



We welcome visitors and remind you that public comment is not received at VRS meetings.

Written comments may be sent by:

- Email: trustees@varetire.org
- Mail: P.O. Box 2500, Richmond, VA 23218

About VRS

The Virginia Retirement System, an independent state agency, delivers retirement and other benefits to covered Virginia public sector employees. Learn more at varetire.org.



Administration, Finance and Talent Management Committee Meeting

**901 East Cary Street
James Center, 4th Floor**

**Thursday, 10/15/2026
10:30 - 11:30 AM ET**

I. Approve Minutes

• **September 16, 2026**

AFT Minutes 9.16.26 - Page 3

II. Mercer Presentation on the 2026 Compensation Study – Investment Professionals

• **RBA – Approve Amendments to Investment Professionals' Pay Plan**

RBA - Revised Investment Professionals' Pay Plan - Page 8

10.13.26 - VRS - Direct Investment Compensation Study - Page 9

Investment Professionals Pay Plan Updated October 2026 Redline - Page 20

Investment Professionals Pay Plan Updated October 2026 Clean - Page 36

III. Closed Session – Personnel Discussion

Minutes

A regular meeting of the Virginia Retirement System Administration, Finance and Talent Management Committee was held on September 16, 2026, with the following members participating:

Susan T. Gooden, Ph.D., Chair

A. Scott Andrews, Vice Chair

Lawrence A. Bernert III (*attended remotely from Norfolk, VA under § 2.2-3708.3(B)(4)*)

John M. Bennett

Board members present:

Jessica L. Hood (*attended remotely from Norton, VA under § 2.2-3708.3(B)(3)*)

William H. Leighty

VRS Staff:

Patricia Bishop, Andrew Junkin, Jennifer Schreck, Michael Cooper, David Cotter, Juanita Cribbs, Valerie Disanto, Curtis Doughtie, Pam Elam, Kenji Epling, Jonathan Farmer, Laurie Fennell, Laura Fields, Antonio Fisher, LaShaunda King, Leslie LaBrie, Daniel Lipok, Curt Mattson, Matt Priestas, Shawn Rabalais, Paula Reid, Mark Rein, Amethyst Sloane, Virginia Sowers and Emily Trent.

Guests:

Robert Leopold; Alex Jansson, Joint Legislative Audit and Review Commission; and Jacob Rose-Seiden, Osmosis.

The meeting convened at 1:01 p.m.

Opening Remarks

Dr. Gooden called the meeting to order and welcomed everyone to the September 16, 2026, meeting of the Administration, Finance and Talent Management Committee.

Approval of Minutes

Following a motion by Mr. Andrews, with a second by Mr. Leighty, the Committee approved the minutes of its June 17, 2026, meeting.

RBA – Reappointment of Investment Advisory Committee Members

Andrew Junkin, Chief Investment Officer, advised the Committee that the Investment Advisory Committee terms for Theodore Economou, Palmer Garson, Larry Kochard and Thomas Gayner are set to expire in the coming months. All four members are interested in continuing to serve on the committee.

Upon a motion by Mr. Andrews, with a second by Mr. Leighty, the Committee recommended approval of the action to the full Board of Trustees:

Request for Board Action: The Board approves the reappointment to the Investment Advisory Committee (IAC) for two-year terms the following members: (i) Theodore Economou for a term ending September 13, 2028, (ii) Palmer Garson for a term ending October 16, 2028, (iii) Larry Kochard for a term ending February 19, 2029, and (iv) Thomas Gayner for a term ending February 19, 2029.

Dr. Gooden thanked Mr. Junkin for his presentation.

Review Attainment of FY2026 Agency Performance Outcomes (APOs) and Operational Measures

Michael Cooper, Chief Operating Officer, reviewed the results of the FY 2026 agency performance outcomes (APOs) and operational measures. Mr. Cooper noted that the agency had four APOs for the fiscal year, with a target of completing at least three. Staff met this goal by successfully completing all four APOs. In addition, there were 16 operational measures for the year, of which 13 had to be met to achieve the target for the year. Staff successfully met their target by meeting 14 of the 16 operational measures.

Upon a motion by Mr. Andrews with a second by Mr. Leighty, the Committee recommended approval of the action to the full Board of Trustees:

RBA – Attainment of FY 2026 APOs and Operational Measures (and corresponding lump-sum bonus)

Request for Board Action: The Board approves the attainment of FY 2026 Agency Performance Outcomes (APOs) and Operational Measures and a lump-sum bonus equal to 2.5% of salary for eligible administrative employees and eligible Investment Department operations and administration employees.

Dr. Gooden thanked Mr. Cooper for his presentation.

Review Performance Bonuses for Eligible Administrative and Investment Operations and Administration Employees

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

Upon a motion by Mr. Leighty, with a second by Mr. Andrews, the Committee recommended approval of the action to the full Board of Trustees:

RBA – Review Performance Bonuses for Eligible Administrative and Investment Operations and Administration Employees

Request for Board Action: The Board approves performance lump-sum bonuses for eligible administrative employees and eligible Investment Department operations and administration employees.

Quarterly Budget Update

Jon Farmer, Budget and Reporting Manager, presented the FY 2026 year-end budget results, explaining that VRS finished with an unexpended appropriation of \$8.2 million, which remained in the Fund. Mr. Farmer noted that most of the unexpended appropriation was the result of delays in completing several initiatives due to additional time needed to finalize agreements with third-parties, resource constraints and staff bandwidth surrounding concurrent priorities. Mr. Farmer also provided an overview of the agency's FY 2027 budget, noting that this is the first year of the new biennium budget and the total operating budget for the year is \$166 million.

Informational Item (Internal Audit Director's Performance Review)

Dr. Gooden informed the Committee that the Audit and Compliance (A&C) Committee reviewed the Internal Audit Director's performance at its September 16, 2026, meeting. Each year, the A&C Committee reviews the Internal Audit Director's performance and makes a recommendation for a performance bonus to the Board of Trustees. A copy of the request for board action to provide a performance bonus in the amount of 7% was shared with the Committee for informational purposes.

FOIA Electronic Meeting Attendance Policy

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

Upon a motion by Mr. Leighty, with a second by Mr. Andrews, the Committee recommended approval of the action to the full Board of Trustees:

RBA – Affirm FOIA Electronic Meeting Attendance Policy

Request for Board Action: The Board affirms its FOIA Electronic Meeting Attendance Policy.

Compensation and Benefits (Closed Session)

Mr. Andrews moved, with a second by Mr. Bernert, that the Administration, Finance and Talent Management Committee of the Virginia Retirement System Board of Trustees convene a closed meeting under the Virginia Freedom of Information Act to discuss the compensation and benefits of specific employees pursuant to the personnel exemption at *Code of Virginia* § 2.2-3711(A)(1).

Upon return to open meeting, Mr. Andrews moved, with a second by Mr. Bernert, the following resolution:

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

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

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

As required by Va. Code 2.2-3712(D), prior to the certification vote, Mr. Leighty stated that he believed that it would have also been appropriate to present some of the information presented in the closed session in open session. The Committee approved the resolution upon the following roll call vote:

Mr. Andrews: Aye
Mr. Bernert: Aye
Ms. Hood: Aye
Mr. Leighty: Nay
Dr. Gooden: Aye

RBA: Approve FY 2026 Incentive Pay for Investment Professionals

Upon a motion by Mr. Andrews, with a second by Mr. Leighty, the Committee recommended approval of the action to the full Board of Trustees:

Request for Board Action: *The VRS Board of Trustees approves payment of an incentive amount of approximately \$9,433,064.51 for FY 2026 to VRS investment professionals as authorized by the Investment Professionals' Pay Plan.*

Internal Audit reviewed the proposed investment incentive compensation for the fiscal year that ended June 30, 2026, and found that the aggregate amount was accurately computed in accordance with the Investment Professionals' Pay Plan.

RBA: Director's Performance Review

Upon a motion by Mr. Andrews, with a second by Mr. Leighty, the Committee recommended approval of the action to the full Board of Trustees:

Request for Board Action: *The VRS Board of Trustees approves a performance bonus for the VRS Director payable on October 16, 2026, and a supplemental payment made December 1, 2026, as authorized in the 2026 Appropriation Act.*

Other Business

Dr. Gooden noted the Administration, Finance and Talent Management Committee will hold an additional meeting to review the results of the Mercer study of the Investment Professionals Pay Plan¹.

Adjournment

There being no further business and following a motion by Mr. Leighty, with a second by Mr. Andrews, the Committee agreed to adjourn the meeting at 2:43 p.m.

Chair

Date

¹The additional meeting was subsequently scheduled for October 15, 2026, at 10:30 a.m.



**Approve Amendments to
Investment Professionals' Pay Plan**

Requested Action

The Virginia Retirement System Board of Trustees approves an amended Investment Professionals' Pay Plan (Pay Plan), effective October 25, 2026.

Description/Background

The VRS Board of Trustees approved the current Investment Professionals' Pay Plan on June 17, 2026, effective July 1, 2026.

As provided in the Pay Plan, VRS' philosophy is to position base salary for investment professionals at the 75th percentile for public pension funds. VRS recently engaged Mercer (A Marsh Business), a global professional services independent consulting firm serving sophisticated institutional investment clients, to conduct a compensation market study to review the market competitiveness of VRS for investment professionals and review the appropriateness of the Pay Plan. Mercer presented the results of their review to the Administration, Finance and Talent Management Committee at its October 15, 2026, meeting.

Based on the market data results reviewed for the study, Mercer recommended adjustments to the salary ranges of all positions covered by the Pay Plan in order to align the midpoints of the pay structures to the 75th percentile for public pension funds in accordance with the philosophy of the Pay Plan.

Clean and redlined versions of the revised Pay Plan and a copy of the Mercer study recommendations are attached.

Authority for Requested Action

Code of Virginia § 51.1-124.22(A)(11) authorizes the Board to establish and administer a compensation plan for officers and employees of the Retirement System.

The above action is approved.

Susan T. Gooden, Ph.D., Chair
VRS Board of Trustees

Date

Direct Investment Professionals Benchmark Summary

Market Pricing Methodology and Competitive Comparisons

Josh Wilson, Partner

Susan Lemke, Senior Principal

David Paul, Associate



Agenda

1. Executive Summary
2. Market Pricing Methodology & Survey Participants
3. Market Pricing by Job
 - Base Salary
 - Total Cash Compensation (TC)
4. Recommendations – Salary Structures

Executive Summary

- Virginia Retirement System (“VRS”), engaged Mercer (“Mercer” or “we”) to review the market competitiveness of the organization’s Direct Investment jobs.
- Mercer’s compensation review includes a full competitive assessment of base salary and total cash compensation
- VRS’ compensation philosophy is to position base salary at the 75th percentile for public pension funds, and to position total cash compensation at the 50th percentile of a 75/25 blend of public pension and private market data
- On average, VRS **base salary is 7% below market 75th percentile** and **total cash is 19% below the market 50th percentile**.
 - For both salary and total cash, VRS is below its stated philosophy
- VRS core roles and their average closest percentile variances for base salary and total cash are outlined below:

	Base Salary 		Total Cash 	
Role (# of Incumbents)	1st Quartile	2nd Quartile	3rd Quartile	4th Quartile
Chief Investment Officer (1)		 		
Deputy Chief Investment Officer (1)				
Managing Director (2)				
Program Director (9)				
Director (4)				
Senior Portfolio Manager (8)				
Portfolio Manager (9)				
Senior Investment Officer (10)				
Investment Officer (6)		 		
Senior Investment Analyst (4)		 		
Investment Analyst (3)		 		

Market Pricing Methodology

Item	Approach
Effective Date	July 1, 2026
Data Elements	The following pay elements are included in the market pricing results, at the 25 th , 50 th , and 75 th percentiles (where available): • Base Salary • Total Cash Compensation (TC): Base + Target STI
Target Market Positioning	Base Salary: 75 th percentile for Public Funds Total Cash Compensation: 50 th percentile for 75/25 split of Public Funds and Private Sector
Industry / Specialty	• 2025 AON McLagan Public Fund Compensation Survey – Custom Peer Group • 2025 AON McLagan Private Sector Compensation Survey – All Parts
Survey Source Weighting	Data from both survey sources is provided for reference for each data element. The weighting is aligned to the VRS compensation philosophy for investment professionals. • Base Salary: 100% McLagan Public Fund • Total Cash: 75% McLagan Public Fund, 25% McLagan Private Sector
Geography	National data
Data Adjustments	Mercer will apply premiums and discounts to market data (e.g., +10%) when a specific survey job match needs to be adjusted to match the responsibilities of a VRS role.
Data Aging	Data is aged to the Effective Date using a 3.5% factor, based on Mercer’s Global Compensation Planning Report (June 2026)

Survey Participants

AON McLagan Public Fund Compensation Survey – Custom Peer Group

Aon McLagan Public Fund Compensation Survey Participants		
Organization	FYE '24 AUM (\$B)	Location of Investment Staff
CA Public Employees' Retirement System	\$527.7	Sacramento, CA
CA State Teachers' Retirement System	\$349.7	West Sacramento, CA
New York State & Local Retirement System	\$260.4	Albany, NY
Teachers Retirement System of Texas	\$224.0	Austin, TX
Florida State Board of Administration	\$218.9	Tallahassee, FL
Washington State Investment Board	\$211.4	Olympia, WA
State of Wisconsin Investment Board	\$147.2	Madison, WI
New York State Teachers' Retirement System	\$146.5	Albany, NY
Ohio Public Employees Retirement System	\$119.4	Columbus, OH
State of Michigan Retirement System	\$110.1	East Lansing, MI
Massachusetts PRIM	\$109.7	Boston, MA
State Teachers Retirement System of Ohio	\$96.3	Columbus, OH
Colorado Public Employees' Retirement Association	\$73.3	Denver, CO

Survey Participants

AON McLagan Private Sector Compensation Survey (Organization Make-up)

All Private Sector Firms				
	# of Firms	AUM		
		Low Q	Median	High Q
Banks	35	\$11.8	\$71.8	\$376.1
Insurance Companies	39	\$54.1	\$84.0	\$171.3
Investment Management/Advisory Firms	152	\$28.6	\$161.2	\$571.4
Corporate Pensions, Endowments, & Foundations	86	\$3.0	\$7.5	\$22.9
Total	312	\$24.4	\$81.1	\$285.4

Market Pricing by Job

Base Salary (000s) – McLagan Public Sector data only

 Closest Market Percentile

			Base Salary Market Data			Base Salary Variance		
Job Title	Average Base	McLagan Public Funds: Benchmark Match	25th %ile	50th %ile	75th %ile	25th %ile	50th %ile	75th %ile
Chief Investment Officer	\$533	CIO	\$525	\$563	\$728	2%	-5%	-27%
Deputy Chief Investment Officer	\$452	Deputy CIO	\$373	\$438	\$525	21%	3%	-14%
Managing Director	\$468	Deputy CIO / Asset Class CIO	\$348	\$400	\$448	34%	17%	4%
Program Director	\$375	Portfolio Management Managing Expert (F7)	\$305	\$325	\$390	23%	16%	-4%
Director	\$311	Portfolio Management Senior Expert (F6), consistent with Sr. Portfolio Manager	\$239	\$265	\$305	30%	17%	2%
Senior Portfolio Manager	\$295	Portfolio Management Senior Expert (F6), consistent with Director	\$239	\$265	\$305	23%	11%	-3%
Portfolio Manager	\$255	Portfolio Management Expert (F5)	\$205	\$224	\$246	25%	14%	4%
Senior Investment Officer	\$184	Portfolio Management Advanced (F4)	\$162	\$182	\$200	14%	1%	-8%
Investment Officer	\$141	Portfolio Management Experienced (F3)	\$131	\$143	\$158	8%	-1%	-11%
Senior Investment Analyst	\$108	Asset Management Research – Intermediate (F2)	\$106	\$113	\$120	2%	-4%	-9%
Investment Analyst	\$89	Asset Management Research – Entry (F1)	\$81	\$93	\$103	10%	-4%	-13%

Market Pricing by Job

Total Cash (000s) – 75/25 Blend of McLagan Public and Private Sector

 Closest Market Percentile

			Actual Total Cash Market Data			Total Cash Variance		
Job Title	Average TC	Survey Benchmarking Approach <i>Same for both surveys except where noted</i>	25th %ile	50th %ile	75th %ile	25th %ile	50th %ile	75th %ile
Chief Investment Officer	\$907	CIO	\$894	\$1,123	\$1,864	1%	-19%	-51%
Deputy Chief Investment Officer	\$746	Deputy CIO	\$619	\$993	\$1,446	21%	-25%	-48%
Managing Director	\$772	McLagan Public: Asset Class CIO. McLagan Private: PM Managing Expert (F7) with 20% discount	\$618	\$937	\$1,428	25%	-18%	-46%
Program Director	\$591	McLagan Public: Managing Expert (F7). McLagan Private: PM Senior Expert (F6) with 20% premium	\$545	\$796	\$1,082	9%	-26%	-45%
Director	\$467	Portfolio Management Senior Expert (F6), consistent with Senior PM	\$401	\$622	\$858	16%	-25%	-46%
Senior Portfolio Manager	\$443	Portfolio Management Senior Expert (F6), consistent with Director	\$401	\$622	\$858	10%	-29%	-48%
Portfolio Manager	\$357	Portfolio Management Expert (F5)	\$309	\$418	\$543	16%	-15%	-34%
Senior Investment Officer	\$239	Portfolio Management Advanced (F4)	\$234	\$288	\$350	2%	-17%	-32%
Investment Officer	\$184	Portfolio Management Experienced (F3)	\$169	\$200	\$246	9%	-8%	-25%
Senior Investment Analyst	\$130	Asset Management Research – Intermediate (F2)	\$129	\$151	\$171	1%	-14%	-24%
Investment Analyst	\$98	Asset Management Research – Entry (F1)	\$95	\$110	\$132	3%	-11%	-25%

Recommendation

- Based on the market data results, Mercer recommends the following adjustments to align the midpoints of pay structures to the 75th percentile for public pension funds data, in accordance with VRS' compensation philosophy
- Current grade midpoints are at or above the market 75th percentiles for each role, except for the CIO and Deputy CIO
- For most roles, recommended changes to midpoints are small. The CIO and Deputy CIO midpoints increase 28% and 11%, respectively.**
- Target incentive rates are consistent with current practice. Using base pay at the midpoint and target incentive rates, **the average grade is 5.5% below the market median for total cash** (75/25 blend of public pensions and private market data)
 - Incentive targets would need to increase 20-30 percentage points for mid- and senior-level roles to bring total cash targets in line with the market median

Role (57 Incumbents)	Current Grades (2026)			Proposed Grades			
	Grade Midpoint (vs. Market 75 th)	STI Target	Target Total Cash (vs. Market 50 th)	Midpoint (vs. Market 75 th)	Midpoint Increase (%)	STI Target	Target Total Cash (vs. Market 50 th)
Chief Investment Officer (1)	\$546 (-25%)	70%	\$929 (-17%)	\$700 (-4%)	\$154 (28%)	70%	\$1,190 (6%)
Deputy Chief Investment Officer (1)	\$495 (-6%)	65%	\$816 (-18%)	\$550 (5%)	\$55 (11%)	65%	\$908 (-9%)
Managing Director (2)	\$451 (1%)	65%	\$744 (-21%)	\$465 (4%)	\$14 (3%)	65%	\$767 (-18%)
Program Director (9)	\$389 (0%)	60%	\$622 (-22%)	\$400 (3%)	\$11 (3%)	60%	\$640 (-20%)
Director (4)	\$340 (11%)	50%	\$509 (-18%)	\$345 (13%)	\$5 (2%)	50%	\$518 (-17%)
Senior Portfolio Manager (8)	\$340 (11%)	50%	\$509 (-18%)	\$345 (13%)	\$5 (2%)	50%	\$518 (-17%)
Portfolio Manager (9)	\$265 (8%)	40%	\$372 (-11%)	\$270 (10%)	\$5 (2%)	40%	\$378 (-10%)
Senior Investment Officer (10)	\$222 (11%)	30%	\$289 (1%)	\$225 (13%)	\$3 (1%)	30%	\$293 (2%)
Investment Officer (6)	\$173 (9%)	30%	\$225 (12%)	\$175 (10%)	\$2 (1%)	30%	\$228 (14%)
Senior Investment Analyst (4)	\$130 (8%)	20%	\$156 (3%)	\$130 (9%)	\$0.3 (0%)	20%	\$156 (3%)
Investment Analyst (3)	\$105 (2%)	10%	\$115 (5%)	\$105 (2%)	\$0.0 (0%)	10%	\$116 (5%)

Current and Recommended Pay Structures

Role	Current Grades (2026)			Proposed Grades			
	Minimum	Midpoint	Maximum	Minimum	Midpoint	Maximum	Midpoint Increase (%)
Chief Investment Officer	\$410	\$546	\$683	\$525	\$700	\$875	\$154 (28%)
Deputy Chief Investment Officer	\$371	\$495	\$618	\$413	\$550	\$688	\$55 (11%)
Managing Director	\$340	\$451	\$562	\$349	\$465	\$581	\$14 (3%)
Program Director	\$290	\$389	\$488	\$300	\$400	\$500	\$11 (3%)
Director	\$253	\$340	\$426	\$259	\$345	\$431	\$5 (2%)
Senior Portfolio Manager	\$253	\$340	\$426	\$259	\$345	\$431	\$5 (2%)
Portfolio Manager	\$198	\$265	\$333	\$203	\$270	\$338	\$5 (2%)
Senior Investment Officer	\$167	\$222	\$278	\$169	\$225	\$281	\$3 (1%)
Investment Officer	\$130	\$173	\$216	\$131	\$175	\$219	\$2 (1%)
Senior Investment Analyst	\$99	\$130	\$161	\$98	\$130	\$163	\$0.3 (0%)
Investment Analyst	\$80	\$105	\$130	\$79	\$105	\$131	\$0.0 (0%)

We are leaders in risk, strategy and people. One company, with four global businesses, united by a shared purpose to build the confidence to thrive through the power of perspective.



VIRGINIA RETIREMENT SYSTEM
INVESTMENT PROFESSIONALS'
PAY PLAN
Effective ~~July~~October 25, 2026

OVERVIEW & PAY PHILOSOPHY

The Virginia Retirement System's (VRS) Board of Trustees (Board) has designed this Investment Professionals' Pay Plan (Plan) after working with an independent compensation consultant. In addition, the Board has adopted benchmarks, recommended by an independent investment consultant, to be used as part of this Plan.

This Plan includes three core elements:

- Base Salary (described in Section I)
- Incentive Pay (described in Section II)
- Deferred Compensation Plan for VRS Personnel (DCIP) (described in Section III)

Overall, this Plan is designed to:

- Attract, motivate, and retain skilled investment professionals by offering competitive compensation opportunities.
- Directly align compensation with long-term, superior relative and absolute investment performance.
- Reinforce risk management priorities and standards.
- Attract and retain senior investment professionals by deferring a portion of incentive compensation on a tax-deferred basis.
- Benefit all stakeholders – VRS' beneficiaries, VRS' employees, and Virginia's taxpayers – through a compensation plan that is clear, aligned with performance, competitive and cost effective.

Importantly, this Plan anchors on two broad and long-standing philosophical principles:

1. VRS should pay base salaries consistent with the 75th percentile of a peer group of other leading public funds. The primary guidelines for determining VRS' leading public fund peer group will be (1) funds of similar size (AUM) as VRS and (2) funds with significant (>25%) assets managed internally. Additional criteria the Board may consider is asset allocation / diverse portfolio similar to VRS, degree of delegation to the Chief Investment Officer (CIO) and staff, use of outside investment consultants, and Board pay decision making authority.
2. VRS should provide incentive compensation opportunities such that, in combination with base salary, total compensation levels approximate the median (50th percentile) of a blended group weighted 75% to the total compensation levels of leading peer group public funds and 25% to the total compensation levels of a broad range of private-sector firms that employ investment professionals.

I. Base Salary

SALARY RANGES

This Plan establishes a salary range for each job class taking into account its relative importance to VRS and the salaries paid for comparable types of jobs in other leading public funds.

Minimum, midpoint, and maximum salary rates define the salary range for each job class/position. The midpoint of each job class/position approximates the 75th percentile of salaries of a peer group of leading public pension funds. Actual salaries can be higher or lower than the midpoint depending on factors such as job performance, professional education and certifications, the willingness to assume new and higher-level duties and responsibilities, the ability to learn quickly and apply new knowledge and skills, being a team player, and the length of time in the position.

Investment Professionals' Pay Plan
Effective ~~July~~October 25, 2026

Each position's salary range includes a defined:

- **Minimum** - the lowest base salary paid for a job within the job class/position.
- **Midpoint** - represents the market salary paid to a fully qualified employee, who has the institutional knowledge and practical experience to fulfill independently all of the responsibilities of the job/position.
- **Maximum** - the highest salary rate for the job class/position.

Salary Range (\$ Thousands)				
Grade	Position	Min (\$)	Mid (\$)	Max (\$)
11	Chief Investment Officer	~~\$525,000~~ <u>409,566</u>	~~\$700,000~~ <u>546,271</u>	~~\$875,000~~ <u>682,976</u>
10	Deputy Chief Investment Officer	~~\$413,000~~ <u>371,134</u>	~~\$494,663~~ <u>550,000</u>	~~\$618,192~~ <u>688,000</u>
9	Managing Director	~~\$339,569~~ <u>349,000</u>	~~\$450,700~~ <u>465,000</u>	~~\$561,831~~ <u>581,000</u>
8	Program Director	~~\$290,177~~ <u>300,000</u>	~~\$388,961~~ <u>400,000</u>	~~\$477,744~~ <u>500,000</u>
7	Director	~~\$253,132~~ <u>259,000</u>	~~\$339,568~~ <u>345,000</u>	~~\$426,003~~ <u>431,000</u>
6	Senior Portfolio Manager	~~\$253,132~~ <u>259,000</u>	~~\$339,568~~ <u>345,000</u>	~~\$426,003~~ <u>431,000</u>
5	Portfolio Manager	~~\$197,567~~ <u>203,000</u>	~~\$265,481~~ <u>270,000</u>	~~\$333,394~~ <u>338,000</u>
4	Senior Investment Officer	~~\$166,697~~ <u>169,000</u>	~~\$222,410~~ <u>225,000</u>	~~\$278,123~~ <u>281,000</u>
3	Investment Officer	~~\$129,653~~ <u>131,000</u>	~~\$172,871~~ <u>175,000</u>	~~\$216,089~~ <u>219,000</u>
2	Senior Investment Analyst	~~\$98,784~~ <u>98,000</u>	~~\$129,654~~ <u>130,000</u>	~~\$160,523~~ <u>163,000</u>
1	Investment Analyst	~~\$80,262~~ <u>79,000</u>	~~\$104,958~~ <u>105,000</u>	~~\$129,653~~ <u>131,000</u>

Investment Professionals' Pay Plan

Effective ~~July~~October 25, 2026

In considering the above salary range, it is important to note the following:

- **Market Pay Reviews:** The VRS normally conducts a comparative market total pay study generally every two to three years to ensure competitiveness of the salary and incentive structures. Typically, the VRS conducts the study in the 1st quarter of the calendar year with an effective date of July 1 (the beginning of the fiscal year).
- **Changes in Salary Ranges:** The Board must approve changes to the salary scale and incentive structure.

Salary Adjustments

Oversight & Administration

VRS will implement pay actions, including any bonuses, consistent with the provisions of the Appropriation Act. The VRS Board, however, approves across-the-board performance-based salary increases, market-based salary increases and incentive pools, for VRS investment professionals, consistent with the Code of Virginia and the Appropriation Act. The CIO approves salary adjustments for individual investment professionals and, as described later in the Plan, sign-on bonuses, incentive payments, and relocation expenses subject to the limitations in the Code of Virginia and other applicable state or federal law and regulation.

Merit Increases

- Salary increases are based on meeting individual performance standards. The supervisor completes the evaluation after the end of the fiscal year. If a participant in the investment employees' pay plan does not meet overall performance standards, then the participant is ineligible for performance increases to their base salary and market adjustments to their base salary for that performance cycle. Performance cycles are on a fiscal year basis (July 1 through June 30) and typically begin with an effective date of performance plans in the first quarter of the new fiscal year.
- The CIO will receive base salary increases as approved by the VRS Board and in accordance with the terms in the CIO's Employment Agreement, with approved effective dates established by the VRS Board.

Starting Salaries

The starting salary for a new employee considers the rates presently paid to other employees in the department and those in the same job class (when applicable), the candidate's education, skills, work experience, and salary history. The starting salary normally does not exceed the salary grade midpoint.

Reallocation

Reallocation occurs when a job classification is reviewed by Human Resources, and it is determined that the job duties and responsibilities have changed significantly enough to place the job in a different job title and job class. Unless the CIO authorizes an exception, this would not exceed a 15% increase. However, the individual's salary will always be at least at the minimum of the range of the new job, regardless of the amount of the increase.

In-grade Adjustments

In-grade adjustments occur to ensure competitiveness, retention, and to recognize increased skills, abilities, knowledge, obtainment of a degree or certification, or significant increases in responsibilities within the job class. Unless the CIO authorizes an exception, adjustments will not exceed a 10% increase.

Promotions

Promotions occur when an individual moves into a position in a higher job class. Promotions can be competitive (selected through a recruitment and hiring process) or non-competitive (through a job reclassification or reallocation). Unless the CIO approves an exception, promotions will not exceed a 15%

Investment Professionals' Pay Plan

Effective ~~July~~**October 25, 2026**

increase. However, the individual's salary will always be at least at the minimum of the range of the new job, regardless of the amount of the increase.

Downward Assignment

Downward adjustment occurs when an employee changes positions whether voluntarily, or because of unsatisfactory performance, resulting in a downward change in job class. A reduction in salary may occur based on a review of the salary and range and the circumstances associated with the downward move. In downward assignments, an individual's salary cannot exceed the maximum of the new salary range.

II. Incentive Pay Plan

ADMINISTRATION

The VRS Board of Trustees, as Plan Administrator, administers incentive pay under the Plan through the Administration, Finance and Talent Management (AFT) Committee and retains full and complete discretion:

- To increase or decrease incentives for any and/or all Plan participants.
- To modify, amend or rescind any aspect of the Plan at any time for any and/or all Plan participants.
- While the Plan Administrator remains mindful of the value that staff adds to the organization and supports the Plan, the Plan Administrator also specifically reserves the right to cancel, reduce, or delay the amount of any incentives payable under this Plan when, in the sole discretion of the Plan Administrator, extreme budgetary pressures, economic, market or other conditions are such that the Plan Administrator deems such action necessary under the circumstances.

Investment Professionals' Pay Plan

Effective ~~July~~October 25, 2026

- Consistent with the preceding paragraph, payment of incentives under this Plan is not guaranteed.

The Plan Administrator may delegate certain aspects of this Plan's day-to-day operation to the VRS CIO and the VRS Director of Human Resources. However, any substantive Plan-related questions or issues impacting incentive payouts for the CIO require the Plan Administrator's prior approval.

PLAN ELIGIBILITY

Incumbents in the positions listed below are eligible for incentive pay under the Plan, provided they:

- Are active VRS employees.
- Work for VRS at least forty hours per week. Plan participants who work less than full-time may be eligible to receive a prorated incentive payment. Wage employees are not eligible to participate in the Plan.
- Receive an individual performance evaluation of at least "meets expectations" for the relevant performance year (i.e., the year preceding the normally scheduled year of payment).
- Remain in compliance with the VRS Investment Department Code of Ethics and Standards of Professional Conduct Policy.

Chief Investment Officer

Deputy Chief Investment Officer

Managing Director – Portfolio Solutions Group

Managing Director – Private Market Assets and Defined Contribution (DC) Plans

Managing Director – Public Market Assets

Program Director

Director

Senior Portfolio Manager

Portfolio Manager

Senior Investment Officer

Investment Officer

Senior Investment Analyst

Investment Analyst

The CIO will determine the design of the incentive pay structure for the positions supporting the DC Plans, with both quantitative and qualitative elements.

Generally, employees on an approved leave of absence are considered active employees. The CIO will resolve all questions regarding eligibility, or in the case of the CIO, eligibility will be determined by the Board.

Participation in this Plan in any one year does not confer the right to participate in this Plan in any other year or to receive Plan payouts for the current and/or any future year. Participation in this Plan does not confer the right to continued employment. Subject to the provisions of this Plan, only active VRS employees may receive payments under this Plan.

OVERALL INCENTIVE PLAN MECHANICS

As described in more detail throughout this document, under the terms of this Plan:

- Eligible Plan participants will be assigned an incentive opportunity, expressed as a percentage of their actual earned base salary.

Investment Professionals' Pay Plan
Effective ~~July~~ October 25, 2026

- Incentive opportunities vary by position, with the level of such opportunities increasing with the degree to which the position directly affects VRS' investment performance.
- Incentives are weighted or allocated to separate Plan components, described below, with the specific components and weightings varying by position:
 1. Total Fund relative investment performance
 2. Asset Class relative investment performance
 3. Average of Asset Class Multipliers (for positions that support multiple asset classes)
 4. Qualitative – focuses on individual achievement of assigned objectives.
- After year-end, payouts under each Plan component would be determined based on performance.
- Each participant's preliminary award would equal the sum of all of their performance adjusted Plan components.
- Final awards would equal preliminary awards adjusted, up or down, based on the Total Fund's one- year absolute return. Specifically, there will be no adjustment for returns between 0% and the assumed rate of return, currently 6.75%. There will be a positive one-for-one adjustment for returns in excess of the assumed rate of return (e.g., if Total Fund one-year actual absolute return equals +9.75%, then the preliminary awards will be increased by 3%). There will be a negative one-for-one adjustment for a return less than 0% (e.g., if Total Fund one-year actual absolute return equals -15%, then the preliminary awards will be reduced by 15%). This adjustment is specifically intended to systematically take into account, in the shorter term, the effect of market cycles on the health of the pension plan by providing a mechanism to reflect the impact of up and down markets on incentive compensation.

Generally, a participant must be employed on the date of payment of the award. However, see INCENTIVE PLAN PROVISIONS, *Termination of Employment Due to Death, Disability or Retirement*.

INCENTIVE OPPORTUNITIES

Incentive opportunities will vary by position based on multiple criteria:

- The position's potential effect on the VRS' investment performance.
- Competitive market pay requirements.
- Internal equity considerations.
- Other factors determined by the CIO or, in the case of the CIO's position, by VRS' Board.

Actual awards can vary based on performance.

Investment Professionals' Pay Plan
Effective ~~July~~ October 25, 2026

For the fiscal year ending June 30, 2023, and all subsequent years, unless as otherwise determined, the Plan's incentive opportunities are as follows:

Incentive Levels	
VRS Position	Incentive ¹ (% Salary)
Chief Investment Officer	70 ²
Deputy Chief Investment Officer	65 ²
Managing Director – Portfolio Solutions Group	65 ²
Managing Director – Private Market Assets and DC Plans	65 ²
Managing Director – Public Market Assets	65 ²
Program Director	60 ²
Director	50
Senior Portfolio Manager	50
Portfolio Manager	40
Senior Investment Officer	30
Investment Officer	30
Senior Investment Analyst	20
Investment Analyst	10

¹Performance-adjusted preliminary awards can vary from zero to two times the incentive.

²A portion, up to 50%, of the positions' earned incentives is subject to mandatory deferral.

INCENTIVE WEIGHTINGS

Each participant's incentive award will be weighted or allocated to separate, stand-alone Plan components. Importantly, all participants have a portion of their incentive opportunities weighted:

- To the Total Fund Plan component – which helps reinforce the importance of collective success as measured by the Total Fund's relative investment results.
- To the Qualitative Plan component – this helps reinforce achievement of specific initiatives and professional development.

Described below are the specific Plan weightings and the approach for determining awards under each of these Plan components.

Investment Professionals' Pay Plan
Effective ~~July~~October 25, 2026

Incentive Weightings by Plan Component					
VRS Position	Total Fund %	Asset Class Multipliers %	Asset Class %	Qualitative %	Total
		(% of total incentive weighted to each component)			
Chief Investment Officer	60	20 ¹		20	100
Deputy Chief Investment Officer	60	20 ¹		20	100
Managing Director – Portfolio Solutions Group	60	20 ¹		20	100
Managing Director – Private Market Assets and DC Plans	40	40 ²		20	100
Managing Director – Public Market Assets	40	40 ³		20	100
Program Director	30	50 ⁴	50 ⁴	20	100
Director	30	50 ⁴	50 ⁴	20	100
Senior Portfolio Manager	20	60 ⁴	60 ⁴	20	100
Portfolio Manager	20	60 ⁴	60 ⁴	20	100
Senior Investment Officer	20	60 ⁴	60 ⁴	20	100
Investment Officer	20	60 ⁴	60 ⁴	20	100
Senior Investment Analyst	20	30 ⁴	30 ⁴	50	100
Investment Analyst	20	30 ⁴	30 ⁴	50	100

¹Average multiplier based on the multipliers of all asset classes under the incumbent's purview.

²The MD Private Market Assets and DC Plans average multiplier is based on the multipliers of private market asset classes under the incumbent's purview.

³The MD Public Market Assets average multiplier is based on the multipliers of the public market asset classes under the incumbent's purview.

⁴These positions may support a specific asset class or multiple asset classes. If the position supports a specific asset class, then the multiplier is based on the asset class multiplier. If the position supports multiple asset classes, then the multiplier is based on the average of the multipliers of the asset classes supported.

QUANTITATIVE PLAN COMPONENTS

These Plan components link participants' incentive compensation to relative investment performance or, more specifically, the extent by which the Total Fund and/or Asset Class performance exceeds passive benchmarks (indices) as measured over trailing three- and five-year annualized periods (each weighted 50%).

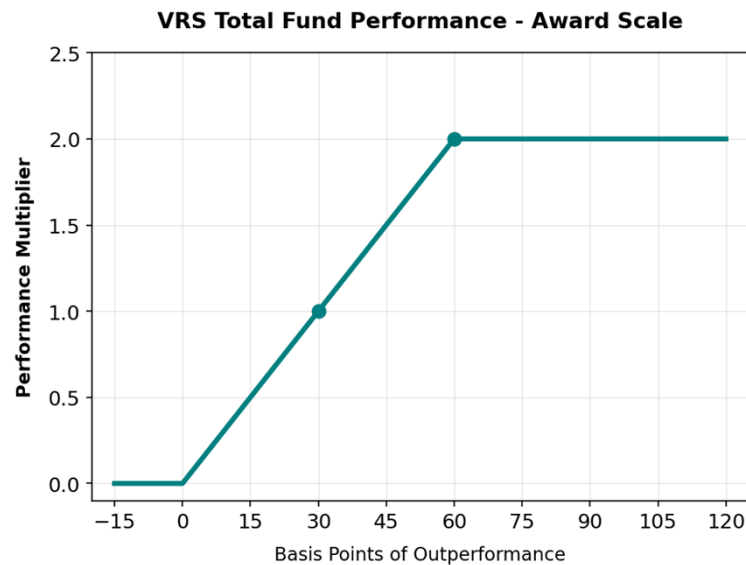
For purposes of this Plan:

- Measurement of relative investment performance is net of third-party fees, which consist of investment management fees and performance fees paid to investment managers, custodian fees, legal fees, internal investment staff administrative expenses, and miscellaneous fees.
- A performance-award scale defines the linkage between relative investment performance and a corresponding Performance Multiplier. Illustrating this approach at the Total Fund level, when VRS' relative investment performance:
 - Equals zero or less (i.e., no relative value added), then the VRS Performance Multiplier will equal zero and there will be no incentive payouts under this Plan component.
 - Equals 30 bps, then the VRS Performance Multiplier will equal 1.00 and there will be a 100% payout of this Plan component.
 - Equals 60 bps or more, then the VRS Performance Multiplier will equal 2.00 and there will be a 200% payout of this Plan component.
 - Is anywhere between zero and 60 bps, then the VRS Performance Multiplier is determined on an interpolated, straight-line basis

Investment Professionals' Pay Plan

Effective ~~July 1~~October 25, 2026

Note: The Board approved the Mercer recommended excess return objective (30 basis points) for the Total Fund at the June 17, 2026 meeting with an effective date of July 1, 2026. For implementation purposes, the Total Fund excess return objective will be a blend of the former excess return objective (45 basis points) to be used until June 30, 2026, and the new excess return objective (30 basis points) to be used from July 1, 2026 onward.



- Selected participants whose responsibilities span multiple asset classes may have a portion of their incentive weighted to a component that is determined based on the average multipliers of asset classes they support. The intent of this Plan component is to recognize and reward superior relative investment performance, regardless of the level of the associated assets.

The Board is responsible for setting the basis point outperformance standards for the Total Fund. The CIO is responsible for setting the basis point outperformance standards for individual asset classes, subject to the Board's final review and approval.

QUALITATIVE PLAN COMPONENT

The qualitative incentive multiplier can range from 0.00 to 2.00 at the CIO's discretion. The CIO obtains input from applicable senior staff regarding individual performance levels to help determine the qualitative rating. The qualitative rating is separate and distinct from the individual's annual performance evaluation rating requirement for plan eligibility. This Plan component links participants' incentive compensation to achievement of individual and/or position-specific performance objectives and VRS' overall performance objectives. Actual awards under this Plan component will reflect:

- Position and/or incumbent-specific performance criteria.
- Achievement of key VRS performance objectives, including:
 - Building an effective organization
 - Enhancing investment excellence
 - Developing staff

The Board will annually determine the CIO's qualitative incentive multiplier after assessing attainment of the qualitative performance objectives, considering input and recommendations provided by the AFT Committee.

Investment Professionals' Pay Plan

Effective **July 1** ~~October 25~~, 2026

DETERMINING PRELIMINARY AWARDS

After the end of each fiscal year, a preliminary award will be determined for each Plan participant by aggregating all of their performance multiplier-adjusted weighted Plan components. In particular:

- Performance multipliers will be determined for each Plan component based on actual results.
- Preliminary payouts under each weighted Plan component will be determined by multiplying the incentive dollars weighted to that component by the associated performance multiplier.
- Total preliminary awards would be determined by adding up all of that participant's weighted Plan components.

Illustrated below is this approach for a position with an incentive of \$80,000.

Plan Component	Weighted Portion of Incentive		Performance Multiplier		
Total Fund	\$16,000	X	1.50	=	\$24,000
Asset Class	48,000	X	1.00	=	48,000
Qualitative	16,000	X	1.20	=	19,200

Preliminary Award **\$91,200**

DETERMINING FINAL AWARDS

Final awards, if any, would be determined after each fiscal year-end by adjusting the sum of each participant's preliminary award, up or down, based on VRS' one-year absolute return for the most recently completed fiscal year. Specifically, there will be no adjustment for returns between 0% and the assumed rate of return, currently 6.75%. There will be a positive one-for-one adjustment for returns in excess of the assumed rate of return. There will be a negative one-for-one adjustment for returns less than 0%. Illustrated below is the process for determining final awards.

Scenario #1: The Total Fund's One-Year Absolute Return Is +5%

Plan Component	Weighted Portion of Incentive		Performance Multiplier		Actual Award
Total Fund	\$16,000	X	1.50	=	\$24,000
Asset Class	48,000	X	1.00	=	48,000
Qualitative	16,000	X	1.20	=	19,200

Preliminary Award **\$91,200**

X no adjustment **0%**

Final Award **\$91,200**

Investment Professionals' Pay Plan
Effective **July 1 October 25, 2026**

Scenario #2: The Total Fund's One-Year Absolute Return Is 9.75%

Plan Component	Weighted Portion of Incentive		Performance Multiplier		Actual Award
Total Fund	\$16,000	X	1.50	=	\$24,000
Asset Class	48,000	X	1.00	=	48,000
Qualitative	16,000	X	1.20	=	19,200

Preliminary Award \$91,200

X 1+ Total Fund's One-Year Rate of Return
Less Assumed Rate of Return **103%**

Final Award \$93,936

Scenario #3: The Total Fund's One-Year Absolute Return Is -15%

Plan Component	Weighted Portion of Incentive		Performance Multiplier		Actual Award
Total Fund	\$16,000	X	1.50	=	\$24,000
Asset Class	48,000	X	1.00	=	48,000
Qualitative	16,000	X	1.20	=	19,200

Preliminary Award \$91,200

X 1+ Total Fund's One-Year Rate of Return **85%**

Final Award \$77,520

PAYING OUT FINAL AWARDS

Board Review

Prior to payout of any and/or all awards, the CIO will present a schedule of aggregate incentives to the Board of Trustees, through the AFT Committee, in advance. This report will include, in aggregate, the awards, the multipliers awarded for each component, the actual dollar awards earned for each component and the total awards. Internal Audit and Human Resources will review the calculations. As requested by the AFT Committee, the CIO will provide additional information prior to the Board approving the payout of any and/or all awards.

Final Award Payout

Final awards will be paid out as follows:

- For the CIO, Deputy CIO, Managing Directors, and Program Directors, 50% of the total award amounts up to the Internal Revenue Code (IRC) § 415(c)(1)(A) plan limits will be contributed to the DCIP plan. For the CIO only, any portion of this amount that cannot be contributed to the DCIP due to the IRC plan limits will instead be contributed to the § 415(m) plan. All other amounts are paid in cash. See Section III.
- For all other Plan participants, awards are paid 100% in cash.

Timing of Cash Payouts

When the Board approves incentive awards, the VRS will make payments between July 1 and December 31 after VRS' fiscal year end.

Investment Professionals' Pay Plan

Effective ~~July 1~~October 25, 2026

INCENTIVE PLAN PROVISIONS

- ***New employees, promoted employees and other employees who transfer into another position covered in this pay plan:***
 - Employees who join the VRS Investment Department after the commencement of the fiscal year may be eligible to participate in the Plan. Incentives will be computed on the incentive percentage and their actual earned salary for the year.
 - Promoted employees and employees who transfer into another position covered in this Plan will have their incentives calculated based on their actual earned salary for the year and a proportional incentive percentage for each position held during the fiscal year.
- ***Minimum Individual Performance Standard:*** Employees with an individual performance rating of “Does Not Meet Expectations” are not eligible to receive any incentive payment under the Plan.
- ***Termination of Employment Due to Death, Disability, or Retirement:*** Terminated employees may be eligible to receive a time-weighted portion of their final award for the current performance year. Plan participants who terminate employment due to death or disability or who retire during a fiscal year will be eligible to receive a time-weighted portion of their Board approved award (1/12 for each complete month worked in their last year of service). Notwithstanding any other provision of this Plan, the incentive payments for the year in which death, disability or retirement occurs shall be paid 100% in cash to such employee or his representative between July 1 and December 31 following the end of the fiscal year in which such death, disability or retirement occurs.
- ***Termination for all Other Reasons:*** Except as specifically determined by the CIO for all positions other than the CIO, and by the AFT Committee for the CIO’s position, participants who terminate employment with VRS for all other reasons prior to the normally scheduled date of payout forfeit all rights under the Plan.
- ***Clawback:*** In the event of termination for malfeasance related to duties as an investment professional, VRS retains the right to seek repayment for any and/or all paid incentive awards.

III. Defined Contribution Incentive Plan for VRS Personnel (DCIP) PARTICIPATION

The DCIP covers, in relevant part, VRS investment professionals who meet the definition of eligible participant. “Eligible participants” in the DCIP are the CIO, Deputy CIO, Managing Directors, and Program Directors. The Board retains the discretion to amend, at any time, the positions that are eligible to participate in the DCIP.

AMOUNTS SUBJECT TO ANNUAL DEFERRAL

- Contributions to the DCIP only occur in years when VRS’ Board decides, at its full and complete discretion, to allow payment of incentive awards.
- In years when VRS’ Board decides to pay incentive awards, 50% of the final awards up to specified IRC § 415(c)(1)(A) limits will be contributed to the DCIP for each eligible participant. For the CIO only, any portion of the incentive award that cannot be contributed to the DCIP due to the IRC plan limits will instead be contributed to the § 415(m) plan. All other amounts are paid in cash.

INVESTMENT RETURN

Eligible participants’ accounts in the DCIP and, if applicable, the § 415(m) plan, will earn an “investment return” (positive or negative) equaling the current annual rate of return of the VRS Fund. However, upon attaining age 55, the DCIP permits eligible participants who have established accounts in the Commonwealth of Virginia 457 Deferred Compensation Plan, to transfer a portion (but not all) of their account to the Virginia Cash Match Plan. This transfer right allows eligible participants in the DCIP who are age 55 or older to direct their own investments among the investment options available under the Virginia Cash Match Plan. Notwithstanding the transfer right, eligible participants must leave at least a minimal balance amount in their DCIP account in order to keep the account open for future contributions. The VRS Defined Contribution Plan Administrator will assist eligible participants with these transfers.

The CIO cannot transfer funds from the § 415(m) plan to the Virginia Cash Match Plan because the §

Investment Professionals' Pay Plan
Effective ~~July 1~~October 25, 2026

415(m) plan is a non-qualified "excess benefit plan" not permitted to be held in trust for the exclusive benefit of the plan participants.

DISTRIBUTIONS

The eligible participant's DCIP account will be distributed to the eligible participant as soon as administratively practicable following the last day of the quarter in which the eligible participant terminates employment with the Commonwealth of Virginia. The eligible participant may elect to receive the balance in the DCIP either in cash or as a "rollover" into another retirement plan or IRA. All distributions/rollovers will be credited with earnings through the latest quarter end for which finalized performance is available by the date of the distribution/rollover.

The distribution of the CIO's account in the § 415(m) plan will be made in cash to the CIO within 180 days of the CIO's termination of employment, and is not eligible for rollover.

For any eligible participant who transferred a portion of their DCIP account to the Virginia Cash Match Plan, the terms of the Cash Match Plan will govern distributions.

All applicable laws and regulations will govern the creation, funding, and distributions of the DCIP and § 415(m) plan. Detailed plan documents are on file with the Human Resources Director and the Chief Financial Officer, which will control over any inconsistencies or discrepancies with this summary

TAXATION

Taxation of the contributions to the DCIP and § 415(m) plans is deferred until distribution from the respective plan.

IV. Other Compensation Plan Information

Competitive Pay Increases

Competitive pay increases are an option available to retain a highly valued employee who has received a job offer from another employer. Requests for competitive pay increases should take into consideration the employee's experience, level of education, performance and contribution to the agency, and the salaries of other employees in comparable jobs. A written job offer must be received to provide a competitive pay increase.

Sign-on Bonuses

Investment professionals hired at the VRS may be eligible for sign-on bonuses, as described in the VRS Employee Sign-on Bonus Program Policy.

Relocation Expenses

Investment professionals hired at the VRS may be eligible for reimbursement of relocation expenses, if approved by the CIO. The reimbursement of the expenses must comply with the Department of Accounts Moving and Relocation Policy.

Employment at Will

The investment employees covered by this Plan are exempt from the provisions of the Virginia Personnel Act and employment in these positions is at will. Just as the employee retains the right to resign at any time, the VRS has a similar right to end at will employment with or without cause. An at- will employee does not serve an introductory period. An at-will employee is not eligible to use the agency's grievance procedure to resolve employment disputes.

Investment employees covered by this Plan are eligible for all other employment benefits and subject to agency policies that do not contradict their "at will" status.

Investment Professionals' Pay Plan

Effective ~~July 1~~October 25, 2026

409A Compliance

The intent of the Board is that payments and benefits under this Plan either comply with Section 409A of the Internal Revenue Code and applicable guidance issued thereunder ("Code Section 409A") or qualify for an exemption from Code Section 409A and, accordingly, all provisions of this Plan shall be construed in a manner consistent with the requirements for avoiding taxes or penalties under Code Section 409A. The Board shall not take any action to accelerate or delay the payment of any monies and/or provision of any benefits in any matter which would not be in compliance with Code Section 409A to the extent Code Section 409A applies to such payment or benefit. Notwithstanding any of the provisions of this Plan, the Board shall not be liable to the employee if any payment or benefit which is to be provided pursuant to this Plan and which is considered deferred compensation subject to Code Section 409A otherwise fails to comply with, or be exempt from, the requirements of Code Section 409A.

CLASS STRUCTURE

The following descriptions are the summaries of VRS' investment professional job classes/positions:

Chief Investment Officer

The CIO manages and directs investment programs, determines appropriate program structure, implementation, and monitoring. The CIO manages investment professionals who are directly responsible for internal and external investment programs. The CIO heads the Executive and Management Committees, which are responsible for reviewing all investment recommendations. The CIO collaborates with the VRS Board-appointed Investment Advisory Committee (IAC) and delivers frequent reports and updates to the VRS Board.

Deputy Chief Investment Officer

The Deputy CIO assists the CIO in managing and directing investment programs, determines appropriate program structure, implementation, and monitoring. The Deputy CIO manages investment professionals who are directly responsible for internal and external investment programs. The Deputy CIO is a member of the Executive and Management Committees, which are responsible for reviewing all investment recommendations. The Deputy CIO collaborates with the CIO and the VRS Board-appointed IAC.

Managing Director

The Managing Director is a senior investment position reporting directly to the CIO. This position serves on the Investment Executive and Management Committees. The Executive Committee is a department wide resource to the CIO for management and administrative issues. The Management Committee participates in asset allocation and manager/fund allocation decisions.

Program Director

The Program Director has deep asset class knowledge and carries full managerial responsibility for a VRS investment program, including all internally and externally managed assets. The Program Director may also support multiple asset classes. The Program Director participates on the Investment Management Committee and regularly presents information to the IAC and the Board. The Program Director, as applicable, operates within an explicit risk budget and has investment performance objectives that are regularly measured. The Program Director has full responsibility for negotiating on behalf of VRS.

Director/Senior Portfolio Manager

The Director or Senior Portfolio Manager position is a senior investment leadership position responsible for the oversight of multiple portfolio strategies, an asset class, or an investment function and may provide direct supervision for one or more investment staff. Positions at this level carry dual accountability: driving investment excellence within their particular mandates while contributing directly to the broader Total Fund objectives.

Investment Professionals' Pay Plan

Effective ~~July 1~~October 25, 2026

Portfolio Manager

The Portfolio Manager provides critical input to strategy development and is responsible for the more complicated and higher risk investments. The Portfolio Manager may delegate to the Senior Investment Officer certain portions of the investment program. The Portfolio Manager will begin to negotiate terms on behalf of VRS. The Portfolio Manager, from time to time, makes presentations and recommendations to the Management Committee, and perhaps the IAC and Board.

The Portfolio Manager supporting the DC Plans is a senior investment position reporting directly to the Managing Director - Private Market Assets and DC Plans. This position provides critical input to the design, implementation, and monitoring of all investment related aspects of the VRS DC Plans. Responsibilities include (1) evaluation and selection of new investment strategies, managers and/or funds, (2) negotiating terms on behalf of VRS, (3) monitoring and management of relationships with existing DC investment managers, (4) implementing investment policy as determined by the VRS Board, (5) presenting to the Defined Contribution Plans Advisory Committee and the Board, and (6) any other projects or duties relating to the DC Plans as may be assigned from time to time.

Senior Investment Officer

The Senior Investment Officer has higher level monitoring responsibilities that tend to involve higher risk and strategies that are more complicated. Some Senior Investment Officers may have day-to-day responsibilities for managing internal portfolios, subject to risk limits prescribed by the program director. The Senior Investment Officer will increasingly become involved in strategy development and formal recommendations to the Program Director.

Investment Officer

The Investment Officer, in addition to analytical responsibilities, may have direct responsibility for monitoring some portion of the existing portfolio, or some strategies or managers under consideration in the future. Such assignments will typically be in lower risk and less complicated strategies. The Investment Officer may continue to be involved in monitoring, compliance, and administration, but will also begin to make formal investment recommendations to the Program Director.

Senior Investment Analyst

The Senior Investment Analyst performs various types of analysis at the direction of more senior staff members. Analyst activities are geared around providing support for senior staff members more directly involved in the decision-making process. Such activities will include research, reporting, monitoring, compliance, and administration.

Investment Analyst

The Investment Analyst assists other investment professionals in their daily operations, including investment research and analysis, trading, and portfolio management. Analysts follow and report current market information relating to assigned sectors of the market. In addition, the Analyst conducts independent research on various topics, performs data maintenance, integrity, and report generation tasks.



**VIRGINIA RETIREMENT SYSTEM
INVESTMENT PROFESSIONALS'
PAY PLAN
Effective October 25, 2026**

OVERVIEW & PAY PHILOSOPHY

The Virginia Retirement System's (VRS) Board of Trustees (Board) has designed this Investment Professionals' Pay Plan (Plan) after working with an independent compensation consultant. In addition, the Board has adopted benchmarks, recommended by an independent investment consultant, to be used as part of this Plan.

This Plan includes three core elements:

- Base Salary (described in Section I)
- Incentive Pay (described in Section II)
- Deferred Compensation Plan for VRS Personnel (DCIP) (described in Section III)

Overall, this Plan is designed to:

- Attract, motivate, and retain skilled investment professionals by offering competitive compensation opportunities.
- Directly align compensation with long-term, superior relative and absolute investment performance.
- Reinforce risk management priorities and standards.
- Attract and retain senior investment professionals by deferring a portion of incentive compensation on a tax-deferred basis.
- Benefit all stakeholders – VRS' beneficiaries, VRS' employees, and Virginia's taxpayers – through a compensation plan that is clear, aligned with performance, competitive and cost effective.

Importantly, this Plan anchors on two broad and long-standing philosophical principles:

1. VRS should pay base salaries consistent with the 75th percentile of a peer group of other leading public funds. The primary guidelines for determining VRS' leading public fund peer group will be (1) funds of similar size (AUM) as VRS and (2) funds with significant (>25%) assets managed internally. Additional criteria the Board may consider is asset allocation / diverse portfolio similar to VRS, degree of delegation to the Chief Investment Officer (CIO) and staff, use of outside investment consultants, and Board pay decision making authority.
2. VRS should provide incentive compensation opportunities such that, in combination with base salary, total compensation levels approximate the median (50th percentile) of a blended group weighted 75% to the total compensation levels of leading peer group public funds and 25% to the total compensation levels of a broad range of private-sector firms that employ investment professionals.

I. Base Salary

SALARY RANGES

This Plan establishes a salary range for each job class taking into account its relative importance to VRS and the salaries paid for comparable types of jobs in other leading public funds.

Minimum, midpoint, and maximum salary rates define the salary range for each job class/position. The midpoint of each job class/position approximates the 75th percentile of salaries of a peer group of leading public pension funds. Actual salaries can be higher or lower than the midpoint depending on factors such as job performance, professional education and certifications, the willingness to assume new and higher-level duties and responsibilities, the ability to learn quickly and apply new knowledge and skills, being a team player, and the length of time in the position.

Investment Professionals' Pay Plan
Effective October 25, 2026

Each position's salary range includes a defined:

- **Minimum** - the lowest base salary paid for a job within the job class/position.
- **Midpoint** - represents the market salary paid to a fully qualified employee, who has the institutional knowledge and practical experience to fulfill independently all of the responsibilities of the job/position.
- **Maximum** - the highest salary rate for the job class/position.

Grade	Position	Salary Range (\$ Thousands)		
		Min (\$)	Mid (\$)	Max (\$)
11	Chief Investment Officer	\$525,000	\$700,000	\$875,000
10	Deputy Chief Investment Officer	\$413,000	\$550,000	\$688,000
9	Managing Director	\$349,000	\$465,000	\$581,000
8	Program Director	\$300,000	\$400,000	\$500,000
7	Director	\$259,000	\$345,000	\$431,000
6	Senior Portfolio Manager	\$259,000	\$345,000	\$431,000
5	Portfolio Manager	\$203,000	\$270,000	\$338,000
4	Senior Investment Officer	\$169,000	\$225,000	\$281,000
3	Investment Officer	\$131,000	\$175,000	\$219,000
2	Senior Investment Analyst	\$98,000	\$130,000	\$163,000
1	Investment Analyst	\$79,000	\$105,000	\$131,000

Investment Professionals' Pay Plan

Effective October 25, 2026

In considering the above salary range, it is important to note the following:

- **Market Pay Reviews:** The VRS normally conducts a comparative market total pay study generally every two to three years to ensure competitiveness of the salary and incentive structures. Typically, the VRS conducts the study in the 1st quarter of the calendar year with an effective date of July 1 (the beginning of the fiscal year).
- **Changes in Salary Ranges:** The Board must approve changes to the salary scale and incentive structure.

Salary Adjustments

Oversight & Administration

VRS will implement pay actions, including any bonuses, consistent with the provisions of the Appropriation Act. The VRS Board, however, approves across-the-board performance-based salary increases, market-based salary increases and incentive pools, for VRS investment professionals, consistent with the Code of Virginia and the Appropriation Act. The CIO approves salary adjustments for individual investment professionals and, as described later in the Plan, sign-on bonuses, incentive payments, and relocation expenses subject to the limitations in the Code of Virginia and other applicable state or federal law and regulation.

Merit Increases

- Salary increases are based on meeting individual performance standards. The supervisor completes the evaluation after the end of the fiscal year. If a participant in the investment employees' pay plan does not meet overall performance standards, then the participant is ineligible for performance increases to their base salary and market adjustments to their base salary for that performance cycle. Performance cycles are on a fiscal year basis (July 1 through June 30) and typically begin with an effective date of performance plans in the first quarter of the new fiscal year.
- The CIO will receive base salary increases as approved by the VRS Board and in accordance with the terms in the CIO's Employment Agreement, with approved effective dates established by the VRS Board.

Starting Salaries

The starting salary for a new employee considers the rates presently paid to other employees in the department and those in the same job class (when applicable), the candidate's education, skills, work experience, and salary history. The starting salary normally does not exceed the salary grade midpoint.

Reallocation

Reallocation occurs when a job classification is reviewed by Human Resources, and it is determined that the job duties and responsibilities have changed significantly enough to place the job in a different job title and job class. Unless the CIO authorizes an exception, this would not exceed a 15% increase. However, the individual's salary will always be at least at the minimum of the range of the new job, regardless of the amount of the increase.

In-grade Adjustments

In-grade adjustments occur to ensure competitiveness, retention, and to recognize increased skills, abilities, knowledge, obtainment of a degree or certification, or significant increases in responsibilities within the job class. Unless the CIO authorizes an exception, adjustments will not exceed a 10% increase.

Promotions

Promotions occur when an individual moves into a position in a higher job class. Promotions can be competitive (selected through a recruitment and hiring process) or non-competitive (through a job reclassification or reallocation). Unless the CIO approves an exception, promotions will not exceed a 15%

Investment Professionals' Pay Plan

Effective October 25, 2026

increase. However, the individual's salary will always be at least at the minimum of the range of the new job, regardless of the amount of the increase.

Downward Assignment

Downward adjustment occurs when an employee changes positions whether voluntarily, or because of unsatisfactory performance, resulting in a downward change in job class. A reduction in salary may occur based on a review of the salary and range and the circumstances associated with the downward move. In downward assignments, an individual's salary cannot exceed the maximum of the new salary range.

II. Incentive Pay Plan

ADMINISTRATION

The VRS Board of Trustees, as Plan Administrator, administers incentive pay under the Plan through the Administration, Finance and Talent Management (AFT) Committee and retains full and complete discretion:

- To increase or decrease incentives for any and/or all Plan participants.
- To modify, amend or rescind any aspect of the Plan at any time for any and/or all Plan participants.
- While the Plan Administrator remains mindful of the value that staff adds to the organization and supports the Plan, the Plan Administrator also specifically reserves the right to cancel, reduce, or delay the amount of any incentives payable under this Plan when, in the sole discretion of the Plan Administrator, extreme budgetary pressures, economic, market or other conditions are such that the Plan Administrator deems such action necessary under the circumstances.

Investment Professionals' Pay Plan

Effective October 25, 2026

- Consistent with the preceding paragraph, payment of incentives under this Plan is not guaranteed.

The Plan Administrator may delegate certain aspects of this Plan's day-to-day operation to the VRS CIO and the VRS Director of Human Resources. However, any substantive Plan-related questions or issues impacting incentive payouts for the CIO require the Plan Administrator's prior approval.

PLAN ELIGIBILITY

Incumbents in the positions listed below are eligible for incentive pay under the Plan, provided they:

- Are active VRS employees.
- Work for VRS at least forty hours per week. Plan participants who work less than full-time may be eligible to receive a prorated incentive payment. Wage employees are not eligible to participate in the Plan.
- Receive an individual performance evaluation of at least "meets expectations" for the relevant performance year (i.e., the year preceding the normally scheduled year of payment).
- Remain in compliance with the VRS Investment Department Code of Ethics and Standards of Professional Conduct Policy.

Chief Investment Officer

Deputy Chief Investment Officer

Managing Director – Portfolio Solutions Group

Managing Director – Private Market Assets and Defined Contribution (DC) Plans

Managing Director – Public Market Assets

Program Director

Director

Senior Portfolio Manager

Portfolio Manager

Senior Investment Officer

Investment Officer

Senior Investment Analyst

Investment Analyst

The CIO will determine the design of the incentive pay structure for the positions supporting the DC Plans, with both quantitative and qualitative elements.

Generally, employees on an approved leave of absence are considered active employees. The CIO will resolve all questions regarding eligibility, or in the case of the CIO, eligibility will be determined by the Board.

Participation in this Plan in any one year does not confer the right to participate in this Plan in any other year or to receive Plan payouts for the current and/or any future year. Participation in this Plan does not confer the right to continued employment. Subject to the provisions of this Plan, only active VRS employees may receive payments under this Plan.

OVERALL INCENTIVE PLAN MECHANICS

As described in more detail throughout this document, under the terms of this Plan:

- Eligible Plan participants will be assigned an incentive opportunity, expressed as a percentage of their actual earned base salary.

Investment Professionals' Pay Plan

Effective October 25, 2026

- Incentive opportunities vary by position, with the level of such opportunities increasing with the degree to which the position directly affects VRS' investment performance.
- Incentives are weighted or allocated to separate Plan components, described below, with the specific components and weightings varying by position:
 1. Total Fund relative investment performance
 2. Asset Class relative investment performance
 3. Average of Asset Class Multipliers (for positions that support multiple asset classes)
 4. Qualitative – focuses on individual achievement of assigned objectives.
- After year-end, payouts under each Plan component would be determined based on performance.
- Each participant's preliminary award would equal the sum of all of their performance adjusted Plan components.
- Final awards would equal preliminary awards adjusted, up or down, based on the Total Fund's one- year absolute return. Specifically, there will be no adjustment for returns between 0% and the assumed rate of return, currently 6.75%. There will be a positive one-for-one adjustment for returns in excess of the assumed rate of return (e.g., if Total Fund one-year actual absolute return equals +9.75%, then the preliminary awards will be increased by 3%). There will be a negative one-for-one adjustment for a return less than 0% (e.g., if Total Fund one-year actual absolute return equals -15%, then the preliminary awards will be reduced by 15%). This adjustment is specifically intended to systematically take into account, in the shorter term, the effect of market cycles on the health of the pension plan by providing a mechanism to reflect the impact of up and down markets on incentive compensation.

Generally, a participant must be employed on the date of payment of the award. However, see INCENTIVE PLAN PROVISIONS, *Termination of Employment Due to Death, Disability or Retirement*.

INCENTIVE OPPORTUNITIES

Incentive opportunities will vary by position based on multiple criteria:

- The position's potential effect on the VRS' investment performance.
- Competitive market pay requirements.
- Internal equity considerations.
- Other factors determined by the CIO or, in the case of the CIO's position, by VRS' Board.

Actual awards can vary based on performance.

Investment Professionals' Pay Plan Effective October 25, 2026

For the fiscal year ending June 30, 2023, and all subsequent years, unless as otherwise determined, the Plan's incentive opportunities are as follows:

Incentive Levels	
VRS Position	Incentive ¹ (% Salary)
Chief Investment Officer	70 ²
Deputy Chief Investment Officer	65 ²
Managing Director – Portfolio Solutions Group	65 ²
Managing Director – Private Market Assets and DC Plans	65 ²
Managing Director – Public Market Assets	65 ²
Program Director	60 ²
Director	50
Senior Portfolio Manager	50
Portfolio Manager	40
Senior Investment Officer	30
Investment Officer	30
Senior Investment Analyst	20
Investment Analyst	10

¹Performance-adjusted preliminary awards can vary from zero to two times the incentive.

²A portion, up to 50%, of the positions' earned incentives is subject to mandatory deferral.

INCENTIVE WEIGHTINGS

Each participant's incentive award will be weighted or allocated to separate, stand-alone Plan components. Importantly, all participants have a portion of their incentive opportunities weighted:

- To the Total Fund Plan component – which helps reinforce the importance of collective success as measured by the Total Fund's relative investment results.
- To the Qualitative Plan component – this helps reinforce achievement of specific initiatives and professional development.

Described below are the specific Plan weightings and the approach for determining awards under each of these Plan components.

Investment Professionals' Pay Plan
Effective October 25, 2026

Incentive Weightings by Plan Component					
VRS Position	Total Fund %	Asset Class Multipliers %	Asset Class %	Qualitative %	Total
		(% of total incentive weighted to each component)			
Chief Investment Officer	60	20 ¹		20	100
Deputy Chief Investment Officer	60	20 ¹		20	100
Managing Director – Portfolio Solutions Group	60	20 ¹		20	100
Managing Director – Private Market Assets and DC Plans	40	40 ²		20	100
Managing Director – Public Market Assets	40	40 ³		20	100
Program Director	30	50 ⁴	50 ⁴	20	100
Director	30	50 ⁴	50 ⁴	20	100
Senior Portfolio Manager	20	60 ⁴	60 ⁴	20	100
Portfolio Manager	20	60 ⁴	60 ⁴	20	100
Senior Investment Officer	20	60 ⁴	60 ⁴	20	100
Investment Officer	20	60 ⁴	60 ⁴	20	100
Senior Investment Analyst	20	30 ⁴	30 ⁴	50	100
Investment Analyst	20	30 ⁴	30 ⁴	50	100

¹Average multiplier based on the multipliers of all asset classes under the incumbent's purview.

²The MD Private Market Assets and DC Plans average multiplier is based on the multipliers of private market asset classes under the incumbent's purview.

³The MD Public Market Assets average multiplier is based on the multipliers of the public market asset classes under the incumbent's purview.

⁴These positions may support a specific asset class or multiple asset classes. If the position supports a specific asset class, then the multiplier is based on the asset class multiplier. If the position supports multiple asset classes, then the multiplier is based on the average of the multipliers of the asset classes supported.

QUANTITATIVE PLAN COMPONENTS

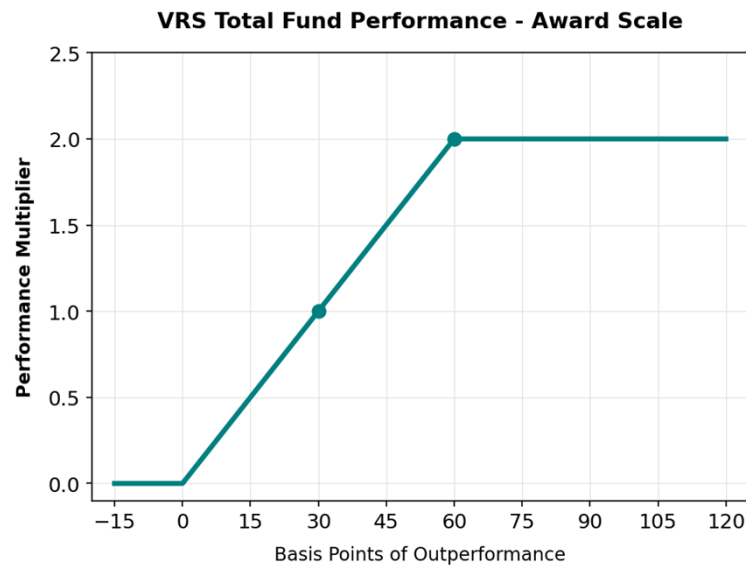
These Plan components link participants' incentive compensation to relative investment performance or, more specifically, the extent by which the Total Fund and/or Asset Class performance exceeds passive benchmarks (indices) as measured over trailing three- and five-year annualized periods (each weighted 50%).

For purposes of this Plan:

- Measurement of relative investment performance is net of third-party fees, which consist of investment management fees and performance fees paid to investment managers, custodian fees, legal fees, internal investment staff administrative expenses, and miscellaneous fees.
- A performance-award scale defines the linkage between relative investment performance and a corresponding Performance Multiplier. Illustrating this approach at the Total Fund level, when VRS' relative investment performance:
 - Equals zero or less (i.e., no relative value added), then the VRS Performance Multiplier will equal zero and there will be no incentive payouts under this Plan component.
 - Equals 30 bps, then the VRS Performance Multiplier will equal 1.00 and there will be a 100% payout of this Plan component.
 - Equals 60 bps or more, then the VRS Performance Multiplier will equal 2.00 and there will be a 200% payout of this Plan component.
 - Is anywhere between zero and 60 bps, then the VRS Performance Multiplier is determined on an interpolated, straight-line basis

Investment Professionals' Pay Plan Effective October 25, 2026

Note: The Board approved the Mercer recommended excess return objective (30 basis points) for the Total Fund at the June 17, 2026 meeting with an effective date of July 1, 2026. For implementation purposes, the Total Fund excess return objective will be a blend of the former excess return objective (45 basis points) to be used until June 30, 2026, and the new excess return objective (30 basis points) to be used from July 1, 2026 onward.



- Selected participants whose responsibilities span multiple asset classes may have a portion of their incentive weighted to a component that is determined based on the average multipliers of asset classes they support. The intent of this Plan component is to recognize and reward superior relative investment performance, regardless of the level of the associated assets.

The Board is responsible for setting the basis point outperformance standards for the Total Fund. The CIO is responsible for setting the basis point outperformance standards for individual asset classes, subject to the Board's final review and approval.

QUALITATIVE PLAN COMPONENT

The qualitative incentive multiplier can range from 0.00 to 2.00 at the CIO's discretion. The CIO obtains input from applicable senior staff regarding individual performance levels to help determine the qualitative rating. The qualitative rating is separate and distinct from the individual's annual performance evaluation rating requirement for plan eligibility. This Plan component links participants' incentive compensation to achievement of individual and/or position-specific performance objectives and VRS' overall performance objectives. Actual awards under this Plan component will reflect:

- Position and/or incumbent-specific performance criteria.
- Achievement of key VRS performance objectives, including:
 - Building an effective organization
 - Enhancing investment excellence
 - Developing staff

The Board will annually determine the CIO's qualitative incentive multiplier after assessing attainment of the qualitative performance objectives, considering input and recommendations provided by the AFT Committee.

Investment Professionals' Pay Plan Effective October 25, 2026

DETERMINING PRELIMINARY AWARDS

After the end of each fiscal year, a preliminary award will be determined for each Plan participant by aggregating all of their performance multiplier-adjusted weighted Plan components. In particular:

- Performance multipliers will be determined for each Plan component based on actual results.
- Preliminary payouts under each weighted Plan component will be determined by multiplying the incentive dollars weighted to that component by the associated performance multiplier.
- Total preliminary awards would be determined by adding up all of that participant's weighted Plan components.

Illustrated below is this approach for a position with an incentive of \$80,000.

Plan Component	Weighted Portion of Incentive		Performance Multiplier		
Total Fund	\$16,000	X	1.50	=	\$24,000
Asset Class	48,000	X	1.00	=	48,000
Qualitative	16,000	X	1.20	=	19,200

Preliminary Award **\$91,200**

DETERMINING FINAL AWARDS

Final awards, if any, would be determined after each fiscal year-end by adjusting the sum of each participant's preliminary award, up or down, based on VRS' one-year absolute return for the most recently completed fiscal year. Specifically, there will be no adjustment for returns between 0% and the assumed rate of return, currently 6.75%. There will be a positive one-for-one adjustment for returns in excess of the assumed rate of return. There will be a negative one-for-one adjustment for returns less than 0%. Illustrated below is the process for determining final awards.

Scenario #1: The Total Fund's One-Year Absolute Return Is +5%

Plan Component	Weighted Portion of Incentive		Performance Multiplier		Actual Award
Total Fund	\$16,000	X	1.50	=	\$24,000
Asset Class	48,000	X	1.00	=	48,000
Qualitative	16,000	X	1.20	=	19,200

Preliminary Award **\$91,200**
X no adjustment **0%**

Final Award **\$91,200**

Investment Professionals' Pay Plan
Effective October 25, 2026

Scenario #2: The Total Fund's One-Year Absolute Return Is 9.75%

Plan Component	Weighted Portion of Incentive		Performance Multiplier		Actual Award
Total Fund	\$16,000	X	1.50	=	\$24,000
Asset Class	48,000	X	1.00	=	48,000
Qualitative	16,000	X	1.20	=	19,200

Preliminary Award \$91,200

X 1+ Total Fund's One-Year Rate of Return
Less Assumed Rate of Return **103%**

Final Award \$93,936

Scenario #3: The Total Fund's One-Year Absolute Return Is -15%

Plan Component	Weighted Portion of Incentive		Performance Multiplier		Actual Award
Total Fund	\$16,000	X	1.50	=	\$24,000
Asset Class	48,000	X	1.00	=	48,000
Qualitative	16,000	X	1.20	=	19,200

Preliminary Award \$91,200

X 1+ Total Fund's One-Year Rate of Return **85%**

Final Award \$77,520

PAYING OUT FINAL AWARDS

Board Review

Prior to payout of any and/or all awards, the CIO will present a schedule of aggregate incentives to the Board of Trustees, through the AFT Committee, in advance. This report will include, in aggregate, the awards, the multipliers awarded for each component, the actual dollar awards earned for each component and the total awards. Internal Audit and Human Resources will review the calculations. As requested by the AFT Committee, the CIO will provide additional information prior to the Board approving the payout of any and/or all awards.

Final Award Payout

Final awards will be paid out as follows:

- For the CIO, Deputy CIO, Managing Directors, and Program Directors, 50% of the total award amounts up to the Internal Revenue Code (IRC) § 415(c)(1)(A) plan limits will be contributed to the DCIP plan. For the CIO only, any portion of this amount that cannot be contributed to the DCIP due to the IRC plan limits will instead be contributed to the § 415(m) plan. All other amounts are paid in cash. See Section III.
- For all other Plan participants, awards are paid 100% in cash.

Timing of Cash Payouts

When the Board approves incentive awards, the VRS will make payments between July 1 and December 31 after VRS' fiscal year end.

Investment Professionals' Pay Plan
Effective October 25, 2026

INCENTIVE PLAN PROVISIONS

- ***New employees, promoted employees and other employees who transfer into another position covered in this pay plan:***
 - Employees who join the VRS Investment Department after the commencement of the fiscal year may be eligible to participate in the Plan. Incentives will be computed on the incentive percentage and their actual earned salary for the year.
 - Promoted employees and employees who transfer into another position covered in this Plan will have their incentives calculated based on their actual earned salary for the year and a proportional incentive percentage for each position held during the fiscal year.
- ***Minimum Individual Performance Standard:*** Employees with an individual performance rating of “Does Not Meet Expectations” are not eligible to receive any incentive payment under the Plan.
- ***Termination of Employment Due to Death, Disability, or Retirement:*** Terminated employees may be eligible to receive a time-weighted portion of their final award for the current performance year. Plan participants who terminate employment due to death or disability or who retire during a fiscal year will be eligible to receive a time-weighted portion of their Board approved award (1/12 for each complete month worked in their last year of service). Notwithstanding any other provision of this Plan, the incentive payments for the year in which death, disability or retirement occurs shall be paid 100% in cash to such employee or his representative between July 1 and December 31 following the end of the fiscal year in which such death, disability or retirement occurs.
- ***Termination for all Other Reasons:*** Except as specifically determined by the CIO for all positions other than the CIO, and by the AFT Committee for the CIO’s position, participants who terminate employment with VRS for all other reasons prior to the normally scheduled date of payout forfeit all rights under the Plan.
- ***Clawback:*** In the event of termination for malfeasance related to duties as an investment professional, VRS retains the right to seek repayment for any and/or all paid incentive awards.

III. Defined Contribution Incentive Plan for VRS Personnel (DCIP) PARTICIPATION

The DCIP covers, in relevant part, VRS investment professionals who meet the definition of eligible participant. “Eligible participants” in the DCIP are the CIO, Deputy CIO, Managing Directors, and Program Directors. The Board retains the discretion to amend, at any time, the positions that are eligible to participate in the DCIP.

AMOUNTS SUBJECT TO ANNUAL DEFERRAL

- Contributions to the DCIP only occur in years when VRS’ Board decides, at its full and complete discretion, to allow payment of incentive awards.
- In years when VRS’ Board decides to pay incentive awards, 50% of the final awards up to specified IRC § 415(c)(1)(A) limits will be contributed to the DCIP for each eligible participant. For the CIO only, any portion of the incentive award that cannot be contributed to the DCIP due to the IRC plan limits will instead be contributed to the § 415(m) plan. All other amounts are paid in cash.

INVESTMENT RETURN

Eligible participants’ accounts in the DCIP and, if applicable, the § 415(m) plan, will earn an “investment return” (positive or negative) equaling the current annual rate of return of the VRS Fund. However, upon attaining age 55, the DCIP permits eligible participants who have established accounts in the Commonwealth of Virginia 457 Deferred Compensation Plan, to transfer a portion (but not all) of their account to the Virginia Cash Match Plan. This transfer right allows eligible participants in the DCIP who are age 55 or older to direct their own investments among the investment options available under the Virginia Cash Match Plan. Notwithstanding the transfer right, eligible participants must leave at least a minimal balance amount in their DCIP account in order to keep the account open for future contributions. The VRS Defined Contribution Plan Administrator will assist eligible participants with these transfers.

The CIO cannot transfer funds from the § 415(m) plan to the Virginia Cash Match Plan because the §

Investment Professionals' Pay Plan

Effective October 25, 2026

415(m) plan is a non-qualified "excess benefit plan" not permitted to be held in trust for the exclusive benefit of the plan participants.

DISTRIBUTIONS

The eligible participant's DCIP account will be distributed to the eligible participant as soon as administratively practicable following the last day of the quarter in which the eligible participant terminates employment with the Commonwealth of Virginia. The eligible participant may elect to receive the balance in the DCIP either in cash or as a "rollover" into another retirement plan or IRA. All distributions/rollovers will be credited with earnings through the latest quarter end for which finalized performance is available by the date of the distribution/rollover.

The distribution of the CIO's account in the § 415(m) plan will be made in cash to the CIO within 180 days of the CIO's termination of employment, and is not eligible for rollover.

For any eligible participant who transferred a portion of their DCIP account to the Virginia Cash Match Plan, the terms of the Cash Match Plan will govern distributions.

All applicable laws and regulations will govern the creation, funding, and distributions of the DCIP and § 415(m) plan. Detailed plan documents are on file with the Human Resources Director and the Chief Financial Officer, which will control over any inconsistencies or discrepancies with this summary

TAXATION

Taxation of the contributions to the DCIP and § 415(m) plans is deferred until distribution from the respective plan.

IV. Other Compensation Plan Information

Competitive Pay Increases

Competitive pay increases are an option available to retain a highly valued employee who has received a job offer from another employer. Requests for competitive pay increases should take into consideration the employee's experience, level of education, performance and contribution to the agency, and the salaries of other employees in comparable jobs. A written job offer must be received to provide a competitive pay increase.

Sign-on Bonuses

Investment professionals hired at the VRS may be eligible for sign-on bonuses, as described in the VRS Employee Sign-on Bonus Program Policy.

Relocation Expenses

Investment professionals hired at the VRS may be eligible for reimbursement of relocation expenses, if approved by the CIO. The reimbursement of the expenses must comply with the Department of Accounts Moving and Relocation Policy.

Employment at Will

The investment employees covered by this Plan are exempt from the provisions of the Virginia Personnel Act and employment in these positions is at will. Just as the employee retains the right to resign at any time, the VRS has a similar right to end at will employment with or without cause. An at-will employee does not serve an introductory period. An at-will employee is not eligible to use the agency's grievance procedure to resolve employment disputes.

Investment employees covered by this Plan are eligible for all other employment benefits and subject to agency policies that do not contradict their "at will" status.

Investment Professionals' Pay Plan

Effective October 25, 2026

409A Compliance

The intent of the Board is that payments and benefits under this Plan either comply with Section 409A of the Internal Revenue Code and applicable guidance issued thereunder ("Code Section 409A") or qualify for an exemption from Code Section 409A and, accordingly, all provisions of this Plan shall be construed in a manner consistent with the requirements for avoiding taxes or penalties under Code Section 409A. The Board shall not take any action to accelerate or delay the payment of any monies and/or provision of any benefits in any matter which would not be in compliance with Code Section 409A to the extent Code Section 409A applies to such payment or benefit. Notwithstanding any of the provisions of this Plan, the Board shall not be liable to the employee if any payment or benefit which is to be provided pursuant to this Plan and which is considered deferred compensation subject to Code Section 409A otherwise fails to comply with, or be exempt from, the requirements of Code Section 409A.

CLASS STRUCTURE

The following descriptions are the summaries of VRS' investment professional job classes/positions:

Chief Investment Officer

The CIO manages and directs investment programs, determines appropriate program structure, implementation, and monitoring. The CIO manages investment professionals who are directly responsible for internal and external investment programs. The CIO heads the Executive and Management Committees, which are responsible for reviewing all investment recommendations. The CIO collaborates with the VRS Board-appointed Investment Advisory Committee (IAC) and delivers frequent reports and updates to the VRS Board.

Deputy Chief Investment Officer

The Deputy CIO assists the CIO in managing and directing investment programs, determines appropriate program structure, implementation, and monitoring. The Deputy CIO manages investment professionals who are directly responsible for internal and external investment programs. The Deputy CIO is a member of the Executive and Management Committees, which are responsible for reviewing all investment recommendations. The Deputy CIO collaborates with the CIO and the VRS Board-appointed IAC.

Managing Director

The Managing Director is a senior investment position reporting directly to the CIO. This position serves on the Investment Executive and Management Committees. The Executive Committee is a department wide resource to the CIO for management and administrative issues. The Management Committee participates in asset allocation and manager/fund allocation decisions.

Program Director

The Program Director has deep asset class knowledge and carries full managerial responsibility for a VRS investment program, including all internally and externally managed assets. The Program Director may also support multiple asset classes. The Program Director participates on the Investment Management Committee and regularly presents information to the IAC and the Board. The Program Director, as applicable, operates within an explicit risk budget and has investment performance objectives that are regularly measured. The Program Director has full responsibility for negotiating on behalf of VRS.

Director/Senior Portfolio Manager

The Director or Senior Portfolio Manager position is a senior investment leadership position responsible for the oversight of multiple portfolio strategies, an asset class, or an investment function and may provide direct supervision for one or more investment staff. Positions at this level carry dual accountability: driving investment excellence within their particular mandates while contributing directly to the broader Total Fund objectives.

Investment Professionals' Pay Plan

Effective October 25, 2026

Portfolio Manager

The Portfolio Manager provides critical input to strategy development and is responsible for the more complicated and higher risk investments. The Portfolio Manager may delegate to the Senior Investment Officer certain portions of the investment program. The Portfolio Manager will begin to negotiate terms on behalf of VRS. The Portfolio Manager, from time to time, makes presentations and recommendations to the Management Committee, and perhaps the IAC and Board.

The Portfolio Manager supporting the DC Plans is a senior investment position reporting directly to the Managing Director - Private Market Assets and DC Plans. This position provides critical input to the design, implementation, and monitoring of all investment related aspects of the VRS DC Plans. Responsibilities include (1) evaluation and selection of new investment strategies, managers and/or funds, (2) negotiating terms on behalf of VRS, (3) monitoring and management of relationships with existing DC investment managers, (4) implementing investment policy as determined by the VRS Board, (5) presenting to the Defined Contribution Plans Advisory Committee and the Board, and (6) any other projects or duties relating to the DC Plans as may be assigned from time to time.

Senior Investment Officer

The Senior Investment Officer has higher level monitoring responsibilities that tend to involve higher risk and strategies that are more complicated. Some Senior Investment Officers may have day-to-day responsibilities for managing internal portfolios, subject to risk limits prescribed by the program director. The Senior Investment Officer will increasingly become involved in strategy development and formal recommendations to the Program Director.

Investment Officer

The Investment Officer, in addition to analytical responsibilities, may have direct responsibility for monitoring some portion of the existing portfolio, or some strategies or managers under consideration in the future. Such assignments will typically be in lower risk and less complicated strategies. The Investment Officer may continue to be involved in monitoring, compliance, and administration, but will also begin to make formal investment recommendations to the Program Director.

Senior Investment Analyst

The Senior Investment Analyst performs various types of analysis at the direction of more senior staff members. Analyst activities are geared around providing support for senior staff members more directly involved in the decision-making process. Such activities will include research, reporting, monitoring, compliance, and administration.

Investment Analyst

The Investment Analyst assists other investment professionals in their daily operations, including investment research and analysis, trading, and portfolio management. Analysts follow and report current market information relating to assigned sectors of the market. In addition, the Analyst conducts independent research on various topics, performs data maintenance, integrity, and report generation tasks.