



December 5, 2025

MEMORANDUM

TO: VRS Board of Trustees

FROM: Patricia S. Bishop
Director

RE: Agenda Materials for December 11th Board Meeting

We are looking forward to the December 11th Board meeting beginning at 1:00 p.m. The December 11th Board meeting will be held in the **Patrick Henry Building (PHB), located at 1111 E. Broad St., Richmond, VA 23219, West Reading Room**. Enclosed are the agenda and meeting materials.

On December 11th, we ask that all Board members not attending the Audit and Compliance Committee meeting to meet in the lobby at the VRS headquarters building, 1200 E. Main St., at 11:45 a.m. before proceeding to the PHB. Boxed lunches will be available at the PHB beginning at 12:15 p.m. A staff member will escort the Board members to the PHB in the agency van, departing at 12:00 p.m. Board members unable to arrive by 12:00 p.m. should plan to go directly to the PHB in time for the start of the meeting. Please note that you should allot ample time to navigate security at the Patrick Henry Building. 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 PHB, there is no dedicated parking for Board members at the building. If not using the VRS parking deck, the closest paid parking lot is located at 9th and Franklin St. Gentle reminder, the reserved parking spaces in the VRS parking deck are located in the sub-basement and lower sub-basement and each is marked with a yellow sign that reads, "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
Audit and Compliance Committee	Thursday, December 11 th , 11:30 a.m.	Patrick Henry Building, 1111 E. Broad Street, West Reading Room
Board of Trustees	Thursday, December 11 th , 1:00 p.m.	Patrick Henry Building, 1111 E. Broad Street, West Reading Room

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
Patrick Henry Building, West Reading Room
1111 E. Broad Street, Richmond, VA 23219
Thursday, 12/11/2025
1:00 - 3:30 PM ET

I. Approve Minutes

• **November 13, 2025**

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II. Report of the Chief Investment Officer

CIO Report - December 2025 - Page 9

Performance Summary 10.31.25 - Page 15

Asset Allocation Report - October 2025 - Page 16

Daily Asset Allocation Report 12.2.25 - Page 17

New Investments and Terminations 12.11.25 - Page 18

III. Report of the Defined Contribution Plans Advisory Committee

Report of the Defined Contribution Plans Advisory Committee - Page 19

IV. Report of the Audit and Compliance Committee

Report of the Audit and Compliance Committee - Page 22

V. Report of the Director

FY 2026 Agency Roadmap Update - November - Page 24

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• **RBA - Request Authorization for Alternative Measure of Inflation Calculation for COLAs**

RBA Authorize COLA CPI Alternative - Page 36

Minutes

A regular meeting of the Virginia Retirement System Board of Trustees was held on November 13, 2025, in Richmond, Virginia with the following members participating:

Board members:

A. Scott Andrews, Chair

Hon. J. Brandon Bell, II (*attended remotely from Roanoke, VA under § 2.2-3708.3(B)(3)*) (departed at 3:12 p.m.)

John M. Bennett

J. Clifford Foster, IV (departed at 3:03 p.m.)

Susan T. Gooden, Ph.D. (*attended remotely from Seattle, WA under § 2.2-3708.3(B)(4)*)

Jessica L. Hood

Hon. Matthew James

Lindsey K. Pantele

VRS Staff:

Patricia Bishop, Andrew Junkin, Jennifer Schreck, Advait Apte, Rory Badura, Matt Bennett, Ty Bowers, Lee Buchanan, Jessica Budd, Caroline Cardwell, Dorothy Chiddo, Michael Cooper, Sara Denson, Valerie Disanto, Curtis Doughtie, Pam Elam, Kenji Epling, Laurie Fennell, Laura Fields, Antonio Fisher, Josh Fox, Katherine Grawe, JT Grier, Krystal Groff, Dane Honrado, KC Howell, Sandy Jack, Wendy Jenkins, Mengting Kim, Matthew Lacy, Chung Ma, Curt Mattson, Scott Mootz, Greg Oliff, Matt Priestas, Laura Pugliese, Mark Rein, Andrew Ringle, Gregory Salvati, Jenny Schoeller, Wendy Schueller, Dan Schlussler, Michael Scott, Joseph Shaver, Richard Slate, Amethyst Sloane, Virginia Sowers and Larry Tentor.

Guests:

Lauren Albanese, Financial Investment News; Jim Anderson, Michael Spadaro and Becky Stouffer, Gabriel, Roeder, Smith & Company; Jeremy Bennett, Virginia Association of Counties; Valerie Cymes; Chris Doll, CEM Benchmarking; Lisa Giaffo; Jacob Hodges, Encore; Alexandra Jansson and Kimberly Sarte, Joint Legislative Audit and Review Commission; Elizabeth Myers, Office of the Attorney General; Anita R. Schneider; Bea Snidow, Virginia Education Association; Sabrina Ticer-Wurr, MandateWire and Nate Weinstein, Osmosis.

The meeting convened at 1:01 p.m.

Opening Remarks

Mr. Andrews called the meeting to order and welcomed everyone to the November 13, 2025, meeting of the Virginia Retirement System Board of Trustees.

Approval of Minutes

Following a motion by Mr. Bennett, and a second by Ms. Pantele, the VRS Board of Trustees unanimously approved the minutes from its October 16, 2025, meeting.

Report of the Investment Advisory Committee

Larry Kochard, Chair of the Investment Advisory Committee (IAC), began his report by noting the IAC met on November 5, 2025, and approved the minutes from its August 20, 2025, meeting. The Committee received the Chief Investment Officer's report from Andrew Junkin (CIO) covering asset allocation, performance and new manager hires and terminations since the August 20th IAC meeting.

Following the CIO report, staff provided an update on the following topics:

- A review was provided of the Private Equity Program; topics included an overview, exposures, results (including VRS results relative to the investment rate of return by vintage year), VRS Co-investment program, top ten investment managers, DIME managers, as well as forward-looking plans for Private Equity.
- A review was provided of the Real Assets investment program; topics included an overview, an update on market fundamentals and portfolio exposures, results, top ten managers, DIME managers, and forward-looking plans for Real Assets.
- A review of the Credit Strategies and Private Investment Partnership Programs was provided; topics included an overview, asset allocation, market update, exposures, results, top ten managers and a forward look for both programs.
- Finally, the Private Markets Team hosted a roundtable discussion with IAC members covering topics including expansion of private assets into the retail channel, concerns of systematic risk from private credit and impacts of AI on private markets.

Mr. Andrews thanked Mr. Kochard for his report.

Report of the Chief Investment Officer

Andrew Junkin, Chief Investment Officer, 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 then discussed the New Investments and Terminations report.

Corporate Governance Report

Next, Mr. Junkin presented the Corporate Governance Report. He reviewed the FY 2025 Corporate Governance Report and provided an overview of the Proxy Voting and Litigation Policy to the Board.

He advised that Institutional Shareholder Services, Inc. (ISS) continues to provide proxy research and implementation services for VRS. Mr. Junkin advised that during 2023, VRS adopted the ISS Global Board-Aligned Voting Policy. A summary of the 2025 U.S. voting guidelines was presented to the Board. An annual examination of the relationship with ISS includes a review of any changes to the policy, managerial evaluation of any changes and feedback to ISS, and participation in a survey to voice opinions on potential policy changes.

Mr. Junkin provided an overview of VRS securities litigation and investment organizations. Lastly, Mr. Junkin discussed involvement in investor organizations, stating that VRS continues to be a non-voting member of the Council of Institutional Investors.

Mr. Andrews thanked Mr. Junkin for his presentation.

CEM Cost Effective Analysis of VRS Investment Program

Chris Doll of CEM Benchmarking, Inc., presented the results of the Investment Benchmarking Analysis for the five-year period ending December 31, 2024. The presentation is a review of VRS' investment costs, performance and risk versus a peer group. Mr. Doll advised that VRS' five-year and ten-year performance placed VRS in the positive value-added, low-cost quadrant of the cost effectiveness chart. The fund was below benchmark costs as it paid less than the peer group for similar services and had a lower cost implementation style. In summary, Mr. Doll concluded the cost-effective management of the plan is generating the appropriate results on both the value side with the top line performance and the savings managed by negotiating with external managers and managing money internally.

Mr. Andrews thanked Mr. Doll for his presentation and commended the Investment staff for their efforts to continue delivering positive value-added results at a lower cost.

Report of the Benefits and Actuarial Committee

The VRS Board of Trustees received the report of the Benefits and Actuarial Committee following its meeting on November 12, 2025, and placed it on file.

APPROVAL OF MINUTES

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

2025 ACTUARIAL VALUATION RESULTS FOR POLITICAL SUBDIVISION RETIREMENT PLANS, THE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP), LOCAL HEALTH INSURANCE CREDIT (HIC), AND THE LINE OF DUTY ACT (LODA) FUND

Jim Anderson and Becky Stouffer from the VRS plan actuary, Gabriel, Roeder, Smith & Company (GRS), presented the June 30, 2025, actuarial valuation results for the Political Subdivision Retirement Plans, the Virginia Local Disability Program (VLDP), the Local Health Insurance Credit (HIC), and the Line of Duty Act (LODA) fund. 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 from 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 in the developed employer contribution rates. In addition to assumption changes, the actuarial 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 6.75% for fiscal year 2025. The investment gains associated with a higher-than-expected investment return overshadowed

the experience study changes and higher salaries and COLAs resulting in lower contribution rates for most plans and an increase in the funded status for most of the political subdivision plans.

Key points from the political subdivision retirement plans, local HIC and VLDP presentation include:

Pensions

- Average funded status for pension plans increased to 92% from last year's 89%. Of the 602 local employers, 275 had a funded status over 100%.
- The average contribution rate for pension plans continued to trend lower dropping from 12.25% in the last rate-setting valuation to 10.46%.

OPEBS

- Funded status for HIC plans increased for political subdivisions in aggregate. The state funded HIC plans for Constitutional Officers, Social Services employees, and Registrars all had increases in funded status due to both higher than expected investment returns as well as additional contributions from maintaining the higher employer rates from the prior biennium.
- Contribution rates for the state-funded HIC plans saw decreases while the employer rates for 136 of the 236 political subdivision plans remained unchanged from prior rate-setting due to funding policy provisions which maintain rates until plans reach 75% funded status.
- VLDP funded status dropped slightly for the Teachers plan due to assumption changes while VLDP for political subdivision plans trended higher. Each of the VLDP plans saw small increases in the employer rates mostly due to assumption changes from the recent experience study.

Ms. Stouffer provided the results for the Line of Duty Act (LODA) Fund.

Key points from the LODA fund presentation include:

- The LODA plan is a pay-as-go plan that must collect the required funds to pay benefits expected to be incurred over the coming year.
- The LODA plan premium per full-time equivalent is expected to increase from \$1,015 to \$1,385.
- Increases in the premium rate were due in part to the following:
 - Higher than expected increases in healthcare premiums
 - Increases in the healthcare trend rates
 - Changes in the premium weighting from the recent experience study for some covered groups to better reflect observed experience
- LODA fund premiums are inherently expected to increase each rate setting as the primary benefit is health insurance coverage which is expected to increase each year along with an increase in the number of members under claim.

Ms. Stouffer and Mr. Anderson of GRS delivered an abbreviated version of their presentation to the full Board of Trustees on November 13, 2025.

Upon a motion by Mr. Bennett, with a second by Delegate James, the VRS Board of Trustees approved the following action with respect to the valuation report for political subdivisions and the Health Insurance Credit (HIC) for certain political subdivisions; and the contribution rates for constitutional

officers, social services employees, general registrars, VSDP and VLDP. Upon a motion by Mr. Bennett, with a second by Mr. Foster, the VRS Board of Trustees approved the following action with respect to the premium rate for LODA:

Request for Board Action 2025-11-27: After considering the recommendations of its Plan Actuary, Gabriel, Roeder, Smith & Company, the Board accepts the June 30, 2025, valuation report for political subdivisions and the Health Insurance Credit (HIC) for certain political subdivisions; approves a contribution rate of 0.27% for constitutional officers, a rate of 0.20% for social services employees, and a contribution rate of 0.13% for general registrars; approves a contribution rate of 0.48% for the Virginia Local Disability Program (VLDP), including self-funded Long-Term Care for Teachers and a rate of 0.79% for VLDP, including self-funded Long-Term Care for Political Subdivisions; and approves a full-time equivalent premium rate of \$1,385.00 for the Line of Duty Death and Health Benefits Trust Fund (Fund), all for both FY 2027 and FY 2028, to be effective July 1, 2026.

INFORMATION ITEM

The Committee's next meeting will be held on February 4, 2026, at 1:00 p.m.

Mr. Andrews thanked Mr. Bennett for his report.

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 and expected to be accomplished as planned.

Ms. Bishop then provided the following updates to the Board:

- VRS was recently recognized with the 2025 Public Pension Standards Award for Funding and Administration from the Public Pension Coordinating Council for the 22nd consecutive year.
- VRS celebrated Customer Service Week October 6 – October 10, 2025.
- VRS held its annual celebration of Diwali, the festival of lights, on November 5th, during which staff enjoyed learning more about the meaning of Diwali and partaking in celebratory events.
- A preview of upcoming board and committee meetings was provided.

Information Technology (Closed Session)

Upon a motion by Mr. Bennett, with a second by Ms. Pantele, the Virginia Retirement System Board of Trustees convened a closed meeting under the Virginia Freedom of Information Act for the purpose of discussion of an information technology system or software program where discussion in an open meeting would jeopardize the security of such information technology system or program, pursuant to the exemption contained in *Code of Virginia* § 2.2-3711(A)(19).

Upon return to open meeting, Mr. Bennett moved, with a second by Ms. Pantele, the following resolution:

WHEREAS, the Virginia Retirement System Board of Trustees convened a closed meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act; and

WHEREAS, § 2.2-3712 of the *Code of Virginia* requires a certification by the Board that such closed meeting was conducted in conformity with Virginia law;

NOW, THEREFORE, BE IT RESOLVED, the Board certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements under this chapter were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered by the Board.

The Board approved the resolution upon the following roll call vote¹:

Mr. Bennett: Aye
Dr. Gooden: Aye
Ms. Hood: Aye
Delegate James: Aye
Ms. Pantele: Aye
Mr. Andrews: Aye

Other Business

Lastly, Mr. Andrews confirmed the following meeting schedule:

- Defined Contribution Plans Advisory Committee – December 4 at 1:00 p.m.
- Audit and Compliance Committee – December 11 at 10:30 a.m.²
- Board of Trustees – December 11 at 1:00 p.m.

Adjournment

There being no further business and following a motion by Mr. Bennett, with a second by Delegate James, the VRS Board of Trustees agreed to adjourn the meeting at 3:15 p.m.

Chair

Secretary

¹ Senator Bell was not present for the closed meeting session or the subsequent roll call vote.

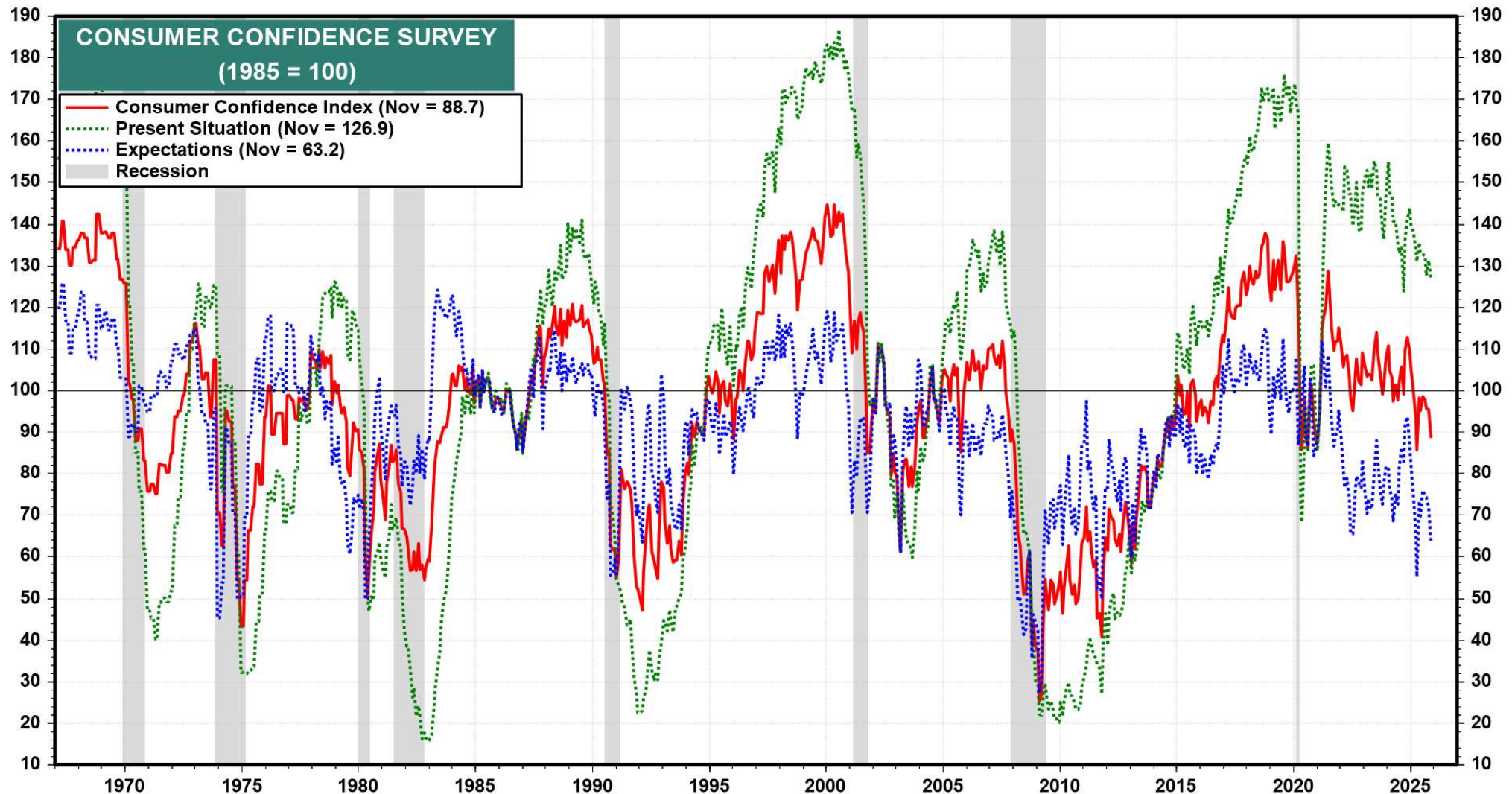
² The Audit and Compliance Committee meeting was subsequently changed to December 11 at 11:30 a.m.



Chief Investment Officer Report

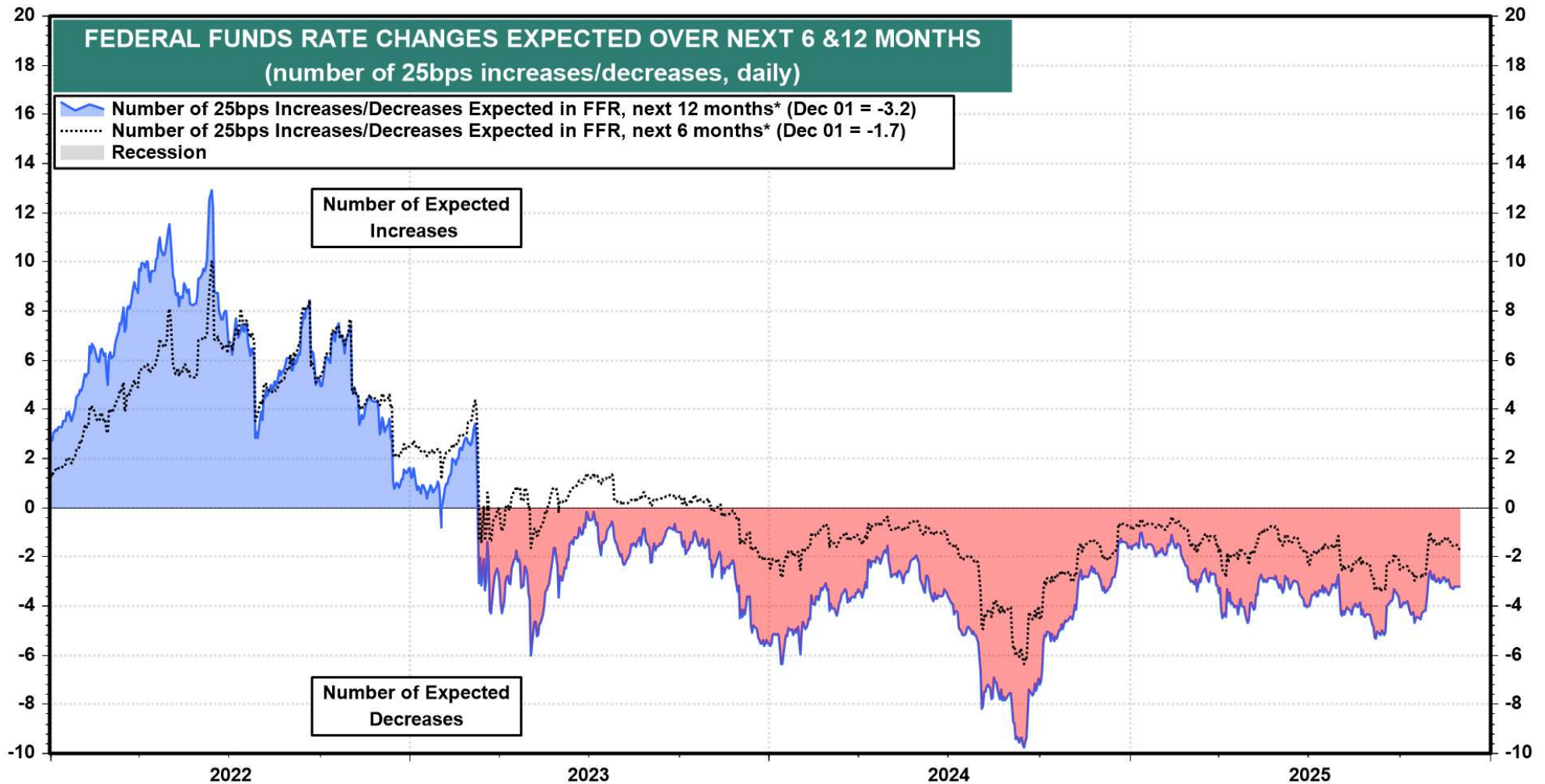
Market Review – December 2025
Andrew Junkin

Consumer Confidence Survey



Source: LSEG Datastream and © Yardeni Research, and The Conference Board.

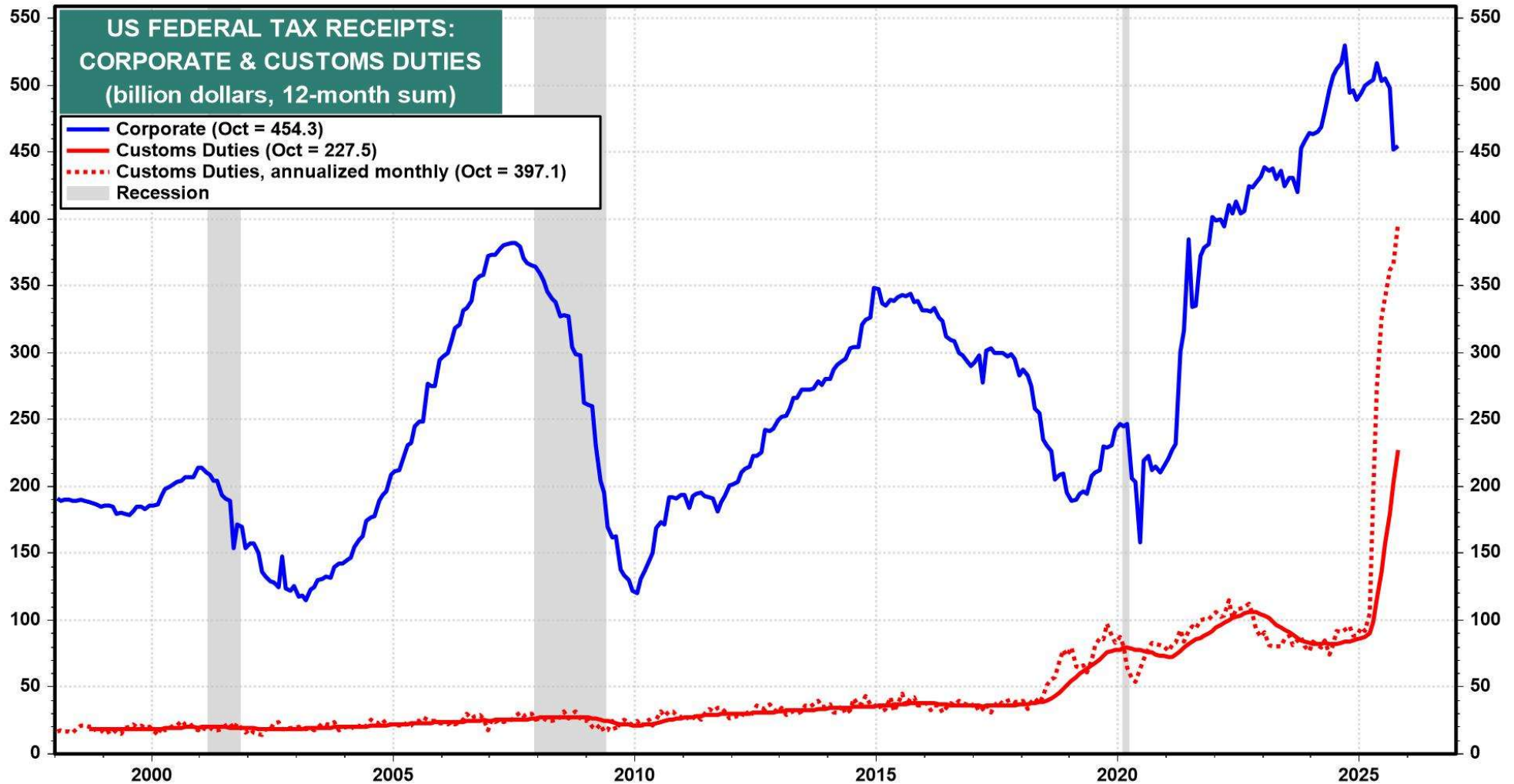
Federal Funds Rate Expected Changes



Source: LSEG Datastream and © Yardeni Research. Federal Reserve and Chicago Board of Trade.

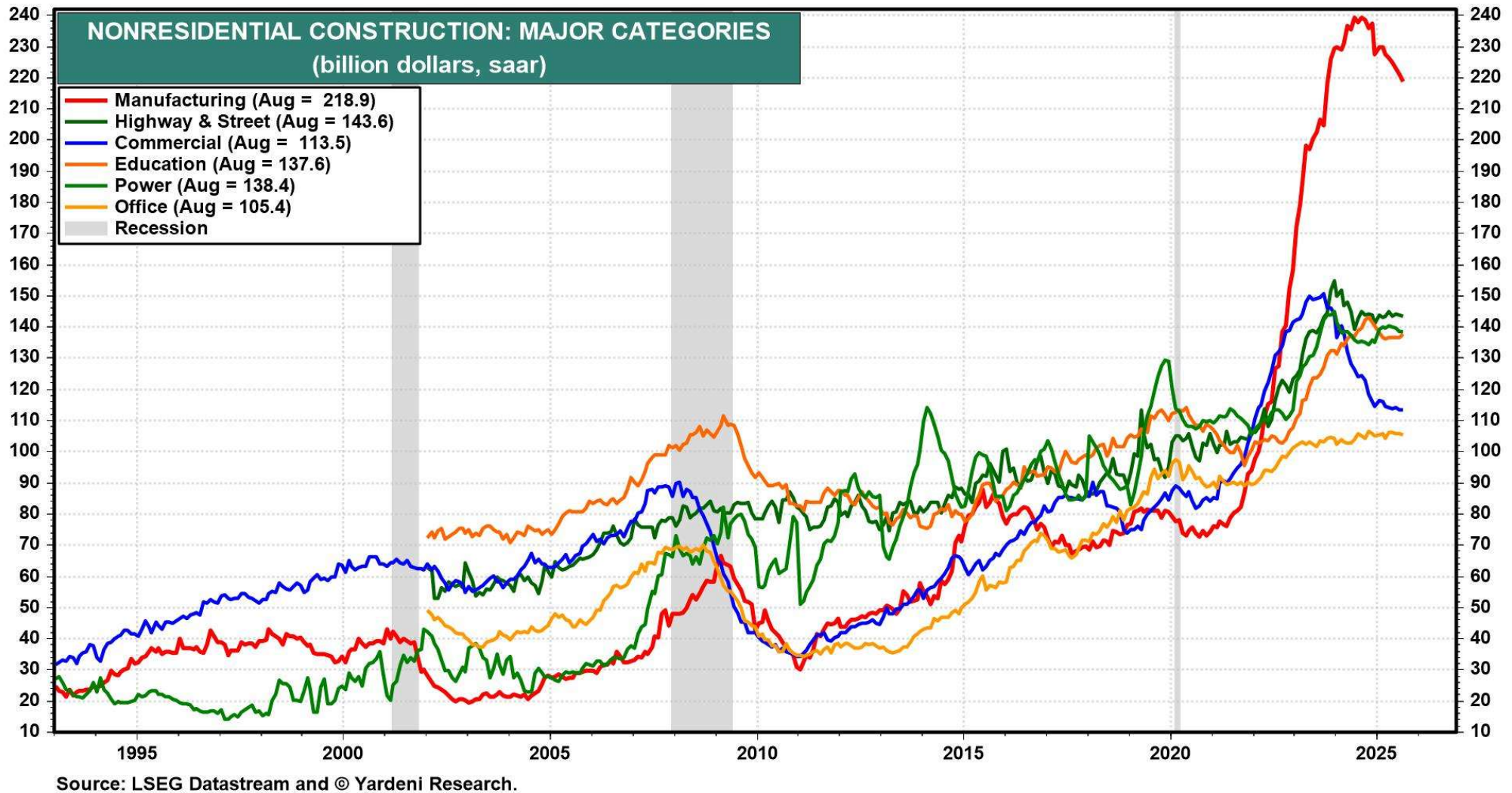
* 6-month and 12-month futures FFR minus FFR all divided by 25.

Tariffs Are Increasing Revenue

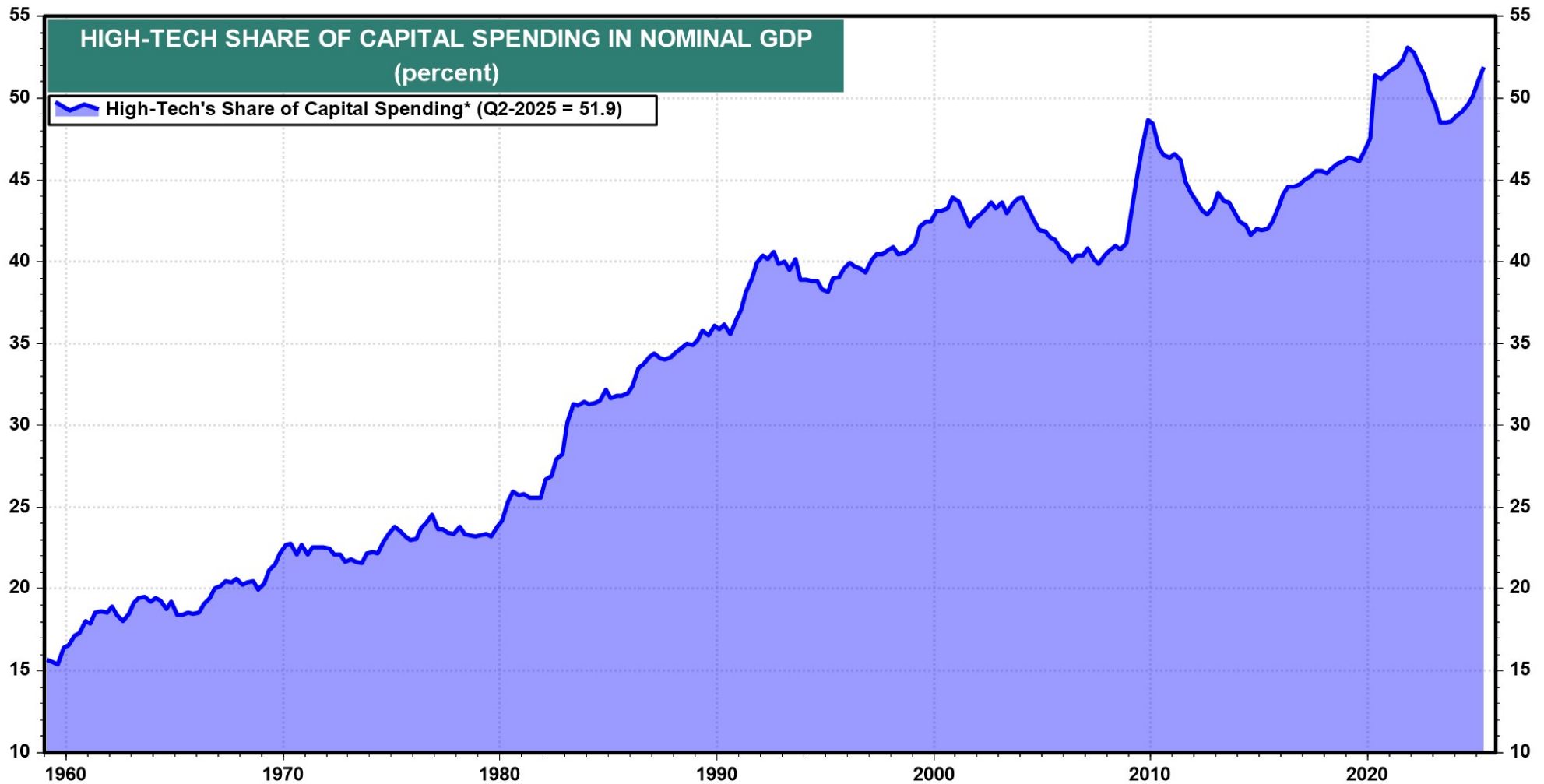


Source: LSEG Datastream and © Yardeni Research. US Treasury.

Data Center Spending is Massive



High-Tech Share of Capital Spending



Source: LSEG Datastream and © Yardeni Research, and Bureau of Economic Analysis.

* Includes high-tech equipment, software, and R&D.

PERFORMANCE SUMMARY
Rolling Periods Ending
October 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	10.8	15.1	21.0	21.3	6.9	1.3	7.8	20.2	42,496
<i>Benchmark</i>	10.8	14.2	20.5	20.0	7.3	1.6	8.0	19.1	
Total Private Equity	13.9	14.9	5.8	7.7	2.4	-0.1	2.2	5.6	19,869
<i>Benchmark</i>	12.3	13.5	15.7	16.0	12.3	1.3	13.2	11.1	
Total Real Assets	7.2	6.9	0.4	4.3	1.2	0.0	1.3	3.5	16,329
<i>Benchmark</i>	5.1	4.3	-1.8	4.1	1.0	0.3	1.4	3.8	
Total Credit Strategies	7.5	9.1	10.4	10.6	3.9	-0.2	4.4	8.3	19,072
<i>Benchmark</i>	5.9	6.0	9.7	7.2	1.7	0.3	2.3	6.2	
Total Diversifying Strategies	n/a	6.9	7.7	7.8	3.3	0.0	2.7	5.3	5,642
<i>Benchmark</i>	n/a	6.0	9.1	6.9	1.7	0.5	2.2	5.6	
Total Private Investment Partnerships	8.5	12.0	7.7	9.2	2.7	0.0	2.7	5.2	2,110
<i>Benchmark</i>	7.5	8.2	7.5	9.0	4.9	0.6	5.5	7.0	
Total Fixed Income	2.9	0.9	6.8	7.4	3.4	0.7	3.3	7.8	19,226
<i>Benchmark</i>	2.1	0.2	6.2	6.6	3.0	0.7	2.9	7.1	
Total Fund	8.6	10.4	10.7	11.8	4.1	0.4	4.4	10.6	126,598
<i>VRS Custom Benchmark</i>	7.9	8.9	11.9	12.1	5.2	0.9	5.7	10.8	

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

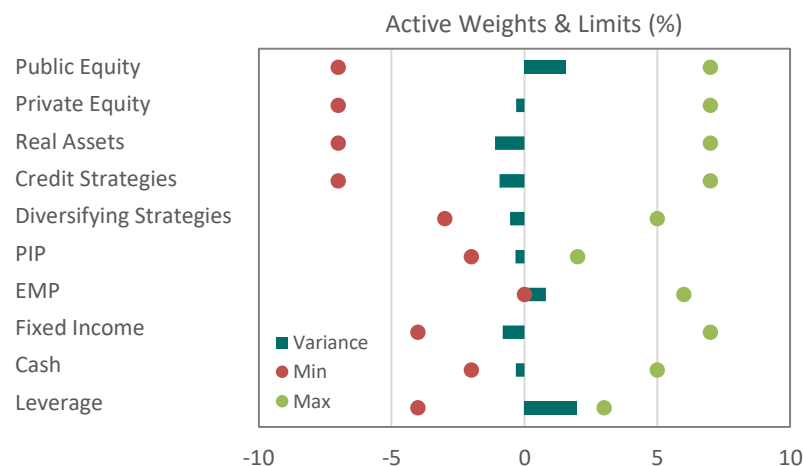
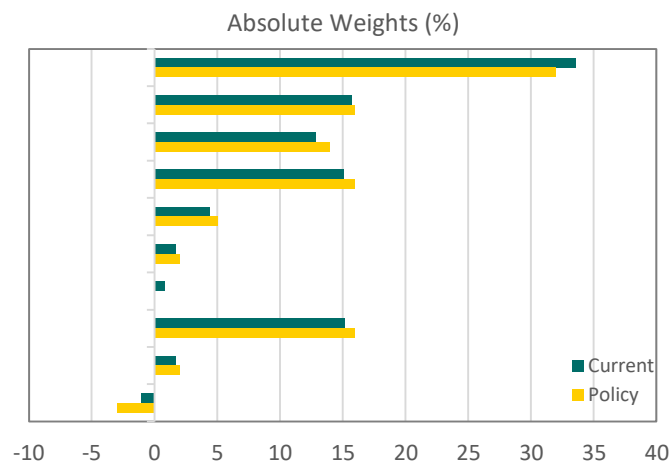
(Information provided for purposes of monitoring the cost effectiveness of leverage implementation.)

	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month	Fiscal YTD	Cal YTD	Market Value (\$MM)
Leverage	n/a	n/a	n/a	5.1	1.2	0.4	1.6	4.2	(1,303)
<i>Benchmark</i>	n/a	n/a	n/a	5.0	1.2	0.4	1.6	4.1	

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

Asset Allocation Report

October 31, 2025



Tracking Error (%)

5Yr Fund	2.3
5Yr Public	1.6

Asset Class	Billions (\$)	Weights (%)					
		Current	Policy	Variance	Min	Max	Internal
Public Equity	42.5	33.6	32.0	1.6	25	39	52
Private Equity	19.9	15.7	16.0	-0.3	9	23	14
Real Assets	16.3	12.9	14.0	-1.1	7	21	16
Credit Strategies	19.1	15.1	16.0	-0.9	9	23	5
Diversifying Strategies	5.6	4.5	5.0	-0.5	2	10	0
Private Investment Partnerships (PIP)	2.1	1.7	2.0	-0.3	0	4	0
Exposure Management Portfolio (EMP)	1.0	0.8	0.0	0.8	0	6	0
Fixed Income	19.2	15.2	16.0	-0.8	12	23	95
Cash	2.1	1.7	2.0	-0.3	0	7	0
Leverage	-1.3	-1.0	-3.0	2.0	-4	0	0
Total Fund (Net Market Value)	126.6	100.0	100.0	0.0	n.a.	n.a.	37
Total Fund (Gross Market Value)	127.9	101.0	103.0	-2.0	n.a.	n.a.	0

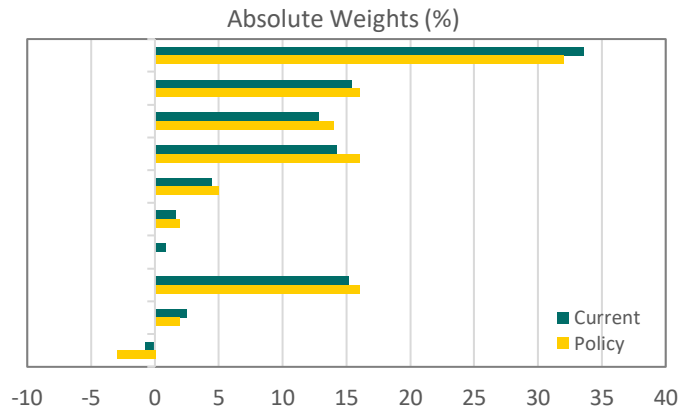
Exposures by Policy Groups

Public + Private Equity	62.4	49.3	48.0	1.3	38	58	n.a.
Fixed Income + Cash	21.4	16.9	18.0	-1.1	12	27	n.a.

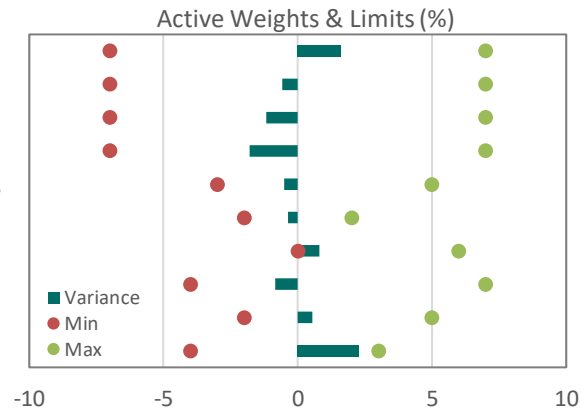
- Total Fund includes the following amount held by the Treasurer of VA: \$ 76 million
- The values shown for each asset class on this report may reflect adjustments related to derivative positions in the Rebalance Account, pending transactions and certain accruals, in order to provide a more descriptive 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 9/30/2025.
- Differences in totals are due to rounding

Daily Asset Allocation Report

December 2, 2025



Public Equity
Private Equity
Real Assets
Credit Strategies
Diversifying Strategies
PIP
EMP
Fixed Income
Cash
Leverage



Tracking Error (%)	
5Yr Fund	2.3
5Yr Public	1.6

Asset Class	Billions (\$)	Weights (%)					
		Current	Policy	Variance	Min	Max	Internal
Public Equity	42.8	33.6	32.0	1.6	25	39	52
Private Equity	19.6	15.4	16.0	-0.6	9	23	13
Real Assets	16.3	12.8	14.0	-1.2	7	21	16
Credit Strategies	18.1	14.2	16.0	-1.8	9	23	6
Diversifying Strategies	5.7	4.5	5.0	-0.5	2	10	0
Private Investment Partnerships (PIP)	2.1	1.6	2.0	-0.4	0	4	0
Exposure Management Portfolio (EMP)	1.0	0.8	0.0	0.8	0	6	0
Fixed Income	19.3	15.2	16.0	-0.8	12	23	95
Cash	3.2	2.5	2.0	0.5	0	7	0
Leverage	-0.9	-0.7	-3.0	2.3	-4	0	0
Total Fund (Net Market Value)	127.4	100.0	100.0	0.0	n.a.	n.a.	37
Total Fund (Gross Market Value)	128.3	100.7	103.0	-2.3	n.a.	n.a.	0

Exposures by Policy Groups

Public + Private Equity	62.4	49.0	48	1.0	38	58	n.a.
Fixed Income + Cash	22.5	17.7	18	-0.3	12	27	n.a.

- Total Fund includes the following amount held by the Treasurer of VA: \$ 510 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 9/30/2025
- Differences in totals are due to rounding

Program	Action	Effective Date	Commitment/ Current Value	Funding/ Defunding Period	Description
Private Equity	Hired	10/31/2025	\$300 Million	6 Years	Charlesbank XI – Middle market private equity firm that invests in industrial, healthcare, technology & technology infrastructure and business and consumer services companies.
Private Equity	Hired	11/17/2025	\$150 Million	5 Years	Lead Edge Capital Fund VII – Growth equity investment firm that invests in software, internet, and technology-enabled services companies.
Diversifying Strategies	Hired	12/01/2025	\$350 Million	Immediate	Garda Fixed Income Relative Value Opportunities Fund – A fixed income relative value hedge fund.

Report

The Defined Contribution Plans Advisory Committee (DCPAC) convened on December 4, 2025, at 1:00 p.m. and took up the following matters:

WELCOME AND INTRODUCTION

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

APPROVAL OF MINUTES

The Committee approved the minutes of its September 11, 2025, meeting.

ADMINISTRATION

Administrative Report & Communications

Staff provided an overview of the Defined Contribution Plans, as well as an update on administrative reports for the third 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 Section 603 of the federal law SECURE 2.0, which requires age-based catch-up contributions to be made as Roth contributions for participants with wages over \$150,000 in the previous year. Staff also provided an overview of advice and managed accounts, including the number of participants using each service.

DC Plans and Hybrid Plan Update

Staff provided an update on auto-escalation with the next escalation cycle occurring in January 2026. Communications have gone out to prepare employers and participants for auto-escalation. It was noted that over 145,000 active Hybrid Plan members are eligible for the January 2026 escalation. Participants who do not wish to increase their voluntary contributions may opt out during the month of December.

ORPHE Update

Staff provided an overview of ORPHE reports for the third quarter of 2025, including plan assets and accounts.

ORPHE Employer Update Report

Ms. Sanderlin provided an overview of the ORPHE Annual Employer Update hosted by VRS on September 17, 2025. She noted that nineteen participating institutions were represented.

Annual Administrative Expenses Reports

Staff provided an overview of the administrative expense report and annual cost update for FY 2025, as required by the DCPAC Charter. The report provided total participant counts, as well as direct and

indirect costs associated with administering VRS' Defined Contributions Plans. Total administrative costs related to participants and expenditures for FY 2025 were provided, along with a table containing cost data for the five-year period from FY 2021 to FY 2025.

INVESTMENTS

Performance Reports

Staff provided the Committee with its annual review as of September 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.

CEM Defined Contribution Plans Survey

Staff provided an overview of highlights from the Callan 2024 DC Trends survey, which was included in the Appendix of the meeting materials. The survey was comprised of 97 corporate plans and 23 public plans representing \$2.5 trillion in assets. Staff noted the survey results included the VRS supplemental 457 deferred compensation plan and the TIAA ORPHE Retirement Choice (RC) contract. Staff informed the Committee that asset mixes selected by plan participants among a plan's investment menu opportunity set influence a plan's total return measures. Additionally, differences in plan size and participant accounts balances are attributed to many factors including if a plan is a primary or supplemental plan, contribution, and matching rates as well as participant demographics.

OTHER BUSINESS

Code of Ethics

Staff informed the Committee that an email notification would be forthcoming that will include instructions for completing the review and affirmation of the Board of Trustees' Code of Ethics and Conduct, an annual requirement of VRS advisory committee members. Staff shared that Committee members will be able to electronically sign and submit the affirmation statement. Committee members will also receive the annual Conflict of Interest Act (COIA) filing requirement from the Virginia Conflict of Interest and Ethics Advisory Council in the next few weeks.

Discussion of New Ideas

No new ideas were presented.

2026 MEETINGS

Dr. Gooden confirmed the DCPAC meeting dates for 2026:

-
- March 12, 2026, at 1:00 pm
 - May 14, 2026, at 1:00 pm
 - September 10, 2026, at 1:00 pm
 - December 3, 2026, at 1:00 pm

There was no other business to come before the Committee.

Submitted to the Board of Trustees on December 11, 2025.

Susan T. Gooden, Chair
Defined Contribution Plans Advisory Committee

Report

The Audit and Compliance Committee (committee) met on December 11, 2025. Senator Bell welcomed committee members, board members, agency officials, representatives from stakeholder groups and other members of the public joining in person and through electronic means. The committee discussed the following:

APPROVAL OF MINUTES

The committee approved the minutes of its September 24, 2025, meeting.

EXIT ON THE AUDITOR OF PUBLIC ACCOUNTS (APA) 2025 ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR) AUDIT

The APA informed the committee they anticipate substantially completing their audit work over VRS' 2025 Annual Comprehensive Financial Report no later than December 15th and issuing an unmodified opinion on VRS' financial statements. Further, they noted their companion "Report on Internal Controls and Compliance" would be issued next month (January 2026).

ENTRANCE WITH THE APA REGARDING EMPLOYER ASSURANCES (GASB 68 AND 75)

The APA then provided the committee with an overview of the upcoming examinations designed to provide participating employers and their auditors the assurances necessary to prepare their own annual comprehensive financial statements in accordance with Governmental Accounting Standards Board Statements:

- No. 68, which focuses on employer reporting over pension plans.
- No. 75, which deals with employer reporting over other post-employment benefit plans.

The APA anticipates issuing its opinions on these matters on or about June 30, 2026.

AUDIT REPORT

The committee received one audit report.

- The review of *Health Insurance Credits and Premiums* determined overall, health insurance credits are valid and complete and health insurance premiums are properly withheld, remitted and recorded. There was 1 formal recommendation resulting from this review.

QUALITY ASSURANCE REVIEW OF THE INTERNAL AUDIT DEPARTMENT

The Audit Director presented the results of the department's Annual Quality Assurance Improvement Program Review as of June 30, 2025, noting the review concluded there is reasonable assurance VRS' Internal Audit Department generally conforms with the Global Internal Audit Standards.

MISCELLANEOUS UPDATES

The committee received the following miscellaneous updates:

Quarterly Report on Fraud, Waste and Abuse Hotline Cases

The Audit Director shared there were no fraud, waste and abuse hotline complaints reported to Internal Audit through the Office of the State Inspector General, or any other source, during the period of August 1, 2025, through October 31, 2025.

Management's Quarterly Travel Expenses and Per Diem Reports

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

Next Committee Meeting Date

The committee's next meeting is scheduled for Wednesday, March 25, 2026, at 1:00 p.m.

Respectfully submitted to the Board of Trustees on December 11, 2025.

Sen. J. Brandon Bell, II, Chair
Audit and Compliance Committee



VRS Project Portfolio
FISCAL YEAR 2026
November 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	2025						2026					
			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	●												
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	●												
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	★												
VLPD - 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	★												
FOIA Training	Operations	N/S												
ACFR	Operations	●												
PAFR	Operations	●												
LODA Annual Report	Operations	●												
GASB 67	Operations	●												
GASB 68	Operations	N/S												
GASB 74	Operations	●												
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													
ALM Backlog Prioritization	Operations													
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
ECM Solution Implementation	TBD	Project has been delayed due to complications in negotiating certain contract requirements with the selected vendor. Staff anticipates resolution in December in order to get the project back on schedule.

Red Status Items

Item	Due Date	Comments
N/A		

Realignments/Adjustments

Item	Due Date	Comments
N/A		



Director's Report

December 11, 2025

Trish Bishop, VRS Director

Conflict of Interest Act

- Conflict of Interest Act filings are due **February 2, 2026**, for the filing period covering January 1, 2025 through December 31, 2025.
- COIA Coordinator LaShaunda King will send an email with additional information in the coming weeks.
- A few reminders:
 - A \$250 late filing penalty is assessed if the deadline is missed.
 - ALL disclosures must be submitted electronically through the online filing system.
 - The Council will NOT accept any disclosures on paper or via email.



Code of Ethics and Conduct

- Michael Cooper will send emails to Board and committee members with instructions on taking the Code of Ethics and Conduct online training.
- This self-guided training is completed by Board and committee members individually.
- Upon completion of the training, Board and committee members will electronically sign and return the affirmation statement.
- **Affirmation statements are due by December 22.**





Virginia
Retirement
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Cost of Living Increase

Cost of Living Increases (COLA)

- Per § 51.1-166 of the *Code of Virginia*, VRS post-retirement supplements shall be determined annually by reference to the increase in the United States Average Consumer Price Index for all items, all urban consumers (CPI-U), as published by the Bureau of Labor Statistics of the United States Department of Labor.
- The percentages shall be based on the monthly averages and shall be the difference between (i) the average for the calendar year just ended and (ii) the average for the most recent calendar year used in the determination of the post-retirement supplements currently being paid.

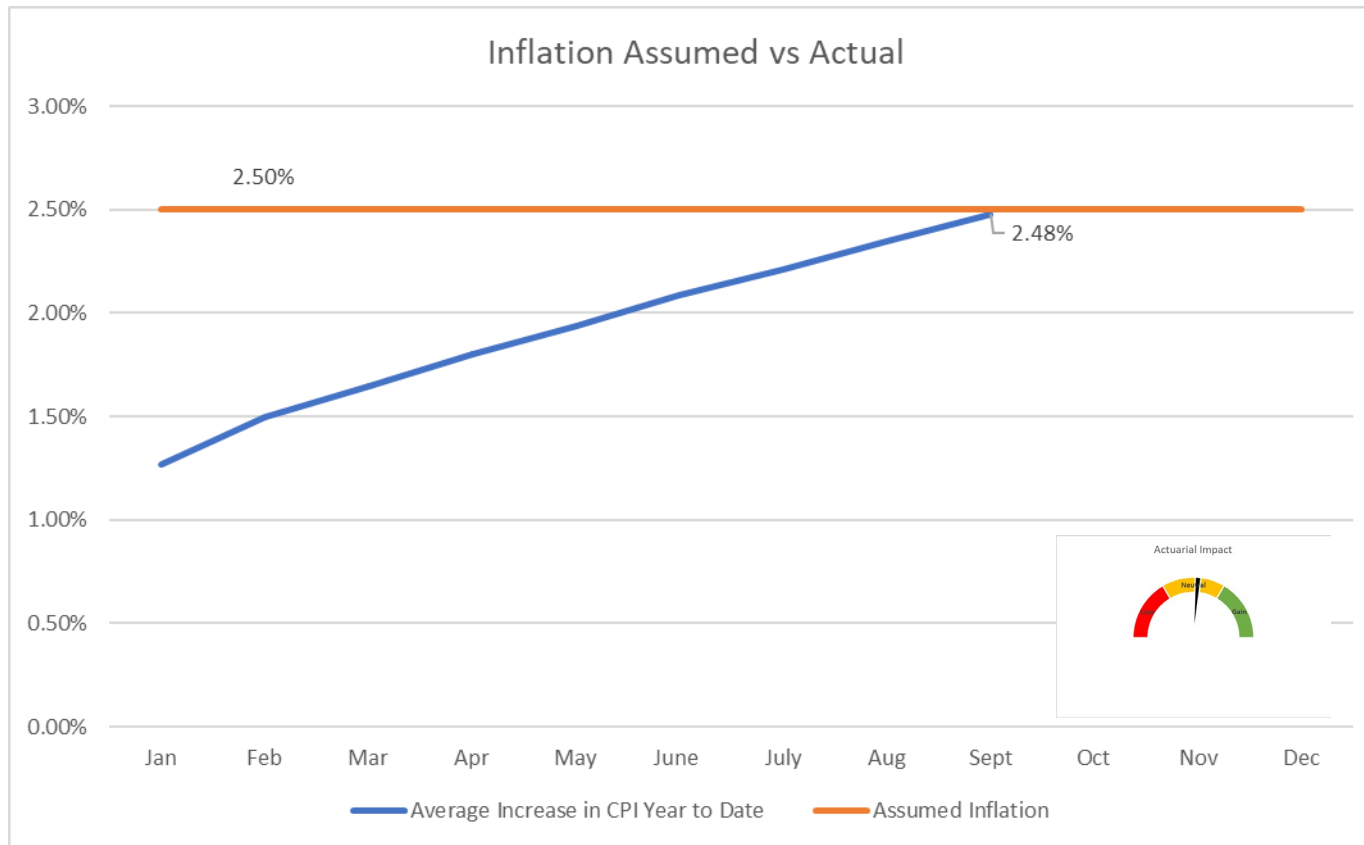
Cost of Living Increases (COLA)

- Historically BLS reports the CPI-U index each month, however in October 2025, due to the government shutdown, no value was reported.
- Since BLS historically has reported the average CPI-U for the calendar year, VRS is monitoring to see if they will still report an average for the calendar year given October was not reported.
- Assuming average will be based on 11 reported months.

Consumer Price Index for All Urban Consumers (CPI-U)

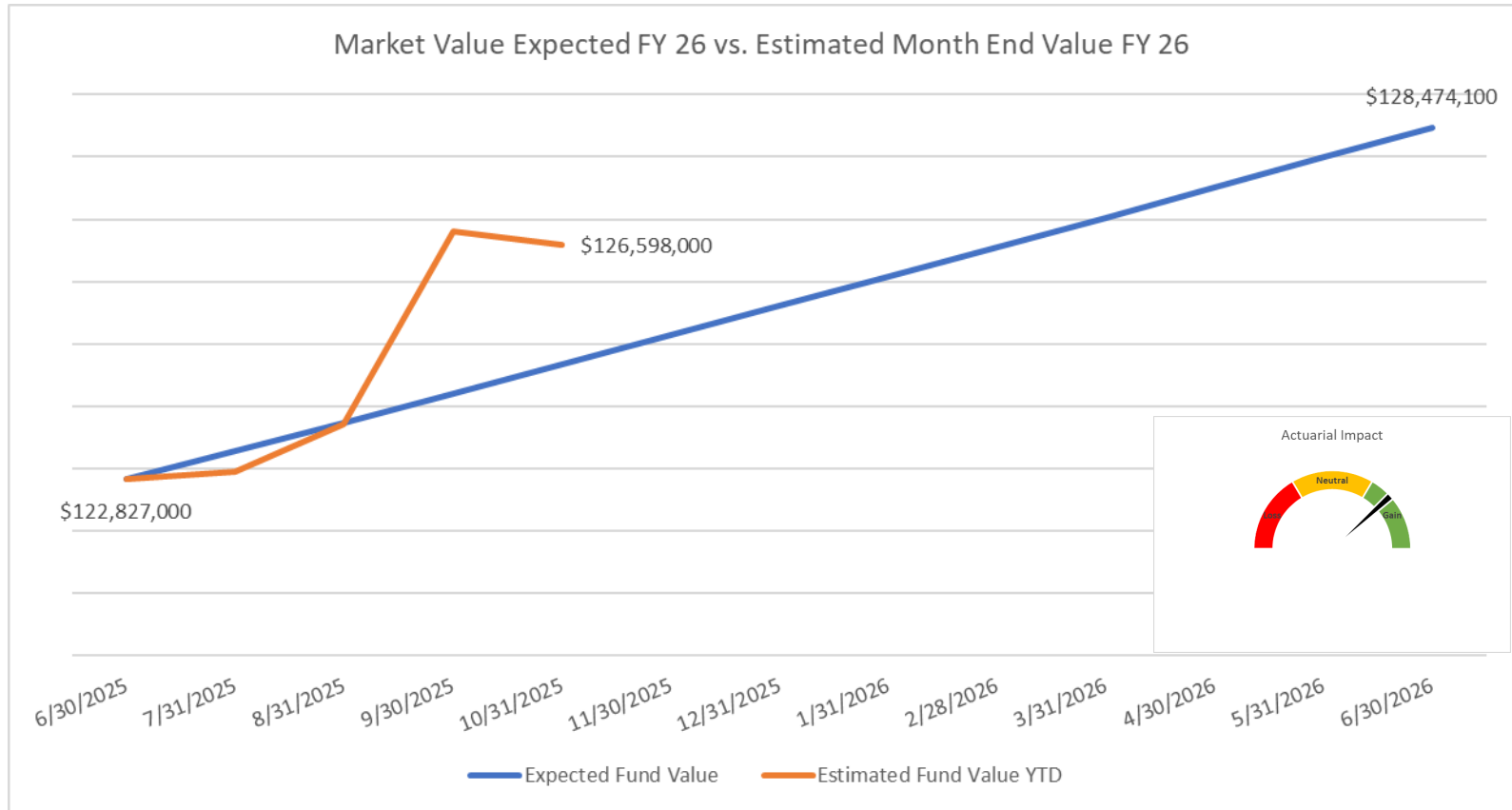
Year	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Avg	Dec-Dec	Avg-Avg
2022	281.148	283.716	287.504	289.109	292.296	296.311	296.276	296.171	296.808	298.012	297.711	296.797	292.655	6.5	8.00%
2023	299.170	300.840	301.836	303.363	304.127	305.109	305.691	307.026	307.789	307.671	307.051	306.746	304.702	3.4	4.12%
2024	308.417	310.326	312.332	313.548	314.069	314.175	314.540	314.796	315.301	315.664	315.493	315.605	313.689	2.9	2.95%
2025	317.671	319.082	319.799	320.795	321.465	322.561	323.048	323.976	324.800	Not Reported	Available Dec. 18th				

Inflation – Average Increase in CPI Year to Date



- The average CPI increase determined through September is at 2.48%, just below our assumed target of 2.50%.

Fund Market Value Actual vs Expected – FY 2026

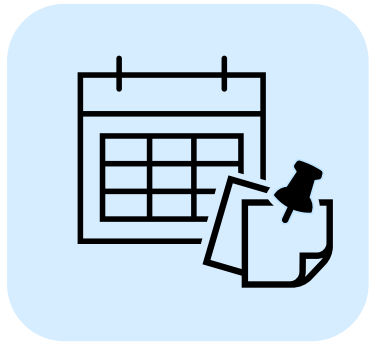


- Fund market value through October trended higher than expected as compared to linear assumed rate of return of 6.75%.



Board Preview of Meetings

Preview: January-March 2026



January

- ✦ 14 – General Assembly convenes

February

- ✦ 4 – Benefits and Actuarial Committee
- ✦ 5 – Board of Trustees

March

- ✦ 17-18 – Board Retreat



**Authorize staff to request the General Assembly
for the ability to use an alternate measure
of inflation to calculate COLAs if the
average annual CPI-U data is unavailable**

Requested Action

The VRS Board of Trustees authorizes staff to request a legislative amendment to permit the use of an alternate measure of inflation to calculate any change to post-retirement supplements in the event that the average annual increase in the United States Average Consumer Price Index for all items, all urban consumers (CPI-U), as published by the Bureau of Labor Statistics (BLS), United States Department of Labor, is unavailable for calendar year 2025.

Description/Background

Va. Code § 51.1-166 provides that individuals receiving allowances from VRS shall also receive post-retirement supplements (i.e., cost-of-living increases (COLAs)). Subsection B of Va. Code § 51.1-166 sets forth the formulae for calculating COLAs. These statutory formulae require the use of the CPI-U as the measure of inflation for calculating any COLAs.

The amounts of the post-retirement supplements shall be determined as percentages of the allowances supplemented hereby. The percentages shall be determined annually by reference to the increase in the United States Average Consumer Price Index for all items, all urban consumers (CPI-U), as published by the Bureau of Labor Statistics of the United States Department of Labor. The percentages shall be based on monthly averages and shall be the difference between (i) the average for the calendar year just ended and (ii) the average for the most recent calendar year used in the determination of the post-retirement supplements currently being paid. The annual increase, if any, in the CPI-U shall be considered only to the extent of the first two percent plus one-half of the next two percent of any additional increase, or a maximum increase in the post-retirement supplement of three percent in any given year. However, for anyone who (a) is not a person who becomes a member on or after July 1, 2010, and (b) has at least 60 months of creditable service as of January 1, 2013, the applicable annual increase, if any, in the CPI-U shall be considered only to the extent of the first three percent plus one-half of the next four percent of any additional increase, or a maximum increase in the post-retirement supplement of five percent in any given year. If the difference in the percentages determined above is zero or less, the post-retirement supplements shall either not commence or shall continue unchanged until such time as an annual determination results in a difference in the percentages that are greater than zero. A participant in the hybrid retirement program described in § 51.1-169 shall be considered to be a person who becomes a member on or after July 1, 2010, for the purposes of this section.

Due to the effects of the 2025 shutdown of the federal government, BLS has stated that the October CPI report will not be published. Therefore, all necessary CPI data may not be available in order to allow the calculation of any COLAs in accordance with the statutory formulae set forth in Va. Code § 51.1-166(B).

Rationale for Requested Action

This RBA seeks Board authority for staff to seek a legislative amendment to permit the use of an alternate measure of inflation to calculate COLAs should the average annual increase in the CPI-U for the prior calendar year be unavailable. This amendment would likely take the form of an amendment to the Appropriation Act to underscore the limited scope of the proposed change. Specifically, staff would request the following language be added to the Appropriation Act:

Notwithstanding the provisions of § 51.1-166(B), Code of Virginia, requiring the calculation of the amount of post-retirement supplements based on the average increase for the prior calendar year in the United States Average Consumer Price Index for all items (CPI-U), as published by the Bureau of Labor Statistics, U.S. Department of Labor, in the event the Bureau of Labor Statistics does not publish an average annual CPI-U for the prior calendar year, the Board may use an alternate measure of the rate of inflation which the Board determines is reliable and generally acceptable.

The final language of any amendment may differ from the above as the General Assembly necessarily has the final decision on the language of legislative amendments.

Authority for Requested Action

Code of Virginia § 51.1-124.22(A)(8) authorizes the Board to make determinations necessary to carry out the provisions of Title 51.1 and Section IV.H.17 of the Board of Trustees Governance Policy provides that the Board shall approve legislation to be introduced at VRS's request.

The above action is approved.

A. Scott Andrews, Chair
VRS Board of Trustees

Date