



January 30, 2026

MEMORANDUM

TO: VRS Board of Trustees

FROM: Patricia S. Bishop
Director

RE: Agenda Materials for February 5th Board Meeting

We are looking forward to the February 5th Board meeting beginning at 1:00 p.m. The meeting will be held in the **State Corporation Commission (SCC) building located at 1300 E. Main St., Richmond, VA 23219, Courtroom B**. Enclosed are the agenda and meeting materials.

On February 5th, we ask that all Board members park in the VRS parking deck and meet in the lobby at the VRS headquarters building, 1200 E. Main St., at 10:45 a.m. A staff member will escort you to the SCC building prior to the start of the Investment Policy Committee meeting at 11:00 a.m. Entry into the SCC building will require going through security screening and check-in. **Please be sure to bring your VRS ID badge.** Boxed lunches will be available at the SCC beginning at 12:15 p.m. If your schedule does not allow you arrive at the VRS main building early, please plan to arrive at the SCC Building at least 10 minutes before the meeting starts to clear security and check-in. Board members will be escorted back to the VRS headquarters building at the conclusion of the meeting as well.

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 |
|----------------------------------|---|--|
| Benefits and Actuarial Committee | Wednesday, February 4 th , 1:00 p.m. | State Corporation Commission, 1300 E. Main Street, Courtroom B |
| Investment Policy Committee | Thursday, February 5 th , 11:00 a.m. | State Corporation Commission, 1300 E. Main Street, Courtroom B |
| Board of Trustees | Thursday, February 5 th , 1:00 p.m. | State Corporation Commission, 1300 E. Main Street, Courtroom B |

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
State Corporation Commission Building, Courtroom B
1300 E. Main Street Richmond, VA 23219
Thursday, 2/5/2026
1:00 - 3:30 PM ET

I. Approve Minutes

- **December 11, 2025**
12.11.25 Board Meeting Minutes - Page 3

II. Report of the Investment Policy Committee

Report of the Investment Policy Committee (2) - Page 10

III. Report of the Chief Investment Officer

CIO Report - February 2026 - Page 11

Performance Summary 11.30.25 - Page 19

Asset Allocation Report - November 2025 - Page 20

Daily Asset Allocation Report 1.26.26 - Page 21

New Investments and Terminations 2.5.26 - Page 22

DIME Quarterly Summary - QE December 2025 - Page 23

External Manager Referral Quarterly Summary - QE December 2025 - Page 29

IV. Report of the Benefits and Actuarial Committee

Report of the Benefits and Actuarial Committee - Page 30

Audit COLA Memorandum - Page 32

- **RBA: Approval of July 1, 2026 increase relating to VSDP creditable compensation and VSDP COLA**
RBA for VSDP COLA 2026 - Page 37
- **RBA: Approval of July 1, 2026 increase relating to VLDP creditable compensation**
RBA for VLDP COLA 2026 - Page 39

V. Custodial and Signature Authorization Resolution

Custodial Authorization 2.26 updated redlined - Page 40

Custodial Authorization 2.26 updated clean - Page 44

Signature Authorization 2.26 updated redlined - Page 48

Signature Authorization 2.26 updated clean - Page 52

VI. Commending Resolution for The Honorable J. Brandon Bell II

Resolution Honorable J. Brandon Bell II - Page 55

VII. Legislative Update

Legislative Update.pdf - Page 56

VIII. Report of the Director

FY 2026 Agency Roadmap Update - December - Page 82

Director's Report - Page 84

Minutes

A regular meeting of the Virginia Retirement System Board of Trustees was held on December 11, 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
John M. Bennett
J. Clifford Foster, IV
Susan T. Gooden, Ph.D.
Jessica L. Hood
Hon. Matthew James
Lindsey K. Pantele (*attended remotely from Henrico, VA under § 2.2-3708.3(B)(4)*)

VRS Staff:

Patricia Bishop, Andrew Junkin, Jennifer Schreck, Stephen Adelaar, Advait Apte, Rory Badura, Matt Bennett, Judy Bolt, Ty Bowers, Lee Buchanan, Jessica Budd, Caroline Cardwell, Dorothy Chiddo, Michael Cooper, Perry Corsello, David Cotter, Sara Denson, Valerie Disanto, Curtis Doughtie, Kenji Epling, Laurie Fennell, Laura Fields, Josh Fox, Katherine Grawe, JT Grier, KC Howell, Taylor Irving, Sandy Jack, Mengting Kim, LaShaunda King, Kristina Koutrakos, Matthew Lacy, Daniel Lipok, Chung Ma, Curt Mattson, Scott Mootz, Walker Noland, Greg Oliff, Matt Priestas, Mark Rein, Gregory Salvati, Dan Schlussler, Kristy Scott, Michael Scott, Amethyst Sloane, Virginia Sowers, Jummai Sarki-Hurd, Larry Tentor, Korey Turner and Daniel Whitlock.

Guests:

Jeremy Bennett, Virginia Association of Counties; Joe Ebisa, WithIntelligence; Lisa Giaffo, Osmosis; Jacob Hodges, Encore; Alexandra Jansson and Kimberly Sarte, Joint Legislative Audit and Review Commission; Elizabeth Myers, Office of the Attorney General; Marshall Ren, J.P. Morgan; Ben Sheng, FundFire; and Sabrina Ticer-Wurr, MandateWire.

The meeting convened at 1:00 p.m.

Opening Remarks

Mr. Andrews called the meeting to order and welcomed everyone to the December 11, 2025, meeting of the Virginia Retirement System Board of Trustees.

Approval of Minutes

Following a motion by Senator Bell, and a second by Dr. Gooden, the VRS Board of Trustees unanimously approved the minutes from its November 13, 2025, meeting.

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.

Mr. Andrews thanked Mr. Junkin for his report.

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 December 4, 2025, and placed it on file.

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 more than 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 CEM 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 account balances are attributed to many factors including if a plan is a primary or supplemental plan, contributions, 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

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 December 11, 2025, and placed it on file.

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.

Mr. Andrews thanked Senator Bell for his report.

Report of the Director

Ms. Bishop, Director, began her report with an update on the agency roadmap for FY 2026, noting all projects are progressing while noting that the Enterprise Content Management System Implementation has been delayed. Staff has been diligently working with the vendor and anticipates resolution to bring the project back on schedule.

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

- The annual Conflict of Interest Act (COIA) filing is due by February 2, 2026, for Statements of Economic Interests and Financial Disclosure statements. The filing period covers January 1, 2025, to December 31, 2025.
- The annual Code of Ethics and Standards of Conduct training will be distributed to the Board electronically.



- Cost-of-Living adjustments (COLAs) were discussed with the Board. Historically, the Bureau of Labor Statistics (BLS) reports the Consumer Price Index (CPI-U) index each month. However, in October 2025, due to the government shutdown, no value was reported. VRS is monitoring to see if they will still report an average for the calendar year given October was not reported. 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 Board considered the Request for Board Action to request a legislative amendment to permit use of an alternate measure of inflation to calculate cost-of-living adjustments (COLAs) if the Average Annual CPI-U is unavailable.

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

RBA: 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 is Unavailable

Request for Board Action 2025-12-28: 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.

Ms. Bishop continued the Director's Report discussing key measures related to the Defined Benefit Plan and how they are tracking compared to assumptions. Rory Badura, Senior Actuary, updated the Board on inflation and actual versus expected market value. Andrew Junkin addressed fund market values and investment returns net of benefit payments and contributions.

Lastly, Ms. Bishop gave a preview of upcoming meetings:

- Benefits and Actuarial Committee – February 4 at 1:00 p.m.
- Board of Trustees – February 5 at 1:00 p.m.
- Board Retreat – March 17 & 18

Mr. Andrews thanked Ms. Bishop for her report.

Adjournment

There being no further business and following a motion by Senator Bell, with a second by Delegate James, the VRS Board of Trustees agreed to adjourn the meeting at 1:29 p.m.

Chair

Secretary

Report

The Investment Policy Committee met on February 5, 2026, and discussed the following:

APPROVAL OF MINUTES

Due to the lack of a physical quorum, the minutes from the June 20, 2024 meeting were unable to be approved.

EDUCATIONAL PRESENTATION ON INVESTMENT BENCHMARKS

Andrew Junkin, Chief Investment Officer, presented a Benchmark Overview that included the current status and benchmark alternatives for Private Equity, Credit Strategies and Diversifying Strategies. Mercer, a consultant, has been hired to review benchmark and hurdle rates as part of our regular schedule of independent review. These reports will be presented to the Board in April. Any approved changes will be implemented no earlier than July 1, 2026.

Submitted to the Board of Trustees on February 5, 2026.

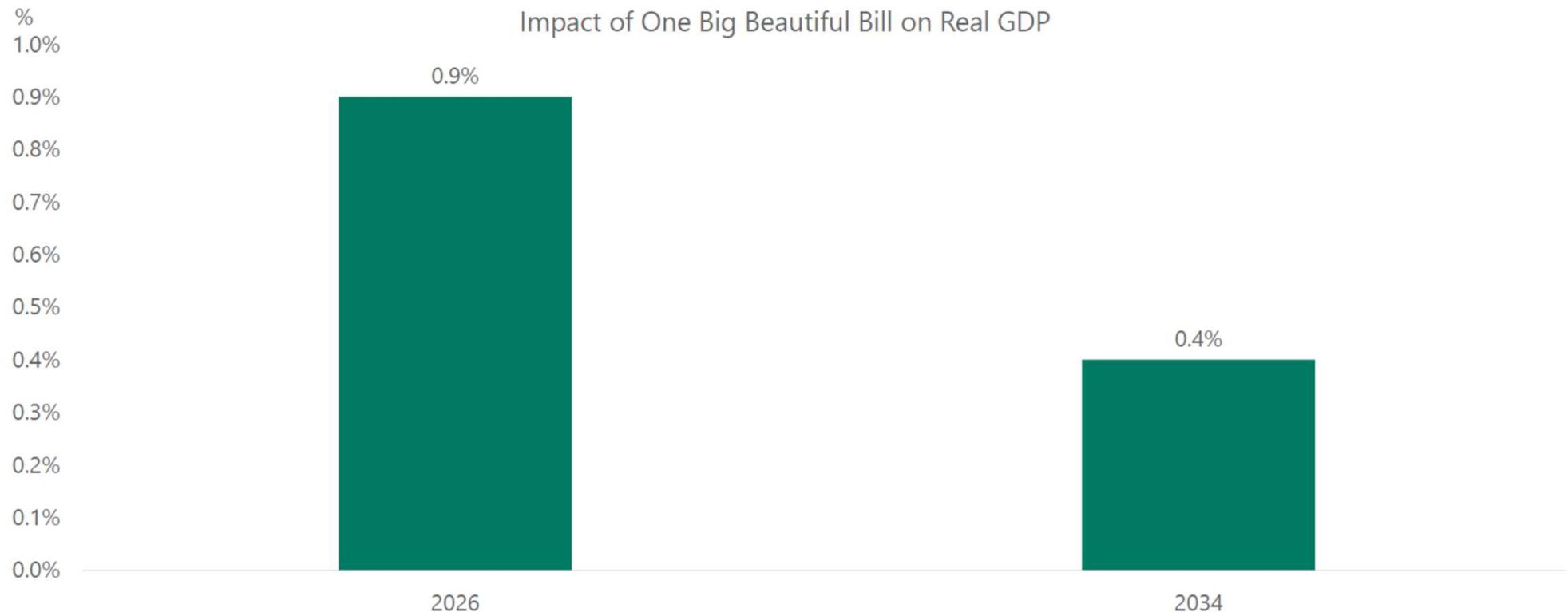
A. Scott Andrews, Chair
Investment Policy Committee



Chief Investment Officer Report

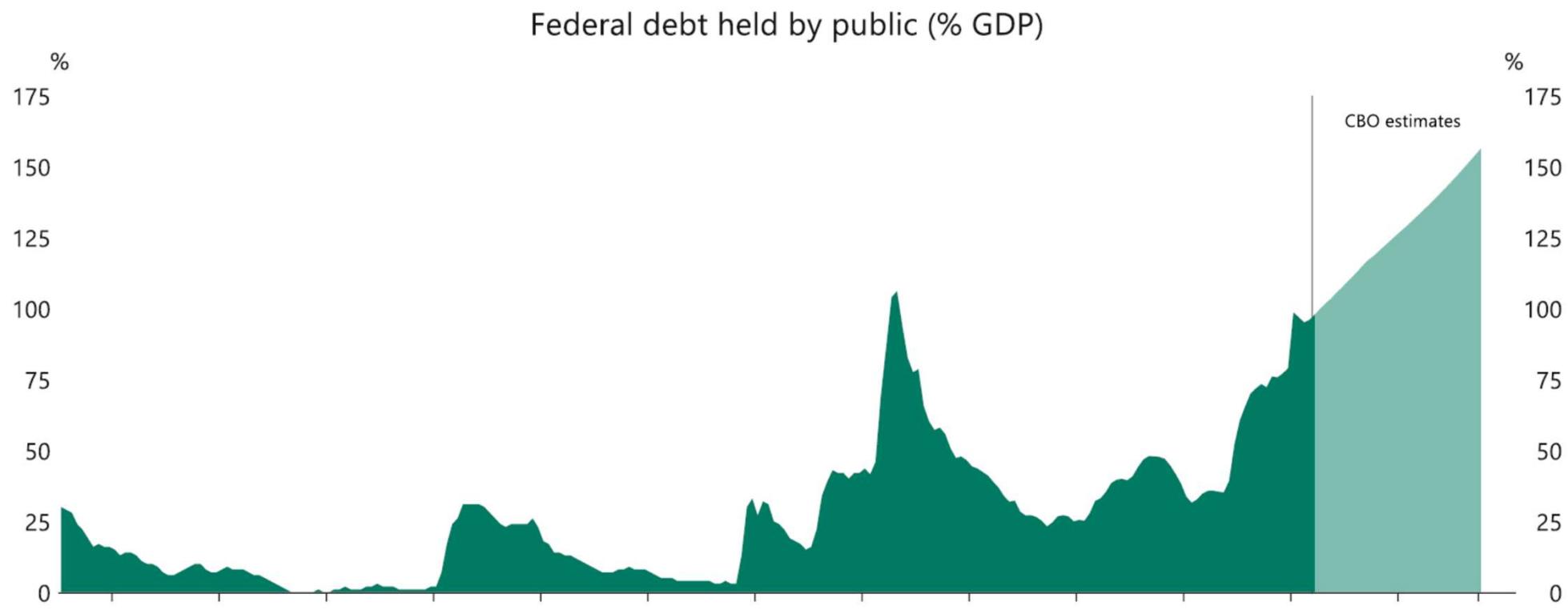
Market Review – February 2026
Andrew Junkin

Fiscal policy is stimulative



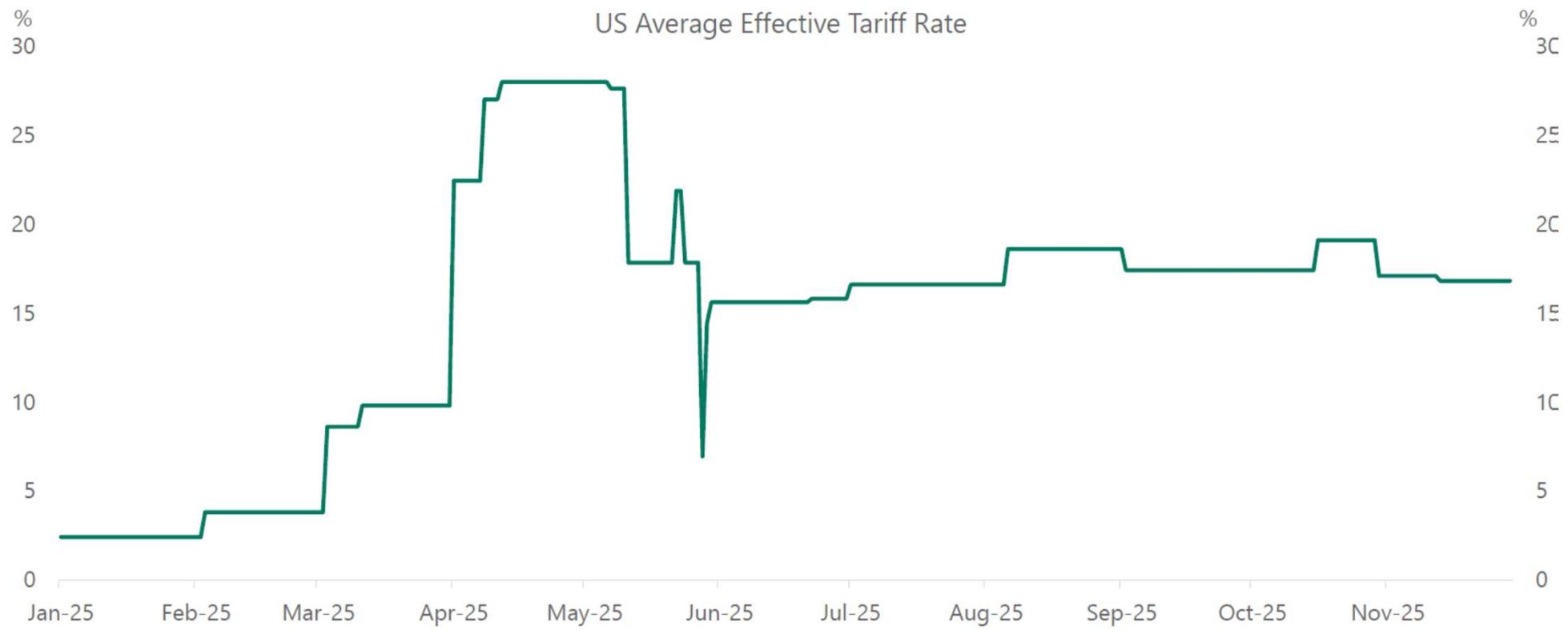
Source: CBO, [H.R. 1, One Big Beautiful Bill Act](#), Apollo Chief Economist.

Fiscal policy has a cost

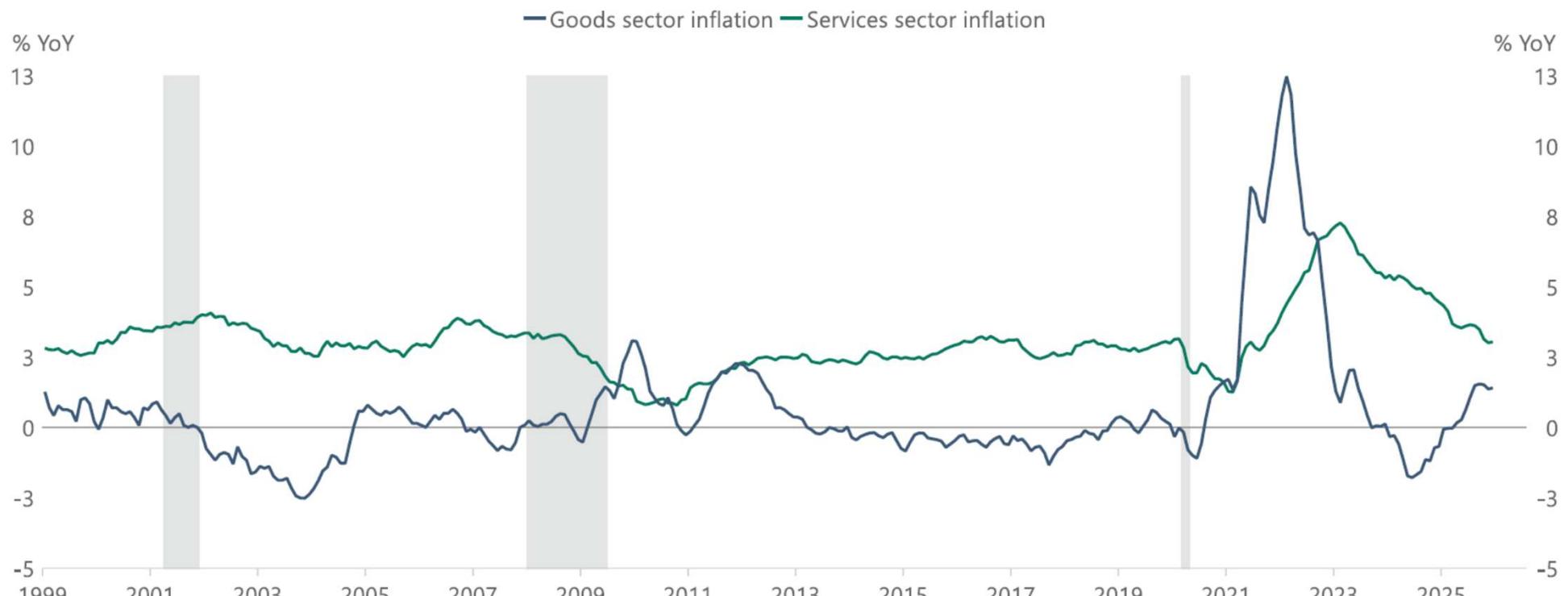


Source: U.S. Congressional Budget Office (CBO), Macrobond, Apollo Chief Economist

Tariffs are higher but not fixed



Keeping inflation sticky



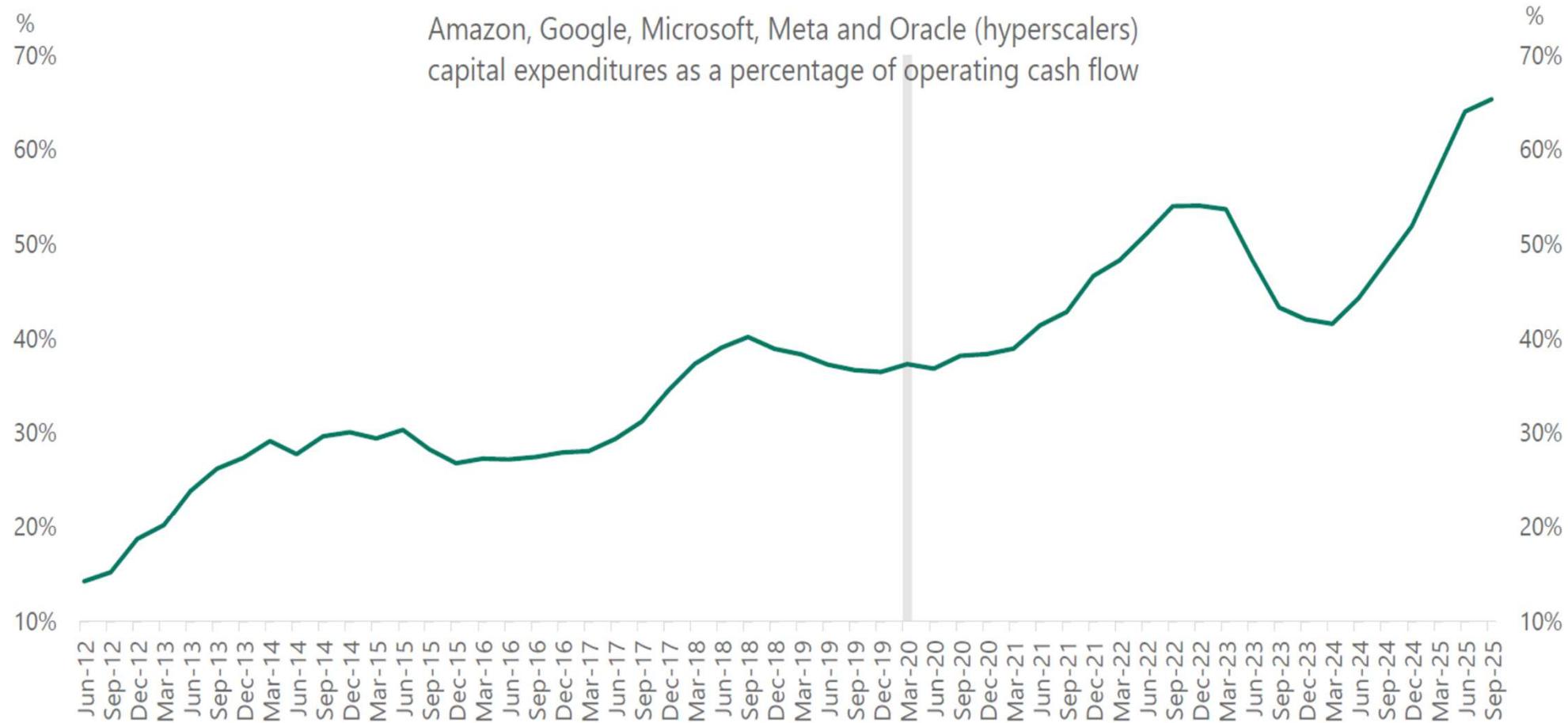
Source: U.S. Bureau of Labor Statistics (BLS), Macrobond, Apollo Chief Economist

Long-term rates higher now



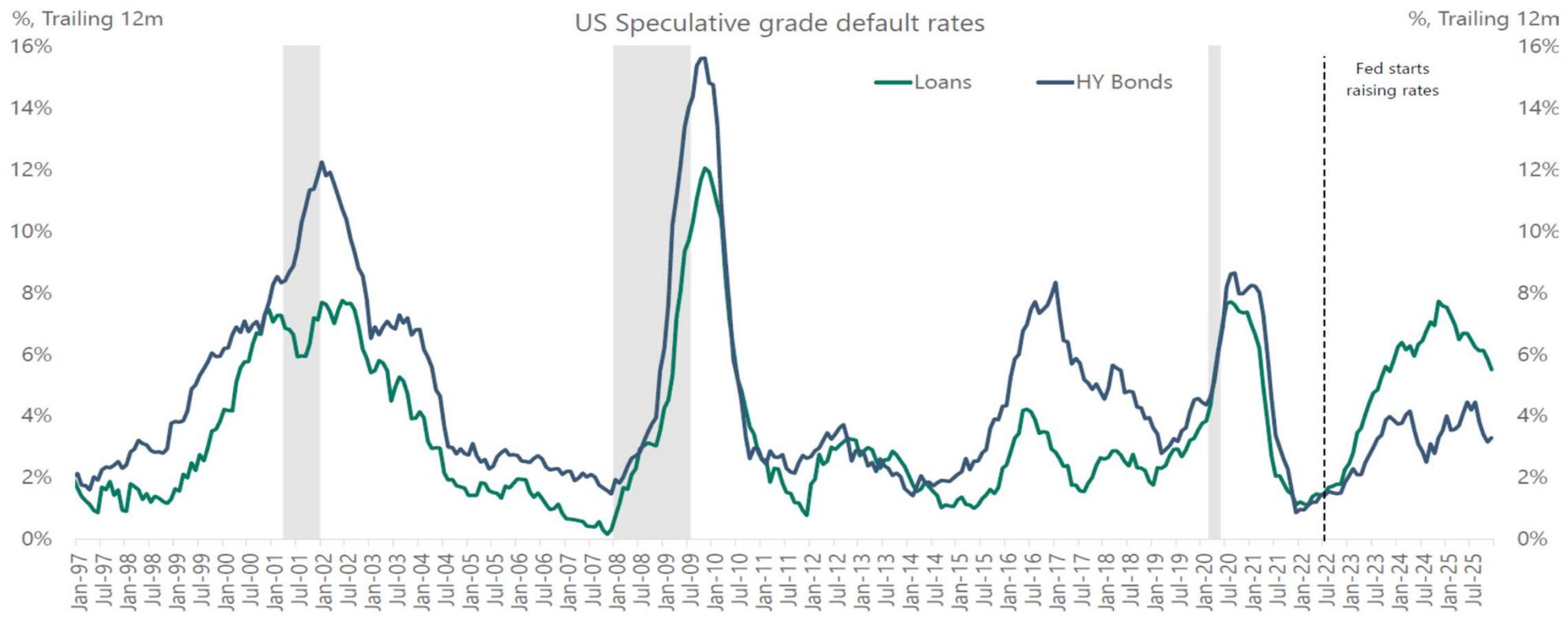
Source: Federal Reserve, U.S. Department of Treasury, Macrobond, Apollo Chief Economist

The AI buildout is real



Source: Bloomberg, Apollo Chief Economist

Credit metrics improving



PERFORMANCE SUMMARY

Rolling Periods Ending

November 30, 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 | 10.9 | 12.8 | 18.5 | 17.8 | 5.0 | 1.1 | 8.9 | 21.4 | 42,660 |
| <i>Benchmark</i> | 10.9 | 11.6 | 17.8 | 16.2 | 5.1 | 0.6 | 8.6 | 19.8 | |
| Total Private Equity | 14.0 | 14.9 | 5.7 | 7.9 | 2.3 | 0.0 | 2.3 | 5.7 | 19,631 |
| <i>Benchmark</i> | 13.3 | 12.8 | 18.1 | 16.1 | 8.7 | 2.6 | 16.2 | 14.0 | |
| Total Real Assets | 7.2 | 6.5 | 0.2 | 4.3 | 1.2 | 0.0 | 1.3 | 3.5 | 16,338 |
| <i>Benchmark</i> | 5.1 | 4.0 | -2.0 | 4.3 | 1.0 | 0.3 | 1.7 | 4.1 | |
| Total Credit Strategies | 7.6 | 8.5 | 10.2 | 10.2 | 3.5 | -0.1 | 4.3 | 8.2 | 18,045 |
| <i>Benchmark</i> | 6.1 | 5.6 | 9.2 | 6.7 | 1.4 | 0.5 | 2.8 | 6.7 | |
| Total Diversifying Strategies | n/a | 5.8 | 6.9 | 6.8 | 2.3 | 0.4 | 3.2 | 5.8 | 5,994 |
| <i>Benchmark</i> | n/a | 5.0 | 7.9 | 6.8 | 1.6 | 0.5 | 2.7 | 6.1 | |
| Total Private Investment Partnerships | 8.5 | 12.0 | 7.7 | 9.2 | 2.7 | 0.0 | 2.7 | 5.2 | 2,086 |
| <i>Benchmark</i> | 7.7 | 7.8 | 8.0 | 9.0 | 3.6 | 1.1 | 6.7 | 8.2 | |
| Total Fixed Income | 3.0 | 0.8 | 5.7 | 6.9 | 2.8 | 0.7 | 4.0 | 8.6 | 19,363 |
| <i>Benchmark</i> | 2.1 | 0.0 | 5.0 | 6.1 | 2.4 | 0.6 | 3.5 | 7.8 | |
| Total Fund | 8.7 | 9.4 | 9.7 | 10.7 | 3.2 | 0.5 | 4.9 | 11.1 | 127,706 |
| <i>VRS Custom Benchmark</i> | 8.1 | 7.8 | 11.1 | 10.8 | 3.8 | 0.9 | 6.6 | 11.7 | |

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.)

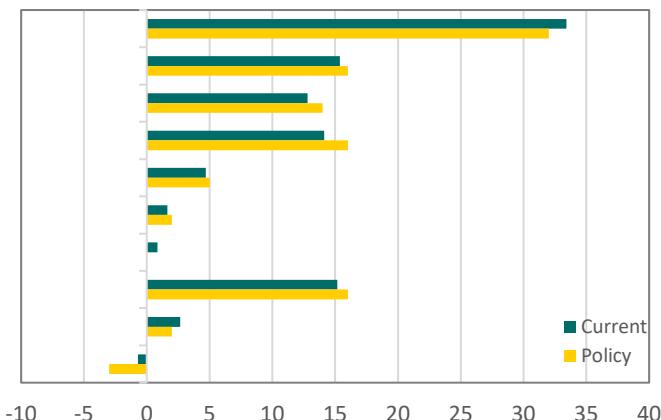
| | 10 Yr | 5 Yr | 3 Yr | 1 Yr | Qtr | Month | Fiscal YTD | Cal YTD | Market Value (\$MM) |
|------------------|------------|------------|------------|------------|------------|------------|------------|------------|---------------------|
| Leverage | n/a | n/a | n/a | 5.0 | 1.1 | 0.4 | 2.0 | 4.5 | (904) |
| <i>Benchmark</i> | n/a | n/a | n/a | 5.0 | 1.2 | 0.3 | 2.0 | 4.5 | |

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

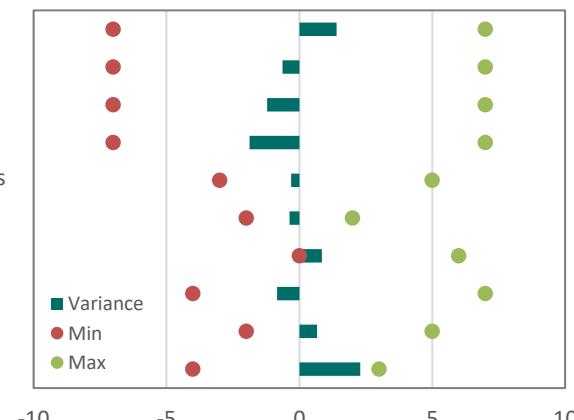
Asset Allocation Report

November 30, 2025

Absolute Weights (%)



Active Weights & Limits (%)



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

| Asset Class | Billions (\$) | Current | Policy | Variance | Min | Max | Internal |
|---------------------------------------|---------------|--------------|--------------|------------|------|------|-----------|
| Public Equity | 42.7 | 33.4 | 32.0 | 1.4 | 25 | 39 | 53 |
| Private Equity | 19.6 | 15.4 | 16.0 | -0.6 | 9 | 23 | 14 |
| Real Assets | 16.3 | 12.8 | 14.0 | -1.2 | 7 | 21 | 16 |
| Credit Strategies | 18.0 | 14.1 | 16.0 | -1.9 | 9 | 23 | 5 |
| Diversifying Strategies | 6.0 | 4.7 | 5.0 | -0.3 | 2 | 10 | 0 |
| Private Investment Partnerships (PIP) | 2.1 | 1.6 | 2.0 | -0.4 | 0 | 4 | 0 |
| Exposure Management Portfolio (EMP) | 1.1 | 0.9 | 0.0 | 0.9 | 0 | 6 | 0 |
| Fixed Income | 19.4 | 15.2 | 16.0 | -0.8 | 12 | 23 | 95 |
| Cash | 3.4 | 2.7 | 2.0 | 0.7 | 0 | 7 | 0 |
| Leverage | -0.9 | -0.7 | -3.0 | 2.3 | -7 | 0 | 0 |
| Total Fund (Net Market Value) | 127.7 | 100.0 | 100.0 | 0.0 | n.a. | n.a. | 37 |
| Total Fund (Gross Market Value) | 128.6 | 100.7 | 103.0 | -2.3 | n.a. | n.a. | 0 |

Exposures by Policy Groups

| | | | | | | | |
|-------------------------|------|------|------|------|----|----|------|
| Public + Private Equity | 62.3 | 48.8 | 48.0 | 0.8 | 38 | 58 | n.a. |
| Fixed Income + Cash | 22.8 | 17.8 | 18.0 | -0.2 | 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

Report Type: Daily Date: 1/26/2026

Daily Asset Allocation Report

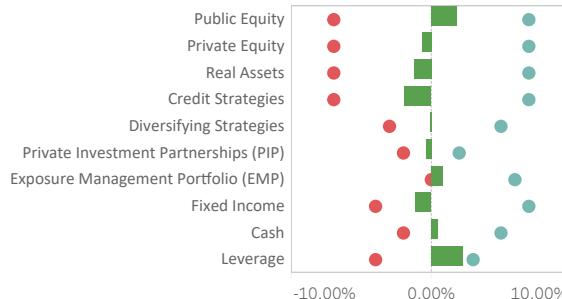
Hierarchy: Asset Allocation Hierarchy

Current
Policy

January 26, 2026



Active Weights & Limits (%)



Tracking Error

| | |
|------------------|------|
| 5Yr-Total Fund | 2.3% |
| 5Yr-Total Public | 1.6% |

| Weights (%) | | | | | | | |
|---------------------------------------|---------------|---------------|---------------|--------------|-----|-----|------------|
| Asset Class | Billions (\$) | Current | Policy | Variance | Min | Max | Internal |
| Public Equity | 44.2 | 33.8% | 32.0% | 1.8% | 25% | 39% | 53% |
| Private Equity | 20.0 | 15.3% | 16.0% | -0.7% | 9% | 23% | 13% |
| Real Assets | 16.6 | 12.7% | 14.0% | -1.3% | 7% | 21% | 17% |
| Credit Strategies | 18.4 | 14.1% | 16.0% | -1.9% | 9% | 23% | 6% |
| Diversifying Strategies | 6.4 | 4.9% | 5.0% | -0.1% | 2% | 10% | |
| Private Investment Partnerships (PIP) | 2.1 | 1.6% | 2.0% | -0.4% | 0% | 4% | |
| Exposure Management Portfolio (EMP) | 1.2 | 0.9% | 0.0% | 0.9% | 0% | 6% | |
| Fixed Income | 19.4 | 14.9% | 16.0% | -1.1% | 12% | 23% | 95% |
| Cash | 3.2 | 2.4% | 2.0% | 0.4% | 0% | 7% | |
| Leverage | -0.9 | -0.7% | -3.0% | 2.3% | -7% | 0% | |
| Asset Class | Billions (\$) | Current | Policy | Variance | Min | Max | Internal |
| Total Fund | 130.6 | 100.0% | 100.0% | 0.0% | | | |
| Total Fund With Leverage | 131.5 | 100.7% | 103.0% | -2.3% | | | 37% |

Exposures by Policy Groups

| | | | | | | |
|-------------------------|------|-------|-------|-------|-----|-----|
| Public + Private Equity | 64.1 | 49.1% | 48.0% | 1.1% | 38% | 58% |
| Fixed Income + Cash | 22.6 | 17.3% | 18.0% | -0.7% | 12% | 27% |

Total Fund includes the following amount held by the Treasurer of VA: \$479.38M

*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 | 12/11/2025 | \$300 Million | 6 years | Leonard Green X – Focuses on investing in market-leading companies providing services, including consumer, healthcare, and business services, as well as distribution and industrial. |
| Credit Strategies | Hired | 12/22/2025 | \$250 Million | 3 years | ACORE Credit Partners III – A closed-end fund investing in newly originated mortgages secured by transitional commercial real estate. |
| Public Equity | Terminated | 12/31/2025 | \$236 Million | Immediate | Select Equity Cooper Square - An international long-short equity strategy. |
| Exposure Management Portfolio | Hired | 01/22/2026 | \$35 Million | 5 years | JP Morgan – A private co-investment in an AI related company. |

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending December 31, 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 | Virtual Manager Meeting | Fithian Investment Advisors (women-owned firm) ¹ | Manager focused on a long-only global strategy. | Staff had a meeting with the manager to discuss their firm and strategy. |
| Public Equity | Manager Meeting | GQG Partners (minority-owned firm) ¹ | Manager focused on long-only global and emerging markets equity strategies. | Staff had an update call with this manager to discuss their company and strategy. |
| Public Equity | Manager Meeting | Strategic Global Advisors (SGA) (women-owned firm) ¹ | Manager focused on international, global, and small-cap strategies. | Staff had an update call with this manager to discuss their company and strategy. |
| Public Equity | Manager Meeting | Tiger Pacific Capital (minority-owned firm) ¹ | Manager focused on Asia long/short investments. | Staff had an update call with this manager to discuss their company and strategy. |
| Credit Strategies | Communication with Fund Manager | Clearlake Capital (minority-owned firm) ¹ | A structured credit investing platform manager focused on subordinated debt. | Staff reviewed materials associated with the fund. |
| Credit Strategies | Communication with Fund Manager | Hudson Cove (minority-owned firm) ¹ | A private credit manager focused on opportunistic investments. | Staff reviewed materials associated with the fund. |

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending December 31, 2025

| Investment Program | Activity | Manager Name | Description | VRS Action |
|---|---|--|--|--|
| Credit Strategies | Communication with Fund Manager | Pharmakon (minority-owned firm) ¹ | A private credit manager focused on venture debt in the biopharmaceutical space. | Staff reviewed materials associated with the fund. |
| Credit Strategies | Communication with Fund Manager | Vista Credit Partners (minority-owned firm) ¹ | A private credit manager focused on enterprise software debt investments. | Staff reviewed materials associated with the fund. |
| 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. |
| Credit Strategies and Real Assets | Virtual Manager Meeting | Basis Investment Group (women and minority-owned firm) ¹ | U.S. focused, real estate debt manager. | Staff had an update meeting with the manager to discuss their firm and strategy. |
| Real Assets | On-Going Monitoring of Current VRS Manager | Ambrose Real Estate (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 | 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. |
| 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. |

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending December 31, 2025

| Investment Program | Activity | Manager Name | Description | VRS Action |
|--------------------|--|---|---|--|
| 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 | Communication with Fund Manager | Newport Capital Group (service-disabled veteran) ¹ | Value-add real estate manager focused on neighborhood, needs based retail throughout the U.S. | Staff had communication with the manager during the quarter. |
| 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. |
| Real Assets | Virtual Manager Meeting | Westlake Realty (minority and women-owned firm) ¹ | Manager focused on western industrial outdoor storage (IOS) consolidation. | Staff had a meeting with the manager during the quarter. |

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending December 31, 2025

| Investment Program | Activity | Manager Name | Description | VRS Action |
|---------------------------|--|--|---|--|
| Private Equity | Manager Meeting | Alignment Growth (minority-owned firm) ¹ | Manager focused on growth-stage, privately held companies across media, entertainment, and gaming. | Staff had a meeting with the manager during the quarter. |
| Private Equity | On-Going Monitoring of Current VRS Manager | Asia Alternatives (women and minority-owned firm) ¹ | A fund of funds manager focused on alternative investing in Asia. | Staff had a meeting 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 manager focused on targeting companies across various industry sectors. | Staff had a meeting with the manager during the quarter. |
| Private Equity | Virtual Manager Meeting | Constellation Capital (women-owned firm) ¹ | Manager focused on early-stage consumer goods companies within the health and wellness space. | Staff had a meeting with the manager during the quarter. |
| Private Equity | Manager Meeting | Greenhall Capital (minority-owned firm) ¹ | An operationally focused impact private equity firm focused on making control equity investments in business services, technology, media, and telecom (TMT), and industrials sectors. | Staff had a meeting with the manager during the quarter. |
| Private Equity | Attendance at DIME Conference | Grosvenor Consortium Conference | A conference focused on small, emerging, and diverse investment managers. | Staff attended the event during the quarter. |
| Private Equity | Manager Meeting | GrowthCurve (minority-owned firm) ¹ | Private equity firm focused on investing in data-rich businesses, leveraging a proprietary approach | Staff had a meeting with the manager during the quarter. |

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending December 31, 2025

| Investment Program | Activity | Manager Name | Description | VRS Action |
|--------------------|---|---|---|---|
| | | | to unlock the power of a company's data through AI, digital transformation, and human capital to accelerate growth and create sustainable value. | |
| Private Equity | Virtual Manager Meeting | Invictus Growth Management (minority-owned firm) ² | Manager focused on technology companies, with a focus on cybersecurity, SaaS, fintech, and cloud software. | Staff had a meeting with the manager during the quarter. |
| Private Equity | Virtual Manager Meeting | Invidia Capital (women and minority-owned firm) ¹ | A healthcare-focused private equity firm focused on buyouts in North America. | Staff had a meeting with the manager during the quarter. |
| Private Equity | 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 a meeting with the manager during the quarter. |
| 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. |
| Private Equity | On-Going Monitoring of Current VRS Manager | SIRIS Capital (minority-owned firm) ¹ | A middle market buyout firm focused on making control investments in data/telecommunications, technology, and technology-enabled business service companies in North America. | Staff had a meeting with the manager during the quarter. |
| Private Equity | On-Going Monitoring of | Sycamore Partners (minority-owned firm) ¹ | Middle market buyout fund focused on targeting consumer and retail companies. | Staff had a meeting with the manager during the quarter. |

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending December 31, 2025

| Investment Program | Activity | Manager Name | Description | VRS Action |
|--------------------|--|--|--|---|
| | Current VRS Manager | | | |
| Private Equity | On-Going Monitoring of Current VRS Manager | Veritas Capital (minority-owned firm) ² | Middle market buyout fund focused on 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 focused on targeting enterprise software companies. | Staff had a meeting with the manager during the quarter. |
| 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. |

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 December 31, 2025

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

No activity to report this quarter.

Report

The VRS Benefits and Actuarial Committee met on February 4, 2026, and took up the following matters:

APPROVAL OF MINUTES

The Committee approved the minutes of its November 12, 2025, meeting.

COST OF LIVING ADJUSTMENTS

Virginia Sickness and Disability Program

Rory Badura, Senior Staff Actuary, presented the recommendations of Gabriel, Roeder, Smith & Company (GRS), the plan actuary, regarding statutory annual adjustments to Virginia Sickness and Disability Program (VSDP) creditable compensation for members receiving long-term disability. For VSDP, Mr. Badura advised that the Plan Actuary recommends an increase in the creditable compensation for VRS pension benefit purposes of 4.00%, effective July 1, 2026. In addition, a cost-of-living adjustment (COLA) in the amount of 2.63% shall be applied to long-term disability (LTD) benefit payments for Plan 1 members vested prior to January 1, 2013. A COLA of 2.32% shall be applied for Plan 1 members not vested prior to January 1, 2013, and all Plan 2 and Hybrid Retirement Plan members who have been recipients of LTD benefits for at least one year.

The calculations were reviewed by VRS staff and Internal Audit.

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

Request for Board Action: Effective July 1, 2026, the following increases shall apply:

- The creditable compensation used in calculating the member's average final compensation at retirement shall be increased in the amount of 4.00% for a Plan 1, Plan 2 or Hybrid member who has been the recipient of long-term disability (LTD) benefits for at least one calendar year under the Virginia Sickness and Disability Program (VSDP); and*
- A cost-of-living adjustment shall be applied to the net LTD benefit payment of 2.63% for Plan 1 members vested prior to January 1, 2013, or 2.32% for Plan 1 members not vested by January 1, 2013, and all Plan 2 and Hybrid members.*

Virginia Local Disability Program

Mr. Badura advised that for the Virginia Local Disability Program (VLDP) the Plan Actuary recommends an increase in the creditable compensation used at retirement of 4.00%, effective July 1, 2026. The VLDP plan does not provide for a COLA on LTD benefits being received. The calculations for the increase in creditable compensation were reviewed by VRS staff and Internal Audit.

After receiving the report and some discussion, the Committee recommended approval of the following action to the full Board of Trustees:

Request for Board Action: *Effective July 1, 2026, each recipient of LTD benefits under the Virginia Local Disability Program (VLDP) who has been receiving LTD benefits for at least one calendar year, and who ultimately retires directly from LTD, will have their creditable compensation at date of disability increased by an amount set by the Board to be used in determining the member's average final compensation for disability retirement. The recommendation applicable to July 1, 2026, is an increase of 4.00% to be applied to a recipient's creditable compensation.*

INFORMATION ITEMS

2026 COLAs Called for Under Statute Not Requiring Board Approval

Mr. Badura noted that, by statute, VRS cost of living increases are based on the consumer price index for all items, all urban consumers, as published by the Bureau of Labor Statistics of the U.S. Department of Labor. Mr. Badura advised that the COLA increase effective July 1, 2026, of 2.63% is applicable to eligible Plan 1 members vested prior to January 1, 2013. A COLA increase of 2.32% is applicable to Plan 1 members not vested prior to January 1, 2013, and all Plan 2 and Hybrid Plan members effective July 1, 2026. This figure was calculated by GRS, the VRS plan actuary, and verified by VRS and Internal Audit staff. The COLA did not require action by the Committee.

The Group Life Insurance Program minimum benefit for members retired with at least 30 years of service is to be increased by the same COLA applicable to VRS Plan 2 members, or 2.32%, effective July 1, 2026. The new minimum life insurance payout, effective July 1, 2026, will be \$9,995. The Group Life Insurance Program minimum did not require action by the Committee. The calculations were reviewed by VRS staff and Internal Audit.

2026 Legislative Update

Sandy Jack, Director of Policy, Planning and Compliance, provided an update on VRS-related legislation in the 2026 General Assembly session.

Submitted to the Board of Trustees on February 5, 2026.

John M. Bennett, Chair
Benefits and Actuarial Committee



MEMORANDUM

TO: Patricia S. Bishop, VRS Director

FROM: Jennifer P. Bell Schreck, VRS Internal Audit Director *Open*

DATE: January 29, 2026

RE: Cost of Living Adjustments (COLAs)

Internal Audit has reviewed the amounts referred to as "Cost of Living Adjustments" as set forth in the attached letter and supporting table from VRS' actuary, Gabriel, Roeder, Smith & Company dated January 22, 2026.

In conducting our review, we independently recalculated the "Cost of Living Adjustments" using data and procedures provided by management and the actuary, while confirming certain external components associated with such calculations. We also examined the Code of Virginia sections referred to in the actuary's letter and supporting table.

Based upon our review, we found the "Cost of Living Adjustments" in the above referenced letter and table to be valid and accurate, based on the data provided, subject to the assumptions included therein with respect to increases in the VSDP LTD benefit, VSDP creditable compensation and VLDP creditable compensation, where the amounts are not specified by statute, but instead are to be recommended by the actuary and approved by the Board.

Please let me know if you have any questions. I ask that you share this information with the Benefits and Actuarial Committee.

Attachment

January 22, 2026

Mr. Rory Badura, ASA, EA, FCA, MAAA
Senior Staff Actuary
Virginia Retirement System
1200 E. Main Street
Richmond, VA 23219

Re: Cost of Living Adjustments (COLA) Effective July 1, 2026

Dear Mr. Badura:

As requested, we have calculated the annual COLA called for under Virginia Code for the Virginia Retirement System (VRS), the Virginia Sickness and Disability Program (VSDP), the Virginia Local Disability Program (VLDP) and the Group Insurance Program, in particular, the Group Life Insurance (GLI).

The following table summarizes the adjustments recommended effective July 1, 2026. Those denoted in **bold** require action by the Board of Trustees to set the amount of adjustment.

| COLA Type/Group | Required by Code | Adjustment Level Set by Board Resolution | July 1, 2026 | |
|--|------------------|--|--------------|---------------|
| | | | Adjustment | Annual Amount |
| VRS Plan 1 (Vested as of 1/1/2013) | Yes | N/A | 2.63% | N/A |
| VRS Plan 1 Non-Vested, Plan 2, and Hybrid Plan | Yes | N/A | 2.32% | N/A |
| VSDP Creditable Compensation (for VRS Pension Benefit Determination Purposes) | Yes | Yes | 4.00% | N/A |
| VLDP Creditable Compensation (for VRS Pension Benefit Determination Purposes) | Yes | Yes | 4.00% | N/A |
| VSDP Plan 1 (Vested as of 1/1/2013) (Net LTD Benefit) | Yes | Yes | 2.63% | N/A |
| VSDP Plan 1 Non-Vested, Plan 2, and Hybrid | Yes | Yes | 2.32% | N/A |
| GLI Minimum Benefit (Applicable to employees with at least 30 years of creditable service) | Yes | N/A | 2.32% | \$ 9,995 |

Mr. Rory Badura
Virginia Retirement System
January 22, 2026
Page 2

The COLA adjustments were calculated in accordance with the Virginia Code and our understanding of Board of Trustee Policies and Procedures, as adopted February 4, 2011. Refer to the enclosure for additional detail supporting the calculated COLA adjustments.

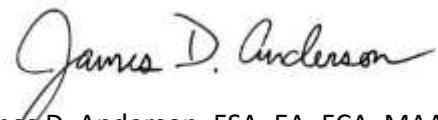
No CPI-U data was published for October 2025 due to the Federal Government shutdown. The average shown on the following page is the 11-month average, excluding October. This 11-month average was used in the determination of the COLA increases effective July 1, 2026.

Please let us know if you have any questions.

Sincerely,
Gabriel, Roeder, Smith & Company



Rebecca L. Stouffer, ASA, FCA, MAAA



James D. Anderson, FSA, EA, FCA, MAAA

RLS/JDA

Enclosure

cc: Sandy Jack, VRS



VRS, VSDP, VLDP, GLI COLA and Recommendations Effective July 1, 2026

| COLA Type/Group | Brief Description | Code Section(s) | Average CPI-U | | CPI-U Increase ¹ | COLA Calculation | | |
|---|---|--|--------------------------------------|-------------------|-----------------------------|---------------------|-------------------|--------------|
| | | | 2024 | 2025 ⁴ | | 100% of First 3.00% | 50% of Next 4.00% | COLA |
| VRS Plan 1 (Vested as of 1/1/2013) | 100% of the CPI-U Increase up to 3.00% plus 50% of the next 4.00%. Minimum COLA of 0.00%. Maximum COLA of 5.00%. | 51.1-166.B. | 313.689 | 321.943 | 2.63% | 2.63% | 0.00% | 2.63% |
| COLA Type/Group | Brief Description | Code Section(s) | Average CPI-U | | CPI-U Increase ¹ | COLA Calculation | | |
| VRS Plan 1 Non-Vested, Plan 2, and Hybrid Plan | 100% of the CPI-U increase up to 2.00%, plus 50% of the next 2.00%. Minimum COLA of 0.00%. Maximum COLA of 3.00%. | 51.1-166.B. | 313.689 | 321.943 | 2.63% | 2.00% | 0.32% | 2.32% |
| COLA Type/Group | Brief Description/Rationale ² | Code Section(s) | Creditable Compensation ³ | | % Increase in Pay | COLA Calculation | | |
| | | | 2024 | 2025 | | 100% of First 4.00% | | COLA |
| VSDP Creditable Compensation (for VRS Pension Benefit Determination Purposes) | As recommended by Cavanaugh Macdonald Consulting, LLC and adopted by the Board in 2011, the VSDP Creditable Compensation COLA is based on the increase in the pay rate for State, SPORS and VaLORS VSDP members active at the beginning and the end of the most recent plan year before the date of determination of the COLA. The COLA calculated in this manner may be modified to reflect extraordinary pay adjustments during a given year; however, is subject to the Maximum COLA. Maximum COLA of 4.00%. | 51.1-1117.B. 51.1-1123.C. 51.1-1128.B. | \$5,459,977,639 | \$5,728,262,375 | 4.91% | 4.00% | | 4.00% |
| COLA Type/Group | Brief Description/Rationale | Code Section(s) | Creditable Compensation | | % Increase in Pay | COLA Calculation | | |
| | | | 2024 | 2025 | | 100% of First 4.00% | | COLA |
| VLDP Creditable Compensation (for VRS Pension Benefit Determination Purposes) | Apply approach similar to the "VSDP Creditable Compensation." The VLDP Creditable Compensation COLA was based on the increase in the pay rate for Hybrid Pension Plan members (of the Teacher Plan and non-hazardous duty Political Subdivisions) active at the beginning and the end of the most recent plan year before the date of determination of COLA. The COLA calculated in this manner may be modified to reflect extraordinary pay adjustments during a given year, subject to the VSDP maximum COLA level. | 51.1-1161.C. 51.1-1169.C. | \$6,598,813,219 | \$7,001,447,952 | 6.10% | 4.00% | | 4.00% |
| COLA Type/Group | Brief Description/Rationale | Code Section(s) | COLA Calculation | | | | | |
| | | | | | | | COLA | |
| VSDP Plan 1 (Vested as of 1/1/2013) (Net LTD Benefit) | As individuals in receipt of LTD benefits are akin to retirees receiving a retirement allowance, adjust the Net LTD benefit by 100% of the COLA for VRS Plan 1 (Vested as of 1/1/2013). | 51.1-1112.C. 51.1-1125.C. | | | | | | 2.63% |
| COLA Type/Group | Brief Description/Rationale | Code Section(s) | COLA Calculation | | | | | |
| | | | | | | | COLA | |
| VSDP Plan 1 Non-Vested, Plan 2, and Hybrid | As individuals in receipt of LTD benefits are akin to retirees receiving a retirement allowance, adjust the Net LTD benefit by 100% of the COLA for VRS Plan Non-Vested, Plan 2 and Hybrid Plan. | 51.1-1112.C. 51.1-1125.C. | | | | | | 2.32% |

¹ Increase in CPI-U is the ratio, or percentage change, of the current year CPI-U to prior year CPI-U index. By Code, the CPI-U index is defined as the calendar year average of the monthly CPI-U averages.

² The COLA maximum is not explicitly stated in the Request for Board Action (RBA) – 2011-02-04. Based upon a review of the 2022 Cost of Living Adjustments letter, dated January 20, 2022, and confirmation with the VRS staff, GRS understands that a maximum COLA of 4.00% is applicable under the current policies and procedures.

³ Creditable Compensation has been compiled from the data provided by the VRS for the June 30, 2024 and June 30, 2025 actuarial valuations.

⁴ No CPI-U data was published for October 2025 due to the Federal Government shutdown. The average shown is the 11-month average, excluding October.

VRS, VSDP, VLDP, GLI COLA and Recommendations Effective July 1, 2026 (Concluded)

| COLA Type/Group | Brief Description | Code Section(s) | | Adjusted Minimum Benefit Calculation | | |
|---|---|-----------------|--|--------------------------------------|-------------|----------------|
| | | | | COLA | Before COLA | After COLA |
| GLI Minimum Benefit (Applicable to employees with at least 30 years of creditable service) | Minimum \$8,000 is indexed annually by 100% of the VRS COLA for Plan 1 Non-Vested, Plan 2, and Hybrid Plan. | 51.1-505.B. | | 2.32% | \$9,768 | \$9,995 |

**Approval of July 1, 2026, increase relating to VSDP creditable compensation and VSDP COLA.****Requested Action**

Effective July 1, 2026, the following increases shall apply:

- The creditable compensation used in calculating the member's average final compensation at retirement shall be increased in the amount of 4.00% for a Plan 1, Plan 2, or Hybrid member who has been the recipient of long-term disability (LTD) benefits for at least one calendar year under the Virginia Sickness and Disability Program (VSDP); and
- A cost-of-living adjustment shall be applied to the net LTD benefit payment of 2.63% for Plan 1 members vested prior to January 1, 2013, or 2.32% for Plan 1 members not vested by January 1, 2013, and all Plan 2 and Hybrid members.

Description/Background

Code of Virginia § 51.1-1112(C) provides: "Creditable compensation during periods an employee receives long-term disability benefits shall (i) not include salary increases awarded during the period covered by long-term disability benefits and (ii) be increased annually by an amount recommended by the actuary of the Virginia Sickness and Disability Program and approved by the Board."

Code of Virginia § 51.1-1117(B) provides: "The average final compensation of any participating full-time employee taking a service retirement under any provision of this title shall be equal to his creditable compensation on the date of the commencement of the disability increased by an amount recommended by the program actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement."

Code of Virginia § 51.1-1128(B) provides the same requirement for participating full-time employees receiving supplemental (work-related) disability benefits: "The employee's average final compensation shall be equal to his creditable compensation on the date of the commencement of the disability increased by an amount recommended by the actuary of the Virginia Retirement System, and approved by the Board, from the date of the commencement of the disability to the date of retirement."

In accordance with these provisions, each year VRS requests that the plan actuary recommend the cost-of-living adjustment (COLA) to be applied to the benefit paid and to the creditable compensation of LTD recipients who have been receiving such benefits for at least one calendar year under VSDP.

In 2011, the Board amended the process for determining the COLA to be applied to the creditable compensation of LTD recipients for purposes of calculating service retirement. It is now based on the combined average increase in the pay rate for State, SPORS, and VaLORS VSDP members active at the beginning and the end of the most recent plan year before the date of determination of the COLA.

Rationale for Requested Action

Per the attached January 22, 2026, letter, the VRS plan actuary, Gabriel, Roeder, Smith & Company, observed increases in creditable compensation of 4.91% during fiscal year 2025 for members enrolled in

VSDP. Based on the recommendation from the plan actuary, and consistent with past practice, (i) the recommended increase in creditable compensation for purposes of service retirement from disability shall be 4.00%, and (ii) after offsets, the adjustment to the benefit payments of VSDP LTD recipients who have been receiving such payments for at least one calendar year is 2.63% for Plan 1 members vested as of January 1, 2013, and 2.32% for Plan 1 members not vested by January 1, 2013 and all Plan 2 and Hybrid members.

Authority for Requested Action

The Board's authority for this action is contained in *Code of Virginia §§ 51.1-1112, 51.1-1117, and 51.1-1128.*

The above action is approved.

A. Scott Andrews, Chair
VRS Board of Trustees

Date

**Approval of July 1, 2026, increase relating to VLDP creditable compensation.****Requested Action**

Effective July 1, 2026, each recipient of LTD benefits under the Virginia Local Disability Program (VLDP) who has been receiving LTD benefits for at least one calendar year, and who ultimately retires directly from LTD, will have their creditable compensation at date of disability increased by an amount set by the Board to be used in determining the member's average final compensation for disability retirement. The recommendation applicable July 1, 2026, is an increase of 4.00% to be applied to a recipient's creditable compensation.

Description/Background

Code of Virginia § 51.1-1161(C) provides: "The average final compensation of any participating full-time employee taking a service retirement under any provision of this title shall be equal to his creditable compensation on the date of the commencement of the disability increased by an amount recommended by the program actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement."

Code of Virginia § 51.1-1169(C) provides: "The employee's average final compensation shall be equal to his creditable compensation on the date of the commencement of the disability increased by an amount recommended by the actuary of the Virginia Retirement System, and approved by the Board, from the date of the commencement of the disability to the date of retirement."

In accordance with these provisions, VRS requested that its actuary recommend the COLA to be applied to the creditable compensation of LTD recipients who have been receiving such benefits for at least one calendar year under VLDP.

Rationale for Requested Action

Per the attached January 22, 2026, letter, the VRS plan actuary, Gabriel, Roeder, Smith & Company, observed increases in creditable compensation of 6.10% during fiscal year 2025 for VLDP members. Based on the recommendation from the plan actuary, and consistent with past practice, the recommended increase in creditable compensation for purposes of service retirement from disability shall be 4.00%.

Authority for Requested Action

The Board's authority for this action is contained in *Code of Virginia* §§ 51.1-1161 and 51.1-1169.

The above action is approved.

A. Scott Andrews, Chair
VRS Board of Trustees

Date

***RESOLUTION
FOR MASTER CUSTODIAL SERVICES***

Pursuant to the authority vested in the Board of Trustees of the Virginia Retirement System by *Code of Virginia* § 51.1-149, on this ~~18th 5th~~ day of ~~June 2025~~ February 2026, it is HEREBY

PREVIOUS DESIGNATIONS REVOKED

RESOLVED, that all prior designations by the Board of Trustees of the Virginia Retirement System of persons authorized to sign investment invoices and actions involving the distribution or payment of funds or transfer of assets of the Virginia Retirement System under their custodial control as well as actions involving administrative matters and proxies within their custodial control are hereby revoked; and

VRS ASSET TRANSFERS AND ACCOUNT PAYMENTS

BE IT FURTHER RESOLVED, that dual signatures, one of which shall be from the Director of the Virginia Retirement System, the Chief Financial Officer, the Deputy Chief Financial Officer, the Chief Operating Officer, the Customer Services Director, or the Chief Technology and Security Officer and the second shall be from the Chief Investment Officer, the Chief Administrative Officer - Investments, the Investments Information Quality Manager ~~or~~, the Investments Office Administrator, or the Investments Compliance Officer, are hereby required and that those persons are designated and authorized by the Board to sign for all actions involving the distribution or payment of funds or transfer of assets of the Virginia Retirement System, including the payment of investment management, consulting, or custodian fees, under their custodial control that ~~(i)~~ are not initiated by an authorized investment advisor associated with the settlement of a purchase or sale transaction ~~and (ii) are not for the payment of investment management, consulting or custodian fees~~. If investment personnel are unavailable, any two of the listed VRS administrative personnel could sign. However; however, in no event shall both signatures be those of investment department

personnel. Notwithstanding the foregoing, the signature of only one of the listed VRS administrative personnel is required for transactions of less than \$1.00; and

VRS ACCOUNT ADMINISTRATIVE MATTERS

BE IT FURTHER RESOLVED, that the Director of the Virginia Retirement System, the Chief Investment Officer, the Chief Administrative Officer - Investments, the Investments Information Quality Manager, the Investments Office Administrator, the Investments Compliance Officer, the Chief Financial Officer, the Deputy Chief Financial Officer, the Controller, and the Investment Accounting Manager are designated by the Board as those additional persons authorized to open and close accounts and take other administrative actions for the VRS accounts not involving the signing of official documents in the name of the Board of Trustees of the VRS or the distribution or payment of funds or transfer of assets of the Virginia Retirement System under their custodial control; and

PROXIES

BE IT FURTHER RESOLVED, that the Chief Investment Officer, the Chief Administrative Officer - Investments, or the Investments Information Quality Manager are hereby designated by the Board as the persons authorized to sign proxies for the VRS accounts; and

COMPLIANCE

BE IT FURTHER RESOLVED, that the Director of the Virginia Retirement System, the Chief Investment Officer, the Chief Administrative Officer - Investments, or the Investments Information Quality Manager are hereby designated by the Board as those persons authorized to sign for all actions involving compliance issues to include, but not be limited to, class action suits, tax exemptions, authorized signatures, stock and bond powers, required resolutions as needed, etc.

ATTEST:

**VIRGINIA RETIREMENT SYSTEM AUTHORIZED SIGNATURES
FOR MASTER CUSTODIAL SERVICES**

A. Scott Andrews, Chair
VRS Board of Trustees

Patricia S. Bishop
Secretary to the VRS Board of Trustees

Patricia S. Bishop
Director

Andrew H. Junkin
Chief Investment Officer

Leslie B. Weldon
Curtis Doughtie
Chief Financial Officer

Mark A. Rein
Chief Technology and Security Officer

Michael P. Cooper
Chief Operating Officer

Robert L. Irving
Customer Services Director

Curtis M. Mattson
Chief Administrative Officer - Investments

David Porter
Controller

Laurie Fennell
Investments Information Quality Manager

Abida W. Arezo
Investment Accounting Manager

Danita R. Barnes
Investments Office Administrator

Curtis Doughtie
Deputy Chief Financial Officer (vacant)

Jennifer Schoeller
Investments Compliance Officer

COMMONWEALTH OF VIRGINIA
CITY OF RICHMOND, TO-WIT:

The foregoing instrument was acknowledged before me this ~~18th~~ ~~5th~~ day of ~~June 2025~~ February 2026 by A. Scott Andrews, Patricia S. Bishop, Andrew H. Junkin, Curtis Doughtie, Mark A. Rein, Michael P. Cooper, Robert L. Irving, Curtis M. Mattson, Leslie B. Weldon, David Porter, Laurie Fennell, Abida W. Arezo, David Porter, Danita R. Barnes, and Jennifer Schoeller and Curtis Doughtie.

LaShaunda B. King, Notary Public

My commission expires September 30, 2026.

***RESOLUTION
FOR MASTER CUSTODIAL SERVICES***

Pursuant to the authority vested in the Board of Trustees of the Virginia Retirement System by *Code of Virginia* § 51.1-149, on this 5th day of February 2026, it is HEREBY

PREVIOUS DESIGNATIONS REVOKED

RESOLVED, that all prior designations by the Board of Trustees of the Virginia Retirement System of persons authorized to sign investment invoices and actions involving the distribution or payment of funds or transfer of assets of the Virginia Retirement System under their custodial control as well as actions involving administrative matters and proxies within their custodial control are hereby revoked; and

VRS ASSET TRANSFERS AND ACCOUNT PAYMENTS

BE IT FURTHER RESOLVED, that dual signatures, one of which shall be from the Director of the Virginia Retirement System, the Chief Financial Officer, the Deputy Chief Financial Officer, the Chief Operating Officer, the Customer Services Director, or the Chief Technology and Security Officer and the second shall be from the Chief Investment Officer, the Chief Administrative Officer - Investments, the Investments Information Quality Manager, the Investments Office Administrator, or the Investments Compliance Officer, are hereby required and that those persons are designated and authorized by the Board to sign for all actions involving the distribution or payment of funds or transfer of assets of the Virginia Retirement System, including the payment of investment management, consulting, or custodian fees, under their custodial control that are not initiated by an authorized investment advisor associated with the settlement of a purchase or sale transaction. If investment personnel are unavailable, any two of the listed VRS administrative personnel could sign; however, in no event shall both signatures be those of investment department personnel.

Notwithstanding the foregoing, the signature of only one of the listed VRS administrative personnel is required for transactions of less than \$1.00; and

VRS ACCOUNT ADMINISTRATIVE MATTERS

BE IT FURTHER RESOLVED, that the Director of the Virginia Retirement System, the Chief Investment Officer, the Chief Administrative Officer - Investments, the Investments Information Quality Manager, the Investments Office Administrator, the Investments Compliance Officer, the Chief Financial Officer, the Deputy Chief Financial Officer, the Controller, and the Investment Accounting Manager are designated by the Board as those additional persons authorized to open and close accounts and take other administrative actions for the VRS accounts not involving the signing of official documents in the name of the Board of Trustees of the VRS or the distribution or payment of funds or transfer of assets of the Virginia Retirement System under their custodial control; and

PROXIES

BE IT FURTHER RESOLVED, that the Chief Investment Officer, the Chief Administrative Officer - Investments, or the Investments Information Quality Manager are hereby designated by the Board as the persons authorized to sign proxies for the VRS accounts; and

COMPLIANCE

BE IT FURTHER RESOLVED, that the Director of the Virginia Retirement System, the Chief Investment Officer, the Chief Administrative Officer - Investments, or the Investments Information Quality Manager are hereby designated by the Board as those persons authorized to sign for all actions involving compliance issues to include, but not be limited to, class action suits, tax exemptions, authorized signatures, stock and bond powers, required resolutions as needed, etc.

ATTEST:

**VIRGINIA RETIREMENT SYSTEM AUTHORIZED SIGNATURES
FOR MASTER CUSTODIAL SERVICES**

A. Scott Andrews, Chair
VRS Board of Trustees

Patricia S. Bishop
Secretary to the VRS Board of Trustees

Patricia S. Bishop
Director

Andrew H. Junkin
Chief Investment Officer

Curtis Doughtie
Chief Financial Officer

Mark A. Rein
Chief Technology and Security Officer

Michael P. Cooper
Chief Operating Officer

Robert L. Irving
Customer Services Director

Curtis M. Mattson
Chief Administrative Officer - Investments

David Porter
Controller

Laurie Fennell
Investments Information Quality Manager

Abida W. Arezo
Investment Accounting Manager

Danita R. Barnes
Investments Office Administrator

Deputy Chief Financial Officer (vacant)

Jennifer Schoeller
Investments Compliance Officer

COMMONWEALTH OF VIRGINIA
CITY OF RICHMOND, TO-WIT:

The foregoing instrument was acknowledged before me this 5th day of February 2026 by A. Scott Andrews, Patricia S. Bishop, Andrew H. Junkin, Curtis Doughtie, Mark A. Rein, Michael P. Cooper, Robert L. Irving, Curtis M. Mattson, David Porter, Laurie Fennell, Abida W. Arezo, Danita R. Barnes, and Jennifer Schoeller.

LaShaunda B. King, Notary Public

My commission expires September 30, 2026.

***RESOLUTION
FOR PAYMENT OF RETIREMENT SYSTEM FUNDS
IN THE STATE TREASURY AND SIGNING OFFICIAL DOCUMENTS***

Pursuant to the authority vested in the Board of Trustees of the Virginia Retirement System by *Code of Virginia* § 51.1-149, on this 18th 5th day of June 2025 February 2026 it is hereby

RESOLVED, that all prior designations by the Board of Trustees of the Virginia Retirement System of persons authorized to sign vouchers and Voucher Transmittals issued by the Retirement System for the payment of funds of the Retirement System in the State Treasury are hereby revoked; and

BE IT FURTHER RESOLVED, that the State Treasurer, the Director of Operations, and the Director of Cash Management and Investments, or their designees, are hereby designated by the Board as those persons authorized to sign only those vouchers issued by the Retirement System for the payment of funds of the Retirement System in the State Treasury which are contained in Agency Business Unit 15800 Account Number 103607, which has been designated by the Comptroller as the short-term investment account, including but not limited to, funds used to purchase short-term securities to mature within two (2) years and to effect repurchase agreements involving securities of varying maturities which are held as short-term investments; and

BE IT FURTHER RESOLVED, that the Director of the Retirement System, the Chief Financial Officer, the Chief Operating Officer, the Customer Services Director, the Chief Technology and Security Officer, and the Deputy Chief Financial Officer whose signatures appear herein, are hereby designated by the Board as those persons authorized to sign Voucher Transmittals issued by the Retirement System for the payment of any and all funds of the Retirement System in the State Treasury and any and all accounts designated by the Comptroller as Retirement System funds accounts, including Agency Business Unit 15800 Account Number 103607, provided that such Voucher Transmittals shall be initiated by appropriate supervisory and management level staff personnel; and

BE IT FURTHER RESOLVED, that the Chief Financial Officer, the Deputy Chief Financial Officer, the Customer Services Director, and the Chief Technology and Security Officer are not authorized to sign a Voucher Transmittal prepared in their respective department; and

BE IT FURTHER RESOLVED, that the Director of the Retirement System, the Chief Operating Officer, the Chief Investment Officer or the Chief Administrative Officer - Investments are hereby designated full authority to sign any and all official documents in the name of the Board of Trustees of the Virginia Retirement System including, but not limited to, leases, deeds, contracts, equity index futures and options on such futures, signature cards, minutes and purchase orders; and

BE IT FURTHER RESOLVED, that the following persons are hereby designated by the Board as those additional persons authorized to sign any and all purchase orders and contracts in the name of the Board of Trustees of the Virginia Retirement System: (i) the Chief Financial Officer or Deputy Chief Financial Officer, provided that the amount of the transaction does not exceed \$500,000; (ii) the Procurement Manager, provided that the amount of the transaction does not exceed \$250,000; and (iii) the General Services Administrator or Senior Procurement Analyst, provided that the amount of the transaction does not exceed \$30,000.

BE IT FURTHER RESOLVED, that a copy of this resolution shall be forward immediately to the Office of the Comptroller.

ATTEST:

A. Scott Andrews
Chairman, VRS Board of Trustees

Patricia S. Bishop
Secretary to the VRS Board of Trustees

***SIGNATURE PAGE
FOR PAYMENT OF RETIREMENT SYSTEM FUNDS
IN THE STATE TREASURY AND SIGNING OFFICIAL DOCUMENTS***

Patricia S. Bishop, Director

Mark A. Rein, Chief Technology and Security Officer

Leslie B. WeldonCurtis Doughtie, Chief Financial Officer
Officer

Andrew H. Junkin, Chief Investment

Michael P. Cooper, Chief Operating Officer

Robert L. Irving, Customer Services Director

Curtis M. Mattson, Chief Administrative Officer – Investments

Robert G. Robinson, Procurement Manager
(vacant)

Richard E. Budaji, General Services Administrator

Curtis Doughtie, Deputy Chief Financial Officer
(vacant)

Lindsay Fielding, Senior Procurement Analyst
(vacant)

COMMONWEALTH OF VIRGINIA
CITY OF RICHMOND, TO-WIT:

The foregoing instrument was acknowledged before me this 18th 5th day of June 2025 February 2026 by A. Scott Andrews; Patricia S. Bishop; Mark A. Rein; Leslie B. Weldon; Curtis Doughtie; Andrew H. Junkin; Michael P. Cooper; Robert L. Irving; Curtis M. Mattson; Robert G. Robinson, and Richard E. Budaji, Curtis Doughtie, and Lindsay Fielding.

LaShaunda B. King, Notary Public

My commission expires September 30, 2026.

***RESOLUTION
FOR PAYMENT OF RETIREMENT SYSTEM FUNDS
IN THE STATE TREASURY AND SIGNING OFFICIAL DOCUMENTS***

Pursuant to the authority vested in the Board of Trustees of the Virginia Retirement System by *Code of Virginia* § 51.1-149, on this 5th day of February 2026 it is hereby

RESOLVED, that all prior designations by the Board of Trustees of the Virginia Retirement System of persons authorized to sign vouchers and Voucher Transmittals issued by the Retirement System for the payment of funds of the Retirement System in the State Treasury are hereby revoked; and

BE IT FURTHER RESOLVED, that the State Treasurer, the Director of Operations, and the Director of Cash Management and Investments, or their designees, are hereby designated by the Board as those persons authorized to sign only those vouchers issued by the Retirement System for the payment of funds of the Retirement System in the State Treasury which are contained in Agency Business Unit 15800 Account Number 103607, which has been designated by the Comptroller as the short-term investment account, including but not limited to, funds used to purchase short-term securities to mature within two (2) years and to effect repurchase agreements involving securities of varying maturities which are held as short-term investments; and

BE IT FURTHER RESOLVED, that the Director of the Retirement System, the Chief Financial Officer, the Chief Operating Officer, the Customer Services Director, the Chief Technology and Security Officer, and the Deputy Chief Financial Officer whose signatures appear herein, are hereby designated by the Board as those persons authorized to sign Voucher Transmittals issued by the Retirement System for the payment of any and all funds of the Retirement System in the State Treasury and any and all accounts designated by the Comptroller as Retirement System funds accounts, including Agency Business Unit 15800 Account Number 103607, provided that such Voucher Transmittals shall be initiated by appropriate supervisory and management level staff personnel; and

BE IT FURTHER RESOLVED, that the Chief Financial Officer, the Deputy Chief Financial Officer, the Customer Services Director, and the Chief Technology and Security Officer are not authorized to sign a Voucher Transmittal prepared in their respective department; and

BE IT FURTHER RESOLVED, that the Director of the Retirement System, the Chief Operating Officer, the Chief Investment Officer or the Chief Administrative Officer - Investments are hereby designated full authority to sign any and all official documents in the name of the Board of Trustees of the Virginia Retirement System including, but not limited to, leases, deeds, contracts, equity index futures and options on such futures, signature cards, minutes and purchase orders; and

BE IT FURTHER RESOLVED, that the following persons are hereby designated by the Board as those additional persons authorized to sign any and all purchase orders and contracts in the name of the Board of Trustees of the Virginia Retirement System: (i) the Chief Financial Officer or Deputy Chief Financial Officer, provided that the amount of the transaction does not exceed \$500,000; (ii) the Procurement Manager, provided that the amount of the transaction does not exceed \$250,000; and (iii) the General Services Administrator or Senior Procurement Analyst, provided that the amount of the transaction does not exceed \$30,000.

BE IT FURTHER RESOLVED, that a copy of this resolution shall be forward immediately to the Office of the Comptroller.

ATTEST:

A. Scott Andrews
Chairman, VRS Board of Trustees

Patricia S. Bishop
Secretary to the VRS Board of Trustees

***SIGNATURE PAGE
FOR PAYMENT OF RETIREMENT SYSTEM FUNDS
IN THE STATE TREASURY AND SIGNING OFFICIAL DOCUMENTS***

Patricia S. Bishop, Director

Curtis Doughtie, Chief Financial Officer

Michael P. Cooper, Chief Operating Officer

Curtis M. Mattson, Chief Administrative Officer – Investments

Richard E. Budaji, General Services Administrator

Senior Procurement Analyst (vacant)

Mark A. Rein, Chief Technology and Security Officer

Andrew H. Junkin, Chief Investment Officer

Robert L. Irving, Customer Services Director

Procurement Manager (vacant)

Deputy Chief Financial Officer (vacant)

COMMONWEALTH OF VIRGINIA
CITY OF RICHMOND, TO-WIT:

The foregoing instrument was acknowledged before me this 5th day of February 2026 by A. Scott Andrews; Patricia S. Bishop; Mark A. Rein; Curtis Doughtie; Andrew H. Junkin; Michael P. Cooper; Robert L. Irving; Curtis M. Mattson; and Richard E. Budaji.

LaShaunda B. King, Notary Public

My commission expires September 30, 2026.



Virginia
Retirement
System®

Resolution of Appreciation

PRESENTED TO

The Honorable J. Brandon Bell II

*W*HEREAS, The Honorable J. Brandon Bell II, was appointed to serve on the Virginia Retirement System Board of Trustees for a term beginning March 2016 and concluding January 2026; and

*W*HEREAS, Mr. Bell served with distinction in a variety of leadership and advisory roles on Board committees, including Chair of the Audit and Compliance Committee; Chair and Vice Chair of the Defined Contribution Plans Advisory Committee; and Member of the Investment Policy Committee, contributing his extensive experience in investment and financial matters to committee discussions and decision-making; and

*W*HEREAS, Mr. Bell served the members and retirees of the System with steady and principled leadership, and the Virginia Retirement System benefited greatly from his willingness to generously share his deep knowledge of the investment and financial industries, thereby strengthening the System's governance and long-term success;

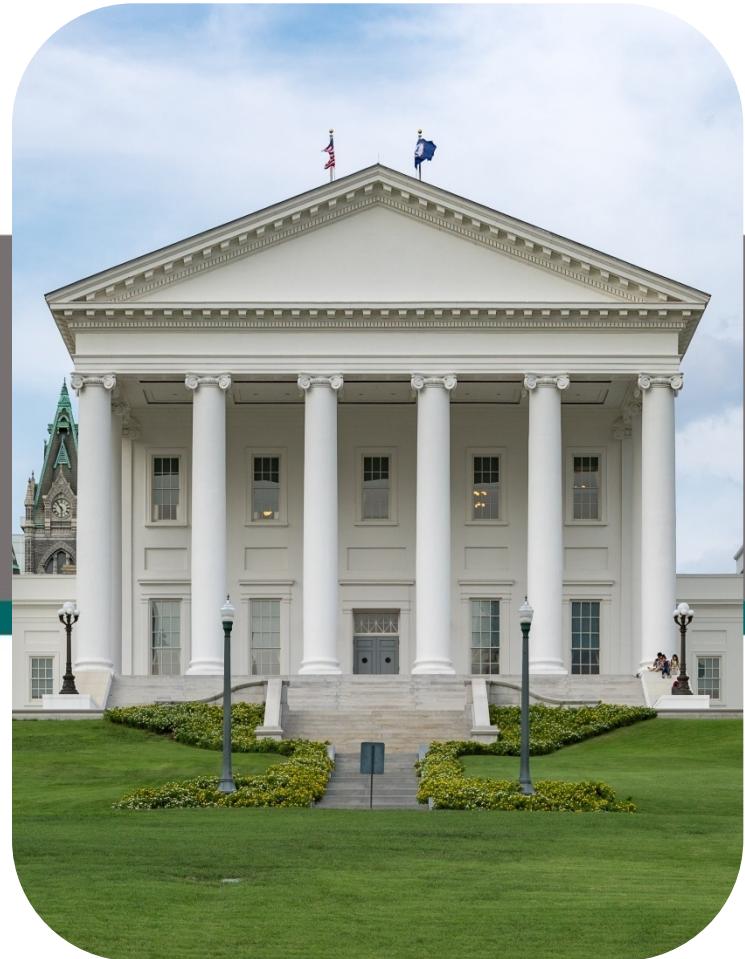
*W*OW, THEREFORE, BE IT RESOLVED, that on February 5, 2026, we, the members of the Board of Trustees of the Virginia Retirement System, hereby recognize and commend Mr. Bell for his exemplary leadership and dedicated service and express our sincere appreciation for his unwavering commitment to the Board of Trustees, the Virginia Retirement System, its members and the Commonwealth of Virginia.

A. SCOTT ANDREWS, CHAIR



Virginia
Retirement
System

2026 Legislation*



- The General Assembly convened on January 14.
- Crossover is February 17, which is the final day for each house to complete work on its own legislation.
- This is a long session, so a budget will be passed.
- Session concludes on March 14.

2026 VRS-Related Bills



VaLORS

| Bill Number | Patron | Description |
|-------------|--------|---|
| HB 204 | Cherry | Extends membership in the Virginia Law Officers' Retirement System (VaLORS) to emergency dispatchers who are employed by the Department of State Police, Capitol Police, and agencies whose law-enforcement officers are eligible for membership in VaLORS. The bill has a delayed effective date of July 1, 2027, and provides that such membership would apply only to service earned on or after July 1, 2027. |
| HB 1269 | Nivar | |

2026 VRS-Related Bills



Enhanced benefits

| Bill Number | Patron | Description |
|-------------|--------|---|
| HB 205 | Cherry | Allows local governments to provide enhanced retirement benefits for hazardous duty service to full-time salaried 911 dispatchers. |
| HB 750 | Runion | The bill provides that such enhanced retirement benefits apply only to service earned as a full-time salaried 911 dispatcher on or after July 1, 2027, but allows an employer, as that term is defined in relevant law, to provide such enhanced retirement benefits for service earned as a full-time salaried 911 dispatcher before July 1, 2027, in addition to service earned on or after that date. The bill has a delayed effective date of 7/1/27. |
| HB 1128 | Reid | Allows local governments to provide enhanced retirement benefits for hazardous duty service, other than a hazardous duty supplement, to full-time salaried 911 dispatchers. The bill provides that such enhanced retirement benefits apply only to service earned as a full-time salaried 911 dispatcher on or after July 1, 2027, but allows an employer, as that term is defined in relevant law, to provide such enhanced retirement benefits for service earned as a full-time salaried 911 dispatcher before July 1, 2027, in addition to service earned on or after that date. The bill has a delayed effective date of July 1, 2027. |

2026 VRS-Related Bills



Enhanced benefits

| Bill Number | Patron | Description |
|-------------|---------|--|
| HB 585 | Ballard | Allows local governments to provide enhanced retirement benefits for hazardous duty service to full-time salaried animal control officers and 911 dispatchers. The bill provides that such enhanced retirement benefits apply only to service earned as a full-time salaried animal control officer or 911 dispatcher on or after July 1, 2027, but allows an employer, as that term is defined in relevant law, to provide such enhanced retirement benefits for service earned as a full-time salaried animal control officer or 911 dispatcher before July 1, 2027, in addition to service earned on or after that date. The bill has a delayed effective date of 7/1/27. |

2026 VRS-Related Bills



Return to Work

| Bill Number | Patron | Description |
|-------------|--------|--|
| HB 1488 | Bulova | Allows a retired sworn law-enforcement officer to return to work full time in any covered position and continue to receive his pension under the Virginia Retirement System if such person has a break in service of at least six calendar months before reemployment and meets certain other requirements, including having retired in good standing from his sworn law-enforcement officer position. The bill has a delayed effective date of January 1, 2027. |

2026 VRS-Related Bills



PPS

| Bill Number | Patron | Description |
|-------------|---------|--|
| HB 139 | Simonds | <p>Requires each school board to adopt a policy that requires the school board to approve unpaid educational leave for school board employees who are state employee association officers and for at least two school board employees who are local employee association officers for a maximum of four years per officer. The bill permits employee association officers approved for such leave to purchase service credit with the Virginia Retirement System for such period of leave.</p> <p>A substitute was introduced that does not impact the VRS provisions.</p> |

2026 VRS-Related Bills



Weighted Service

| Bill Number | Patron | Description |
|-------------|---------|---|
| HB 987 | Garrett | <p>Provides that a member of the Virginia Retirement System shall be eligible for additional years of service credit for service earned as a teacher in the field of career and technical education. The amount of service credit earned shall be determined as follows: (i) for service earned as a member who is 45 years of age or older but younger than 55 years of age at the time of such service, such service shall be multiplied by the weighted years of service factor of 2.0 and (ii) for service earned as a member who is 55 years of age or older at the time of such service, such service shall be multiplied by the weighted years of service factor of 2.5.</p> |

2026 VRS-Related Bills



HIC

| Bill Number | Patron | Description |
|-------------|--------|---|
| HB 1296 | Glass | Increases the amount of monthly health insurance credits received by retired general registrars and employees of general registrars with a minimum of 15 years of creditable service from \$1.50 to \$1.75 per month per year of creditable service not to exceed \$52.50 per month beginning July 1, 2026. |

2026 LODA Bills

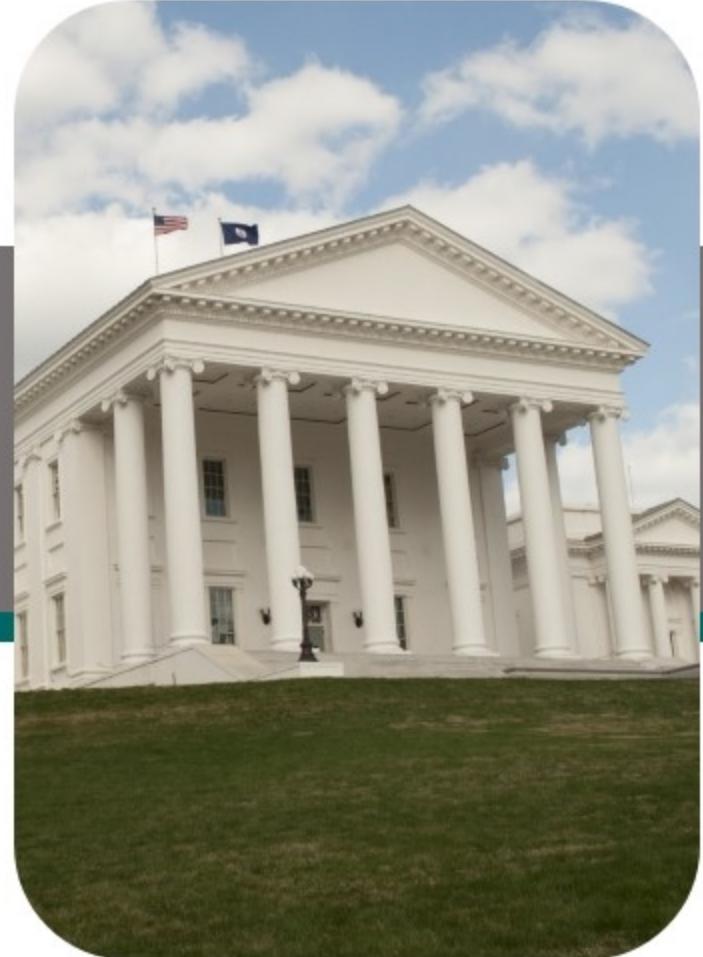


| Bill Number | Patron | Description |
|-------------|---------|--|
| HB 1317 | Willett | Provides that if a deceased person, as that term is defined in the Line of Duty Act, died as a result of certain cancers within 10 years from his date of retirement, his beneficiary shall be entitled to the payment of certain benefits. Under current law, such beneficiary shall be entitled to such payment if the deceased person's death (i) arose out of and in the course of his employment or (ii) was within five years from his date of retirement. |
| SB 523 | Deeds | |



Virginia
Retirement
System

Introduced Budget- Salary Actions



2026 Introduced Budget



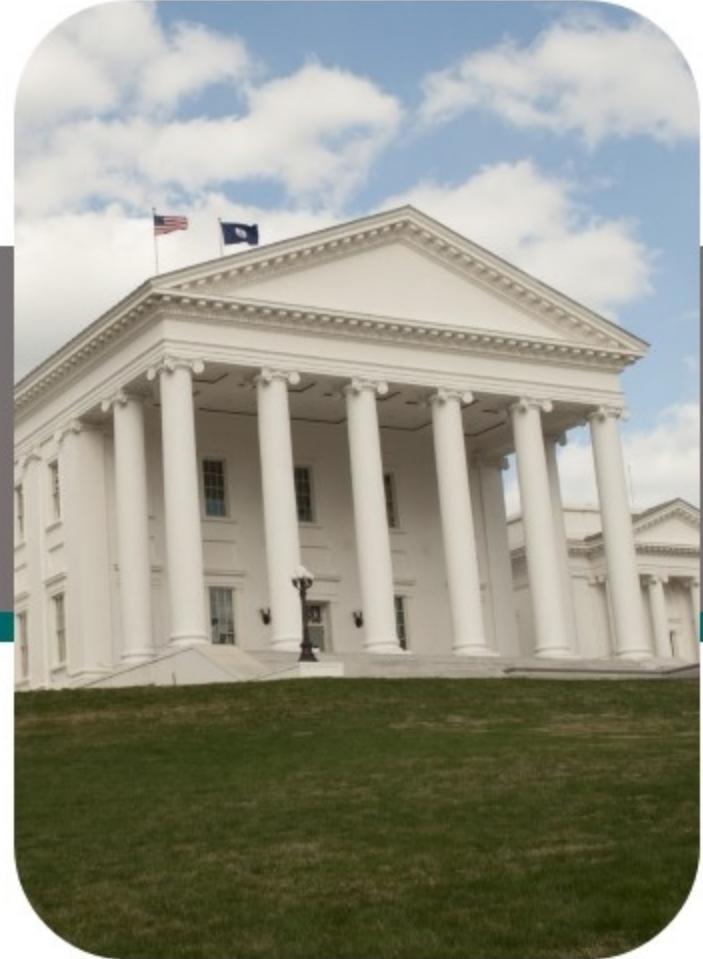
Salary Actions

| Item | Description |
|---------------------------|--|
| Item 469 R(1)(l) HB 30 | Out of the appropriation for this item, \$92,321,275 the first year and \$203,442,509 the second year from the general fund is provided to increase the base salary of the following employees by two percent on July 10, 2026 and an additional two percent on June 10, 2027... (l) Full-time employees of ...the Virginia Retirement System. |
| Item 469 R(5) SB 30 | The base rates of pay, and related employee benefits, for wage employees may be increased by up to two percent no earlier than July 10, 2026 and an additional two percent no earlier than June 10, 2027. The cost of such increases for wage employees shall be borne by existing funds appropriated to each agency. |



Virginia
Retirement
System

Introduced Budget- Contribution Rates



2026 Introduced Budget



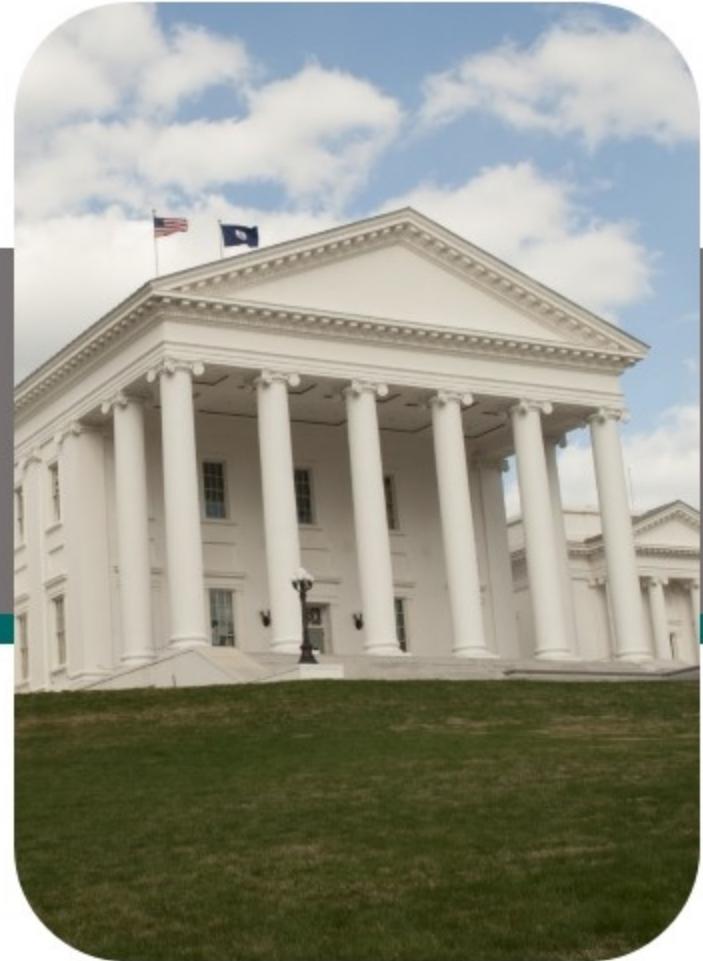
Employer Contribution Rates

| Item | Description |
|--------------------------|--|
| Item 469 (H)(1) HB 30 | H.1. Contribution rates paid to VRS for the retirement benefits of public school teachers, state employees, state police officers, state judges, and state law enforcement officers eligible for the Virginia Law Officers Retirement System shall be based on a valuation of retirement assets and liabilities that are consistent with the provisions of Title 51.1, Code of Virginia. 2. Retirement defined benefit contribution rates, excluding the applicable employee contribution, shall be: Public school teachers FY 27: 12.20% FY 28: 12.20% State employees FY 27: 11.07% FY 28: 11.07% State Police Officers' Retirement System FY 27: 31.67% FY 28: 31.67% Virginia Law Officers' Retirement System FY 27: 22.60% FY 28: 22.60% Judicial Retirement System FY 27: 30.49% FY 28: 30.49% |
| Item 469(H)(1) SB 30 | |



Virginia
Retirement
System

Failed Legislation



2026 VRS-Related Bills - Failed



VaLORS

| Bill Number | Patron | Description |
|-------------|----------|--|
| HB 1267 | Nivar | Adds (i) full-time sworn members of the enforcement division of the Department of Motor Vehicles, (ii) probation officers employed by the Department of Corrections, (iii) full-time sworn law-enforcement officers employed by the Department of Corrections, and (iv) full-time sworn law-enforcement officers employed by the Department of Juvenile Justice to membership in the Virginia Law Officers' Retirement System. The bill has a delayed effective date of July 1, 2027, and provides that such membership applies only to service earned on or after July 1, 2027. |
| HB 1055 | Phillips | Extends membership in the Virginia Law Officers' Retirement System to full-time sworn unit investigators appointed by the Attorney General. The bill has a delayed effective date of July 1, 2027, and provides that such membership applies only to service earned on or after July 1, 2027. |

2026 VRS-Related Bills - Failed



Enhanced benefits

| Bill Number | Patron | Description |
|-------------|--------|--|
| SB 304 | Jordan | Allows local governments to provide enhanced retirement benefits for hazardous duty service to full-time salaried 911 dispatchers. The bill provides that such enhanced retirement benefits apply only to service earned as a full-time salaried 911 dispatcher on or after July 1, 2027, but allows an employer, as that term is defined in relevant law, to provide such enhanced retirement benefits for service earned as a full-time salaried 911 dispatcher before July 1, 2027, in addition to service earned on or after that date. The bill has a delayed effective date of 7/1/27. |

2026 VRS-Related Bills - Failed



Enhanced benefits

| Bill Number | Patron | Description |
|-------------|-----------|---|
| SB 154 | Hackworth | Virginia Retirement System; enhanced retirement benefits for animal control officers. Adds full-time animal control officers to the list of local employees eligible to receive enhanced retirement benefits for hazardous duty service for service earned in such positions on or after July 1, 2027. Under current law, localities may provide such benefits to first responders, including firefighters and emergency medical technicians, and certain other hazardous duty positions. The bill has a delayed effective date of July 1, 2027. |
| SB 419 | Craig | Awards an individual who has reached normal retirement age under the State Police Officers' Retirement System (SPORS) or Virginia Law Officers' Retirement System (VaLORS), as determined by relevant law, one additional year of creditable service for every five full years of creditable service earned (i) as a member of SPORS, (ii) as a member of VaLORS, or (iii) while employed by a locality that has elected to provide SPORS-benefits to its employees. This bill only affects those retirements that take place on or after July 1, 2027. |

2025 VRS-Related Bills - Failed



LODA/VaLORS Bills

| Bill Number | Patron | Description |
|-------------|--------|--|
| SB 238 | Head | Permits the Board of Visitors of the Virginia School for the Deaf and the Blind to establish a campus police department, in compliance with the provisions of law relating to campus police departments established by institutions of higher education, and to employ campus police officers therein. |

2026 VRS-Related Bills - Failed



Return to Work

| Bill Number | Patron | Description |
|-------------|---------|---|
| SB 113 | Craig | Allows a retired law-enforcement officer to continue to receive his service retirement allowance during a subsequent period of employment by a local law-enforcement agency in a civilian role that does not require law-enforcement certification as a fingerprint examiner, forensics specialist, property and evidence technician, background investigator, or firearms instructor, so long as he has a break in service of at least six calendar months between retirement and reemployment, did not retire under an early retirement program, did not retire under the Workforce Transition Act of 1995, and retired in good standing from his sworn law-enforcement officer position. |
| HB 1306 | Cornett | Reduces from six months to one month the length of the required break in service after retirement for a teacher before such person may return to work full time and continue to receive his pension under the Virginia Retirement System. |

2026 VRS-Related Bills - Failed



Return to Work

| Bill Number | Patron | Description |
|-------------|--------|---|
| SB 695 | Jordan | <p>Requires each school board to enter into a collaborative agreement with the local law-enforcement agency to employ at least one school resource officer in each public elementary and secondary school in the local school division. The bill requires localities to provide enhanced retirement benefits to school resource officers. The bill also allows a retired law-enforcement officer to work as a school resource officer after a break in service of at least six months without impacting his retirement benefits.</p> <p>A substitute was introduced in subcommittee that removed the requirement for enhanced hazardous duty benefits but kept the return-to-work provisions.</p> |

2026 VRS-Related Bills - Failed



Return to Work

| Bill Number | Patron | Description |
|-------------|---------|---|
| HB 1107 | Kilgore | Allows Virginia Retirement System (VRS) members who return to work full time at the Department of Corrections as a correctional officer or an instructional employee required to be licensed by the Board of Education to continue to receive their VRS pension if (i) the person has a break in service of at least six calendar months between retirement and returning to work full time for the Department of Corrections, (ii) the person is not receiving a retirement benefit pursuant to an early retirement incentive program offered by the Department of Corrections, and (iii) those returning to work as a correctional officer successfully complete the minimum training standards established by the Department of Criminal Justice Services within 12 months of the hiring date. If the person makes the election to continue to receive a VRS pension during such new employment at the Department of Corrections, then (a) such service and compensation shall not affect any other retirement benefits, (b) such person shall still be eligible for cash match plan benefits, and (c) the employer shall include the person's compensation in membership payroll subject to certain employer contributions. |

2026 VRS-Related Bills – Failed



Retiree Health Benefits Program

| Bill Number | Patron | Description |
|-------------|--------|---|
| HB 659 | Kent | Allows a state retiree who elects to participate in the state retiree health plan but later discontinues participation one opportunity to return to participation in the plan, provided that such return to participation occurs within five years after the date of such employee's retirement. Under current law, a state retiree who elects to participate in the state retiree health plan but later discontinues participation is barred from participating in the plan. |

2026 VRS-Related Bills - Failed



Investments

| Bill Number | Patron | Description |
|-------------|--------|---|
| SB 507 | McPike | Prohibits investments by the Virginia Retirement System and local retirement systems in (i) companies with a majority ownership interest held by those holding elected federal positions or (ii) in investment funds with holdings of such companies in their portfolios on and after January 1, 2027, unless such investments or holdings are held in a blind trust established pursuant to federal law. |

2026 LODA Bills- Failed



| Bill Number | Patron | Description |
|-------------|--------|--|
| HB 491 | Guzman | Provides that a sheriff or deputy sheriff shall be eligible for Line of Duty Act benefits. Under current law, sheriffs or deputy sheriffs are only eligible for Line of Duty Act benefits in the City of Richmond. |

2026 VRS-Related Bills - Failed



JLARC Study

| Bill Number | Patron | Description |
|-------------|-----------|---|
| HR 9 | Maldonado | Directs the Joint Legislative Audit and Review Commission to perform a two-year comprehensive evaluation of the Virginia Retirement System's retirement plans, including Plan 1, Plan 2, and the Hybrid Retirement Plan, with particular attention to benefit adequacy, employee affordability, and impacts on workforce recruitment and retention. |



VRS Project Portfolio FISCAL YEAR 2026

December 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 | ★ | | | | | | | | | | | | |
| 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 | ★ | | | | | | | | | | | | |
| 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 | ★ | | | | | | | | | | | | |
| Update Contribution Rates in VNAV | Operations | ★ | | | | | | | | | | | | |
| 1099/W2 | Operations | ● | | | | | | | | | | | | |

| 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 | Green | | | | | | | | | | | |

Yellow Status Items

| Item | Due Date | Comments |
|-----------------------------|----------|---|
| VNAV Enhancements – Phase 2 | TBD | In an effort to ensure long-term project success, additional time adjusting the staffing plan has been made to ensure the Program Manager and project team will be sufficiently resourced and supported. This has delayed the hiring of the Program Manager role; however, that process is now underway and interviews are being scheduled. The project is expected to return to green status soon. |

Red Status Items

| Item | Due Date | Comments |
|------|----------|----------|
| N/A | | |

Realignments/Adjustments

| Item | Due Date | Comments |
|------|----------|----------|
| N/A | | |

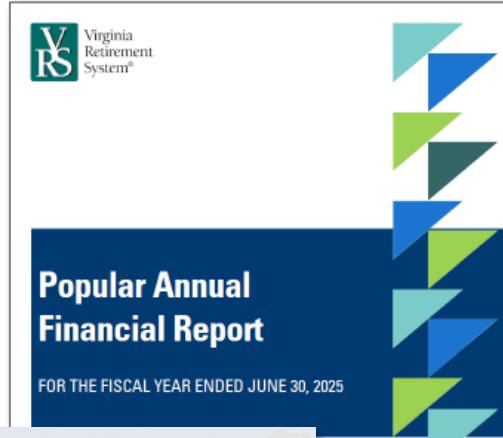
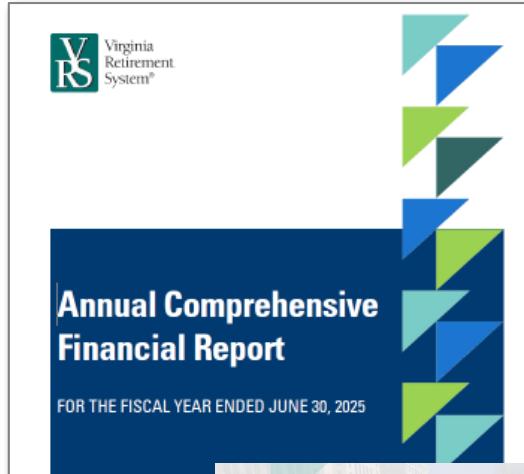


Director's Report

February 5, 2026

Trish Bishop, VRS Director

Annual Financial Reports Available



View the VRS 2025 video on
the [VRS YouTube channel](#)

The ACFR, PAFR
and VRS 101
are available online
under Publications
at varetire.org

VRS 101 AN INTRODUCTION TO THE VIRGINIA RETIREMENT SYSTEM

Helping VRS Members Plan for Tomorrow, Today

The Virginia Retirement System (VRS) serves those who serve others by delivering retirement and other benefits to Virginia public employees. In addition, we help our members plan for tomorrow, today with retirement education, counseling and advocacy.

Much of our work is described through financial statements, investment returns, financial tables and metrics. Yet, our broader focus is about delivering benefits to more than 180,000 retirees, and state and local government employees, teachers, law enforcement personnel and judges who serve their communities every day across the Commonwealth. Additionally, we work with more than 800 employers, our partners in delivering benefits to VRS members.

We invite you to become better acquainted with our agency through this introductory booklet, which includes a summary of our retirement system, membership, funding and resources.

VRS at a Glance

AT JUNE 30, 2025

| | |
|--|---|
| 15th | LARGEST ¹ retirement and pension system in the United States, based on assets |
| 36th | LARGEST ² among public and private pension systems in the world, based on assets |
| 84% | of pension benefits in Virginia |
| \$24.8 BILLION NET POSITION ³ | of the \$20 billion paid for the VRS in fiscal year 2025, the majority of which will be used to contribute to the local economy |

¹ As of year-end 2020. ² As of year-end 2019. ³ As of June 30, 2025.

VRS by the Numbers

| | |
|--|-------------------------------|
| 244,738 | TOTAL RETIRED AND DECEASED |
| 378,000 | ACTIVE MEMBERS |
| 864 | EMPLOYERS |
| \$24.8 BILLION NET POSITION ³ | NET POSITION ³ |

¹ The net position reflects the balance of resources available to pay benefits at the end of the fiscal year.

Virginia Retirement System
An independent agency of the Commonwealth of Virginia
JULY 1, 2025

VRS Director Outreach



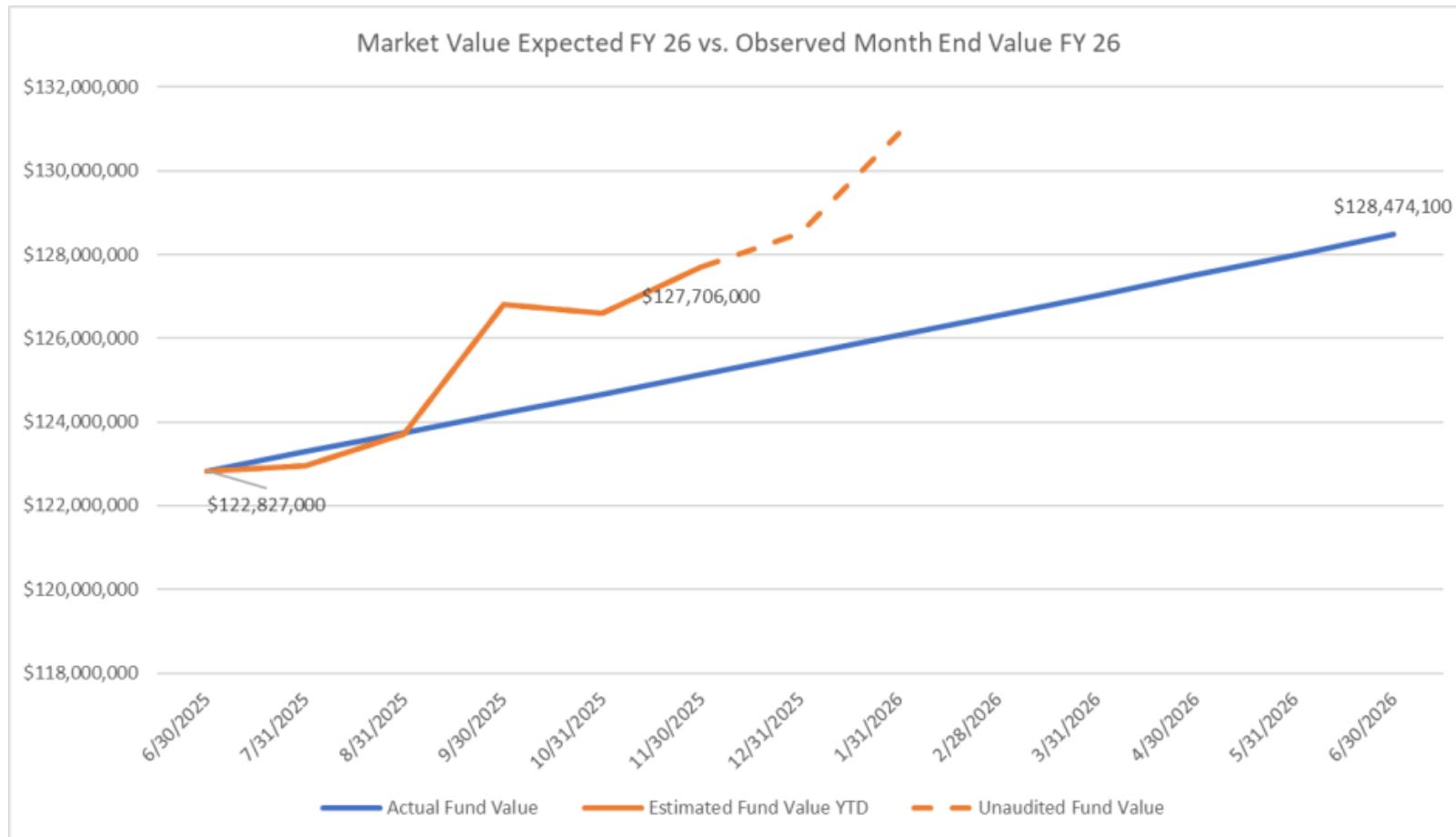
- December :
Governor-elect Spanberger's transition team
- January:
 - **VASS-VASBO Winter Conference**
 - **Senate Finance**
 - **House Appropriations**

Actuarial Measures

Key Indicators



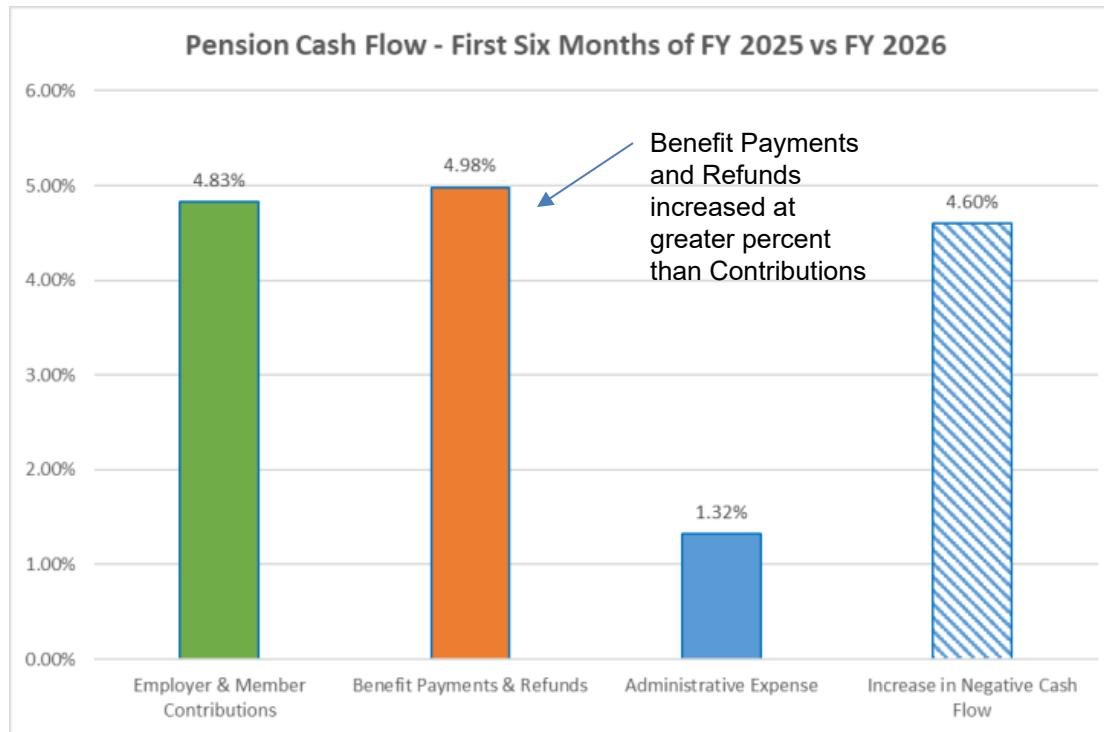
Fund Market Value Actual vs Expected – FY 2025



- The observed fund value is trending higher than expected value based on an assumed rate of return of 6.75%.

Pension Cash Flow

- VRS is a mature plan.
- Expect negative cash flow prior to recognizing investment income.
- Contributions will be less than Benefit Payments and Expenses.



Negative Cash Flow is expected to increase as more members retire and contribution rates continue to decline.

Investment Income is also higher than expected, which is helping to offset increases in negative cash flow.

Pension Cash Flow

- Due to the size of plan assets, only a portion of investment returns is needed to make plan cash flow neutral.
- For example, in FY 2025 the \$2.8 billion in negative cash flow could be offset if the plan had an investment return of approximately 2.6%.

Beginning of Year Fund Balance 7/1/2024 \$113,916,000,000

Activity During FY 2025

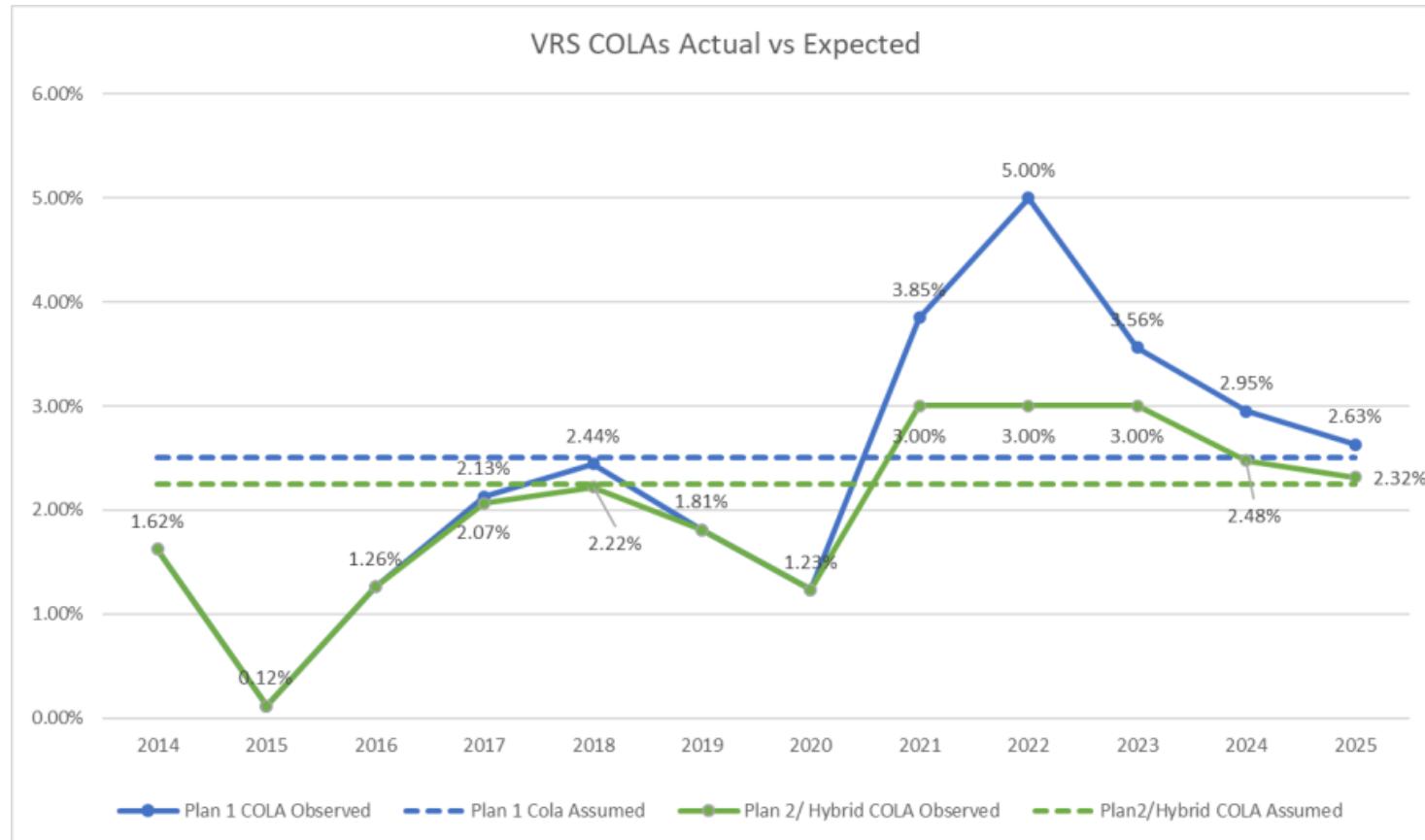
| | |
|-------------------------------------|-------------------|
| Employer and Employee Contributions | \$5,300,000,000 |
| Benefit Payments and Admin Expenses | (\$8,100,000,000) |

| | |
|--|-------------------|
| Cash Flow Prior to Investment Earnings | (\$2,800,000,000) |
|--|-------------------|

- The fund ended up with a 9.9% investment return which provided nearly \$11 billion in investment income, or about \$8.2 in net investment income.

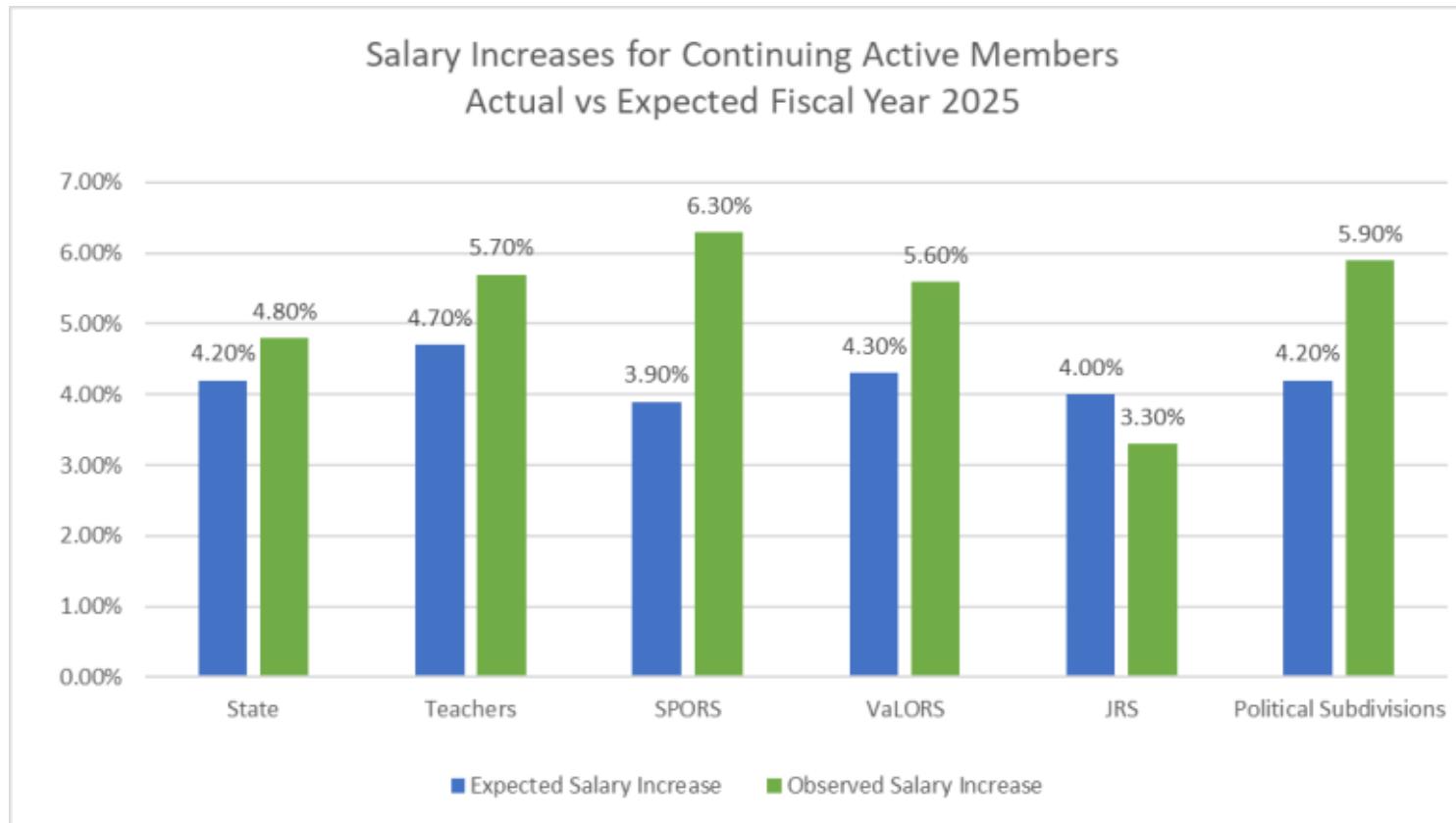
Cost of Living Adjustments (COLA)

Actual vs Expected



- Five consecutive years of higher than expected COLAs.
- Higher COLAs increase retirees benefits, liabilities and add to unfunded liabilities.

Salary Increases for Continuing Active Members by Plan Actual vs Expected



- Higher inflation has led to several years of higher than expected salary increases.
- Higher than expected salaries increase normal cost rates, benefit levels and liabilities.

Upcoming Deliverables

Stress Test and Sensitivity Analysis Report

- Required by Section 51.1-124.30:1 of the *Code of Virginia*.
- The analyses shall include projections of benefit levels, pension costs, liabilities, and debt reduction under various economic and investment scenarios.
- Report will reflect updated valuation results from 2025 rate-setting valuations which includes assumption and method changes from most recent experience study.

Factor Study – Phase 2 - Early Retirement Factor Analysis

- Analyze impacts of current factors by benefit tier.
- Compare VRS factors to peer public sector plans.
- Develop recommendations on any potential changes.



Board Preview of Meetings

VRS Board of Trustees Retreat

March 17-18, 2026 ~ Boar's Head, Charlottesville



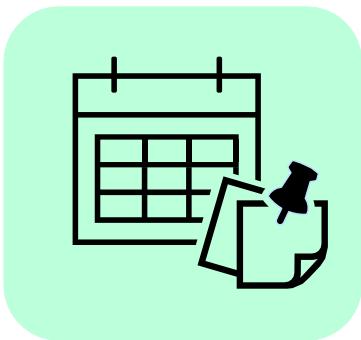
This year's schedule:

Day 1 (Tuesday): Afternoon session followed by a reception and dinner.

Day 2 (Wednesday): Breakfast and a morning session followed by lunch.

Please RSVP to your retreat invitation!

Preview: March-April 2026



March

- ★ 12 - Defined Contribution Plans Advisory Committee
- ★ 17-18 – Board Retreat
- ★ 25 – Audit and Compliance Committee

April

- ★ 8 – Investment Advisory Committee
- ★ 15 – Benefits and Actuarial Committee
- ★ 23 – Administration, Finance and Talent Management Committee
- ★ 23 - Board of Trustees