- Proceeding as planned
- △ Off plan, mitigation in place
- ◆ Off plan, mitigation needed
- ★ Completed
- Project timeline
- N/S Not started

Agency Performance Objectives (APOs)	Strategic Alignment	Status	2025						2026					
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Data Quality Enhancements - Phase 2	Digital Transformation and Secure Service Delivery	●												
Demographic Data Collection and Maintenance Initiative - Phase 1	Digital Transformation and Secure Service Delivery	●												
VNAV Enhancements - Phase 2	Digital Transformation and Secure Service Delivery	△												
Human Resource Information System (HRIS) Implementation - Phase 3	Organizational Strength, Culture and Engagement	●												
Agency Initiatives		Status	2024						2025					
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Develop and Implement Returned Mail Address Validation Policy and Procedures	Superior Governance and Long-Term Financial Health	●												
Purchase of Refunded Service Process	Digital Transformation and Secure Service Delivery	●												
Enhance Options for Retirees to Opt-Out of Paper Tax Documents	Digital Transformation and Secure Service Delivery	●												
Benefit Payment Policy Implementation	Superior Governance and Long-Term Financial Health	●												
Implement updates consistent with Website Content Accessibility Guidelines (WCAG) 2.1	Superior Governance and Long-Term Financial Health	●												
James Center Relocation including Network/Wifi/Infrastructure build	Superior Governance and Long-Term Financial Health	●												
Windows 11 Implementation	Technology Infrastructure	●												
Replacement of re-captcha for myVRS	Digital Transformation and Secure Service Delivery	N/S												
Explore establishment of AI Center of Excellence	Digital Transformation and Secure Service Delivery	●												
ECM Solution Implementation	Digital Transformation and Secure Service Delivery	●												
Conduct Review and Analysis of Early Retirement Reduction Factors	Superior Governance and Long-Term Financial Health	N/S												
Legislation https://www.varetire.org/about/legislation/		Status	2025						2026					
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
SB 934 - Certain unclaimed property presumed abandoned; Volunteer Firefighters' and Rescue Squad Workers' Service Award Fund.	Legislation	●												
SB 950 - Virginia Retirement System; increased retirement allowance for certain judges.	Legislation	●												
SB 1201 - Virginia Law Officers' Retirement System; conservation officers.	Legislation	★												
VLDP - HB 1705 - Virginia Retirement System; disability benefits; emergency dispatchers	Legislation	●												
LODA - HB 1815/SB 1142 - Line of Duty Act; campus police officers; private police officers.	Legislation	●												
LODA/VaLORS - SB 797/HB 2507	Legislation	★												
Operational/Ongoing Activities		Status	2025						2026					
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
COLA 2025	Operations	★												
FYE 2025	Operations	★												
EDGE	Operations	●												
Retirement Wave 2025	Operations	★												
Teacher Contracts	Operations	●												
MBPS	Operations	●												
Annual Code of Ethics Training	Operations	N/S												
Annual Security Awareness Training	Operations	N/S												
FOIA Training	Operations	N/S												
ACFR	Operations	●												
PAFR	Operations	N/S												
LODA Annual Report	Operations	N/S												
GASB 67	Operations	N/S												
GASB 68	Operations	N/S												
GASB 74	Operations	N/S												
GASB 75	Operations	N/S												
Actuarial Valuations	Operations	●												
myVRS Annual Updates	Operations	N/S												
Update Contribution Rates in VNAV	Operations	N/S												
1099/W2	Operations	N/S												

Operational/Ongoing Activities	Status	2025						2026					
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Annual Roadmap Review	Operations	N/S											
FYE 2026	Operations	N/S											
Retirement Wave 2026	Operations	N/S											
ORPHE Surcharge Billing for FY 2025	Operations	N/S											
Data Fixes	Operations	Green											
ALM Backlog Prioritization	Operations	Green											
Employer VNAV Security Review	Operations	N/S											
VRS Fund Sensitivity and Stress Testing Report for GA	Operations	N/S											
Legislation FY 2026	Operations	N/S											

Yellow Status Items

Item	Due Date	Comments
VNAV Enhancements Phase 2	6/30/2025	Hiring of a Program Manager is delayed, although work continues towards meeting this objective. The project is expected to return to Green Status by the end of October.

Red Status Items

Item	Due Date	Comments
N/A		

Realignments/Adjustments

Item	Due Date	Comments
N/A		



Director's Report

October 16, 2025

Trish Bishop, VRS Director

GFOA Honors VRS PAFR



The Government Finance Officers Association of the United States and Canada has honored VRS with the Award for Outstanding Achievement in Popular Annual Financial Reporting for the *Popular Annual Financial Report* for the fiscal year ended June 30, 2024.

*This is the
9th consecutive award
for the VRS PAFR
from GFOA*

VRS Meets With VGEA and VRTA



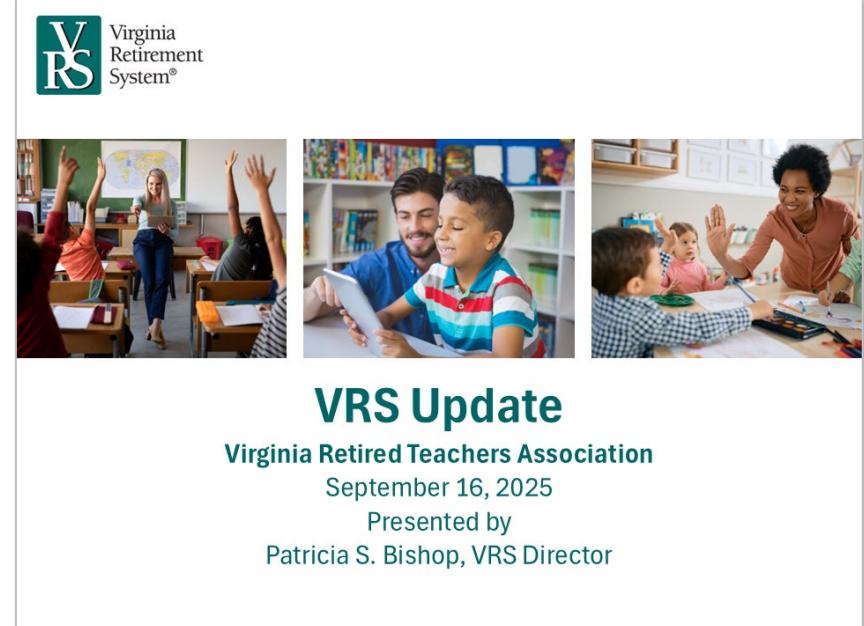
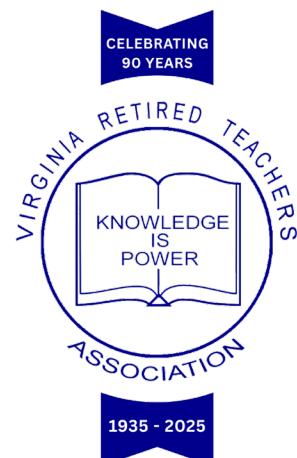
VRS Update

Virginia Governmental Employees Association

September 13, 2025

Presented by

Patricia S. Bishop, VRS Director



VRS

Virginia Retirement System®

VRS Update

Virginia Retired Teachers Association

September 16, 2025

Presented by

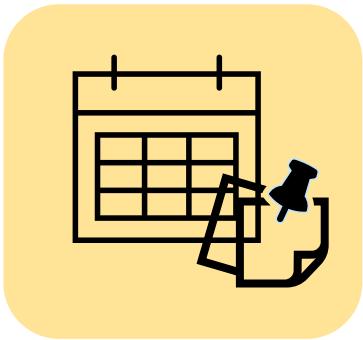
Patricia S. Bishop, VRS Director





Board Preview of Fall Meetings

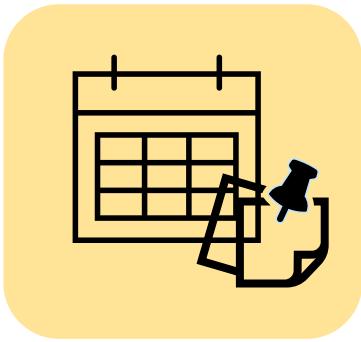
Preview: Fall 2025



November

- ★ 6 – Investment Advisory Committee
- ★ 12 – Benefits and Actuarial Committee
- ★ 13 – Board of Trustees
- Review GRS' 2025 Actuarial Valuations for Political Subdivision Retirement Plans, Virginia Local Disability Program, Local Health Insurance Credit Plans and Line of Duty Act

Preview: Fall 2025



December

- ★ 4 – Defined Contributions Plans Advisory Committee
- ★ 11 – Audit and Compliance Committee
- ★ 11 – Board of Trustees
- ★ 16 – JLARC Meeting